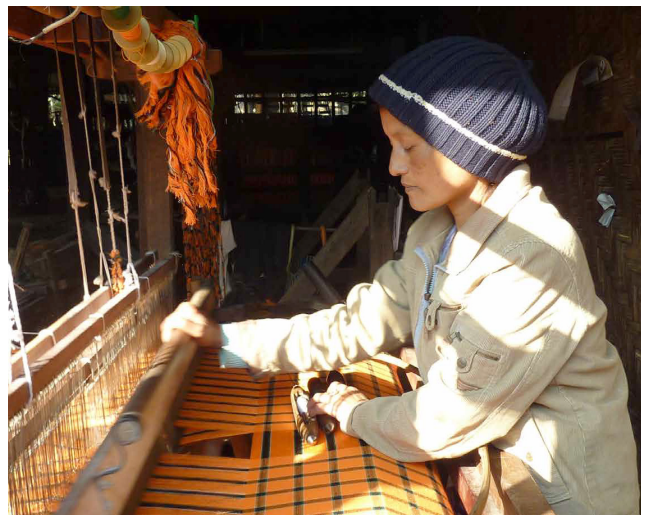


NTF III MYANMAR:

STRATEGIC OPTIONS FOR THE DEVELOPMENT OF THE TOURISM SECTOR IN KAYAH STATE, THE REPUBLIC OF THE UNION OF MYANMAR



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TABLE OF CONTENTS

ACRONYMS	3
EXECUTIVE SUMMARY	4
I. INTRODUCTION	5
I.1. HISTORY AND CULTURE	5
I.2. DEMOGRAPHICS AND LIVELIHOOD	5
I.3. LAND USE	6
I.4. TOURISM POLICY CONTEXT	6
I.5. THE FOREIGN INVESTMENT LAW	7
I.6. INSTITUTIONAL FRAMEWORK	9
II. BACKGROUND OF THE DOCUMENT	9
II.1. THE NTFIII PROJECT IN MYANMAR	10
II.2. TIME FRAME AND STRATEGY	11
II.3. METHODOLOGY AND LIMITATIONS	12
III. TOURISM INDUSTRY STATUS, CONSTRAINTS AND LIMITATIONS	13
III.1. KEY TOURISTIC RESOURCES AND ATTRACTIONS	13
III.2. TOURISM STATISTICS	15
THE SUPPLY SIDE	15
THE DEMAND SIDE	16
III.3. SWOT ANALYSIS	19
TOURISM MANAGEMENT AND REGULATION	20
INFRASTRUCTURE AND PLANNING	21
NATURAL AND BUILT ENVIRONMENT	22
TOURISM PRODUCTS	22
HUMAN RESOURCES	22
MARKETS AND MARKETING	23
IV. STRATEGIC VISION	23
IV.1. STRATEGIC OBJECTIVE 1 – IMPROVED TOURISM MANAGEMENT AND REGULATION	24
IV.1.1. THE DEVELOPMENT OF TOURISM STATISTICS	24
IV.1.2. THE ESTABLISHMENT OF A CONSTRUCTIVE DIALOGUE BETWEEN TOURISM STAKEHOLDERS	24
IV.1.3. THE PREPARATION FOR THE ESTABLISHMENT OF A DESTINATION MANAGEMENT ORGANISATION	25
IV.1.4. THE CREATION OF CODES OF CONDUCT	25
IV.1.5. THE CREATION OF SUSTAINABILITY STANDARDS	26
IV.2. STRATEGIC OBJECTIVE 2 – AN ADOPTED TOURISM DEVELOPMENT FRAMEWORK	26
IV.2.1. INTRODUCTION TO THE PRINCIPLES OF INTEGRATED TOURISM PLANNING	26
IV.2.2. THE ENHANCEMENT OF TOURISM INFRASTRUCTURES	27
IV.2.3. A PRIORITY TO BE GIVEN TO RESPONSIBLE TOURISM INVESTMENTS	28
IV.3. STRATEGIC OBJECTIVE 3 – PRESERVED AND VALORISED NATURAL AND BUILT ENVIRONMENTS	28
IV.3.1. THE NEED FOR WASTE AND WASTE WATER MANAGEMENT REGULATION IN THE HOSPITALITY SECTOR	28
IV.3.2. THE NEED FOR RESOURCE PLANNING	28
IV.3.3. THE ADOPTION OF CSR PRACTICES IN THE HOSPITALITY INDUSTRY	29
IV.4. STRATEGIC OBJECTIVE 4 – TOURISM PRODUCT DEVELOPMENT AND MARKETING	29
IV.4.1. THE NEED FOR THE TOURISM STAKEHOLDERS TO RE-VISIT THEIR CURRENT SUPPLY	30
IV.4.2. THE NEED FOR PRODUCT DEVELOPMENT	30
IV.4.3. COMMUNITY EMPOWERMENT AND ECOTOURISM	31
IV.4.4. TOWARDS AN EFFICIENT DESTINATION MARKETING FOR NEW MARKET SEGMENTS	31
IV.5. STRATEGIC OBJECTIVE 5 – TRAINING AND HUMAN RESOURCES / BUSINESS DEVELOPMENT	31
IV.5.1. THE NEED FOR INNOVATIVE TRAINING STRATEGIES	32
IV.5.2. AWARENESS-RAISING STRATEGIES AT STATE LEVEL	32
V. CONCLUSION	33
BIBLIOGRAPHY	35

LIST OF TABLES

TABLE 1: TIME FRAME OF THE 8 FIRST MONTHS OF ITC/CBI INTERVENTIONS IN MYANMAR.....	11
TABLE 2: LIST OF TOURISM INDUSTRY ASSOCIATIONS IN KAYAH STATE	16
TABLE 3: BREAKDOWN OF INTERNATIONAL VISITOR ARRIVALS - NOVEMBER 2014	17
TABLE 4: INTERNATIONAL AND NATIONAL VISITORS IN HOTELS IN KAYAH STATE (2013-2014).....	18
TABLE 5: DISTRIBUTION OF VISITORS' EXPENDITURES (KAYAH STATE AND INLE REGIONS)	18
TABLE 6: PROSPECT OF A TOUR IN KAYAH STATE SOLD BY A NATIONAL TOUR OPERATOR	21
TABLE 7: LIST OF SUPPORTED PRODUCT DEVELOPMENT INITIATIVES BY THE NTF III PROJECT IN KAYAH STATE (2014-2017).....	30

LIST OF FIGURES

FIGURE 1: MAP OF MYANMAR.....	5
FIGURE 2: THE TOURIST-AUTHORISED AREA IN JANUARY 2015.....	13
FIGURE 3: KEY TOURISM RESOURCES AND ATTRACTIONS AS IDENTIFIED BY LOCAL TOUR GUIDES (KAYAH STATE)	14
FIGURE 4: LANDSCAPES IN KAYAH.....	14
FIGURE 5: THE STRUCTURE OF THE TOURISM INDUSTRY (KAYAH STATE – 2014).....	15
FIGURE 6: INTERNATIONAL VISITOR ARRIVALS IN MYANMAR AND KAYAH STATE (SEPTEMBER 2013 - JULY 2014)	17
FIGURE 7: TYPICAL PURCHASES BY INTERNATIONAL VISITORS IN KAYAH STATE.....	19
FIGURE 8: TOURISM SWOT ANALYSIS FOR KAYAH STATE	20
FIGURE 9: SUMMARY OF STRATEGIC RECOMMENDATIONS FOR A SUSTAINABLE DEVELOPMENT OF TOURISM IN KAYAH STATE	23
FIGURE 10: TOURISM CLUSTERS FOR KAYAH STATE	27
FIGURE 11: INTER-RELATED AREAS OF CONCERN FOR SUSTAINABLE TOURISM DEVELOPMENT	33

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Acronyms

ASEAN	- Association of Southeast Asian Nations
CBI	- Centre for the Promotion of Imports from developing countries
DICA	- Directorate of Investment and Company Administration
FIL	- Foreign Investment Law
ITC	- International Trade Centre
KNPP	- Karenni National Progressive Party
MIC	- Myanmar Investment Commission
MoC	- Ministry of Commerce
MoHT	- Ministry of Hotels and Tourism
NES	- National Export Strategy
NGO	- Non-Governmental Organisation
NTF	- Netherlands Trust Fund
SEA	- Socio-Economic Analysis
SME	- Small and Medium Enterprises
TSI	- Tourism Sector Institutions

Executive summary

The International Trade Centre (ITC) and the Dutch Centre for the Promotion of Imports from Developing Countries (CBI) have been cooperating for decades to increase the income of producers and exporters in selected sectors, and in priority developing countries, including in Myanmar, where the tourism sector was chosen on the basis of the seven export priority sectors identified under the National Export Strategy (NES). This was undertaken by the Ministry of Commerce, with technical assistance provided by the ITC. The ITC analysed all seven sectors with regard to possible trade-related technical assistance, and recommended the tourism sector for the NTF III activities. The Ministry of Commerce endorsed the selection.¹ Myanmar's Kayah State was chosen as the destination for the project's implementation in close consultation with the Ministry of Hotels and Tourism, the Ministry of Commerce, as well as the private sector. Kayah State was chosen because of its rich culture and untapped potential to develop cultural community tourism tours, linking handicraft and food producers to the tourism value chain, all while addressing high poverty levels, especially among ethnic

Tourism is nevertheless still a minor activity for Kayah State and its inhabitants. However, its location between the Mae Hong Son province in Thailand and the Inle Lake area represents concrete opportunities for its further development. The recent opening of Kayah State to foreign visitors and a gradually enlarged accessibility can be seen as a chance for public and private stakeholders to ensure the introduction of the principals of integrated and sustainable tourism planning, as there is a lack of clear understanding of the direction of change, and a lack of business and destination management. Actually, a go-slow process of growth in visitor numbers can be very productive, allowing the tourism industry actors, including the local communities, to build their capacities, enhance professional development and make informed decisions based on the best possible evidence and practices.

This document is the result of extensive stakeholder consultations, surveys, interviews and focus group discussions, which took place from October to December 2014. It presents a diagnosis and strategic options for the future directions of development of the tourism industry in Kayah State, which were all introduced and then validated during several roundtables organised in December 2014 with tourism associations (UMTA, MTM) in Yangon and tourism public and private stakeholders in Loikaw. In each roundtable the six axes² used to represent a holistic approach of tourism were presented in order then to introduce the findings, the conclusions and the recommendations of the ITC tourism value chain analysis.

After a situational analysis of the current tourism industry status, constraints and limitations, this document aims to provide the framework for tourism and economic development that allows for controlled development, which does not generate any serious environmental or socio-cultural problems, and which will be used as a means for environmental and cultural conservation. This document also aims to ensure that tourism product and service development will be tailored to the specific characteristics and needs of the involved communities and stakeholders.

Kayah State has already been the target of numerous investors since the launch of the NTF III project and the confirmation of the opening of border checkpoint 13 with Thailand. This document therefore presents a framework within which the development of tourism activities and investments can be undertaken. This mostly includes the need for a public-private dialogue that should support the establishment of working groups in order to elaborate code of conduct manuals or tools for visitors, communities and tourism professionals. These manuals or tools should assist industry associations, their members, the communities involved in tourism and visitors to support, practice and experience a responsible and sustainable development of tourism in Kayah State. It is necessary for public and private stakeholders to work together in some form or other to responsibly develop and market tourism.

Additionally, this document encourages tourism professionals to re-visit their current supply for more responsible and environmentally oriented operating practices, whilst simultaneously shedding light on potential strategies to build the capacities of public and private actors, and the communities. Finally, it further recommends that the Union and State governments adopt the principles of the policy on community involvement in tourism, in that the local communities and their surrounding environment constitute the backbone of the tourism industry in Kayah State.

¹ For more information please refer to the NTF III Sector Selection Report Myanmar.

² Infrastructure and planning, tourism management and regulation, natural and built environment, tourism products, markets and marketing, human resources development.

I. Introduction

This introduction aims to provide a short summary of the current background of Kayah State, which includes some elements of its recent history, a brief description of the sources of livelihood, and a description of both the tourism policy context and the institutional framework within which the NTF III Myanmar inclusive tourism project is taking place.

I.1. History and culture

Situated in the hilly eastern part of the country, Kayah – also known as Karenni State – borders Thailand to the east, Shan State to the north, and Kayin State to the southwest (Figure 1). The state is home to a dozen ethnic groups (Kayah, Kayan, Shan, Innthar, etc.) and more than six actively spoken languages. While Kayah is home to Christian and Buddhist communities, most of the highland communities remain fervent animists to whom forests represent spiritual areas.

Kayah has been in a state of conflict for more than 60 years and it is one of several heavily landmine-contaminated areas of the country⁴. At the heart of the conflict, which has involved up to six ceasefire groups⁵, have been problems with governance, natural resource development, and recognition of the unique characteristics and rights of the state's ethnic minorities. As a result of the conflicts in Kayah, nearly 15 000 people have sought refuge in Thailand and still reside in camps there (many since the mid-1990s). Some among them have followed trainings in the tourism or crafts sectors, respectively with ACTED⁶ and WEAVE⁷.

Since the 2010 elections, relations between the Union Government and ethnic armed groups throughout Myanmar have improved. In March 2012, the government commenced ceasefire talks with the Karenni National Progressive Party (KNPP). Since then, it has signed many joint statements and agreements with the KNPP, which have opened the door to new avenues of engagement. The ceasefire has also provided the opportunity for NGOs, INGOs, donors, and business interests to be more active in Kayah. Until recently there still was, however, no peace agreement in place, but talks between the KNPP and the Union Government are frequent.

I.2. Demographics and livelihood

As one of the smallest states in Myanmar, Kayah has an estimated population of 360 379 inhabitants⁸, relying extensively on agriculture for their livelihoods - their major crops being rice, maize, sesame and groundnuts. It comprises an area of 11 731 square kilometres (7 townships), which is less than 2% of the total area of Myanmar. Contemporarily, most ethnic minorities have remained isolated in highlands where they have conserved a traditional way of life and community-based organisational specificities, notably with regard to the decision-making process. Unfortunately, several factors such as migration and an uncontrolled integration into the global economy have had strong consequences on the rights and the conservation of the specific cultures and ways of life of these ethnic groups. In the last decade or so many changes have indeed appeared in the daily lives and behaviours/customs of the ethnic minorities in Kayah State. Nowadays, motorbikes and televisions are all highly popular items and are changing both the livelihoods of the inhabitants and the physical appearance of the provinces. For most households, however, agriculture remains the main source of livelihood, and is mostly small-scale, with shifting cultivation practices still predominant in the highlands. Despite growing sedentary cultivation practices in the lowlands, a poor understanding of strategic investments prevails as the

Figure 1: Map of Myanmar³



³ Map: Myanmar Information Management Unit

⁴ According to the "Kayah State Socio-Economic Analysis, 2013",

⁵ These include the KNPP (Karenni National Progressive Party), KNPLF (Karenni National People's Liberation Front), KNLD (Kayan New Land Party), KNG (Kayan National Guard), KNPDP (Karenni National Peace Development Party), and KNSO (Karenni National Solidarity Organisation).

⁶ Since the beginning of 2013, ACTED has been working in two refugee camps along the Thai-Myanmar border, on building the vocational and life skill base of young displaced populations from Myanmar, and preparing them for a return to their home country.

⁷ www.weave-women.org/weave-promoting-fair-trade-activities-in-refugee-camps/

⁸ UNHCR Kayah profile (September 2013)

proportion of villages that borrow to buy food (57%) is more than twice the size of those which borrow to invest in agriculture (25%)⁹.

The lack of infrastructural development acts as a barrier to travelling to and living in these areas. Inevitably, this also means that access to health and education services, or even access to water resources, can be very difficult for many of those living in the provincial highlands. The Kayah State SEA (2013) shows that 85% of surveyed villages indicated challenges in accessing health services, and 73% of surveyed villages indicated challenges in accessing schools. To that was added a lack of interest in education, as most of these children do not attend school (77%).

I.3. Land use

According to the Kayah State SEA (2013), most communities indicated continued reliance on traditional informal land management practices, and people had little understanding of the new land laws. As logging is increasing, it actually becomes difficult to continue relying on collecting forest products to supplement incomes for these farming communities.

The issue of deforestation - which actively involves all the strata of society (from government officials and army leaders to local actors) - is increasing along with behavioural changes from values of utility to values of exchange. As mentioned earlier, by opening up the country to foreign investments and to new products and opportunities, all economic actors developed aspiration for consumerism. Together with rapid urbanisation and the industrialisation (logging, mining, energy development and infrastructure construction) of some areas, this leads to the acceleration of environmental degradation and the depletion of natural resources. Currently, the unrestrained commercial exploitation of land and natural resources appeared as the main drivers to rapid growth of wealth without consideration of the value of biodiversity. In a post-conflict situation, the emphasis usually does shift towards promoting the exploitation of natural resources as an engine for development. Nowadays, tourism – and especially when sustainably implemented – represents an alternative to this unrestrained commercial exploitation of land and natural resources.

For the highland communities this leads to an inevitable movement from the specific cultural and traditional subsistence living towards the more mainstream and global market economy. This trend is being accentuated by poor conditions of life, growing social imbalances and the lack of infrastructural development in remote areas, which often pushes people to leave the highlands for urban areas. As a consequence, the shift from values of utility to values of exchange is causing many traditions and customs to slowly disappear.

On the one hand, the recent opening of Kayah State and the current acceleration in the provision of roads and power infrastructure have improved connectivity for the lowland communities to the market economy. On the other hand, it has also accelerated the major evolutionary shift which is overwhelming Kayah State, and the vulnerability of the less educated communities. Although new infrastructure development projects intend to facilitate the mobility of individuals and the access to new economic opportunities, in newly opened areas they need to be carried out with care in order not to have negative side effects that may outweigh possible gains.

I.4. Tourism Policy context

The Myanmar Hotel and Tourism Law (1993) is the foundation of all recent tourism policy works. But the recent Myanmar Tourism Master Plan (2013-2020) prioritised the need for a new law, in order to determine where appropriate amendments are needed. More precisely, the Government of Myanmar must commit to enacting necessary legislation and regulatory measures to ensure that tourism-related projects conform to international standards and implement sound and responsible environmental and social practices¹⁰.

⁹ “In the lowlands, farmers with irrigated plots are administratively obliged to grow irrigated rice, while others, who are forced to grow flooded rice but unable to irrigate, can diversify into vegetable growing. In the uplands, communications infrastructures allowing access to the market are a source of differentiation between villages. Farmers who have this access are growing cash crops such as maize and pigeon peas, while those who do not have access continue with upland rice-based systems”. (Agrarian Transitions in Two Agroecosystems of Kayah State, Myanmar Loikaw Township, 2013).

¹⁰ Regulations currently only encourage energy management and waste-water treatment for hotels without making any of it compulsory, while environmental issues are on the rise in most destinations.

The current discussion on tourism policy context focuses on the need for a Bed and Breakfast policy. This follows recurrent requests from both international organisations and some local stakeholders, several years of tourism and tourism-related policy improvement works and, especially, the publication of the Responsible Tourism Policy (2012), the Myanmar Policy on Community Involvement in Tourism¹¹ (2013) and the release of the Myanmar Tourism Master Plan (2013-2020).

The latter mostly refers to the Responsible Tourism Policy and builds heavily upon its nine action points:

1. Tourism is a sector of national priority
2. Broad-based local socio-economic development
3. Maintaining cultural diversity and authenticity
4. Conservation and enhancement of the environment
5. Competing on product richness, diversity and quality – not just price
6. Ensuring the health, safety and security of visitors
7. Institutional strengthening to manage tourism
8. A well-trained and rewarded workforce
9. Minimising unethical practices

While many plans and policies have been developed, and some resources allocated to move toward implementation, the funding to implement still has to be found. Interestingly enough, the implementation of the Bed and Breakfast (B&B) policy would be at no cost and it could attract a new market segment which generally spends more time visiting a country, thereby spending a significant amount of money in the country. By enforcing the B&B policy, the Union Government would enable communities or individuals to manage up to nine rooms that can welcome foreign visitors. The policy would represent a major break from current practices, as it would provide more economic opportunities for local communities in areas where hotels would not be profitable, and it would also share the distribution of the tourism rent¹² more equally. The increase in tourism is increasingly perceived as something which provides opportunities for local communities (Policy on community involvement in tourism (2013)), and is thereby becoming one of Myanmar's most important sectors with tremendous potential to contribute to greater business opportunities and to balance social and economic development, if properly managed and developed (The Framework for Economic and Social Reform, 2012). Actually, the Union Cabinet of Myanmar recently approved sectors and cross-sectors to be included in the National Export Strategy (NES), which provides recommendations for market development for each of the priority sectors, including tourism, and explores the growth potential of new and existing products. In cooperation with the government, ITC has used the NES recommendations to formulate a comprehensive trade-related technical assistance (TRTA) programme based on the priority areas identified by the country in coordination with other development partners. Therefore, the ITC tourism project results from Myanmar's National Export Strategy and forms part of ITC's Country Programme for Myanmar, which aims at fostering inclusiveness in tourism development

To conclude, several updated laws and policies are additionally highly relevant to tourism: the Labour Organization Law, the Settlement of Labour Dispute Law, the draft Minimum Wage Law¹³, and the 2012 Foreign Investment Law (which was enacted to facilitate growth and attract foreign investment).

I.5. The Foreign Investment law

The Foreign Investment law (FIL) seeks to provide rights and guarantees for land use and investments, to simplify the process of registration and licensing, and to offer a significant number of incentives and tax reliefs. The Myanmar Investment Commission (MIC) is responsible for verifying and approving investment proposals, and regularly issues notifications about sector specific developments¹⁴.

- Foreign investors may be permitted by the MIC to lease land for up to 50 years, with the possibility of extending that term by two additional periods of 10 years each.
- Foreign investments approved under the FIL will be entitled to a five-year income tax exemption from the year of commencement of commercial operation or production, with the possibility of an extension for a

¹¹ Draft B&B standards were included as an appendix in the CIT policy and Myanmar signed the ASEAN homestay standards in 2010.

¹² The tourism rent is defined here as the commercial exploitation of the common goods

¹³ All new laws related to labour in Myanmar safeguard the rights of tourism workers to organise and seek fair wages and safe working conditions.

¹⁴ K&L Gates (2012)

“reasonable” period if the investment is “beneficial” to the state.

- The FIL lays out three different options for investing in Myanmar, including 100% foreign capital provided by foreign investors, permitted forms of business contract and joint venture¹⁵.
- There is no prescribed minimum capital requirement for foreign investment.
- The FIL provides guarantees for the remittance (at the prescribed exchange rate) in foreign currency of imported foreign capital and profits.
- The FIL provides assurances that the government will not, without a proper reason, terminate an enterprise operating under an MIC permit before the expiration of the permitted term, and will not nationalise an enterprise if the MIC extends the term of the enterprise.
- Dispute resolution mechanisms can be contractually agreed on between the parties. If no such mechanism is provided for in the contract, Myanmar law will apply by default.

As a facilitator and catalyst, the Directorate of Investment and Company Administration (DICA) was established in 1993:

- For investment promotion and to scrutinise investment proposals
- To monitor the implementation of permitted enterprises
- For the registration and administration processes of limited companies, joint ventures and associations.

As many other developing countries, Myanmar has only recently identified tourism as an export sector and therefore identified the hospitality industry as a new source of capital. In the Myanmar investment guide (2014), Hotels and Tourism was therefore prioritized for investment opportunities for foreign investors with five other economic sectors. Identified investment opportunities in the Hotels and Tourism sector are:

- Hotels and resorts – especially middle and high-end
- The construction of leisure parks
- Tourism-related public infrastructure projects
- Tourism services

While we may find a positive correlation on how tax policy and incentives affect foreign direct investment, some other factors, including the overall costs of production in a specific region, may dampen the effects of tax incentives. For example, high electricity costs, infrastructure investment (or the lack thereof), weak management of a sector, among other factors, might offset the proposed tax incentive for a company. Additionally, we observe an increased competition among the governments of different countries to attract foreign investors, including in the sector of tourism, by offering tax incentives and therefore leading transnational companies to enjoy similar advantages wherever they decide to settle. It thus remains unclear whether investment incentives are beneficial overall and no studies exist on the long-term effect(s) of FDI incentives withdrawal. Some studies conclude that developing countries do not need to offer tax incentives to attract Foreign Direct Investment (FDI) because the decision to invest in a country depends on the country's overall investment climate and some other factors.

As of November 2014, foreign investment in tourism existing and permitted enterprises (as defined in the Myanmar Investment Guide) represented respectively 4.7% and 4.26% of the approved amounts of investment in Myanmar. In order to appreciate just how attractive the tourism industry in Myanmar is to foreign investors, the country has received 1% of all FDI inflows to ASEAN in 2012, as compared with other members¹⁶. In 2012, Myanmar counted only 22 foreign owned hotels (2.3%) and 4 joint ventures (0.4%) out of 960 hotels. New investments from the United Arab Emirates, Vietnam and South Korea are now completing investments from Singapore and Thailand, which, until now, represented the top foreign investments in the Myanmar hotel sector. The Ministry of Hotel and Tourism allowed 39 foreign investors to work in Myanmar's hotel and tourism sector in 2013 for a total investment of US\$1.9 billion. Of that, 14 Singaporean hotel companies invested US\$880.4 million, followed by 10 Thai companies at US\$235.7 million, six Japanese companies at US\$183 million, and four Hong Kong companies at US\$150 million. Two Malaysian companies invested US\$20 million and one Vietnamese company US\$440 million. Other projects include one British company US\$3.4 million, and one

¹⁵ In a joint venture structure with Myanmar enterprises or citizens, the parties are free to choose the ratio of foreign to local equity participation.

¹⁶ ASEAN Community in figures 2013 (p 37).

United Arab Emirates company US\$4 million¹⁷. However, in March 2014, the DICA reported that full foreign investment in tourism and hospitality were not permitted anymore, while joint ventures must be made with Myanmar citizens. This differs from information provided by the Ministry of Hotels and Tourism, for which Foreign Direct Investment (FDI) volume reached nearly US\$2 billion in Myanmar's hotel sector between January and October 2014.

With 2662 foreign visitors in 2014, including IO and NGO workers, Kayah State is not yet attractive to foreign investors. However, the speed with which local investors have confirmed their interest (two new hotels are to open their doors in 2015) clearly shows that local investors may not lack interest or the financial resources to invest in the tourism sector. Another hotel investment with 20 low-end rooms is expected to come forth within the next few months. For Kayah State to attract international and responsible investors, it now seems necessary to:

- Ensure a sufficient flow of international visitors to/from Thailand, which includes the need for infrastructure improvement (sewer, water, electricity, roads), the diversification of supply, and policy support;
- Increase data transparency, accessibility and comparability;
- Align internal and external government reporting with widely used socially responsible investment criteria;
- Develop and strengthen internal CSR initiatives.

I.6. Institutional framework

Regarding the institutional framework for regulations of the tourism sector in Kayah, the Kayah State Government is committed to improving services for the local population, and mostly plays an institutional and political role. The Ministry of Hotel and Tourism branch in Loikaw communicates with the tourism stakeholders in order to set up licenses, building standards, duties and taxes related to the tourism and hotel industry, and facilitates the work between the State and Union governments.

In order to facilitate the dialogue between the MoHT branch and the private sector, four industry associations (Hotels, Restaurants, Guides and Transportation) were created in 2014, following a request made by the State Government. One position was also created at MoHT early 2015 to ensure the coordination between the public and private sectors.

Within the State Government, the Ministry of Finance and Revenue is in charge of the tourism sector. In 2013, the State Government plans were centred on the Seven Lakes region in Demosaw, as that had been designated as a potential tourist zone. However, the zone is community-owned, with strong reluctance in the villagers to see hotels built in this area. Moreover, a hotel zone might temporarily attract mass tourism to Kayah with more or less severe implications for the wildlife and local communities. As a secondary destination, mostly visited for its unspoiled cultural and natural assets, Kayah would lose of its authenticity and therefore its attractiveness with the construction of a hotel zone.

II. Background of the document

Cooperation between ITC and CBI was embodied in a series of programmes called the Netherlands Trust Fund I (NTF I), which ended in 2009, and the Netherlands Trust Fund II (NTF II), which started in 2009 and ended in June 2013.

Building on the NTF II programme, and its lessons learnt, the purpose of the Netherlands Trust Fund phase III programme - a four-year partnership agreement signed by the CBI and the ITC in July 2013 - is to increase the income of producers and exporters in selected sectors and in priority developing countries, including in Myanmar and its tourism industry. The expected impact will be reflected in the jobs created and maintained in selected sectors. Job creation reduces poverty and is strongly correlated with decreases in other measures which participate in the fight against poverty, such as access to basic human needs, health and education.

¹⁷ The hotels will be constructed in Yangon, Mandalay, Shan State, Taninthayi Region, Kachin State and the Ayeyawady Region.

II.1. The NTF III project in Myanmar

The current NTF III project aims to create and maintain jobs in the Myanmar tourism sector with a focus on Kayah State. This can be achieved by increasing the income of enterprises and local communities, and by enhancing the competitiveness of Myanmar's tourism industry and related supply chains, especially at the Kayah state level, ultimately contributing to sustainable economic development. To support these objectives, the Government of Myanmar, the ITC and the CBI agreed that a broad framework and guidelines for future development of Kayah as a tourism destination, including strategies to attract foreign direct and domestic investments into the sector, would be necessary at the beginning of the project. This document was therefore prepared pursuant to that request.

In addition to this strategic approach for a sustainable development of Kayah State, the NTF III project works along three outputs which are in line with the NTF III programme approach, namely:

- a) Enhancing the export capacity of tour operators and of SMEs (both being enterprises that supply goods and services to the Kayah State tourism industry, as well as to local communities), via:
 - Cultural tourism tours assessment and development;
 - Improving local supply chains for the tourism industry;
 - Creating export marketing capacities among selected tour operators who also offer Kayah products;
- b) Strengthening tourism-related TSIs in Kayah State as well as in Yangon, by:
 - Identifying and assessing the capacity of existing associations (i.e. the Kayah Hotelier Association); assessing the feasibility of setting up tourism-related supply chain associations (e.g. in the crafts sector);
 - Strengthening and formalising up to two tourism and tourism-related associations (subject to a positive assessment);
 - Assisting the MHT Branch office in Kayah, in collaboration with UMTA and the Myanmar Tour Guide Association (1) to engage in public-private partnerships, as well as to build their capacity and the ones of other Kayah State associations for data collection, interpretation, and dissemination on tourist arrivals, trends, spending, expectations at regional level (Kayah State), and (2) to improve tourism-related association sales and marketing services with a special focus on Kayah State;
- c) Creating business linkages with tourists and the intermediaries that offer Kayah State as a destination for incoming tourists, by:
 - Raising awareness among the tourism associations, State Government entities and the involved communities about Kayah tourism products and the impact of sourcing local products on revenue generation as well as on international tourist satisfaction;
 - Creating/strengthening linkages between Yangon-based tour operators, Inle Lake guides and local tourism stakeholders, offering newly developed products in Kayah State;
 - Developing model contracts (including an adapted version of the code of conduct for tour operators that will be developed by CBI) between providers of cultural products and services in communities, tour operators and guides, and train stakeholders on how to apply these model contracts;
 - Linking outbound tour operators in target markets with Yangon-based in-bound tour operators that offer Kayah State tours: preparing inbound tour operators for international trade fairs and facilitating participation. Also, jointly organising side events with CBI or international fairs on tourism in Kayah;
 - Developing a marketing strategy, train enterprises and community producers on the job, in promoting and linking their products to Kayah State tourists and the tourism industry.

II.2. Time frame and strategy

The strategy adopted in drawing up this document required the services of a team of national and international consultants, with the objectives of:

- Undertaking a baseline assessment for enterprises, community-based producers and service providers participating in the project;
- Mapping existing and potential destinations, attractions, products and services, as well as accommodation and transport facilities;
- Identifying and assessing new potential tourism itineraries and products in Kayah State;
- Undertaking a value chain analysis of the sectors supplying the tourism industry and of the individual tourists in Kayah State (crafts and food-products).

The time frame of the fieldwork (October-December 2014) was established to follow the launching ceremony of the NTFIII project in Kayah State (September 2014). A first mission with a team of two international consultants and three national consultants was undertaken from October 8th-25th, 2014, including three days in Yangon, 13 days in Loikaw and one day at Nyaung Shwe/Inle Lake. A second mission was undertaken to hold several validation workshops with public and private tourism stakeholders, both in Yangon and Loikaw from December 10th-19th, 2014.

Table 1: Time frame of the 8 first months of ITC/CBI interventions in Myanmar

Activities	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
Launching								
Baseline Assessment								
Data Analysis								
Validation workshops								
Starting of capacity building activities in Kayah State								
EXPRO training								

The implementation of this project is guided by a Myanmar-based Project Steering Committee (PSC). The Yangon-based PSC has already been officially set up and is composed of the Ministry of Commerce and the Ministry of Hotels and Tourism, the Union of Myanmar Travel Association (UMTA), the Myanmar Tourism Marketing (MTM), Kayah State authorities, CBI and ITC. The Ministry of Commerce branch in Kayah is currently facilitating the set-up of a Kayah-based local PSC.

The Project Steering Committee:

- Provides strategic guidance for project implementation and ensures liaison with other development partner activities in the same sector by reporting to the Myanmar Trade Council and the Tourism Sector Roundtable on project achievements and results.
- Oversees planning, implementation and reporting issues, for instance approving the work plan and contributing to evaluation and monitoring. The objective is to develop a network that continues to work together after the project ends.
- Confirms and refines the division of labour in project implementation.
- Develops a process for information sharing and collaboration, for instance monitoring and information sharing meetings (sharing monthly monitoring reports).
- Implements monitoring mechanisms for the activities of the network.

- Identifies common strategic objectives designating partner roles and how partners cooperate by activity.

The Project Steering Committee meets biannually with a meeting to be held in March 2015 in Yangon.

II.3. Methodology and limitations

The methodology employed to achieve the four above-mentioned objectives has entailed three main stages, including field visits supported by the Ministry of Commerce of the Union Government of Myanmar:

- i. Literature reviews (see bibliography in annex).
- ii. A first mission in Myanmar allowed for the team to explore a majority of the townships and areas of Kayah State along the road from Loikaw to Mese.
 - The first three days of the mission consisted in the presentation of the project's objectives and the field research to public and private tourism stakeholders in Yangon, including the Union of Myanmar Tourism Associations (UMTA), Myanmar Tourism Marketing (MTM), the Tourism Training School and other potential partners of the project.
 - The second part of the mission consisted in collecting tourism statistics and business information (financial, human resources, linkages, products, etc.) amongst tourism stakeholders in Loikaw, and analysing the most visited tourist sites in and around Loikaw. It included a full assessment of areas of strength and weakness, as well as other concerns, such as the knowledge of interviewees in business management and the existence of sustainability standards for intervention purposes and planning. Additionally, the team went to Mese (south-east of Kayah State) to visit a border crossing point (BP 13) likely to be re-opened in 2015, with the objective of assessing its likelihood to become a gateway to Kayah State and Myanmar for international visitors.
 - The last part of the mission consisted in the two international consultants testing one of the main tourist routes to and from Nyaung Shwe (Inle Lake), as Loikaw is currently mostly sold as an extension of Inle Lake.
- iii. A second mission in Myanmar was undertaken with the aim of validating the project's interventions that result from the preliminary findings.
 - Two presentations were held in Yangon with the Union of Myanmar Tourism Associations and Myanmar Tourism Marketing (MTM) in order to allow all attendees to debate and validate the findings of the situational analysis and to agree on a set of recommendations and project proposals¹⁸. In the end, all the participants in the validation workshops strongly reiterated their support to the project and to the proposed activities and strategies.
 - One validation workshop was held in Loikaw with all private and public tourism stakeholders interviewed during the first mission in Loikaw, and each identified beneficiary was then met individually to both agree on the strategic options for a sustainable development of tourism in Kayah State and to prepare the time frame and the methodology of the NTF III project's interventions.
 - The director of ExoFoundation, the Foundation of the EXOTISSIMO, was invited to review the set of recommendations and strategies proposed by the ITC for Kayah State, including advice on product development. Visits to the different tourist-authorized areas were organised in order to facilitate the analysis of recommended interventions. The issue of environmental sustainability came as a higher priority since environmental performance and management of the tourism industry have been so far neglected while being the conditions for a long-term success of tourism in Kayah State.

¹⁸ See the ITC Kayah State's Opportunity Study (2015).

III. Tourism industry status, constraints and limitations

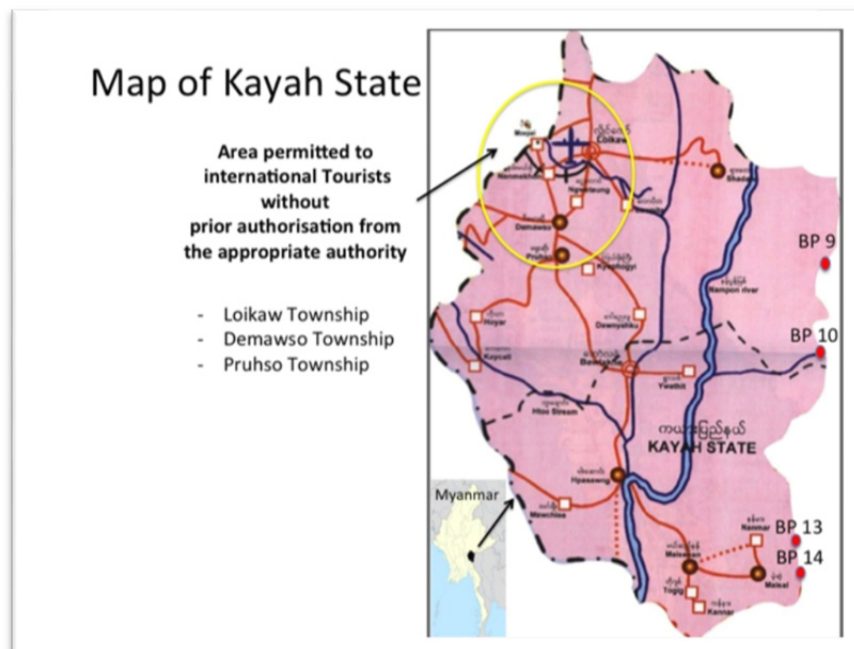
III.1. Key touristic resources and attractions

Although the picture has obviously brightened, a certain political instability persists, hindering the provision of an enduring and stable environment in the region. Additionally, tourism professionals sometimes depict a bleak picture for Kayah State.

“Currently, tourists can travel from Inle Lake area using boat and car. The car roads from Tangoo (Bago division) and from Kayin State are not recommended due to lack of safety and road conditions. Around Loikaw, visitors can visit Taungwe pagoda (twin peaks of hills with a pagoda on top of each), two lakes and the market. The flights to Loikaw are made by Myanma Airways Domestic which is seldom used by foreign tourists because of its bad safety records”. (Prospect from Asianventure Tours, 2014)¹⁹

For these main reasons, and also a lack of progress in landmine mapping in border areas²⁰, the state government of Kayah still prefers to limit tourist-authorized areas to the northwestern part of Kayah State only (Figure 2).

Figure 2: The tourist-authorized area in January 2015



Source: Author

However, key touristic resources and attractions are spread out across the State. Kayah State is endowed with cultural places of interest and magical landscapes (Figure 3), with numerous ethnic groups and traditions such as festivals. Seven to ten ethnic groups are native to Kayah State. In addition, the Shan, Innthar, and Bamar people live in the north, and the Pa-O people in the surrounding hills.

¹⁹ www.asianventure.com/myanmar/guide/kayah.html

²⁰ UNHCR

Figure 3: Key tourism resources and attractions as identified by local tour guides (Kayah State)²¹

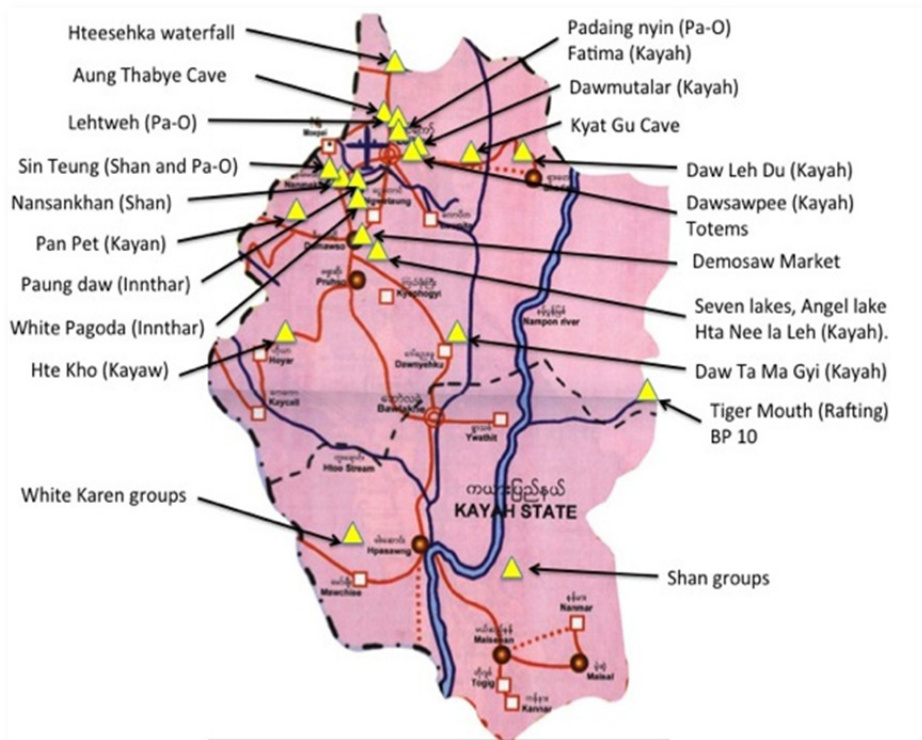


Figure 3 shows the locations of different ethnic groups, the majority of whom still dress traditionally (the Hte Kho, Daw Ta Ma Gyi, Pan Pet, etc.). The current circuits offered by the Loikaw local guides helped to create this non-exhaustive map of ethnic groups, and of cultural and natural resources.

As economic impacts are expenditure driven, this document's classification of key touristic resources and attractions for Kayah State is based on existing but also potential flows and forms of market demand. As long as Kayah State is sold as an extension of Inle Lake, it is in fact very likely that tourism flows will remain relatively low. However, the region

shows strong growth potential for responsible markets when perceived as a gateway to Inle Lake from Thailand (Chiang Mai, Mae Hong Son). Interestingly, interviews of major companies in search of new “off the beaten track” destinations in Myanmar confirm that the opening of the Border Crossing with Thailand in Mae Hong Son city (BP 10)²² would represent an astonishing perspective for Kayah State. As the River Pai flows through the border with Mae Hong City, new adventurous activities such as white water rafting (Figure 4 – Tiger Mouth near BP10), kayaking or canoeing in the dry season (already available on the Thai side) could bring numerous employment and income opportunities for the local communities.

Figure 4: Landscapes in Kayah



²¹ Source: made with the local guides association (LGA)

²² BP 10 – Border Crossing Post 10 is located about 15 minutes from Mae Hong Son International Airport.



Source: Author

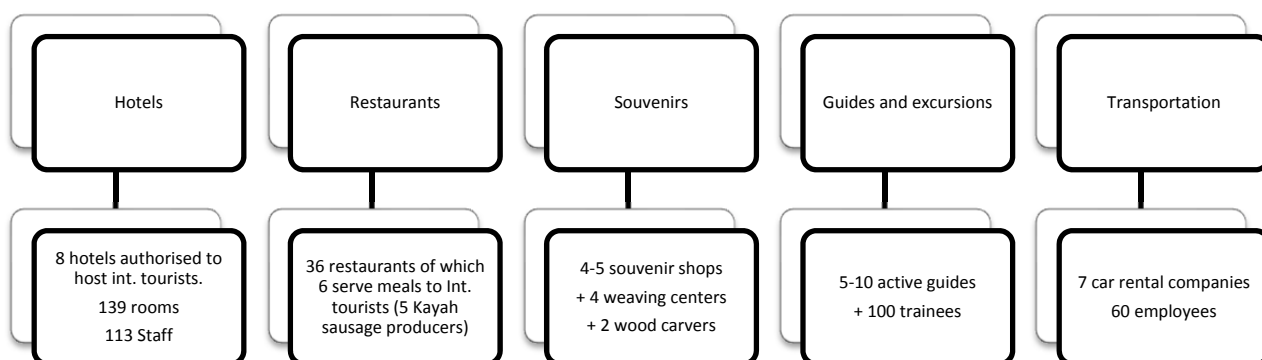
III.2. Tourism statistics

The access to statistical information is limited for both the demand and supply sides of tourism. On the supply side (Figure 5), we face the informality of some categories of actors and the fact that many actors have accumulated professional experience working in both tourism and other economic sectors in order to supplement their income. On the demand side, there is still no market share information between the different categories of visitors (leisure, business, VFR, etc.). This is especially of concern since many foreigners visit Kayah as NGO or IO workers.

- **The supply side**

With eight hotels currently allowed to welcome international visitors, Kayah State offers 139 rooms ranging from low to middle end standards. Two new hotels opened their doors in February 2015, with a total of 80 rooms. Another hotel investment with 20 low-end rooms is expected to take place within the next few months. Generally speaking, Kayah State does not suffer from a shortage of rooms but rather from the absence of high-end capacities.

Figure 5: The structure of the tourism industry (Kayah State – 2014)



Overall, the tourism sector in Kayah State remains undeveloped and unskilled. With the opening of the State to international tourism, several companies and businesses were created by local people in the hotel and transportation sectors. However, prices and quality seem to be more governed by tacit agreement than by the economic forces of a free market economy, and even less so by a reference to any international standards. Other sectors such as souvenirs, restaurants and guiding remain poorly connected to the market of international tourism and, as a consequence, only a few are operating in Kayah State (5 to 10 active tour guides only).

The weak connection of these sub-sectors with the market is mostly a consequence of both the limited range and the poor quality of products and services. In most cases, tour operators do not use local foods and crafts as

some of the tourist attractions in Kayah. Only 6 out of 36 local restaurants in Loikaw City claim to regularly serve foreign customers. Local crafts retail outlets and restaurants are currently not key to the holiday experience. On the basis of current supply chain performance and activities, improvements are needed as a priority in these tourism sub-sectors.

Table 2: List of tourism industry associations in Kayah State

	Month of creation	Number of members	Number of active members
Hotels Association	July 2014	8	6
Restaurants Association	May 2014	30	8
Guides Association	June 2014	8	5
Transports Association	2014	7	n.c.

Source: Author

The recent establishment of all tourism industry associations recalls that the state of the tourism sector in Kayah State is still at its first stages. With the exception of the crafts sector²³, all industry associations were created in 2014 (Table 2), following a request by the local government. None of these associations yet have a clear mandate and defined objectives. It is worth noting that many of the industry associations' members are inactive (regular or permanent absence of meetings). As the number of souvenir shops is limited to four or five shops only, there is still no crafts association.

Tourism does not only bring benefits to the tourism industry itself, but also to other economic actors in Kayah State. In the ITC's assessment, it was found that most of the food was purchased locally or regionally. Only the processed products (chilli sauces, jams, etc.) were found to be mostly imported from Thailand. Another sector suffering from insufficient local supply capacity and high imports is the fabric sector as imported nylon has replaced locally produced woven cotton.

- **The demand side**

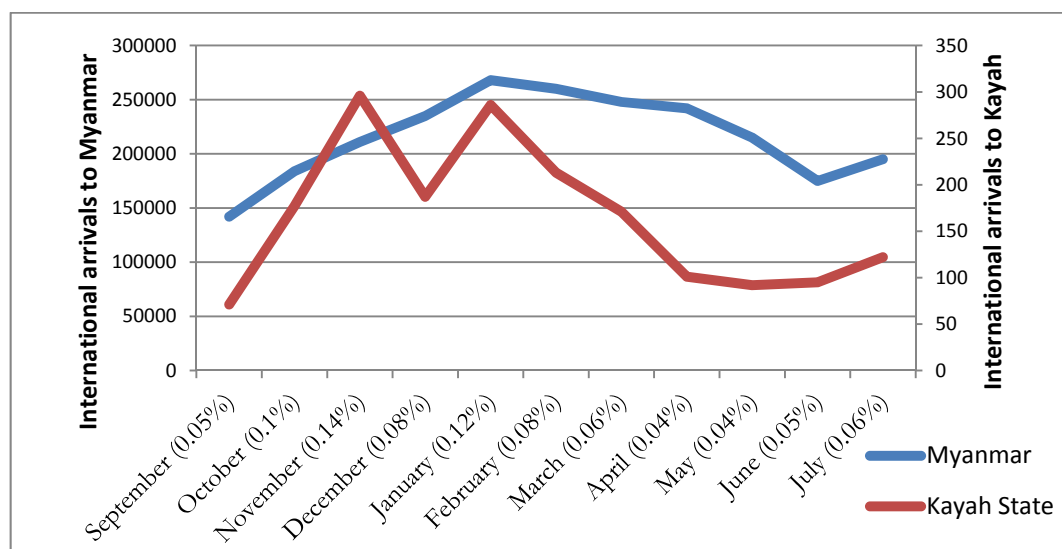
In Kayah State, the fact that international visitor arrivals are still very low constitutes a real opportunity to support tourism development in a sustainable manner. In 2014, Kayah State welcomed 2,662 international visitors, an increase of 79% against the previous year (Table 4). These numbers are, however, very low compared with those of Myanmar, as they represent less than 0.1% of all international visitors to Myanmar. Additionally, we observe a drop in arrivals for the month of December, which draws attention as it differs from international visitor arrivals in Myanmar (Figure 6) but not from those at Inle Lake. This trend definitively confirms that the tourism development of Kayah State is strongly dependent on international arrivals at Inle Lake.

The current restriction of international visitor movements in out-of-bounds areas (Loikaw, Demosaw and Phruso Townships)²⁴, and after certain hours (any overnight out of Loikaw is not authorised), has led tourist flows to concentrate in a few areas only.

²³ As the number of souvenir shops is limited to four or five shops only, there is still no crafts association.

²⁴ Travel authorisations are required for all visits outside of Loikaw Township.

Figure 6: International visitor arrivals in Myanmar and Kayah State (September 2013 - July 2014)



Source: Data from MoHT (2013-2014)

Interestingly, Kayah State receives, proportionally to all arrivals in Myanmar, more international visitors in the high season than in the low season. The quality of the statistics and the previous observations are, however, weakened by the absence of classification made between the different categories of visitors (leisure, business, to Visit Friends and Relatives (VFR), etc.), as well as by the growing number of international consultants who fly regularly to Kayah State. November is usually observed as the month with the highest amount of international visitors. In November 2014, Western Europeans represented the majority of visitors, with 66.5% of all international arrivals – three times more than Asian visitors (Table 3: Breakdown of international visitor arrivals - November 2014 Table 3), which is opposite to the trend observed in Myanmar. The majority of visitors are male (57%), with a distribution peak at 76% for Asian males.

Table 3: Breakdown of international visitor arrivals - November 2014

Region of Origin	Total	Share
North America	43	7.8%
Western Europe	365	66.5%
Eastern Europe	5	0.9%
Africa	2	0.4%
Middle East	2	0.4%
Asia	124	22.6%
Oceania	8	1.5%
Total	549	100%

Source: MoHT (2014)

Domestic tourist statistics in hotels are available from April 2014 onwards, and help show how the domestic market compensates the seasonality of international arrivals (Table 4). Again, it appears difficult to draw too many conclusions since there is no breakdown of visitors by category (business, leisure, VFR, etc.). From April to November 2014, international visitors in hotels represented slightly more than 15% of all domestic customers, with a peak of 45% in November.

Table 4: International and national visitors in hotels in Kayah State (2013-2014)

Months	International arrivals		Monthly increase	Domestic 2014	% International / domestic
	2013	2014			
January	101	286	183%		
February	88	213	142%		
March	103	171	66%		
April	100	101	1%	1700	5.9%
May	110	92	-16%	1345	6.8%
June	96	95	-1%	1276	7.4%
July	55	122	122%	1048	11.6%
August	106	192	81%	1323	14.5%
September	71	167	135%	1104	15.1%
October	177	277	56%	1297	21.4%
November	296	549	85%	1212	45.3%
December	187	397	112%		
Total	1490	2662	79%	10305	15.5%

Source: MoHT (2014)

While accommodation and transport services are usually over-priced in many tourist destinations, the situation appears to be exaggerated in Kayah State, making most tourist expenditures flow primarily into these two sectors. A comparison with the estimated annual breakdown of tourist expenditures in a mass tourism destination such as the Inle Lake region (Table 5) underlines the abnormal share of the expenditures in accommodation and the lost opportunities for local suppliers in the crafts, meals and drinks sectors, where most backward linkages, i.e. the production of intermediate goods, are usually to be observed in a tourism destination.

Table 5: Distribution of visitors' expenditures (Kayah State and Inle regions)

Sector	Kayah State	Inle Lake region*
Accommodation	58%	34%
Meals and drinks	14%	25.5%
Handicrafts	7%	12.8%
Activities and excursions	2%	25.5%
Transportation	19%	
Fee revenues	n.c.	2.2%

Source: ITC and IID (*)

Beyond overpriced accommodation, other explanations behind the low figures for the crafts, meals and drinks, and the guiding sectors were found. For example:

- The lack of time for visitors to go shopping was identified as a major barrier. A majority of international visitors have expressed their dissatisfaction over imposed schedules in Kayah State. This is reflected in the fact that only one shop out of five currently has foreigners among its customers.
- The low variety of souvenirs to choose from does not encourage tourists to spend on Kayah State products. The typical product available is the traditional “longyi”, which can be found everywhere in Myanmar. New products, such as traditional Kayah shirts, bags and tiny wooden carvings representing Kayan Women (long neck), are available to visitors but the volume of sales remains low.

Figure 7: Typical purchases by international visitors in Kayah State

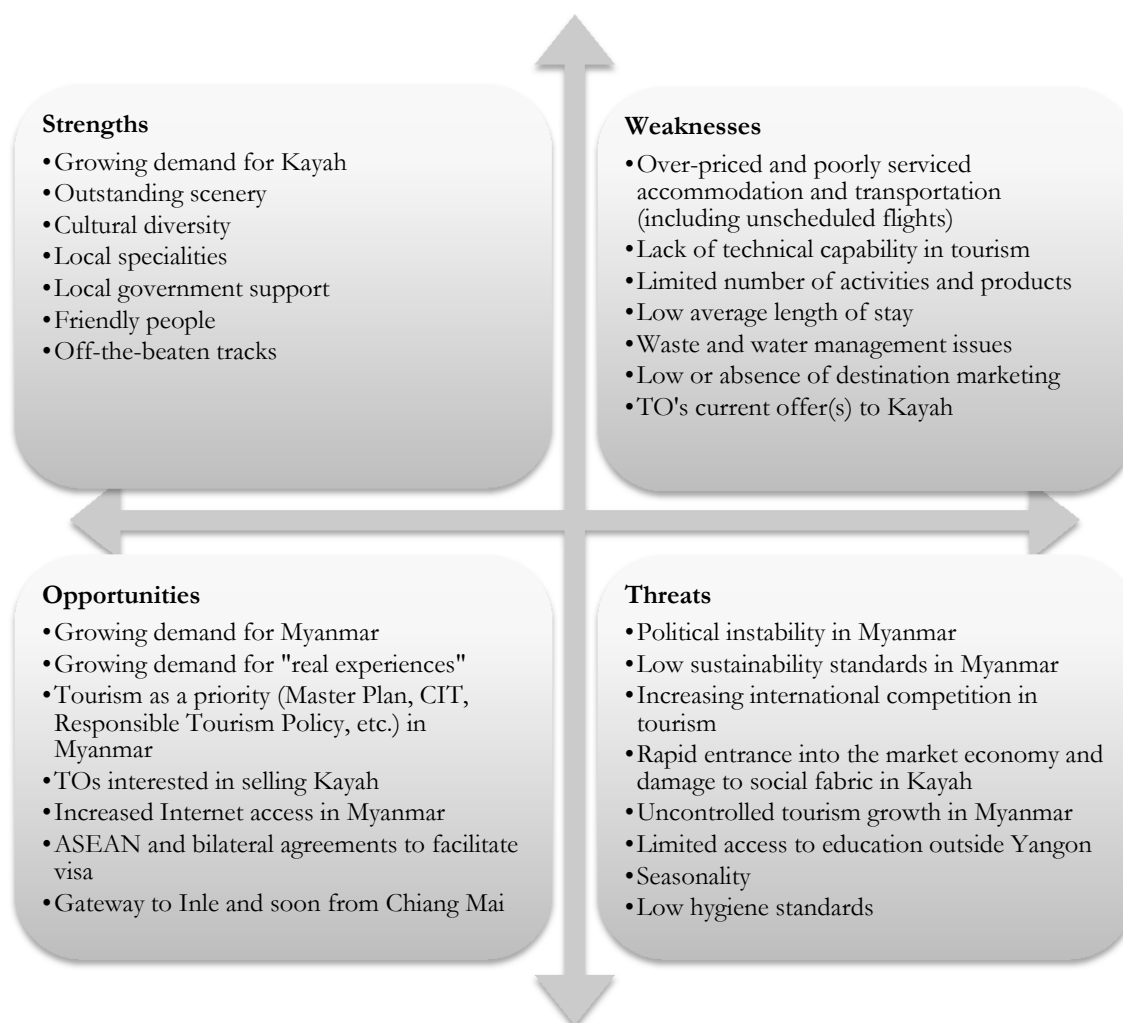


- No restaurants are recommended outside of Loikaw, so tourists are advised to take lunch boxes made of eggs, bread and fruits for any excursions and activities outside of Loikaw Township.
- The low number of qualified guides and the limited amount of time spent in Kayah State makes it difficult for the tour operators to use the services of local guides. Not using local guides additionally restricts the opportunities to take visitors to interesting and unusual production and sales places such as rice wine and sausages producers.

III.3. SWOT analysis

As part of a least-developed country, Kayah State continues to face major structural challenges and constraints (Figure 8). In particular, it is necessary to improve the less-favoured areas' access to needed healthcare and to education. Indeed, several army-group leaders elected these two issues as priorities for the difficult political matters to soon be resolved. These many years of conflict have led to the continuing closure of the border with Thailand, but also to the lack of proper maintenance of infrastructures, thereby rendering Kayah State an isolated destination (unreliable flights, poor runways, no access from Thailand yet, limited connections with neighbouring states). Additionally, only the government-owned airline (Myanma Airways) currently flies to Loikaw five times per week, with unreliable services that constitute a key logistical issue for Tour operators and therefore a strong impediment to having Kayah State in their packages.

Figure 8: Tourism SWOT Analysis for Kayah State



In order to structure the SWOT analysis process and to ensure maximum effectiveness in designing the strategic options for the future of the tourism industry in Kayah State, a list of six themes to be assessed was produced as the first step: tourism management and regulation, infrastructure and planning, natural and built environment, tourism products, human resources, markets and marketing. The results of the SWOT analysis are therefore presented following this list.

- **Tourism management and regulation**

The existence of unresolved political issues in Kayah State, and on-going discussions for a peace agreement between the government and several army groups, have led the government to restrict tourism to some areas only for reasons of public safety, thereby obliging tourism operators to sometimes endure time-consuming procedures. While improvements were nevertheless observed over the last months, the state government recently addressed a letter to the industry associations for the tourism private stakeholders to request for permission before taking customers outside of Loikaw city.

Such control measures and a limited accessibility to Kayah State currently impede a larger increase in tourist arrivals. On one side, the current situation nevertheless offers the opportunity to prepare Kayah State for a sustainable development of tourism, as there is still a lack of clear understanding of the direction of change, and for business and destination management. A good example is the lack of price regulation for the accommodation and transport sectors, most of whose stakeholders poorly and inefficiently deliver high-priced services. On the other side, the situation limits the economic opportunities which help accelerate the poverty reduction process.

Currently, the tour operators mostly offer a "two nights – one day" package (Table 6), through which international tourists do not experience the "Kayah State products". The visits to villages are sometimes unfortunately

organised with the only aim of taking pictures of locals in exchange for a few purchases or a small fee. The uncontrolled repetition of these habits is likely to damage the cohesion of the social fabric, as the benefits only go to a few beneficiaries. The introduction of tourism may also result in conflict with other activities. The sustainability concept is even more complex than it appears. It involves longer-term adaptive capacities that enhance the abilities of individuals and communities to deal with changing circumstances (Chambers and Conway, 1992²⁵).

Table 6: Prospect of a tour in Kayah State sold by a national Tour Operator

<p>Day 1 - - Inle Lake/Kalaw – Loikaw by car</p> <p>Day 2 - - Loikaw sightseeing</p> <p>Early morning after breakfast, an hour and a half drive to Padaung native village "Pan-pet". Only the Padaung races live in the village. Return to Loikaw and lunch at Loikaw. Drive back to Kalaw. Evening excursion to the museum of Kayah State to observe the traditional ways of living of Kayah State national races and next visit to Buddhist stupas on Taung Kwe hill-lock. Time to enjoy the sunset and panoramic view of Loikaw. Overnight in Loikaw</p> <p>Day 3 - - Loikaw – Inle or Heho (by car/boat)</p>

Weaknesses also exist in both data availability and methodological issues related to data collection in tourism statistics. There is currently an absence of reliable, consistent and appropriate statistical information on the socio-economic aspects related to tourism:

- Lack of statistical significance of existing information and problems in data quality;
- Lack of detailed and robust information on the economics of tourism;
- Lack of information on tourism and tourism-related businesses;
- Lack of information that represents social and economic dynamics connected to the development of tourism as a phenomenon, particularly in relation to employment and environmental sustainability;
- Domestic tourism remains neglected and not researched.

Finally, due to the above-mentioned problem of accessibility, and a problem in the supply environment (lack of capacity and standards in accommodation) - as visitors are not allowed to overnight outside of Loikaw - we also observed another growing postponed market or missed opportunity, which concerns a demand for a particular tourism-related product. This demand is fuelled by people who are increasingly in search of "real" experiences with other cultures and lifestyles, but also interested in new forms of tourism, such as curiosity over memorabilia of warfare sites, known as "dark tourism". Such forms of tourism have nowadays generated considerable flows of visitors in post-conflict areas (Cambodia, Laos, Vietnam), helping local population to generate new forms of incomes. Myanmar will be no exception to this rule and the creation of poles of attraction, including those concerning the Italian missionary traces, could even contribute to a sustainable development of areas such as Shadaw.

- **Infrastructure and planning**

Although Kayah State provides hydroelectric power to the rest of Myanmar, there has been limited success in providing electricity to communities in Kayah State. None of the seven townships have universal access to electricity. 57% of surveyed villages during the SEA (2013) indicated that none of the households in the village had access to electricity, and only 9% of the surveyed villages indicated that "all households" had access to electricity.

With the absence of sewage treatment plants and garbage management plans, Kayah State may risk the spread of epidemics and rapid environmental degradation. Projects should consider how to implement waste disposal without using burners or incinerators, and waste minimisation methods should also be considered. This is all the more important as the development of tourism activities will increase the production of waste. Raising awareness strategies (codes of conduct) and copying mechanisms must rapidly be initiated to prevent serious damage to the environment.

Road quality and access is also a major issue in Kayah State. The lack of infrastructural development acts as a barrier to travelling to and living in these areas. Inevitably, this also means that access to health and education services or even access to water resources can be very difficult for many of those living in the provincial highlands. This impedes tourism development, as a lack of access to water in some areas prohibits the

²⁵R. Chambers & G. Conway, 1992, Sustainable rural livelihoods: practical concepts for the 21st century. IDS Discussion Paper No. 296. Brighton, IDS, p. 7 - 8).

development of B&B businesses and therefore the enlargement of economic opportunities for local communities.

Tourism can become a powerful tool for the sustainable development of a destination as long as an integrated planning strategy is undertaken. Facing unplanned and uncontrolled urban development, tourism zoning becomes necessary for further development to proceed in Loikaw and its surrounding. This means to operate a proper distribution of tourism flows, in order to raise the living standards of the people through the economic benefits of tourism in different areas, and not concentrating these economic benefits in a specific hotel zone.

- **Natural and built environment**

While tourism is growing in Kayah State, it is essential to rapidly implement a strategic sustainable management plan to accompany the growth of arrivals. Several issues, such as waste generation and management, or water management need to be considered and further investigated. In the tourist survey made for the Destination Management Plan of Inle Lake²⁶, 45% of the interviewees said they were either very dissatisfied (29%) or dissatisfied (17%) by the current rubbish management (p. 39). While waste management practices are encouraged in the Responsible Tourism Policy, evidence from this survey, such as the release of sewage water by hotels and restaurants without any treatment in the local river, and recent observations of the hotel industry's practices encourage more for waste management regulations rather than practices, as little or no willingness to engage in responsible practices were observed in all sensitive areas. Currently, none of the commercially exploited natural sites of Kayah State have environmental management policies. The research has also shown the disappearance of vernacular architecture (including the erosion of social fabric and traditions).

- **Tourism products**

By reducing the permitted tourist area to Loikaw and its surrounding, the number of available activities and products are by consequence also limited. Additionally, the existing products and activities remain weakly and unsustainably commercially exploited. Visitor journeys in Kayah State mostly consist in sightseeing and visits to indigenous communities with limited or no interaction, and often these interactions are limited to an exchange of money for picture-taking. These short visits to remote areas, mostly accompanied by guides who don't come from the area, have resulted in an unequal distribution of tourism expenditures and have profited a few beneficiaries only. Currently, villagers have begun entering a competition process to get primary access to visitors, thereby creating conflict within the community.

- **Human resources**

Being isolated from modern means of transport and communication has not helped Kayah State tourism stakeholders promote themselves to the markets, nor to access tourism trainings and market knowledge. While all tourism professionals from Yangon see Kayah State as a destination with a strong potential, they all describe it as an over-priced and poorly-serviced destination (notably in the fields of accommodation and transport). With increasing competition within national and regional tourism destinations, price and service competitiveness play major roles in the attractiveness of the destination. Unfortunately, the people's kindness and readiness is not enough to outweigh a weak competitive position and a lack of basic skills.

Tourism in Kayah State is a low-skilled industry with few formally trained staff members. The tourism sector in Kayah State is dominated by SMEs and family-owned businesses, employing unskilled family members and/or outsiders at low pay, with a limited understanding of what constitutes quality visitor experiences (**quality of services**) and poor knowledge of essential competency standards and responsible practices in tourism (**sustainability standards**).

The very immature or negligible education and training system for tourism in Kayah State, with trainings organized from Yangon once a year upon the demand of industry associations (**access to training**), and teachers with no industry exposure, is disconnected from the industry's needs. In addition, there is limited or no investment in skill development of the existing workforce. Due to the dominance of SMEs and family-owned businesses in the sector, the culture of training and continuous professional development is weak. The competition with other economic sectors, especially the mining industry, makes everyone still prefer hiring/working on informal contracts rather than investing in continuous professional development.

²⁶ Destination Management Plan for the Inle lake region (2014-2019), Ministry of Hotels and Tourism.

Currently, there are no quantitative shortages of labour supply in the Kayah State tourism sector, but employees with experience and skills would obviously tend to seek employment outside of the State in search of higher salaries. Working in the private tourism sector (*interest for tourism as a career*) is, therefore, not highly valued.

- **Markets and marketing**

Currently, the marketing and promotion of Kayah State is still limited, both by the public and private stakeholders. As a consequence, tourist flows are limited and tourism management of the main sites remains poor (no signage, no tourist information centre, etc.). However, domestic business and leisure travel is expected to increase in the upcoming months. Although difficult to quantify or even to confirm, strong expectations equally exist following the announcement of the border opening (BP 13) with Thailand in mid-2015. The lack of existing services and products along the BP 13 and 14 areas (see Figure 2), and the long distance drive to Loikaw (6-8 hours) on a small winding road, are not likely to meet the expectations of tourism stakeholders in the border opening (BP 13) with Thailand.

IV. Strategic vision

The following chapters briefly present strategic advice to the local government of Kayah State and the local branch of the Ministry of Hotel and Tourism for a sustainable development of tourism in Kayah State. The different proposals are the author's own and in no way commit the ITC or any other organisation. It includes recommendations for changes in policy and practices which the Union and State governments may wish to consider in order to ensure a sustainable development of tourism in Kayah State. These proposals strongly follow the recommendations of both the government's responsible tourism policy and the policy on community involvement in tourism (CIT), thus encouraging the consultation and involvement of communities in decision-making processes in tourism planning and management, which directly affect these communities' livelihoods. To sum up, these strategies and recommendations address current issues in tourism in a holistic manner (Figure 9).

Figure 9: Summary of strategic recommendations for a sustainable development of tourism in Kayah State

Tourism management and regulation	Tourism development framework	Natural and built environments	Tourism product development and marketing	Training and human resources / business development
<ul style="list-style-type: none"> •The development of tourism statistics •The establishment of a constructive dialogue between tourism stakeholders •The creation of codes of conduct •The creation of sustainability standards 	<ul style="list-style-type: none"> •Introduction to the principles of integrated tourism planning •The enhancement of tourism infrastructures •A priority to be given to responsible tourism investments 	<ul style="list-style-type: none"> •The need for waste management regulation in the hospitality sector •The need for resource planning •The adoption of CSR practices by existing and new tourist stakeholders 	<ul style="list-style-type: none"> •The need for the tourism stakeholders to re-visit their current supply •The need for product development •Community empowerment and ecotourism •Towards an efficient destination marketing for new market segments 	<ul style="list-style-type: none"> •The need for innovative training strategies •Awareness-raising strategies at state level

Technical assistance in the development and the implementation of some of these strategies will be provided by the ITC under the framework of the NTF III project. Additionally, the NTF III project will technically support, when possible, the State and Union governments on integrated planning, development and the coordination of tourism activities regarding national policies²⁷ in Kayah State.

²⁷ Responsible Tourism Policy and Community Involvement in Tourism Policy

IV.1. Strategic objective 1 – Improved tourism management and regulation

IV.1.1. The development of tourism statistics

The poor reliability of current tourism statistics acts as a constraint for a good understanding of the sector's development and impact. Limited information may effectively lead to distorted interpretations of tourism development, and therefore to choices that could exact a heavy toll on the future of Kayah State and its communities. Presently, tourism statistics for Kayah State offer inadequate information for an efficient management of the destination. They only include the number of national and international visitors, and the nationality of the latter.

Tourism statistics need to encompass the main purpose of visitors' journeys and other information (socio-demography, origin, average length of stay, expenditures, satisfaction, etc.) that would allow the authorities to implement an integrated planning of the sector. In order to overcome the absence of coherent implementation planning and the lack of clearly defined priorities, at least three major data collections relating to the tourism industry are necessary:

- International arrivals and departures
- International visitor surveys
- Domestic tourist surveys

Additionally, a record of tourism and tourism-related businesses – including enterprise characteristics - should be available for a better understanding of the overall economic impacts of tourism, and in order to use the data so as to shape future interventions in the sector²⁸ and to assist in conflict resolution²⁹.

The difficulties in collecting reliable data remain in the very disparate sources of needed information and the highly informal aspect of the local economy. For these reasons, the development of tourism statistics should, at first, draw on information from the demand side only and be completed with basic information on the tourism industry.

IV.1.2. The establishment of a constructive dialogue between tourism stakeholders

Since many stakeholders poorly and inefficiently deliver high-priced services, there is a need to support the local branch of the Ministry of Hotels and Tourism to facilitate a transition towards the provision of higher quality and price-competitive tourism products and services. Such progress can be only achieved by enhancing coordination and collaboration between stakeholders at all levels, through the establishment of a constructive public-private dialogue³⁰, including an industry-wide standardisation initiative. For a consensus-based collaboration to become efficient, it is important that each stakeholder understand the needs and the interests of others. This process first requires that the strategic choices and priorities for Kayah State tourism development be clarified, and that Kayah State's administration have partners, in order to accelerate cumbersome and time-consuming procedures for both tourism operators and public administrations. Such procedures limit both sides to concentrate on absolutely essential work only, i.e., an improvement of visitor satisfaction and an increase in their expenditures. Methods for digitising information written into forms have changed the working parameters of many economic sectors, allowing a quick, flexible process for many individuals, companies and administrations, and significantly reducing the usual time of some procedures. It is therefore strongly recommended to start looking at solutions for computerised entry of visitor information.

Second, industry associations need to respond accordingly by improving their members' efficiency and by adjusting their prices. This must go through the building of the local industry associations' capacities, which means their ability to advocate, communicate and network with national counterparts, and their ability to educate their members. Finally, the public-private dialogue needs to be further developed, including discussions with airlines³¹ to be led jointly by the State and Union governments, with a view to precisely define necessary

²⁸ ITC activities: Technical assistance to the MoHT branch in designing forms and data collection process and analysis.

²⁹ See International Handbook on Tourism and Peace (2014), Centre of peace research and peace education, University of Klagenfurt, Austria.

³⁰ ITC activities: in this vein, the ITC will **facilitate roundtables** between public tourism authorities (MoHT branch office) and private tourism operators to voice problems and jointly seek solutions, and to render the public tourism-related sector more client oriented.

³¹ With only one airline company (Myanmar Airways) flying to and from Loikaw, and with flights scheduled only one day in advance, Kayah State is hardly included in the catalogue of the tour companies. It is only recently that e-tickets started to be delivered by the national carrier but the schedule remains uncertain.

changes in order to have more airlines flying to Loikaw. The Myanmar Tourism Federation is a key asset in governmental efforts to assure progress on this issue. While improvement was recently noted with the possibility to book online return tickets between Yangon and Loikaw, thereby making the destination more accessible to international tourists, the condition of the aircrafts which belong to “Myanma Airways” calls for an urgent reconditioning of the fleet.

IV.1.3. The Preparation for the establishment of a Destination Management Organisation

This creation and development of rules and mechanisms for tourism business strategies, by involving destination stakeholders, is the first step in the implementation of a Destination Management Organisation (DMO)³². We suggest the need for governance structures and processes to direct destination managers to pursue the specific objectives desired by the stakeholders. It helps public-private interactions, coordinates tourism planning, and enhances community involvement. For a destination such as Kayah State, the development process involves informal connections, knowledge and trust. The contribution of an agency such as the ITC in giving attention to the differences in cultural values between public and private sector members, in animating the public-private dialogue and in training tourism stakeholders, will help in that regard. The ITC takes the perspective that a process can be best understood through full immersion in it. The creation of a Project Steering Committee for Kayah State will help in that regard, allowing players to become involved in decision and policy-making processes, and to control the development of the destination.

IV.1.4. The creation of codes of conduct³³

The public-private dialogue should support the establishment of working groups in order to release code of conduct tools for visitors, tourism professionals (Tour Operators and Guides) and indigenous communities. The tools in question will assist industry associations, their members and visitors to support, practice and experience a responsible and sustainable development of tourism, and to prevent damage to the fragile eco-system and the indigenous communities. The capacity building of industry associations will help in that sense.

- Code of conduct for visitors: Such a tool already exists for visitors with the release of the “DOs and DON’Ts for Tourists” (2012), organized by the NGO Tourism Transparency with the support of the Ministry of Hotels and Tourism and the Hanns Seidel Foundation. Environmental issues are not specifically mentioned in it.
- Code of conduct for Tourism professionals (Tour Operators and Guides): On the other hand, practical tools do not yet exist for tourism professionals³⁴. The responsible tourism policy (2012) needs to be translated into practical terms and activities for local actors to either adopt responsible practices or change unsustainable ones. This will be better achieved by supporting the industry associations towards an increased feeling of ownership of the policy, which means, as stipulated earlier, introducing (a process of) discussions with the government and the private sector regarding the standards they want to work on in the upcoming years in Kayah State.
- Code of conduct for local communities: Not supporting local communities in their involvement in tourism will lead to the rapid disappearance of what still makes Kayah State so unique: its indigenous communities and the existence of ecologically preserved areas. Appropriate materials must be created to educate local communities to the value of their surroundings and especially concerning waste management, hygiene, environment and cultural preservation issues. Beyond that, the local communities must understand that the conservation or sometimes the reconstruction of the local social fabric is a necessary requirement to maintain the community’s attractiveness for visitors. Furthermore, communities need to learn to negotiate a fair distribution of the tourism revenue among the community (via a community fund or a fair distribution of tourists to community members instead of arbitrary tips from tourists).

³² As recommended in the Tourism Master Plan.

³³ ITC Activities.

³⁴ At the national level, the MTF plans to elaborate a code of conduct for the private tourism sector. The ITC is currently consulting with MTF to align the national and local CoC.

IV.1.5. The creation of sustainability standards

The recent co-publication by the MTF, MOHT and GIZ of a manual on “Sustainable Management for the Hospitality Sector” in Shan State recalls the current low standards of sustainability in the Myanmar Tourism Industry. Existing and new tourism development projects in all aspects of the natural and built environment should follow exemplary standards of sustainability at the time of implementation, as well as throughout the ongoing operations and management. On an indicative basis only, examples of basic sustainability indicators for the hospitality sector include:

- Staff is briefed and trained on sustainable tourism policy and responsible practices;
- Hotel owner considers drafting and promoting an environmental management policy;
- Menus should highlight local recipes;
- Menus should contain some description of where ingredients are sourced, who the producer is and why the restaurant/hotel has chosen them;
- Hotel should source food and drink products locally;
- Hotel has built up relationships with local producers and traders;
- Staff is briefed on the source characteristics and significance of local food and drink products;
- Use of low impact and chlorine-free cleaning products;
- Hotel has towel and laundry agreement notices;
- Use of energy saving light bulbs throughout the hotel;
- Hotel has signs requesting guests to switch off lights when not in use;
- Use of airtight containers for dried goods (sugar, milk, etc.);
- Up-to-date visitor information folder in rooms indicating responsible behaviour for visitors in and outside of the hotel;
- Soaps and other complimentary products are not individually wrapped;
- Spare drinking cups/glasses are neither in plastic, nor wrapped;
- Use of local work, prints and/or photographs of images depicting local scenes and historical and heritage related images;
- Use of materials which are in keeping with the local environment and physical characteristics of the local geography, geology and age of the buildings;

The creation and adoption of sustainability standards by the private sector will contribute to the above-mentioned code of conduct. Moreover, the competitiveness of tourism enterprises and tourist destinations is now also increasingly viewed in their ability to adopt responsible practices and policies. This is especially true for destinations without a strong comparative advantage, and it is even more relevant for secondary destinations such as Kayah State.

IV.2. Strategic objective 2 – An adopted tourism development framework

IV.2.1. Introduction to the principles of integrated tourism planning

“Achieving competitive advantage in times of rapid change requires tourism stakeholders to have a clear understanding of the direction of change and its implications for business or destination management. Since tourism is essentially integrated with other sectors in the economy, tourism trends cannot be considered in isolation from key drivers that will shape the world of the future”³⁵.

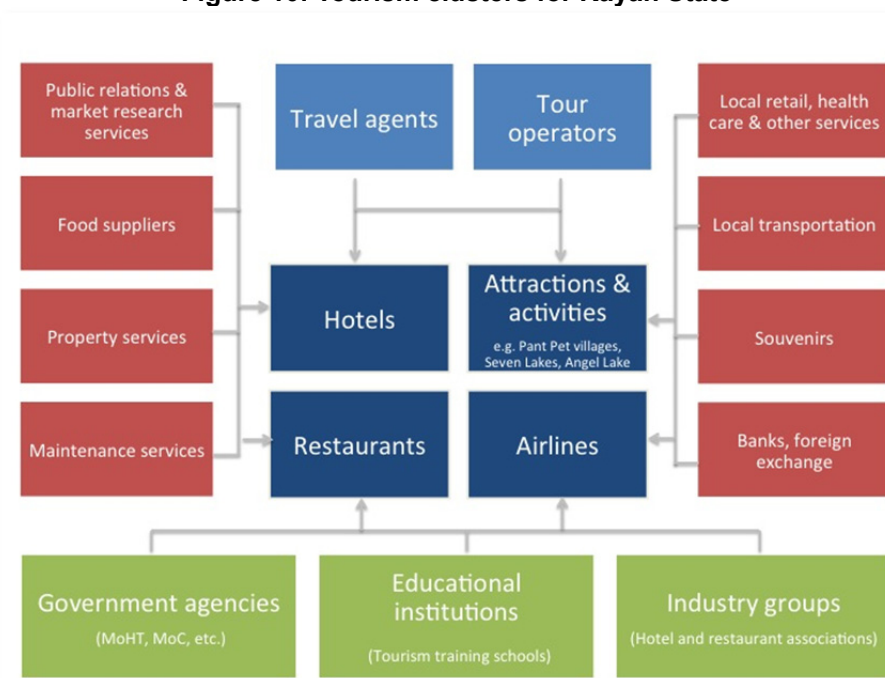
Tourism development and activities should be symbiotic with the natural environment, communities and indigenous cultures. Therefore, tourism zoning is necessary for development to proceed. This means operating a proper distribution of tourism flows within the existing economic sectors in order to raise the living standards of the people through the economic benefits of tourism in different areas, and not concentrating these economic benefits and activities in a specific area. Therefore, the integrated development of tourism townships has to be set up as a priority for Kayah State. As a valuable strategy for local development, tourism is believed to be one of the weapons to avoid rural to urban migration and economic stagnation. One of the reasons that justify the integrated development of tourism townships is their presumed impact on the private sector’s performances, local development and Kayah State’s overall tourism competitiveness. Clearly, this takes time and needs to happen when proper studies and training are undertaken. However, the improved management and regulation of the destination might greatly facilitate this integrated planning of tourism. Furthermore, this document constitutes

³⁵ Dwyer et al. (2009). “Destination and enterprise management for a tourism future”

a first step towards this objective of an integrated tourism development of Kayah State, and aims at:

- Providing a framework for the development, operation and integration of the various complementary factors involved in tourism development,
- Taking sustainability considerations into account for Kayah State's urban planning (involving the Department of Housing),
- Defining specific and objective targets and an adequate framework for an integrated planning of the tourism activities at the community level,
- Reinforcing backward and forward linkages between the different tourism and tourism-related stakeholders (see Figure 10) in permitted areas: Loikaw, Demosaw and Prusoh,
- Facilitating increased expenditures in diverse and multi-stakeholders areas, especially to the benefit of responsible or social enterprises,
- Helping the tourism industry become more competitive in and around Kayah State,
- Avoiding the over-concentration of visitors in specific areas as this usually leads local communities to resettle in and around newly created zones, therefore leading to the disappearance of traditional housing and cultural heritage,
- Ensuring the overall sustainability of the tourism development process through the implementation of responsible practices.

Figure 10: Tourism clusters for Kayah State



Source: Adapted from Harvard Business School (tourism cluster in Cairns, Australia)

To conclude, a better distribution of tourism benefits needs to be studied. As an example, the movement of tourists from Nyang Shwe (Inle Lake) to Loikaw is mostly to the benefit of operators based outside of Kayah State. An arrival to or a departure from Loikaw by boat, with a change of boat at the Lawpita lock when necessary, would constitute a new source of income for local boat owners and make the journey more enjoyable and impressive thanks to the spectacular dam.

IV.2.2. The enhancement of tourism infrastructures

Intersectoral linkages and sector competitiveness can only be facilitated via an improvement and extension of road networks, and a better access to the destination. When it comes to having a broader impact on society, State and Union governments, as well as donors, must be encouraged to assign a higher priority to tourism-oriented infrastructure development and especially to the access to/from the Mae Hong Son Province in Thailand (BP 10 and BP 9). Recent information stated that an agreement was reached between the Government and the KNPP to rehabilitate the road from the Shadaw area to border checkpoint 9, but there is no consensus regarding the border opening.

According to the Mae Hong Son provincial tourist office, 22 723 foreign tourists visited Mae Hong Son city in

2013, spending an average of 1870 Thai Baht per person per day (US\$ 62)³⁶. Interviews with international travel agencies confirmed a growing interest in using Kayah State as a gateway to Inle Lake, as Thai and international tourists stay in Mae Hong Son. It therefore appears relevant to consider that a foreign market exists for Kayah State from Thailand, and it also provides a good idea of the volume of international visitors likely to visit this destination. With about 250 000 visitor arrivals over the 2013-2014 season to Inle Lake, and more than two million to Chiang Mai, the location of Kayah State as a gateway between these two major tourist destinations seems very promising if the State and Union governments manage to improve access to and from Mae Hong Son city.

Additionally, an option would be to improve the facility of Loikaw Airport in order to accommodate other types of aircraft and therefore be able to meet the growing need for regular, scheduled flights. While the country has embarked upon a major road rehabilitation program, including access roads to/from Loikaw, it is important to ensure that more airlines can fly into Loikaw Airport.

As for the water and electricity supply in Kayah State, work has begun to improve local communities' access to both. The priority lies perhaps more in the better management/use of existing supply and the implementation of waste collection/treatment infrastructure systems and sewage treatment programs for major companies. Nowadays, technology and the implementation of waste prevention and waste recycling policies can support the production of clean and renewable energy³⁷.

IV.2.3. A priority to be given to responsible tourism investments

Nowadays, Kayah State has no problem attracting new investors towards areas of tourism which are profitable. Despite a low volume of international visitors, hotel projects are already on the rise in and around Loikaw (80 new rooms are expected to open early 2015). Based on several testimonies, the launch of the NTF III projects in Loikaw has led to the rise of land prices following the visits of several investors. Consequently, the premises of the Destination Management Organization (DMO), made up of public and private stakeholders, should have the responsibility to prepare, accompany or facilitate the development of business plans for responsible projects wherever new needs are identified. New investments should, in priority, adhere to the newly created code of conduct for the private sector, in addition to the adoption of environmentally friendly practices, especially when it comes to waste, water and sewage management issues.

Socially responsible investors are increasingly integrating values and societal concerns with investment decisions, and assessing companies according to the social and environmental dimensions of their business performances. It constitutes a major point of differentiation in terms of environmental impact and a source of income for a larger share of local populations than for a traditional investor, as the objective is to adhere to a different hierarchy of values. The prospect of attracting socially responsible investors would offer Kayah State the unique opportunity of becoming a leading destination within the ever-growing market of responsible tourism.

IV.3. Strategic objective 3 – Preserved and valorised natural and built environments

IV.3.1. The need for waste and waste water management regulation in the hospitality sector

Based on the absence of sewage treatment systems and the observed environmentally damaging practices of tourism and tourism-related businesses, there is an urgent need for a waste and sewage management regulation that lays down a series of rules which should enable the tourism stakeholders as a whole to recycle and dispose of their own waste and sewage. It should also enable the hospitality sector actors to move towards their individual interests, taking into account the fragile environment and the need for specialised installations to handle certain types of waste. Encouragement alone is sometimes insufficient to lead to behavioural changes. A regulatory framework is therefore necessary but it is also necessary to provide the industry with technical assistance on these matters. If resources are managed without consideration for the long term, long-term damage can be done to the environment when it is stretched beyond its capacity for resilience.

IV.3.2. The need for resource planning

³⁶ www.tourism.go.th/home/details/11/221/621

³⁷ As an example, a green week exhibition can be organised as a showpiece in the Mekong sub-region, so that the latest innovative environmental projects and cutting-edge technologies can be presented.

As a good resource plan consists of a schedule that is as detailed as possible and the types of resources needed for each task, strategic choices and priorities for tourism development in Kayah State must clearly establish how to mitigate any environmental impact. Development takes the place of natural ecosystems and fragments habitat. However, certain kinds of land use and transportation strategies can reduce the impact of development on the environment and on human health.

Since tourism infrastructure development can severely affect human health, and natural³⁸ and built³⁹ environments, it is necessary to:

- Protect and value traditional architecture. One can encourage to develop guidelines on methods and materials to maintain vernacular buildings and create appropriate designs for new tourism-related buildings in tourist areas,
- Implement behavioural-change programmes on waste generation and management. Different channels of communication are possible, ranging from community radios, religious ceremonies to cartoons/comics,
- Design guidelines and regulations with the support of the Ministry of Environmental Conservation and Forestry (MoECAF) for sensitive areas in Kayah State. The goal is to raise environmental awareness of the fact that uncontrolled touristic activity may cause degradation to the resources which originally attracted tourism, all while showing the opposite possibility of financial benefits rising from a responsible commercial exploitation. Biodiversity must be conveyed to society as an economic, cultural and spiritual asset.
- Seek out companies engaged in environmental sustainability and alternative energy/clean technology efforts.

IV.3.3. The adoption of CSR practices in the hospitality industry

Giving priority to more socially responsible enterprises is not at odds with profit-oriented strategies. Most leading international tourism companies are indeed increasingly adopting greener and more socially responsible approaches. For sustainability purposes, it is even more appropriate for a destination considering that all public and private tourism stakeholders should adopt CSR practices. In this vein, the creation and adoption of a code of conduct by each of the different categories of actors would constitute a first step towards such objectives. Tools – using benchmarks – to measure companies' performance in sustainability (CO₂ emissions, energy consumption, water consumption and waste generation) can thus be adopted to facilitate behavioural change and progress.

Studies show that socially-oriented activities carried out by tourism firms bring about benefits for society both directly (inherent to the purpose of such activities) and indirectly (via their commercial performance). Moreover, 66% of consumers around the world say they prefer buying products and services from companies that have implemented programs to give back to society, according to a 2012 Nielsen Wire survey⁴⁰. Tour companies could therefore participate in the rehabilitation of vernacular buildings, the conservation of fragile areas and the co-funding of development projects.

IV.4. Strategic objective 4 – Tourism product development and marketing

The tourism product development component for the currently permitted areas in Kayah State is more detailed in the ITC opportunities study (Table 7) since it constitutes, with the technical assistance offered to the MoHT branch and the industry associations, the core of the ITC's interventions in Kayah State.

³⁸ Land contamination, degradation and loss of water resources, degradation of air quality, greenhouse gas emission, etc.

³⁹ Habitat loss, degradation or fragmentation.

⁴⁰ Exo-Foundation (2013)

Table 7: List of supported product development initiatives by the NTF III project in Kayah State (2014-2017)

Loikaw city – Income generating activities and upgrade of ethnic minorities MUSEUM

Pan Pet villages – Technical assistance for the development of cultural tourism tours and backward linkages to community products and services

Hta Nee La Leh village - Support the development of cultural tourism tours and backward linkages to community products and services

Loikaw and Demosaw Townships – Support the development of creative tourism activities at weaving centers / sausage and rice wine experiences

Technical support to industry associations in business development and sustainability standards

Technical support to local producers – product development and quality assurance for food supply (organic sausages and rice wine)

Overall, the needs are to improve the current supply and to create new products and activities with high responsibility content. Finally, a wider group of Myanmar inbound operators will integrate Kayah State in their operations.

IV.4.1. The need for the tourism stakeholders to re-visit their current supply

The survey of existing products and services has shown that their current commercial exploitation is likely to lead to a rapid transformation and degradation of what makes their uniqueness. The current tours to Kayah State go from short stays in villages to visits of schools, where donations given to children, or pictures taken in exchange for money are strongly modifying the perceptions and expectations of both visitors and locals⁴¹. Existing tours or “products” must be redesigned with the help of communities through a participative and responsible approach - each local community having its own specificities and philosophy in terms of participation and implementation. By extending the average length of stay of visitors in villages and tourists sites, through the development of responsible activities, this will not only generate economic benefits, but also the preservation and, in some the reconstruction of communities’ social fabric.

Tourism should not result in conflict with existing activities or create social distortions, it should become part of an existing situation as a complementary activity which contributes to economic diversification and forges positive linkages with existing forms of production. It can also become a space of shared experience and practices between actors.

IV.4.2. The need for product development

Creative tourism is in growing demand worldwide as some tourists, particularly Westerners, have an interest in doing something experientially or in having an authentic engagement in real cultural life. Kayah State is home to ancient traditions and practices, many of which have disappeared in Western societies. Additionally, local products such as sausage, so-called “rice wine” (made with millet), and rice snacks are of great interest, not only for their uniqueness but thanks to their production process. The ability to appropriate knowledge that does not belong to one’s own culture is seen by many visitors nowadays as one of the most valuable experiences.

Recovering from years of civil war, Kayah State is likely to attract new forms of tourism, such as curiosity over memorabilia of warfare sites or Italian missionary traces. It is recommended to encourage a discussion between the different actors (government and army groups) on opportunities such as historic tourism (Kingdom, civil war, Italian missionary products), and their interpretation for a touristic purpose. This would help take international and national visitors to areas that are particularly disadvantaged, and to consequently generate new economic opportunities and generate stability.

⁴¹ See www.exofoundation.org/make-a-difference

IV.4.3. Community empowerment and ecotourism

Innovative experiences can be duplicated to facilitate the development of ecotourism activities in remote areas⁴². Ecotourism consists in responsible travel to natural areas that conserve the environment and improve the wellbeing of local people. Using tourism benefits to clean natural areas and build innovative infrastructures that could profit to both local populations and visitors constitutes a strong message about sustainability to tourism stakeholders.

All ecotourism activities obviously include a participative approach of the local population as indicated in both the National Biodiversity Strategy and Action Plan (2011) and the Policy on Community Involvement in Tourism (2013). However, the local community power structures differ from one another, which means that the economic benefits are not likely to be distributed equally or fairly everywhere without the external intervention of an independent body. Thus, the support of a third party is recommended for the creation of community funds financed by tourism activities.

Where communities have greater exposure to tourism development, the creation of community tourism committees is a priority in order to use tourism as:

- A catalyst or as an incentive for the protection of biodiversity,
- A tool to dissuade illegal activities,
- An opportunity for innovative enterprises,
- An opportunity to meet the needs of the community such as better access to water.

IV.4.4. Towards an efficient destination marketing for new market segments

Efficient destination marketing depends not only on identifying markets but also on the cost-effectiveness of expenditures and a strategic allocation of roles and responsibilities to each public and private stakeholder. Additionally, the tourism destinations of today face new and increasing marketing challenges arising from changing tourist behaviours and environmental conditions. As the “tourism product” is an experience achieved through the combination of a diverse array of products and services (Heath and Wall, 1994⁴³), marketing strategies must better promote a local uniqueness in terms of sustainability in the commercial exploitation of natural and cultural assets, rather than solely promote the assets in themselves.

Part of the industry associations’ mandate is to communicate on Kayah State, its tourism assets and activities. This can be done through the creation and animation of events/websites⁴⁴/etc. that shed light on the local specificities and products. A public-private dialogue is also necessary to work together in some form or other to market tourism. This dialogue can become effective within the framework of a Tourism Marketing Alliance or Partnership between the private and public sectors⁴⁵. A Destination Management Organisation (DMO) – as introduced in the first strategic objective – usually supports destination marketing activities and functions.

A marketing strategy for Kayah State should specify the long-term goals and objectives, identifying opportunities and the scope of activities needed to attain them. Among others, new forms of demand, such as historic tourism, and the growing demand by domestic tourists, have to be taken into account. For the domestic market, firms can:

- Easily predict consumer preferences and seasonality;
- Commercially exploit different ranges of products and services (e.g. religious tourism)
- Be cautious by predicting economic downturns of the domestic economy;
- Benefit from an easy communication between workers and customers thanks to the same culture and language.

Both types of demand will create a range of new challenges to be overcome. For example, domestic visitors are often pointed out as having particularly environmentally unfriendly behaviour, leaving rubbish behind on sites.

IV.5. Strategic objective 5 – Training and human resources / business development

⁴² Based on the experience of the Exo-Foundation in Cambodia, it is proposed to implement a rubbish collection program in identified ecotourism areas to fill in recycled plastic bottles and to use them as bricks to build dry composting toilets

⁴³ Heath, E. and Wall, G. (1994). Marketing tourism destinations: a strategic planning approach. New York: J. Wiley and Sons.

⁴⁴ Promotion of niche images as well as the commonly held images in the online marketing efforts

⁴⁵ Effective collaborative marketing efforts require a shared vision and open communication between members.

Tourism should not be considered as a « quick-fix » development sector. Competitiveness in tourism comes through its people, as they represent a part of the tourism product, and addressing the current skills deficit might require more time and budget than expected. The structures and cultures to be changed are so entrenched that one must not expect a short-term impact. Yet, it is clear that when people in a sector lack skills, and when the same sector cannot acquire and sustain the skilled people it needs, then the consequent under-performance of the industry has a ripple effect into other sectors and, as a result, it drags the development agenda down as a whole. The skills that tourism requires are context-specific in cultural, social, economic, developmental and organisational terms.

IV.5.1. The need for innovative training strategies

Within any economy seeking to operate competitively in the international tourism marketplace, and to provide a minimum of quality standards to national tourists as well, appropriate human resources, especially the skills to deliver products and services of appropriate quality, are essential. Moreover, the training of human resources to the level of international quality standards (sanitation, hygiene, services...) in a destination which is still poorly frequented by international tourists could therefore lead to major achievements and externalities in terms of public health and income generation. Currently, the identified needs for the sector in terms of human resource development are:

- The capacity building of tourism professionals, tourism-related entrepreneurs and community leaders (services, entrepreneurship, CSR and environmental policies, sustainability and quality standards, etc.)
- The capacity building of public servants (planning, sustainability, tourism management and regulations, etc.)

Cascading models appear as the most adapted models for remote areas where high-staff turnover is an important issue. This means that a top-down approach will be more effective than staff training only⁴⁶. Unfortunately, most hotel owners in Kayah State have no knowledge or background in tourism, which makes a rapid appropriation of international needs and standards quite difficult. With this objective to create a cooperative environment for tourism education and training, it is therefore by working through industry associations that the most suitable strategies for building the capacity of tourism stakeholders will be identified. As an example, the industry associations could identify suitable candidates in each entity/sector/etc. to follow intensive training courses.

As often quoted, the low capability to communicate in foreign language has its charm but also its limitations. There is a need for participative exercises in setting up a roadmap on personal enhancement for each front office staff member, guide, waiter/waitress and manager (self-improvement training activities, language selection, etc.).

The capacity building of public servants can be achieved through their participation in all training activities targeting local communities and private stakeholders. Doing so facilitates the public-private dialogue and a better understanding by civil servants of the rationale behind each project or intervention. Repeated and pro-active participation in awareness-raising activities and participatory meetings with local stakeholders and communities shall support civil servants in their understanding of responsible and sustainable tourism planning and development.

IV.5.2. Awareness-raising strategies at state level

The improvement of the “tourism product” requires the behavioural change of local people too. This can only be achieved using mass media to raise awareness about critical issues. We recognize here the need to use multiple communication channels to get the message out. The involvement of the local religious leaders and the use of traditional communication channels, if any exist, is necessary if we expect the attention of all target audiences.

More innovative processes or tools can also be used, such as comedians or special events. What matters to people when it comes to changing bad habits (or not) is whether they observe benefits or disadvantages resulting from the change in question. These changes can be interpreted from very different angles, ranging from

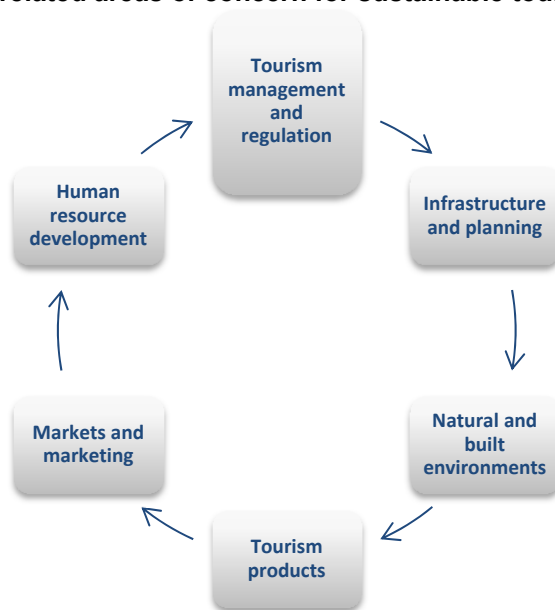
⁴⁶ ITC activities: (i) **Study tour** for a group of public and private stakeholders including visits of responsible hotels and shops, (ii) **Role play trainings** - workshops (export competitiveness), 1 per month to be repeated every year + MOHT to participate, (iii) **“Sustainability standards” capacity building programme** based on GIZ intervention in Shan State.

economics and health to spirituality.

V. Conclusion

With the present document, the authors respond to the question of the current state of tourism development in Kayah State (Figure 11). This document refers to the processes, policies and stakeholders involved in the inter-related areas of tourism, culture and development, and it encompasses strategic advice for a sustainable development of the tourism sector.

Figure 11: Inter-related areas of concern for sustainable tourism development



For the research, priority has been given to a participative approach where all concerned stakeholders and communities have had the chance to express their views and expectations on tourism development in Kayah State. It is nowadays all the more recommendable that the Union and State governments take the opportunity of the current low volume of international and domestic visitors to continue in the same vein, which means to implement an integrated development framework resulting from a public – private dialogue. An inclusive, concerted and well-managed consultative process is vital to ensuring successful and timely outcomes for sustainable tourism development in Kayah State. Tourism management and regulation is most relevant to all stakeholders if the benefits and the potential harms are properly identified. As an example, experience has shown that as a secondary destination, mostly visited for its unspoiled cultural and natural assets, Kayah State would lose some of its authenticity and therefore its attractiveness with the construction of a specific tourist area such as a hotel zone.

In Kayah State, tourism management and regulation are necessary to improve local product and service competitiveness, but also to preserve tourism assets which are endangered by the present commercial exploitation. As identified in the policy on community involvement in tourism (2013), the tourism development of Kayah State shall therefore have the similar main objectives to the policy i.e. to:

- Strengthen the institutional environment and civil societies,
- Ensure capacity building for community-related activities in tourism,
- Develop safeguards, systems and procedures to strengthen community planning and management in tourism,
- Encourage local entrepreneurship through responsible micro and small local enterprises,
- Diversify and develop quality products and services at community level,
- Monitor positive and adverse impacts of community involvement in tourism.

Kayah State is a destination where local communities and their surrounding environment constitute the backbone of the tourism system. Since the NTF III program (2014-2017) will, among other things, increase the capacity of associations of tourism related supply chains in providing sector development support services to their clients, it is recommended that both the Union and State governments:

1. Facilitate and encourage responsible business operations and practices, particularly regarding the management of waste and sewage. It goes without saying that the environment is one of the key challenges, and the domain of waste management, sewage works and waste water poses a particular problem. One must innovate in terms of raising awareness strategies on the discharges of sewage and the generation and management of solid waste,
2. Enhance tourism infrastructures and accessibility to remote areas for the profit of both visitors and residents. This will help to attract more visitors with a view to simultaneously improve the distribution of the tourism rent and the number of its beneficiaries.
3. Explore the relationship between the changing demand for more responsible and unique products and the necessary evolution of destination and business management practices, including the urgent need to increase technical capability in both the public and private sectors. The latter encompasses a broad range of issues such as hygiene, food safety, customer services, etc.

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