

Pro-Poor Sustainable Tourism

Tourism on Road 9 in Lao PDR and Vietnam: Identifying opportunities for the poor

A value chain appraisal



Netherlands

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Organisation

SNV
Connecting People's Capacities

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A value chain appraisal

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SNV Lao PDR with Savan Institute of Management

SNV Vietnam with Huế College of Economics

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Disclaimer

The views and estimates contained in this report are those of the consultant and do not necessarily reflect those of SNV or of the Overseas Development Institute.

Acronyms

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
CBT	Community-based tourism
CBTA	Cross-border transport agreement
DMZ	De-militarised zone
EWEC	East-West Economic Corridor
IFC	International Finance Corporation
F&B	Food and beverages
FIT	Free independent traveller
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
LATA	Lao Association of Travel Agents
LNTA	Lao National Tourism Administration
MPDF	Mekong Private Sector Development Facility
NPA	National Protected Area
NTFP	Non-timber forest product
ODI	Overseas Development Institute
PATA	Pacific-Asia Travel Association
PDR	People's Democratic Republic
PPP	Public-private partnership
PPST	Pro-poor sustainable tourism
PTD	Provincial Tourism Department
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Agency
SME	Small and medium-sized enterprise
SNV	<i>Stichting Nederlandse Vrijwilligers</i> (Netherlands Development Organisation)
SaSEZ	Savan-SENO Special Economic Zone
UNWTO	United Nations World Tourism Organisation
UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America
UXO	Unexploded ordinance
VFR	Visiting friends and relations
VNAT	Vietnam National Authority for Tourism
WWF	Worldwide Fund for Nature

Executive summary

Road 9 is part of the East West Economic Corridor which starts in Da Nang, Viet Nam and ends in Mawlamyine, Myanmar. In 2007 approximately 12,000 people a month are crossing the border between Lao PDR and Vietnam in both directions. The majority of these are Thai indicating that most traffic originates in the West rather than the East. About four fifths of Thai-generated traffic at the Friendship Bridge II heads from Thailand directly to the Vietnamese coast, or to the cities Hue and Da Nang. The remaining one fifth goes to Lao PDR (mostly to Savannakhet).

The main market characteristics of tourists (overnight visitors) at present are:

	Savannakhet	Quang Tri	Hue
Country of origin	Lao: 68% Thai: 27% Other: 5%	Vietnam: 76% Thai: 10% Lao: 8.6% Other: 5.4%	Other: 46% ¹ Vietnam: 35% Thai: 17% Lao: 2%
Main purpose of visit	VFR, religious, transit and business.	Holiday (beach and resort) and shopping.	Holiday (heritage and beach), and business.
Length of stay	1	1.2	2
Purchasing patterns ²	<i>Hotel accommodation</i> \$12 per night <i>Guesthouse accommodation</i> \$7 per night <i>Average spend on meal per person</i> \$2.4 <i>Most popular purchases:</i> Lao cotton items, rice baskets, household goods. <i>Average sales per month</i> \$2,662 (best selling items)	\$12.4 \$3.14 Foodstuffs, clothes, cosmetics, furniture (annex 4, table 4.4). \$11,671	\$35.18 \$4.46 Glass and pottery souvenirs, fashion and silk, art works and food (annex 4, table 4.6). \$12,558
Average room occupancy	40%	55.5%	63.7%

It should be noted that at present Thai overnights are growing significantly in all three destinations.

¹ Primarily French, German, UK and Overseas Vietnamese visitors.

² Visitor expenditure based on interviews with hotels, restaurants and craft shops (may not be restricted to overnight visitors).

Estimated country of origin of craft shoppers (including day trippers) is a more accurate reflection of overall traffic on Road 9, and shows a somewhat different picture to overnight traffic.

	% all customers		
	Savannakhet	Quang Tri	Hue
Lao	65	11.44	1.36
Thai	30	2.11	17.72
Vietnam	1	83.66	60.45
Other	4	2.77	20.9

For those who visit Savannakhet Province, the main attractions are That Ing Hang stupa and the provincial capital. The main market segments for Savannakhet are the domestic (Lao) market and Thai day trippers. For the majority of traffic entering Lao PDR and travelling to Vietnam, the main attractions are the East coast beaches and Hue city.

A severe situation of 'corridor tourism' exists right along Road 9, as visitors pass through the area but do not stop. Detailed plans are in place on the Vietnamese side to address this, but no credible overall tourism development plans have been identified for Savannakhet province on the Lao side. A failure to integrate road development plans and tourism development strategy through 'whole of government' Tourism Master Planning is very evident in Lao PDR. It is regrettable that pilot tourism development planning has not been more closely integrated with road development strategy in this region, so that the tourism developments necessary to address corridor tourism were put in place along Road 9 to capitalise on emerging opportunities. The recent announcement of a Japan International Development Agency (JICA) tourism support programme for Savannakhet should help to address this.

On the Vietnamese side considerable effort has been put into potential site development for a wide range of tourism products, but, apart from hotel and retail developments, few flagship projects have commenced construction.

The main potential source market is Thailand as Road 9 does not directly link any of the main inbound regional tourism gateways. The industry along Road 9 is likely to be dependant initially at least on tourism traffic generated from within Thailand (in particular Isaan) and Vietnam. Some international tourism traffic may also use Road 9 as a 'short cut' between the main tourism corridors on Road 13 in Lao PDR and Road 1 in Vietnam. In time Vietnamese tourist traffic to Thailand and Lao PDR may also expand.

The challenge for Lao PDR is to turn passing traffic into overnights, and this will require intervention. Tourism product could be developed at Muang Phine, Savannakhet old town and other sites. The greatest returns (in terms of increased overnights for Lao PDR) may actually come from developing product that attracts people *to leave* Road 9 and explore Lao PDR via Road 13, rather than from developing attractions on Road 9 itself.

Tourism product attractive the domestic Thai and other beach-bound travellers needs to be developed: For traffic intent on crossing to Vietnam, facilities are needed to make them stop and spend money. With this in mind, tourism development plans for the special economic zones need to be reviewed to ensure they are realistic and market-focussed.

The challenge for Vietnam is to speed up investment in sites already identified, and to make tourism developments planned more responsible towards local people, especially minorities.

The present financial contributions (and especially pro-poor tourism contributions) along Road 9 in Lao PDR are very small and are likely to remain so until significant product development takes place. Approximately \$300,000 per annum is estimated to be accruing to the poor at present.

In Vietnam where there is more tourism product to stop passing traffic, the financial contribution is significantly larger, but still below what it could be. Most financial impact occurs beyond Road 9 itself, at coastal sites and in the cities on Road 1. The pro-poor financial contribution from Road 9 in Hue is estimated to be cUS\$5.36 million per annum at present (based on a generous assumption that 20 per cent of Hue overnights come via Road 9) and US\$ 250,000 is estimated to be going to the poor in Quang Tri. The definition of 'who the poor are' is however very debatable and these figures assume that most hotel employees fall into this category. If a stricter definition of poverty is applied, then the contribution of tourism to poverty alleviation is much smaller.

On Road 9 in Lao PDR, the greatest impact on the poor will be brought about by increasing the number of restaurants, because this study shows that (in Lao PDR) restaurants have the greatest pro-poor reach through employment and purchases through the food supply chain. Hotels appear to be making a significantly smaller contribution to pro-poor income than guesthouses, restaurants and craft shops.

By contrast in Vietnam, working with the hotel sector appears to have the greatest pro-poor impact, simply because this is the biggest sector of the tourism industry and the major employer. However this value chain-based recommendation needs to be considered in a wider tourism planning context and consider the need to create a multi-faceted tourism sector: Too many hotels could lead to a fall in occupancy and reduced viability and redundancies. There is also an opportunity to expand the crafts and SME sectors considerably to meet the needs of Thai visitors coming via Road 9, as well as the needs of other tourists and SNV can assist this process by working with key actors to remove constraints on enterprise.

Key recommendations to SNV:

The following approach to developing this study's findings is recommended:

- SNV advisers intervene to mobilise stakeholders relating to each action.
- SNV acts as an impartial broker, bringing stakeholders together to articulate their needs through local tourism groups and cluster groups.
- SNV helps key actors to seek funding for agreed value-enhancing actions.
- SNV provides expertise, technology, information and know-how.
- SNV helps encouraging local market access for the rural producers.
- SNV helps linking actors; seeking fair conditions between producers and marketers (i.e. by forming groups, associations, and cooperatives).
- SNV pioneers fast-response actions, such as specialised trainings or market leads.
- SNV monitors results and offers advice to adjust performance.

Based on a scoring and ranking of potential projects (chapter 7, tables 9 and 10) it is recommended that SNV Lao PDR should prioritise the following interventions:

- Engage with representatives of restaurants to identify and help remove impediments to the expansion and diversification of the sector.
- Support the development of pro-poor tourism initiatives around That Ing Hang stupa. (An SNV study is already planned).
- Supporting the development of tourism in Muang Phine and the nearby National Protected areas. A particular emphasis should be given to minority peoples.
- Devise and roll-out a strategy for the development of crafts and NTFPs, with a particular emphasis on minority peoples. (An SNV study is underway on cotton textiles).
- Engage with specialist NGOs to become engaged in making the mainstream tourism industry in Savannakhet more aware of human trafficking issues.

It is recommended that SNV Vietnam focus on the following issues:

- Roll out proposed Hue farm-to-table hotel programme to Road 9 working with hotels.
- Review proposals for beach tourism development to ensure pro-poor focus and advocate on behalf of local poor communities.
- Investigate if a review of state-controlled visitor attractions would be possible, to action significant opportunities for pro-poor interventions.
- Commission a specialist strategy for crafts sector intervention.
- Work with provincial authorities in Hue to bring about an SME-friendly environment to maximise job creation opportunities.

Joint SNV Lao PDR and SNV Vietnam action is recommended on the following:

- There is a market opportunity for more integrated cross-selling of product, for example for Lao tour operators to sell beach holidays in Central Vietnam, or Vietnamese operators selling more options in Lao PDR. SNV should work with the Lao Association of Travel Agents (LATA) and tour operators in Vietnam to encourage this type of tourism which will have pro-poor benefit
- Road 9 is seen as a human trafficking route by NGOs active in this area, such as Childwise Australia. Lack of engagement by NGOs encouraging responsible tourism has been highlighted: Human trafficking and in particular child trafficking are important tourism-related issues (sex tourism being a major source of demand). Given SNV's key role in the development of tourism policy in both countries, this is really an issue which the organisation should be addressing through its gender cross-cutting and PPST tourism areas of expertise. It is recommended that SNV should engage with specialist NGOs funding activity in this area to see if a joint programme can be devised.
- Another major responsible tourism issue in both jurisdictions is the minimal involvement of minority peoples in tourism at any level and their high levels of poverty. SNV must specifically target support towards these groups if it is serious about its pro-poor agenda. It should focus on area where high numbers of minority peoples live, encourage the provision of dedicated retailing opportunities for minority peoples along Road 9, work with non-timber forest product (NTFP) gatherers whose products are in demand, assist the existing ethnic restaurant in Vietnam to succeed and be replicated, advocate for minority people's land rights, work for fair compensation for groups displaced by tourism and continue its work with minority community tourism initiatives.

Other recommendations

- Pro-poor tourism support needs to be more centred around assisting mainstream tourism to be more pro-poor (this is where the greatest pro-poor impact will come from). However stricter geographic focus is also essential if SNV is to target poorer people. This means that a specific focus should be given to the following areas:
 - In Savannakhet, those living in Phine and Sepone Districts and in particular minority peoples.
 - In Quang Tri minority mountain peoples are significantly poor. Coastal communities also appear marginalised.
 - In Thua Thien-Hue pockets of urban poverty as well as rural poor in the mountain regions.
 - Tam Giang Lagoon where many poor people live.
- SNV should encourage the improvement of facilities for traders at Talat Savanxay, Lao Bao market and at other market places along Road 9. Improving facilities, in addition to improving the lot of traders, would be likely to encourage more use and hence more sales. These are the places where, primarily, the poor get benefit from tourism through the purchase of foodstuffs for hotels and restaurants and through other purchases. Food supply chains to restaurants and hotels are presently focused on few

locations (for example Talat Savanxay and Quang Tri) and there is scope to encourage more purchasing closer to tourism locations if facilities are improved.

- Particular attention should be paid by SNV to assisting pro-poor tourism and advocacy where tourism development is proposed and taking place along the Quang Tri coast.
- Hue offers significant opportunities for enterprise creation to serve mainstream tourism (restaurants, accommodation, craft shops, tourist book shops, bicycle hire, internet cafés, etc.). SNV should encourage the development of an SME-friendly environment through commissioning or drafting a comprehensive tourism-SME development strategy with the provincial authority. Small scale enterprise creation would be pro-poor.
- In Vietnam the state controlled visitor attraction sector is important, but does not appear to be making as significant a contribution to local poverty reduction as it might, and an SNV review of attractions with a PPST focus would be helpful.
- A programme to update hotel and restaurant standards in both Lao PDR and Vietnam is required if the country is to compete effectively in the international market place. SNV should encourage the inclusion of such initiatives in national and provincial tourism development policy and seek partners for this.
- The issue of access to finance is critical to the development of PPST and is something which SNV should continue to monitor and encourage.
- The improvement of tourist information at the Friendship Bridge II and at both sides of the Lao Bao border crossing and in Hue should be encouraged by SNV. The organisation has good experience in developing such a service in Savannakhet. Pro-poor tourism initiatives should be given special attention in the information offices.
- SNV should encourage the development of back-packer (and VIP) bus services linking Hue and Savannakhet. Reopening Savannakhet airport to scheduled passenger flights is also an important macro-objective.
- SNV should encourage a strategic review of special economic zone (SEZ) development plans in both jurisdictions to examine their tourism and pro-poor tourism content. SEZ plans for tourism at present do not seem to be clearly formulated, market-led or pro-poor. In particular proposals for the locations of casino developments need to be reviewed.
- SNV in Southern Lao PDR should focus on That Ing Hang as an attraction with pro-poor tourism potential, and consider whether the emerging homestay product here could be improved and then replicated elsewhere. The potential of the development of the salt panning works as a visitor attraction, and of the Sepone gold mine should also be considered with the provincial authority.
- Community-benefit initiatives and advocacy should be supported in National Protected Areas and at key sites such as the SENO chicken market, the dinosaur footprint at Phalanexay, Tad Salaen, the Khe Sanh area along the Dakrong river valley and near the Ho Chi Minh Highway-Road 9 junction. Careful attention should be paid to the type of tourist engagement most likely to benefit local people in each case.

- High levels of advisory support will soon be delivered by the JICA to Savannakhet PTD. SNV needs to review its PPST role in Savannakhet, to focus on the East of the province where poorer people live. SNV should consider addressing Muang Phine district as a future client. To recover from the loss of business that reduced driving times on Road 9 have caused, Muang Phine must re-position itself as a resort destination in addition to as a stopping place for groups on the way to Vietnam and SNV advisory support could play an important part.
- SNV's particular experience in assisting pro-poor tourism development at the Pathet Lao caves in Northern Lao PDR could be applied to the proposed military museum near the Lam Xeun battlefield at Ban Dong and to the Vinh Moc tunnels where there appears to be little pro-poor tourism benefit at present.
- SNV should consider the pro-poor tourism potential of Tam Giang Lagoon, as there are significant numbers of poorer people living here. The initiative could be undertaken in partnership with environmental specialists such as the Worldwide Fund for Nature (WWF).
- It seems there is very little pro-poor tourism impact through tour operations, which are an important part of the tourism economy particularly in Vietnam. Few if any fees are being paid to villages visited by tour groups. The issue of making the tourism industry and in particular tour operators more responsible is a challenge which SNV needs to address. SNV's sustainable tourism networks are one way of doing this; focussing on tour operator associations is another. The rural excursions value chain could also be examined.

Finally it is important to ensure that SNV's growing analytical emphasis does not over-shadow its hands-on advisory services. Recommendations of this and other value chain analyses must be acted upon, to exploit opportunities and resolve constraints if SNV targets are to be met.

1 Introduction

1.1 Background

Stichting Nederlandse Vrijwilligers, the Netherlands Development Organisation (SNV) supports the development of capacity for meso-level organisations in selected countries in South East Asia. In the Lao People's Democratic Republic (Lao PDR) and in the Socialist Republic of Vietnam (Vietnam) pro-poor sustainable tourism has been identified as one of SNV's key areas of intervention. The application of the economic tool of 'value chain analysis' is being used by SNV as a way of examining how and to what extent poorer people benefit from tourism in specific areas. This study broadens the scope of this type of analysis by looking at the tourism supply chain as an examination of a multi-destination trans-national route, rather than looking at one single destination in detail.

In Lao PDR the Overseas Development Institute (ODI) was commissioned by SNV to undertake a rapid value chain appraisal of tourism in Luang Prabang in 2006. The resulting report³ has assisted considerably in clarifying SNV intervention policy and this report for Road 9 from Savannakhet in Lao PDR to Da Nang in Vietnam draws heavily on the approach and findings of the ODI Luang Prabang analysis. Also of relevance are a study currently being completed by SNV looking at hotel supply chains in Hue city, and a value chain analysis of tourism in Da Nang undertaken by ODI. Previous studies are listed in the bibliography at chapter 8 and have been reviewed and drawn upon as indicated in this report.

SNV is seeking to understand the broader impacts of tourism on poor people in Lao PDR and Vietnam in order to optimise its interventions in the South of Lao PDR and in Central Vietnam, and to seek synergies between its work in both areas. The Asian Development Bank-funded (ADB) Road 9 primary road crosses the Annamite Mountains linking Vietnam in a new way with Lao PDR and Thailand, and creating the new East-West Economic Corridor (EWEC). Tourism is expected to be enhanced as a result. SNV hopes that this study will enhance development by its examination of tourist-related data and the identification of development opportunities, with SNV's particular pro-poor focus.

Secondary objectives are to concurrently look for ways to build the capacity of relevant SNV partners (such as local tourism authorities) and local capacity builders. SNV is particularly pleased to have worked closely with Hue Economic College and the Savan Institute of Management in undertaking this study. Both organisations have made significant inputs to the study process.

1.2 The tourism value chain

Value chain analyses examine the various 'links' in product supply that bring a product from its raw state to final consumption. Tourism however is largely consumed at the point of production, and it may or may not be sold far away in another country. In its truest sense the tourism value chain may comprise a retail travel agent, a tour operator, an airline, an airport experience, a ground handler, ground transport, accommodation, catering, retail, activities, services and attractions.

³ Ashley, Caroline (August 2006) *Luang Prabang tourism and opportunities for the poor: A value chain appraisal*. ODI and SNV Lao PDR.

In the working paper on *Value Chains and Donor Interventions* (Swiss Agency for Development and Cooperation (SDC) 2007), value chain studies are defined as analyses which examine the following:

- costs along the chain;
- where is most value added?
- importance of different actors and governance;
- structure (who decides on what, how and when has to be done);
- how strong are the different actors and what “drives” the different actors;
- the institutional framework;
- the political framework; and
- bottlenecks.

This study's Terms of Reference require it to focus on tourism *at its point of consumption* (i.e. along Road 9 in Savannakhet and Central Vietnam) rather than looking at the full tourism value chain.

1.3 Methodology

1.3.1 Data gathering and analysis

The terms of reference for this study are attached at annex 1. The following methodology was agreed with SNV:

- *Planning and questionnaire design* The consultant (Mr Robert Travers) drew up the work schedule for the assignment with SNV Lao PDR and SNV Vietnam. He also drafted the questionnaires for use with each target group (i.e. accommodation, restaurants, crafts/markets and excursions) in consultation with ODI.
- *Team briefings* Detailed team briefing workshops were held in Savannakhet and Hue at the start of the assignment. These were undertaken for SNV staff and local capacity builders who assisted in undertaking the study. Research forms were market-tested (annex).
- *Strategic inputs* Consultations were held with relevant government and tourism authorities in each country and relevant desk research was gathered. Information was also gathered on proposed future initiatives and potential funding sources.
- *Route familiarisation, initial interviews, scoping of tourism industry* The consultant travelled the entire study route, in addition to travelling along some of the Ho Chi Minh Highway which crosses Road 9, and Highway 1 which connects Road 9 with Hue and Da Nang.
- *Locally conducted research* SNV advisers and local capacity builders undertook targeted face-to-face interviews with local businesses. The data gathered was checked, inputted, tabulated and analysed by local capacity builders with inputs from ODI.
- *An audit of tourism product supply* was undertaken by SNV and the consultant adviser and the extent to which supply might be expanded to meet forecast demand was considered.

- *Desk research* Previous value chain assessments were examined and data was reviewed. In addition a range of previous policy documents, feasibility studies and other plans were reviewed. These are outlined at chapter 5.
- *Analysis of inputs* The consultant, working SNV staff and LCBs summarised key findings. ODI assisted significantly in the interpretation and financial analysis of data, and in reviewing the draft final report.

1.3.2 Timing

Interviewing took place between 20 August and 30 September 2007. Where possible, 2006 or later data was used for comparative purposes. The study was completed in November 2007.

50 successful interviews were completed in Lao PDR during the interview period and 150 in Vietnam. Accommodation suppliers, restaurants, craft shops and tour operators and guides were formally interviewed, in accordance with the brief. In addition however consideration has been given to transport providers, service providers, street vendors and other tourist-related facilities in the consultation process.

1.3.3 Caveats

This study has been undertaken over a relatively short timescale and has had a particular pro-poor focus. It is limited to the immediate catchment of Road 9 and should not be seen as an overall tourism development strategy for Savannakhet Province, Hue or Central Vietnam. In all of these areas North-South traffic is the fundamental driver of tourism at present, and this situation is unlikely to change. Air travel rather than road travel is also a significant and rapidly expanding factor in tourism distribution in South East Asia, and a wider tourism strategy would need to take considerable cognisance of this fact.

Many estimates and assumptions have been made in compiling this report, and whilst the author and SNV's national advisers consider them reasonable, they are none-the-less assumptions and should be treated as such.

1.3.4 Acknowledgements

The study team wishes to thank Savannakhet Provincial Tourism Office (PTO) and its Director for their help and support in Lao PDR. Likewise in Vietnam the Tourism Departments of Thua Thien Hue and Quang Tri Provinces have been most helpful. Access to data from the Lao National Tourism Administration (LNTA) and the Vietnam National Authority for Tourism (VNAT) is gratefully acknowledged. The Mekong Private Sector Development Fund (MPDF) has also generously granted access to its research data relating to Lao PDR.

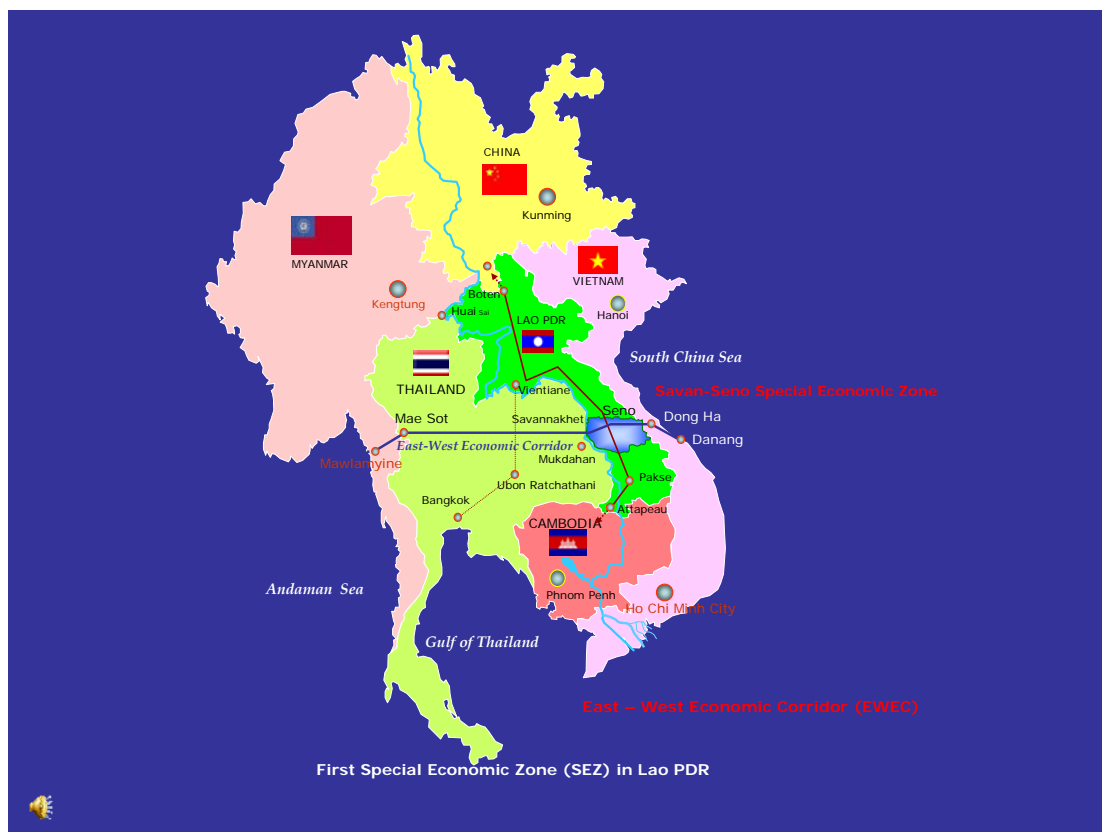
Thanks are also due to ODI which has provided a valuable financial overview to the study.

2 Tourist demand on Road 9

2.1 Overview

With the opening of the Japanese-funded Friendship Bridge II in December 2006 crossing the Mekong, the Asian Development Bank's (ADB) Trans-Asian Road 9 became a reality linking Southern Myanmar with Central Vietnam via Thailand and Lao PDR⁴. Map 1 outlines the overall route.

Map 1: Trans-Asian Road 9



Road 9 is part of the East West Economic Corridor (EWEC) which starts in Da Nang, Viet Nam and ends in Mawlamyine, Myanmar, totalling about 1,450 km. The Mekong Friendship Bridge II connects Savannakhet in Lao PDR with Mukdahan in Thailand. In Lao PDR, the section of the road constructed with ADB and Japan Bank for International Cooperation (JBIC) support is completed. A 140-km expressway from the Hai Van Tunnel near Da Nang to Cam Lo in Quang Tri Province, which would run in parallel with the existing Highway 1, has been proposed to accommodate the expected increase in traffic to Viet Nam ports (ADB, 2005). When the Lao Red Prince made his triumphant entry to Savannakhet in September 1945 with a Viet Minh backed army, the journey from Hue took seven days (Gunn 2005): Today the same route can be covered in as many hours.

The route bisects a number of tradition North-South corridors, not least the Mekong river itself, but also Route 13 running the length of Laos to Cambodia,

⁴ The road enhancement programme is not currently complete although much of the route is finished to specification standards.

and the very busy Road 1 and rail corridor that links Vietnam's Mekong Delta with Ho Chi Minh City, Hanoi and eventually Kunming in South Western China. In addition Road 9 also crosses the new North-South Ho Chi Minh Highway. The idea of an East-West link was formulated long ago and the French even began building a railway that was to run from Thakek, north of Savannakhet, to the Vietnamese coast, but the link has only recently become a reality. Making the new road a successful driver of economic growth will require a whole new dynamic, as a new transport route now links Vietnam with Thailand, changing Lao PDR from an isolated land-locked country, to a more open land-linked one and opening up Vietnam to Thailand.

In tourism terms Bangkok and Singapore are the main gateways to Indo-China and the Malay Peninsula. Hanoi and Ho Chi Minh City are also emerging as important entry points. In Lao PDR Vientiane and Luang Prabang are the main points of entry, but numbers, relatively speaking, are small. Table 1 shows regional tourist arrivals.

China, Malaysia, Thailand and Singapore are the main inbound tourism destinations in the region, as illustrated in table 1. This table ranks destinations in accordance with recent growth rates and shows that tourist arrivals to Lao PDR are currently growing at twice the rate of arrivals to Vietnam.

TABLE 1: Growth in tourist arrivals by country 2005-2006

Country/Destination	Period	Year		Growth rate (%)
		2005	2006	
Thailand (air arrivals in Bangkok)	Jan-Sep	6,096,142	7,188,802	17.9
Cambodia	Jan-Jul	794,547	936,439	17.9
Myanmar	Jan-Sep	158,454	174,824	10.3
Lao PDR	Jan-Jun	552,863	608,073	10.0
Singapore	Jan-Aug	5,877,182	6,462,157	10.0
Malaysia	Jan-Jul	9,485,074	10,014,540	5.6
Vietnam	Jan-Aug	2,295,348	2,421,458	5.5
China	Jan-Aug	79,745,106	81,783,729	2.6

Source: PATA

Road 9 does not directly link any of the main regional tourism gateways. It is likely to be dependant initially at least on tourism traffic generated from within Thailand (in particular Isaan) and Central Vietnam. The only large city on the entire route is the port city of Da Nang, which is itself not a major tourism centre.

Tourism features and facilities along the route are discussed in chapter 4.

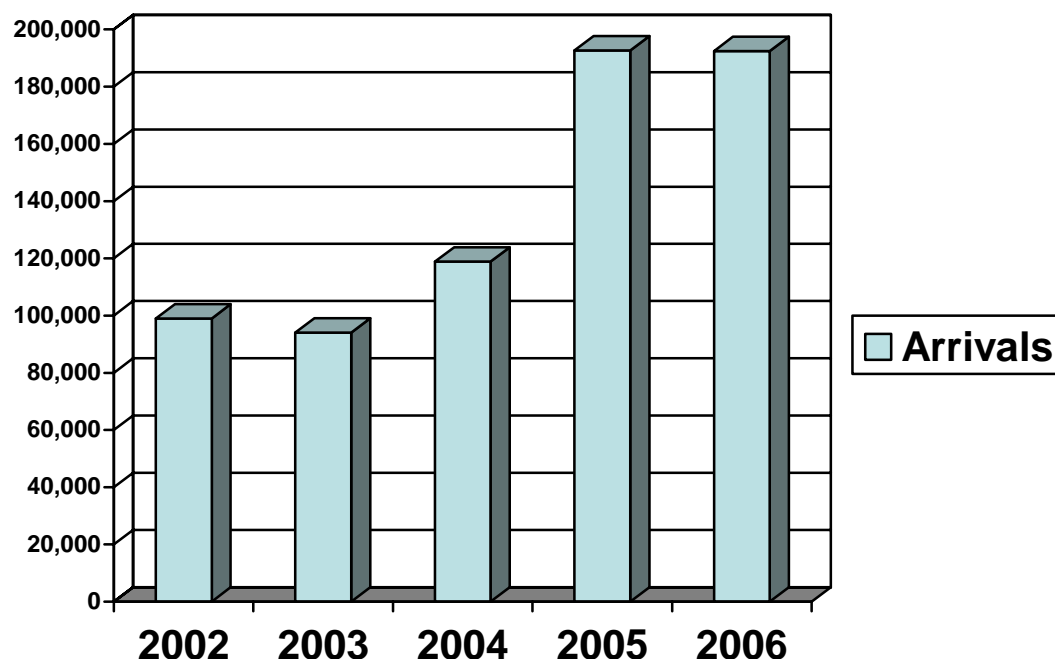
2.2 Arrivals

2.2.1 Arrivals to Savannakhet

LNTA statistics indicate that international visitor arrivals to Savannakhet Province were 192,385 in 2006, a slight decrease on 2005. Arrivals have however surged since the opening of the new Friendship Bridge and are likely to exceed 300,000 in 2007.

Chart 1 shows overall visitor numbers to Savannakhet Province for the past five years

CHART 1: Savannakhet international arrivals 2002-2006



Source: LNTA

86 per cent of these arrivals (165,360) arrivals entered Lao PDR through the international border checkpoints in Savannakhet. Of this latter figure, 154,882 were regional visitors. In the first five months of 2007 58 per cent of arrivals at the Friendship Bridge II were Thai, 21 per cent Vietnamese, 17 per cent Lao and 4 per cent other nationalities.

There were 206,411 arrivals at the Friendship Bridge II between 1 January and 31 August 2007. This approximates to 882 per day. The number of departures was similar: 190,029 departures or 812 per day. Arrival fees during this period were were 1,158,621,800 LAK (\$ 120,600) or \$0.58 per person.

Whilst the Terms of Reference for this study state that international arrivals to Savannakhet exceed those to Luang Prabang (151,703 in 2006), enthusiasm about Road 9's tourism potential must be tempered by the following considerations:

- A tourist is someone who stays overnight in a destination: Savannakhet PTD advises that four fifths of traffic on Road 9 entering Lao PDR at the Friendship Bridge II exits the country six hours later at the Lao Bao border crossing to Vietnam.
- There is very limited visitor accommodation supply in Savannakhet Province .
- There is undoubtedly a very large 'visiting friends and relations' (VFR) element to Thai traffic.
- Migrant Lao labour is also a factor crossing the bridge.

2.2.2 Arrivals to Central Vietnam

Current major international markets in north central Vietnam include France, North America, Australia, Japan and overseas Vietnamese. Expanding in recent years are the Thai, Chinese and Korean markets.

TABLE 2: Visitor arrivals in North Central Vietnam (2006)

Province	Total Number of Visitors	Domestic	International
Quang Binh	535,446	511,894	16,448
Quang Tri	258,000	203,000	55,000
Thua Thien Hue	1,165,316	732,315	433,001
Da Nang	774,000	516,000	258,000
Quang Nam	1,680,000	880,000	800,000

Source: VNAT

Approximately 12,000 people a month are crossing the border between Lao PDR and Vietnam in both directions. 8 per cent of these are Lao with the remainder coming almost entirely from the Association of South East Asian Nations (ASEAN) region. Most of these visitors are Thai.

2.3 Market segments

2.3.1 Market segments in Savannakhet

A high proportion of arrivals to Savannakhet are day trippers on their way to the provincial capital, Kaysone Phomvihane⁵. It is important to note however that day-trippers are regarded as excursionists rather than tourists⁶. There is no reason why SNV should not focus on excursionists as they can make significant pro-poor impact. This study however focuses on 'tourists', as per its terms of reference.

Domestic tourism: Discussions with hoteliers indicate that domestic tourism accounts for as much as 50 per cent of room-nights in Savannakhet. This is not surprising given that the Province is the most populous in Lao PDR, and many governmental, NGO and other meetings take place here; in addition to family gatherings.

Thailand FIT: Thailand is estimated to be the second most important source market for Savannakhet. The strong ethnic links between Lao PDR and Thai Isaan provide significant numbers of VFR tourists to Savannakhet. That Ing Hang is an important religious site for Thai visitors.

Thailand group: Discussions with Lao Tour Operators indicate that about 50 per cent of Friendship Bridge II coach traffic is day-trip to Savannakhet, 30 per cent sends one night in Savannakhet, 18 per cent bypasses the city and heads straight to Vietnam and 2 per cent will spend one night in Savannakhet before continuing

⁵ In December 2005 the name of the capital of Savannakhet, Khantabouly (since 1896), was changed to Kaysone Phonihane. However it remains universally referred to as Savannakhet, and this nomenclature is used for the remainder of this report.

⁶ A tourist being someone who overnights away from his normal place of work or residence. Day trippers are excursionists, not tourists (UNWTO).

to Vietnam. Sites visited in Savannakhet include That Ing Hang, the Dinosaur Museum, Wat Sayaphone and the Savanxay Market.

Vietnam group: Vietnamese traffic is presently quite limited, partly because Thailand and Vietnam do not allow each others' coaches to enter their respective jurisdictions (Lao busses pick up Thais bound for Vietnam, a significant if tenuous source of business for Lao travel agents). Vietnamese groups tend to stay in Vietnamese-owned hotels in Savannakhet. There is also some limited Vietnamese VFR and business traffic.

Visa runs and FITs: Non-Thai nationals on 'visa runs' (renewing their Thai visas) account for between 2 and 5 per cent of bednights. Visa-run tourists are mostly European long stay-residents of Thailand. Other European FIT tourists share similar characteristics. The tightening of Thai visa regulations has increased their number. Discussions with hotels indicate that higher end FIT traffic (both Thai and European) tends to stay in Mukdahan on the Thai side of the Mekong, owing to better standard facilities.

Caravan tours: The caravan tour consisting of an escorted cavalcade of vehicles is an important segment for Lao tour operators. About one caravan tour a month comes through Savannakhet, mostly from Thailand but also from Malaysia.

Sports tourism: Savannakhet has good sports facilities including a new stadium, a tennis club, sports fields, volley ball courts and other centres. Occasional national events generate domestic tourists.

Budget tourism: Some back-packers stop in Savannakhet on their way South to Pakse or to Vietnam. It is not one of the main budget destinations in Lao PDR however. SNV has assisted the PTD to develop treks and homestay for this important segment to Laos but uptake has been modest.

It is noticeable that Savannakhet is not strongly featured in the classic Lao tour offered by most tour operators. These tend to centre on Luang Prabang, Vientiane and Champassak, areas which have a much stronger tourism product.

2.3.2 Market segments in North Central Vietnam

Hue, the former imperial capital is the dominant attraction in the study region, followed by the area's beautiful beaches and the de-militarised zone (DMZ) which was established to separate the former political entities of North Vietnam and South Vietnam. A high proportion of visitors to beaches and Lao Bao are day-trippers from Da Nang, Hue and other parts of Vietnam.

Domestic tourism: Discussions with hoteliers indicate that domestic tourism accounts for as much as 50 per cent of room-nights in Hue city and 80 per cent in Lao Bao and beach tourism sites. It is the dominant market segment. Domestic tourism is mostly group, although car ownership is rising in Vietnam leading to an increase in FIT tourism. Domestic tourism is heavily concentrated on public holidays and weekends, especially during the summer months when it is very hot in the main cities.

Thailand: Thai group tourism to Hue and east coast beaches (mostly via Road 9) has increased dramatically in the past year following the opening of the Friendship Bridge II. There is a recognition by restaurants and accommodation along Road 9 that they need to upgrade their product if they are to attract the Thai market. Thai FIT traffic is very small due to restrictions on Thai vehicles entering Vietnam. Thai visa restrictions may shortly be lifted.

DMZ tours: These are mostly budget FIT tourists who tend to congregate around Pham Ngu Lao Street in Hue with its small stock of trendy restaurants and walk-

in travel agents ('tourist offices'). These tourists will buy day trips or two or three day options to the DMZ which partly includes Road 9. Tours usually include a visit to a minority village, with differing degrees of contribution to the local economy. The DMZ also attracts an important but ageing market of ex-servicemen and others interested in the American-Vietnam War. Ex-servicemen come from the USA, Australia, New Zealand and South Korea, in addition to Vietnamese interest. There are many sites listed as 'history relics' from this period in the region.

Caravan tours: The caravan tour consisting of an escorted cavalcade of vehicles from Thailand or Malaysia is currently a specialist segment. If barriers to movement of vehicles are lifted, tourism will significantly increase but this segment will decline.

Up-market group tourists: Hue is strongly featured in classic Vietnam programmes. These groups come from Europe, America and Singapore and stay in Hue's small but increasing stock of high-end hotels. They generally do not visit the Road 9 area, although there are plans to develop products more suited to their needs (for example, a golf resort).

Up-market FIT tourists: Hue currently has a small international FIT base, but presently lacks the tourist coffee shops, boutiques and restaurants to make it a strong FIT destination like Hoi An. Resort developments proposed along Road 9 also have potential for this segment.

Lao PDR: Lao FIT and bus traffic is presently quite limited, but the proximity of Vietnam's beaches may present a marketing opportunity for Vietnamese tour operators and for Lao travel agents to target their own domestic market. The Lao Bao special economic zone does not have huge appeal owing to its distance from the main Lao population centres: It is easier for Lao people to go to Thailand for shopping trips.

3 Tourism supply and value chain links with Road 9

3.1 Main tourism value chains on Road 9 in Lao PDR

The following main tourist segments have been identified as using Road 9 from the Friendship Bridge II to the Lao Bao border:

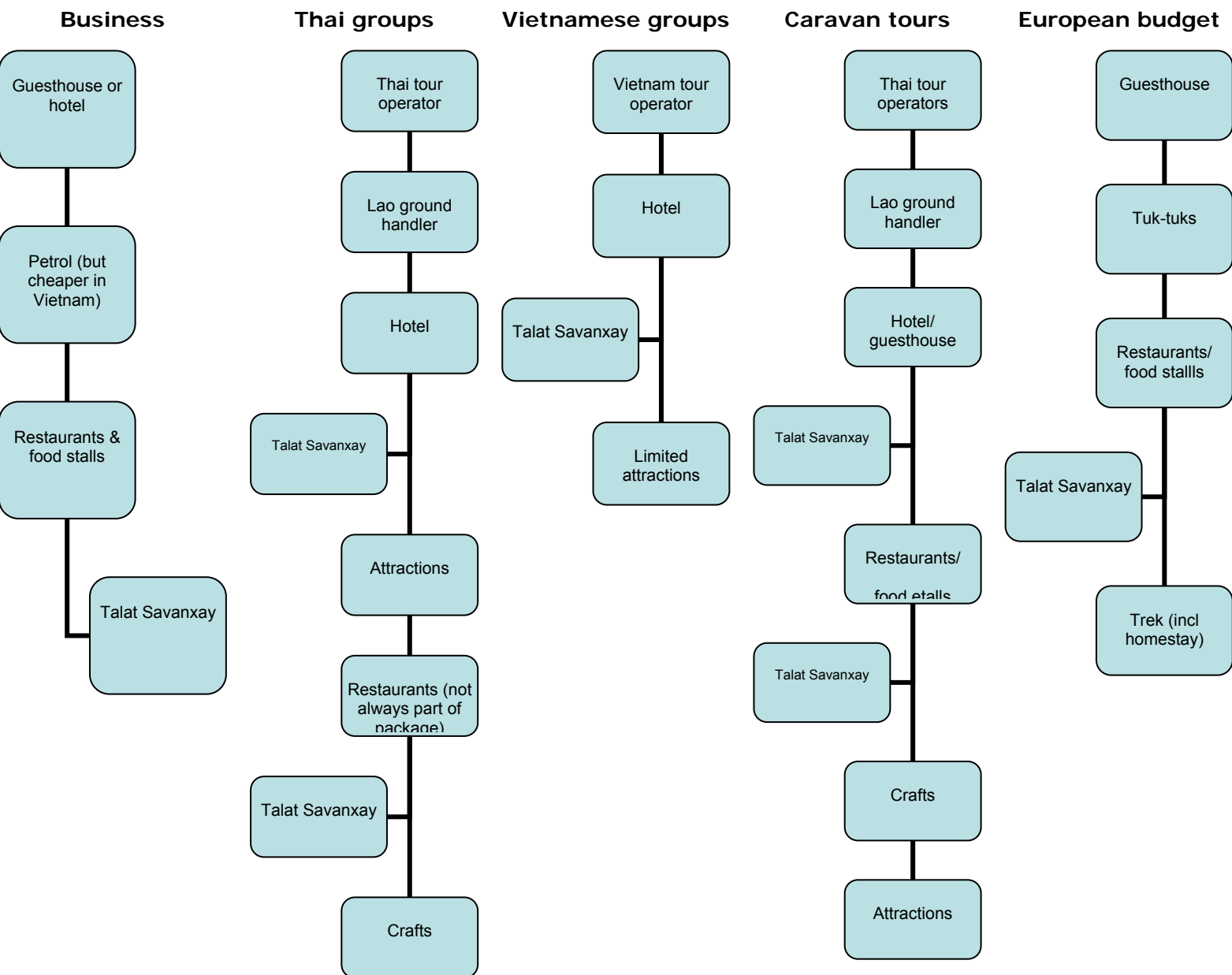
- Business traffic, traders and individuals passing East and West.
- Thai group traffic heading to or from Vietnam, controlled by tour operators.
- A small volume of Vietnamese group traffic, staying in Vietnamese-owned hotels in Savannakhet, Pakse or Thakek.
- Occasional caravan tours, controlled by tour operators and originating in Thailand or Malaysia.
- A small volume of European FIT budget travellers.

In addition Savannakhet city attracts the following segments which do not travel onwards along Road 9:

- Domestic tourism (business, religious and VFR).
- Thai VFR and day trip excursionists or overnight tourists to Savannakhet only.
- European budget tourism travelling North-South.

There is a widely acknowledged shortage of organised things to do in Savannakhet, so most tourists undertake the same activities. The exception is the European backpacker, who has different interests and a somewhat different supply chain. Chart 2 illustrates the identified tourism supply chains on Road 9 in Lao PDR. The diagrams show where the tourist \$ flows, initially through the package (where applicable) and secondly through discretionary purchases. Only main expenditure categories are shown.

Chart 2: Road 9 tourism value chains in Lao PDR



3.2 Main tourism value chains on Road 9 in Vietnam

The following main segments have been identified as using Road 9 in Vietnam:

- Some overnighting Vietnamese domestic traffic on shopping trips to Lao Bao special economic zone.
- Thai group traffic heading to or from Vietnam, controlled by tour operators. These groups overnight in Hue.

- DMZ tours, mostly controlled by Vietnamese travel agents either independently or as ground handlers for international tour operators. These groups or individuals overnight in Hue.
- Occasional caravan tours, controlled by tour operators and originating in Thailand or Malaysia. These groups overnight in Hue or elsewhere.
- A small volume of European budget travellers travelling to or from Lao PDR or on eco-tourism trips sold from Hue. They overnight in Hue.
- A small number of European 'Indo-China' multi-country tours.

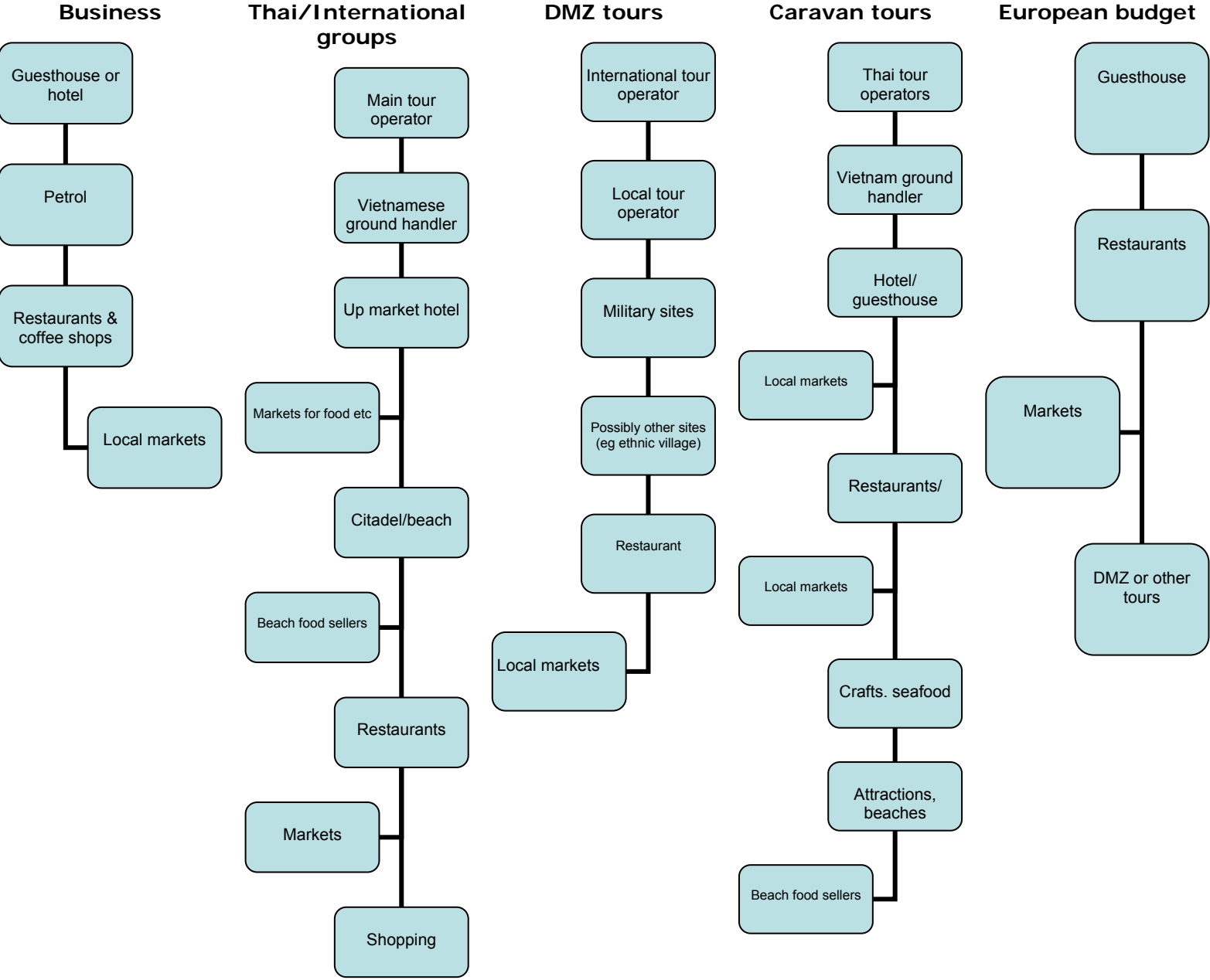
In addition Hue city attracts the following segments which do not travel along Road 9:

- Domestic tourism visiting the Citadel, beaches or coming for business.
- Upmarket FIT and group international tourists on the classic North to South Vietnam holiday.

Hue has a short average length of stay and offers significant opportunities for enterprise creation to serve a probable mass tourism market in the future, (restaurants, accommodation, craft shops, tourist book shop, bicycle hire, etc.).

Chart 3 illustrates the identified tourism supply chains on Road 9 in Vietnam. The diagrams show where the tourist \$ flows, initially through the package (where applicable) and secondly through discretionary purchases. Only main expenditure categories are shown.

Chart 3: Road 9 tourism value chains in Vietnam



3.3 Where is most value added?

The following points of 'production' see value added in the tourism supply chains outlined at charts 2 and 3,:

- The retailer who presents raw vegetables, meats, crafts, etc to the hotelier, restaurateur or other buyers.
- The visitor attraction manager who presents his product to the tourist.
- The restaurateur or hotelier who presents his product to the tourist.
- The tour operator or ground handler who packages the product for sale to tourists or other tour operators.

As is the case in many value chains, the highest value is added closest to the final consumer, for example, by the restaurateur who marks up the price of food and labour through the price of a meal; or by the tour operator who marks up the total cost of the package sold. This illustrates the importance of working with tour operators to encourage them to act responsibly through community-benefit schemes.

3.4 Importance of different actors and influencers

Both jurisdictions (Lao PDR and Vietnam) are transition economies moving from centrally controlled communist systems to open market economies. In these circumstances it is not surprising that the state (communist party) still has a very strong role in controlling day to day items like the price of fuel, transport and some foodstuffs.

The following are therefore key influencers in the tourism value chain:

- Provincial governates;
- Provincial Tourism Departments (PTDs),
- Lao National Tourism Administration (LNTA),
- the Vietnam Ministry of Tourism and its agents, and
- special economic zone authorities.

These organisations also tend to be the main decision makers, controlling where investment can and cannot go, so it is important that SNV consider them as potential clients.

Tour operators are emerging as important influencers, although somewhat restricted by government at local level.

Given the shortage of capital for investment, particularly in Lao PDR, this means that funding agencies have exceptionally large influence on the tourism value chain. These organisations include ADB, JICA and (to a lesser extent as it is not a funder) SNV. Funding sources are examined further at chapter 7.

The private sector in Savannakhet is weak. Financial institutions are also weak (vital for enterprise creation). In Vietnam there are some larger hotel and business interests that have some influence. Often these interests combine with political connections and this decision-making is still largely controlled by the

communist political systems in both countries. These actors are generally driven by a combination of political and policy influences rather than market research.

A major pro-poor issue in both jurisdictions is the minimal involvement of minority peoples in tourism.

3.5 Bottlenecks

It is not surprising therefore that the main value chain bottlenecks identified relate to the following:

- regulation, such as rules for vehicles entering a country, allocation of bus licences and fixed pricing;
- lack of understanding of market research and the needs of the market (standards);
- weak private sector (in Lao PDR)'
- access to capital for investment;
- access to capital for marketing; and
- empowerment of the poor and minorities.

These are explored further at chapter 6.2.

4 Rapid product assessment

4.1 Road 9 in Lao PDR from the Friendship Bridge II to Vietnam

A rapid product assessment of Road 9 through Lao PDR was undertaken by the consultant and SNV Lao PDR national advisers between August 22 and 24, in order to identify pro-poor impacts and possible areas of future SNV intervention that could help address pro-poor issues. Chapter 5 quantifies economic impacts. The objective of the review is to provide strategic advice to SNV on the focus of its activities and its client base so that a stronger pro-poor emphasis is given to its PPST work in Portfolio South (Lao PDR), thereby helping to maximize production, income generation and employment opportunities for poorer people.

Km 0 The improvement of tourist information at the Friendship Bridge II could encourage longer stay in Lao PDR and more overnights in Savannakhet. Pro-poor products could be featured.



Retailing of locally sourced crafts and forest products could increase income for the poor. At present there is no impact on poorer people at the bridge.

Km 0 The continued environmental enhancement of the old town will attract more tourists.



Support activities for restaurants and food stall holders will have a strong impact on the poor: Talat Savanxay is a key facility here tourism businesses exchange money for goods (mostly foodstuffs) from the poor. The enhancement of facilities for traders and transport options will improve living conditions for the poor.



The encouragement of more craft outlets in Savannakhet will attract tourism income and benefit poorer people.

The strategic planning of tourism development in Savannakhet and the Savan-Seno Special Economic Zone (SaSEZ, see chapter 5) does not appear to have a strong pro-poor focus at present or be strongly aligned with the LNTA National Tourism Development Plan. Support for encouraging good governance in this regard and enhanced strategic engagement might help both the PTD and SASEZ to consider pro-poor issues more.



Km 15 That Ing Hang (3km from Road 9) is a key attraction for visitors to Savannakhet (est. 60,000 pa). There is considerable pro-poor impact through purchases from vendors of flowers, fruit and temple offerings (sourced locally). Homestay product is developing here.



Km 16 The Salt Panning Works at Ban Nateui near Nong Lom Lake (3km from road 9) has been opened to tourists through an SNV/PTO trek. It might be developed to operate as a day visitor attraction which would have high pro-poor impact through increased sales of salt and encouraging improvements in working conditions. An example of a major salt pan tourist attraction is the Piran Salt Pan Museum in Slovenia.



Km 16 Nong Lom Dong lake and Dong Natad PA forest is a scenic spot which will attract regional and domestic visitors. Support for CBT-focused development might be given. The site is environmentally sensitive so environmental impact will need to be considered.



Km 30 At SENO village (name from the French army base nearby: *Sud, East, Nord, Ouest*) there is a popular chicken market where some 50 stalls sell cooked chicken and other products to passing traffic has grown up opposite the bus station. It is a prime development site at the junction of national road 13 (Vientiane to Pakse) and road 9. The relocation of the chicken market to a Chinese retail centre (currently under construction) is proposed, but not welcomed by the vendors. Most traders are women. Numbers using the facility are considerable, making it a very viable domestic tourist attraction. SNV could have pro-poor impact through advocacy, consideration of upgrading of the existing facility to make it more tourist-friendly, and training in food safety skills so that it can attract other tourists also.



Km 50 At Ban Na non-timber forest products (NTFPs), fruit, freshwater shellfish and crabs are sold to domestic and regional tourists by an ethnic minority group. SNV could support the enhancement of the site, selling skills, production, security of tenure, environmental awareness and improved road safety.



KM 71 Sujinda Guesthouse is one of a scattering of guesthouses along the route catering for passing trade. Occupancy is approximately 50 per cent (at \$10 this is a high-end guesthouse). Supplies are almost all bought in Savannakhet however. There may be some scope to work with local producers to supply hotels and guesthouses, however experience elsewhere suggests that this is not an easy task.



Km 97 The Phou Xang Hae 'National Park' (*sic*) gate is signed here but there appears to be no facilities and the road shows evidence of logging. SNV has developed an eco-trek ('Mountains of the Elephant Parade') including visits to a minority group and homestay, but the product has not been taken up by the private sector and is not sold locally.



Km 102 At Phalanexay below the Lao-Hungary Friendship Bridge are Savannakhet's famous dinosaur footprints on the exposed river bed (not visible in wet season). The PTD has identified a site on the west of the bridge for a lodge development, but on the east bank there may be potential for assisting the local community to manage access to some of the footprints, provide interpretation and develop a riverside walk.



Km 130 At Ban Alouai Mai (and Alouai Kao 3 km from road 9) SNV is assisting the development of NTFPs. There is potential to link these products with Route 9 traffic through assisting the establishment of a roadside outlet.



Km 144 At Km 144 there is another signed entrance to Phou Xang Hae 'National Park' and more evidence of logging. Thai tourists are interested in nature and the potential of the National Protected Areas (NPAs), their management and government commitment to protection at national and provincial level requires further study. These are areas for SNV to follow up.

Km 160 Muang Phine is the traditional stopping point before entering the Annanite Mountains to cross to Vietnam. It is approximately two thirds of the distance and half-way in terms of time from the Vietnamese border to the Mekong. The town has a selection of accommodation and a pleasant aspect, backed by hills. According to a CEDA study (Paille 2006), it has good tourism potential. The town presently reports a decline in business due to reduced travelling times for East-West tour traffic. The area is the gateway to two NPAs (guides for infrequent treks in these areas are presently brought from Savannakhet however). Phou Xang Ha NPA runs to the North-West from Phine, and Dong Phou Vieng abuts Phine to the South-East. Having already accommodation, restaurants and other infrastructure in place, Phine must now re-position itself as a resort destination rather than as a stopping place for groups on the way to Vietnam. It could also target budget tourists who currently travel North-South in Lao PDR, if economical transport for backpackers can be arranged. At present most food and other supplies are brought from Savannakhet, with significant cost implications. There is certainly potential for SNV to intervene to improve pro-poor aspects. SNV has already developed the three day Katang Trail at Dong Phu Vieng NPA Ethnic minorities include the Katang and the Phuthai, but these are not presently engaged in tourism, entrepreneurs at Phine being either Lao or Vietnamese.

Km 190 The Sepone gold and copper mine is located 27km North of Road 9 and accessed from Sepone village via a well maintained, partly sealed road that carries heavy traffic. Approximately one group a week (10-15 pax) visits the mine and are shown a presentation, taken on a tour and to a specially constructed viewing point. They stay at the mine in VIP accommodation as guest of Oxiana.



There could be potential to open an Industrial Visitor Centre for the mine and to allow the sale of locally crafted Lao gold items. This is probably not something that SNV would wish to pursue owing to significant environmental concerns regarding gold mining in Lao. PDR, but might be something for the PTD to take up with Oxiana.



Oxiana (Lane Xang Minerals Ltd.) has mined gold here since 2003 and copper since 2005. The mine has an estimated life of 25 years. Oxiana employs over 2,500 people in Lao PDR and a Community Trust Fund of over US\$600,000 has been established which sponsors development projects, including tourism. The mining settlement of Vilabouly shows

considerable evidence of mining's contribution to poverty alleviation in Lao PDR, and there are small guesthouses and houses of a suitable standard for homestay.

Km 197 Sepone village has a range of guesthouses and restaurants serving Road 9, mining and NGO traffic. A US base dealing with recovery of American remains also provides good local business. Oxiana proposes to establish a craft outlet for local people here. Handicap International has a unexploded ordnance (UXO) clearance base here, and (backpacker) tourists might be interested in observing mine clearance and making a contribution. They have previously expressed interest in developing this opportunity.

Km 207 Tad Sakhoy, a step waterfall, is located 8km North of Road 9. It could be a tour option of people staying in Sepone or Phine. There are no facilities at present.

Km 217 Tad Salaen is a dramatic 50m waterfall located 24 km down the Ho Chi Minh Trail from Km 207. Access is good as the road (unsealed) has been reconstructed and leads to a local border crossing with Vietnam. There may be potential for the private sector to develop an eco-lodge along the lines of That Lo in Saravan (also a remote location). There are five villages around waterfall Salene consisting of 8400 ha, 250 households, 1105 people. They are from the Tre ethnic group. SNV could assist in drafting a prospectus and suggesting trails and local pro-poor interventions. UXO clearance would be needed before intervention.



There is an other step waterfall with a height of 20 m, about 5 km upstream of Salaen waterfall, locals believe that it is beautiful for bathing.

The upgraded road may relate to major Lao-Vietnamese proposals to clear 80,000 hectares of secondary forest here and create tea and coffee plantations similar to the Bolevans Plateau. The idea is to settle immigrant Vietnamese labour. The project is called Lako-Focus (annex 4, future developments).

Km 215 The entrance gate to the Dansavanh-Lao Bao Special Economic Zone is at this point (annex 4, future developments) and stretches for 10km. There is no development evident at present, but given the areas cooler climate to Vietnam and access to both East and West, it might actually be a more viable location for a casino resort, and less socially damaging due to its isolation. Malaysia's Genting Resort is the best example of a successful isolated development, now containing one of the largest casino hotels in the world⁷.

⁷ According to *The Nation* (1 September 2007), 3,000 Thais a day cross the border to Cambodia at Poipet. 10,000 a day cross during holiday periods. 80 per cent of these do so to gamble and 20 per cent to travel on into Cambodia. A casino at Savannakhet is unlikely to create significant overnight tourism, but one near Dansavanh might.

Km 220 At Ban Dong work has started on clearing a site to construct a military museum near the Lam Xeun battlefield site. The attraction is in a good location and could be successful. Access to Don Phou Vieng NPA is 5km from the museum site, South of Road 9 via the Ho Chi Minh trail. If the theme of this museum could be broadened to become a Ho Chi Minh Trail Museum



In addition to telling the story of Lam Xeun and the Pathet Lao victory, the site has potential to be a major attraction offering access to the NPA as extension visits. If UXO clearance contribution opportunities can be built in through UXO Lao or another NGO, this attraction could have a real effect on improving the lives of poor people. Given SNV's experience in developing interpretation at the Pathet Lao caves, some advice on museum design might be welcomed, as well as considering pro-poor opportunities

Km 241 Dansavanh is a dusty border town like many others. It has no significant tourist facilities at present other than very basic guesthouses and restaurants. A travel agent or tourist information office would be useful to arriving visitors. SNV might encourage environmental awareness and enterprise and advocate for improvement.



Km 242 Facilities at the Lao border are minimal and the duty free shops on the Lao side appear abandoned. LNTA and Savannakhet PTD need to address tidiness and facilities in order to give a better first impression of Lao PDR. Most important border entry points to Lao PDR are relatively well maintained. SNV could advocate for improvements.



4.2 Road 9 in Vietnam from Ban Lao to Da Nang

A rapid product assessment of Road 9 through Vietnam was undertaken between August 25 and 29 by the consultant, SNV Vietnam advisers and Hue College of Economics. The objective of the review is to provide strategic advice to SNV on the focus of its activities and its client base so that a stronger pro-poor emphasis is given to its PPST work in Portfolio North Central (Vietnam), thereby helping to maximise production, income generation and employment opportunities for poorer people.

Km The Vietnamese Lao Bao border crossing is designed to accommodate large volumes of visitors by car and bus. There is no tourist information however. According to Quang Tri tourism officials, two new hotels providing an additional 200 rooms will shortly be built by Vietnamese and Chinese investors. At present the Vietnamese government does not encourage casinos.



Km The main retail facility at Lao Bao is the large Trade Centre and market, offering a range of hardware and household goods at prices somewhat lower than Vietnam. Most buses stop in Lao Bao. Ethnic groups sell NTFPs such as bamboo as vendors, however SNV could perhaps advocate for a minority people's stall selling crafts in the complex, which is not fully let.



Lao Bao has a limited but expanding range of shops and some hotels catering for more up-market domestic visitors. A large Chinese-owned supermarket is about to open beside the Trade Centre. Restaurants cater for Vietnamese domestic tourism but most Thais prefer to use the hotels.



Lao Bao Prison, located on the Southern side of the town, is a small memorial park on the ruins of a French Indo-Chine prison camp. Although an important site in the history of the region, it has limited tourist appeal and no interpretation.



East of Lao Bao the landscape and demography contrast markedly with the natural vegetation of Lao PDR. On the Vietnamese side the landscape is of coffee plantations and Vietnamese settler's tidy brick farmhouses and gardens, contrasting with indigenous people's wooden houses on stilts. Bananas and other produce are sold by the roadside in season.



Khe Sanh airfield (formerly Tacon airbase) is now a small military museum with captured US helicopters on display. The staff are friendly and knowledgeable. There are few items for sale and no linkage with the local economy was noted. It gets 10,000 visitors pa, 50 per cent of whom are Vietnamese.



The Khe Sanh area is designated for the development of a golf resort and visits to minority peoples in the hills will be encouraged through eco-tourism and trekking. These are initiatives of the Quang Tri tourism department which envisages the area becoming 'like Da Lat'.



There are many other military sites marked along the road, which was once heavily fortified. There is still evidence of chemical contamination from Agent Orange on the hillsides along the way. Eucalyptus and other vigorous tree species have been introduced to contaminated areas. Rubber plantations are also expanding. The area borders the infamous DMZ.

The route drops through some of its most beautiful landscapes villages of ethnic minority groups and the Dakrong river valley.



Road 9 crosses the Ho Chi Minh Highway at Dakrong Bridge. This is a key location with potential for some tourism development such as a craft outlet (there are presently derelict buildings on the Road 9 side of the bridge).



The Dakrong Nature Reserve is to the south of Road 9, accessed via the Ho Chi Minh Highway. The entrance to the Park is being developed and it is presently used by some tours visiting minority villages. This road leads on to A Loi, where SNV has been developing community-based tourism for about two years.



It is proposed to construct a spa near here at some natural hot springs (55°C), relocating a Kalu Village but providing a weaving outlet. A public facility is currently envisaged rather than a spa resort hotel, reflecting the importance of the domestic market.



There is currently limited accommodation in this area, with a government guesthouse recently privatised (right), and some small private guesthouses.

Road 9 bypasses the provincial capital of Dong Ha cutting through a large graveyard and an industrial area. Dong Ha town is none-the-less an important centre with hotels and is the access point for the DMZ, the 17th Parallel (Hien Luong Bridge) and Quang Tri's superb beaches. The provincial government has recognised the potential of Quang Tri's beaches and has built infrastructure such as road access and parking in anticipation of development.



Cua Viet beach and My Thuy beach are two examples. Both have well-regulated seafood restaurants which will be increasingly popular with Thai and Lao visitors. There is scope for SNV to advocate for fishermen and food-sellers here, in view of the likely pressure that this superb coastline is likely to come under from tourism development. Quang Tri province plans some additional 1,400 rooms (2,500 beds) mostly in Dong Ha itself and at beach resorts.



The Vinh Moc tunnels are a highlight of DMZ tours and achieve significant visitor numbers. This location was the nerve centre for the sea-borne 'Ho Chi Minh Trail' supplying the South. SNV could bring its experience at the Pathet Lao Vienxay Caves to this project, in terms of engaging with local people and maximising pro-poor benefits. The present limited pro-poor impact is examined at annex 5.



Hue with its enormous Citadel, containing within it the moated Imperial City and Forbidden (Purple) City, imperial tombs and hundreds of pagodas is one of the main tourist attractions of the country. The Hue historical royal monument complex and Hue Court Music are listed by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) as World Cultural Heritage and are two of seven World Heritage Sites in Vietnam.



Most hotels are located in the New City, across the Perfume River, and the Citadel remains free of high-rise buildings (although few pre-revolution structures survive in the old city). In 2006, Hue received about 1.2 million visitors, of which 40 per cent are international tourists. The whole province has 145 hotels with 4,500 bedrooms. Compared to Hanoi, Hoi An or even Vientiane the tourism industry here is largely undeveloped with relatively few tourist restaurants, art galleries and shops. There is currently no tourist information centre in the city. There would seem to be a lot of potential for SME development in Hue. SNV could assist by undertaking a tourism-SME development strategy.

South of Hue the road becomes rural again and more scenic. The coastal strip narrows and comes closer to the Annamite mountains. Phu Loc Lake is a dramatic feature with fish cages and roadside stalls. It forms part of Tam Giang, the largest lagoon in South East Asia . The 22,000 hectare water-body on which 300,000 poor people depend for their livelihoods. (Over-fishing, pollution, silting, and aquaculture development threaten this resource)



The road climbs over Phuoc Tuong Pass and then Phu Gia-Lang Co Pass. Lang Co town has some popular hotels and seafood restaurants.



The 6km Hai Van Tunnel (opened in 2005) is the final feature of the route before it enters Da Nang, the third-largest city in Vietnam and the gateway port for Road 9 and Central Vietnam.



A SWOT analysis of tourism on Road 9 is outlined at annex 2.

5 Tourism's economic impact on poverty along Road 9

5.1 Lao PDR: Poverty in Savannakhet Province

Although all of Lao PDR can be considered poor (and this used as the justification for NGOs to work anywhere) there are very real differences in levels of poverty within the country: Between those who live in the Mekong towns and have easy access to food, schools and medicines and those who live in the mountains and have insufficient food, no schools and no access to medicine; between those who speak Lao and are integrated to the market economy, and those who speak minority languages and rely on traditional subsistence shifting agriculture, living as they have done for millennia.

Savannakhet Province contains one fifth of the population of Lao PDR, with the majority of its population living on the western (Mekong) plain. Over 80 per cent of the population is rural with poverty increasing significantly towards the East and the Central Annamite Range. It is not one of the poorer Provinces of Lao PDR. A minority of the population (albeit a large minority, 37 per cent) are estimated to be below the poverty line and the province is ranked in the middle in the Lao PDR poverty index (it is ranked ninth out of eighteen provinces)⁸.

The ethnic Lao (*Lao Loum*) dominate the Mekong plain whereas ethnic minorities (classified by the government as *Lao Theung* (midland Lao) predominate to the East. There are few mountain peoples in Savannakhet. The Lao Theung ethnic groups practise shifting subsistence agriculture and are severely disadvantaged. In Phine and Sepone Districts through which Road 9 passes, they make up over 80 per cent of the population, although increasingly Lao Loum are settling along Road 9 and few if any tourism businesses are operated by ethnic minorities. An exception is NTFP produce sales.

Road conditions connecting to Road 9 are generally poor. In the extreme East of the Province (Sepone) they are very poor with less than 20 per cent of villages having year round road access.

Food security is poor in the East with dependence on subsistence rice and animals kept for emergency cash (such as the lengthy trip to the pharmacy, as less than 20 per cent of villages have a health centre in most of the Province).

In 1999 only 7 per cent of villages in Sepone and 10 per cent in Phine had a school: The situation has improved considerably since then but the East-West divide in terms of poverty remains very evident and obvious. With the exception of the conceptual development of excellent but largely unsold treks in the two NPAs in the poorer districts, most SNV pro-poor tourism support has been focused on the PTD and the West of the Province rather than on the significantly poorer East.

Trankell (Swedish International Development Agency, SIDA) identified in 1999 the largely negative impacts of road construction on traditional ways of life. She pointed out that local people were dependent on the forests for daily subsistence as well as for modest cash incomes. NTFPs important to daily life include small game, fruit, honey, spices, medicines, resins, latexes, dyes, fuel and charcoal as well as structural materials including rattan, bamboo, wood and various fibres.

⁸ UNDP *National Human Development Report – International Trade and Human Development*, Lao PDR, 2006

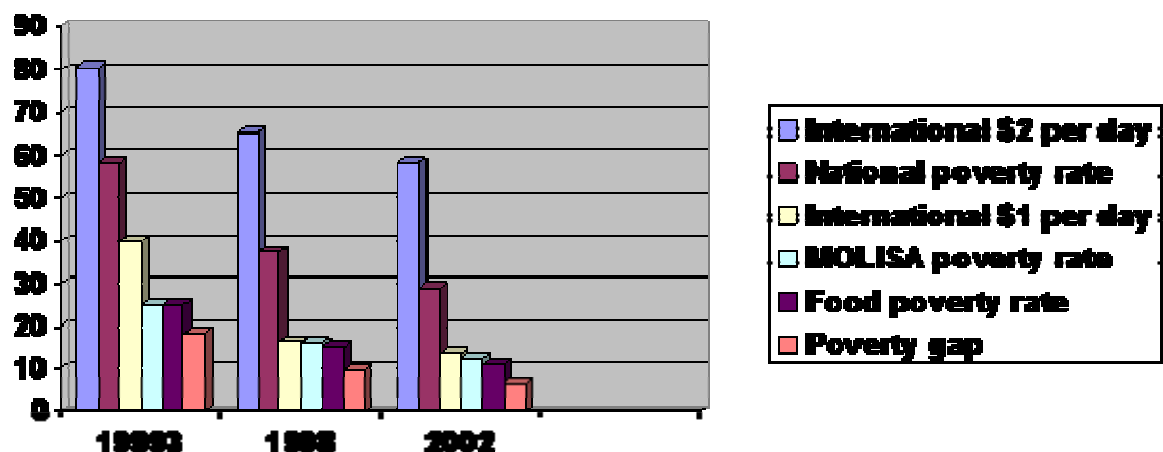
As far back as 1999 it was clear that the situation for both subsistence farmers and many upland ethnic groups was getting progressively worse.

5.2 Vietnam: Poverty in the central region

Despite Vietnam's dynamic growth performance it is still a poor country – ranked 168th in the world according to income per head in 2004. Notwithstanding the rapid decline in poverty (however measured) and the considerable social capital of the population, it is important to keep a focus on the distributional aspects of growth strategies in Vietnam.

The fact that the official poverty rate in Da Nang is 7 percent reflects the low level of the national urban poverty rate (US\$18 per household per month) rather than the prosperity of its citizens. As Figure 6 illustrates, defining who is 'poor' in Vietnam is problematic. Restricting ourselves to income poverty, the poverty rate in Vietnam in 2002 ranges from 58.2 percent to 6.9 percent, depending on the choice of poverty line against which people's livelihoods are measured.

Chart 4: Indicators of poverty in Vietnam 1993 to 2002



Source: ODI

The north central area has long been considered one of the poorest regions in Vietnam. The economic structure of the region mainly relies on agriculture with about 60 per cent of the labour force engaged in this sector. Infertile land, high population, lack of knowledge, techniques and access to markets, hazardous climate, natural calamity, fluctuation of agricultural products are the main causes of poverty in the region. In recent years, the economy of the north central region has developed rapidly with annual economic growth at about 8 per cent and poverty rate reduced accordingly. However, the number of people living in the region that have low income is still high. Unemployment is also a critical issue, particularly for young people.

5.3 Who are the poor along Road 9?

Based on the analysis at 5.1 and 5.2, it is suggested that poorer people are as follows:

- In Savannakhet, those living in Phine and Sepone Districts and in particular minority peoples.

- In Quang Tri minority mountain peoples are significantly poorer than the rest of the population. Coastal communities also appear marginalised.
- In Thua Thien-Hue there are pockets of urban poverty as well as rural poor in the mountain regions.
- Tam Giang Lagoon (although strictly speaking this is on Road 1 rather than Road 9) is also an area where many poorer people live.

5.4 Quantification of costs and pro-poor impacts of Road 9 tourism in Lao PDR

5.4.1 Methodology

The quantification of pro-poor impact is based on an estimate of the value of current (2007) tourism traffic following the opening of the Friendship Bridge II, based on primary research gathered from hotels, guesthouses, restaurants, craft shops, tour operators and trekking providers. This was further augmented by informal consultations by the consultant and SNV advisers all along the route.

Details of the market research undertaken by the Savan Institute of Management on behalf of SNV in Lao PDR are attached at annex 3.

5.4.2 Pro-poor income flows at present

In Lao PDR, different types of tourism enterprise have been examined to determine pro-poor income flows. Enterprises have been examined in detail through face-to-face interviews, and as a result assumptions have been made regarding total income and income flows to the poor (pro-poor income or PPI). Table 3 summarises these results. The assumptions on which these figures are based are outlined at annex 3.

TABLE 3: Pro-poor income on Road 9 in Lao PDR (2007)

Category	Total enterprises	PPI total (US\$)	As percentage of total PPI
Hotel	9	65,382	10
Guesthouse	55	140,216	22
Restaurants	35	259,466	41
Crafts	16	167,407	26
Total	114	632,471	100

Note: Almost all of this income is earned in Savanakhet town. Because very few enterprises are located along Road 9 proper, little tourism income is being generated.

Of this \$632,000, approximately half is accounted for by domestic tourism, leaving \$300,000 approximately attributable to Road 9.

5.5 Areas of current greatest tourism impact on the poor, Lao PDR

Table 4 examines the various links in the value chain and to what extent they impact on poorer people. The table indicates that the greatest impacts on poverty probably occur along Road 9 through the following aspects of tourism-related expenditure:

- Restaurant and hotel food supply at Talat Savanxay or other markets where poor people bring their produce to sell.
- Purchases from food stalls, such as along the Mekong in Savannakhet or at Seno.
- Purchases from stalls selling NTFPs along Road 9 (only one identified), particularly from disadvantaged minority peoples.
- Purchases from craft centres and other stalls.
- Purchases from vendors, such as those who line the road to That Ing Hang selling flowers, fruit and other temple offerings.
- Homestay, such as has been developed at Ban That Ing Hang by SNV and the PTD.
- Treks, although these are quite limited in number (less than 300 customers in 2006).

TABLE 4: Pro-poor impact on gender and the very poor, Lao PDR

Category	Gender	Impact on the very poor
Hotels	Mixed genders.	No impact on disadvantaged minorities or the very poor indentified
Restaurants	Mixed genders.	Some impact on very poor through food supply, NTFPs
Food stalls	Mostly female	Some impact on very poor through food supply, NTFPs
Talat Savanxay	Mostly female Some minorities	Some impact on very poor through food supply, NTFPs
Attractions vendors	Vendors mostly female	Some impact on very poor through food supply, NTFPs
Craft shops	Mixed genders. Will buy from minorities	High impact on very poor through craft purchases
Guesthouses	Mostly female	Some impact on very poor through food supply, NTFPs
Tuk-tuks	Mostly male No disadvantaged minorities identified	No impact on disadvantaged minorities or the very poor indentified
Homestay	Mixed genders Some ethnic minorities	Some impact on very poor
Treks	Mixed genders mostly male Some ethnic minorities	Some impact on very poor

5.6 Future pro-poor impacts of Road 9 tourism in Lao PDR

5.6.1 Calculation of financial benefits

The varying potential effects of increasing visitor numbers on PPI are outlined in table 5. This table shows that the greatest impact on the poor will be brought about by increasing the number of restaurants, because restaurants have the greatest pro-poor reach through employment and purchases through the food supply chain.

TABLE 5: Effects of increases in activity on pro-poor income on Road 9 Lao PDR

	New PPI per enterprise	New no. enterprises per sector	New PPI per sector	Inc PPI per sector	Percentage increase
Doubling of hotels	7,265	18	130,765	65,382	100%
Doubling of guest houses	2,549	110	280,432	140,216	100%
Increasing PPI from restaurant food chain from 24% to 48% of food/drink spending	13133.2	35	459,662	200,196	130%
Doubling no. of restaurants	7,413	70	518,932	259,466	100%
Doubling no. of craft centres	10,463	32	334,814	167,407	100%

Note: Based on a conjectural doubling of visitor numbers

5.6.2 Potential future negative effects on the poor

Potential future negative impacts on the poor are very likely unless interventions are made. These negative impacts are as follows:

- Ethnic minorities will be displaced and further marginalised. Significant plans for clearing areas for coffee and rubber plantations exist.
- Loss of land rights as relocation required for some tourism projects (but should involve better housing).
- Increased road traffic likely to bring increased prostitution, a likely increase in HIV+ incidence (already rapidly rising in Vietnam), and child trafficking.
- Like most major roads, Road 9 will have significant negative impacts on the surrounding ecological integrity (the unique biodiversity and the cultures and well-being of many forest-dependent ethnic groups).
- Ribbon development is highly likely along the road, with attendant problems of access to schooling, waste disposal, etc. Water supplies to the poor may also be negatively affected due to lack of sewerage facilities where resettlement occurs.

These issues were probably identified during the original environmental impact assessment for Road 9. As little evidence of mitigating activities appears evident, the proposed interventions should be reviewed as soon as possible. SNV needs to consider its interventions in these contexts.

5.7 Quantification of costs and pro-poor impacts of Road 9 tourism in Vietnam

5.7.1 Methodology

The quantification of pro-poor impact is based on an estimate of the value of increased tourism traffic at macro-level following the opening of Road 9, augmented by primary research gathered from hotels, guesthouses, restaurants, craft shops, tour operators and trekking providers. This was further augmented by informal consultations by the consultant and SNV advisers all along the route.

5.7.2 Results of primary research into financial flows

Financial flows in Vietnam were examined in considerable detail by Hue College of Economics. The results of the survey designed by SNV and undertaken and analysed by Hue College are outlined at annex 4. Table 6 estimates PPI based on ODI formulae and involve multiple assumptions. The number of restaurants and craft shops in particular should be treated with caution, as it is difficult to estimate the numbers that are 'tourism-orientated'.

TABLE 6: Pro-poor income on Road 9 in Vietnam (2007)

Category	Total enterprises Quang Tri	PPI total Quang Tri (US\$)	Total enterprises Hue	PPI total Hue (US\$)	Total PPI (US\$)
Accommodation	65	493,000	145	18.6m	19.1 m
Restaurants	30	1.2m	45	2m	3.2m
Crafts	20	774,000	60	2.3m	4m
Total	115	2.5m	215	23.4m	26.3m

It is important to note that domestic tourism accounts for at least 50 per cent of room-nights in Hue and 80 per cent in Quang Tri. This helps to explain the big disparity in income generated (international tourists pay more per room than domestic tourists). At most 20 per cent of the above revenues can be attributed to Road 9 in Hue (c US\$5.26 million) and approximately 10 per cent in Quang Tri (US\$ 250,000). This gives total PPI attributable from Road 9 of US\$ 5.51 million.

Accommodation is clearly the sector that brings most benefit to the economy in Hue. Pro-poor impact of the sector is mainly through wages and other benefits for employees. Compared to other categories, it is obvious that a significant amount accrues to the poor as wages and this is probably the largest element of pro-poor income. However it is debatable whether hotel employees are 'the poor' in a Vietnamese context.

Similar to accommodation, the restaurant sector is also so benefiting the poor and is the largest source of pro-poor benefit in Quang Tri. Compared to accommodation, pro-poor effects on restaurant staff are less overall, as salaries are lower, but on the other hand restaurant employees are probably poorer (less well paid) than hotel employees. Average wage flow to local including family per year for a restaurant is \$15,505.7 (lower compared than \$53,212.5 in the accommodation sector). However, restaurant operations have major impacts on the poor through the supply chain. The producers of food, (known as the poorest in the chain), benefit indirectly from the development of restaurants. Through channel of distribution (agents, wholesalers, etc.), expenditure of a restaurant

accrues to local producers who are often very poor. Among items purchased by restaurants, items such as meat, fish, seafood, supplied by producers in the province take the majority. Other items such as vegetables, fruit, rice take smaller proportion of expenditure. Demand for these items is not met locally and supplementary supply comes from elsewhere in Vietnam. Therefore, in general, there is a positive and significant effect from restaurant growth on the producers in local and from other provinces.

Handicraft products are very limited in number and quality in Quang Tri. Handicrafts are more developed in Hue city. However, the turnover from this business does not match its potential. Although the survey in the field may draw a picture of how this business is operating, it was not able to make it clear to what extent the makers can benefit from tourism. Most of businesses are family-run shops. Since products that are not diversified and attractive enough to tourists, sales are not high. The income for handicrafts makers is fragmented and unstable. In some villages in Hue, the number of craftsmen working is decreasing.

It seems there is very little direct impact on the poorest people from tour operations (other than through restaurants used), however they can influence significantly where tourists go. There are few fees or contributions to the villages visited, which is irresponsible tourism and often exploits minorities. Since tour prices include accommodation and meals, expenditure of tourists are attributed to be accrued to restaurants and hotels, etc. However, other impacts do occur on staff through wages. The staff force of tour operators who are skilled and semi-skilled employees get a relatively higher salary, but are not great in number. Therefore, impact on poverty is still limited.

The implication is that SNV should start to engage with the accommodation and restaurant sector and its supply chain, if it wishes to benefit the most poor people in Vietnam. This supports the findings of the Hue value chain study: Increasing hotels in Hue would seem to have the greatest pro-poor impact using these figures.

But this illustrates a significant weakness in the value chain approach to tourism planning: It takes no account of projected future demand. If hotel development is prioritised over other aspects of tourism product on the grounds that it creates the most jobs, occupancy may fall, viability may suffer and jobs be lost.

TABLE 7: Pro-poor impacts and beneficiaries, Vietnam

Category	Ownership and product elements	Gender, minorities
Hotels	Ownership not poor. Some staff likely to come from poorer backgrounds Likely to buy some provisions from Lao Bao or Quang Tri	Mixed genders. No disadvantaged minorities
Restaurants	Ownership not poor Some staff likely to come from poorer backgrounds Likely to buy some provisions from Lao Bao or Quang Tri	Mixed genders. No disadvantaged minorities identified
Attractions	Government ownership generally Limited vendors at present	Vendors mostly female
Vendors (NTFPs, etc.), Lao Bao market	Many suppliers very poor	Mostly female Some minorities
Craft shops	Owners not poor Some staff likely to come from poorer backgrounds Likely to buy some stock from poorer people	Mixed genders. Will buy from minorities
Guesthouses	Owners not poor	Mostly female No disadvantaged minorities identified
Tuk-tuks and pedal bikes	Owners quite poor	Mostly male No disadvantaged minorities identified
Treks	PTO not poor Guides quite poor	Mixed genders mostly male Some ethnic minorities

6 Strategic issues and impediments to pro-poor tourism growth

6.1 The East-West Economic Corridor

The EWEC's ultimate aim is to be an 'economic' rather than a 'transport' corridor. This means that infrastructure must be integrated with trade, investment, tourism and other economic opportunities, and the EWEC aims to help alleviate poverty and support the development of rural and border areas. The ADB recognises that the process towards becoming a fully-fledged economic corridor is long and complex. Vietnam in particular plays a crucial role in the EWEC, as Da Nang port is being developed as the Eastern gateway. ADB describes the prospects for tourism in Vietnam as 'vastly improved', following the opening of the EWEC⁹.

The Cross-Border Transport Agreement (CBTA) aims to streamline regulations and reduce non-physical barriers to the flow of goods and people across borders. This has very significant implications for tourism. Key aspects of cross-border facilitation include the following:

- single-stop customs (goods entering Laos will only need to be checked on the Thai side, for example);
- easing cross-border movement of people and better flows of traffic;
- standard requirements for road vehicles (ie the ending of current restrictions on right- or left-hand drive vehicles);
- exchange of commercial traffic rights (bus operators from Thailand will be able to operate in Laos and Vietnam for example); and
- standard road traffic signing and road design.

6.2 Issues and impediments

6.2.1 Lack of integrated planning

Lack of integrated planning for tourism is evident in Savannakhet. It is not clear, for example, how the proposals for tourism development in the SaSEZ interface with the National Tourism Development Plan, which highlights ecotourism as the national development priority rather than casinos and upscale resorts.

6.2.2 Corridor tourism

'Corridor tourism' is a significant problem for many aspiring tourism destinations in between more established ones. It refers to a situation where many visitors pass through an area (a 'corridor'), but do not stop and so have no economic impact. It applies to Savannakhet both on the North-South corridor (road 13) where most visitors travel between Vientiane and Pakse without stopping, and this study indicates that it is an increasing problem on Road 9. Hoteliers and restaurant owners in Phine and Sepone for example report a drop in expenditure following the opening of the Friendship Bridge II. This is because people get into Lao PDR earlier from Thailand so stop for lunch or for the evening further along the road (i.e. in Vietnam).

⁹ Việt Nam News, 22 August 2007, p6

No strategic response to this issue has been formulated in terms of a detailed and credible Provincial Tourism Development Strategy. Significant attractions of scale, events and premier resort hotel developments are generally part of the response to the problems of corridor tourism. Given the dominance of the Thai group market in terms of holiday tourism traffic on Road 9, the SASEZ approach, if strategically applied and extended to Savannakhet old town, might offer solution through attracting investment, as would the opening of a significant group-orientated gold mine tourist attraction at Vilaboury. New markets also need to be captured, so both the Vietnamese and budget tourist markets need to be attracted to the area and appropriate product developed.

The SaSEZ current master plan has significant tourism proposals, but it is unclear how feasible they are. Pro-poor issues do not seem to have been considered. The developments proposed require the reallocation of local people to new settlements. The tax incentives offered are likely to mean that new tourism investment will locate in the zone (north of the existing city) rather than in the old centre of Savannakhet. This will make urban regeneration and maintenance of historic buildings (vital to maximise tourism potential) less likely and could have negative impacts on the city's historic core. The development of a major attraction, such as a private sector driven 'Jurassic Park' capable of attracting significant volumes of Thai families, would be a helpful development to try to address corridor tourism. SNV might encourage the SaSEZ Authority to request European Union or other technical assistance on special economic zone planning, and in particular, tourism in special economic zones.

6.2.3 Regulation

Despite the opening of the Friendship Bridge II and the significant increase in traffic, regulation still impedes the development of tourism. Examples include restrictions on certain types of vehicles entering different jurisdictions, visa requirements, controls on tour operators and tour guides. Whilst it is recognised that these are protectionist measures designed to protect certain aspects of tourism in their respective countries, in overall terms regulation is a negative response which is slowing tourism growth.

6.2.4 Access to capital and weak private sector

Access to capital for investment is a particular problem in Lao PDR and to a lesser extent in Vietnam (for some groups, but a particular problem for minorities). It is particularly difficult for the small scale operator to borrow money on reasonable terms for expansion. The issue of access micro-finance is critical to the development of PPST and is something which SNV should continue to monitor and encourage. SNV should also try to facilitate the SME sector.

6.2.5 Transport

There is a need for an upgraded bus service between Hue and Savannakhet if back-packer tourism (for which there is potential) is to be attracted. This is an opportunity for the private sector.

Savannakhet Airport has a short single runway (1,633m) allowing limited aircraft to use it. Mostly it is used by Oxiana, the Australian-Lao gold and copper mine company. The airport was improved in the late 1990s with a new terminal and fire-fighting facilities, but is currently closed for passenger flights. Proposals to upgrade it as a joint airport for Savannakhet and Mukdahan in Thailand were suggested by the former Thai government, but have not progressed. Reopening and expanding the airport would have positive tourism implications, but is a macro-project so is not considered further in the context of SNV advisory support.

7 Recommendations to SNV

7.1 SNV Asia strategic priorities

SNV's regional policy for the period 2007 to 2010 is that PPST advisory support should focus on four main product areas in order to deliver stated numerical targets. The four areas of advisory activity that will deliver these targets are outlined as follows:

- Tourism value chain development, including: market scans; value chain analysis; identification of opportunities; product development; business development services, including market analysis and marketing; quality control and certification; promotion of the business case for PPST (an 'inclusive business' approach).
- A multi-stakeholder sector development approach, including: participatory planning, monitoring and evaluation; strengthening upward and downward linkages; establishing/strengthening networks, associations, sector coordination; resource mobilization; promotion of pro-poor sustainable tourism in policies, plans and practices; enabling environment for private sector development.
- Leadership, change management and organizational development.
- Gender and social inclusion mainstreaming, including: empowerment of the disadvantaged and marginalized; promoting gender equality; mainstreaming gender and social inclusion in policies, plans and services.

How exactly these targets are to be delivered is worked out in SNV country strategies.

7.2 SNV Lao PDR strategic priorities

SNV Lao PDR's draft country strategy for PPST is focussed on achieving Lao PDR's share of overall SNV targets for relieving poverty. Table 8 outlines key performance indicators.

Within the PPST sub sector SNV Lao PDR the strategy is all-embracing in that it states that SNV will focus on the following:

- destination development value chains;
- tourism-related supply chains;
- excursions-transport supply chains;
- food supply chain; and
- the handicrafts supply chain.

In determining choices the draft strategy states that fundamental to SNV's approach will be the following:

- The provision of advisory services for the formulation of long-term sustainable tourism development and marketing strategies for the targeted provinces. The strategies will focus on mainstream, market-oriented development of the sector.
- interventions will be private sector-led where possible, and based on public-private partnership (PPP) models
- it is likely that SNV-supported interventions will involve the fostering of multi-stakeholder partnerships in the value chain, MSME development, access to (micro) finance, and development of an enabling environment in value chains.

TABLE 8: SNV Lao PDR priorities 2008-2010

Key Performance Indicators	Baseline 2007	MA 2008	SP 2009
<p>(Improved) coverage/outreach by SNV clients</p> <p>Increased number of poor people reached/affected (through improved performances) by SNV clients; per sector, per country</p>	<p>39% poverty- 1997</p> <p>Baseline – 2.400.000 people below national poverty line of \$8 a month</p>	<p>Improved Income and employment 120,000 will benefit through tourism</p>	<p>Improved income and employment 160,000 benefit through tourism</p>
	<p>625.000 jobs generated</p> <p>2005 tourism represented 17.000 jobs that is 4% of total</p>	<p>Tourism generates 8625 additional jobs</p>	<p>Tourism generates 11.500 jobs</p>
<p>Improved Service Delivery</p> <p>Degree of improved service delivery (scored on criteria: improved relevance, effectiveness, equity, efficiency, quality, sustainability, as applicable)</p>	<p>SNV works with 25 clients on improved services delivery with mainly government clients, involvement with the private sector will increase</p> <p>Results – pro poor focus in policies and strategy, implementation capacity at the sub national level is low</p>	<p>250 private sector actors & government capable of implementing and developing the sustainable destinations & tourism related supply chains with 33 clients</p>	<p>250 private sector actors & government capable of implementing and developing the sustainable destination & tourism related supply chains with 33 clients</p>
<p>Improved Enabling Environment</p> <p>Degree of improved enabling environment (scored on a scale)</p> <p>Pro-poor policies, legislation, regulations, budgets, subsidies, taxation, etc.</p>	<p>SNV works with 25 clients on improved enabling environment with government clients</p> <p>Results – pro poor focus in policies and strategy, but implementation capacity at the sub national level is low</p>	<p>SNV supports clients in developing an enabling environment for pro-poor tourism policies and plans for the private and public sector aiming at increased levels of income and employment for poor and disadvantaged households and communities across the 4 target provinces through capacity development interventions which integrate a poverty focus into mainstream tourism, including poor people in tourism related (supply) value chains in selected tourist destinations.</p>	

Source: SNV Lao PDR

The Lao PDR strategy points out that many factors affect the ability of micro-level actors to participate in tourism-related value chains occur and that these must be resolved at national level with national level clients. Linking small producers and service providers to tourism markets and integrating them into the destination development value chain of Lao PDR is essential to success. Therefore, at macro level, there is a need to focus on the creation of an enabling environment that facilitates this process. This implies that SNV will work on facilitating development rather than getting involved in actual development, and so has significant implications in considering the many opportunities for intervention identified in the product audit at chapter 4.

In relation to Portfolio South the following specified outcomes have been identified:

Destination Value Chain:

- Development and implementation of a long-term tourism strategy for Savannakhet and Khammouane Province that matches the potential of the destination with the tourism market.
- Development of a sound marketing strategy.

Tourism-related Supply Chains:

- Revamping product offerings in the rural excursions supply chain (example Fair Trek among others) so as to increase tourist time and expenditure in rural areas.
- In 2009 more emphasis on the strengthening of the food supply chain so as to increase the supply of fresh fruit and vegetables. SNV's niche will be to increase the range of Lao fruits and vegetables used in menu items.
- Strengthening the handicrafts supply chain. Access to finance will be a key issue in this supply chain to increase volumes of businesses.
- MSME development: That Inhang Stupa in Savannakhet is highlighted as to potential to increase tourist expenditure, particularly from the international, domestic and Thai markets.

Some of these priorities may change in the light of JICA's decision to provide support for the appointment of advisors on tourism development and marketing to Savannakhet PTO.

The strategy also states that the strengthening of rural excursions, food and handicrafts supply chains offers opportunities for up-scaling and replication in other areas, particularly if there is strong private sector involvement and appropriate tools/approaches are developed and documented.

It will be important to ensure that SNV's growing analytical role does not overshadow hands-on advisory services and capacity building to the most relevant clients (based on its value chain analyses). There will be a critical need to take forward recommendations with various stakeholders in relation to interventions to exploit opportunities and resolve constraints, if targets are to be met.

7.3 SNV Vietnam strategic priorities

SNV Vietnam has similarly broad and all-embracing policy guidelines:

Supply chains identified by SNV Vietnam as having the greatest potential for direct poverty reduction include the following:

- souvenirs and handicrafts produced by the poor for tourism markets (tourists and enterprises);
- food and beverage products of the poor sold to tourist and tourism establishments;
- excursions and activities that engage the poor (such as community-based tourism (CBT) visits, local guides);
- human resource supply chain, providing the poor with vocational training to access tourism sector jobs; and
- attention should be given to the complementary supply of "tourists" through strategically supporting marketing and business sector initiatives.

The strategy points out that continued decentralisation of tourism planning and management responsibilities in Vietnam will require increased attention and support to SNV's mezzo-level government clients and the sector stakeholders they deal with directly. More work is still required at mezzo-level policies to achieve tourism growth targets as well as direct and responsible impacts on poverty reduction and other social development goals. SNV is considered well positioned to provide strategic and effective support for pro-poor tourism supply chains and enabling environment influence.

The coastal band of poverty is specifically highlighted as aligning well with Vietnam's interest and potential for beach tourism development. The strategy highlights the danger that, without PPST interventions, local people might be marginalised.

SNV's Vietnam strategy points out that tourism also provides development advantages for ethnic minority groups based on tourism interests in their traditional customs.

Thematic and expertise area choices highlighted by SNV Vietnam are as follows:

- *Poverty Reduction Mainstreaming*: Capitalising on poverty reduction opportunities in areas with high levels of existing tourism activities will yield greater direct poverty reduction results more efficiently. Supply chain approaches identified above, together with closer cooperation with the business sector will be the primary focus of these interventions.
- *Enabling Environment*: Given the current needs and opportunities for solidifying the functioning of the tourism sector towards a poverty reduction orientation significant opportunities for strategic and high impact interventions exist. These will include strategic interventions of policy and planning influence as well as stakeholder coordination and sectoral strengthening activities.
- *Community-Benefit Tourism*: Enhancing community (rural, poor) benefits through tourism will continue to be a focus of PPST activities, *but at a "higher" (regional and policy) levels with much less focus on individual interventions*. Creation of programmes and networks together with other partners will both utilize SNV's position and expertise in this field to achieve much greater impacts than in the past.
- *A More Programmatic Approach* will be undertaken in each region, relying more on the engagement of local capacity builders (LCBs) and partnerships with other stakeholders, especially the business sector. Specific interventions will be designed and selected on the basis that they fit and contribute to the goals and targets of these regional strategies. Other important criteria include poverty reduction impact and tourism development potentials, resource mobilization and partnering opportunities, government and local interests, upscaling and replication potentials as well as linkages and synergies within the region.

In the Central Provinces SNV's strategy states that it will focus on initiatives that

- exploit the synergies for impacts and funding potentials through collaboration on a regional basis;
- interventions will target high impact supply chain development and significant upscaling of previous CBT approaches through partnership (development organizations and tourism businesses) ; and
- in the context of larger regional initiatives (such as the ADB or WWF's Green Corridors initiative). The region contains a number of major tourism sites Hue City, Lang Co, Phong nha-Khe bang National Park, Dong Hoi) that hold high impact potentials for supply-value chain initiatives.

TABLE 9: Key performance indicators Vietnam

Key Performance Indicators	Baseline 2007	MA 2008	SP 2009
(Improved) coverage/outreach by SNV clients (% increase within gross growth numbers that reach the poor)	Est. 5%	^ 10%	^ 20%
Poor people employed in tourism	30,500	87,800	240,000
Poor people earning incomes through tourism	50,000	67,500	109,000
Total of poor households receiving economic benefits through tourism	80,500	155,300	349,000
Total of poor receiving economic benefits through tourism	402,500	776,500	1,745,000
Improved Service Delivery:			
improved relevance,	2/3	3	4
effectiveness,	2	3	4
equity,	2	2	4
efficiency,	2	3	4
quality,	1	2	4
sustainability	1	2	3
Improved Enabling Environment Degree of improved enabling environment (scored on a scale)			
Pro-poor policies,	4	5	2
legislation,	3	4	5
regulations,	2	3	4
budgets,			

Source: SNV Vietnam

7.4 Implications arising from current SNV policy

Both country strategies place considerable emphasis on planning, strategy development and creating enabling environments, although some specific interventions are also mentioned.

Initial priorities have already been selected in the draft strategies (eg That Ing Hang in Savannakhet, coastal tourism and CBT in Vietnam). This study supports these choices.

All current SNV strategies constantly refer to 'adopting value chain approaches' to various aspects of tourism, but the implications in terms of the time and resources that undertaking value chain analyses require will be significant. It is

already apparent that analysis can become a priority, perhaps at the expense of taking forward recommendations for actual pro-poor activities¹⁰.

The clear implication of both strategies is that SNV will increasingly become an analytical organisation, making recommendations to its clients, rather than being a hands-on pro-poor activity development organisation. This will make the quantification of impact even more difficult.

7.5 Implications arising the Road 9 value chain analysis

7.5.1 From analysis to intervention

Interventions will always have to take into account the specific situation and context, but the following general guidelines outlined by SDC are very relevant:

- Outsiders (i.e. people who have no intrinsic role to play in a value chain, such as development agencies like SNV) should only intervene where they can add real value to existing capacities of actors and service providers, and only if there is a real demand.
- Development agencies should intervene only in support of existing local actors, entrepreneurs or organizations that may become *potential change agents*.
- Changes will only be sustainable if they are implemented and owned by local entrepreneurs, local public agencies or local civil society.
- Value chain development itself can be a commercial venture. Development agencies or publicly funded agencies (including local government) should avoid assuming roles that can be commercially operated, and thereby sabotaging the emergence of truly sustainable and viable enterprises (for example by setting up tours or tour guiding services).
- Before intervening in any value chain, development agencies must have a minimum understanding of markets, actors, informal rules and laws, embedded and other services, etc.

The following are best practise intervention procedures which must be followed to develop tourism value chains. (The circumstances and emphases will vary case-by-case):

- SNV conducts extensive research and stakeholder consultations, leading to diagnosis of key constraints, and possible solutions (as has now been largely done for Road 9);
- Facilitators or advisers intervene to mobilise stakeholders.
- SNV acts as an impartial broker, bringing stakeholders together to articulate their needs through local economic development programmes, cluster development, etc.
- SNV helps key actors to seek funding for agreed value-enhancing actions.
- SNV provides expertise, technology, information and know-how to key actors.

¹⁰ From Luang Prabang, where one value chain study has lead to further studies to examine issues further, but few actions have been undertaken to intervene in the value chain

- SNV helps encouraging local market access for the rural producers.
- SNV helps linking actors; seeking fair conditions between producers and marketers (i.e. by forming groups, associations, and cooperatives).
- SNV pioneers fast-response actions, such as specialised trainings or market leads.
- SNV monitors results and offers advice to adjust performance.

7.5.2 Recommendations Lao PDR

In Lao PDR the financial analysis implies a value chain at present which is largely made up of restaurants and accommodation. The largest contributor, in terms of reaching poor people, is the restaurant sector. The impact analysis suggests SNV should look carefully at the value chain for this sector contained in this report to determine further strategy for intervention. Herein however lies a weakness in using value chains to assess tourism development priorities: Value chains look at current contributions and flows, not at future potential.

In the case of Road 9 in Lao PDR, visitor attractions and developed natural and cultural heritage features are notably lacking from the value chain and these are vital for the development of tourism. Given this lack of attractions, particularly those that appeal to the main market (Thailand), SNV needs to encourage the PTD and JICA to concentrate on what can be done to extract some benefit from the excursionists and transit "tourists" that are passing through Savannakhet Province.

The following possible major attraction developments have been identified:

(i) on the Western end of Road 9

- The sensitive development of the heritage quarter of the old town. SNV has already provided some assistance with the development of a walking tour. Proposals to establish a night market linking the old quarter to the Mekong riverside should also be encouraged.
- That Ing Hang stupa (some initial work with the local village has already been done by SNV);
- a dinosaur park in the SaSEZ (would require major funding); and
- developing the salt pans as a mainstream visitor attraction (SNV has already encouraged the site to accept visitors through an agreed eco-trek).

(ii) towards the Lao Bao border:

- a visitor experience at the Oxiana gold mine near Sepone;
- developing controlled access to the national protected areas (already an SNV concern at national level); and
- the military museum at Ban Dong.

The following centres have been identified as potential accommodation, retail and restaurant clusters:

- Savannakhet old town and the SEZ¹¹;
- Muang Phine and to a lesser extent Sepon and the border SEZ area.

In addition SNV has developed homestay at Ban That Ing Hang, and this may have potential of replication nationally.

Whilst there is a developing accommodation and restaurants sector in Savannakhet, the crafts sector of retailing on Road 9 is largely undeveloped.

In order to prioritise SNV's actions and to maximise the effective use of available resources, a further selection is necessary. This involves scoring projects in terms of the following:

1. Their ability to reach large numbers of poorer people through employment or enterprise creation; and
2. The degree of poverty that would be relieved.

Table 10 suggests a possible prioritisation for SNV Lao PDR Portfolio South to adopt.

The implication of this analysis is that SNV should give more emphasis to the poorer, Eastern part of the Province (possibly basing a national adviser at Phine), whilst retaining some activity in Savannakhet itself, ideally in an agreed arrangement with JICA.

The issue of access to micro-finance is critical to the development of PPST, as tourism is essentially an SME-based industry. This is something which SNV needs to ensure continued close involvement with.

The market research undertaken for this study indicates that very, very few minority peoples are currently employed in or engaged in any form of tourism. 'Minority' (non-Lao) peoples are generally poorer than the dominant Lao racial group. As a pro-poor organisation, SNV needs to seek more ways of engaging with minority peoples, and this implies working outside of the Mekong cities more.

Road 9 is also seen as a human trafficking route by NGOs active in this area, such as Childwise Australia. Lack of engagement by NGOs encouraging responsible tourism has been highlighted, as human trafficking and in particular child trafficking is an important tourism-related issue (sex tourism). Given SNV's key role in the development of tourism policy in both countries, this is really an issue which the organisation should be addressing through its gender cross-cutting and PPST tourism areas of expertise.

¹¹ There is a significant potential for conflict between the two and a rethinking of the role and scale of the SEZ would seem desirable.

TABLE 10: Scoring of potential projects for SNV advisory support, Lao PDR

Potential project	Estimated numbers of beneficiaries	Extent of poverty (1, very severe; 2, quite severe; 3, moderate)	Comment	SNV priority (feasible and max impact)
Expansion of restaurant sector	10,000 ¹²	2	Focus should be on creating an enabling environment	1
Old town improvements	10,000	3	Would require significant capital investment	
That Ing Hang PPST development	1,000	2	Emphasis should be on vendors and M-SME development	1
Dinosaur Park, SEZ	200	3	Would require major capital investment	
Salt pans visitor attraction	300	1	Look to models overseas	2
Oxiana gold mine visitor experience	200	2	Environmental issues arise	
NPA trails and visitor experiences	100	1	National level issue	2
Ban Dong military museum	200	1	Could learn from SNV Houapanh	2
Savannakhet town destination strategy	5,000	3	JICA taking forward, possible minor role for SNV	
Moung Phine destination strategy	500	1	Needs integrated development planning approach	1
Tourist FIT transport (eg backpacker busses) between Hue and Savannakhet)	10,000*	2	Requires review of the licensing of bus routes and (probably) financial incentives	
NTFP and Craft development strategy	1,000	2	May require specialist crafts input	1
Anti-human trafficking pilot project	500	1	Develop jointly with NGO	1

¹² 350 direct staff (35 x 10) plus those who supply foodstuffs and assuming expansion of sector.

7.5.3 Recommendations Vietnam

The initial question that SNV needs to address in Vietnam is to what extent it wishes to engage with new clients (for example Quang Tri Province, through which Road 9 passes), or concentrate its resources on exit strategies with existing clients in Hue.

In situations where SNV has been engaged with a client for more than five years, there is always a danger that a dependency culture may be being fostered, so in these circumstances it may be desirable to plan and commence withdrawing support sooner rather than later. This approach would allow SNV to consider taking on some new projects which might have potential to develop to sustainability or be completed within four years (after which SNV plans to withdraw from Vietnam). The analysis below assumes that this approach will be possible.

In Vietnam, a more sophisticated tourism value chain is apparent with significantly greater revenue flows and income streams than in Lao PDR. The extent to which poorer people benefit also varies considerably. The (state controlled) visitor attraction sector is important, but does not appear to be making as significant a contribution to local poverty reduction as it might, and an SNV review of attractions with a PPST focus would be helpful.

In overall terms, tourism development planning is considerably more advanced in Vietnam than in Lao PDR, with detailed development proposals in place at various locations along Road 9. This implies that SNV's role can be slightly more implementation-focused than in Lao PDR (where a planning focus is needed), in terms of ensuring that PPST opportunities arise within already planned initiatives. Beach tourism developments, resort developments, and other provincial government proposals could probably be enhanced through SNV PPST advice.

The major contributors to poorer people through tourism at present on Road 9 are the hotel sector and the restaurant sector. The crafts sector is severely underdeveloped, especially considering the potential of the Thai market.

Given the emphasis on programmes rather than individual interventions in the SNV Vietnam PPST policy, a programme to link hotels and restaurants with food producers in Vietnam (as has been studied by SNV in Hue) would seem very sensible, although it will be important to study best case examples internationally to avoid pitfalls in this type of programme.

The potential to work with local seaside communities to avoid loss of livelihoods as a result of tourism development, and to try to influence that development in a PPST way (as is proposed in the SNV Country Strategy) is also laudable. Best case examples from other SNV countries should be sought.

The country strategy also states that in SNV's North Central portfolio, focus will be given to interventions that target high impact supply chain development and the up-scaling of successful community-benefiting tourism approaches through partnership (development organizations and tourism businesses) and in the context of larger regional initiatives (such as the ADB or the Worldwide Fund for Nature's (WWF) Green Corridors initiative).

Table 11 scores possible SNV Vietnam interventions suggested in the product audit. Because tourism is more developed in Vietnam than in Lao PDR, there are more opportunities for SNV PPST engagement in Vietnam (which has a larger tourism economy) than in Lao PDR at present.

TABLE 11: Scoring of potential projects for SNV advisory support, Vietnam

Potential project	Estimated numbers of direct beneficiaries	Extent of poverty (1, very severe; 2, quite severe; 3, moderate)	Comment	SNV priority (feasible, max impact)
Minority people's retail units at Lao Boa Duty Free centre	300	1	Link with NTFPs	2
Roll out proposed Hue farm-to-table hotel programme to Road 9	5000	2	Hue study recommendations	1
Visitor attractions review	1000	2	Identify PPST opportunities at key sites	1
Khe Sanh golf resort	200	2	Private sector development	
Replicate CBT models (where successful) in carefully selected areas (eg Dakrong, near Lao Bao)	200	1	Very careful feasibility examination required owing to short SNV engagement time remaining in Vietnam	2
Dakrong Nature Reserve management	500	1	Partner with WWF	2
Kalu spa project	300	1	Protect villagers' rights	2
Beach tourism engagement	3,000	1	Local governance and stakeholder consultation aspects	1
Tam Giang Lagoon	300	1	Seek opportunities for tourism	2
Crafts development strategy	1,000+	2	Requires specialist strategy	1
Tourism-SME strategy Hue	3,000+	2	Requires specialist strategy	1
Tourist FIT transport (eg backpacker busses) between Hue and Savannakhet)	5,000*	2	Requires review of the licensing of bus routes and (probably) financial incentives	

*Assumes locations served by busses will be beneficiaries

The implication of this analysis is that SNV should engage with Quang Tri province and give emphasis to the hotel and restaurant supply chains, crafts development and to coastal communities. The expansion of hotel supply will also have a significant impact on job creation.

The tourism potential of Tam Giang, the largest lagoon in South East Asia, might also be explored in the context of bird-watching and water-based tourism which does not disrupt existing livelihoods, although given SNV's remaining timescale in Vietnam, this project would be unlikely to give quick returns.

7.6 Opportunities for integrated support (SNV Laos and SNV Vietnam)

7.6.1 Marketing

Hue is a target market for targeting FIT traffic to Lao PDR and likewise Savannakhet and the Friendship Bridge II can be places where East-bound traffic can be targeted. The EWEC has already established a marketing steering group and SNV might consider becoming involved, or encouraging its clients in involvement. SNV is uniquely placed to advise both destinations. There is a market opportunity for more integrated cross-selling of product, for example for Lao tour operators to sell beach holidays in Central Vietnam, or Vietnamese operators selling more options in Lao PDR. SNV should work with the Lao Association of Travel Agents (LATA) and tour operators in Vietnam to encourage this type of tourism which will have pro-poor benefit.

7.6.2 Anti-human trafficking

Road 9 is seen as a human trafficking route by NGOs active in this area, such as Childwise Australia. Lack of engagement by NGOs encouraging responsible tourism has been highlighted: Human trafficking and in particular child trafficking are important tourism-related issues (sex tourism being a major source of demand). Given SNV's key role in the development of tourism policy in both countries, this is really an issue which the organisation should be addressing through its gender cross-cutting, governance and PPST areas of expertise. It is recommended that SNV should engage with specialist NGOs funding activity in this area to see if a joint programme can be devised.

7.6.3 Minorities

Another major responsible tourism issue in both jurisdictions is the minimal involvement of minority peoples in tourism at any level and their high levels of poverty. SNV must specifically target support towards these groups if it is serious about its pro-poor agenda. It should focus on area where high numbers of minority peoples live, encourage the provision of dedicated retailing opportunities for minority peoples along Road 9, work with non-timber forest product (NTFP) gatherers whose products are in demand, assist the existing ethnic restaurant in Vietnam to succeed and be replicated, advocate for minority people's land rights, work for fair compensation for groups displaced by tourism and continue its work with minority community tourism initiatives.

7.6.4 Training

Similar issues relating to enterprise creation, access to finance, customer care and marketing arise in both destinations. SNV could develop common approaches to both destinations.

7.6.5 Transport

Encouraging the improvement of coach services along Road 9 is something SNV in both jurisdictions might address together.

7.7 Funding sources

The following potential sources of funding have been identified:

7.7.1 ABD Mekong Tourism development Project

Although it would appear that the next ADB tourism support measure might not feature Savannakhet, it should be recognised that a lack of integrated planning in relation to tourism and road development (in Lao PDR) has left Savannakhet ill prepared to extract economic benefit from Road 9. ADB should be strongly encouraged to provide support for targeted tourism initiatives in the province.

7.7.2 AusAid

AusAid's Childwise programme is specifically targeting PTOs and transport networks in an attempt to counter increasing child prostitution and human trafficking in South East Asia (much of it via Lao PDR). As a responsible tourism organisation close to PTOs, SNV must actively engage with this project which can also offer funding.

7.7.3 European Commission

The European Commission has a very major tourism training programme underway in Vietnam and is also funding the development of the Lao Association of Travel Agents and its marketing in Lao PDR (through SNV). The EC is undoubtedly a potential source of funding if comprehensive proposals can be submitted to meet the EU's demanding funding rules. Programmes and priorities change from year to year, so close contact with the respective Commission offices is essential.

7.7.4 Japan International Cooperation Agency

JICA's programme for tourism development in the EWEC has a budget of US\$2 million between 2007 and 2010.. JICA only operates through Japanese advisers, but close contact with this agency to seek the possibility of joint or cooperative activity is essential. JICA has recently announced a support package for Savannakhet.

7.7.5 Mekong Private Sector Development Fund

The MPDF is open to applications for private sector-orientated research and pilot projects in both Lao PDR and Vietnam. The future of the fund for tourism projects is however uncertain.

7.7.6 New Zealand Aid

New Zealand Aid is up-scaling its support activities in the region and has a particular interest in areas affected by unexploded ordinance (UXO). NZAid also has a keen interest in the area of eco-tourism so must be considered a good potential future funding source.

7.7.7 United Nations Development Fund

UNDP's Regional Initiative on Indigenous People's Rights and Development is interested in pilot projects or studies relating to minority peoples in both Lao PDR

and Vietnam. The organisation is based in Bangkok and open to research and pilot project proposals.

7.7.8 United States Embassy

Although the United States Agency for International Development (USAID) is not currently active in Lao PDR or Vietnam, the US Embassies in both countries are increasingly engaging with aid projects and are open to ad hoc proposals that are tourism-related.

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9 Annexes

9.1 Annex 1: Terms of reference

Road #9 (Savannakhet to Danang) Tourism Value Chain Assessment

1 Rationale

"Tourism is a service. Because services cannot be stored, the production and consumption of tourism services is usually simultaneous and takes place at a specific geographic location – the tourism destination. Undertaking VCA in a tourist destination requires estimating the value of total tourist expenditure and disaggregating this into the different functional areas (i.e. accommodation, food and beverages, shopping, transport, excursions, etc.) where spending takes place. The 'value' in each functional area is then assessed to estimate the proportion that accrues to different participants and whether there are barriers to entry or other constraints on the returns to the poor of participating in the value chain. The governance of the value chain is an important feature of VCA and the actions of the support institutions in the sector and the policy environment is an important part of the analysis" (ODI, 2007¹³).

SNV wishes to appoint a consultant – working with a team of SNV advisers, Local Capacity Builders, and backstopping of ODI - to undertake a value chain analysis of pro-poor aspects of tourism along road #9, in order to achieve the following objectives:

- Understanding of the tourism market on Road 9 in terms of country of origin, purpose of travel, length of stay, purchasing patterns, etc;
- Identification and quantification of the different sub-sectors of the tourism value chain along Road 9 (accommodation, food and beverages, handicrafts, road-side activities, etc.);
- Quantification of the economic¹⁴ effects (positive and negative) of tourism on the poor in Savannakhet City, Hue City and provinces through which Road 9 passes by mapping financial flows and employment in the tourism value chain¹⁵;
- Understanding of policies/agreements in Lao PDR and Viet Nam related to cross-border collaboration in tourism development, and issues/bottlenecks hindering development and involvement of poor people;
- Analysis of current and previous tourism value chain assessments conducted in Hue (SNV) and Danang (EU/GTZ) and their implications in the context of this study¹⁶;
- Provision of strategic advice to SNV on the focus of its activities and its client base so that a stronger pro-poor emphasis is given to its PPST work in Portfolio South (Lao PDR) and Portfolio North Central (Viet Nam), thereby maximizing production, income generation and employment opportunities for the poor, but also providing strategic advice on cross-border collaboration and identification of potential funding agencies to support the implementation of the recommended tourism development initiatives .

2 Background Information on Road #9

Road 9 is part of the East West Economic Corridor (EWEC) which starts in Da Nang, Viet Nam and ends in Mawlamyine, Myanmar, totaling about 1,450 km. All 770 km in Thailand already has a minimum of two lanes, with some sections having four lanes. The Mekong Friendship Bridge, connecting Savannakhet in Lao PDR with Mukdahan in Thailand was opened in December 2006. In Lao PDR, the section of the road constructed with ADB/JBIC support is completed. A 140-km expressway from the new Hai Van Tunnel near Da Nang to Cam Lo in Quang Tri Province, which would run in

¹³ Overseas Development Institute (2007) *Assessing How Tourism Revenues Reach The Poor* Briefing Paper 21, June 2007.

¹⁴ The brief refers to economic effects however technically this is a study of financial impacts, not of 'real economic values'.

¹⁵ Particular consideration should be given to A Luoi, Viet Nam as a destination for rural excursions, a source of agricultural produce and handicrafts, and as an alternative route between Hue/Danang and the Vietnamese/Lao border (alternative to traveling via Dong Ha). Consideration should also be given to Lang Co and Hoi An in Viet Nam as major 'pull' factors for tourism traffic on Road 9.

¹⁶ SNV has also carried out a tourism sub-sector scan in Lang Co, Viet Nam.

parallel with the existing Highway 1, has been proposed to accommodate the expected increase in traffic to Viet Nam ports (ADB, 2005).

Projects that would rehabilitate Road 9 from Savannakhet to Seno, and construction of feeder roads which would ensure improved access to markets and social services for affected rural communities, have also been suggested (ADB 2005). The development of Savannakhet Airport for joint use with Thailand, and upgrading of Hue's Phu Bai Airport have been proposed by the respective governments. The extension of rural electrification along Road 9 and distribution to 71 villages in six districts has also been recommended (ADB, 2005).

To capture the potential tourism flows moving along developing sub-regional transportation networks (like Road 9), and to spread the benefits of tourism as widely as possible and promote poverty alleviation, the Greater Mekong Sub-region (GMS) tourism strategy aims to ensure that priority tourism zones are effectively connected to the transportation networks.

Within these zones, the strategy seeks to develop (ADB 2005):

- feeder roads to tourist attractions and related poor communities to spread the benefits of tourism more widely and to alleviate poverty;
- small-scale social and environmental infrastructure to support tourism activities at the town and village level;
- tourism-related infrastructure designed to enhance the protection and interpretation of the sub-region's key cultural and natural heritage sites;
- piers and jetties to support water access to the Mekong River;
- border facilities; and
- rest areas, toilets, visitor information and other support infrastructure at key tourism sites for the protection of important natural and cultural heritage; providing technical assistance for studies and institutional capacity building of provincial and local government officials.

Savannakhet is one of the largest and most populated provinces in Lao PDR. According to United Nations Development Programme (UNDP) data, Savannakhet is ranked ninth out of eighteen provinces in terms of human development with a human development index (HDI) value of 0.516 (2002). The incidence of poverty in the province is 43% (2002/2003). The percentage of the population without access to improved water supplies is 45%, and the percentage without access to improved sanitation is 70%. Of the total labour market in Savannakhet, only 5% is in paid employment. The remaining 95% is self-employed with 73% engaged in farming activity.

The north central area of Viet Nam has long been considered one of the poorest regions in the country. The average poverty incidence in provinces such as Quang Nam, Quang Tri and Quang Binh is higher than the national poverty rate. The economic structure of the region mainly relies on agriculture, light industry, small trade and services. Infertile land, shortage of land, high population, lack of access to markets, harsh climate, disaster, fluctuation of agricultural products, and diseases are some of the causes of poverty in the region, particularly for those living in remote mountainous and coastal districts. In recent years, the economy of the north central region has developed rapidly with annual economic growth estimated at 8% and poverty incidence reduced accordingly. However, the number of people living just above the poverty line is very high and the line between being poor and un-poor is relatively fragile. Unemployment is also a critical issue, especially for young people. In addition, social problems such as begging and crime have also emerged.

Recognising the importance of tourism for local economic and social development, Socio Economic Development Plans (2006 – 2010) of all provinces along road #9 have identified tourism as a priority sector for development. The aim is to increase the contribution of tourism to the provinces' GDP, and create more employment and business opportunities for local people.

3 Tourism Demand Along Road #9

According to Lao National Tourism Administration (LNTA) statistics, international visitor arrivals in Savannakhet Province were 192,385 last year (this is higher than Luang Prabang which received 151,703 international visitors in 2006). Data suggests that most of the international arrivals in Savannakhet are Thai and Vietnamese nationals. Statistics from the LNTA show that of the 165,360 tourist arrivals who entered Lao PDR through the international border checkpoints in Savannakhet in 2006, 154,882 of them were regional visitors.

TABLE 1: INTERNATIONAL ARRIVALS IN SAVANNAKHET - 2000 TO 2006

2000	2001	2002	2003	2004	2005	2006
109,033	113,297	98,962	94,000	118,821	192,560	192,385

Following the opening of the Mekong Friendship Bridge in late 2006, the number of visitor arrivals (international and domestic) is increasing rapidly, with 235,432 recorded during the first five months of 2007.

TABLE 2: VISITOR ARRIVALS IN SAVANNAKHET – JAN TO MAY 2007

Month	Domestic	Total International	Thai Nationals	Vietnamese Nationals
January	10,409	45,417	27,419	14,625
February	3,753	31,617	20,296	9,503
March	4,902	34,786	22,626	9,572
April	9,359	54,008	40,596	11,699
May	11,865	29,316	24,741	3,815
Total	40,288	195,144	135,772	49,214
Percentage	17%	83%	58%	21%

Current major international markets in north central Viet Nam include France, North America, Australia, Japan and overseas Vietnamese. Expanding in recent years are the Thailand, China and Korea markets.

TABLE 3: VISITOR ARRIVALS IN NORTH CENTRAL VIETNAM – 2006

Province	Total Number of Visitors	Domestic	International	Length of Stay (days)	Tourism Revenue (VND)
Quang Binh	535,446	511,894	16,448	1.2	213,371m
Quang Tri	258,000	203,000	55,000	1.2	315,000m
Thua Thien Hue	1,165,316	732,315	433,001	1.9	410,000m
Da Nang	774,000	516,000	258,000	1.63	435,000m
Quang Nam	1,680,000	880,000	800,000	2.3	414,000m

In Savannakhet, Thai and Vietnamese visitors represent 79% of the market. However, almost nothing is known about these market segments in terms of their spending patterns, length of stay, activities, etc. There is a wider international tourism market to Hue, Danang and Quang Nam. However, PPST interventions in those destinations also may have increased tangible impact on the poor if the focus is on the Thai, Lao and Vietnamese markets.

4 Tourism Supply Along Road #9

Tourism Attractions

The most visited tourism attraction in Savannakhet Province is That Inhang (in the first five months of 2007 it received 30,000 visitors). In 2006, 374 international tourists (spending about US\$20,000) took treks in the protected areas of Dong Phou Vieng and Dong Natad. Other visitor attractions in the province include dinosaur footprints, the Ho Chi Minh Trail, handicrafts and a diversity of flora and fauna.

Road #9 through three provinces in central Viet Nam - Quang Tri, Thua Thien Hue and Danang – with a range of major tourism attractions including Hue City (UNESCO World Heritage Site), Bach Ma National Park, Lang Co Beach, Danang City, and the former DMZ and battle fields in Quang Tri and Thua Thien Hue. Other major attractions located nearby include Hoi An Town (UNESCO World Heritage Site), My Son (UNESCO World Heritage Site) Phong Nha – Ke Bang National Park (UNESCO World Heritage Site).

Tourism Amenities

Savannakhet Province has, at present, 13 hotels, 53 guesthouses, 57 restaurants and 10 tour operators.

Thua Thien Hue Province has, at present, a total of 178 hotels and guesthouses with a combined offering of 4,212 rooms. The vast majority of these establishments are under private ownership.

Danang City has, at present, a total of 72 hotels and guesthouses with a combined offering of 2,516 rooms. The vast majority of these establishments are under private ownership.

Quang Nam Province has, at present, a total of 78 hotels and guesthouses with a combined offering of 3,700 rooms. The vast majority of these establishments are under private ownership.

Stakeholders in Tourism Development Along Road #9

Key stakeholders for tourism development along road #9 include the Lao National Tourism Administration (LNTA), the Vietnam National Administration of Tourism (VNAT), Provincial Tourism Departments (PTD), District Tourism Offices (DTO), Departments of Planning and Investment (DPI), Departments of Industry and Commerce (DIC), Chambers of Commerce, Netherlands Development Organisation (SNV), Japan International Co-operation Agency (JICA), Asian Development Bank (ADB), and private sector businesses such as tour operators, accommodation and food businesses.

4 Tourism Development Objectives/Policies/Strategies

The Tourism Development Strategy of Lao PDR to 2020 stresses the importance of developing international co-operation agreements and cross-border initiatives for tourism development.

A technical co-operation agreement has been signed by the relevant provinces in Thailand, Lao PDR and Viet Nam in order to create favourable conditions for tourism development along road #9.

5 Scope of the Study

In line with the objectives outlined earlier, the study should focus on:

- Conducting a tourism market analysis for Road #9 in terms of country of origin, purpose of travel, length of stay, purchasing patterns, etc.
- Identifying and quantifying the different sub-sectors of the tourism value chain along Road #9:
 1. Examining supply linkages within the accommodation sector in Savannakhet, Hue and the surrounding areas along Road #9 to determine pro-poor effects based on a sample size representing 20% of official accommodation establishments in Savannakhet Province and 10% in the provinces in Viet Nam. This should include an analysis of use of local construction labour, sources of staff, sources of food, furniture and fittings, laundry services, fresh flowers, linen and other supplies.
 2. Examining supply linkages in the restaurant sector in Savannakhet, Hue and the surrounding areas along Road #9 to determine pro-poor effects based on a sample size representing 20% (10% in Vietnam) of official restaurant establishments. This should include an analysis of sources of staff, geographic source of vegetables, rice, meat and other ingredients used, what is in demand by restaurants and what the gaps are in terms of volume and quality currently supplied.
 3. Examining supply linkages in the shops/markets in Savannakhet, Hue and the surrounding areas along Road #9 to determine pro-poor effects. The analysis should identify the geographic source of goods sold, and their nature (hand made or mass products). Where middlemen are suppliers, their role should be examined.
 4. Examining supply linkages in the excursions sector (tours sold by tour operators, travel agencies, guide associations, accommodation establishments, etc.) in Savannakhet, Hue and the surrounding areas along Road #9 to determine pro-poor effects. In the case of excursions/tours, pro-poor inputs could include use of local guides, payment of fees to villages, opportunities to buy crafts, home-stay, cultural performances, etc.

In all cases, the analysis should attempt to quantify the extent to which supply comes from the poor or is leakage through supply from other provinces in Lao PDR and Viet Nam or from other countries.

- Quantifying the economic effects (positive and negative) of tourism on the poor in Savannakhet City, Hue City and provinces through which Road #9 passes by mapping the money flows in the tourism value chain.

- Conducting an analysis on tourism policies in Lao PDR and Viet Nam, and tourism related cross-border collaboration and development issues/bottlenecks between Lao PDR and Vietnam
- Exploring linkages to current and previous tourism value chain assessments conducted in Hue (SNV) and Danang (EU/GTZ);
- Providing SNV with strategic advice on the focus of its activities and its client base so that a stronger pro-poor emphasis is given to its PPST work in Portfolio South (Lao PDR) and Portfolio North Central (Viet Nam), as well as strategic advice on cross-border collaboration and potential funding agencies to support the implementation of the recommended tourism development initiatives.

5 Reporting

Within two weeks after completion of the study, the consultant shall submit a draft final report (in UK English, with a summary) to the SNV Lao PDR and Vietnam country directors. The consultant shall give the SNV Lao PDR and Vietnam country directors the opportunity to comment in order to make factual corrections.

The consultant shall submit a final report within two weeks following receipt of feedback. The country directors shall check whether requirements are in line with the Terms of Reference and quality standards have been met, and shall then give final approval.

9.2 Annex 2: SWOT Road 9

9.2.1 Strengths: Lao PDR

- That Ing Hang attracts significant numbers of Buddhist visitors from Thailand and Lao PDR
- Long, attractive Mekong waterfront at Savannakhet
- Excellent quality of Road 9 and border checkpoints
- Eco-tourism from Eco-guide unit , Savannakhet PTO
- Significant accommodation development at Phine
- Two NPAs close to Road 9
- Gold mine has developed visitor facilities for VIP groups
- SASEZ has been established
- New Dao Savanh restaurant

9.2.2 Strengths: Vietnam

- Hue imperial city
- Beautiful beaches
- DMZ relics, especially the tunnels
- Stunning views and scenic landscapes
- Good quality of Road 9 and border checkpoints
- Significant accommodation development underway or planned
- Tourism development strategy in place.
- SEZ has been established and is expanding

9.2.3 Weaknesses: Lao PDR

- 'Corridor tourism' on Road 9 by-passing Lao PDR
- No quality public transport on Road 9
- Lack of quality accommodation
- Shortage of quality restaurants, shops
- Atmosphere of decay and loss of French colonial buildings in Savannakhet
- Few craft shops, tourist restaurants
- Few active Lao tour operators selling Lao PDR in Vietnam or Thailand
- Weak marketing of Lao PDR in Vietnam and Thailand
- Reluctance of PTD to devolve activities to the private sector
- Two check points at each border, failure to integrate facilities.

- Special Economic Zone does not cover town of Savannakhet

9.2.4 Weaknesses: Vietnam

- 'Corridor tourism' on Road 9 by-passing Lao PDR
- No quality public transport on Road 9
- Some congestion when joins Road 1.
- Few craft shops, tourist restaurants
- Limited quality attractions developed.
- Few active Lao tour operators selling Lao PDR in Vietnam or Thailand
- Two check points at each border, failure to integrate facilities.

9.2.5 Opportunities: Lao PDR

- Strong growth trend in arrivals to Lao PDR
- Special economic zone, incentives for foreign direct investment
- Young population, service culture
- Joint training with Thailand and Vietnam
- Integrated development with Khammouan (as proposed by JICA 2001)
- Road already used by Thai coach groups
- Attract existing budget tourism market from Hue and Pakse
- Craft production and retailing
- Night market in Savannakhet
- Mining interpretation centre
- Tourism awareness and 'good food, clean food' campaign
- Deregulation of group entry requirements
- Japanese-assisted proposed Tourism Master Plan
- Mekong river, boats, links with Mukdahan
- Savannakhet airport
- Homestay

9.2.6 Opportunities: Vietnam

- Strong growth trend in arrivals from Thailand.
- Special economic zone, incentives for foreign direct investment
- Joint training with Thailand and Lao PDR.
- Road already used by Thai coach groups
- Investment opportunities: Craft production and retailing

- Tourism awareness and 'good food, clean food' campaign
- Link with hi Chi Minh highway to create circular routes from Hue or Road 1.
- Few links with minority peoples.

9.2.7 Threats: Lao PDR

- Removal of restrictive practices relating to coach transport which do not allow Thai busses into Vietnam
- Pollution (gold mining)

9.2.8 Threats: Vietnam

- Over-development of coastline
- Over-development of other locations.

9.3 Annex 3: Industry survey Lao PDR

9.3.1 1. Introduction

Survey undertaken by Savan Institute of Management (SIM)

Dates: 01/09/07-05/10/07

Interview team: 2 teams

Sample sizes: Accommodation/Hotel = 10, Guesthouse = 18, Restaurant = 21, and Handicraft = 10

Interview locations: Savannakhet Province, Lao PDR

Method: face-to-face interview

9.3.2 Accommodation

9.3.2.1 Hotels

Size of accommodation: 41 rooms

Location: Savannakhet town and Road 9 Lao PDR

No. of employees in both high and low seasons: 14 people

Average wage: USD 45/employee/month

Staffs come from local neighbourhood (70%)

34% of Employees stay in rented accommodation with free of charge

Most people hired for building extensions come from local people in Savannakhet, Lao PDR (50%-70%)

No. of months high season: approx. 8 months

No. of months low season: approx. 4 months

32.4% Reduced of monthly purchases in low season

Expenditure on food – average per month in high season: USD 304

Expenditure on food – annual total: USD 3,254

Expenditure on drink – average per month in high season: USD 173

Expenditure on drink – annual total: USD 1,852

Expenditure on furniture and fittings – average per month in high season: USD 60

Expenditure on furniture and fittings – annual total: USD 642

Nationality of most customers: Lao (70%)

Average achieved room rate: USD 12/night

Average room occupancy: 38%

Average no. of beds: 56

Average bed occupancy: 33%

Average total room sales per year = $12 \times 38\% \times 41 \text{ rooms} \times 365 =$ USD
68,240

Room sales as % of total sales: 78.1%

Total average turnover per year:

(a) per enterprise: USD 87,376

(b) per available room: USD 1,664* (see cal from code sheet)

Total number of rooms in the area (Savannakhet town, Road 9 Lao PDR) =
409

rooms

(not all but only 10 hotels surveyed)

Total area expenditure in the area = $409 \times 1,664^* =$

USD

680,576

Note

Food - Bought at Savannakhet market (50%) & shops (20%)

Drink - Bought at Savannakhet shops (90%)

Furniture & Fitting - Bought at Savannakhet shops (50%) & market (30%)

9.3.2.2 Opportunities

- Located in downtown , will build more rooms, redecorate, build restaurant. Should build more tourism site
- Should promote about tourism site and encourage investment, build beautiful road
- Large parking lots, improve more marketing, should make more tourism site
- Improve marketing; organize meeting room service and other events e.g. wedding party
- Should build more tourism site and should take Savannakhet bus to pick the tourists up
- More government officers use our services.
- Build department store; should build more tourism site

9.3.2.3 Constraints

- Old building ; old furniture e.g. air condition, chair, etc. because of not enough budget; a lot of hotel and guesthouse
- Tax is very high
- Many competitors and electrical price is very high
- Electric price is very high, electricity and water don't come usual

- Not enough rooms ,fund, and ability of staff

Few local purchases because of

- Low quality and can not supply ; not several
- Low quality and can not supply
- Some goods can not supply
- Can not supply
- Low quality and not several
- Some product in local is expensive, not enough and low quality

9.3.3 Guesthouse

Size of accommodation: 23 rooms

Location: Savannakhet town and Road 9 Laos

No. of employees in high season: 7 people and low season: 6 people

Average wage: USD 41/employee/month

Staffs come from Family (56%), local neighbourhood (28%) and others (16%)

38% of Employees stay in rented accommodation with free of charge

Most people hired for building extensions come from local people in Savannakhet, Laos (66.7%-80.6%), Vietnam (5.6%-13.9%)

No. of months high season: approx. 7 months

No. of months low season: approx. 5 months

32.4% Reduced of monthly purchases in low season

Expenditure on food – average per month in high season: USD 133

Expenditure on food – annual total: USD 1,381

Expenditure on drink – average per month in high season: USD 166

Expenditure on drink – annual total: USD 1,723

Expenditure on furniture and fittings – average per month in high season: USD 83

Expenditure on furniture and fittings – annual total: USD 862

Nationality of most customers: Lao (67%)

Average achieved room rate: USD 7/night

Average room occupancy: 43%

Average no. of beds: 30

Average bed occupancy: 47%

Average total room sales per year = 7 x 43% x 23 rooms x 365 = USD
25,269

Room sales as % of total sales: 79%

Total average turnover per year:

(a) per enterprise: USD 31,986

(b) per available room: USD 1,099* (see cal from code sheet)

Total number of rooms in the area (Savannakhet town, Road 9 Laos) =

412

rooms

(not all but only 18 guesthouses surveyed)

Total area expenditure in the area = 412 x 1,099* =

USD

680,576

Note

Food - Bought at Savannakhet market mostly

Drink - Bought at Savannakhet shops (55.6%) and market (22.2%)

Furniture & Fitting - Bought at Savannakhet market (50%) and shops (16.7%)

9.3.3.1 Opportunities

- large parking area and goods service; take Savannakhet bus to pick the tourists up

- Can build more rooms and have bus in guesthouse/restaurant

- Attraction place; train for staff every week; focus on service and many style of food service

- Location in Downtown

- Improve cleanliness of the hotel; information center / Tourism office in Phine district

- Traditional house- show Lao culture; Handycraft shop; need new investors to join

- improve tourism site such as: Slane and Sakhoy waterfall and improve restaurant

- Should have many tourism site, souvenir shop and restaurant. and also good at welcoming guest

- Should have many tourism site in order to have many tourist come to visit

- Pay attention on cleanliness

- Improve tourism attraction; having an industrial development in this area will increase

9.3.3.2 Constraints

- Savannakhet have no tourism place enough and Tax and electricity is very high

- 10 Guesthouses said "Tax and electricity is very high"
- Small parking lot, have disadvantage when want to change the old name to new name
- In low season make our income reduce
- No restaurant in the guesthouse
- Pay for tax in every month is not equal
- The way how to attract and advertise customers to use the service are not so good

Few local purchases because of

- Amount of goods in local are little and can not supply
- Can not supply
- Some goods is low quality
- 4 Guesthouses said that "some goods is low quality and can not supply"
- Low quality
- Amount of goods are not enough
- Major customers are foreigners
- Lao people in another province didn't work in foreign country
- Such as: Vietnam...,so mainly have only foreigner come and stay
- Service, cleanness, improving tourist attraction
- There are many guesthouses in downtown

9.3.4 Restaurants

Location: Savannakhet town and Road 9 Lao PDR

Nationality of customers: Lao (62.5%), Thai (8.3%)

No. of employees in both high season: 11 people and low season: 10 people

Average wage: USD 42/employee/month

Staffs come from local neighbourhood (37.5%) and family (33.3%)

Average spend on meal per person: USD 2.4

Average spend on drink per person: USD 1

No. of months high season: approx. 7 months

No. of months low season: approx. 5 months

28.1% Reduced of monthly purchases in low season

Expenditure on vegetable – average per month in high season: USD 418.6

Expenditure on vegetable – annual total: USD 4,435

Expenditure on fruit – average per month in high season: USD 29

Expenditure on fruit – annual total: USD 307

Expenditure on rice and noodles – average per month in high season: USD 114.5

Expenditure on rice and noodles – annual total: USD 1,213

Expenditure on meet – average per month in high season: USD 307.6

Expenditure on meet – annual total: USD 3,259

Expenditure on fish – average per month in high season: USD 137.8

Expenditure on fish – annual total: USD 1,460

Expenditure on beer – average per month in high season: USD 551.7

Expenditure on beer – annual total: USD 5,845

Expenditure on bamboo and forest – average per month in high season: USD 12.8

Expenditure on bamboo and forest – annual total: USD 145

No. of meals served per day in high season: 50

Total average turnover per year per restaurant = $\{50 \times 7 \times (2.4 + 1)\} + \{50 \times (100\% - 28.1\%) \times 5 \times (2.4 + 1)\} = \text{USD } 1,801.15$

Total number of tourist-orientated restaurants in the area (Savannakhet town, Road 9 Lao PDR) = 21 restaurants

(not all 21 restaurants surveyed)

The overall turnover of the restaurant sector in the area = $21 \times 1,801.15 =$
USD

37,824

Note

Vegetable - Bought at Savannaket market (66.7%)

Fruit - Bought at Savannaket market mostly

Rice and noodles - Bought at Savannaket market (58.3%)

Meet - Bought at Savannaket market (62.5%)

Fish - Bought at Savannaket market (54.2%)

Beer - Bought at Savannaket market (50%)

Bamboo and forest - Bought at Savannaket market mostly

9.3.4.1 Opportunities

-Government should make more tourism site; have trade fair to make tourists come and visit

-Improve service; improve tourism site.

- Cleanliness; service/hospitality; good price; more attraction.

- Attraction Area : water fall; boat trip. Salan water fall.

- Improve service; Quality of food cleanness; handicraft; financial support for investor.
- Should have ordering restaurant; focus on service; cleanness.
- Food is good taste; have good service and clean; good decoration; many foreign customers.
- Improve service; have discount; Decoration is clean and tidy; Open the bridge to increase
 - Good taste of food; there are many tourists come to visit nowadays.
- Improve service; good atmosphere and place.
- Training for staff to be honest; improve cleanness and taste;
- Have to advertise more to stimulate the increasing of sale volume
- Pay attention in welcoming tourists; selling is in reasonable price;
- In order to attract tourists we have to make a highlight of business;
- Solve the weakness such as : service; cleanness and price.
- Food is reasonable price and clean; village office give helping
- Improve more marketing; large parking lots; located in downtown;
- Many office have a good cooperation; increase more service;
- Improve quality of food; more promotion and advertisement;
- Invest more in hire the staff in saving and save time; increase more the list

9.3.4.2 Constraints

- Service is still not well; don't know how to attract tourists; paying tax for government is expensive
- Business area is not large; service is slow Quality.
- Electricity price is very high. There are few usual customer; Management is not still well.
- There are no usual customer.
- Should be improve tourist attraction; tourists stay not usual
- Cooking is slow; food and vegetable is not in usual price; tax is very expensive.
- Income reduced in low season; price of food is not usual.
- Not enough parking area.
- Electricity and price is very high and increase every year; low education; so not many
- Staff should good at speak english; uniform is not tidy.
- Road is redland; have no light; rainy season make bad street; electricity; water and tax is very high.
- Some goods can not supply so we have to import from oversea;

- Electricity and water price is very expensive
- Tax and electricity is expensive
- Staff can not speak English; meat and vegetable is expensive;
- Many completitors; electricity, water price and tax are very expensive
- Many people don't know the restaurant; lack of advertising;
- Many completitors; electricity, water price and tax are very expensive
- Have disadvantage when want to change money
- Immigration process is slow ; no personality who interested in this work and also lack of ability
- Enlarge more time ; organise a transit tour to stay in Savannakhet

9.3.5 Craft shops.

Location: Savannakhet town and Road 9 Lao PDR.

Seasonality

No. of employees Average 14 people

Average wage: USD 39/employee/month

Staffs come from Family (61.8%), local neighbourhood (24.5%) and others (13.7%)

Bag – average monthly sales: USD 526

Lao cotton shirt - Average monthly sales: USD 1,552

Garbage can - Average monthly sales: USD 161.5

Sticky rice case - Average monthly sales: USD 109

Broom - Average monthly sales: USD 296

Total average sales per month in high season: USD 2,662

% sales go down in low season 39%

9.3.5.1 Opportunities

- Product made by order from customers in Lao style. High quality product from nature
- Government should open night market to attract tourists
- Government support road show and promote to international market
- Market for sales, Branding, Credit
- Open more silk shop to tourists, Advertising, and traditional lao brand

9.3.5.2 Constraints

- Price more expensive by hand made and natural productive
- Cost of investment still less

- Lack of market support for promote the products, lack of cash flow and labor expensive

- Product still not popular

high cost to produce and lack of source of money support

9.3.6 Accommodation financial summary

Summary for Savannaket Guest houses (N= 18)			
GH size	23	rooms	
Room occupancy rate	43%		
Turnover p.a.	31,986		
		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
wages	1,471	5%	58%
supply chain	1,078	3%	42%
total	2,549	8%	
<i>NB making rough estimates re % reaching poor from supply chains</i>			
		as % of:	
If family labour is also paid and included in PPI	\$ p.a.	turnover	PPI
<i>Pro poor income p.a.</i>			
wages	3,198	10%	75%
supply chain	1,078	3%	25%
total	4,276	13%	
For entire GH sector	1,759,231		
No. of GH	55		
Total PPI assuming same structure:	140215.9		

Areas of potential increase?

?

What if?

1. occupancy and employment doubled

Additional PPI p.a.	1,471
total PPI per GH	4,020
% increase	58%

2. supply chain purchases doubled

Additional PPI p.a.	1,078
total PPI per GH	3,628
% increase	42%

9.3.7 Restaurants financial summary

Wage income

employees	10.5	
wage pm	42	
<i>total w flow p.a.</i>	5,292	
W as % of TO	10%	
non family workers	66%	of total workforce
non family wage flow p.a.	3,493	
<i>Non family W as % of TO</i>	6%	
Local non-fam W only	38%	
Local non-fam W p.a.	1,985	

Supply chain PPI

	spend p.a.	% from S market	% assumed to poor
vegetables	4435	67%	30%
fruit	307	90%	50%
rice noodles	1213	58%	30%
meat	3259	62%	30%
fish	1460	54%	30%
beer	5845	50%	10%
bamboo and forest	145	90%	50%
average		59%	24%
total	16,664	9,813	
as % of TO	31%	18%	
Turnover			
turnover per day in high season	170		
TO p.a.	54,060		

Summary for Savannaket Restaurants N = 21			
Meals p. day high season	50		
avge spend per meal	\$3.4		
Turnover p.a.	54,060		
		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
total wages (inc fam & non local)	5,292	10%	57%
supply chain	3,921	7%	43%
total	9,213	17%	
<i>Assuming 50% of food spend and 10% of beer spend is PPI</i>			
If family labour is excluded from 'poor'			
		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
wages	3,493	6%	47%
supply chain	3,921	7%	53%
total	7,413	14%	
For entire Rest sector	1,892,100		
No. of Restaurants	35		
Total PPI assuming same structure:	259,466		

Areas of potential increase?

?

What if?

1. meals served, staffing and supply inputs increased by 30%?

Additional PPI p.a. 2,764

total PPI per restaurant 11,976

% increase 30%

2. % of supply chain reaching poor increased from 24% average to 48% avge?

Additional PPI p.a. 3,921

total PPI per restaurant 13,133

% increase 43%

9.3.8 Crafts financial summary

Wage income

employees	14	
wage pm	39	
<i>total w flow p.a.</i>	6,552	
W as % of TO	24%	
non family workers	38%	of total workforce
non family wage flow p.a.	2,490	
<i>Non family W as % of TO</i>	9%	

Supply chain PPI

	rev p.m	sales rev p.a.	% assumed to poor
Bag	526	5,286	30%
Lao cotton shirt	1,552	15,598	30%
garbage can	162	1,623	30%
sticky rice case	109	1,095	30%
broom	296	2,975	30%
total as % of TO	2,645	26,577 99%	

Turnover	
turnover per mnth in high season	2662
TO p.a.	26,753

Summary for Savannaket Craft outlets N = 10			
Turnover p.a.	26,753		
If family labour is excluded from 'poor'		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
wages (ex. Family)	2,490	9%	24%
supply chain	7,973	30%	76%
total	10,463		
<i>Assuming 30% of retail price reaches poor producers</i>			
If family labour is included			
<i>Pro poor income p.a.</i>	\$ p.a.	as % of:	
		turnover	PPI
total wages (inc fam & non local)	6,552	24%	45%
supply chain	7,973	30%	55%
total	14,525	54%	
For entire craft sector	428,050		
No. of craft outlets	16	100%	
Total PPI assuming same structure:	167,407		

Note: 60% of tourism to Savannakhet is estimated to originate from within Lao PDR. 40% comes via the Friendship bridge and of this 50% is day trip to the city and 18% day trip exiting to Vietnam. This leaves approximately 30% of income as 'tourism' (ie overnights) originating from Road 9.

9.4 Annex 4: Industry survey Vietnam

The research is based primarily on face-to-face interviews with representatives of the selected hotels, guesthouses, restaurants, craftshops and travel agents in Hue and Quang Tri during September 2007. The interview team includes Hung, Ha, Hanh, Thuy, Xuan who are lecturers of Hue College of Economics (Vietnam).

Sample sizes are listed in the following table:

TABLE 1.1: Sample sizes of interviews, Vietnam

	Total no.	Hue	Quang Tri					
			Total Quang Tri	Dong Ha	Lao Bao	Khe Sanh	Cua Tung/Vinh Moc	Other
Hotel/guest-house	42	17	25	13	3	4	3	2
Restaurant	34	18	16	10	4			2
Craft shop	20	11	9	4	4		1	
Travel agent	12	9	3	3				
Total	108	55	53	30	11	4	4	4

9.4.1 Accommodation analysis

9.4.1.1 *Size of accommodation*

Size of the surveyed accommodations is illustrated in the following table (table 2.1).

TABLE 2.1: Number of hotels and guest houses with different sizes

Place	< 10 rooms	10-49 room	50 rooms and above	Total	Average
Hue	0	3	14	17	90.2
Quang Tri	3	20	2	25	22.2
Total	3	23	16	42	49.7

Source: Field survey in September 2007

It can be seen from the table 2.1 that Hue's accommodation is much larger than Quang Tri's. No accommodation in Hue was located with less than 10 rooms. In fact, the average room number of Hue hotels is 90.2, which is more than four-

fold in comparison to Quang Tri. The least room number in Hue hotels is 34 rooms and the highest number is 180 rooms. Meanwhile, the figure in Quang Tri is 64 rooms for the highest and 7 for the lowest. This indicates that the business scale as well as tourism demand in Hue is much higher than in Quang Tri.

9.4.1.2 Seasonality

TABLE 2.2. Number of high vs. low seasonal months

Location	Number of high seasonal months	Number of low seasonal months	Total of months
Hue	7.353	4.647	12
Quang Tri	6.08	5.92	12
Average Vietnam	6.595	5.405	12

Source: Field survey in September 2007

Table 2.2 shows that the average number of months in high season is about 6.6 months and about 5.4 months are in low season. However, there is difference between Quang Tri and Hue. The number of high-season months in Hue is 7.353 months. Actually, Hue has a great seasonality pattern with different demand patterns for different source markets, which complement for each other. Summer is often domestic season and winter is foreign season. Large hotels that focus more on foreign visitors often considered the months from May to September as low season. Meanwhile, smaller hotels that focus more on domestic tourists complained winter (rainy season) as their low season. Hotels and guest-houses in Quang Tri mainly serve for domestic tourists and hence they have less number of high-season months. For instance, accommodations in Cua Tung attract tourists only in a few months in summer when having many tourists coming to Cua Tung beach.

9.4.1.3 Customer nationality

TABLE 2.3: Percentage of visitor arrivals in the surveyed accommodations

Location Nationality	Hue (%)	Quang Tri (%)	Average Vietnam (%)
- Lao	1.47	8.58	5.7
- Vietnam	35.18	76.03	59.5
in which			
+ Hanoi	36.41	15.72	24.1
+ HCM city	39.0	39.08	39.04
+ Other VNam	24.59	44.8	36.62
Thailand	16.88	10.09	12.84
Other	46.47	5.3	21.96
Total	100	100	100

Source: Field survey in September 2007

As can be seen from the above table, domestic visitors represent the highest rate (59.5%) of the market. However, the figure is much higher in Quang Tri with 76.03% as Vietnamese visitors. In fact, Quang Tri tour has not attracted many international visitors. Particularly, most of hotels/guest-houses in Quang Tri are small size, one star and below, and therefore do not have enough standard for luxury visitors to stay, especially European visitors.

With the development of the East West Economic Corridor (EWEC), Lao and Thai visitors coming to Hue and Quang Tri is increasing in recent time, which account for 5.7% and 12.84% of the total visitors, respectively. Interestingly, some hotels and guest houses identify Thai visitors as their main customers. These hotels and guest-houses have a high percentage of Thai visitors, may be up to 60-70 percent. Some large hotels in Hue consider Thai visitors as the supplement for low season of European tourists. Thai and Lao visitors come to Hue or Quang Tri mainly through two border gates, namely Lao Bao and Cau Treo. However, the fact that which border gates visitors come from depends on the location where they started from Lao. If they are in Vieng chan, they will come to Vietnam through Cau Treo border and if they are in Mucdahan, they will come through Lao Bao border town. A certain proportion of Thai visitors can start from Bangkok airline, come to Danang airline, visit Danang, Hoi An, after that travel to Hue and Quang Tri.

9.4.1.4 *Rooms and revenue*

Information relating to rooms and revenue from rooms are described in the following table (Table 2.4).

Table 2.4 Rooms and revenue of hotels/guest-houses

	Unit	Quang Tri	Hue	Average Vietnam
Average room no.	rooms	22.2	90.3	49.8
Average bed no.	beds	43.6	177.5	97.8
Imputed beds per room		1.94	1.97	1.95
Room occupancy	(%)	55.5	63.7	58.8
Room nights sold per year	rooms	4575.9	20962	11208.4
Bed occupancy	(%)	51.1	62.4	55.6
Bed nights sold per year	beds	8182	39974	21050
Avg bed nights per room night		1.77	1.92	1.83
Revenue per room sold	USD	12.4	35.18	21.62
Estimated annual room revenue	USD	56870.1	890943.5	394471.3
Estimated total revenue all sources	USD	205443	1441643.4	705817.9
Total revenue (all sources) per room night	USD	47.78	54.85	50.64
Total revenue (all sources) per bed night	USD	24.87	30.01	26.95

Source: Field survey in September 2007

On average, room occupancy is 58.8 percent, in which Hue is 63.7 percent and Quang Tri is 55.5 percent. In fact, as mentioned above, Hue has a great seasonality pattern from different source markets; therefore, it is reasonable to see that room occupancy in Hue is higher than in Quang Tri. In addition, it is clear to see that Hue's accommodations are much better and more professional; hence, revenue per room sold in Hue is also higher than in Quang Tri (nearly three times).

There are 4538 rooms in Hue (at the time of 29 May, 2007) and 1218 rooms in Quang Tri (at the time of 01 September, 2007).

9.4.1.5 Employment

9.4.1.5.1 Number of employees and staff source

The average number of employees for a hotel or guest-house is about 55 people. However, employee number in Hue is much higher than in Quang Tri (nearly 10 times). This is because accommodations in Hue are much larger in terms of room and bed number, and better, more professional in terms of service provision. It is interesting that the number of employees in the two different seasons in Hue and Quang Tri is not much different. Of the surveyed accommodations, only three hotels in Hue and seven hotels and guest-houses in Quang Tri have a light reduction in their staff number in low season. In fact, in low season, instead of cutting employee number, most accommodations do some activities for their staff such as training, allowing them to take turns for taking a certain time's leave, or arranging for their holiday.

In terms of staff source, local staff constitutes the largest proportion with average of 73.2 per cent if excluding family. If including family, the figure will be 87.3 per cent. Many of the surveyed accommodations in Quang Tri are family-owned and small size, hence a rather high proportion of their staff comes from family. In average, family staff in Quang Tri's accommodations accounts for 23.4 per cent. Meanwhile, a very small percentage of staff comes from family in Hue (just 0.6 per cent). In both Hue and Quang Tri, no hotel or guest-house employs minority peoples.

Regarding the issue of where hotels and guest-houses hire staff for their building extensions, 57.1 percent of respondents preferred local staff as local staff is available and more stable in their work. 28.6 percent of the accommodations do not distinguish between local or non-local staff. As for these respondents, they just need staff's skills and proficiency despite of staff's origin. It is interesting to note that 9.5 percent of the accommodations chose depending on the kind of jobs. Some jobs needs to staff local people, such as receptionist because these jobs require more contact with customers and to some extents their local voice and appearance could be able to attract visitors.

Table 2.5. Number of staff and staff source

	Quang Tri	Hue	Average Vietnam
- Average employee no. in high season	12.5	119	55.6
- Average employee no. in low season	11.5	117	54.2
- Average employee no. per month	12	118	55
- Staff source:			
+ Local excluding family (%)	63.3	87.8	73.2
+ Family (%)	23.4	0.6	14.1
+ Elsewhere (%)	13.3	11.6	12.7

Source: Field survey in September 2007

9.4.1.6 Wages and local pro-poor impacts

It could be seen that in the accommodation sector, the main benefit to the local poor is from employment in hotels/guest-houses. This employment takes in the form of regular wages. Wages and wage flows to local are described in table 2.6.

Table 2.6. Average wages and wage flows per year to locals

	Quang Tri	Hue	Average Vietnam
- Average employee no. per month	12	118	55
- Total employees month	144.5	1416.9	659.5
- Wage per employee per month (USD)	65.9	87.7	74.7
- Total wage and benefit flow \$ p.a. (USD)	10215.6	130664.7	58968.8
- Wage flow to local per year (ex family) (USD)	7280.0	118659.9	52362.4
- Wage flow to family per year (USD)	1256.8	252	850.1
- Average Wage flow to local per year including family for an accommodation (USD)	8536.8	118911.9	53212.5

Source: Field survey in September 2007

Table 6 shows that the average wage per employee per month is \$74.7, in which employees in Hue are paid a little bit higher than those in Quang Tri. Although the wage of \$74.7 is not enough to take care of the whole family if this is the only income of a household, it could be "sufficient" if combined with other income of the household. Average wage flow to local per year (including family) for an accommodation is about \$53212.5, in which the figure in Hue is \$118911.9 and in Quang Tri is \$8536.8.

With 143 accommodations in Hue and 65 accommodations in Quang Tri, it could be estimated that the total wage flow from hotels/guest-houses to local is about \$17 million for Hue, \$0.55 million for Quang Tri and \$17.55 million for the total Quang Tri and Hue.

9.4.1.7 Expenditure on food and drinks and pro-poor impacts

Food and beverages (F&B) may constitute for a high proportion in accommodation expenditures. In fact, some accommodations have one or some restaurants inside but it is difficult to distinguish which food and drink expenditure is for hotel or which one is for restaurant because most of drinks can be used in both hotel and restaurant and beside serving breakfast, the hotels/guest-houses can serve lunch or dinner for visitors if required. Therefore, the data we use for calculating food and drink expenditure in accommodation is choosing from the hotels/guest-houses that mainly serve bed and breakfast for visitors.

Table 2.7. Average expenditure on food and drinks (per accommodation, \$)

	Average Quang Tri	Average Hue	Average Vietnam
F&B spending per high month	604.4	5502.3	2676.6
High seasonal spending	3235.9	40224.5	18884.9
Low seasonal spending	1939.5	14793.4	7377.7
Annual F&B spending	5175.4	55018.0	26262.6
F&B spending per high month (Vietnamese origin)	517.64	4660.98	2270.59
% of Vietnamese F&B origin	92.4	87.0	90.1
Annual Vietnamese F&B spending	4348.6	46630.8	22237.2
Income to the poor	Local farmers (vegetables, meat, fruit producing), water/beer factory workers		

Source: Field survey in September 2007

From the above table, it could be seen that annual F&B spending per accommodation is around \$26262, in which Quang Tri is \$5175.4 and Hue is \$55018. It is interesting to note that a high percentage of F&B was bought from domestic with the figure of 92.4 percent in Quang Tri and 87 percent in Hue. Therefore, \$4348.6 will be annual Vietnamese F&B spending in Quang Tri and in Hue, the figure will be \$46630.8. In fact, most of vegetables, meats and seafood

are bought from local markets and are local produced. Noticeably, there is no poor producer sell their products directly to hotels/guest-houses. A small proportion of food could be imported from other countries through agents or Danang Metro such as Australian beef, wheat flour (France, Russia), cheese, and are often used to make special dishes that will serve for international visitors. Local drinks are local beer (Huda, Festival), Minh Mang wine, pure water, some kinds of sweet water. Drinks from other countries only account for a small rate, such as foreign wine, Thai energy water. Both local drinks and non-local drinks are often bought from large local agents.

With 143 accommodations in Hue and 65 accommodations in Quang Tri, we could estimate the total F&B flow from hotels/guest-houses to local is about \$6.7 million for Hue, \$0.283 million for Quang Tri and \$6.983 for the total Quang Tri and Hue. This amount could accrue to poor farmers who produce vegetables, meat, seafood, fruit and supply for hotels/guest-houses. A share of the drink money will accrue to water/beer factory workers.

9.4.1.8 Opportunities and limitations of accommodations

The followings are the main opportunities and limitations of accommodations from the survey.

9.4.1.8.1 Opportunities

- Some hotels in Quang Tri and Hue could upgrade to attract more international visitors.
- Widen their services such as restaurants, wellness, tours.

For their clients, hotels mention the following:

- The EWEC will attract more Thailand, Malaysia and Singapore coming to destinations in Road 9.
- The fact that Hue is part of the world cultural heritages is the major draw
- Hue could diversify its services such as traditional cultural services, rural sightseeing, trade village sightseeing, establishing eating and drinking streets
- Quang Tri could widen services such as purchasing in border gate, beach travel.

9.4.1.8.2 Limitations

- Limitation in internal resources such as many accommodations in Quang Tri lack capital, skilled labour to enhance their service
- Limitation of service diversity or supplement services in accommodation.
- For their clients, hotels mention the following:
 - as for most of respondents in hue, while the sightseeing ticket cost is high, advertising by the tourist department is not sufficient;
 - poor service products, especially at night; and
 - the changeable weather in hue, especially too rainy in winter.

9.4.2 Summary of key findings and recommendations

Accommodation's benefits to the poor are mainly through local employment and local F&B purchasing. It is estimated that about \$17.55 million is the contribution of hotels and guest-houses in local job creation and \$6.983 million could accrue to local poor farmers.

The followings are some recommendations to local authorities and local accommodations to increase the poor share in the chain:

9.4.2.1 - For the local authorities

- Local government should explain and emphasize to tourism businesses the importance of enhancing the linkage between using local food and drinks and benefits for local poor producers. In addition, as analysis, pro poor find it difficult to directly contact with hotels and guesthouses due to the fact that they lack capital, techniques and capacity to enlarge production. Helping poor producers effectively participate in the chain requires the assistance of local authorities.
- Increasing the poor's awareness of participation in tourism. This issue also requires the assistance of local authorities.
- Increasing tourist arrivals and length of stay in order to create more jobs and consumer more food produced by local pro-poor through:
 - Diversifying services, particularly at night such as establishing eating and drinking streets, walking streets (well planned pedestrianisation is also a good way for pro-poor to sell local handicrafts); traditional cultural games.
 - Creating more tourism festivals in the local and advertising promotion to attract more tourists
- Stimulating private sector to participate in tourism, especially in Quang Tri. As a result more poor people may participate in tourism.

9.4.2.2 For hotels/guest-houses

- Reducing tourism seasonality to stable employee number or increase employee number in low season. Beside traditional markets, hotels/guest-houses should look for other potential markets such as Thai and Lao.
- Training staff with hospitality skills and foreign languages
- Improving facilities and diversifying their service provision to satisfy customer entertainment demand.

9.4.3 Restaurants

Along road 9, restaurants in Quang Tri province spread from Lao Bao border gate to Dong Ha town. Formal data of how many restaurants for international and domestic tourists on this route is not available . However, observation from survey team reveals there are around 30 tourist-oriented restaurants. Medium-size restaurants belong to criteria hotels. There are no up-market restaurants in Quang Tri where much investment is focused on building and decoration. Majority is family-run businesses. It is observed that there are at least 7 restaurants in Lao Bao; a few restaurants only serving local customers and domestic tourists in Khe Sanh township, and 3 main tourist restaurants on road 9 in Cam Lo township. The majority of restaurants are located in Dong Ha town.

Being a city of tourism and recognized as world cultural heritage by UNESCO, number of tourists in Hue is much larger than that in Quang Tri. Accordingly, number of restaurants for tourists in Hue is larger. Most of tourist-oriented restaurants locate in the central city, nearby hotels and tour agents. Out of more than 250 restaurants in Hue city, around 45 (18%) are tourist-oriented restaurants. One third of those are restaurants of hotels, around 10 restaurants are up-market ones which pay much attention to special and traditional decoration (e.g. ancient architecture) and extra services (e.g. royal dancing), and the remaining ones are family-run businesses.

Based on the strategic route of EWEC tourism, survey of 34 restaurant was conducted, including 4 in Lao Bao border gate, 2 in Cam Lo township, 10 in Dong Ha town, and 18 in Hue city.

9.4.3.1 Size of restaurants

To some extent, scale of a restaurant is represented by its number of employees. As indicated in Table 3.1, majority of restaurants range from 5 to 30 employees, where 29 % and 50% are restaurants with size of 5 to 10 employees and size of 11 to 30 employees respectively. Table 3.1 also displays different levels of employee size in both restaurants of Quang Tri and Hue. Compared to restaurants in Hue city, restaurants in road 9 of Quang Tri are smaller in scale. Restaurants in Quang Tri reach up to 30 staff, while 14.7% of the survey sample belong to Hue restaurants which employ more than 30 staff.

Table 3.1 Number of Paid Employees in High Season

Average number of paid employees	Location		Total	
	Quang Tri ¹	Hue	Frequency	%
Under 5	0	2	2	6
5 to 10	6	4	10	29
11 to 30	10	7	17	50
over 30	0	5	5	15
Total	16	18	34	100

Source: Field survey in September, 2007

Note 1 Quang Tri refers to restaurants locating along road 9 and Dong Ha town

According to the survey, there is about half of restaurants using fixed number of employees during the year, regardless of seasonality. Employees get more wages due to their extra work in high season. In the remaining half, number of employees is reduced by 35% in low season.

9.4.3.2 Seasonality

In restaurant sector, high season basically lasts around 6 or 7 months of the year. There is difference between domestic and international customers. Summer (from June to September) is the season that restaurants welcome most of domestic tourists on their vacation from many parts of the country. In particular, June and July are the two highest months of summer for mainly domestic tourists and sometimes Asian tourists. In the meanwhile, wet season (from October to February) is the high period for international tourists, especially Western. Besides, summer (from June to September) and spring (from February to April) are high months of Thai and Lao customers who travel on their summer vacation or traditional new year to beach, historical relic sites in Quang Tri and Hue city. In Lao Bao, Laos often stop by for shopping at weekends in summer.

9.4.3.3 Employment

9.4.3.3.1 *Employee numbers*

As discussed above, restaurants in Hue are bigger in scale in comparison to those in Quang Tri. Average number of employees shown in Table 3.2 also reveals this fact. While approximately 24 staffs are working in Hue restaurant per month, only about 15 people are employed in a restaurant of Quang Tri. In general, there are 23 employees working in a restaurant in high season, 14 in low season. Hence, an average of 20 is estimated during the year.

9.4.3.4 Average wage of staff

Wage per month of restaurant employees range from \$37 and \$112.5, generating an average wage of approximately \$68.84 per month or \$823.68 per year for an employee. As shown in Table 3.2, earning of employees in Hue are higher than in Quang Tri (\$71.35 vs. \$65.59). Most of employees working in restaurant sector receive meals everyday. The annual amount (i.e., \$823.68 p.a) is considered as average total wage which include direct wage, food, and even in some cases including other social welfare for employees (e.g. social insurance) provided by restaurants of hotels in public sector. Since food and other welfare account for 30% (almost \$20). of total wage, net wage takes 70%. In other words, an employee of a restaurant receive direct wage of \$50 per month or \$600 per year.

Table 3.2 Staff number and sources

	Quang Tri	Hue	Average Vietnam
- Average employee no. in high season	16	26	23
- Average employee no. in low season	13	21	14
- Average employee no. per year	15	24	20
- Wage per employee			
+ Wage per month (\$)	65.59	71.35	68.64
+ Wage per year (\$)	787.08	856.20	823.68
- Staff source:			
+ Family (%)	12.25	24.78	18.88
+ Local (%)	63.69	57.89	60.62
+ Elsewhere (%)	24.06	17.33	20.50
+ Minority people	0	0	0

Source: Field survey in September, 2007.

9.4.3.5 Staff sources

Survey reveals that 18.88% of employees are family members. Most of family labour in restaurants are close relatives of the owner such as siblings and cousins, getting salary like other staff. Unpaid staffs, mainly the spouse or children, account for a very little percentage of family labour. Majority of staffs (60.62%) come from local neighbourhood while 20.5% of staffs come from other areas, mainly from surrounding provinces (Table 3.2). Generally, local labour source within the province is preferable to others because of its stability. However, several restaurants tend to recruit staffs on the basic of working ability and diligence, not on the basic of their sources.

A surprising finding is that no labour from minority people is working in restaurant sector. The main reason most of respondents claim is that minority people are not eligible and qualified enough in order to meet working requirements such as working ability, communication skills, language, and even

appearance. During the survey, it is found that job opportunities for minority peoples in this area are very limited. Only one up-market restaurant in Hue (An Dinh Vien) reported their plan to expand the existing business.

A new restaurant is to be established next year named "Pako restaurant" that will serve and provide tourists with specialty and traditional food from minority peoples. Accordingly, main labour for the restaurant is planning to employ entire minority staff who come from Pako and Van Kieu people in Dakrong district, Quang Tri province.

9.4.3.6 Customers: Nationality and Expenditure

9.4.3.6.1 Nationality

Nationality structure of customers differs from restaurant to restaurant. As indicated in Table 3.2, Vietnamese tourists take the majority of 54.97% of total number of tourists to the route, in which more proportion of customers from northern and surrounding provinces is greater than that from southern provinces. Although the data is still rough, it is estimated that there is approximately equal percentage of Thai and Lao tourists, taking 8.62% and 8.97% respectively. The remaining percentage (27.44%) of customers comes from other countries. It is reported by local officers that Thai and Lao tourists has considerably increased since last year (2006). This reason probably accounts for Thai and Lao PDR take a relatively significant percentage of total international customers to the restaurant sector. It can be seen from the results that Thai and Lao customers are the main international customers of restaurants in Quang while Hue restaurants welcome more other countries (see Table 3.3)

Table 3.3 Nationality of customers to restaurants

Nationality	Location			% Vietnam, of which	
	Quang Tri	Hue	Average		
Lao PDR (%)	13.38	4.39	8.62		
Vietnam (%)	65.38	45.72	54.97	Southern provinces	23.68
Thailand (%)	11.00	7.17	8.97	Northern provinces	38.24
Other (%)	10.25	42.72	27.44	Surrounding provinces	38.09
Total (%)	100	100	100	Total	100%

Source: Field survey in September, 2007

9.4.3.7 Average spend per tourist

It is estimated that average spend of a tourist for a meal is \$3.8, in which spend on drink is more than \$1, making up 26% of meal per person. Expenditure of tourists in Hue for meals is higher than Quang Tri. There is no data of how much each customer spend on each category. See Table 3.4.

Table 3.4 Estimates of tourist expenditure on F&B

	Quang Tri	Hue	Average
Spend on meal per tourist (\$)	3.14	4.46	3.84
- Spend on food (\$)	2.36	3.12	2.76
- Spend on drink (\$)	0.78	1.34	1.08

Source: Field survey in September, 2007.

9.4.3.8 Expenditure of restaurants on F&B

9.4.3.8.1 *Estimates of expenditure*

In high season, average expenditure per month of a restaurant on items of food and drink is listed in Table 3.5. Each month in high season for a restaurant, it is estimated an approximate amount of \$462.76 is spent on vegetables; \$232.8 on fresh fruit; \$364.58 on rice, noodles, cereals, ect; \$2604.11 on meat (beef, pork, fowls...); \$6308.92 on fish and other seafood; and \$61.38 on bamboo and other forest vegetables (e.g. mushroom). Table 3.5 also displays data of average expenditure on items per year and the proportion of each item in the total. It is obvious that items such as fish, meat and beer in general take majority in the total annual expenditure of a restaurant. Specifically, fish and other seafood take nearly half of total expenditure (48.54%) while 22.25% belong to meat, partly because of price and consumption of tourists. Drink, mainly beer, account for 20.02%. Although the specific amount of expenditure on venison is unknown and not reported by respondents, observation from the survey reveals with no doubt that a considerable proportion of venison is consumed in most of restaurants in Quang Tri and some in Hue. Total average expenditure of main items of a restaurant reach \$12,409 every month in high season.

Tale 3.5 Estimates of average expenditure per restaurant and country of origin

Item	Monthly expenditure		Annual expenditure	
	\$ per month in high season	\$ per month in low season	\$ per year	%
Vegetables	462.76	283.35	4,472.55	3.80
Fruit	232.80	131.65	2,229.73	1.89
Rice, noodles	364.58	218.35	3,537.49	3.00
Meat	2,604.11	1728.64	26,197.21	22.25
Fish, seafood	6,308.92	3428.15	57,147.83	48.54
Bamboo/forest	61.38	36.89	572.11	0.49
Beer	2,374.60	1500.82	23,569.6	20.02
Total	12,409.15	73,27.85	117,726.52	100

9.4.3.9 Origin of producer

Main sources of manufacture of items are provided in Table 3.6. Generally, all items originate from Vietnam (above 80% as presented in the Table 3.6). A small percentage of food and beverage come from Lao, Thai and other countries.

- *Vegetables*: Almost entire vegetables supplied to restaurants are grown in Vietnam (99.79%). There are no vegetables imported from Thailand and a very little ratio from Lao and other countries. Similarly, 84.97% of total fruit is from Vietnam. Some kinds of Thai fruit, mostly watermelon, are also favorite in Vietnam market and therefore 14.65% of fruit from Thailand are consumed in restaurants. No fruit from Lao is found and a very limited amount of fruit comes from other countries (only 0.39%).

- *Rice, noodles*: 82.53% is domestically produced. There is about 7.5% from Lao (rice stick) and the same percentage from Thailand (high-quality rice). The remaining percentage of 2.5% is imported from other countries, mostly noodles for Western-style cuisines.

- *Meat*: Majority of meat including pork, beef, chicken, duck, etc are from Vietnam (96.03%). There is a small amount of beef from Lao (3.82%) and other countries (0.15%).

- *Fish, seafood*: Most of fish and other seafood provided to restaurants are caught from beaches in Vietnam. Thanks to local beaches such as Thuan An beach in Hue and Cua Viet, Cua Tung beach in Quang Tri, local supply of seafood meet enough

demand of local restaurants (99.84%). Only a little ratio of fish (e.g. salmon) is imported from other countries for chains of restaurants of hotels.

- *Bamboo and forest* food such as mushroom are 100% picked up from Vietnam forests.

- *Drink*: With respect to the source of beverage, beer is produced in beer factories in many parts of Vietnam and therefore meet the demand of drink in restaurant sector (94.18%). A small amount of drink from Thai (e.g. Heneiken beer, Red Horse, Red Bull) is also consumed (2.42%). Lao beer that takes 3.39% is mainly found in Lao Bao border gate.

9.4.3.10 3.5.3 Main supplier

Food items are mainly bought from big traditional markets in the area. There are several large scale restaurants signing long-term contracts with the suppliers such as supermarket or wholesaler who specialize in providing food for restaurants. Results of the survey (Table 3.6) reveals vegetables, fruit, meat, fish, and bamboo are purchased from local market, with 82.4% , 93.3% , 72.7%, 75% and 100% for each item, respectively. In the meanwhile, more than half (58.8%) of rice amount bought is supplied by local agents and entire beer is also bought from distributors in local. A very little proportion of items are bought from supermarkets, mainly for high-grade products that are unavailable in traditional markets and in the period of epidemic diseases for food safety.

Table 3.6 Source of F&B

	Origin of manufacture				Supplier			
	% Lao	% Vietnam	% Thailand	% Other	Local market	Local wholesaler /agent	Local supermarket	Other Vietnam
Vegetables	0.15	99.79	0.00	0.06	82.4	11.8	5.9	0
Fruit	0.00	84.97	14.65	0.39	93.3	6.7	0	0
Rice, noodles	7.47	82.53	7.50	2.50	35.3	58.8	2.9	2.9
Meat	3.82	96.03	0.00	0.15	72.7	21.3	6	0
Fish, seafood	0.00	99.84	0.00	0.16	75	25	0	0
Bamboo /forest	0.00	100.00	0.00	0.00	100	0	0	0
Beer	2.42	94.18	3.39	0.00	0	100	0	0

Source: field survey in September, 2007

9.4.3.11 Main locations of production

Basically, meats, fish, seafood produced in local are relatively sufficient for restaurant sector in Quang Tri and Hue thanks to the development of local animal husbandry and fishing. However, vegetables and rice grown in local areas are not sufficient for the consumption of restaurants. Of total vegetables provided to restaurants in Quang Tri, about 50% are grown in districts of Quang Tri. For restaurants in Hue, only a small percentage of vegetables, perhaps 20%, is grown in the city and other districts of Thua Thien Hue province. The rest of vegetables come from other provinces in the south (mainly from Lam Dong) and the north of Vietnam (mainly from Vinh Phuc, Hai Duong). In sum, 50% and 80% of vegetables provided to restaurants in Quang Tri and Hue, respectively, come from producers of other areas. Most of rice is grown in other places rather than local. In general, there are three main locations of rice supply: (1) provinces in the northern Vietnam (mainly in Nam Dinh, Dien Bien); (2) provinces in the southern Vietnam (mainly in Can Tho, An Giang); and (3) from Thailand.

9.4.3.12 Turnover

Turnover and other figures relating to turnover of restaurants are calculated from the sample data and illustrated in Table 3.7. On average, each restaurant serves approximately 206 meals per month in high season (equal number in both locations). Although the number of Hue tourists reduced in low season is higher than Quang Tri's (based on monthly reduction amount of restaurant spend, illustrated in Table 3.7), tourists spend much more for meals in Hue than in Quang Tri. For that reason, average turnover per month of a restaurant in Hue is higher (\$23,565.78 in Hue relative to \$15,924.14). It is thus estimated an average of annual turnover per restaurant for the whole route reach approximately \$239,636.57.

On the basis of figures in table 3.7 and the number of tourist-oriented restaurants in each location, annual turnover for the whole restaurant sector has been roughly estimated. As calculated and shown in Table 3.7, total turnover per year of restaurants in Quang Tri and Hue are around \$5.7 million and \$12.7 million, respectively. Therefore, annual total turnover of the whole restaurant sector on the route of concern is over \$18.4 million.

Table 3.7 Estimates of turnover

	Quang Tri	Hue	Average VN
For each restaurant on average			
- No of meals per month in high season	206.25	205.44	205.82
- Average spend per meal per tourist (\$)	3.14	4.46	3.84
- Average monthly reduction in low season (%)	34.25	46.11	40.53
- Turnover per month in high season (\$)	18,756.75	30,134.75	24780.40
- Turnover per month in low season (\$)	12,449.78	17,243.74	14987.76
- Average turnover per month (\$)	15,924.14	23,565.78	19,969.71
- Average turnover per year per restaurant (\$)	191,089.67	282,789.37	239,636.57
For the whole restaurant sector			
- No of tourist-oriented restaurants	30	45	75
- Turnover per year (\$)	5,732,690.06	12,725,521.50	18,458,211.56

Source: Field survey in September, 2007

9.4.3.13 Financial flows and incomes of the poor

As calculated from number of meals served per year, average annual turnover of \$239,636.57 is estimated for each restaurant. A little of this accrues to employees in restaurants as wages (7.75% of turnover, Table 3.8). Of this amount, 0.88% of turnover flows to family labour and 5.59% to local labour.

On the other hand, results from Table 3.9 reveals that a great deal more accrues to Vietnam producers of food and drink that are supplied to the restaurants. It is estimated that 47.68% of turnover is spent on food and drink in total. Among items of food, expenditure on meat and fish (or seafood in general) takes the largest proportion of total turnover of a restaurant (10.50% and 23.81%, respectively, Table 3.9). As mentioned in previous section, local producers within

two province are able to supply a relatively sufficient amount meat and fish, seafood to restaurant sector in the area. Spend on drink also accounts for 9.26% of turnover, considerably high in comparison to other items, which imply some income accruing to beer factory workers. For other items, although taking fewer ratio of turnover, it is noticed that majority is produced in Vietnam.

Therefore, although the data is robust and calculation is based on average figures of each restaurant, it is obvious that the largest income flows to local producers from tourism. It means the poor may benefit more from the tourism development.

Table 3.8 Estimate of local earnings from labour

	\$ per restaurant	% of turnover
- Cost of total wage p.a (including meals and other benefit)	18,572.16	7.75%
+ Of which salary cost p.a (net wage, 70% of total wage)	13,000.51	5.43%
- Wage flow to family p.a	2,110.72	0.88%
- Wage flow to local p.a (excluding family)	13,394.97	5.59%
- Wage flow to local p.a (including family)	15,505.69	6.47%
- Wage flow to minority p.a	0	0%

Source: Field survey in September, 2007

Table 3.9 Estimate of local earnings from supply chain

Expenditure on items	\$ p.a per restaurant	% Vietnam (source of producer)	\$ p.a to VN producer	% of turnover
Vegetables	4,472.55	99.79%	4,463.16	1.86%
Fruit	2,229.73	84.97%	1,894.60	0.79%
Rice, noodles	3,537.49	82.53%	2,919.49	1.22%
Meat	26,197.21	96.03%	25,157.18	10.50%
Fish, seafood	57,147.83	99.84%	57,056.39	23.81%
Bamboo/forest	572.11	100.00%	572.11	0.24%
Beer	23,569.6	94.18%	22,197.85	9.26%
Total	117,726.52		114,260.78	47.68%

Source: Field survey in September, 2007

9.4.3.14 Opportunities and limitations:

9.4.3.14.1 Opportunities

- There is a considerable increase in tourists number over recent years in Hue and Quang Tri (reported by provincial officers).
- Along with EWEC, there has been a large number of Thai and Lao tourists to Quang Tri and Hue since 2006.
- Encouragement from local authorities in tourism development, in particular the food and beverage sector, has been paid some attention.
- The growth of tourism products as well as tourism facilitators is making good conditions to attract tourists to stay more and therefore spend more in restaurants.
- At Lao Bao, the new establishment of shops selling local produce may attract more tourists to come for shopping.

9.4.3.15 Limitations

- Despite the growth of restaurant in number and quality, there are currently almost no job opportunities for minority peoples. Income flow to minority peoples is just indirect through supply chain, however still very limited.

- Most of the time, Thai and Lao, especially Thai customers, travel in big tour groups, even up to 200 people for each tour. Hence, small size restaurants are unable to welcome these potential customers.
- At Lao Bao trade centre, counterfeit goods are becoming popular.
- Due to lack of organised genuine opportunities for poor people, peddlers, may displease tourists
- Competition on price is becoming a problem.
- Short stay of tourists, average of less than 2 days. There are few recreation sites (e.g. parks) to attract tourists to stay more

9.4.3.16 Summary of key findings

The estimate of annual turnover is approx. \$240,000 for a restaurant and around \$18.4 million for restaurant sector as a whole.

Direct impact on the poor in restaurant sector is referred to wage of labour, which only accounts for a small percentage of total turnover per year in a restaurant (7.75% of turnover). Yet, local labour has more income and job opportunities thanks to tourism growth because of the majority of local labour in total labour source of restaurants.

No pro-poor impact or job opportunities for minority peoples have been identified at present.

Most of food and drink consumed in restaurant are from Vietnamese producers.

Items purchased are undertaken through channel of distributors, mainly agents or wholesalers in traditional market.

Direct impact on the producers who are considered as the poorest in the supply chain is not clear. There is no data that clarify how many percent producers directly benefit from tourism. However, rough figures from expenditure analysis reveals a great deal (nearly half) of turnover accrues to the poor who produce food items (especially meat, fish, seafood, and vegetables) and to workers in factories.

The development of tourism, especially EWEC, is creating potentials and opportunities for jobs and income from F&B supply to growing restaurant sector.

9.4.3.17 Recommendations:

- The needs of minority peoples need to be given special consideration. Pay more attention to training. Especially, create more job opportunities through training programmes for minority peoples
- Explore further the food supply chain. Enhance collaboration between tourism, agriculture, and marketing stakeholders so that the producers or farmers may access more directly to hotels and restaurants.
- Increasing fruit and rice produced locally, gradually replacing import from Thailand.
- Provide more local specialty food, especially in Quang Tri, in order to attract more tourists.
- Offering accompany products and additional service

- Pay more attention to market segments to provide customers with appropriate quality of cuisines, better services and competitive price. Marketing research in restaurants should be conducted periodically in order to meet customer needs.
- Investing and expanding businesses of restaurants (larger space, parking lots).
- Well-established linkages between accommodations, restaurants, and tour operators for effective business operations.
- Facilitate a quite dynamic private sector of restaurants to engage in other tourism development

9.4.4 Craft shops

9.4.4.1 *Number and types of craft shops*

20 craft shops were interviewed, 9 of them in Quang Tri province and 11 in Hue city. In Quang Tri, there is no craft shop close to hotels, restaurants or tourism spots such as Hien Luong bridge, Khe Sanh Combat, Cua Tung beachFor shopping, Dong Ha market and Lao Bao market are 2 places oriented for tourists. While the kiosks at Dong Ha market serve mainly for local customers, the kiosks at Lao Bao and Vinh Moc mainly serve tourists. At Dong Ha, tourists often purchase only dried aquatics for their use or the gift. Lao Bao market becomes a well-known destination for shopping by Vietnamese tourists in Quang Tri because the goods imported and consumed in Lao Bao area are not subject to tax and therefore their price becomes cheaper. As a result, visiting and shopping at Lao Bao market becomes an interesting activity and have been listed in tour designations for the Vietnamese. According the entrepreneurs at Lao Bao market, doing business may bring for them more stable and considerable income than other jobs. Among of goods sold in Lao Bao market, candy, cosmetic, clothes, furniture... are the best selling products; they are introduced into the list of the products to examine in this report. Among 9 entrepreneurs interviewed in Quang Tri, 4 are from Dong Ha, 4 from Lao Bao, and 1 from Vinh Moc. All of them are family-run businesses selling goods at kiosks. As all of them are market vendors, they only sell goods in the day time. These enterprises are divided into 4 groups according to type of products they supply.

Table 4.1 Product groups

	Product	Shop no.
Food and beverage	dried food (cutte, shrimp, fish, paste) fresh food (cutte, shrimp,banana) candy, water, coffee	6*
Cosmetic	shampoo, bath milk, soap, cosmetic	1
Clothes	coton mask for face, coton glove, women pijama, Shirt, T-shirt (Pull), conical hat	3
Furniture	Furniture, pottery vase	1*
total		9

Source: Field survey in September, 2007

Note *: 1 kiosk at Lao Bao sells both food and furniture, 1 kiosk at Vinh Moc sells both food and conical

At Hue city, there were 11 individuals interviewed at Hue, 5 of them are selling goods at stalls in Dong Ba market, 2 have shops in Imperial Palace, 2 are doing business at the entrance to Imperial City near parking area, and the another 3 are working at Southern shore of Huong river at 2 roads where most handicraft shops concentrate. All of the enterprises mainly sell the products to tourists. Except for the shops at Dong Ba market and Imperial Palace that only open in day time, other shops still sell goods in the night time.

9.4.4.2 Size and Labour

Most of the shops are small business scale that requires less than 2 workers and the owner is often also the seller. The majority of the labour is owners' family members (make up 83.33%). No worker is ethnic minority people. There are only 4 kiosks (3 at Lao Bao) hiring waged workers. The average wage is \$ 87 per month but the wage scale at Lao Bao is 3 times higher than at Dong Ha. The reason can be that the turnover of a Lao Bao kiosk is twice of a Dong Ha one and the kiosks at Lao Bao serve tourists and another trader while the kiosks at Dong Ha only serve local customers. All interviewees and their waged workers are women, the kiosk owners' husbands mainly take care of opening/closing the kiosks daily, transportation and packing goods.

Table 4.2 Size and labour

	Quang Tri		Hue	
	Number	%	Number	%
Having no waged employee	5	56	5	0.45
Having waged employee	4	44	6	0.54
Total waged employee	6		15	
Average number of employee	1.5			1.5
Average wage per shop (USD)	80.10		53.92	
Average wage per employee (USD)	86.27		70.45	
Source of waged employee	6	100	15	100
Local	1	16.66	9	60
Family	5	83.33	1	6.66
Elsewhere	0	0	5	33.33

Source: Field survey in September, 2007

Most of the shops are small size: 5 of them have no hired labors (they are stalls in Dong Ba market and the owners are also the sellers). The average number of workers is 1.5 for all of 11 enterprises and 2.5 for 6 shops with waged workers. Most of the workers are local residents, few of them are from another provinces. The average wage is USD 53.92 per month less than in Quang Tri. However, most of the workers (10 of them) working on shifts at shops on the roads (morning shift is from early morning to 2pm or 3 pm, afternoon shift is from 2pm or 3pm to 10pm) have average wage of VND 600.000 (USD 36.83) while the workers working at shops in Imperial Palace for 8 hours a day (during open time of the Imperial Palace) have much higher wage (USD 92.43/month). All of the sellers (including owners) are women and none of them is ethnic minority people.

9.4.4.3 Customer

There are a lot of difference between Quang Tri and Hue. In Quang Tri, the share of customers who are tourists makes up 45 %, in which international tourists account for 16.32 % (Lao tourists make highest portion) and the rest is from national tourists outside Quang Tri. A big share of customer is local in Quang Tri (make up 55%). So we can recognize that the customer from international tourists is insignificant in comparing with from national tourists and local customers. This fact will be explained more clearly in the next tables of description of main products.

Table 4.3 Source of Customer

Customer	% customer	
	Quang Tri	Hue
Lao	11.44	1.36
Thai	2.11	17.72
Other	2.77	20.9
Viet Nam	83.66	60.45
- Other region	28.60	56.6
- Local	55.06	3.84
Total	100	100

Source: Field survey in September, 2007

On the contrary, more than half of customers of the shops selling handicraft products in Hue are domestic customers (It is appeared that the sellers found it difficult to tell different number of customers from the North and the South, even though they think there are more customers from the North than the South). Some customers are local residents but take a very small number and mainly buy the products as souvenirs for their friends or relatives at another place. International customers make up 20.9% and most of them are from Europe. Thailand customers just started to visit Hue 1 year ago but make a significant portion (17.72%). Lao customers make a small portion and mainly buy goods at Dong Ba market.

9.4.4.4 Products and characteristics

At Quang Tri province, main products and monthly turnover of the entrepreneurs surveyed can be grouped as following table.

Table 4.4 Main products and monthly total turnover at Quang Tri*

Product category	Average monthly sales	
	Value (USD)	%
Food	5773.97	49.47
Clothes	2384.76	20.43
Cosmetic	2218.38	19
Furniture	1294.06	11.08
Total	11671.19	100

*Note *: The turnover here is total turnover from both tourists and local customers*

Nearly half of the turnover is from food products (aquatic, candy) making up 49.47% of total turnover. These products consist of fresh and dried aquatic products (shrimp, fish, cuttle, squid), candy and drinks. While candy and drinks are factory made, aquatic products are handmade (Aquatic products are dried on the traditional handicraft way). Nearly half of these products are from Quang Tri, but only one third of them are from makers and the remaining are bought from dealers in Quang Tri and Hue. According to the aquatic products seller, most of their customers are Vietnamese and few of Laos. Lao customers normally buy the foods for their family use, they come by their own transportation means, some of them combine to go to Quang Tri to bathe in the sea and call at market to buy goods, some just go to buy goods then come back Lao. The candy at Lao Bao market is mainly from Thailand selling to Vietnamese tourists shopping at Lao Bao Commerce Center and local residents.

The second group is clothing products such as T-shirts, hats, gloves. Except palm-leaf conical hats are local products and supplied directly from makers, all other products are from elsewhere and a great share is imported from Thailand (shirt and T-shirt) through Vietnamese supplier running business at Thailand. Similar to food products, most of products of this group are mainly sold to local customers, national tourist and some of Laos.

The third group of products is cosmetic. Most of them are produced at Thailand and Malaysia and supplied by Vietnamese running business at Thailand. These products are mainly bought by national tourist due to competitive price and lack appearance elsewhere.

The last group of products is household goods. Most of them are original from Thailand or supplied by local dealers. They are mainly sold to national tourists and local customers.

Particularly, the 2 groups of domestic and household products with origin from Thailand and Malaysia are sold widely at Lao Bao Commerce Center and have a big attraction national tourists' purchase.

Table 4.5 Product characteristics and supply source (Quang Tri) * US\$

	Handmade		Seller		Product source			
	Yes	No	maker	Agent	Q.Tri	Hue, D.Nang	Other region	other country
Food	4258.07	1515.89	1731.57	4042.39	2471	92.43	3210.5	1478.92
Cosmetic	0	2218.38	0	2218.38	0	0	0	2218.38
Clothes	351.24	2033.52	240.32	2144.44	0	0	665.51	1478.92
Furniture	554.59	739.46	0	1294.06	0	0	0	1294.06
Total value	5163.91	6507.27	1971.9	9699.28	2711. 36	92.43	2397.091	6470.29
Total %	44.24	55.75	16.89	83.1	23.23	0.79	20.53854	55.4382

*: See details in Annex E

The handicraft products at Hue are quite diversified and plentiful. Main products of the enterprises interviewed are hand made products and are divided into 4 groups (table 4.6).

Group of souvenirs makes up 33% of total turnover. This group includes the products being sold widely at handicraft shops at Hue. They are glass statues or platters printed with Hue's famous charms, pottery human body wearing traditional clothes or wooden poster describing popular activities of Hue or Viet Nam (pedicab riding, carrying by shoulder pole, fishing, ...), children toys. They are popular products sold at reasonable price and that being bought a lot by the tourists and so make up a big portion of the souvenirs sold. Apart those, there are also some higher price products such as stone statues and inlaid wood products. One of the characteristics of the souvenir is compact so it is convenient for the tourists to carry. All of the souvenirs are produced at another place (Ho Chi Minh, Ha Noi) and supplied to retailer by dealers at Hue or from producing places.

Table 4.6 : Average monthly sales of 3 best selling items (Hue)

Product	Average monthly sales	
	Value (USD)	%
1. Souvenir <i>- glass statue, plates, pottery statue, wood painting</i> <i>- sculpture stone statues</i> <i>- in laid mother of pearl wood</i>	4159.47 <i>2680.55</i> <i>739.46</i> <i>739.46</i>	33.13
2. Fashion <i>- silk handbag, purses</i> <i>- silk weave</i> <i>- T-shirt</i> <i>- conical hat</i> <i>- visored hat with Hue letter</i> <i>- jewelry (neck, wristlet)</i>	3882.17 <i>1078.38</i> <i>647.02</i> <i>554.59</i> <i>770.27</i> <i>492.97</i> <i>277.29</i> <i>831.89</i>	30.92
3. art decoration <i>- artifact</i> <i>- Painting</i>	2791.47 <i>1146.16</i> <i>1645.30</i>	22.23
4. food <i>- shrimp paste</i> <i>- Ming Mang wine</i>	1719.25 <i>1331.03</i> <i>388.21</i>	13.69
Total	12552.38	100

Source: Field survey in September, 2007

The second group of products being sold widely at Hue are fashion products including silken bags, silken pullet spaded or attached with beads, silken clothes, T- shirts and hats printed with Hue's landscapes. The palm leaf conical hats and cap spaded with Hue letter are popular products being sold widely at Dong Ba market. The palm leaf conical hats are not only for the tourists but also the local customers. Also there are necklaces or bracelets made of stones, plastic, shells,....being showed at some shops around city. Most of the fashion products are supplied directly from the manufacturers but half of them are from another provinces (Ha Tay, Hoi An).

The third group of products is art products such as decorative carved thing made of bone, horn, brass or silver and painting (lacquer painting, paper painting, silk painting). These products are used to decorate and often have quite high price, and are listed as high class fine arts products. Except the painting are products of Hue artists, all another high class fine arts products are from another places like Ho Chi Minh, Bat Trang, Ha Tay and supplied mainly by dealers at Hue.

Food products such as shrimp paste, Minh Mang wine are special food of Hue and play a significant portion of turnover. Both of these products are supplied directly from the manufacturers.

In general, with regard to handicraft products being sold at retail shops at Hue, half of them are supplied directly from manufacturers, but 56% of turnover are from products manufactured at another places (especially the souvenirs all are original from another places). 2 thirds of handicraft products supplied by the dealers are from dealers at Hue, who are often the first level dealers of the producers and distribute goods to retailers around city.

Table 4.7: Seller and product source (Hue)US\$

Product	Value	seller		product source		Agent from	
		maker	agent	Hue	other	Hue	other
1. souvenir	4159.47	739.46	3420.01		4159.47	2218.38	1201.62
(glass statue, plates, pottery statue, wood painting)	2680.55	0	2680.55		2680.55	2033.52	647.02
sculpture stone statues	739.46	0	739.46		739.46	184.86	554.59
in laid mother of pearl wood	739.46	739.46	0		739.46		
2. fashion	3050.28	2680.55	1201.62	2156.76	1725.41	924.32	277.29
silk handbag, purses	1078.38	801.08	277.29		1078.38	0	277.29
silk weave	647.02	462.16	184.86		647.02	184.86	0
T-shirt	554.59	369.73	184.86	554.59		184.86	
Conical hat	492.97	492.97	0	492.97		0	
visored hat with Hue letter	277.29	0	277.29	277.29		277.29	
Jewelry (neck, wristlet)	831.89	554.59	277.29	831.89		277.29	831.89
3. art decoration	2791.47	1645.30	1146.16	1645.30	1146.16	924.32	221.83
Artifact			1146.16		1146.16	924.32	221.83
painting		1645.30		1645.30			
5. food	1719.25	1719.25		1719.25			
Shrimp paste		1331.03		1331.03			
Ming Mang wine		388.21		388.21			
Total	12552.38	6784.57	5767.80	5521.32	7031.05	4067.04	1700.76
%		54.05	45.94	43.98	56.01	70.512	29.48

Source: Field survey in September, 2007

9.4.4.5 *Sales in high season and in low season*

According to interviewees at Quang Tri, the high season of sales often drops in summer from March to the end of July when there are a lots of tourists visiting. Lao and Thai tourists often concentrate there from March to July while the national tourists often come in summer and right before Tet festival.

We can see that the decreasing rates of turnover in low season of sales at 2 main business centers of Quang Tri are very different. While it decreases by one fourth at Dong Ha, it is one half at Lao Bao. This difference can be explained that because the portion of tourists in total number of customer at Lao Bao (include Laos, Thailand and Vietnamese tourists) is much higher than at Dong Ha (mainly supply local customers). As such at low season, the number of tourists reduces significantly at Lao Bao and bring about big decreasing turnover but at Dong Ha, the effect is not as much because the tourists take just a small part in total number of customers.

Table 4.8: Turnover in high season and low season Unit: US\$

Average turnover	Dong Ha	Lao Bao	Vinh Moc	Total
High season	785.67	2927.04	246.48	1677.485
Average reduction in low season (%)	24	50	70	40.66

Table 4.9: % customer by location

% customer by location		Lao Bao	Dong Ha	Vinh Moc
Lao		5.75	20	0
Vietnam		93.25	77.5	70
	other	2.56	40.04	63
	Quang Tri	90.68	37.45	7
Thai		1	2.5	5
other		0	0	25
Total		100	100	100

According to interviewees at Hue, it is hard to separate the high season and low season as there are many sources of customers visiting at different time in the year. Vietnamese customers often come in summer, Thailand customers often come from February to July and at some times of big festivals of Thailand (New year, King's birthday, Queen's birthday, national day), and another foreign customers (most from Europe) often come from October to March or April (during winter vacation). The average turnover of the enterprises interviewed at high season is USD 2859.8/ month and the decreasing rates of turnover at low

season are not much different between different shops (the average decreasing rate of these enterprises is 32%)

Table 4.10: Turnover in high season and low season

	Value
Average sales per month in high season (USD)	2859.816
Average reduction in low season (%)	32.27

9.4.4.6 Summary of key findings

We can conclude that there are hardly handicraft products being sold to tourists at Quang Tri, there is not a shopping place for international tourists. At Dong Ha town, except Dong Ha market and Viet-Thai Trading Center, there is no where for tourists to go shopping. And at mentioned places, there are not much local specific products being sold. Goods at those place mainly consist of food products, clothing, household products which are bulky and hard to carry. It is hard to see traditional handicraft products being sold. Only domestic tourists with good conditions of transportation (no transit, no custom clearance) can buy lots goods over there. We also recognized that most of the sellers have no professional style of serving customers, lack communication skill and poor foreign languages (few of them at Lao Bao Trading Center can speak Lao or Thai).

In comparing with Quang Tri, the number of shops selling handicraft products at Hue is higher many times and mainly concentrate in the city. Most of the shops have diversified and plentiful products, attractive displaying. There is a full range of handicraft fine art products from popular ones (USD 0.5/article) to high class ones (USD 100/article). The sellers appear to be more professional and have more experience in communication and selling products to tourists than in Quang Tri. A big quantity of products are produced at another places and distributed by dealers to retailers.

9.4.4.7 Recommendations:

9.4.4.7.1 *Quang Tri*

- Identify the potentiel foods, local handicrafts (like weave products, aquatic products...) to restore, to commercialize and provide for tourists.
- Prolong the dwell time at Quang Tri and offer more services to tourists, establish a coach stop or cultural centres on the road 9 with services like public restrooms, food and souvenir shop, information and communication services.
- There are no tourism oriented handicraft and souvenir shops at Lao Bao market. In general, the tour operator and driver leave the tourists at Lao Bao center market in 1h while they do procedure for exit at Lao Bao border. One cultural center in Lao Bao market will offer to tourists opportunity for visiting and before coming to Lao, and could involve minority peoples.

- The Government plays an important role in investment to local product development. Local government should invest or look for funds to restore local products; provide financial, information assistance for local household to start-up their business in this sector (tax incentive; favour credits; supplying information...).

9.4.4.7.2 Hue

- At handicraft shops in Hue, tourists must negotiate when they want to buy a product because the sellers often do not give the correct prices and that leads them to hesitate and even to abandoning the transaction. Tourism and other organisations must establish instructions explaining their negative impacts.
- Sellers must improve their delivery capacity for the tourists (delivery of the shop to bus stop, to the hotel or any address if possible).
- The tourism organisation or sellers should cooperate with a language centre to organise language classes for sellers. These classes will help them communicate better with foreign tourists, exchange knowledge, experience and information together.

9.4.5 Tour operators

12 travel agents were interviewed, three of them locate in Dong Ha town (Quang Tri Province), and nine of them locate in Hue City (Thua Thien Hue Province). The imbalance in sample size between Quang Tri and Thua Thien Hue is caused by the fact that there are only 3 travel agents in Quang Tri while the number of travel agent in Thua Thien Hue is around 50.

Two of three travel agents in Quang Tri are international travel agents (Sepon Travel, Quang Tri International Travel Center), the rest (MeKong Travel) offers tourist guides for DMZ tour, and operate outbound tours to Lao and Thailand.

In Thua Thien Hue, most of selected travel agents play the important role in operating popular tours in Hue, and other Central Provinces. For example, Huong Giang Travel, Green Travel Hue, and Duy Tan Travel are famous for operating tours taking Thai and Lao tourists to Hue, Da Nang, Hoi An. Huong Giang Travel is also a good tour operator for "World Heritage road" in Central Vietnam that target to European, American, and Japanese tourist. Huong Binh Travel, and An Phu Travel – the founders of DMZ tour are still the leaders in operating this tour for opened tourists. Sinh Café Travel and Trekking Travel are famous for operating Open City Tour that collects tourists in Hue City.

9.4.5.1 Employees and wages

Table 5.1: Employees and wages

	Minimum	Maximum	Mean
Number of full time employee	4.00	50	11.75
Number of part time employee	0	5	1.3333
Percentage of staff from family	0%	0%	0%
Percentage of staff from local neighborhood	50%	100%	86.5%
Percentage of staff from elsewhere	0%	50%	13.5%
Percentage of staff is ethnic minority	0%	0%	0%
Average wage of full time employee in \$US	61.62	123.24	90.6869
Average wage of part time employee in \$US	15.41	43.14	28.9623

The number of full time employee is in the range of 4 to 50 employees. The average number of full time employee of 12 agents is around 12. The biggest tour agents is Huong Giang Travel with the 50 employees, the middle size travel agents such as Green Travel Hue, SePon Travel, An Phu have around 12 to 18 full time employees. The small size travel agents have around 4 to 8 full time employees. See table 1.

Nearly half of selected travel agents have part time employees, the maximum number of part time employee is 5, and the average number of part time employee of 12 travel agents is around 1. See table 1.

Most of staffs are employed from local resource. On average, 86.5% of staffs are local employees, 13.5% of staffs are from other provinces that are mainly Central Provinces (Thua Thien Hue, Quang Binh, Quang Tri, Ha Tinh). Huong Giang Travel is special case that has highest ratio of staff coming from other provinces (50%). The fact is not surprising because Huong Giang Travel is a big and national wide travel agent. Especially, there is no employee who is minority in both of 12 travel agents' staff. It means that the development of tourism in area hasn't significantly helped to create job for ethnic minorities (See table 5.1).

Average wage of full time employee is around 61.2 \$US to 123.24 \$US per capita per month, the mean of full time employee's wage in 12 travel agents is 90.68 \$US per capita per month. Average wage of part time employee is in the range of 15.41 \$US to 43.14 \$US, the mean is 28.96 \$US. See Table 1. It is noticeable that part time employees were paid daily, around 15 to 20 \$US per day. However, they were not employed full time; normally they had job only several days per month in tourism season. They might work as tourist guide or salesman.

9.4.5.2 Opportunities and Threats

9.4.5.2.1 Opportunities

The opening of the EWEC, opens new opportunities for tourism development in Central Coast area of Vietnam. The flow of tourists travelling to Vietnam via the Lao Bao border has increased considerably. Thai and Lao tourists in combination with domestic travellers are now compensating for the low season (of western tourists).

The ability to exploitation other tourism spots near Hue City, such as Bach Ma National Park, Lang Co Beach, Voi spa, Thanh Tan hot spa, Tam Giang lagoon and other places arises...

Beside the historical, religious, cultural tourism attractions, Quang Tri has potential to exploiting some eco-tourism. Khe Sanh-Rao Quan, Dakrong and preserved natural areas are appropriate places for adventure tourism. The destinations of Cua Tung, Cua Viet beaches and Con Co Island have high potential in beach tourism. Moreover, administrative planning policies can have positive impact on investment environments and development situations.

9.4.5.2.2 Threats

In Quang Tri Province tour operators report the following:

- Lack of quality accommodation (hotel and guesthouse) and restaurants
- The capacity of providing specialty foods, local handicrafts and souvenir gifts has not yet satisfied tourist's demand.
- The distance from Mukdahan-Thailand/Savanakhet-Lao PDR to Hue is short and tourism services in Quang Tri are not attractive enough for tourist to stay overnight before coming to Hue.
- Forms of adventure, wellness, eco-tourism and general leisure tourism are lacking.
- Customs procedures are still complicated and inconvenient for tourists.
- Coach stops cannot offer packaged services including gasoline, public restrooms, food stalls, souvenir shops. The current public restroom system for tourist is under-equipped and unclear.
- The ethnic minorities on the Road No.9 are not actively involved in tourism business although several ethnic villages have been listed in tour programs. Due to pressure from economic difficulties and lack of business knowledge, some minority people participate are illegal vendors.
- The tour operator from Quang Tri are not the decision-makers in tour planning, they hold the small part of tourist market share and have to follow other operators.
- Tourist safety and security is another concern in Quang Tri, UXO and issues related to border security still pertain.
- Counterfeit and low quality goods whose prices are unreasonable flooded Lao Bao shopping centre and reduce tourists' shopping enthusiasm.

In Thua Thien Hue tour operators report the following:

- Lack of quality entertainment facilities and shopping centres.
- Tour guide are nor always qualified and are still not professional.
- Marketing and promotion activities are under resourced.
- Attractions tickets are sometimes expensive.
- Difficulties in organizing new tours in new tourism spots around Hue City due to the deficiency of tourism supportive services (restaurants, accommodation, entertainment and other...)
- There is no mechanism of economic encouragement for the landlords of garden house or trade village who offer tour destinations.

9.4.5.3 The best selling tours

9.4.5.3.1 DMZ tours

DMZ Tour (this tour is different from DMZ tours for Vietnamese called “Back to the old battle”)

Typically, tourists will visit some of the following attractions: the Frame of the Church, Dong Ha town, Hienluong bridge Passover Benhai River and Vinh Moc tunnel along High way No.1, Rock pile, the Dakrong bridge, Ho Chi Minh Trail, Khesanh Combat and ethnic minorities along Road 9.

Table 5.2: Key Figures of DMZ Tour

	Minimum	Maximum	Mean
Cost per tour per capita (\$US)	10.00	12.00	10.8750
Number of days	1.	1	1
Number of customer per month	00	800.00	500.0000
Number of tour per month	20	25	22.5
Percentage of Laos	2%	20%	8%
Percentage of Vietnamese	3%	10%	5.7%
Percentage of Thai	3.9%	10%	7%
Percentage of Others	67%	90%	79.25%
Average spending per tourist (\$US)	3%	5%	3.87%

Notes: + Full day tour

+ It costs 10 to 12 \$US per tourist, 10.875 \$US per tourist on average,

+ This kind of DMZ tour was sold by travel agents in Hue City. It means that the DMZ travel agents in Quang Tri rarely sell DMZ tour ticket. They only welcome and offer tourist guide for the DMZ tours departing from Hue City. Because the tour guide certificate issued in Hue might be not accepted in Quang Tri, most of DMZ tour operators used tourist guide from Quang Tri Province.

+ Majority of travel agents (in Hue) sell DMZ tour ticket, however, most of them re-sell the contracts to An Phu Travel or Huong Binh Travel and take back the selling commission which is about 15% of ticket price.

+ An Phu Travel and Huong Binh Travel collected totally around 1500 DMZ tourist per month, they operated this tour daily, totally around 45 tours per month. However the number will be bigger if we consider the number of DMZ tourist who bought DMZ tour as apart of other tours (DMZ tour was also combined with others, for example tours of the "World heritage road". This kind of DMZ tour was sold by many travel agents in Hue City (Huong Giang, Duy Tan, Youth Travel, Green Travel...). In this survey, the data was calculated by using data offered by 4 travel agents. Differently from Anphu and Huong Binh, Youth Travel sells DMZ tour as a part of other tour while Mekong Travel only offered tour guides. On average, each travel agent of four travel agents sold DMZ tour to 500 tourists per month, and operates 22.5 tours per month.

+ The data also showed that 8% of tourists are Lao, 7% of tourist are Thai, 5.75% of tourist are Vietnamese, 79.25% of tourists come from other countries (American, Australian..)

+ Tour stops at several districts in Quang Tri Province including Dong Ha, Trieu Phong, Dakrong, Huong Hoa, Gio Linh, and Vinh Linh.

+ Tourist used to visit a village of Van Kieu minority, however, this village is too poor and not qualified enough to attract tourist. For DMZ tour, tourist doesn't pay any fee for minority or village or local government, except the ticket for Vinh Moc Tunnel (1.2 \$US per tourist).

+ Tourists have few opportunities to spending, they only bought beverages, small souvenir (hat, t-shirt...) in Dong Ha, Khe Sanh, Vinh Moc. On average tourist spent \$3.87 US for these things.

- Besides the common DMZ tours mentioned above, there is Private DMZ tour for tourist who want to buy private tour. This kind of DMZ has much higher price depending on number of tourist per tour. Commonly it charged around 50-60 \$US per tourist. It is 1days tour or 2 days 1 night (overnight at house on stilts). The information provided by a travel agent in Hue City showed that it operated around 4 or 5 tours per month, and it sells this private DMZ tour for 10 to 15 tourists per month

9.4.5.3.2 Thai & Lao Tourist Visiting Hue–Danang-Hoi An by Lao Bao Border Gate

Table 5.3: Key Figures of Tour for Thai & Lao Tourists travelling to Vietnam through Lao Bao Border Gate

	Minimum	Maximum	Mean
Cost per person per tour (\$US)	125.00	250.00	167.0000
Percentage of Lao	2.%	30%	9.4%
Percentage of Vietnamese	.00	10.%	4.4%
Percentage of Thai	50%	92%	82.4%
Percentage of Others	.00%	10%	3.8%
Average spending per tourist (\$US)	100.00	150.00	115.0000

Notes:- 4 days and 3 nights, or 5 days and 4 nights

- On average, it cost 167 \$US per tourist

Typically, domestic travel agents received the contracts from international travel agents (in Thai Land), and pay amount of commission fee to international agents. Most of strong domestic travel agents have done this kind of tour locate in Da Nang. The travel agents in Hue and Quang Tri normally take the contract from the travel agents in Danang. However they also try to take the contracts directly from international travel agents in Thailand, or directly sell to tourist.

The data provided by 2 travel agents in Quang Tri showed that each travel agent received on average 5.5 tours per month, or 275 tourists per month. The data provided by 3 travel agents in Hue showed that they received 16.6 tours per month or 533 tourists per month (See Table 5.4, and 5.5). This number is an average number for all months in year therefore it might be much lower than the number in high season. For example, in high season, each of travel agents might receive 3 or 4 thousand Thai& Laos tourists per month. Moreover, because both of travel agents in Hue and in Quang Tri received tourist from the same travel agents in Danang, therefore, it can not be sure whether there is an overlapping of tourist welcome by travel agents in Quang Tri and by travel agents in Hue.

Table 5.4: Tour for Thai & Lao Tourist (Travel agents in Quang Tri)

	Minimum	Maximum	Mean
Number of customer per month	250.00	300.00	275.0000
Number of tour per month	5.00	6.00	5.5000

Table 5.5: Tour for Thai & Lao Tourist (Travel agents in Hue)

	Minimum	Maximum	Mean
Number of customer per month	300.00	800.00	533.3333
Number of tour per month	10.00	20.00	16.6667

The data of 5 travel agents also showed that 82,4% of tourists wer Thai, 9.4% of tourists wer Lao, and Vietnamese only accounted for 4,4%. Tourist from other countries were just 3,8%.

Travel agents take tourists from Mukdahan (Thailand) or Savanakhet (Lao) to Lao Bao (Quang Tri Province), Dong Ha, Vinh Moc, Hue, Danang and Hoi An. Several tours overnight at Dong Ha (Quang Tri province), but most of tours overnight only in Hue (Thua Thien Hue province), and Hoi An (Quang Nam province). These tours also stop in short time to tourist visit several historical tourism sites such as Vinh Moc, Ben Hai River (in Quang Tri)...Because of the short distance from Lao Bao to Hue, and short time (4days-3 nights) the tourism sites on Road No.9 are not taken into tour programmes. On Road 9, tours only stop at some gasoline stations to getting fuel and using restrooms.

Tourist don't pay any fees for minority village visits.

Tourists have many opportunities to spending mainly in Hue (Dong Ba market, sourvernir shops in city, visiting places such as Tombs, Citadel...), Hoi An, and Non Nuoc (Danang). Especially, art works made from stone in Non Nuoc were bought by most of tourists. HoiAn is also one of place where tourist spent a lot of money for souvenir gift. Amount of spending is not equal between tourists, according to travel agents there were several tourists spending more than 1000 \$US while others spent around 100 \$US. On average, each tourist spent around 115 \$US.

The caravan tour is another type of tour offered to Lao and Thai tourists. According to Quang Tri's Management Board of Tourism Areas, for the first five months of 2007, six caravan tours from Thailand visited Vietnam, each tour had from 20 to 40 cars. This type of tourist has higher spending levels than the most Thai & Lao tourists.

9.4.5.3.3 Tours Visiting World Heritages in Central Provinces (Hue, Hoi An, My Son, Phong Nha)

These tours is organized in 4 days 3 nights, 5 days 4 nights, or 6 days 5 nights

The charge is around 250 \$US for foreigner and around 130 \$US for Vietnamese

Most of big travel agents such as Huong Giang Travel, Mai Linh Travel operate these tours. According to Mailinh Travel, it sells 9 tours per month or 200 tourists per month. Huong Giang Travel might be has higher number.

According to travel agents in Hue City, both Vietnamese tourist and Western tourist have high demand on these tours. More over, because the high season of Western tourist is 10,11,12, 1, 2, 3,4 while the high season of domestic tourist is 5, 6,7,8,9. Therefore, these tours can be sold almost every month in year. 60% of tourists were Western tourist and Japanese, 40% of tourists were Vietnamese.

Tourists were picked up from Ho Chi Minh City or at Phu Bai airport (Thua Thien Hue). If travel agents take tourist from Ho Chi Minh City, tourist will visit Hoi An, Da Nang, then go to Hue, from Hue go to Phong Nha (Quang Binh), Quang Tri, then go back Hue and from Hue go back Ho Chi Minh City. If travel agents pick tourists up at Phu Bai, tourists will visit Hue City first, then go to Phong Nha (Quang Binh) and take DMZ tour, then go back Hue, after that they go to Hoi An, and finish the tour in Da Nang.

None minority' village was visited by these tours. Tourists don't pay any fee to minorities.

Tourists have many opportunities for spending in Hue (Dong Ba market, souvenir shop, visiting places...), Hoi An (Quang Nam), and Non Nuoc (Danang). According to Mailinh Travel, each Vietnamese tourist might spend around 50 \$US; each foreigner might spend around 200 \$US or more.

9.4.5.3.4 Hue City tours

- These tours are half-day tours

- Tourists can buy ticket from small travel agents in Hue City. The common ticket costs 7 \$US.

-Trekking Travel, Camel Travel, Sinh Café Travel are several travel agents collecting opened tourists from other small travel agents. Data from Trekking Travel and Sinh Café showed that each of them operates 17.5 tours per month, or sells to 525 tourists per month. Besides, the private Hue City tours were also sold to single or small group of tourist. The price is depend on size of group, on average, it costs 40 \$US per tourist. Each travel agent might sell 15 private Hue city tours per months to 60 tourists per month

- According to these travel agents, 2.5% of tourists were Lao, 15% of tourists were Vietnamese, 2.5% of tourists were Thai, and 80% of tourists come from Western countries, Japanese...

- However, it is noticeable that, Hue City tours were also combined with others to make longer tours, for example, the tour of Hue-Danang-Hoi An. Therefore, the number of tourist taking Hue City tours might be much higher, and the structure of tourists' nationality is also different from the findings mentioned above. Because both foreigner (Western tourist, Japanese, Laos, Thai...) and domestic tourists bought these tours, the real structures of tourist might be equal between Western tourist, Thai, and Vietnamese. It is as same as the structure of tourists visiting Hue.

-With these tours, boat and car was used. Normally, tourists stop at several historical sites, trade village, old garden house in Hue City such as Citadel, Tu Duc Tombs, Garden Houses in Phu Mong, conical hat and incense stick making villages, Khai Dinh tombs, Minh Mang tombs, Thien Mu Pagoda, Hon Chen temple, boat fishing village...

-Tourists don't visit any minority's village. They also don't pay any fee to any village. Even when they visit garden house, and trade villages they didn't have to pay any fee.

-There were few opportunities to spending. Tourist only bought beverages, local fruits at visited places (Hue City). Conical hat and incense stick was also bought by majority of tourist. On average, each tourist spent around 3.5 \$US.

Table 5.6: Key Figure of Hue City Tour

	Minimum	Maximum	Mean
Cost per tourist per tour (\$US)	7.00	7.00	7.0000
Number of day per tour	.50	.50	.5000
Number of customer per month	450.00	600.00	525.0000
Number of tour per month	15	20	17.5
Percentage of Lao	2%	3%	2.5%
Percentage of Vietnamese	10%	20%	15%
Percentage of Thai	2%	3%	2.5%
Percentage of Others	75.%	85%	80%
Average spending per tourist (\$US)	3.00	4.00	3.5000

9.4.5.3.5 Other tours

-Tour of visiting Hue City- Bach Ma National Park- Lang Co Beach (Thua Thien Hue Province), it cost around 85 \$US (4days-3nights).

- Hue City – Danang- Hoi An (Quang Nam Province). It costs 85 \$US (4 days-3 nights)

- Hue City – QuangTri- Phong Nha cave (Quang Binh). It costs 85 \$US (4 days-3nights)

-“Back to the old battle” tour (DMZ tour for Vietnamese). Commonly, this tour longs 1 day, tourists visit many places in Quang Tri Provinces such as Nhat Le, Cua Tung, Cua Viet, Vinh Moc, Truong Son Cemetery, Lao Bao prison, Lao Bao Special Economic Commercial Area

- Out bound tours visiting Lao, Thailand, for example, tour of Hue-Dongha-Lao Bao-Savannakhet (Lao) or Hue-Savannakhet(Lao)-Bangkok(Thailand)-Pattaya(Thailand). These tours cost around 250 \$USD.

9.4.5.3.6 Potential tours

- Offering “world heritage road” in Central provinces tours for Lao and Thai tourists with the longer time (5 or 6 days). The old tours only visited Hue, Hoian therefore DMZ tour (Quang Tri) and Phong Nha cave (Quang Binh) will be added to make new tours for Lao and Thai tourists. For example, from Lao Bao tourist visit Quang Tri and take DMZ tours, then visit Hue, then visit Danang, Hoi An,

then go back Lao Bao. Another option is from Lao Bao tourists visit Quang Tri, then Phong Nha, DMZ tour, Hue, Danang, Hoi An, then go back Lao Bao.

- Operating beach tours (Cua Tung, Cua Viet) that can attract Lao and Thai tourists
- Offer longer tours that combine several current popular tours, for example 12 days tour: (Ho Chi Minh City- Hue - DMZ - Phong Nha Cave - Bach Ma National Park - Lang Co Beach - Da Nang - Hoi An - My Son - Ha Noi). This tour can attract Western tourists, Japanese, and domestic tourists...
- Tours visiting Asao, Aluoi (Thua Thien Hue)
- Offer Phong Nha- Nhat Le – Cua Tung tours to Chinese tourists
- Offer DMZ tours to Vietnamese, especially young generation, as an efficient material to learn Vietnamese history
- Out bound tours that take tourist to Lao PDR, Thailand.
- Shopping tour at Lao Bao for domestic tourists
- Ecologic tours in Quang Tri

9.4.5.4 Summary of key findings

-The travel agents provide work with acceptable salary to a group of employee (estimated number is around 400 employees). Comparing to other tourism organization such as accommodation, restaurants, craft shops...the number of employees were employed is lower. However, because travel agents play an important role in tour designing and exploiting tourist sources, their indirectly impact on creating job through introducing tourists to other tourism organizations should be recognized.

- Tourism activities haven't had significant affects on ethnic minorities. There is no ethnic minority employed to work for travel agent, even working as a tourist guide in local tourism sites. There is no ethnic minorities' village taken into tour program, except VanKieu Village (DMZ tour) that is recently claimed should be withdrawn from tour program because of unqualified. As a result of uninvolvement in tourism activities, ethnic minorities haven't received any payment or sold any products to tourists.

- Even though tourism activities transparently have positive impact on economic benefit of local, the impact on pro-poor people has still not impressible. Beside of spending for accommodation and foods in hotels and restaurants, tourists have only few opportunities to spending for services offered by pro-poor household. Except artwork made from stone in Non Nuoc (Danang), souvenir goods in Hoi An (Danang)...tourists' spending for scrap shop and other services in Quang Tri and Thua Thien Hue hasn't been valuable. Moreover, since tourists rarely bought products and services directly from pro-poor people, it is difficult to improve pro-poor income from tourism activities (It is should be paid attention that the seller might sell product with the price that is ten times higher than the original price).

- Considering the part of EWEC from Lao Bao border gate to Danang, according to travel agents in Quang Tri province and Thua Thien Hue province, there are 4 best seller tours including Hue-Danang- Hoi An tours for Thai and Lao tourist, Hue-Phong Nha-Danang-HoiAn (world heritage road) tour for Western tourists and for domestic tourist, DMZ tours for Western tourists, and Hue City tours. In general, the structure of tourists might be equal between 3 main groups of tourist including Western tourist, Thai and Laos's tourists, and domestic tourists.

- The potential tours is mainly tours for Thai & Lao tourists, the travel agents tend to introduce the world heritage roads in Central Provinces to this kind of tourist. They also combined several popular tours to make longer tours and offer it to Western tourists. It means that they exploit the current tourism cites for new tourists rather than exploit the new destination.

- The most important opportunities to in this area is the opening of EWEC that has brought to the Central of Vietnam a new source of tourist from Thai Land and Lao (Myanmar in the future). Because of the opposite between Thai Laos' tourism season and Western tourism season, Thai & Lao tourists combining with domestic tourist help to exploit the capacity of offering tourism services in low season of western tourists.

- The most threats relates to lack of nursing, entertaining, and shopping tourism form, bad infrastructures (accommodation, restaurant, bus stop system and public restroom), and lack of supporting services in tourism cites that locate in Quang Tri and nearby Hue City. Other threats relate to marketing and promotion activities, and qualified human resource.

9.4.5.5 Recommendations

- To improve pro-poor income tourism activities, it is necessary to co-operate efforts of all members in tourism supply chain and local government policies.

- Local government should continue to search for trade villages, ethnic minorities' villages, and communities, and develop them become tourism sites. Local government not only invest on infrastructure (road, public services system, information system...) but also has economic support in early-stage for pro-poor who will be able offer tourism services. It is a fact that current trade villages and ethnic minority's villages are too poor or unqualified to attract tourists.

- Local government should also educate to about benefit as well as equip tourism business knowledge to pro-poor.

9.4.6 Conclusions

Results from the survey preliminarily provide rough figures, based on which some issues of poverty relevance could be pulled out:

- *Accommodations:* This is the sector that brings much benefit to enterprises. Pro-poor impact of the sector is mainly through wages and other benefits for employees. It is estimated that average wage flow to local including family per year for an accommodation is \$53,212.5. Compared to other categories, it is obvious that a significant amount accrues to the poorer as wages. However, if taking only lodging into consideration, earnings of the poor from the supply chain are little.

- *Restaurants:* Similar to accommodation, restaurant sector is also so benefitable that sometimes it is so-called "business of supper benefit". Compared to accommodations, pro-poor effects on staff as salary are lower. Average wage

flow to local including family per year for a restaurant is \$15,505.7 (lower compared to \$53,212.5 of an accommodation). However, restaurant operation has major impact on the poor through the supply chain. The producers of food, known as the poorest in the chain, benefit indirectly from the development of restaurants. Through channel of distributors (agents, wholesalers, etc.), expenditure of a restaurant accrues to the local producers. Among items purchased by restaurants, items such as meat, fish, seafood, supplied by producers in the province take the majority. Other items such as vegetables, fruit, rice take smaller proportion of expenditure. These items that are not sufficient from the supply in the area, come from Vietnam. Therefore, in general, there is a positive and significant effects of restaurant growth on the producers in local and from other provinces

- *Craft shops*: handicraft products are so limited in number and quality in Quang Tri. Handcrafting is more developed in Hue city. However, the turnover from this business does not match its potentials. Although survey on the field may draw a picture of how this business is operating, it was not able to make it clear to what extent the makers can benefit from tourism. Most of businesses are family-run shops. Since products that are not diversified and attractive to tourists enough, sales are not high in most of the shops. The income for handicrafts makers is fragmented and not instable. In some village in Hue, number of craftsmen working in the field tend to decrease.

- *Tour operators*: It seems there is very little direct impact on the poorest people. There has been no fee or any contribution to the villages of visit. Since tour price include accommodation and meals, expenditure of tourists are attributed to be accrued to restaurants and hotels, etc. However, impact on staff of tour agents are represented by wages. The staff force of tour operators who are skilled and semi-skilled employees get a relatively higher salary, however, not many in number. Therefore, impact on poverty is still limited.

In summary, analysis of the four categories participating in tourism reveals that accommodation and restaurants are generating most income for enterprises and the poor. Regarding earnings from labour, accommodation has more major effect. Staff working in hotels are somewhat skilled and well trained. They probably earn more from other services in the hotel (e.g. laundry). However, there is little pro-poor impact from supply chain in accommodation. Meanwhile, restaurants have significant impact on the poor through supply chain. The more restaurant are prosperous, the more farmers, fishing men, and workers from beer factories may earn.

Therefore,

- Categories generating most income to the poor: Accommodation and restaurants

Of which

- + earnings from wages: mainly accommodation

- + earnings from supply chain: mainly restaurants

Expenditure of items that most effect on the poor: - meat, fish, seafood, drink, vegetables, rice, fruit

Annex A: Best selling products and average monthly sales (Quang Tri)

Product	Average monthly sales (USD)	
	value	%
1. Food	5773.97	49.47
dried food (cutte, shrimp, fish, paste)	3173.52	
fresh food (cutte, shrimp, banana)	1084.54	
candy, water, caphe	1515.89	
2 Cothes	2384.76	20.43
coton mask for face	55.459	
glove made	55.459	
women pijama	554.59	
Shirt	554.59	
T-shirt (Pull)	924.32	
conical hat	240.32	
3 Cosmetic	2218.38	19
shampoo, bath milk	924.32	
soap	739.46	
cosmetic	554.59	
4. Furniture	1294.06	11.08
furniture	739.46	
pottery vase	554.59	
Total	11671.19	100

*: The turnover here is total turnover from both tourists and local customers

Annex B: Product characteristics (Quang Tri)

Product	USD	
	Handmade	
	Yes	No
1. Food	4258.07	1515.89
dried food (cutte, shrimp, fish, paste)	3173.52	
fresh food (cutte, shrimp, banana)	1084.54	
candy, water, caphe		1515.89
2 clothes	351.24	2033.52
coton mask for face	55.45	
glove made	55.45	
women pijama		554.59
Shirt		554.59
T-shirt (Pull)		924.32
conical hat	240.32	
3 cosmetic		2218.38
4. furniture		
furniture		739.46
pottery vase	554.59	
Total value	5163.91	6507.27
%	44.24	55.75

Annexe C: Sellers (Quang Tri)

Product	USD	
	Saler	
	Maker	Agent
1. Food	1731.575	4042.396
dried food (cutte, shrimp, fish, paste)	647.02	2526.49
fresh food (cutte, shrimp, banana)	1084.54	0
candy, water, caphe		1515.89
2 clothes	240.32	2144.44
coton mask for face		55.45
glove made		55.45
women pijama		554.59
Shirt		554.59
T-shirt (Pull)		924.32
conical hat	240.32	
3 cosmetic		2218.38
4. furniture		1294.06
furniture		739.46
pottery vase		554.59
Total value	1971.9	9699.28
%	16.89	83.10

Annex D: Seller and source of agents (Quang Tri)

USD					
Product	Saler				
		Agent			
	Maker	Total	Q.Tri	Hue, DN	Other contry
1. Food	1731.57	4042.39	2409.41	1632.98	0
dried food (cutte, shrimp, fish, paste)	647.02	2526.49	893.51	1632.98	
fresh food (cutte, shrimp, banana)	1084.54	0			
candy, water, caphe		1515.89	1515.89		
2. clothes	240.32	2144.44	665.51		1478.92
coton mask for face		55.45	55.45		
glove made by material		55.45	55.45		
women pijama		554.59	554.59		
Shirt		554.59			554.59
T-shirt (Pull)		924.32			924.32
conical hat	240.32				
3. cosmetic		2218.38			2218.38
4. furniture		1294.06	1294.06		
furniture		739.46	739.46		
pottery vaste		554.59	554.59		
Total value	1971.9	9699.28	3703.47	1632.98	3697.31
%	16.89	83.10			

Annex E: Source of products (Quang Tri)

Product	USD			
	Quang Tri	Huê, Da Nang	Other region	Other country
1. Food	2471.03	92.43	1731.57	1478.92
dried food (cutte, shrimp, fish, paste)	1386.49	0	1694.60	
fresh food (cutte, shrimp, banana)	1084.54	92.43		1478.92
candy, water, caphe			36.97	
2. clothes	240.32		665.51	1478.92
coton mask for face			55.45	
glove made by material			55.45	
women pijama			554.59	
Shirt				554.59
T-shirt (Pull)				924.32
conical hat	240.32			
3. cosmetic				2218.38
4. furniture				1294.06
furniture				739.46
pottery vaste				554.59
Total value	2711.36	92.43	2397.09	6470.29
%	23.23	0.79	20.53	55.43

9.4.7 Accommodation financial summary Hue

Wage income

employees	118		
wage pm	87.8		
total w flow p.a.	124,325		
W as % of TO	9%		
Local workers	87.8%	of total workforce	
local w flow p.a.	109,157	plus free accomodation	
local W as % of TO	8%		

Supply chain PPI

	spend p.a.	as % of TO	% assumed to poor	PPI est
food+ drink	55018	4%	35%	19,256
drink	0	0%	10%	-
furniture	0	0%	25%	-
total PPI from supply chian				19,256

turnover

from room sales	890,944
total TO	1,441,643

Summary for Hue Hotel (N= 17)			
Hotel size	90.2	rooms	
Room occupancy rate	64%		
Turnover p.a.	1,441,643		
Pro poor income p.a.	\$ p.a.	as % of:	turnover PPI
wages	109,157	8%	85%
supply chain	19,256	1%	15%
total	128,413	9%	
<i>NB making rough estimates re % reaching poor from supply chains</i>			
For entire hotel sector	209,038,235		
No. of hotels	145		
Total PPI assuming same structure:	18619953.79		

Areas of potential
increase?
quality and availability of local supplies

What if?

1. occupancy and employment increased by 20%

Additional PPI p.a.	21,831
total PPI per hotel	150,245
% increase	17%

2. supply chain purchases doubled

Additional PPI p.a.	19,256
total PPI per hotel	147,670
% increase	15%

9.4.8 Restaurants financial summary

Wage income

employees	24
wage pm	71.35

<i>total w flow p.a.</i>	20,549
W as % of TO	7%
non family workers	66%

non family wage flow p.a.	13,562
<i>Non family W as % of TO</i>	75%
Local non-fam W only	58%

Local non-fam W p.a.	11,896
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Supply chain PPI

	spend p.a.	% assumed to poor	PPI est
vegetables	4472.55	30%	1,342
fruit	2297.73	50%	1,149
rice noodles	3537.49	30%	1,061
meat	26,197.21	30%	7,859
fish	57,147.83	30%	17,144
beer	23,569.60	10%	2,357
bamboo and forest	572.11	50%	286
average		26%	
total	117,795		31,198
as % of TO	42%		11%

Turnover

turnover per day in high season

TO p.a.	282,789
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Summary for Hue Restaurants N = 18

Meals p. month high season	205.44	
avge spend per meal	\$4.46	
Turnover p.a.	282,789	
<i>Pro poor income p.a.</i>	\$ p.a.	PPI
total wages (inc fam & non local)	20,549	40%
supply chain		60%

	31,198	
total	51,747	
<i>Assuming 50% of food spend and 10% of beer spend is PPI</i>		
If family labour is excluded from 'poor'		
<i>Pro poor income p.a.</i>	\$ p.a.	PPI
wages	13,562	30%
supply chain	31,198	70%
total	44,761	
For entire Rest sector	12,725,505	
No. of Restaurants	45	
Total PPI assuming same structure:	2,014,228	

What if?

Additional PPI p.a.	15,524	
total PPI per restaurant	67,271	
% increase		30%

Additional PPI p.a.	31,198	
total PPI per restaurant	82,946	
% increase		60%

9.4.9 Crafts financial summary

Wage income

employees	15	
wage pm	70.45	
<i>total w flow p.a.</i>	12,681	
W as % of TO	54%	
non family workers	38%	of total workforce
non family wage flow p.a.	4,819	
<i>Non family W as % of TO</i>	20%	

Supply chain PPI

	rev p.m	sales rev p.a.	% assumed to poor	PPI est
Souvenirs	4,159	41,154	50%	20,577
Fashion	3,882	38,410	10%	3,841
arts paintings	2,791	27,619	10%	2,762
Food	1,719	17,008	40%	6,803
		-	30%	-
total	12,552	124,191		33,983

Turnover	
turnover per mnth in high season	2,860
TO p.a.	23,665

Summary for Hue Craft outlets N = 11			
Turnover p.a.	23,665		
If family labour is excluded from 'poor'		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
wages (ex. Family)	4,819	20%	12%
supply chain	33,983	144%	88%
total	38,802		
<i>Assuming 30% of retail price reaches poor producers</i>			
If family labour is included			
<i>Pro poor income p.a.</i>	\$ p.a.	as % of:	
		turnover	PPI
total wages (inc fam & non local)	12,681	54%	27%
supply chain	33,983	144%	73%
total	46,664	197%	
For entire craft sector			
	473,292		
No. of craft outlets	20	100%	
Total PPI assuming same structure:	776,034		

9.4.10 Accommodation financial summary Quang Tri

Wage income

employees	12	
wage pm	63.3	
total w flow p.a.	9,115	
W as % of TO	4%	
Local workers	63.3%	of total workforce
local w flow p.a.	5,770	plus free accomodation
local W as % of TO	3%	

Supply chain PPI

	spend p.a.	as % of TO	% assumed to poor	PPI est
food+ drink	5175	3%	35%	1,811
drink	0	0%	10%	-
furniture	0	0%	25%	-
total PPI from supply chian				1,811

turnover

from room sales	56,870
total TO	205,443

Summary for QT Hotel (N= 25)

Hotel size	22.2	rooms
Room occupancy rate	56%	
Turnover p.a.	205,443	
Pro poor income p.a.	\$ p.a.	as % of:
wages	5,770	turnover
supply chain	1,811	PPI
total	7,581	4%
<i>NB making rough estimates re % reaching poor from supply chains</i>		
For entire hotel sector	13,353,795	
No. of hotels	65	
Total PPI assuming same structure:	492776.154	

What if?

Occupancy and employment increased by 20%

Additional PPI p.a.	1,154	
total PPI per hotel	8,735	
% increase		15%

2. supply chain purchases doubled

Additional PPI p.a.	1,811	
total PPI per hotel	9,392	
% increase		24%

9.4.11 Restaurants financial summary Quang Tri

Wage income

employees	15	
wage pm	65.59	
<i>total w flow p.a.</i>	11,806	
W as % of TO	6%	
non family workers	75%	of total workforce
non family wage flow p.a.	8,855	
<i>Non family W as % of TO</i>	75%	
Local non-fam W only	58%	
Local non-fam W p.a.	6,835	

Supply chain PPI

	spend p.a.	% assumed to poor	PPI est
vegetables	4472.55	30%	1,342
fruit	2297.73	50%	1,149
rice noodles	3537.49	30%	1,061
meat	26,197.21	30%	7,859
fish	57,147.83	30%	17,144
beer	23,569.60	10%	2,357
bamboo and forest	572.11	50%	286
average		0% 26%	
total	117,795	-	31,198
as % of TO	62%	0%	16%

Turnover

turnover per day in high season

TO p.a. 191,090

Summary for QT Restaurants N = 16

Meals p. month high season	206.25		
avge spend per meal	\$3.14		
Turnover p.a.	191,090		
<i>Pro poor income p.a.</i>	\$ p.a.	as % of:	
		turnover	PPI
total wages (inc fam & non local)	11,806	6%	27%

supply chain	31,198	16%	73%
total	43,005	23%	
<i>Assuming 50% of food spend and 10% of beer spend is PPI</i>			
If family labour is excluded from 'poor'		as % of:	
<i>Pro poor income p.a.</i>	\$ p.a.	turnover	PPI
wages	8,855	5%	22%
supply chain	31,198	16%	78%
total	40,053	21%	
For entire Rest sector	5,732,690		
No. of Restaurants	30		
Total PPI assuming same structure:	1,201,592		

What if?

1. meals served, staffing and supply inputs increased by 30%?

Additional PPI p.a. 12,901

total PPI per restaurant 55,906
% increase 30%

2. % of supply chain reaching poor increased from 24% average to 48% avge?

Additional PPI p.a. 31,198

total PPI per restaurant 74,203
% increase 73%

9.4.12 Crafts financial information

Wage income

employees 1.5
wage pm 86.27

total w flow p.a. **1,553**

W as % of TO 11%
non family workers 17% of total workforce

non family wage flow p.a. **259**

Non family W as % of TO 2%

Supply chain PPI

	rev p.m	sales rev p.a.	% assumed to poor	PPI est
Food	5,774	57,128	50%	28,564
Clothes	2,385	23,595	10%	2,359
Cosmetics	2,218	21,949	10%	2,195
Furniture	1,294	12,803	30%	3,841
		-	30%	-
total	11,671	115,475		36,959

Turnover
turnover per mnth in high season 1,677

TO p.a. 14,157

Summary for QT Craft outlets N = 9

Turnover p.a. 14,157

If family labour is excluded from 'poor'

<i>Pro poor income p.a.</i>	\$ p.a.	as % of:	
		turnover	PPI
wages (ex. Family)	259	2%	1%
supply chain	36,959	261%	99%

total 37,218

Assuming 30% of retail price reaches poor producers

If family labour is included

<i>Pro poor income p.a.</i>	\$ p.a.	as % of:	
		turnover	PPI
total wages (inc fam & non local)	1,553	11%	4%
supply chain	36,959	261%	96%
total	38,512	272%	

For entire craft sector 283,145

No. of craft outlets	20	100%
Total PPI assuming same structure:	744,358	

9.5 Annex 5: Case studies

9.5.1 Vinh Moc Tunnel (Vinh linh District – Quang Tri province)

DESCRIPTION OF THE DESTINATION

- Vinh Moc Tunnel is known as a famous historical relic site for domestic and one of the DMZ tour that attract a large number of both international and domestic tourists.
- Vinh Moc is a village located on a basaltic-soil hill by the sea. It is about 13km from Road 1, 14km from Ho Xa town to the East and about 6km from Cua Tung to the North.
- There is no restaurant around and inside the destination, but only 6 small stalls which serve drink, snack, and some small souvenir stuff for tourists.
- At ticket selling counter, a very small number of local souvenir products are displayed to introduce and sell to tourists such as T-shirt, hat with logo of the tunnel, and local cultural publications.

ESTIMATES OF LOCAL EARNINGS

- No of tourists: Over 30,000 tourists per year. International tourists account for half of the total arrivals to the tunnel. There is an increasing trend in the number of tourists over years. For instance, the figure for 2005 and 2006 are 35,000 and 57,000, respectively. Especially, Thai and Lao tourists have rapidly increased since 2006. This fact therefore contributed to the significant increase in international arrivals.
- Seasonality: High season from April to July and October.
- Admission: 20,000VND (\$1.25) per ticket for adults, 5,000VND (\$0.31) for teenagers (age of 10 to 16), and exemption for children under 10.
- Total revenue per year for admissions: nearly 1 billion VND (\$62,500) in 2006.
- Entire earnings from admissions are submitted to the local authorities
- Estimate of expenditure per tourist is around \$0.31. However, the data of average spend per tourist on each item of food, drink, and other souvenir stuff is not clear. It is estimated that revenue of each retail stall in 2006 is about \$188 per month in high season and \$99 per month in low season (i.e. reduction by a half). Among items sold at the stalls, drink takes the majority.

* Stall:	
- Revenue per stall in high season p.m (\$)	188
- Revenue per stall in low season p.m (\$)	99
- No of high seasonal months	5
- No of stalls	6
- Total annual revenue (\$)	9,798
* Souvenir shop (at ticket selling counter)	
- Total annual revenue (\$)	7,875
Total revenue (\$)	17,673
Expenditure per tourist (\$)	0.31

Source: field survey in September, 2007

EXPENDITURE

* Staff

- 10 staff working in Administrative Office of Vinh Moc Tunnel include 6 tour guides, 3 security guard, and 1 ticket seller. Wage per staff per month is \$62.5 and therefore annual wage pay for all staff is \$4,500. Since wage for staff is paid according to salary system of government, the amount of pay for staff is steady and stable regardless of how many tickets sold.
- In stalls, there is only one to two staff for each stall and all are family staff.

* Location rent for each stall per year is \$95. Total renting reach \$570 per year.

* Purchases

- At stalls: Estimated annual expenditure on food and drinks for 6 stalls is \$6800.

- At souvenir shop: \$7088

SUMMARY OF FINANCIAL FLOWS

- In Administrative Office, earnings and benefits to staff (mainly wages and income from souvenir selling) approx. \$5,288 or about 7.5% of turnover.
- In stalls, earnings to family staff approx. \$2,428 or 24.2% of revenue.
- Most of expenditure goes on suppliers of drink from local agents, which may accrue to workers in drink manufacturing.

POVERTY RELEVANCE

In general, despite a relatively potential destination, Vinh Moc does not seem to have major impact on poverty.

- Expenditure of tourists are very low, mainly in need for drink
- Low turnover from sales, earnings of vendors are scattered and instable. As a result, vendors in Vinh Moc are considered as their extra jobs generating additional income.
- Vendors are very small in scale, utilizing family labour; mainly women work force.

There are some reasons to consider:

- Short length of stay, one to two hours for visit since Vinh Moc is just one destination in DMZ tour for tourists to stop by.
- Fluctuating demand of tourists discourage sellers to offer more stuff (e.g., food)
- Poor in craft products, nothing attractive to tourists.
- Vinh Moc locates nearby Cua Tung beach where is full of restaurants and hotels, there is little demand to have meals and stay in Vinh Moc.
- Local residents currently get pretty sufficient income from farming (pepper, rubber), therefore tourism investment is not of their concern.

PRO-POOR TOURISM OPPORTUNITIES

- Encouraging and facilitating craft sales in Vinh Moc area.
- Offering local specialty food and unique products to stimulate tourist need as well as attract them to spend more.
- Stimulating local residents to invest on tourism (i.e restaurant establishment)

9.5.2 Cua Viet Beach (Quang Tri Province)

Cua Viet Beach which is located at Gio Hai Village, Cua Viet town, Gio Linh district, Quang Tri province, situated in the north-west of Dong Ha town, far from

Road No.1 of 110 km, and from Cua Tung Beach toward the north 10 km. Cua Viet beach has recently known as a tourism beach for only 2 or 3 years. Therefore, in this area, there are very few enterprises offering accommodation, restaurants, and other services to serving tourist. Moreover, most of services provided are unqualified and unprofessional.

** Accommodation*

In this area, there are only 3 guest houses that mainly serve governmental offices' employee and staff (However, to exploit the using capacity of available room, these guest houses have also served other tourists). Only one of three guest houses was recently built and be able to offer better services than the two others are. The new guest house has 34 rooms in which only 20 rooms are ready for using, each of the others two guest house has 12 rooms, totally, there are around 40 rooms can be provided to tourist in Cua Viet beach. The average price per room is around 9 \$USD.

The biggest guest house employs 11 employees who have to work full day in high season and work in shift in low season. Three of the eleven employees are local (Cua Viet), the rest is from other areas in Quang Tri province. Each of employee earns around 45 \$US per month, on average.

The number of tourist staying overnight at Cua Viet has increased rapidly; the number of tourist of the year 2007 is twice higher than of the year 2006. Most of tourists are Vietnamese making up 90% in which 50% are from Dong Ha town, and other 50% are from Northern Provinces. The foreign tourists make up only 10% in which 7% is Laos, 3 % is Thai. Most of Laos and Thai tourists who is usually a family or small group stay 1 to 3 days while Vietnamese tourists from Northern Province normally travel in a group of more than 10 people and stay 1 to 2 days.

** Restaurant*

There are only 1 restaurant belonging to the biggest guest house, and this restaurant mainly serve tourist staying at the guest house. The restaurant offers job to 7 local employees who only work in sea tourism season longing from April to September. On average, each employee earns 95 \$US per month. Most of dishes serving tourist are mainly made from seafood and vegetable. Therefore, material is mainly bought from local markets, except vegetable and fruit bought in Dong Ha market. It charges 2 \$US to 2.5\$US for a meal.

Besides, food stalls owned by small businessmen also serve tourists with meal and beverages. These food stalls have done business since 4 or 5 years ago when the tourism demand in Cua Viet beach started rising up. There are totally 35 food stalls, each of which offers job to 3 or 4 employees who are usually member of a family. Each food stall serves 40 tourists per day. Vietnamese tourists are majority with 55% in which tourist from Dong Ha is 70%, from other provinces is 30%. Lao tourists make up 30%, Thai tourists make up 10%, and others make up 5%. It is noticeable that tourist staying in guest houses normally had meal in guest house's restaurant while there is a part of tourist who didn't overnight had meal at food stalls on the beach, and vice versa. It costs 2\$US per meal at food stall.

Revenue, cost, and benefit of food stall owners: Cost for renting land on beach is 200 \$US per tourism season (From April to September), tax is 125 \$US per tourism season, cost to re-build a camp is 150 \$ US (camp is built in tourism season, and it will be stricken in rainy season), cost for electricity is 10\$USD per month, cost for renting employee in high season is 3.5 \$US per day per employee. Revenue from food stalls make up 70% households' revenue and it is the main income. Beside of offering services to tourists, these households also do fishing, process sea food such as making fish sauce, drying shrimp, drying squid, plant rice, and feed poultry and cattle. According to food stall owners, they earn around 170\$US per month in tourism season. Besides, tourism activities in Cua Viet also provide job to a group of 40 vendors mainly children and old people

Conclusion: Tourism activities in Cua Viet beach have positive impacts on local income. Especially, restaurant and food stalls have helped to create job for many employees who directly serve tourists, or play other roles in the food supply chain to tourists. Current tourist in Cua Viet beach are mostly Dong Ha civilians, therefore, to exploit efficiently tourism potential, it is necessary to attract other sources of tourist such as tourists from other provinces and foreigner, especially Laos and Thai tourists.

9.6 Annex 5: Future developments

9.6.1 Context

This study presents a picture of tourism's impacts at during the first year of operation of Road 9 as an integrated link. It does not quantify future potential, although it does highlight possible opportunities for pro-poor interventions, and other tourism-related issues of relevance to the terms of reference. The following proposed developments may be of relevance and SNV might be able to influence them to have a greater pro-poor focus.

9.6.2 JICA Master Plan for tourism in Savannakhet

According to the draft agreement of August 2007 between JICA and LNTA, JICA will provide two senior tourism advisers to draft a Tourism Master Plan with Savannakhet PTD and LNTA. The overall objective of the project ('Savannakhet: A prototype attractive tourism centre in the EWEC for community empowerment and poverty alleviation'). It is a three year programme starting in November 2007. The project activities will be as follows:

- establishment of a working group;
- baseline study and inventory of tourism resources in Savannakhet and the Southern Lao PDR;
- training of PTD and LNTA staff in marketing
- development of a tourism strategy;
- development of annual action plans;
- national and international marketing;
- training of the private sector;
- production of marketing materials and a website;
- monitoring and impact assessment.

9.6.3 Savan-Seno Special Economic Zone

The Savan-Seno Special Economic Zone (SASEZ) was established in 2002 and lies to the North of the Friendship Bridge II, running inland and bisected by Road 9. It is administered by the SASEZ Authority under the Prime Minister's Office and not by the Savannakhet Provincial Government. It offers investors the following incentives to investors who can take a 25 year lease on designated development sites:

- a ten year tax holiday;
- 8 to 10 per cent corporation tax;
- 5 per cent income tax on both foreign and Lao employees; and
- 5 per cent dividend tax.

These incentives are at half the normal rates of tax applying in Lao PDR, although the tax collection regime in the country tends to be by negotiation of tax demands rather than based on normal accounting standards. There are competing Special Economic Zones at the Lao-Vietnam border and in Danang.

According to the SASEZ Authority the Lao government has since announced that the SASEZ incentives will apply all along Road 9 in a five km wide corridor, thus creating the potential for ribbon development right along the route. Tourism developments should attract the favourable investment incentives, but the present lack of zoning by activity could endanger the visual environment and dilute the impact of the zone.

Close to the Friendship Bridge II a service sector development concession has been granted to a Thai corporation. According to the SASEZ Authority this development will comprise the following:

- A hotel city of 28 units (2000 rooms approximately);
- A golf club
- A lagoon and marina;
- A retirement village (Lao PDR might introduce retirement visas for foreigners); and
- Insurance and sports enterprises.

Another site has been concessioned to a Chinese corporation from Macao to build a Casino Resort Hotel north of the proposed hotel village. Training schools and a university are also proposed.

A commercial hub is proposed at km 9, near the junction for That Ing Hang and a transportation and industrial hub near Seno. Local inhabitants will be resettled.

The SASEZ does not include the town of Savannakhet, so new leisure investment is likely to be attracted to SASEZ rather than to the historic city core.

9.6.4 Don Savanh Resort Hotel and Spa

Work has commenced on the construction of an up-market resort hotel on the site of the former King's Palace in Savannakhet, which following the Revolution of 1974 became a museum and was featured in SNV's 'Historic Savannakhet' walking tour.

9.7 Annex 6: Pro-poor recommendations for the development of tourism on the Ho Chi Minh Highway and A Luoi ¹⁷

9.7.1 General

Pilot sites and models should be selected and become the focus of interventions by partnerships between INGO, local communities and government stakeholders. This is currently being undertaken in A Luoi by SNV and WWF.

To work with local communities and forest owners through participatory planning exercises to plan tourism development.

A series of environmental guidelines and codes of practice should be developed in order to minimise environmental impacts.

A series of benefit sharing guidelines should be developed in order to maximise equitable distribution of tourism revenues.

In addition to economic benefits derived through tourism models, a number of other opportunities of income generation for the poor and local economic development are possible. In these cases, development of handicrafts, local products and services should be produced in order to get maximum revenues from visiting tourists.

Tourism accommodation in homestays or forest stays needs to be upgraded in order to meet international tourism standards¹⁸. Any areas for forest camping and forest ecotourism need to have sufficient equipment to meet international safety and hygiene standards.

It is recommended that all local authorities need to invest to upgrade infrastructure (road, electricity, water supply and sewage system) from local budget and to call for investment in tourism facilities. Furthermore, they need to have special policy to encourage local communities to participate in these kinds of investment and also, in tourism business activities to ensure a sustainable and long term development.

Since there has been significantly high interest from tour operators in visiting community-based tourism sites along the Ho Chi Minh Highway, we should concentrate on promotion of these attractions in our (local authorities') destination marketing. Furthermore, we should deal with tour operators directly to attract more group tourists rather than backpackers.

It is necessary that the provincial and district People's Committee of the provinces instruct relevant organizations at different levels to undertake measures to develop tourism; sets of guidelines and codes of practice should be developed in order to ensure there is no social impact on communities or environmental impact on natural resources.

¹⁷ From: Thullen, S (2006) *A Feasibility Assessment for Ecotourism and Community-based Tourism Potential along the Ho Chi Minh Highway in Quang Tri, Thua Thien Hue, Quang Nam and Kon Tum Provinces, Vietnam*. Royal Danish Embassy, WWF, SNV.

¹⁸ This recommendation is contrary to UNESCO's cultural guidelines for the protection of culture and the development of tourism in Hue which state that 'tourism to minority village is possible, *but only if carefully regulated in small groups and tourists are not allowed to stay overnight in villages.*' (UNESCO (1995): p10)

9.7.2 Measures to attract investment for development of tourism

Tourism needs to be integrated into the district socioeconomic development plans; however, it is suggested that training needs to be given to the departments of the four provinces with regards to the development of sustainable tourism to mitigate impacts on the environment, and to ensure that expectations from tourism incomes are not unrealistic.

If tourism is integrated into the local plans for social and economic development, especially with regard to infrastructure development, that will provoke greater interest among the potential investors in the investment opportunities of tourism in the province. All resources need be used, and good planning of tourist development made, so that necessary infrastructure, such as roads, electricity, clean water, sanitation, and communication facilities, are made readily available for use at the site.

On-the-job training to support tourism development can make it easier for investors to follow through their announced commitment of recruiting local labour when it comes to employment. What is more, this policy is likely to greatly positively impact social and economic development in the province.

To make it easier for operators, in and outside of Vietnam, to have access to information useful for designing investment projects in the tourism sector, it is imperative that the capacities of the Department of Trade and Tourism be improved in the following areas:

- Collecting and maintaining information related to the provincial strategies for development of the provincial tourism sector.
- Providing information and advice on proposals for development of tourism in and outside of the province.
- Providing expert advice on the formulation of quality feasibility studies on tourism development at the request of individuals and entities without regard to types of economic organization.
- Providing advice and acting as a go-between to seek and introduce potential business partners for investment projects on tourism development in the province.
- Providing expert advice on the legal procedures for establishing a business enterprise, forming joint ventures and applying for an investment license.

9.7.3 Measures to improve tourism human resource development and training

Human resources have a decisive role to play in the success or failure of an organization, especially in the tourism sector where every activity from production to consumption involves use of human resources to a large extent. Hence, quality labour is essential to producing high-quality commodities and products. On the other hand, quality of human resources is affected largely by the recruitment decisions, and only when recruitment is done correctly and training and capacity building needed, is the quality of employed labour ensured.

A training program should include new training and re-training of existing staff, whereby special focus needs be placed on management staff in local authorities and tourism businesses. Training can be conducted in many ways. Examples include sending staff to a formal training institution or organizing short and/or long training courses in the province, or more informally organizing on-the-job training courses or encouraging self-study and research. A set of criteria defining the minimum requirements of skills and specialized knowledge should be made and applied to

management staff and other employees working in the tourism sector. In organizing training courses, it is important to cooperate with reputed training consultants and training institutions.

A training program needs to be developed, for both local communities and local district staff. This may also include longer-term training for focal point personnel where they have a more managerial role in the development of district tourism.

The provincial Departments of Trade and Tourism should make best use of external resources such as those made available from Vietnam National Administration of Tourism, universities, colleges and vocational schools, or development programs and projects and other international organizations – those who are willing to provide financial support for hiring trainers and organizing training courses or study tours. In requesting the budget for training, the provincial Department of Trade and Tourism should estimate the demand for human resources in the tourism sector. Moreover, business enterprises can contribute to human resources development as a whole by implementing a policy of supporting employee participation in training courses in terms of time, vehicles and partial training fees. Part of the training fees can be paid by trainees themselves.

9.7.4 Measures to advertise and promote tourism

Market analysis of the potential tourism market needs to be carried out carefully, so that community-based ecotourism activities offered by local people, especially by minority groups, can be better organised to satisfy the demand of more tourists. Further detailed market analysis should be undertaken in conjunction with tour operators to determine which areas are most suitable and should be the focus of ecotourism development.

The areas selected should be marketed and promoted in cooperation with other provinces in the same region, to maximise market potential of the Ho Chi Minh highway as a tourism destination. In addition, careful promotion with tour operators that receive more clients from overseas should be undertaken.

At an early stage of tourism development, promotion and advertisement are urgently needed for the growth of the provincial tourism sector. The fact now is that the Ho Chi Minh highway areas are located fairly close to centres of tourism, but because of the lack of any existing community-based and ecotourism products they are effectively off the “tourist map” of the majority of tourists visiting the central region, who mainly visit for cultural and historical tourism. To fully utilize abundant resources and existing tourism potential in the area requires creating an attractive and unique image of tourism in this area in comparison with other regions in Vietnam.

One important task that is being implemented is identifying target tourist markets and forecasting tourist market growth to support the making of an appropriate marketing strategy. At this point, there is a need to focus first on tourist markets easily approached in Hanoi and Ho Chi Minh, Hue and Hoi An, then on to more distant markets such as Europe and North America.

Tourism attractions and tours along Ho Chi Minh Highway should be linked with other current tours to diversify tourism products and services

More cooperation between tour operators and local tourism authorities needs to be established to solve the current problem in the tourism sector that many travel companies make no investment, but just take advantage of the tour itinerary invested by the first company to build a similar program.

Destination marketing should be conducted by local tourism authorities along with product marketing conducted by tour operators. It is advised that complete and up-to-

date information about Ho Chi Minh highway tourism needs to be published widely on the Internet and provided to all tour operators, especially information about community homestays, ecotours, handicrafts and contacts with district authorities.

All travel companies who want to make business in this area should meet each other to establish mutual assistance in the field for designing specific ecotourism products, marketing, advertising and organising ecotours. For instance, in order to solve the problem of high transportation costs due to long distances and bad road conditions, many travel companies could hire a common coach; this action could help reduce the price of tour since transportation costs currently account for the largest share in a tour's price in the Ho Chi Minh highway.

To achieve progress the promotion of regional tourism, the following is recommended:

- Promotion of tourism should be implemented in cooperation with other provinces in the same region and with travel companies across the country. The public sector shall take the role as an agency for introducing, advertising and promoting tourism sites, and the private sector should focus on introducing and promoting tourism products at the tourism sites.
- The Department of Trade and Tourism and other travel companies should participate in the same study trips to selected fairs and big events in and outside of the country, during which they will make efforts to advertise and introduce the regional tourism offerings. Printed advertisements on the region's tourism and other equipment should be prepared in advance to be used at exhibitions and tourism trade fairs, where it is possible to meet with many interested and potential clients.
- The provincial websites should be updated on a regular basis to provide latest information on tourism products, festivals and events, and other useful information in which tourists are interested. Promotion may also be done through these provincial websites as well as through local and foreign mass media.
- Cooperation should be established with embassies and consulates in Vietnam in those countries who are predicted to provide target markets for the region's tourism. Doing so will help advertise and introduce the region's tourism products to these markets.
- An information campaign can be organized in cooperation with other provinces in the same region.

9.7.5 Measures to make best use of resources of the local communities

Local communities of small ethnic minorities at villages where there are varied and fascinating tourism resources are a great supply of internal resources for implementing plans for tourism development in these distant and isolated areas. This view of development is fully consistent with the policy of socializing tourism stated in Vietnam's strategy for tourism development. Viewed from a wider angle, it fits well with the government policy of community development and poverty reduction desired by the government and the international community. The tourism sector around the world it is already seeing this as a new demand of tourism.

To avoid the top-down approach to planning, local communities should be given a chance to participate in the whole process of tourism development, even in the early phases of planning. With rich indigenous knowledge, it is they who are most able to prepare the most feasible, practical and viable development plans if supported appropriately.

It is necessary that support be provided in providing the most essential knowledge for the local communities, so that they will have basic professional skills often used in tourism. This type of training comes in the form of repetitious learning-by-doing approach, which should last over a long period of time. However, it should be reminded that villagers are to be trained to serve guests/tourists better, rather than to become professional tour guides working at hotels and restaurants. To tourists visiting a village, what matters the most is hospitality and politeness of the hosts, rather than attention to sophisticated ways of receiving guests, and that is to avoid the erosion of their cultural values and identities in the course of community development.

Infrastructure of minimum requirements should be provided in the communities where tourism sites exist. Examples include good access roads, electricity, clean water supply, sanitation and communications. In particular, inter-village roads should be cemented or paved with bricks to make them clean. A credit scheme may be set up to provide small and easy loans to those villagers who are involved in the community tourism business. The loans may be used to shift livestock farther away from the house, renovate houses, build clean, modern-type toilets, install water heaters, or buy fans and bed sheets and pillows for the accommodation needs of tourists. Even without any homestay, a villager still benefits from these investments in the sense that they now enjoy a cleaner and better living environment.

Aside from the credit scheme, the local authorities should also provide other types of technical assistance for the communities that are involved in the operation of community tourism in their areas. Such assistance may come in the form of promotion and market surveys for community-based ecotourism products available in the area.

What is more, other support policies and mechanisms, such as those on land, resource use, taxes, and charges need to be created. There is a possibility to install a mechanism for collecting village sightseeing fees, which later on are retained as a source of funds for investment in possible community-based ecotourism projects in the area.

9.8 Annex 7: Questionnaires used

SNV Route 9 Study

Accommodation questionnaire

Name of accommodation: _____

Location: _____

Category (tick):

Hotel	
Guesthouse	
Other	

SNV is trying to assess the value of tourism in this area and we would appreciate your time in answering some simple questions about where the tourist spending goes and how many people benefit. Individual answers are confidential.

1. How many rooms do you have?

--	--	--

2. How many paid employees do you have in high season?

--	--	--

3. How many paid employees do you have in low season?

--	--	--

4. How many months do you consider high season and how many are low season?

High	Low	Total
		12

5. What is the average wage per employee per month?

US	\$					

Note: Supervisor convert all local currency amounts into US\$

1 US\$ = 9,608 kip

= 16,228 dong

= 31.85 baht

6. Where do your staff come from?

Family						%
Local neighbourhood						%
Elsewhere						%
Total		100				%
Are any employees from minority peoples?		Y/N	#	Which groups?		
What % of employees stay in rented accommodation						%
How much rent do you think employees pay per month?						
	\$					

7. If you were building an extension, where would you hire staff/contractors from?

16. What percentage of total sales do room sales account for? (%)

--	--	--	--

17. Finally, what developments in your area or business do you think would encourage tourists to spend more nights in your property? What are the main constraints?

Opportunities
Constraints

THANK YOU VERY MUCH FOR YOUR TIME!

Interview conducted by: _____

Date of interview: _____

Signature of interviewer: _____

All questions completed, all percentages add to 100%, \$ values shown and exchange rates correctly applied. Checked by: _____

SNV Route 9 Study

Accommodation questionnaire

Name of accommodation: _____

Location: _____

Category (tick):

Hotel	
Guesthouse	
Other	

SNV is trying to assess the value of tourism in this area and we would appreciate your time in answering some simple questions about where the tourist spending goes and how many people benefit. Individual answers are confidential.

2. How many rooms do you have?

--	--	--

2. How many paid employees do you have in high season?

--	--	--

3. How many paid employees do you have in low season?

--	--	--

4. How many months do you consider high season and how many are low season?

High	Low	Total
		12

5. What is the average wage per employee per month?

US	\$					

Note: Supervisor convert all local currency amounts into US\$

1 US\$ = 9,608 kip

= 16,228 dong

= 31.85 baht

6. Where do your staff come from?

Family		%	
Local neighbourhood		%	
Elsewhere		%	
Total	100	%	
Are any employees from minority peoples?	Y/N	#	Which groups?
What % of employees stay in rented accommodation		%	
How much rent do you think employees pay per month?			
	\$		

7. If you were building an extension, where would you hire staff/contractors from?

--

24. What percentage of total sales do room sales account for? (%)

--	--	--	--

25. Finally, what developments in your area or business do you think would encourage tourists to spend more nights in your property? What are the main constraints?

Opportunities
Constraints

THANK YOU VERY MUCH FOR YOUR TIME!

Interview conducted by:

Date of interview:

Signature of interviewer: _____

All questions completed, all percentages add to 100%, \$ values shown and exchange rates correctly applied. Checked by: _____

SNV Route 9 Study

Craft shops/ food producer-seller/market stall questionnaire

Name of shop/market: _____

Location: _____

Note to interviewer: Shops likely to be used by Thai, Vietnamese or other tourists should be interviewed. Interpret 'shop' broadly, ie include handicraft producers, weavers, food producers, anything that can be sold to tourists

SNV is trying to assess the value of tourism in this area and we would appreciate your time in answering some simple questions about where the tourist spending goes and how many people benefit. Individual answers are confidential.

1. How many paid employees do you have?

--	--	--

2. What is the average wage per employee per month?

US	\$						

Note: Supervisor convert all local currency amounts into US\$

1 US\$ = 9,608 kip
 = 16,228 dong
 = 31.85 baht

3. Where do your staff come from?

Family		%
--------	--	---

Local neighbourhood		%	
Elsewhere		%	
Total	100	%	
Are any employees from minority peoples?	Y/N	#	Which groups?

4. Please list your 3 best selling items to tourists, including regional tourists.

Item	Average monthly sales for this item	Hand made (Yes/No)	Commune/ village/ family product	Bought from maker or agent?	District and country where item made
1		Yes/No	Yes/No	Maker/Agent	
2		Yes/No	Yes/No	Maker/Agent	
3		Yes/No	Yes/No	Maker/Agent	

Note: Supervisor convert all local currency amounts into US\$

5 For items bought from an agent/wholesaler, where is the agent/wholesaler from?

Item 1
Item 2
Item 3

6 What are your total average sales per month in high season?

US	\$						

7 By what percentage do sales go down in low season?

		%
--	--	---

8 Approximately where do you think your customers come from?

Lao PDR	%	<i>SNV Vietnam only</i>		
Vietnam	%	of which	HCMC	%
Thailand	%		Hanoi	%
Other	%		Other VN	%
Total	100%		Total	100%

9 Finally, what developments in your area or business do you think would encourage more tourists to come to your area or buy your products? What are the main constraints?

Opportunities
Constraints

THANK YOU VERY MUCH FOR YOUR TIME!

Interview conducted by:

Date of interview:

Signature of interviewer: _____

All questions completed, percentages add to 100%, \$ values shown and exchange rates correctly applied. Checked by: _____

SNV Route 9 Study

Rrestaurant questionnaire

Name of restaurant: _____

Location: _____

Note to interviewer: Restaurants likely to be used by Thai, Vietnamese or other tourists should be interviewed.

SNV is trying to assess the value of tourism in this area and we would appreciate your time in answering some simple questions about where the tourist spending goes and how many people benefit. Individual answers are confidential.

1. How many paid employees do you have in high season?

--	--	--

2. How many paid employees do you have in low season?

--	--	--

3. How many months do you consider high season and how many are low season?

High	Low	Total
		12

4. What is the average wage per employee per month?

US	\$					

Note: Supervisor convert all local currency amounts into US\$

1 US\$ = 9,608 kip

= 16,228 dong

= 31.85 baht

5. Where do your staff come from?

Family		%	
Local neighbourhood		%	
Elsewhere		%	
Total	100	%	
Are any employees from minority peoples?	Y/N	#	Which groups?

6. What nationality are your customers?

Lao PDR	%	<i>SNV Vietnam only</i>		
Vietnam	%	of which	HCMC	%
Thailand	%		Hanoi	%
Other	%		Other VN	%
Total	100%		Total	100%

7 What is the average spend on a meal, per person?

US	\$						

8 What is the average spend on drink , per person?

US	\$						

9. How much per month in high season would your business spend on to buy ...

Item	Total spend per month?					Where bought/grown?	Main source of manufacture/origin?				
							Laos	Vietnam	Thailand	Other	Total
Vegetables							%	%	%	%	100%
	\$					Most bought where?					
						Most grown in what district?					
Fruit							%	%	%	%	100%
	\$					Most bought where?					
						Most grown in what district?					
Rice, noodles							%	%	%	%	100%
	\$					Most bought where?					
						Most grown in what district?					
Meat							%	%	%	%	100%
	\$					Most bought where?					
						Most grown in what district?					
Fish							%	%	%	%	100%
	\$					Most bought where?					
						Caught in what district?					
Beer							%	%	%	%	100%
	\$					Most bought where?					
Bamboo/forest							%	%	%	%	100%
	\$					Most bought where?					
						Most grown in what district?					

10. In low season by what % would these monthly purchases be reduced?

		%
--	--	---

11. How many meals a day would you serve in high season?

--	--	--	--	--	--	--	--

12. Finally, what developments in your area or business do you think would encourage tourists to spend more in your property? What are the main constraints?

Opportunities

Constraints

THANK YOU VERY MUCH FOR YOUR TIME!

Interview conducted by:

Date of interview:

Signature of interviewer:

_____ **Checked by:** _____