

NTF III MYANMAR:

ITC TOURISM OPPORTUNITY STUDY BASED ON A VALUE CHAIN ASSESSMENT AND PROPOSED INTERVENTIONS KAYAH STATE, THE REPUBLIC OF THE UNION OF MYANMAR



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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
ITC	- International Trade Centre
KNPP	- Karenni National Progressive Party
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	- Trade Support Institutions

Executive summary

This document presents the findings and strategic proposals that result from an ITC opportunities study undertaken in Kayah State, Republic of the Union of Myanmar, within the NTF III three-year project to boost sustainable and inclusive tourism in Kayah State. The NTF III project is funded by the Dutch Government, co-designed by the Netherlands Centre for the Promotion of Imports from developing countries (CBI) and the International Trade Centre (ITC) and implemented by the ITC. This project forms part of the Netherlands Trust Fund (NTF) III programme managed by the ITC in co-operation with the CBI. The decision to implement the NTF III program in Kayah state was led by the Government of Myanmar.

The project was launched at the end of August 2014 both in Yangon and Loikaw (Kayah state). Implementation of research activities began right after by fielding a mission to Myanmar to undertake baseline assessments for the project, value chain analysis of tourism sectors and gather first hand information to draft a vision for tourism development in Kayah state. A series of interviews and focus groups were conducted in Loikaw and its surroundings, including the most visited tourist sites. They 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.

It emerged that a certain political instability could hinder the sustainable development of tourism in Kayah State. While key touristic resources and attractions are spread out across the State, only a few tourist sites in and around Loikaw Township are currently opened to international visitors. The recent establishment of all tourism industry associations recalls that the state of the tourism sector in Kayah State is at the moment underdeveloped and under-skilled. Prices and quality are not governed by the economic forces of the free market economy, and even less so by a reference to any international standards. While tourism supply chains involve many components - not just accommodation, transport and excursions- 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.

The fact that international visits are still very low constitutes however a real opportunity to support tourism development in a sustainable manner. Tourism can therefore become a powerful tool for the sustainable development of the destination as long as an integrated planning strategy will be undertaken. For this reason the NTF III project in Kayah State wishes particularly to support, through capacity building of public and private stakeholders, a proper distribution of tourism flow, in order to raise the living standards of the people through the economic benefits of tourism in different areas, and not to concentrate these economic benefits in specific areas only. In the same vein, it is important to support suppliers and local communities in reaching sustainability goals, including raising awareness on sustainability issues and demonstrating why sustainability performance is important.

It is assumed that the enhancement of current products and services towards more responsible considerations, as well as the introduction of new ones and their influence on the market, will first increase the average length of stay by one day and, second, it will lead to an increase of responsible visitors on the top of the trend. Giving priority to more socially responsible enterprises and customers is not at odds with profit-oriented strategies. It is even more appropriate for Kayah State when it comes to creating and maintaining a competitive advantage on current and future world markets, and sustainably contributing to growth and employment.

I. Introduction

I.1. Background to the opportunity study

The ITC and the CBI have been cooperating for decades. This cooperation has been 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 to fight against poverty, such as access to basic human needs, health and education.

In Myanmar, the tourism sector was chosen on the basis of the seven priority export 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 minorities.

I.2. Objectives of the NTFIII project in Myanmar

The present NTF III project aims to create and maintain jobs in the Myanmar tourism sector with a focus on Kayah State. This will 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 State 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 in line with the NTF III programme approach, namely:

- a) Enhancing the export capacity of tour operators as well as of SMEs (both being enterprises that supply goods and services to the Kayah State tourism industry, as well as to local communities), via:
 - Assessment and development of cultural tours;
 - 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 State 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 State, 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 the 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 tourism associations, State Government entities and concerned 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 training stakeholders on how to apply these model contracts;

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

- 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. Jointly organising side events with CBI or international fairs on tourism in Kayah State;
- Developing a marketing strategy, training enterprises and community producers on the job, in promoting and linking their products to Kayah State tourists and the tourism industry.

I.3. Timeframe and Objectives of the study

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 done 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 first 8 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								

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 State is currently facilitating the set-up of a Kayah State-based local PSC.

The PSC:

- Provides strategic guidance for project implementation and ensures a 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 on issues, for instance approving the work plan and contributing to evaluation and monitoring. The objective is to develop a network that will continue 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 showing how partners cooperate by activity.

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

I.4. 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 of 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), the Myanmar Tourism Marketing (MTM), the Tourism Training School and other potential project partners.
 - The second part of the mission consisted of 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 of the two international consultants trying out one of the main tourist routes to and from Nyaung Shwe (Inle Lake), as Loikaw is currently sold mainly as an extension of Inle Lake.
- iii. A second mission in Myanmar was undertaken with the aim of validating the project's interventions resulting from the preliminary findings.
 - Two presentations were held in Yangon with the Union of Myanmar Tourism Associations (UMTA) and the Myanmar Tourism Marketing (MTM) to allow all attendees to debate and validate the findings of the situational analysis and to agree on a set of recommendations and project proposals presented in this document. In the end, all the participants in the validation workshops strongly reiterated their support of the project and 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 with 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 suggestions 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 high priority since environmental performance and management of the tourism industry have thus far been neglected, although they remain crucial conditions for the long-term success of tourism in Kayah State.

II. Tourism development in Kayah State

II.1. Introduction to Kayah State

This introduction aims to provide a short summary of the current background of Kayah State, which includes 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.

II.1.1. History and culture

Situated in the hilly eastern part of the country, Kayah State – 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 State is home to Christian and Buddhist communities, most of the highland communities remain (fervent) animists to whom forests represent spiritual areas.

Kayah State has been in a state of conflict for more than 60 years and it is one of several heavily landmine-contaminated areas of the country². At the heart of the conflict, which has involved up to six ceasefire groups³, have been problems with governance, natural resource(s) development, and recognition of the unique characteristics and rights of the state's ethnic minorities. As a result of the conflicts in Kayah State, nearly 15 000 people have sought refuge in Thailand and still reside in camps there (many since the mid-1990s). Among them, some have undergone training in the tourism or crafts sectors, respectively with ACTED⁴ and WEAVE⁵.

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 State. Although until recently there was still no peace agreement in place, talks between the KNPP and the Union Government are frequent.

II.1.2. Demographics and livelihood

As one of the smallest states in Myanmar, Kayah State has an estimated population of 360 379 inhabitants⁶, 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 conservation of specific cultures and ways of life of 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-

Figure 1: Map of Myanmar



² According to the "Kayah State Socio-Economic Analysis, 2013",

³ These include the KNPP (Karenni National Progressive Party), KNPLF (Karenni National People's Liberation Front), KNLD (Kayan New Land Party), KNG (Kayan National Guard), KNPPDP (Karenni National Peace Development Party), and KNSO (Karenni National Solidarity Organisation).

⁴ 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.

⁵ www.weave-women.org/weave-promoting-fair-trade-activities-in-refugee-camps/

⁶ UNHCR Kayah profile (September 2013)

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 proportion of villages which borrow to buy food (57%) is more than twice of those which borrow to invest in agriculture (25%)⁷.

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 children do not attend school (77%).

II.1.3.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 modifications and 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 there developed aspirations for consumerism. Together with rapid urbanisation and industrialisation (logging, mining, energy development and infrastructure construction) of some areas, this led to the acceleration of environmental degradation and depletion of natural resources. Actually, the unrestrained commercial exploitation of land and natural resources appeared for many as the main driver to the rapid growth of wealth without any consideration of the values of biodiversity. In a post-conflict situation, the emphasis usually shifts towards promoting the exploitation of natural resources as an engine for development. Nowadays, tourism, 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 towards the more mainstream and global market economy. This trend is being accentuated by poor living conditions, growing social imbalances and the lack of infrastructure development in remote areas, often pushing people to leave the highlands for urban areas. As a consequence, the shift from values of utility to values of exchange has caused 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 overwhelming Kayah State and the vulnerability of the less educated communities. Although new infrastructure development projects intend to facilitate the mobility of individuals and their access to new economic opportunities, in newly opened areas they need to be carried out with care in order to avoid negative side effects which may outweigh possible gains.

II.2. Key touristic resources and attractions

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

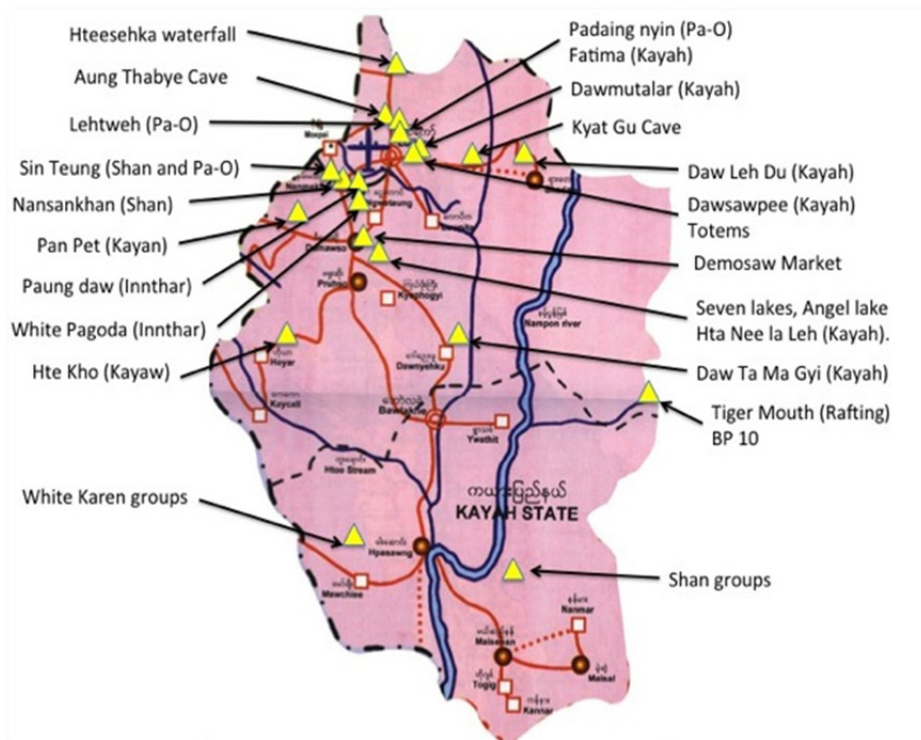
“ Actually, tourists can travel from Inle Lake area using boat and car. The car roads from Tangoo (Bago division) and from Kayin State are not recommended due to lack of safety and road conditions. Around Loikaw, visitors can visit Taungwe pagoda (twin peaks of hills with a pagoda on top of each), two 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)⁸

⁷ “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).

⁸ www.asianventure.com/myanmar/guide/kayah.html

For these main reasons, along with a lack of progress in landmine mapping in border areas⁹, the state government of Kayah State still prefers to limit tourist-authorized areas exclusively to the Northwest part of Kayah State. 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 2), 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.

Figure 2: Key tourism resources and attractions as identified by local tour guides (Kayah State)¹⁰



Source: Made with local guides association (2014)

Figure 2 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 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 as well as 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 flow will remain 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)¹¹ would represent an astonishing perspective for Kayah State. As the River Pai flows through the border with Mae Hong City, new adventure activities such as white water rafting (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.

Table 2: Key and potential touristic resources and attractions

Forms of tourism	Current touristic resources and attractions	Location
Cultural tourism	Ethnic Groups Museum	Loikaw city
	Pan Pet Villages, Kayah	Demawso Township
	All villages in authorised area	Loikaw Township

⁹ UNHCR

¹⁰ Source: made with the local guides association (LGA)

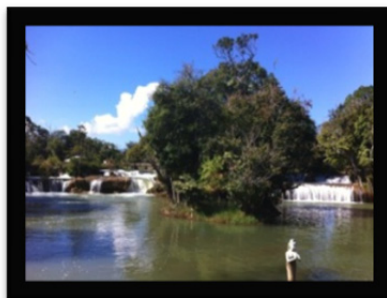
¹¹ BP 10 – Border Crossing Post 10 is located about 15 minutes from Mae Hong Son International Airport.

Leisure tourism	Seven lakes, Hta Nee Lar leh	Demawso Township
	Angel Lake, Htee Pwint Kan	Demawso Township
	Hteesehka Waterfall, river cruise on the “blue” creek	Loikaw Township
	Miniatures park	Loikaw city
Religious tourism	Monasteries and Pagodas	Throughout the region
	Thiri Mingala Hill (the Taunggwe Zedi Pagoda)	Loikaw city
	Aung Thabye and Kyat Gu Caves ¹²	Northern and eastern Loikaw
	High potential touristic resources and attractions	Location
Creative tourism	Weaving centres	Loikaw, Demawso
	Local food producers	Loikaw
	Rice wine producers	Throughout the state
Cultural tourism	Hte Kho and Hoya Villages, Kayaw	Hpruso Township
	Daw Ta Ma Gyi Village	
Dark tourism	Post civil war area	Shadow area
Alternative forms of tourism	River cruise and white-water rafting	BP 10
	Trekking	Throughout the region
	Elephant Camp	Demawso Township
	Eco-tourism	Throughout the region

Source: Author

Kayah State is also likely to attract new forms of tourism, such as curiosity about warfare memorabilia sites, known as dark tourism. Therefore, it seems necessary to encourage a discussion between the different actors (government and army groups) about opportunities such as historic tourism (Kingdom, civil war, Italian missionary products), and their interpretation for touristic purposes. This would help bring international and national visitors to areas that are particularly disadvantaged, and to consequently generate new economic opportunities and generate stability.

Figure 3: Pictures of tourist-authorized Sites



Hteesehka Waterfall



Dawsawpee Totems



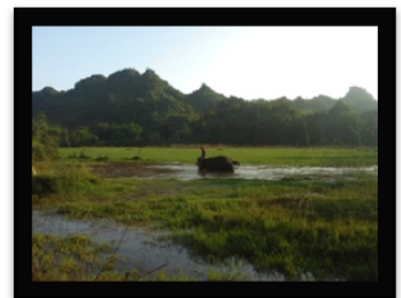
White Pagoda



Seven Lakes



Pan Pet villages



Elephants Camp

Finally, creative tourism is in growing demand worldwide as some tourists, particularly Westerners, have an interest in experiencing the unknown 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, rice wine, 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

¹² Mostly visited by domestic tourists for religious purposes

culture is seen by many visitors nowadays as one of the most valuable experiences.

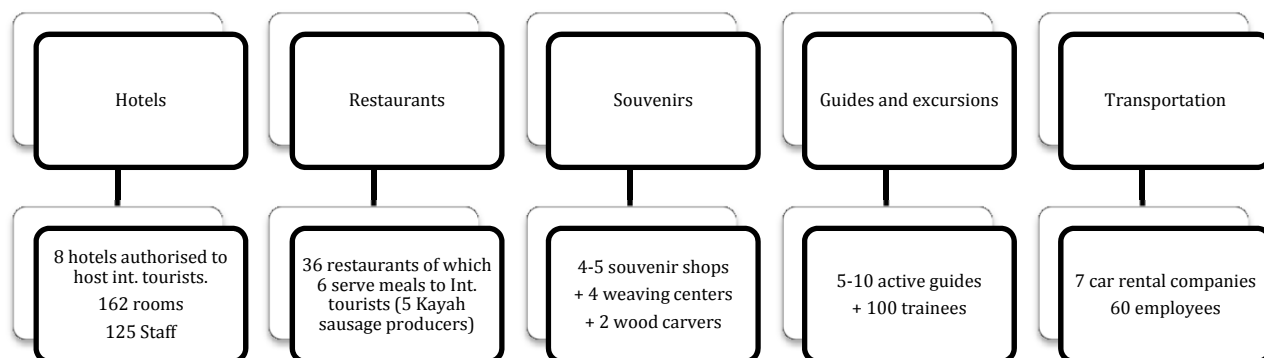
II.3. Tourism statistics

The access to statistical information is limited for both the demand and supply sides of tourism. On the supply side (Figure 4), we face the informality of some categories of actors and the fact that many actors have accumulated professional experiences 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.) and no visitor profiles (average length of stay, frequency of visit, etc.). This is especially of concern since many foreigners visit Kayah State as NGO or IO workers.

II.3.1. The supply side

With eight hotels authorised to welcome international visitors in late 2014, Kayah State offered 162 rooms ranging from low to middle end standards (Figure 4). Two new hotels are scheduled to open their doors in February 2015, with a total of 80 rooms. Another hotel investment with 20 low-end rooms is expected to take place in the proceeding months. Principally, Kayah State does not suffer from a shortage of rooms but rather from the lack of high-end amenities.

Figure 4: The structure of the tourism industry (Kayah State – 2014)



Overall, the state of the tourism sector in Kayah State remains undeveloped and unskilled. With the opening of the State to international tourism, several small to middle sized companies and businesses were created by local people in the hotel and transportation sectors. Therefore, prices and quality were not governed by the economic forces of the 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 service providers 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 the limited range and quality of products and services. In many cases tour operators do not use local food and crafts as one of the tourist attractions of their packages. Only 6 out of 36 local restaurants in Loikaw City claim to regularly serve foreign customers. Local craft retail outlets and restaurants are not currently 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.

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 sector¹³, all industry associations were created in 2014 (Table 3), following a request by the local government. None of these associations have a clear mandate and defined objectives yet. It is worth noting that many of the industry association's members are inactive (regular or permanent absence from meetings).

¹³ As the number of souvenir shops is limited to four or five shops only, there is still no crafts association.

Table 3: List of tourism industry associations in Kayah State

Article I.	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
Transport Association	2014	7	n.c.

Source: Author

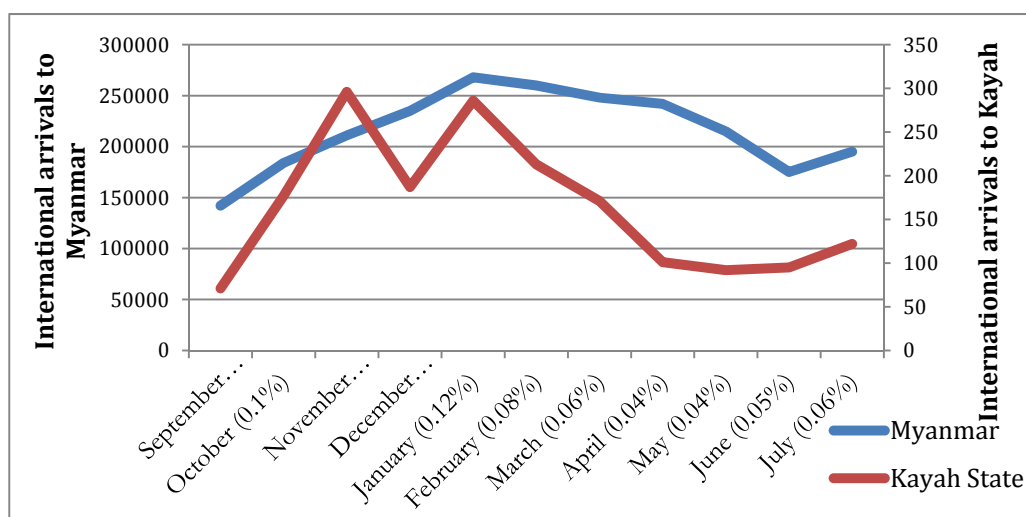
Tourism does not only bring benefits to the tourism industry itself, but also to other economic actors in Kayah State. In the opportunities study undertaken by the ITC in October 2014, it was found that most of the food was locally or regionally purchased. Only the processed products (chilli sauces, jams, etc.) were found to be imported, mostly from Thailand. Another sector suffering from insufficient local supply capacity and high import content is the weaving sector, as imported nylon has replaced local cotton.

II.3.2. 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 had welcomed 2,662 international visitors, an increase of 79% from the previous year (Table 5). These numbers are, however, very low compared with those of Myanmar, as they represent less than 0.1% of all international visitors to Myanmar (data into bracket in the Figure 5). Additionally, the drop in arrivals observed for the month of December (Figure 5) draws attention, as it differs from international visitor arrivals in Myanmar 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 visitors' movements in out-of-bounds areas (Loikaw, Demosaw and Phruso Townships)¹⁴, and after certain hours (any overnight out of Loikaw is not authorised), has led to a concentration of tourist flow to these few areas only.

Figure 5: International visitor arrivals to Myanmar and Kayah State (September 2013 - July 2014)



Source: Data from MoHT (2013-2014)

Interestingly, proportionally to all arrivals in Myanmar, Kayah State receives 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, 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.

¹⁴ Travel authorisations are required for all visits outside of Loikaw Township.

Table 4: 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)

For the month of November 2014, Western Europeans represented the majority of visitors, with 66.5% of all international arrivals – three times more than Asian visitors (Table 4), which is opposite to the trend observed in Myanmar. In Kayah State, the majority of visitors are male (57%), with a distribution peak at 76% for Asian males.

Domestic tourist statistics in hotels were only available from April 2014 onwards, and helped show how the domestic market compensates the seasonality of international arrivals (Table 5). 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 5: 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%	1007	39.4%
Total	1490	2662	79%	11313	17.6%

Source: MoHT (2014)

In January 2015, the number of domestic and international visitors reached respectively 2257 and 507 showing a growth rate of around 77% for the international market compared to the same period last year.

II.4. Tourism Management and planning

Regarding the institutional framework for regulations of the tourism sector in Kayah State, the 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, 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.

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 area had been designated as a potential tourist zone. However, the zone is community-owned, with strong reluctance among

the villagers to see hotels built in this area.

A key element to a successful tourism destination is the ability to recognize and deal with change across a wide range of key factors and the way they interact (Dwyer et al. 2009). The key drivers that shape tourism development in Kayah State are (i) the existence of unsolved political issues in Kayah State, with on-going discussions for a peace agreement between the government and several army groups, (ii) a limited accessibility to the destination and (iii) over-priced and poorly serviced accommodations and transportation (including unscheduled flights). The first point has required the government to restrict tourism for reasons of public safety to some areas only, obliging tourism operators to sometimes support time-consuming procedures¹⁵. The second issue makes tourism grow at a lower rate than the country average (unreliable flights, poor runway, no current access from Thailand, limited connection with neighbouring states). The latter results in limited flow of international tourists and the few hotels authorized to host foreigners currently offer over-priced and poorly serviced accommodations.

A stronger management and regulation scheme can improve tourism competitiveness, guarantee the longevity of the ecosystem and the protection of diverse cultural identities, and secure the optimal balance between the various stakeholders. Thus, industry groups (Hotels Association, Restaurants Association, Guides Association, Transport and Travel Association with respectively 7, 32, 6 and 7 members) and the governmental branch for Ministry of Hotels and Tourism were all only recently created or re-organised.

The recently opened MOHT office employed 5 persons in 2014. All staff was from Taunggyi (Southern Shan State). The current mandate of the MOHT office in Loikaw, which only follows national policies defined in Naypyitaw, is to:

- Organise licenses for tourism associations;
- Organise licenses for the construction of Hotels;
- Provide solutions to tourism stakeholders such as how to comply with Hotel standards and controls;
- Enforce hotel policy.

III. Survey results

For the ITC opportunity study, both qualitative and quantitative interviews were undertaken. The quantitative approach encompassed two questionnaires in order to achieve a simplified value chain analysis of tourism in Kayah State (VCA questionnaire) and to collect indicators relating to the baseline situation (PRIME Assessment¹⁶). Qualitative interviews were used amongst tourism professionals and both domestic (9) and international (14) visitors to complete the understanding of the sector, including issues related to tourism development.

III.1. Overall description of tourism supply and demand in Kayah State

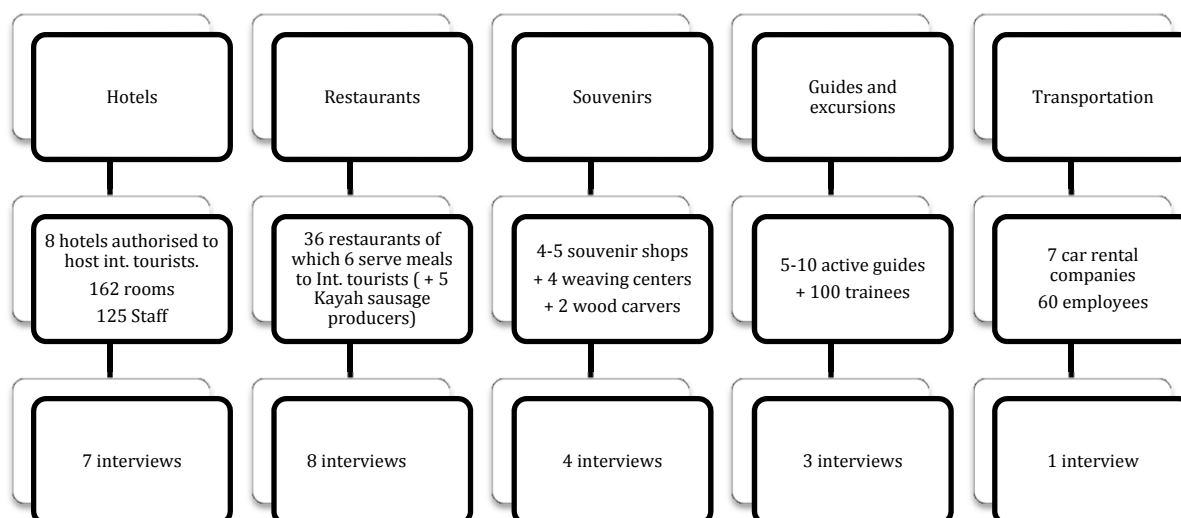
III.1.1. Specificities of tourism related businesses and actors in Kayah State

This chapter describes the specificities of the tourism and tourism-related stakeholders in Kayah State and especially in Loikaw. A total of 23 interviews (Figure 6) were made amongst the five main categories of tourism products and service suppliers, namely accommodation, food, souvenirs, guides and excursions and transportation. Not all interviews can be taken into account, as some interviewees were either not directly working with international visitors or simply unable to answer our questions. A low number of respondents in some categories makes it difficult for their answers to be statistically representative. Questionnaires were also sent to all Tour Operators in Yangon currently selling Kayah State, unfortunately only one company – Exotissimo – has agreed to respond.

¹⁵ Hotels have to bring copies of passports of each guest to 9 different public entities: State immigration office, City immigration office, State Police, City Police, City desk office, Special brand office (Police), Hotel and Travel office, etc.

¹⁶ The PRIME results have not been used to set baseline indicators pending an agreement between ITC's Monitoring and Evaluation Unit and PRIME. To measure baseline indicators PRIME has been now substituted by ITC SMEs Survey (currently being undertaken in Kayah state). The answers gathered with PRIME were nevertheless useful for this Opportunity Study.

Figure 6: Opportunities study interviews of private tourism related stakeholders



- Accommodation:

In 2014, eight hotels with a total of 162 rooms and 125 staffs including about 50% of female workers (Table 6) were accredited by the Ministry of Hotels and Tourism to host international visitors in Loikaw city. With about twenty years of existence for the two oldest hotels and less than 3 years of operation for the most recent, all accommodation facilities were 100% domestically owned. Hotels in Loikaw did not refer to any international hospitality standards. As an example, there were no notices posted regarding the use of safety equipment, fire precautions or the daily room rates in any of the visited hotels. Moreover, there was still no liability insurance available for tourism stakeholders in Myanmar at the time of the research.

Table 6: List of accredited hotels in Loikaw

Name of Hotel	Room Category	Room Rate	No of Room	No of staff
Hotel Loikaw	Sup/Deluxe	\$60-\$80	25	28
Friendship Guesthouse	Sup/Standard	\$40-\$70	26	11
Nawaday Motel	Standard	\$ 35-\$50	10	5
Nan Ayar Guesthouse	Standard	\$ 35- \$ 40	11	4
Min Ma Haw	Standard	\$ 30-\$55	15	13
Mon Joy Inn	Standard	\$ 25- \$50	30	8
Myat Nan Taw Hotel	Sup/Del/Standard	\$ 65-\$135	39	52
Kan Thayar	Standard	\$30-\$40	6	4
Total			162	125

Source: ITC

To summarise on overall quality of service, interviews and testimonies from tour-operators stress that accommodation facilities in Loikaw hardly met international quality standards in terms of cleanliness (rooms, bathrooms, kitchen, reception), maintenance (condition of building, furniture, decoration, electrical equipment) or services. However, the friendliness of the staff helps to compensate for their lack of both working and communication skills. Finally, seasonality¹⁷ was perceived differently amongst the different hotels going from five to nine months per year for the high season showing large differences in business operations.

- Restaurants and food producers:

Approximately six out of thirty six restaurants with a total of approximately 60 employees (28% of female workers) served international visitors in Loikaw city, counting for about 12% of their

¹⁷ Since he was not able to understand the meaning of seasonality, one hotel manager did not answer the question.

customers (Table 7) and 12% of their revenues in both high and low seasons. The average cost per meal was between 2000 and 5000 Kyats, international visitors spending more or less the same as local customers do. There were no recommended restaurants outside of Loikaw. The team also visited one food hawker at the “seven lakes” located on the main tourist road in Kayah State.

Table 7: Characteristics of local restaurants

Name	# of seats	# of employees	% International customers
Master	12	10	2%
Golden Lion	96	11	5%
Royal Village	80	9	10%
Loikaw City	250	15	20%
Golden Coin	80	9	2%

While not often visited by international tourists, at least five local sausage producers formally operate in Loikaw, serving local specialities to their customers. Interestingly, in these tiny sausage factories all employees were female, compared to 28% of employees in traditional restaurants.

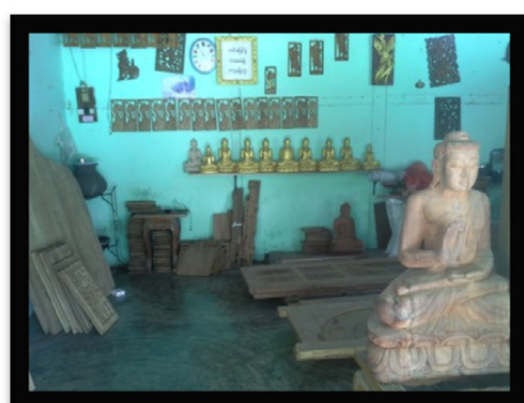
Figure 7: local products (Kayah sausage, rice snacks)



- Souvenir sellers and producers:

Only one out of five – all locally owned – souvenir shops regularly sells souvenirs to international visitors, who constitute no more than 3% of the total amount of its customers but may represent up to 25% of its revenues in high season. Interestingly, none of the souvenir shops located at the Taungwe pagoda, a place visited by most international tourists, sells to foreign visitors. Local craft producers mostly consist of two wood carvers and four weaving centres producing the traditional “Longyi” of which one centre is located in Demosaw Township. The quality and diversity of woodcarvings remain poor with regards to other destinations worldwide.

Figure 8: woodcarvings of Loikaw



However, specific skills and savoir-faire exist when it comes to musical instruments and everyday objects such as fish traps, which reflect the core essence of the long-standing traditional lifestyle and heritage of the Kayah communities.

- Guides:

There are about 100 individuals from Kayah State who have received a month-long training in eco-tourism in 2014 from the Training Institute attached to the Ministry of Hotels and Tourism in Yangon. From the 100 trainees only less than a dozen (only male) are currently active. The reasons stated by tour-operators to not work with local guides are twofold: weaknesses in foreign language skills and reluctance of their customers to change guides for such short periods of time.

- Transportation:

One tourism company (Badoo) is leading the supply of transportation services in Kayah State with about 50 employees and 80 vehicles (20 minibuses, 50 cars and 10 four wheel drives). Several independent private car owners, mostly minibuses, offer their services through hotels. "City Taxis" have become available recently in Loikaw city.

III.1.2. Specificities and satisfaction of the tourism demand in Kayah State

Respectively fourteen international and nine domestic visitors were interviewed during the month of December 2014 in Loikaw with, among others, the objectives to gather information on their satisfaction with the current supply of tourism products and services in Kayah State.

- Visitor demographics

Most of the international interviewees – average 54 years old – were from European countries (10 out of 14) representing the distribution of overall international visitors in Kayah State. Six of the interviewees had their trip arranged by a local tour operator through the Internet, while another four organised it themselves. The domestic tourists were part of a group of twenty people, including local tour operators, staying three nights in Loikaw and willing to discover Kayah State and its tourism products and services. For half of the group it was their first visit in Kayah State.

With the exception of one Asian tourist visiting Kayah State for the third time for the business purposes,, all international visitors were on holiday in Kayah State for the first time, on a trip originating in Yangon for the majority. The median number of nights for international visitors in Loikaw was two, compared to an average of sixteen in Myanmar. In general, international visitors to Loikaw make short stays in most of the visited destinations.

Table 8: Distribution of stay in Myanmar

Number of nights	Loikaw	Myanmar	Yangon	Inle Lake	Bagan	Mandalay	Other
Mean	2.5	16	4.6	2.7	3.1	2.3	11.6
Median	2	17	3.5	3	3	2	10

- Visitor satisfaction

Information on both time and budget spent in each of the tourist locations was unfortunately not sufficient to draw conclusions. However, international visitors rarely spent more than one hour on site. A reason for such short-stay visits can be explained in part by a lack of information on sites, which was raised by both national and international visitors as the weakest source of satisfaction (3.0) on a five-point Likert scale. It confirms evidence and testimonies gathered during the fieldwork. The scale works as follows:

1. = Strongly unsatisfied
2. = Somewhat unsatisfied
3. = Undecided
4. = Somewhat satisfied
5. = Strongly satisfied

While visitors are almost satisfied about the value for money of local souvenirs (3.9), their availability is still

considered as strongly limited (3.4). With the exception of tour guides (not specified if they were local or not), it should be noted that none of the ratings was above “four”, which seemed to indicate that the majority of international and domestic tourists were not disposed to express their satisfaction.

Table 9: Level of satisfaction by category of products or services

Satisfaction criteria	Average (out of 5)	
	International	Domestic
Availability of information on sites	3.0	3.0
Availability of local souvenirs	3.4	3.4
Choice of different activities/things to do/attractions	3.6	3.7
Value for money - restaurants/food choices	3.6	3.7
Value for money for transport	3.8	3.7
Value for money - accommodation	3.9	3.8
Value for money - tours/travel	3.9	3.9
Value for money - local souvenirs	3.9	3.9
Tour guides	4.8	4.9

The low perception of the availability of local souvenirs stressed the importance of further exploring the type of souvenirs visitors expected to find and the amount of money they would have been ready to spend for those items. In General, international and domestic visitors differ regarding their expectations for souvenirs. With the exception of paintings, the improvement of the current state and the variety of local products and souvenirs could fulfil most of the visitors’ expectations.

The results shown in the table below emphasise the necessity to look at other products than those (e.g. Longyi) usually displayed in most Loikaw souvenir shops. On the one hand, tourists are looking for other types of products (wood carvings, basketry, local delicacies, etc.), and on the other hand, the products that visitors expected to find are the existing ones, with no imported raw materials and low environmental impact.

Table 10: Souvenirs expected by visitors to Kayah State

Categories of expected souvenirs	International	Domestic
Basketry, Weaving (1)	1	3
Wood Carvings, Sculpture (2)	1	4
Musical instruments (3)	0	1
Copper / silver crafts (4)	0	3
Jewellery (5)	0	1
Clothing (6)	0	0
Art (Paintings) (7)	3	2
Pottery (8)	0	1
Fashion Accessories / Scarves (9)	1	1
Handbags and belts (10)	0	0
Antiques (11)	0	1
Cosmetics (12)	0	1
Textiles (Silk) & embroidery (13)	3	1
Local delicacies & processed food (14)	0	3
Other (15)	1	0

Evidence from the fieldwork has also shown that jam, honey and fruit juices are mostly imported, even though the ingredients exist locally and could be of great value to local communities. To conclude on crafts, processed food and souvenirs, the average amount of underspending for the international and domestic markets, i.e., the missed opportunities the visitors were ready to spend on, goes from US\$ 75 for international (with a median at US\$ 60) to US\$ 95 for domestic visitors (with a median of US\$ 50). Definitely, the improvement of crafts and souvenirs, but also more time allocated to shopping as requested by interviewees, represent real opportunities for the local market.

Overall, international visitors mostly appreciated sightseeing and visiting local communities while expressing their concern about a certain loss of authenticity and the detrimental visual impact of plastic bags at most tourist sites. Finally, a majority of them also deemed the price of accommodations too high for the low quality of services. On the contrary, while not paying the same price for accommodations, domestic visitors mostly

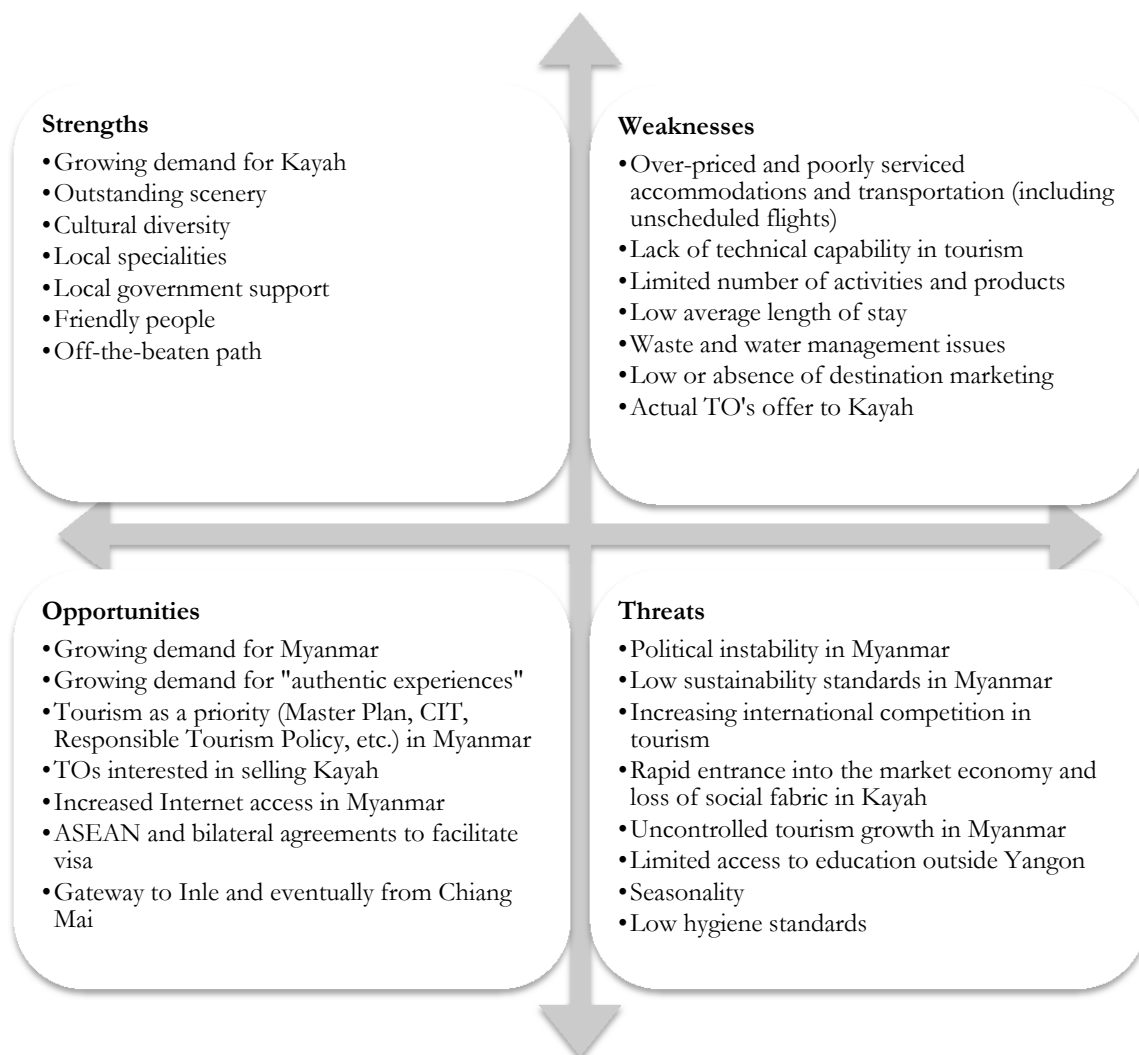
complained of the low quality of the local food, the need for more craft products and both the poor conditions and lack of road infrastructures.

III.2. SWOT Analysis

Kayah State continues to face major structural challenges and constraints (). In particular, it is necessary to improve the less-favoured areas' access to needed healthcare and to education. Indeed, several army-group leaders identified these two issues as a priority in order for the difficult political matters to quickly be resolved. These several 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 for including Kayah State in their packages.

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 following sections outline the lessons learned in relation to these six topics.

Figure 9: Tourism SWOT Analysis for Kayah State



The presentation of the SWOT analysis below replicates the information provided in the document presenting the strategic options for the future (direction) of the tourism industry in Kayah State.

III.2.1. 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 exclusively for reasons of public safety, 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 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 the 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 transportation sectors, for which most 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, Tour Operators mostly offer a “two nights – one day” package (Table 11), through which international tourists do not experience the “Kayah products”. Unfortunately, the visits to villages are sometimes organised with the only aim of taking pictures of locals in exchange for a few purchases or a small fee. The 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, 1992¹⁸).

Table 11: 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 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 Kalaw¹⁹. Evening excursion to museum of Kayah state to observe the traditional ways of living of Kayah 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>
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Weaknesses do 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 unresearched.

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 about warfare memorabilia sites, known as “dark tourism”. Such forms of tourism have recently generated a considerable flow of visitors in post-conflict areas (Cambodia, Laos, Vietnam) helping local populations to obtain new forms of income. Myanmar will be no exception to this rule and the creation of poles of attraction, including those concerning the Italian missionaries traces, could even contribute to a sustainable development of areas such as Shadaw.

¹⁸R. Chambers & G. Conway, 1992, Sustainable rural livelihoods: practical concepts for the 21st century. IDS Discussion Paper No. 296. Brighton, IDS, p. 7 - 8).

¹⁹ Kalaw is a hill station in Myanmar (Burma), at 1320 metres above sea level.

III.2.2. Infrastructure and planning

Although Kayah State provides hydro-electric 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 have 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 becomes all the more important considering that the development of tourism activities will increase waste production. Awareness-raising strategies (codes of conduct) and copying mechanisms must rapidly be implemented 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 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 is necessary for further development to proceed in Loikaw and its surrounding. This means operating a proper distribution flow of tourism 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.

III.2.3. 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 Inlay Lake²⁰, 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, evidences from this survey, such as the release of untreated sewage water by hotels and restaurants into the local river, and recent observations of the hotel industry's practices call more for waste management regulations than practices, as little or no willingness to engage in responsible practices were observed in that sense 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 the vernacular architecture (including the erosion of social fabric and traditions).

III.2.4. 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 of sightseeing and visits to indigenous communities with limited or no interaction, except the exchange of money for picture-taking. These short visits to remote areas, mostly accompanied by guides from other areas such as Pan Pet, have resulted in an unequal distribution of tourism expenditures to the profit of a few beneficiaries only. This instigates competition among the villagers to get primary access to visitors, creating conflicts within the community.

III.2.5. Human resources

Being isolated from modern means of transportation and communication has not helped Kayah State tourism stakeholders to promote themselves in the markets, nor to access tourism training and market knowledge. While all tourism professionals from Yangon see Kayah State as a destination with strong potential, they all describe it as an over-priced and poorly-serviced destination (notably in the fields of accommodation and transportation).

²⁰ Destination Management Plan for the Inlay lake region (2014-2019), Ministry of Hotels and Tourism.

With increasing competition within national and regional tourism destinations, price and service competitiveness play a major role in the attractiveness of the destination. Unfortunately, the people's kindness and readiness to please is not enough to outweigh a weak competitive position and a lack of basic skills.

Tourism in Kayah State is a low-skill 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 training organized from Yangon once a year upon the demand of industry's 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 the skills 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. Concurrence with other economic sectors, especially the mining industry, contributes to a continued preference to hire/work on informal contracts and discourages investing in continuous professional development.

Currently, there are no quantitative shortages of labour supply in the Kayah State tourism sector, but employees with experience obviously would tend to seek employment outside of the State in search of higher salaries. Therefore, there is a lack of recognition of the value of working in the private tourism sector (**interest for tourism as a career**).

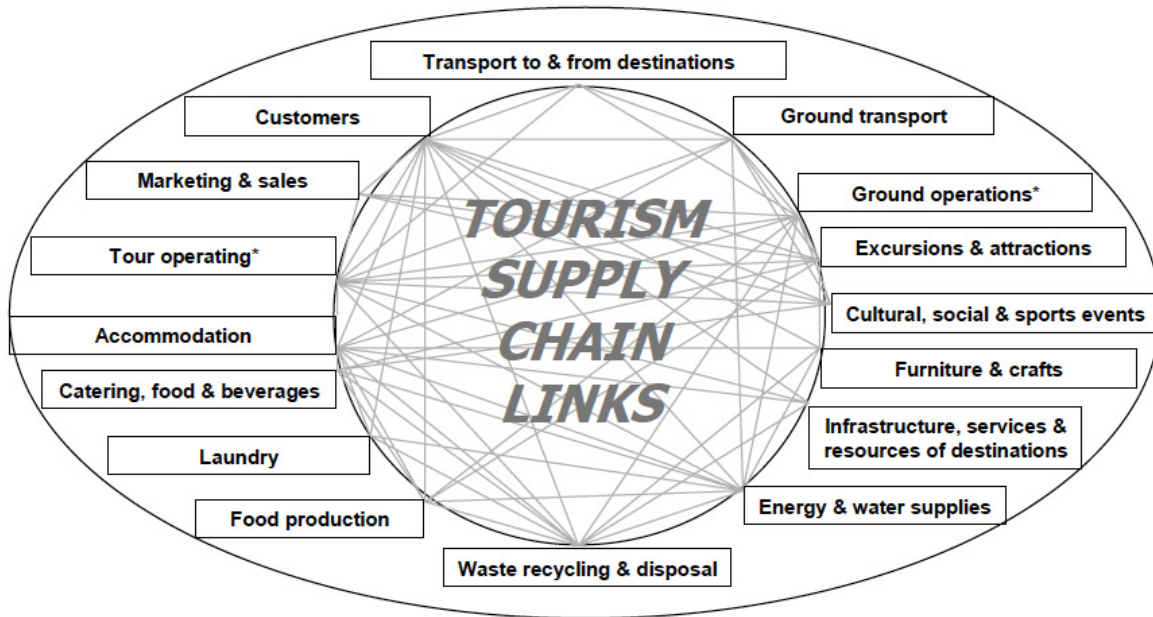
III.2.6. Markets and marketing

Presently, the marketing and promotion of Kayah State is still limited financially, 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 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, and the long distance to Loikaw (6-8 hours) on a small winding road, are not likely to meet all the expectations of tourism stakeholders in the border opening (BP 13) with Thailand.

III.3. Tourism Value Chain

Tourism consumers (or their tourism providers) buy and consume products and services in the destination market place derived from the multiple service and goods based supply chains. It is in this market that local economic impact is actually generated. The current volume of international visitors to Kayah State is currently too low to make general statements on visitors' characteristics and only a few visitors answered questionnaires at hotels. **Please note that the statistics below are for all international visitors including NGO foreign workers.**

Figure 10: Diagram of tourism supply chain links

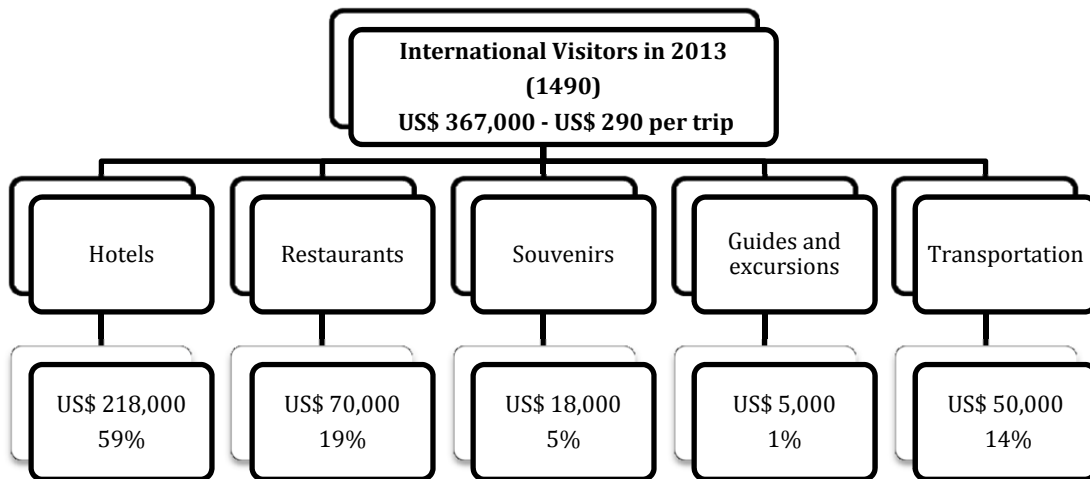


Source: Richard Tapper, Environment Business & Development Group, 2003 in Tourism Supply Chains, Leeds Metropolitan University for the Travel Foundation (2004)

III.3.1. In-Kayah State international visitor expenditures

On average \$290 US per international visitor per trip stays in Kayah State. As many operators use their own minibus and guides, strong leaks were identified in these potential two sources of incomes.

Figure 11: In-Kayah State international visitors expenditures' breakdown (2013)



In total, the overall in-Kayah state international visitors expenditure was about US\$ 367,000 for the year 2013. The survey shows that accommodation is the main category of expenditures (59%), followed by meals and drinks (19%), transport (14%), souvenirs (5%) and local guides (1%). While accommodation and transportation services are usually over-priced in many tourist destinations, the situation appears to be exaggerated in Kayah State, concentrating most tourist expenditures in the accommodation sector. A comparison with the estimated annual breakdown of tourist expenditures in the Inle Lake region (Table 12) underlines the lost opportunities for the local suppliers in the crafts, meals and drinks sectors, where most backward linkages are typically observed in a tourism destination. Additionally, the restrictions on visitors' movements impede the diffusion of expenditures in secondary destinations and remote areas.

Table 12: Distribution of international visitors' expenditures (Kayah State and Inle Lake regions)

Sector	Kayah State	Inle Lake region*
Accommodation	59%	34%
Meals and Drinks	19%	25.5%
Handicrafts	5%	12.8%
Activities and excursions	1%	
Transportation	14%	25.5%
Fee revenues	n.c.	2.2%

Source: ITC and IID (*)

Amongst explanations other than overpriced accommodations behind the low figures for the crafts, meals and drinks and the guiding sectors are:

- 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 products. The typical product available is the traditional “longyi” which can be found everywhere in Myanmar. Despite the recent availability of new products such as Kayah shirts, bags and tiny wooden carvings representing Kayan (long neck) women, the volume of sales remains low.

Figure 12: 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 fruit 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 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.3.2. Local economic impact of in-country expenditures

– Local food products

In Loikaw, the majority of food served in hotels and restaurants was sourced locally. Only processed food and juices, representing a low amount of operating costs, were imported, mostly from Thailand. Since the international market has not yet reached high numbers, its seasonality does not really impact the breakdown of local restaurants' operating costs throughout the year.

Observing operating costs for hotels and restaurants confirms recent investments in the hotel sector, as Kayah State has only been open to international visitors since 2011. However, the limited information from one hotel distorts the reality too much to conclude any information on loan and rental costs. "Salaries" is therefore the first expenditure category for the accommodation sector (Table 13). Indeed, this category is usually where the pro-poor impact of tourism is likely to be the highest.

The importance of salaries is much lower in the restaurant sector representing only 9% of all operating costs. Expenditures in restaurants are dominated by food (62%) and beverages (24%). Among the top 5 categories of local products used by local restaurants (meat, fish, cereals, vegetables and fruit), meat constitutes the main expenditure for restaurant owners, accounting for 62% of all costs. According to both restaurant owners and local sausage producers, there is currently a shortage of meat in Loikaw.

Table 13: Breakdown of operating costs for Hotels and Restaurants in High Season - Loikaw

Categories of operating costs	Breakdown of operating costs for hotels	Breakdown of operating costs for restaurants
Salaries and Wages	27%	9%
Utilities (Elect., power...)	14%	1%
Hygiene and cosmetics	7%	1%
Food costs	17%	62%
Beverages costs	11%	24%
Sales and Marketing	0%	0%
Tel & internet	1%	1%
Maintenance	12%	0%
Transport for goods	4%	0%
Taxes	4%	2%
Licenses	2%	0%

None of the restaurants has formal arrangements with local producers and they all buy their supplies, for which they all partially satisfied to satisfied, in the local market. For the five respondents, the guest demand was the main reason for not serving more local cuisine, as international visitors prefer not to order it. Therefore, only one respondent would agree to serve a 100% local menu.

Table 14: Reasons to not serve more local cuisine (ranked from 1 to 5)

Guest demand	Inadequate supply	Cost	Poor Quality	Difficulty to access local products	Inconsistency in quality and supply
3.4	2.6	2.6	2.6	3	2.8

In total, the impact of foreign visitors expenditures in the food sector was about US\$ 70,000 in 2013. Again, the main sources of leakages for local communities also identified during the fieldtrip, in terms of relative and absolute values, are processed food and juices, respectively. These leakages are mostly due to the non-existence of local production for these items. The drinks (beers and water) are mostly produced in Myanmar.

– Local handicraft products

Out of five souvenir sellers it appears that only the shop located outside the Taunggwe pagoda is working with foreign visitors. Apparently, international visitors mostly purchase locally or regionally produced items.

Operating costs	Breakdown
Salaries & Benefits	2.8%
Utilities (Power/Water/petrol)	0.4%
Basketry / Bamboo weaving	0.7%
Wooden carves / music instruments	0.7%
Textiles / Longyi / clothes	8.3%
Embroideries / Ornaments	6.9%
Jewelry	1.4%
Handicrafts/Household Items	13.8%
Fashion Accessories Scarves	8.3%
Fashion Accessories – Handbags and	13.8%
Art (Paintings)	13.8%
Local Specialties & processed food	6.9%
Sales and Marketing	0.0%
Taxes	1.4%
Other/ slippers	20.7%

Other places where visitors usually purchase local products are Pant Pet villages and sometimes weaving centres in both Loikaw and Demosaw.

III.4. Sustainability standards

All hotel and restaurant stakeholders were asked about the use of any sustainability standards (Table 15) for running their business. While some hotel owners claimed to have a responsible policy, the observation of current practices demonstrates the opposite. With the exception of the use of energy saving light bulbs for lowering energy bills and the purchase of food at local markets, none of interviewed hotels and restaurants in Loikaw follows any sustainability standards at all different levels of activity. Additionally, little attention has so far been given to the siting and design of hotels to minimise their environmental impacts.

Table 15: List of sustainability standards checked in Loikaw

Staff are briefed and trained on sustainable tourism policy and responsible practices
The owner considers drafting and promoting an environmental management policy
Menus highlight local products
Menus contain little description of where ingredients are sourced, who the producer is and why you have chosen them.
Hotel/restaurant sources food and drink products locally
Hotel/restaurant has built up relationships with local producers and traders.
Employees are 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/restaurant
Hotel has signs to request 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 behaviours for visitors in and outside the hotel
Soaps and other complimentary products are not individually wrapped
Spare drinking cup/glass are not either in plastic, or wrapped.
Use of local artist's 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

Concerning the other nodes of the tourism supply chain, as an example, it was observed that local guides sometimes take international visitors (upon their demand was not clear) to schools where they offer gifts or

money to children. These behaviours are particularly harmful to the visitor-resident relationship. It noted that the majority of tours set up by local guides do not bring economic benefits to local communities as no activities involving villagers are organised. Such comments concern tour operators as well. Actually, most tour operators complain about a lack of products and activities in Kayah State, but none of them have organised activities to help international visitors experience the “real life” of locals or to exchange within creative activities. Tour operators can also create products according to their own market segment and are able to turn each village visit into an authentic experience.

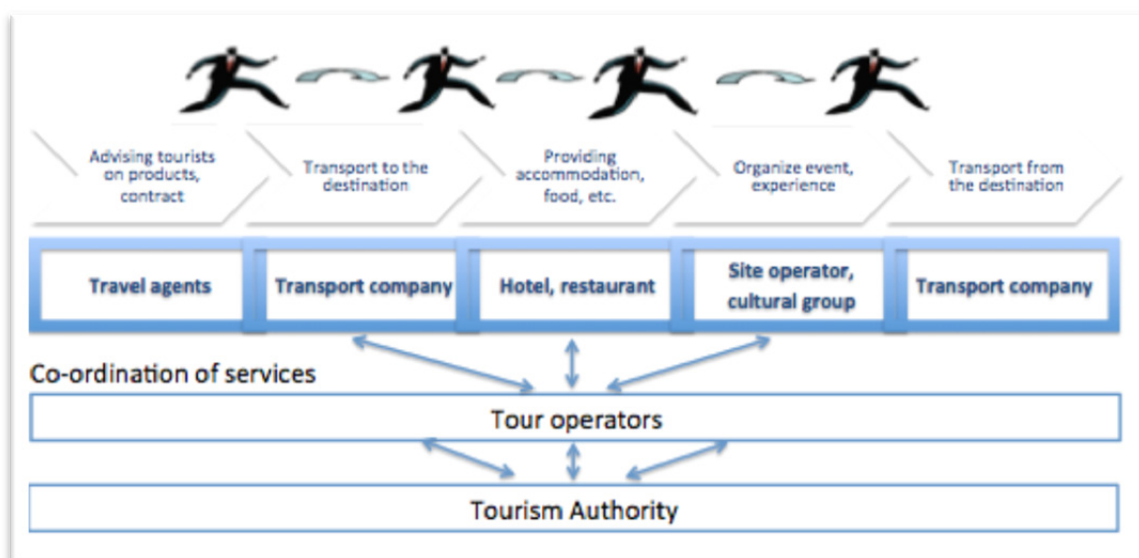
Some attention also needs to be given to issues impacting those who are not benefitting from the tourism sector. These issues may include:

- **Inflation** – price inflation for land and food are common negative impacts for local people, and may price them out of their homes. The launching of the tourism program has actually led to an increase in land price in and around Loikaw.
- **Social disturbances** – crowds of (noisy / rude) tourists causing a disturbance, litter, setting a bad example to the local young people with different cultural norms (e.g. drinking, smoking, promiscuity etc.), taking pictures without permission.
- **Overloading of the carrying capacity** – this may impact both tourism assets as well as infrastructure (roads, boats, planes, electricity supplies etc.). Additionally, special attention has to be given to events and religious ceremonies organised in fragile areas, as they often attract important volumes of visitors without consideration of waste management issues.

IV. Opportunities for interventions

Nowadays, a lot of the tourism potential in Kayah State lies in areas outside of the currently permitted zones, however it was decided to prioritise interventions using the following criteria: Likely changes for responsible practices and behaviours, the level of feasibility and the level of Return On Investment (ROI) of interventions. Actually, the uncertainty surrounding the peace agreement between the different army groups and the union government constraints the NTF III project’s interventions to remain within the current scope of tourist activities. Moreover, the current commercial exploitation of Kayah tourism assets not really being sustainable, the enhancement of the current supply, and the creation of new responsible products appear as priorities, with environmental impact and social distortion being a core component of their rationale.

Figure 13: Simplified tourism value chain and ITC interventions in Kayah State



The combination of the fieldwork study and the evidence brought by the quantitative survey offers a clear situation analysis which helps draw a list of potential interventions as well as the impact that these interventions could have on local communities and tourism stakeholders: increase of both their export capacities and their support services capacities to their clients.

All intervention strategies and implementation are described in the annex within a separate form where technical

and rational issues are emphasized.

IV.1. Output 1 - Export capacity of tour operators and tourism-related suppliers of goods and services in Kayah state increased

The first expected output of the ITC's interventions in Kayah state is to increase the export capacity of tourism enterprises and tourism-supply chain enterprises and community producers and services providers. Four add-in actions are considered as necessary to reach such an objective, namely building the capacities of the main current tourism industry stakeholders in terms of performance standards and expectations by international visitors, the improvement of current tourism-related products and services, the development of new products and services and the development of promotional material and information.



IV.1.1. Activity 1 – Facilitate study tours

The ITC and the Exofoundation director identified safety and hygiene as the main priorities for Kayah State. Generally, people cannot improve their capacities without first visualizing, experiencing and understanding the standards they need to achieve. In order to raise awareness of performance standards and international visitors' expectations amongst the main tourism industry stakeholders, it is proposed to facilitate two study tours, including practical role play exercises, respectively to one neighbouring state (e.g. Shan State) for industry associations and stakeholders and to Thailand (Mae Hong Son Province) for community leaders in order to enrich their experience and to provide insights from other experiences with services, tour development and craft production aimed at tourists.

Objective of the study tours: Transfer of practices oriented, state of the art know-how and consensus-building among participants to react to and address the challenges impeding the sustainable development of tourism in Kayah State.

Rational: The lack of both knowledge and technical capacity regarding the delivery of tourism products and services at the local level means that tourism stakeholders cannot fulfill visitor satisfaction nor create economic outcomes for local communities.

Methodology:

- **Preparation phase:** In order to provide a good match between the issues and challenges that participants of study tours are facing in Kayah state and the experiences or expertise presented in the host destinations, a preliminary visit by the ITC lead consultant to each of the two host destinations is organised to establish the study tour program, shape the visits and presentations appropriately and engage in a meaningful exchange with the members.
- **Study tour:** Throughout the study tour, different actors will be involved with a variety of roles at each node of the tourism value chain.
 - o The timing for the study tours (May and August) is timed to benefit from low season prices and availability of tourism professionals in both Myanmar and Thailand.
 - o Major elements of the program are based on the objectives and the short assessment of the issues at stake. The program is designed to look through the eyes of the participants. Supporting organisations will be mandated to review and complement a draft program which will then be shared with the prospective participants of the study tour.

- Participants will receive a briefing before they leave for the host destination. This briefing will include information on the program as well as necessary logistical information. In addition, participants will receive background documents in advance and be invited to reflect on lessons for their context during the study tour.
 - Two people will accompany the study tour groups: A lead consultant and a facilitator to assure that logistics and schedules are respected.
 - There are a number of standard program elements which will be combined, e.g. practical and conceptual inputs, discussion and reflection, skill training, exchange and experience sharing, or sight-seeing. Based on the set objectives, practical input elements will receive a higher level of importance, but the group of participants will hold daily meetings to review the major findings of the day and share their views about their applicability in Kayah State. Minutes of each visit will be recorded, discussed among the participants and finally compiled into a back-to-office report.
- **Reporting:** The reporting should make sure that lessons learned are available for others and thus contribute to the institutional learning processes. After completion of each study tour, a debriefing workshop extended to organizations and other key individuals who have not taken part in the study tour, will therefore be organized and led by the participants in Loikaw. During this workshop, the representative of each participating institution (Industry associations, Ministry of Hotels and Tourism, etc.) will share his/her impressions with the audience and will present their views about the applicability of certain ideas in Kayah State. It is expected that trainers adopt a highly participative approach with the use of demonstrations and games. Ultimately, a road map towards both improved business and destination management systems for Kayah State will be established and agreed upon by the participants.

Selection of participants: Participants of the study tour are selected in view of the set objectives. The group of selected candidates must have expressed or demonstrated on repeated occasions their deep commitment to rethink/improve tourism products and services currently delivered in Kayah State. They must be known for their leadership in mainstreaming cultural and behavioural changes needed to achieve the goals of improved tourism products and services in Kayah State. The study tours will include a range of public and private stakeholders who are facing tourism management issues on a daily basis but from different perspectives. This mix of skills and experience is therefore expected to enliven the discussions by highlighting the multifaceted aspects of tourism management and development. To summarize, participants should:

- Be able to best achieve the objectives,
- Have influence to promote change,
- Promote that participants can also exchange and learn from each other,
- Have a relatively similar level of understanding of the topics,
- Be included from a perspective of gender equity, representation of different groups.

Study tours can find media interest. The project should consider whether they want to inform the media proactively through press statements and how participants want to react to the demand for information by the media.

IV.1.2. Activity 2 – Development of new tourism and tourism related products

New tourism products (e.g. tours) and activities with an impact on local revenue generation will be developed. As long as responsible products are properly developed in the most attractive areas of Kayah State, the growing demand for real experiences can appear as an endless source of income for remote communities.

Objectives of new tourism products: To improve the attractiveness of the destination and the visitor satisfaction with the final objective of enhancing the livelihoods and living conditions of local communities in Kayah State through the creation of new economic opportunities.

Rational: Poor living conditions and poorly serviced tourism activities negatively influence local communities in their behaviours and choices leading to rural-urban migration and to a strong disturbance of the social fabric. It also corresponds to missed economic opportunities.

Methodology: The NTF III project proposes to facilitate the implementation of responsible projects and

activities such as community tours and income generating activities aimed at both creating new economic opportunities and enhancing the attractiveness of the destination:

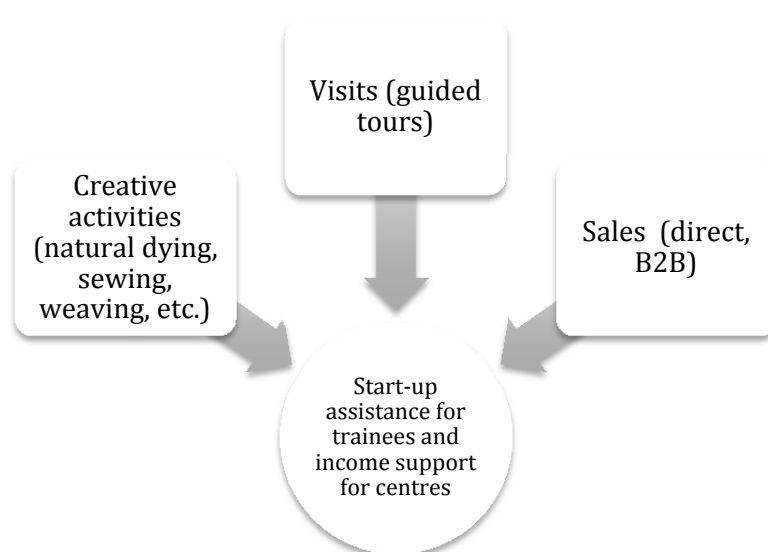
1. ***Mobilising communities for the development of cultural community tours*** in Pan Pet villages and Seven Lakes/Hta Nee La Leh village,
 - Participatory study with communities;
 - Train community entrepreneurs in cultural tourism and systematically select sites (within the village) and service providers for development of community route (e.g. restaurant, musicians);
 - Train selected community members in services and products to offer as part of the tour;
 - Individual business mentoring for product and service providers, including needed sustainability standards and code of conduct to CBI;
 - Final training on management issues, tour specific issues as well as enterprise-specific issues;
 - Mentoring local tour guides to market and run the tour;
 - Assist in running and improving the tours.

2. ***Identifying models and funding opportunities for joint-investments in community based infrastructures*** (restaurant, community house) with the objective to create practical opportunities to draw tour operators into the project and to increase the value of the experience. The ITC will provide assistance in the development of business plans for the purpose of facilitating responsible shareholders or sponsors to join the project in order to create a community house and a community based restaurant, respectively, in Pan Pet villages and Seven Lakes/Hta Nee La Leh village. These infrastructures will be the focal point for coordination of activities and an additional source of revenues for the villagers.

3. ***Development of income generating activities in the Loikaw ethnic Museum.*** While tourism promotion tools are intended to encourage new visitors to discover the museum collections, the content of the museum strongly lacks interpretation and does not seek to engage the visitors personally. The NTF III inclusive tourism project in Myanmar intends to make Kayah State's cultural heritage accessible to all and a source of income for local producers. In order to do so, the project aims at the creation of a fully-integrated museum circuit, with the opening of new exhibition areas alongside the reorganisation of some of the existing sectors and the opening of a dedicated space where visitors can experience different flavours from all over the state (coffee, tea, etc.) and purchase locally produced souvenirs and books. The ITC will assist the Museum in this reinterpretation and in the development of a business plan to ensure the viability of the dedicated space: Museum coffee shops are rather like good exhibitions and they present a wide range of benefits of which the most important are to generate more income, to offer a place where visitors can relax and socialise, to assist increasing commercial outlets and incomes of the local producers and to sometimes become one of the exhibitions of the museum.

4. ***Developing crafts products, creative tourism activities and attractive sales outlets, including weaving centres*** (Loikaw and Demosaw)

Figure 14: Economic Model for income generation and sustainability of activities



- Developing craft products and souvenirs:
 - The identification of opportunities and capacities for product development (crafts and souvenirs) by looking at local know-how and existing hand-made products;
 - Advisory services to local producers to start production of samples to be displayed at POMELO²¹ in Yangon in order to test their attractiveness (the concept of co-creation is very important as it is a way of multiplying product ideas);
 - Training in quality and business management;
 - The starting of the production once quality and attractiveness are achieved.
 - The improvement of display and presentation of products to tourists including design of explanatory boards in a participatory way.

- Developing creative activities for visitors: “creative tourism involves more interaction than traditional visits, in which the visitor has an educational, emotional, social, and participative interaction with a place, its living culture, and the people who live there²²”. Creative tourism leads to the understanding of the value of cultural diversity by the process of learning and sharing experience between tourists and the host community. There is a significant market of tourists who are looking for deep and satisfying experiences. They also want to participate and get connected with local people and feel part of the local community they are visiting. Some of this can be achieved through creative tourism as it provides visitors with the opportunity to learn a new skill, provides a sense of achievement in creating a unique souvenir, for example, a painting, crafted object or food product. Practical implementation of creative tourism can follow these steps:
 - Have planning sessions to engage the actors and determine which local activities to highlight;
 - Bring together the targeted producers and the tour operators around creative tourism;
 - Create an enabling environment and offer optional creative activities;
 - Consider the language issues – people should be able to express themselves in their own language;
 - Clarify expectations around activities (fun-filled and interactive)

²¹ www.pomeloyangon.com

²² UNESCO (2006), Towards sustainable strategies for creative tourism.
www.unesdoc.unesco.org/images/0015/001598/159811e.pdf

Figure 15: Using traditional skills for creative tourism activities and souvenirs



Nowadays, many traditional objects evoke an era that is coming to an end if nothing is done to preserve traditions and customs. Placed in a new context, and transformed to suit the needs and expectations of international visitors, these objects can help to revive local economies and contribute to job creation.

IV.1.3. Activity 3 – Improvement of current tourism and tourism-related products and services

By having acquired additional knowledge (activity 1), Kayah State tourism stakeholders will be more inclined to participate to the improvement of the products and services to be supplied to the tourism industry in terms of quality and quantity, design, raw material supply, disposal of production material in line with tourists' and tourism industry's requirements and market trends. This intervention concerns the tourism-related products and services having the most constraining weaknesses for the sustainable development of tourism.

Objectives: To improve the attractiveness of the destination and visitor satisfaction.

Rational: (i) Poorly serviced accommodations and touring negatively influence the satisfaction of visitors and therefore the value of the experience shared either with relatives or online. (ii) Unique and unexploited local food for domestic and international visitors.

Methodology: The improvement of current tourism and tourism-related products and services requires the mastery of many skills. The NTF III inclusive tourism project will offer a range of capacity building activities for public and private stakeholders.

- Business management in the hospitality sector: Capacity building of tourism managers (especially in the hospitality sector) with regular training activities on several issues related to the responsible and efficient management of a tourism enterprise:
 - Business management
 - Sustainability management²³
 - Human resources management
 - Financial management
 - Supply chain management (including the souvenir sector)
- Quality assurance for food supply: Local producers need to pursue the objective of safe and quality food supply for all residents and visitors. Tourism can be used here as an experimentation platform for further exports. Rules about washing hands before contact with food, use of utensils to handle products, disposable gloves, clean clothes, and hair protection need to be applied regardless of the size of the operation. All too often basic safety rules are ignored while customers look on. The whole system is generally conducive to microbiological growth. The ITC's expert will provide guidance.
- Quality assurance for guiding: With the improved access to information on tourist destinations for international visitors, tourist guides face more and more challenges in fulfilling visitors' expectations.

²³ Sustainability also includes the economic support that tourism gives to all related industries/activities in an economy. This comprises for the project the development of craft products adapted to tourism market requirements (directly or as hotel/restaurant decoration).

Therefore, behaviour and attitude, fluency in at least one foreign language and a complete knowledge of local context are necessary prerequisites for the satisfaction of their customers. Local guides need to attain more knowledge and understanding of quality standards, tourist expectations and responsible guiding. Tools include participation in community training aimed at the development of CBT activities and edu-tour for better performing with on-site training.

IV.1.4. Activity 4 – Development of promotional material and information

New products and services development needs to be associated with promotional material and information. The NTF III inclusive tourism project will support:

- The design of marketing materials for the local promotion of tours and other activities for Kayah state – (Map, brochure, and other materials such as a welcome poster / roll up banners for the airport and hotels)
- The training and development of local teams in marketing and branding strategy, design of materials.
- The coaching and accompaniment for MOHT marketing staff and (NPT) and MTM staff during the development of promotional material.
- The design of a print based promotional campaign for the national branding of Myanmar tourism, including for instance different formats of magazine advertising (for special interest, trade, inflight magazines).

IV.1.5. Activity 5 – Raising awareness on responsible tourism – codes of conduct

In order for tourism growth to follow a sustainable path, both demand and supply sides' actors have to adopt responsible behaviours. "Responsible tourism is not a tourism product or brand. It represents a way of doing tourism planning, policy and development to ensure that benefits are optimally distributed among impacted populations, governments, tourists and investors." (Husband and Harrison, 1996, 1, cited in Scheyvens 2002, 186). "Therefore, responsible tourism is a principle that can and must apply to all forms of tourism, including small and large scale, domestic and international, mass and individualised, and culturally and environmentally-oriented tourism." (Isaac, 2014).

The above-mentioned public-private dialogue should support the establishment of working groups in order to release codes of conduct manuals or related tools for both visitors and tourism professionals. The manuals/tools in question will assist industry associations, its members and visitors, in order to support, practice and experience the responsible and sustainable development of tourism and to prevent damaging the fragile ecosystem and indigenous communities. The capacity building of industry associations will help in that sense.

Objective: Tourists and tourism professionals adopt responsible behaviours and practices

Rational: Current unsustainable practices and loss of social fabric in highly visited tourist areas

Methodology: The project aims at the adoption of collective agreements to be drawn up as a model for codes of conduct.

- Code of conduct for visitors: Such a tool already exists for visitors with the recent release of the "DOs and DON'Ts for Tourists" (2012), organized by the Ministry of Hotels and Tourism and the Hanns Seidel Foundation, but environmental issues are not specifically mentioned in it. Issues on school visits, often requested by international visitors, should also be strongly discouraged by local guides and tour operators and be part of the visitors code of conduct.
- Code of conduct for Tourism professionals: On the other hand, practical tools do not yet exist for tourism professionals²⁴. The responsible tourism policy (2012) needs to be translated into practical terms and activities for local actors to either adopt or change unsustainable practices. This can 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) dialogue with the government and the private sector regarding the standards they want to work on in the upcoming years in Kayah State. Tools – using benchmarks – to measure companies' performance in sustainability (CO₂ emissions, energy consumption, water consumption and waste generation) can also be adopted to facilitate behavioural change and progress.

²⁴ At national level, the MTF plan to elaborate a code of conduct for private tourism sector.

- Code of conduct for local communities: For the local communities, however, the concept of a code of conduct is probably not appropriate. Behavioural changes in remote areas are unlikely to happen without a deep appropriation of concepts by local communities. Those who can identify with and support a program are more motivated and engaged. Different channels of communication are possible, ranging from community radios, religious ceremonies to cartoons/comics. Additionally, the creation of community tourism committees is a priority in order to use tourism as:
 - A catalyst or 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 a better access to water.

IV.2. Output 2 - Increased capacity of tourism associations (UMTA, MTM) as well as associations of tourism-related supply chains in providing sector development support services to their clients

The growing trend in tourist arrivals means increasing demand for manpower and skills to provide services that meet international expectations. Therefore, the workforce and HRD for the tourism industry shall be placed at the centre of the tourism planning process - without human capacity and involvement, investment in products, infrastructure and marketing is futile. NTF III project will increase capacities of tourism associations. It is expected to develop an engaged and participative stakeholders model, involving multi-ministry government, industry associations and the private sector. Any approach must ensure partnership engagement in all facets of tourism and destination development in order to meet environmental and societal sustainability needs. As an example, the project will support an innovative public-private partnership model in order to facilitate a dialogue and self-sustaining operations and development of a Destination Management Organisation (DMO).

IV.2.1. Activity 1 – Strengthen and formalize tourism-related associations

Tourism associations are meant to ensure that the voice of all tourism operators is heard, to promote and advance the tourism industry, to strive for continued development and improvement of tourism facilities and services offered to the public and to create greater interest in the sector amongst the general public.

Objective: To increase the capacity of associations of tourism-related supply chains in providing sector development support services to their members.

Rational: Lack of activities and vision for the associations / Low sustainability standards and existence of irresponsible practices.

Methodology:

- Workshops to support the hotels, restaurants and guides associations in establishing a strategic plan for their association²⁵;
- Workshops to support the industry associations in the implementation of activities aimed at promoting Kayah State (night markets, website, etc.)
- Training courses in data collection and interpretation and business development/vision for Kayah based associations (Hotel, Restaurant and Guides Associations) and Ministry of Hotels and Tourism. It is important that the regional branch of the Ministry of Hotels and Tourism has at its disposal, properly researched information that it can use in making decisions, or share with the private sector players in the industry. Further, the information gathered will be disseminated to stakeholders in a timely and effective manner (e.g. yearly statistical report).

IV.2.2. Activity 2 – Facilitation of the public-private dialogue

As described in the introduction of this document, a solid public-private dialogue is capital to ensuring mutual trust amongst all relevant stakeholders in the project. It is necessary for public and private stakeholders to work together in some form or other to responsibly develop and market tourism.

²⁵ See curriculum of starting workshop in Annex 3

Objective: Setting up the basis of a Destination Management Organisation (DMO)

Rational: currently limited and unconstructive public-private dialogue

Methodology:

- The capacity building of industry associations and Kayah state officers (invited to workshops) will help in that sense.
- Inviting Kayah State officers to participate in study tours and training on collection and interpretation of data and business development/vision (business, sustainability, human resources, financial and supply chain management), and the development of CIT activities (Communities Involved in Tourism)
- The ITC will facilitate the implementation and the animation of a steering committee for the project in Kayah State, as a first platform of public-private dialogue, where tourism stakeholders should:
 - Agree to plan together;
 - Gather evidence on the current situation of tourism in Kayah State (e.g. using the ITC strategic document for Kayah State as a guidebook);
 - Set the future direction of tourism based on national policies and priorities;
 - Identify the actions to be undertaken in order to reach the jointly agreed objectives;
 - Measure constantly the progress made to keep it going.

IV.3. Output 3 - Business links and collaborations facilitated

How can market connections be achieved through comprehensive processes that promote inclusive tourism development? This is part of the project strategy to develop forward links for tourism related products and services to attract the tourism industry and its tourists who seek unique experiences from Kayah State. Enhancing the appeal of the destination, with suitable product innovation and enhancement, is valuable as long as it can benefit all suppliers along the supply chain.

Objective: Sustain project's intervention and activities

Rational: Low international and national awareness of Kayah State as a destination and limited number of local actors at each node of the tourism value chain.

Methodology: To ensure that future products at each node of the chain get commercial outlets, it is proposed to:

- Invite national Tour Operators in order to identify their tourism product development needs / to shortlist the most appropriate TO for project partnership activities.
- Develop a marketing strategy and on-the-job training for enterprises and community producers in promoting and linking their products to Kayah state tourists and the tourism industry
- Develop connections between product suppliers and tourism industry (e.g. for museum in Loikaw and Weaving Centres in Loikaw and Demosaw) - B2B
- Develop promotional materials

IV.4. Key challenges

To implement inclusive tourism in Kayah State may sometimes be difficult, therefore this document also looks at the key challenges that require immediate attention and the adoption of measures to deal with the serious difficulties the project may face.

- The administrative challenge: Some rigid administrative requirements and procedures can impede the dynamics and efficiency of the program's delivery and execution, leading to major delays. These challenges must be addressed through concerted efforts in establishing procedures that facilitate the smooth running of activities and, at the same time, ensure adequate controls are established to guarantee a transparent use of resources;
- The cooperation challenge: The joint production of tourism products and services of high quality in so-called "partnerships" with stakeholders from different backgrounds with diverse interest and diverse organizational cultures. Once partners are identified, it is therefore necessary to review and fine tune the planning steps agreed to in the identification phase (partner roles, allocation of concrete tasks, timing, financial aspects) and to ensure that the joint production is a welcome

outcome in everyone's interest. Partner agreements can contribute to shared ownership by:

- Ensuring an equal information level and thus,
 - Establishing a common working base,
 - Avoiding misunderstandings and false expectations.
- The team challenge: It doesn't only concern the diversity of institutions involved, but also the diversity of people. A group of professionals with different expertise, experience, age, status, etc., who may work together for the first time must be transformed into a performing team capable of delivering results under high pressure and time constraints. Among other things, team members must have complementary skills and expertise necessary for doing the job, have agreed on basic rules on how to work together²⁶, respect intercultural and personal differences, have clear and common goals;
 - The virtual challenge: An important share of the collaborative work must be organised virtually, with the support of internet-based communication and collaboration tools. Therefore, application skills in information and communication technologies are critical. Milestones should be timed in line with project meetings and reporting deadlines;
 - The quality challenge: Only a small percentage of local participants actually have a background in tourism. The majority came to tourism as an opportunity and they are accustomed to the absence of tourism management and regulations. Many do not know the expectations of international markets and the management and services requirements that these markets entail. The quality is represented by the high expectations of the NTF III inclusive tourism project. Such expectations can only be reached if they are properly discussed, fully understood, and agreed upon by all partners, which means that all parties contribute to the process. As an example, the project proposes the repeated immersion in an environment that may involve all types of references to quality assurance and management standards (study tours);
 - The impact Challenge: It is expected to have an impact not only on the target population and its immediate environment, but on the overall tourism sector in Kayah State. This includes a holistic approach to development making it possible for the local tourism stakeholders to be in the driver's seat, owning and implementing their tourism development strategies. Using a participative approach which also encourages public-private dialogue, the public and private tourism actors will be able to reproduce best practices at a larger scale. Additionally, the inclusive approach represents an appropriate framework that takes into account the various backward linkages to the diverse economic sectors related to tourism;
 - The intercultural challenge: Often underestimated, cooperating with colleagues and partners from other countries and regions entails an intercultural challenge. Different values, norms, and cultural habits, as well as different work cultures, often lead to misunderstandings or delays. A time-consuming process of approaching and understanding each other's work realities and contexts and developing a joint working terminology is both necessary and rewarding.

V. Expected impacts

Among others, the activities described in the previous chapter are proposed to increase the average length of stay of visitors and to attract more responsible visitors through enhanced export capacities of tourism enterprises and tourism-supply chain enterprises, community producers and services providers. It is assumed that the enhancement of current products and services as well as the introduction of new ones will first increase the average length of stay by one day, second lead to an increase of international visitors arrivals on the top of the trend and third to incremental expenditures in new products or services.

Table 16: Assumptions on project's impacts

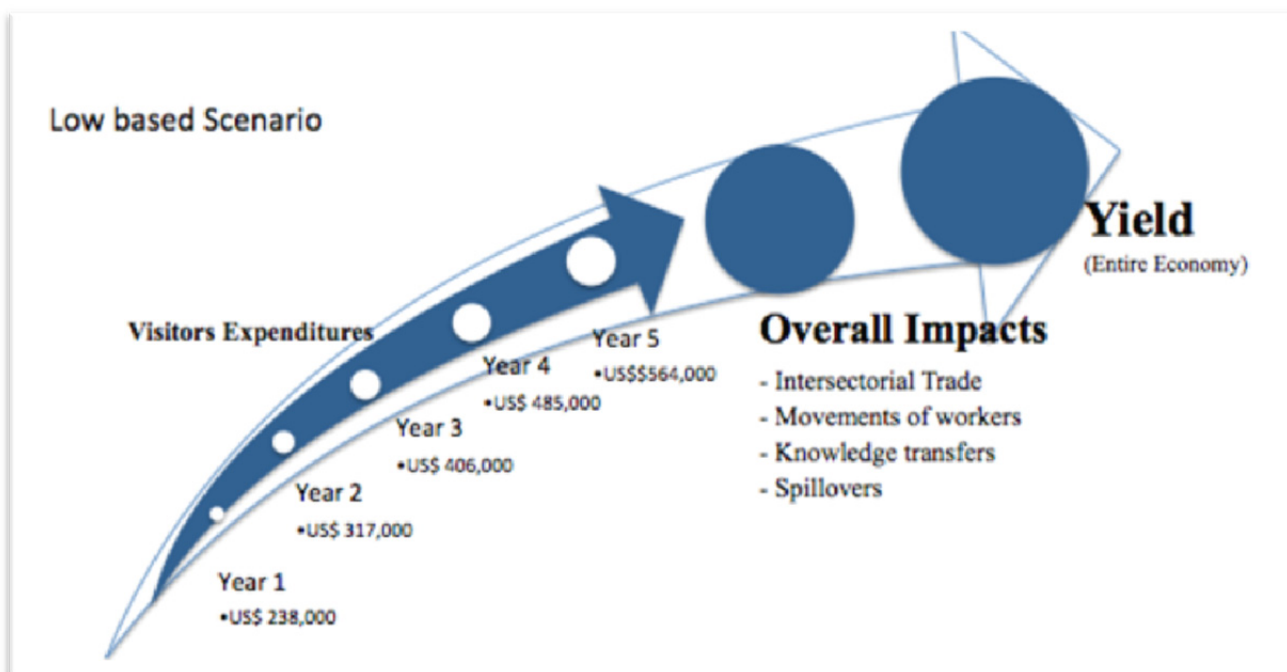
	Year 1	Year 2	Year 3	Year 4	Year 5
Nb. of international visitors staying one more day	2000	2500	3000	3500	4000
Nb. of incremental international visitors	200	300	400	500	600
Value of incremental expenditures (international/local)	US\$ 20/10	US\$25/10	US\$30/10	US\$35/10	US\$40/10

²⁶ Team rules for communication should be established (frequency of communication, cc, acknowledgement of messages, reaction time, participation in face to face and virtual meetings...).

Since most international and national visitors complain about the schedule of activities in Kayah State, we make the assumption that the building of capacities of tour operators and the creation/development of new products and services will encourage an additional day spent in Kayah State for a majority of visitors. By offering marketing and training efforts to tour operators and local tourism stakeholders, it is also expected to have an increase on arrivals at the top of the trend and a rise in international customers through an increase of business contacts for each of the 25 selected tour operators for CBI EXPRO tourism training. Finally, with the improvement and development of new tourism products and activities, expenditures per visitor per stay are expected to increase in the future from US\$ 20 in year one to US\$ 40 in year five.

These forecasts are fairly conservative, since the domestic market is largely not taken into account and the assumptions concerning the future increases of international visitors are below the current trend. The direct economic impact of the NTF III inclusive tourism project in Kayah State is therefore expected to reach US\$ 2 millions after 5 years, to which can be added the improved export capacities of 25 Yangon based TO corresponding to an additional 10 visitors²⁷ per year for each (US\$ 2.5 millions after 5 years).

Figure 16: Project's expected impacts



It is worth noting that these quantitative economic forecasts have been made without references to the more qualitative inputs from the project, including the implementation of environmental and socio-cultural preservation practices. By implementing sustainability principles into their business practices and strategies, local tourism professionals and communities will facilitate a transition towards more sustainable use of the local assets (reducing waste, fostering biodiversity, preventing pollution, demonstrating leadership in environmental practices) and establishing a full range of good practices and initiatives for the involvement of communities in tourism.

VI. Conclusion

During the last three years, tourism in Kayah State has performed spectacularly. From the opening of the State to international visitors onwards, tourism in Kayah State has experienced a rapid growth. Nevertheless, the analysis has revealed the strengths and weaknesses of the destination as perceived by the tourism stakeholders, leading to three main priority areas of intervention to best ensure the mobility and satisfaction of visitors and residents as well as the sustainable development of tourism.

First of all, it concerns the urgent need for the implementation of responsible business operations and practices,

²⁷ With an average package at US\$ 2000 per visitor per stay.

particularly concerning 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 wastewater poses a particular problem. The NTF III inclusive tourism project will therefore bring innovative awareness-raising strategies on the discharges of sewage and the generation and management of solid waste. Among others, the formulation and the implementation of codes of conduct for each of the stakeholders (visitors, private businesses and communities) are recommended. The visit and presentation of best practices in and outside of Myanmar (study tours) to local stakeholders aims at providing them with the knowledge and capacities to then come together in order to establish voluntary codes of conduct.

Second, it appears that an improvement of the accessibility to remote areas, through the enhancement of tourism infrastructures and a relaxation of the rules concerning the movement of visitors in Kayah State, is 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. For this to happen, we recommend the creation and development of new tourism products and activities, including creative tourism activities in remote areas.

Finally, the NTIII inclusive tourism project has explored the relationship between the changing demand for more responsible and unique products and the necessary evolution of the destination and business management practices. It became apparent from this analysis that there is an 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. to which the NTF III inclusive tourism project will respond by creating appropriate training and activities, promoting the existing public-private dialogue with a view of implementing a destination management organization and linking the growing demand for responsible tourism with local tourism professionals and communities.

Annex 1 – Summary of the ITC activities for an Increase in export capacity

(Year 1)

Activity 1.1.2. Facilitate study tours

Proposal (1)	Facilitate a study tour to a Shan State for a representative group of about 12 tourism stakeholders to provide insights from other experiences of high quality tourism services, responsible tour development and craft production aimed at tourists.	
Rationale	The lack of both knowledge and technical capacities regarding tourism products and services delivery at the local level means that tourism stakeholders cannot fulfil visitor satisfaction and create economic outcomes for local communities.	
Objectives	Transfer of practices oriented, state of the art know-how and consensus-building among participants to react to and to address the challenges impeding a sustainable development of tourism in Kayah State.	
Method	<p>(1) To prepare a document presenting the organisational aspects (4 days) - Home based</p> <ul style="list-style-type: none"> - Step (1) Defining the objectives of the study tour - Step (2) Understanding the issues at hand - Step (3) Selection of relevant participants - Step (4) Identifying the different tasks and roles, defining the timing - Step (5) Selection of a supporting organisation, definition of their terms of reference, task clarification, budget - Step (6) Deciding on the content of the program - Step (7) Briefing of participants and experts: Bridging gaps in context, experience and understanding - Step (8) Media, protocol, security, official events, accommodation, food, transportation, Translation - Step (9) Documentation, reporting and follow-up <p>(2) To animate and accompany group following the above mentioned organisational aspects</p> <p>(3) Documentation, reporting and follow up (home based)</p>	
Activities	Social, cultural and technical visits, role play, training sessions ...	
Costs	TBD	US\$ 4000
Expected impacts	Improved knowledge in terms of responsible practices / hygiene / food safety / standards Implementation of new practices	
Main constraints and issues	Existing gap between mere awareness and actual in-depth understanding of the sustainability principles, values and forms.	

Activity 1.1.3 Develop new tourism products (e.g. tours) with an impact on local revenue generation; Assist in running and improving the tours.

Proposal (2)	The development of cultural community tours at Seven Lakes/Hta Nee La Leh and Pan Pet villages	
Rationale	<ul style="list-style-type: none"> • Existing flow of international and domestic visitors at the “Seven Lakes” and Pan Pet • International visitors are coming to Seven Lakes after their visit to Pan Pet villages (around 11-12am) • Current discomfort and inconvenience caused by international visitors stopping in the village to take pictures of traditionally dressed old women • Strong support from community leaders 	
Objectives	<ul style="list-style-type: none"> • <u>Improve the daily life of at least 100 people in Hta Nee la leh and Pan Pet village</u> <ul style="list-style-type: none"> ○ Create an environment encouraging the flow of visitors and expenditures (direct and indirect) to the benefit of local communities ○ Create an environment facilitating the conservation of both the social fabric and the cultural heritage ○ Rebuild the social cohesion in Pan Pet Villages and limit the migration of youth to Thailand ○ Increase the ALOS of international visitors, the overall amount of tourists expenditures and the amount of beneficiaries 	
Method	<ul style="list-style-type: none"> • Create community-led activities • Integration of tourism into village daily life, not substitution 	1h00 from Loikaw
Activities	<ol style="list-style-type: none"> 1. Participatory study with communities; 2. Train community entrepreneurs in cultural tourism and systematically select sites (within the village) and service providers for development of community route 	<p>Jan 2015</p> <p>April. 2015</p>

	<p>(e.g. restaurant, musicians);</p> <ol style="list-style-type: none"> Train selected community members in services and products to offer as part of the tour; Individual business mentoring for product and service providers, including needed sustainability standards and code of conduct to CBI; Final training on management issues, tour specific issues as well as enterprise-specific issues; Mentoring local tour guides to market and run the tour; Assist in running and improving the tours. 	<p>May. 2015</p> <p>Jun-Dec. 2015</p> <p>Jun-Dec. 2015</p>
Costs	<ul style="list-style-type: none"> CBT-I Thailand (design itineraries, training, follow-up) Customer service training Technical assistance (Business plan, trainings, etc.) 	US\$ 80,000
Expected impacts	<p>Hta Nee La Leh</p> <ul style="list-style-type: none"> 500 international tourists / year @ US\$ 10 each 2000 Domestic tourists / year @ US\$ 5 each ROI within 3-4 years max. <p>Pan Pet villages</p> <ul style="list-style-type: none"> Re-building of community cohesion Increase ALOS and expenditures on new activities and products - 500 international tourists / year @ US\$ 30 each Environmental management In the long term: emigrants coming back to village due to new employment opportunities ROI within 3-4 years max. 	<p>In each destination</p> <p>10-15 direct jobs</p> <p>100 beneficiaries</p> <p>US\$ 15,000/year</p>
Main constraints and issues	<ul style="list-style-type: none"> Low understanding of sustainability issues by state's authority willing to build hotels and else in the area Environmental impact (mitigation measures to be defined) and strategy to be developed Very low current attractiveness of the area- no product at all, only the seven lakes Current state of social cohesion – Promoting and marketing Pan Pet without solving current issues will accelerate the disruption of the social fabric with potential negative effects (increase of migration, disappearance of “Long neck women”) Acceptance by local communities – especially current beneficiaries – to share benefits from tourism Environmental impact (mitigation measures to be defined) Sensitivity of supporting “long neck women” 	

Proposal (3) Income generating activities at the “ethnic groups” Museum in Loikaw		
Rationale	<ul style="list-style-type: none"> Existing flow of international and domestic visitors (267 international visitors in 2014) Absence of marketing activities Lost opportunities and weak commercial exploitation of potential Dusty place Lack or absence of interpretation signs and foreign languages descriptions/information 	
Objectives	<ul style="list-style-type: none"> <u>The Museum to become a gateway to Kayah State tourism products and an introduction to its cultural diversity</u> <ul style="list-style-type: none"> Enhance the quality and quantity of current products and services Increase the number of international visitors and the overall amount of tourist expenditures 	
Method	<ul style="list-style-type: none"> Short-term technical assistance to improve visitors' understanding of Kayah State's history and ethnic groups Sales of local products and souvenirs relating to the Museum's themes 	
Activities	<ol style="list-style-type: none"> Validation workshop Assist the museum's curator in: <ul style="list-style-type: none"> The translation of interpretation signs and boards The adaptation of the museum to international markets Preparation and writing of a business plan for a selling/coffee space including postcards, local products, etc. (call for proposal?) Marketing and creating forward linkages with T.O. 	<p>Dec. 2014</p> <p>Jan-Jun. 2015</p> <p>Mar-May. 2015</p> <p>Jun-July. 2015</p> <p>March-Dec. 2015</p> <p>Nov-Jan. 2016</p>
Costs	<ul style="list-style-type: none"> Translation and arrangements (ITC) Co-shared decoration and furnishing of coffee/rest area Training in customer services 	<p>US\$ 1,000</p> <p>US\$ 2,000 USD</p>

	<ul style="list-style-type: none"> Technical assistance (Business plan, trainings, etc.) 	US\$ 10,000 US\$ 5,000
Expected impacts	<ul style="list-style-type: none"> Strong attractiveness and better quality of services of the Museum Increase satisfaction, number and expenditures of international visitors Income generating activities 	5 direct jobs x% of sales at coffee shop
Main constraints and issues	<ul style="list-style-type: none"> Sensitiveness of issues such as the civil war Current language skills (need to associate local guides to the museum) 	

Proposal (4)	Development of creative tourism activities within Weaving Centres in both Demosaw and Loikaw weaving centres (such as visits, interpretation and practices)	
Rationale	<ul style="list-style-type: none"> Existing demand of international and domestic visitors for visiting traditional activities Growing worldwide demand for creative tourism Lost opportunities and weak commercial exploitation of potential Lack of capacities to value the local production of “longyi” After completing the vocational training school, less than 20% of trainees get a job in the sector and most do not continue as they do not have a loom 	
Objectives	<ul style="list-style-type: none"> <u>To sustain the activities and the livelihoods of weaving centres</u> <ul style="list-style-type: none"> Enhance the quality and quantity of current products and services Increase the number of international visitors and the overall amount of tourists expenditures Create new commercial outlets for weaving centres Create a fund for the purchase of machines for trainees 	
Method	<ul style="list-style-type: none"> Short-term technical assistance to improve visitors’ understanding of weaving and sewing techniques (including the design of activities for visitors) Rearrange the rooms for selling local products and souvenirs 	
Activities	<ol style="list-style-type: none"> Validation workshop Assist the weaving centre’s directors in: <ul style="list-style-type: none"> The design and writing of explanatory boards (posters) + translation The adaptation of the weaving centres to international markets Assist in display of products and souvenirs Marketing and creating forward linkages with T.O. 	Dec. 2014 Jan-Jun. 2015 Mar-May. 2015 Jun-July. 2015 March-Dec. 2015
Costs	<ul style="list-style-type: none"> Design of Boards, translation and arrangements (ITC) Creation of participative activities 	TBD
Expected impacts	<ul style="list-style-type: none"> Strong attractiveness and better quality of services of the weaving centre Increase satisfaction, number and expenditures of international visitors Sustain the training with an increase in the number of trainees continuing in the sector 	5 additional direct jobs created US\$ 5,000 / year per centre
Main constraints and issues	<ul style="list-style-type: none"> Dependence on tour operators and potential commission For Demosaw, the tourists visit the market only three days per week Language skills (need to associate local guides to the activity) 	

Proposal (5)	Development of new craft products	
Rationale	<ul style="list-style-type: none"> Existing demand of international and domestic visitors for souvenirs Unexploited objects as potential souvenir and existence of local “savoir-faire” (Musical instruments, knives, etc.) Lack of trust in tourism potential and therefore low willingness to adapt or to produce for the sector Existing trained manpower in refugees camps (www.weave-women.org) Growing worldwide demand for Myanmar and Kayah State as a tourism destination Lost opportunities and weak commercial exploitation of potential Existence of shops in Yangon (such as POMELO) interested in supporting local products Lack of capacities to value the local production of “longyi” and others 	

	<ul style="list-style-type: none"> Missed opportunities to sell to Hotels and Restaurants as interior decoration products 	
Objectives	<ul style="list-style-type: none"> To sustain the livelihoods of crafts producers <ul style="list-style-type: none"> Enhance the variety, quality and quantity and utilization (e.g. as interior decoration for Restaurants and Hotels) of current crafts products Increase the number of international buyers and their overall amount of expenditures Create new commercial outlets (tourism and tourism-related business) and forward linkages for local producers 	
Method	<ul style="list-style-type: none"> Technical assistance to identify additional opportunities, provide new designs, enhance the variety, quality and quantity of local crafts. Links to other activities/projects to promote local products and souvenirs B2B linkages between craft producers and Hotels and Restaurants 	
Activities	<ol style="list-style-type: none"> Validation workshop Identify trainers from Yangon and Refugees camps (when possible) Prepare and adapt methodology to current activities of local communities and craft producers Training in product quality /cost & pricing / entrepreneurship When possible, diversify activities by adding creative tourism opportunities (including training) Assist in market access development (B2B, domestic tourism, etc.) 	Dec. 2014 Jan-Feb. 2015 Mar. 2015 May-July. 2015 May-Dec. 2015 May-Dec. 2015
Costs	<ul style="list-style-type: none"> Census on existing and available capacities in Refugees camps International consultant (local contract – 20 days @ US\$ 300 + 5 trips) National consultant (from refugees camps) Trainings Marketing and creating forward connections (B2B) 	US\$ 2,000 US\$ 9,000 US\$ 2,000 US\$ 5,000 US\$ 2,000
Expected impacts	<ul style="list-style-type: none"> Attractiveness and better quality of local craft products Increase satisfaction, number and expenditures of international visitors Increase expenditure of Kayah State tourism-related business and share of local products in Hotels and Restaurants Facilitated reinsertion of a few refugees 	5 additional direct jobs created US\$ 5,000 / year
Main constraints and issues	<ul style="list-style-type: none"> Short length of stay in Kayah State's destination Language skills (need to associate local guides to the activity) Low current flow of international visitors that could not push local producers to change business Availability of trainers from the camp depends to a large degree on political issues and smooth reinsertion into Kayah state Mind-set of Hotel and Restaurant owners ("Cheep Chinese plastic imports are modern and wonderful for Burmese, so they should be as well for foreigners") 	

Proposal (6)	Development of new tourism-related products (food)	
Rationale	<ul style="list-style-type: none"> Existing demand of TO, international and domestic visitors for local food Unique and Unexploited local food for domestic and international visitors Absence of certification/standardisation/labelling Lack of trust in tourism potential and therefore low willingness to adapt or to produce for the sector Gender perspective as these sectors have a high participation of women Existing department at the Ministry of health (Food and Drug Administration) to accompany the certification process Growing worldwide demand for Myanmar and Kayah State as a tourism destination Lost opportunities and weak commercial exploitation of potential Lack of capacities to value the local production of Kayah sausage and rice wine 	
Objectives	<ul style="list-style-type: none"> To sustain the livelihoods of local producers <ul style="list-style-type: none"> Enhance the quality and quantity of current products Increase the number of international buyers and their overall amount of expenditures Create new commercial outlets (tourism and tourism-related business) and market links for local producers 	
Method	<ul style="list-style-type: none"> Identify local producers able to join the project (sausage and rice wine producers) 	

	<ul style="list-style-type: none"> • Training of local producers to reach quality standards • Linkages with other activities/projects to promote local products and souvenirs (explore INle lake as additional market?) • Promotion and market linkages 	
Activities	<ol style="list-style-type: none"> 1. Validation workshop 2. Identify trainers 3. Prepare and adapt methodology of training to current activities of local communities and producers 4. Reach an agreement with selected producers to (invest? Or maintain? the purchased equipment in order to reach international quality standards) 5. Training in product quality improvement / Training in cost/pricing and entrepreneurship 6. When possible, diversify activities by adding creative tourism opportunities where tourists can experience the production process 7. Market access development 	Dec. 2014 Jan-Feb. 2015 Mar. 2015 May-July. 2015 May-Dec. 2015 May-Dec. 2015
Costs	<ul style="list-style-type: none"> • Census on existing producers and implementation of agreements to reach international quality standards • Equipment • International consultant (local contract – 20 days @ US\$ 300 + 5 trips) Trainings • Market Access and MOU 	US\$ 1,000 US\$ 9,000 US\$ 5,000 US\$ 2,000
Expected impacts	<ul style="list-style-type: none"> • Attractiveness and better quality of local food products • Increase satisfaction, number and expenditures of international visitors • Increase number of purchases by local hotels and restaurants 	5 additional direct jobs created US\$ 5,000 / year; increased income for food producers (how much is possible – estimated value and %?)
Main constraints and issues	<ul style="list-style-type: none"> • Short length of Stay in Kayah State's destination • Language skills (need to associate local guides to the activity) • Low current flow of international visitors that could not push local producers to change business 	

Annex 2 – Details of activities for an increased capacity of industry associations

Activity 2.2. Strengthen and formalize up to two tourism related Kayah State-based associations (subject to positive assessment)

Proposal (8)	Capacity building for industry associations	
Rationale	<ul style="list-style-type: none"> • Growing worldwide and regional demand for Myanmar and Kayah State as a tourism destination • Over-priced hotel rooms (based on international standards) and transportation • Weak average quality of service • Lack of activities and vision for the associations • Low sustainability standards and existence of irresponsible practices 	
Objectives	<ul style="list-style-type: none"> • <u>To upgrade the quality of hospitality services</u> <ul style="list-style-type: none"> • Enhance the skills of existing and potential hospitality managers (training of trainers) • Kayah state's hotels offer a very best price/quality standards compared to other regional destinations • Reduce the current environmental impact of hospitality services • Increase the number of international tourists and their overall amount of expenditures 	
Method	<ul style="list-style-type: none"> • Capacity-building of existing and potential hospitality managers • Develop linkages with other activities/projects 	
Activities	<ol style="list-style-type: none"> 8. Validation workshop 9. Support the establishment and structuration of Associations (review of TOR and objectives: Educate, communicate, Advocate) 10. Help the Associations to communicate with national and other associations 11. Help the associations in establishing a list of priorities and activities 12. Support the associations in the implementation of the activities 13. Follow up on implementation 	Dec. 2014 May 2015 May 2015-May. 2018

Costs	<ul style="list-style-type: none"> International consultant National consultant 	US\$ 20,000 US\$ 10,000 US\$ 10,000 US\$ 36,000
Expected impacts	<ul style="list-style-type: none"> Improved overall quality of services Increase satisfaction, number and expenditures of international visitors Increase number of TO selling Kayah State Adoption of responsible practices 	
Main constraints and issues	<ul style="list-style-type: none"> Potential existing tacit consent between hotels on high prices Weak language, management and other skills, including low or inexistent knowledge of sustainability issues Low understanding of expectations of international visitors Weak overall management of tourism development 	

Proposal (10)	Capacity building of local guides	
Rationale	<ul style="list-style-type: none"> Growing worldwide and regional demand for Myanmar and Kayah State as a tourism destination Weak average quality of guide services in Kayah state Kayah state sold from outside with guides as an extension of Inle Lake Lack of activities and products Low sustainability standards 	
Objectives	<ul style="list-style-type: none"> <u>To upgrade the quality of guiding in Loikaw and around</u> <ul style="list-style-type: none"> Enhance the skills of guides Reduce the current negative environmental and socio-cultural impact of the sector Increase the number of international buyers and their overall amount of expenditures 	
Method	<ul style="list-style-type: none"> Capacity-building of existing guides Develop linkages with other activities/projects Involvement in product development, such as cultural tourism tour development 	
Activities	<ol style="list-style-type: none"> Validation workshop and identification/selection of trainees (currently employed or not) Participative exercise to set up a roadmap on personal enhancement for each trainee (self-improvement training activities, language selection, etc.) Training in visitor's expectations, behaviours, services, etc. – include drivers from main transportation companies Edu-tour in Kayah state – Presentation of new products and outdoor activities Training on selected sites (Museum, villages, restaurants, etc.) – including role playing games Bi-annual evaluation on language skills Reproduction of GIZ training on sustainability standards Linkages of trained Kayah State guides to inbound tour operators 	Dec. 2014 May 2015 June-Jul. 2015 Every six month
Costs	<ul style="list-style-type: none"> Training Evaluation (on field and tests) National consultant ITC and role play trainings 	(1,000*5*3= US\$ 15,000)
Expected impacts	<ul style="list-style-type: none"> Upgraded skills of local guides Improved overall quality of visitors' experience Increase satisfaction, number and expenditures of international visitors 	
Main constraints and issues	<ul style="list-style-type: none"> Weak language, management and other skills, including low or inexistent knowledge of sustainability issues Low understanding of expectations of international visitors Weak overall management of tourism development 	

Activity 2.3. In collaboration with UMTA and Myanmar Tour Guide Association (1) assist MOHT Branch Office in Kayah State to engage in public-private partnerships as well as build their capacity and those of tourism-related Kayah State associations for data collection, interpretation and dissemination on tourist arrivals, trends, spending, expectations on regional level and (2) improve tourism-related

associations' sales and marketing services with special focus on Kayah state

Proposal (11)	Capacity building of Kayah state officers (MOHT and MOC)	
Rationale	<ul style="list-style-type: none"> • Growing worldwide and regional demand for Myanmar and Kayah State as a tourism destination • Weak tourism management and regulation / low awareness of global standards • Lack of responsible outdoor activities and products • Low sustainability standards at each node of the supply chain (construction and operational) 	
Objectives	<ul style="list-style-type: none"> • <u>To upgrade the quality of tourism management and regulation</u> <ul style="list-style-type: none"> • Enhance the skills of state officers • Reduce the current negative environmental and socio-cultural impact of the sector • Improved understanding of tourism development and impact • Increase the number of international buyers and their overall amount of expenditures 	
Method	<ul style="list-style-type: none"> • Capacity-building of existing state officers in various fields of tourism management and regulation • Technical assistance to the enforcement of existing policies and regulations on responsible tourism 	
Activities	<ol style="list-style-type: none"> 1. Take part in all training and edu-tours in the different project components 2. Participative approach in setting up and animating a tourist information centre inside the MoTH office in Loikaw 3. The creation and distribution of promotional materials (such as Maps of tourism for Loikaw and Kayah State – to be self funded by advertisements- already budgeted under M&B activities) 4. Participative exercise in setting up a roadmap on personal enhancement for each trainee (self-improvement training activities, language selection, etc.) 5. Participative approach to develop the does and don'ts material for tourism stakeholders (including urban planning, environmental management, CSR...) 6. Technical assistance to build a system of tourism data collection, interpretation and dissemination (Needs to be more detailed, this is the big chunk of work in this activity) 	<p>Dec. 2014</p> <p>May 2015</p> <p>June-Jul. 2015</p> <p>Every six month</p>
Costs	<ul style="list-style-type: none"> • Trainings and edu-tours • International consultant • National consultant • Communication materials 	Counted
Expected impacts	<ul style="list-style-type: none"> • Upgraded skills of local officers • Participation in activities made by private sectors such as a night market for domestic visitors • more price competitive destination (hotels, transportation) • Improved overall quality of visitors' experience • Increase satisfaction, number and expenditures of international visitors 	
Main constraints and issues	<ul style="list-style-type: none"> • Weak language, management and other skills, including low or inexistent knowledge of sustainability issues • Low understanding of expectations of international visitors • Weak overall management and regulation of tourism development 	

Crosscutting activities

Proposal (12)	Raising awareness on environmental management and plastic use	
Rationale	<ul style="list-style-type: none"> • Growing worldwide and regional demand for Myanmar and Kayah State as a tourism destination • Weak tourism / environmental management and regulation / low awareness of global standards • Low sustainability standards at each node of the supply chain (construction and operational) • Absence of waste management system in most tourist sites • Absence of interpretation and guidance (ex: cave) • Excessive use of plastic by local communities • Strong concern from the MoC (Aung Soe) and tour guides on environmental issues 	

Objectives	<ul style="list-style-type: none"> • <u>To reduce the use of plastics by local communities and visitors</u> <ul style="list-style-type: none"> • Enhance the skills of state officers on environmental issues • Reduce the current negative environmental impact of the sector • Improve local understanding of plastic issues • Increase recycling practices 	
Method	<ul style="list-style-type: none"> • Capacity-building of existing state officers and leaders in environmental management and regulation: waste reduction / recycling / composting / waste to energy / landfilling with LFG recovery / treatment and disposal • Behaviour change (C4D) 	
Activities	<ol style="list-style-type: none"> 1. The Cave is not yet an attraction of great interest for international tourists but it can be used as an example to increase awareness on environmental management (it could be part of the campaign-before and after) <ol style="list-style-type: none"> a. Liaise with Monastery to have three young monks to settle with the old one. b. Train monks and food sellers on waste management (including prevention with new packaging) 2. Awareness campaigns using different communication channels (C4D) <ol style="list-style-type: none"> a. Radio talk shows b. Meeting with religious and political leaders c. At markets targeting suppliers to encourage the use of leaves instead of plastic bags 3. Highlight progress made by and economic value of newly implemented responsible activities and services 4. Training of tourism stakeholders 5. There should also be waste management in the communities chosen for the cultural tourism community tours 	Dec. 2014 May 2015 June-Jul. 2015 Every six month
Costs	<ul style="list-style-type: none"> • Awareness campaign • National consultant • Communication materials 	Counted
Expected impacts	<ul style="list-style-type: none"> • Upgraded skills of local officers • Enhanced water management (important for Pan Pet, liaise with the organizations already working on the issue, I think UNDP) and reduction of waste disposals • Improved overall quality of visitors' experience • Increased satisfaction, number and expenditures of international visitors 	
Main constraints and issues	<ul style="list-style-type: none"> • Weak language, management and other skills including low or inexistent knowledge of sustainability issues • Low understanding of expectations of international visitors • Weak overall management and regulation of tourism development 	

Annex 3 – bibliography

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ANNEX 4 WORKING SESSION CURRICULUM – ROLES AND ACTIVITIES OF TOURISM INDUSTRY ASSOCIATIONS

Time	Objectives	Tasks	Materials	Facilitators
2-3 PM	<p>INTRODUCTION AND PRESENTATION</p> <p>Understand the training objectives</p> <p>To clarify the roles of an industry association and the roles of members</p>	<p>Task 1 Introduction - 5 min</p> <ul style="list-style-type: none"> - Introduction of the ITC and trainers/facilitators - Each participant will write his/her name on white paper and introduce her/himself - Distribute the training rules by the participants; <p>Task 2 Introduction of the “Expected results of the training” – 5 min</p> <ul style="list-style-type: none"> - Trainer/Facilitator introduce the objectives and methodology of the training - Presentation of the schedule of training <p>Task 3 What is the hotels association? What is the restaurants association? – 50 min</p> <ul style="list-style-type: none"> - By association and by pair, participants prepare and then share their knowledge and perspective on “ Industry associations” by answering prepared questions - Facilitator concludes the answers on the flip chart and grouping - Trainer gives a definition of the roles of industry’s association (Educate / Communicate / Advocate) - Participants give their views of the role/duty of each actor in the association based on the roles of their association (participants draw who is the right person in charge of each role) - Conclusion (match vision and definition – is this what the ITC would like them to know?) 	<ul style="list-style-type: none"> - White papers - A4 Colour paper - Flip chart - Markers - Scotch tape 	<p>Frederic, Pascal, Daniel</p> <p>Winnie and Daniel help Frederic in writing down the answers from the participants during the training</p>
3-3.15PM		 <p>Coffee Break</p>		
3.15-4PM	<p>To define the organization chart of each industry association</p> <p>i. The difference between the board and the members</p>	<p>Task 4 Who are the members and duties/activities – organization chart: -45 min</p> <ul style="list-style-type: none"> - By association - Draw the chart of the organization including the 3 activities <ul style="list-style-type: none"> o Start with basic chart including the board (president/accountant/secretary) and names of members o Add the duties/activities and explanations (write on separate papers to be taped on the side) – making the difference between the board and the activities. o Conclusion <ul style="list-style-type: none"> ▪ Participants share their opinion from the exercise ▪ Facilitator gives the conclusion 	<ul style="list-style-type: none"> - White papers - A4 Colour paper - Flip chart - Markers - Scotch tape 	<p>Frederic, Pascal, Daniel</p> <p>Winnie and Daniel help Frederic in writing down the answers from the participants during the training</p>

4 – 5PM	Preliminary design of action plan	<p>Task 5 Presentation of the ITC's support —30 min</p> <ul style="list-style-type: none"> - Presentation of the ITC's support for each role of the association <ul style="list-style-type: none"> o Study tours – representative to participate and present to all association's members o Public –private dialogue (Steering committees) – facilitating a Kayah State Steering committee and meetings o Communication – Support in the creation of one activity by association (business plan...) - Participants share their additional ideas <p>Task 6 Draw a preliminary action plan – 30 min</p> <ul style="list-style-type: none"> - By association - Draw a preliminary action plan of activities <ul style="list-style-type: none"> o Prioritize activities and each participant presents where he/she expects to participate and how o Conclusion 	<ul style="list-style-type: none"> - White papers - A4 Colour paper - Flip chart - Markers <ul style="list-style-type: none"> o Scotch tapes 	<p>Frederic, Pascal, Winnie, Daniel</p> <p>Winnie and Daniel help Frederic in writing down the answers from the participants during the training</p>
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