



# LAO PDR TOURISM COVID-19 RECOVERY ROADMAP 2021-2025



Ministry of Information, Culture and Tourism

**LAO PDR TOURISM COVID-19 RECOVERY  
ROADMAP 2021-2025**



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ  
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**ຂໍ້ຕົກລົງ**

**ວ່າດ້ວຍການຮັບຮອງແນວທາງພື້ນຟູການທ່ອງທ່ຽວຂອງ ສປປ ລາວ  
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- ມາດຕາ 2 ມອບໃຫ້ກົມພັດທະນາການທ່ອງທ່ຽວ, ກົມຄຸ້ມຄອງການທ່ອງທ່ຽວ, ກົມໂຄສະນາການທ່ອງທ່ຽວ, ກົມແຜນການ ແລະ ການຮ່ວມມືສາກົນ, ສະຖາບັນສື່ມວນຊົນ, ວັດທະນະທຳ ແລະ ທ່ອງທ່ຽວ, ພະແນກຖະແຫຼງຂ່າວ, ວັດທະນະທຳ ແລະ ທ່ອງທ່ຽວນະຄອນຫຼວງວຽງຈັນ, ບັນດາແຂວງໃນທົ່ວປະເທດ ແລະ ພາກສ່ວນຕ່າງໆ ທີ່ກ່ຽວຂ້ອງຄົ້ນຄວ້າຈັດສັນງົບປະມານ ແລະ ຈັດຕັ້ງປະຕິບັດ ແນວທາງພື້ນຟູການທ່ອງທ່ຽວຂອງ ສປປ ລາວ ຈາກການແຜ່ລະບາດຂອງພະຍາດ ໂຄວິດ-19 ສຳລັບປີ 2021-2025 ໃຫ້ປະກົດຜົນເປັນຈິງ.
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- ມາດຕາ 4 ຂໍ້ຕົກລົງສະບັບນີ້ມີຜົນສັກສິດນັບແຕ່ມີລົງລາຍເຊັນເປັນຕົ້ນໄປ.



ສວນສະຫວັນ ວິຍະເກດ

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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>COVID-19</b>	Corona Virus Disease 2019
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>GoL</b>	Government of Laos
<b>IATA</b>	International Air Transport Association
<b>IMF</b>	International Monetary Fund
<b>LATA</b>	Lao Association of Travel Agents
<b>LBA</b>	Lao Bus Association
<b>LDC</b>	Least Developed Counties
<b>LHRA</b>	Lao Hotel and Restaurant Association
<b>LMFA</b>	Lao Microfinance Institution Association
<b>LNCCI</b>	Lao National Chamber of Commerce and Industry
<b>MoAF</b>	Ministry of Foreign Affairs
<b>MoF</b>	Ministry of Finance
<b>MoIC</b>	Ministry of Industry and Commerce
<b>MICT</b>	Ministry of Information, Culture and Tourism
<b>MPI</b>	Ministry of Planning and Investment
<b>MoLS</b>	Ministry of Labour and Social Welfare
<b>MoPH</b>	Ministry of Public Health
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>PMO</b>	Prime Minister of Office
<b>PRC</b>	People's Republic of China
<b>SDGs</b>	Sustainable Development Goals
<b>SEZ</b>	Special Economic Zone
<b>SME</b>	Small and Medium Enterprises
<b>SBS</b>	Southern Bus Station
<b>THB</b>	Thai Baht
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNTWO</b>	UN World Tourism Organization
<b>WB</b>	World Bank
<b>WHO</b>	World Health Organization

## EXECUTIVE SUMMARY

Before 2020, tourism in Lao PDR was one of the largest sources of foreign exchange earnings, only behind mining and electricity. International tourism arrivals reached a peak in 2019 as 4.79 million visitors came to Laos and spent \$934 million dollars. This makes for a contribution of tourism spend to the Lao economy of 9.1%. It also created employment for 300,000 people in Lao PDR.

COVID-19 has paralysed the tourism industry, with a decline of international tourism arrivals around 74%. Tourism businesses experienced a huge drop in revenue of somewhere between 70 and 80%. Almost all workers in the tourism sector, both directly and indirectly, have been impacted through unpaid salaries, loss of income and increase in outstanding debts (water bills, electricity bills etc), the negative impact on households' disposable income and a decline in domestic demand.

The biggest challenge tourism businesses in Lao PDR have reported as a result of COVID-19 is the high risk of needing to terminate their business due to cashflow issues and lack of working capital. At least 50% of tourism businesses have reported cashflow issues as a result of COVID-19, and up to 65% of formal businesses have reported a high risk of needing to terminate at least part of their operations. In interviews as well as the stakeholder consultation workshop, the private sector stressed that financial support to tourism businesses should be an immediate priority, to avoid the sector to collapse in the short to medium term.

### ***The tourism recovery road map considered three options to support the recovery of the tourism sector in Lao PDR:***

- I. Domestic tourism:** the immediate response to the closure of borders (to protect the population from COVID-19) and to prop up the tourism sector was to (re-) focus on domestic tourism, in order to compensate for the immediate halt in international tourism arrivals. Many countries are implementing a domestic tourism strategy, which can be successful for countries that a/ had a strong domestic tourism segment prior to the COVID outbreak; b/ have plenty of substitution options for air-based travel (car, train); and c/ where the economy is sufficiently strong so spend on tourism products and services continues. Applying these factors to the Lao context, it seems unrealistic to assume that domestic tourism, in the short term, will provide the cash flow to tourism businesses in Lao PDR to survive the immediate crisis. The private sector confirmed this thinking: Whilst a re-focus on domestic tourism provides businesses with a professional development opportunity and a means to keep good quality staff, the revenue raised is not sufficient to keep businesses going in this time of crisis, due to the low population, low buying capacity



and lack of typical tourism behaviours amongst the domestic population. Domestic tourism should not be downplayed or forgotten either: whilst it is unlikely to provide the financial relief in the short term, in the mid-term it will help boost the sector's resilience and will help manage the peaks and troughs of the high and low season that are typical of international tourism arrivals.

2. **Travel bubble:** this should be given a high priority as it has the opportunity to provide immediate cash flow to the sector. It would require efforts with developing strong health protocols, the ability to respond quickly when the pandemic situation shifts again and, importantly, more market intelligence on travel sentiment and preferences of the source markets of the bubble. This will support the tourism sector to make adjustments to reflect these preferences.
3. **Greening of tourism and sustainable tourism:** outdoor activities are more popular amongst consumers because of the lower likelihood of infection - nature-based tourism can facilitate this. Studies indicate that the sustainability driver as part of consumer decision making behaviour has a lower impact than for example the attractiveness of domestic destinations and transport alternatives to air transport, therefore it is wise that the main focus of the tourism recovery roadmap in the short term should not be on this option, it should be considered as a medium to long term priority.

Based on research of strategy options, the action plan presented by the Ministry of Information, Culture and Tourism (MICT) in July 2020, potential donor partners' guidelines for recovery of the tourism sector and interviews with the private sector, the tourism recovery roadmap covers 3 themes:

1. Economic relief to protect jobs and interventions to revive the tourism sector;
2. Build confidence amongst travelers and strengthen the sector; and
3. Upgrade, expand and diversify tourism products, services and markets



Each of these themes is delivered through a total of 8 priorities:

Recovery themes	1. Economic relief to revive the tourism sector	2. Build confidence in travel and strengthen the sector	3. Upgrade, expand and diversify
<b>Strategic priorities</b>	<ol style="list-style-type: none"> <li>1. Intensify structured engagement between Government and private sector</li> <li>2. Deploy tourism support package and provide businesses with liquidity (tourism relief fund, incentivize job retention and protect vulnerable groups)</li> </ol>	<ol style="list-style-type: none"> <li>3. Implement health protocols and communication strategy</li> <li>4. Invest in market intelligence (market research, data collection &amp; analysis), training and digital tools &amp; platforms</li> <li>5. Strengthen brand and boost marketing to reignite travel (domestic, top source markets through bubble)</li> </ol>	<ol style="list-style-type: none"> <li>6. Stimulate capital investment (renewing of assets)</li> <li>7. Diversify products (specific focus on greening and sustainability)</li> <li>8. Diversify markets (secondary source markets)</li> </ol>

**Strategic priority 1 Intensify structured engagement between Government and private sector** has the aim to intensify the collaboration between the private sector and the government. This partnership will be invaluable to enable the delivery of the actions over the short, medium and long term. Ideally this should include concerted efforts on marketing and allocation of a suitable marketing budget. Implementation of this priority will mean that the government and private sector will actively find ways to collaborate, beyond meetings, such as activation of the tourism board who is delegated to take on strategic activities such as marketing and market research, and which is driven by the private sector as well as government.



### **Strategic priority 2 Deploy a tourism support package and provide businesses with liquidity**

has the aim to provide businesses with liquidity to avoid mass closures of certain business types and to avoid well qualified staff to leave the tourism sector. If the sector collapses, the positive steps that Lao PDR has made through investing in training of quality tourism staff over the past years would be lost and it would set Lao PDR behind its competitors. A tourism relief fund and incentivizing job retention through training programs are integral to this priority.

### **Strategic priority 3 Implement health protocols and an associated communication strategy**

is seen as an immediate response priority, as health standards in destinations and insurance policies will increasingly affect traveler decision making.

### **Strategic priority 4 Invest in market intelligence, training and digital platforms and tools and strategic priority 5 Strengthen brand and boost marketing to re-ignite travel**

aim to support tourism SMEs with pivoting from international to domestic market segments through providing them with market intelligence (particularly getting a better understanding of the needs/wants and preferences of the domestic market segment), marketing campaigns and support to tourism SMEs for product development that is geared towards the domestic market segment.

Specifically, strategic priority 4 aims to stimulate an innovation culture: upgrade internet and communications networks to attract e-commerce leaders and digital nomads and investment in technology that is seen as reducing the risk of contracting COVID-19, such as cashless payments.

When considering strategic priority 5, it requires policies that consider borders to re-open with low COVID-19 cases (not FREE from cases) In this case, what would need to be put in place should be carefully considered and acted upon as a matter of priority. Example of options to be considered are: rapid testing at borders, proof of negative COVID-19 test 72 hours prior to arrival, relaxing quarantine measures with negative tests, only travel to accredited hotels and with a preset itinerary with another COVID-19 test 5 days after arrival, opening of borders to all or some nationalities with specific control measures, travel permissions for those who have proof of a COVID-19 vaccine.



**Strategic priority 6 Stimulate capital investment** aims to facilitate renewal of national and public infrastructure, attract investors to specific tourism products (such as sustainable tourism and nature-based tourism), provide incentives to upgrade technology (cashless payments, internet connectivity, GPS maps).

**Strategic priority 7 diversify products and strategic priority 8 diversify markets** aims to consider where Lao PDR wants to head towards in 2 years' time, with regards to the geographic and demographic market segments it wants to attract and the products and services it should develop to meet the needs of those segments (focusing on greening of tourism and sustainable tourism). A thorough understanding of core source markets (hence the need for priority 4) and the ability to shift to growth source markets is key, and in the case of Lao PDR, it is important to start investing early on in market intelligence (for example on the China market segment given the expected opening of a strong rail link which will likely bring an increase of visitors to Lao PDR). To make this investment in both new markets and new products successful, it will firstly require a thorough understanding of the needs, wants, motivations and spending patterns of those key source markets as that enables the ability to respond with investment in product development and marketing that reflects the knowledge about the source market.

The tourism recovery roadmap lists 56 actions to deliver on the 3 themes and 8 priorities and will be delivered in 3 phases:

Phase 1, which will deliver on the immediate needs over period January 2021 to June 2021

Phase 2, which will deliver on the mid-term needs for period July 2021 to June 2022

Phase 3, which will deliver on the long-term needs for the period July 2022 to December 2023

The recovery plan timeframe is set to end in December 2023, in line with predictions that recovery will be to pre-COVID levels by 2024. However, it is likely that the timeframe for phase 3 will be extended with up to 2 years. In that case the tourism recovery roadmap will cover 5 years, spanning the period 2020 to 2025.

## IMPACT OF THE COVID-19 PANDEMI

This chapter provides a brief outline of the impact of COVID-19 on the economy, on tourism and on tourism supply chains in Laos, regionally and globally.

### Tourism in Lao PDR

In Lao PDR, tourism arrivals reached a peak in 2019 totalling 4.79 million and international tourism receipts of \$934 million. Direct revenue from tourism grew by 15% and arrivals increased by 14.4% between 2018 and 2019. During 2010–2019, international tourist receipts increased faster than international arrivals, suggesting an increasing value addition from the sector.

Tourism has become a key contributor to Lao economic development, accounting for 9.1% of the overall economy and employing over 300,000 people in 2019 (World Travel and Tourism Council 2019). It was also one of the largest sources of foreign exchange earnings for Lao PDR, only behind mining and electricity in 2019. It has the potential to overtake mining and electricity export revenue in less than five years if the sector grew by 14-15% and become the top export earners for Lao PDR (ADB 2020a).

The top four source markets of international tourists in Lao PDR in 2019 were Thailand (45%), China (21.3%), Viet Nam (19.3%) and the Republic of Korea (4.2%), contributing to the total of 4,791,065 inbound tourist arrivals in 2019.

Domestic tourism, however, was much smaller – in 2019 there were 2.3 million domestic tourists among a population of 7 million. A survey done of tourism enterprises in 2019 indicates that only 20% of the guests in Luang Prabang were domestic compared with 62% in Vientiane Capital. About Global impact of the pandemic on tourism.

Before the coronavirus disease (COVID-19) outbreak, travel and tourism contributed 10.4% to global gross domestic product (GDP) and supported 319 million jobs. International tourist arrivals reached 1.5 billion in 2019, and the United Nations World Tourism Organization (UNWTO) forecasted that international arrivals would grow by 3%–4% in 2020 (ADB 2020a).

COVID-19 has paralysed tourism across the globe since early 2020 and the UNWTO reported 22% fewer international arrivals in the first quarter of 2020 compared with the same period in 2019, with the largest drop in the Asia and Pacific. It also reports that global arrivals could decline by up to 78% in 2020, which would place 120 million jobs at risk and reduce visitor exports by \$1.2 trillion (ADB 2020a).

Especially in the first three months of 2020, airlines from all over the world canceled or reduced flights by 55.3%; cancellation of hotel bookings was 75%; the number of international tourists decreased by 67 million; when compared to the same period of 2019, the number was reduced by 22% (MICT 2020).

### **Impact of the pandemic on the economy and on tourism in Lao PDR**

The impact of the pandemic on the Lao economy, and specifically tourism has been devastating.

It commenced with the lockdown in China in January, followed by the nationwide lockdown in Lao PDR from 30<sup>th</sup> March to 19<sup>th</sup> April and extended to 3<sup>rd</sup> May 2020. This has resulted in a sudden jump in unemployment, as most

businesses had to temporarily cease operations during the 33-day lockdown; many have remained closed since. Many of those that have resumed operations were operating at a much lower capacity than before the COVID-19 crisis (UN 2020b).

The socio-economic impact on Lao PDR is significant:



- Loss of remittances estimated around USD136 million due to the return of more than 130,500 migrant workers.
- Loss of income with a negative impact on disposable income and a decline in domestic demand, due to unemployment. The unemployment rate was 23.4% as of July 2020 (32.6% unemployment rate for women and 19.7% for men). A plunge in demand has forced some businesses to remain closed beyond lockdown or downsize, further worsening unemployment and falling incomes across sectors.
- Rise of inflation from 3.3% in 2019 to 6.1% in first five months of 2020, with increases in the prices of food and clothing in both years, as well as household furnishing and maintenance, communication, health care, and miscellaneous in 2020.
- 361,000 individuals are at risk of falling into poverty due to COVID-19 impact. This would add approximately 5.2% more to the national poverty rate, with proportionally higher in rural area. (UN 2020b)

The impact on the tourism sector specifically is highly concerning, and **Error! Not a valid bookmark self-reference.** and

Table 2 give some sense of the extent of the damage COVID-19 has caused the tourism sector

Table 1: Tourism numbers in 2019 versus 2020 (MICT 2019 and MICT 2020)

Lao PDR major source markets	2018 (% of total arrivals)	2019 (% of total arrivals)	2019 (arrivals, Jan to Sep)	2020 (arrivals, Jan to Sep)	% drop for period Jan - Sep 2019 to Jan - Sep 2020
Thailand	46%	45.1%	1,519,476	350,098	-77%
China	19.2%	21.3%	259,205	138,457	-47%
Viet Nam	20.7%	19.3%	701,931	186,174	-73%
Republic of Korea	4.2%	4.2%	135,191	40,207	-70%

Table 2: Impact of COVID-19 on the tourism sector (UN 2020b)

	Impact of COVID-19	Reference period
International arrivals	-74%	January – September 2020
Revenue from tourism	-41%	January – March 2020
Revenue from accommodation	-79%	January – March 2020
Revenue from tours (tour companies)	-79%	January – March 2020
Revenue from tourist attractions	-81%	January – March 2020
Revenue from restaurants and entertainment	-72%	January – March 2020
Domestic tourists staying in accommodation	-33%	January – March 2020
International tourists staying in accommodation	-82%	January – March 2020
Lao Airline number of passengers	-66.5%	January – June 2020
Lao Airline revenue	-66.3%	January – June 2020
50% or more staff have been laid off	80% of enterprises	Luang Prabang and Vangvieng

Almost all workers in the tourism sector, both directly and indirectly, have been impacted through unpaid salaries, loss of income and increase in outstanding debts (water bills, electricity bills etc), the negative impact on households' disposable income and a decline in domestic demand. Many workers who were ordered to stay home during the lockdown were not called back, especially in

travel and tourism businesses, their supply chains, and businesses earning a good proportion of their income from servicing visitors, e.g., retail businesses, restaurants, massage & spa (UN 2020b).

Surveys conducted by the ADB and UNDP indicate that 50% of enterprises were temporarily closed in May 2020, 70% had reduced employees, with a larger number of female employees being laid off (40%) compared with male employees (34%) (ADB 2020a, UN 2020b).

Even in Vientiane Capital, where many enterprises were still operational, about 65% had reduced employees. In Louangphabang and Vangvieng, more than 80% of these enterprises had cut back more than 50% of their employees. The impact of COVID-19 is more severe in Luang Prabang and Vangviang, where tourism enterprises drive the local economy and mainly target international and leisure tourists. Enterprises that targeted international guests laid off 46.3% of their employees, while enterprises that targeted domestic guests cut down employees by 26.5% (ADB 2020a).

The WB, and ADB have provided estimates of reduction in Lao PDR's GDP growth due to the simultaneous drop in tourism revenue, remittances, and commodity prices; the drop is estimated to be somewhere between 0.5% and 2%.

The UN Socio-economic impact assessment further paints a bleak picture of the tourism economy:

- 75% of tourism establishments were closed during the lockdown period, with 70% having laid off staff. 90% of hospitality businesses remain closed after lockdown due to a lack of clients
- Layoffs, unpaid breaks, and salary cuts between 20% and 50%. Average lay-offs of staff was 42%
- Significant income declines for three quarters of the MSMEs<sup>1</sup>: 41% of MSMEs reported an income decline of 41 to 60%, 27% of MSMEs reported an income decline of more than 60%
- Women workers are affected most heavily, as the impact is more severe in the tourism, wholesale and retail trade and other tourism related service industries<sup>2</sup>

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<sup>1</sup> Micro enterprises and those in the informal sector account for more than 80% of enterprises in Lao PDR, of which 91% are owned by women

<sup>2</sup> Women account for around 61% of the work force in tourism, 57% in wholesale and retail trade, and 58.6% in manufacturing

- The entertainment business, which directly employs 10,000 – 20,000 workers, remained prohibited. (Entertainment businesses are included in “art, entertainment and recreation”, which employed 9,000 workers, but many are administratively included in other service categories, particularly in “accommodation and food service activities” and “other service activities”, which together employed 65,000 workers in 2017).
- around 55% of enterprises reported in June-July 2020 that they could only stay in business for another five months, though crucially, relying on credit from friends or relatives, and not through formal financial transactions with domestic financial institutions.

Table 3 provides some insight into the impact of COVID-19 on the tourism supply chains:





Table 3: Impact of COVID-19 on the tourism supply chains<sup>3</sup>

Supply chain	Revenue	Employment	Outlook
Transportation	<ul style="list-style-type: none"> <li>- Lao Airlines: loss of 66.5% of passengers and 66.3% loss in revenue in period Jan-Jun 2020, 95% loss in April to May and 85% loss in June, as compared to same period in 2019 (June 2020)</li> <li>- Bus and taxi services: significant fall in numbers 9 June 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- Lao Airline: employees are paid 30% of regular salaries; no staff laid off (June 2020)</li> <li>- Lao Bus Association: employees are paid 50-70% of regular salaries; some workers requested to take leave without pay (June 2020)</li> <li>- 25 taxis seized due to lack of payments on interest (June 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- Lao Airline: substantial losses expected with slow recovery</li> <li>- Bus services: gradual recovery as domestic travel resumes</li> <li>- Taxis: 50% bankruptcy by mid 2021, as it depends much more on foreign clientele</li> </ul>
Travel agencies	<ul style="list-style-type: none"> <li>- Inbound agencies: 100% losses since lockdown (June 2020)</li> <li>- Outbound agencies: some income from domestic tours (June 2020)</li> </ul>	Employees requested to take leave without pay (June 2020)	Uncertain
Tour operators	<ul style="list-style-type: none"> <li>- Tour activities of more than 4 hours are severely affected (June 2020)</li> <li>- Those on main roads and with short tours are attracting some domestic tourists (June 2020)</li> <li>- Domestic tourism is not raising enough revenue to cover costs (Nov 2020)</li> </ul>	30-60% of staff on leave without pay (June 2020)	Expected closures by end of 2020 Louangphabang Tourism Association: 80-90% of members to go bankrupt by end of 2020

<sup>3</sup> Source: UN 2020b and interviews Nov 2020

	<ul style="list-style-type: none"> <li>- Luang Prabang Tourism association members (hotels, restaurants, farms, weavers, souvenir producers, etc): loss of 70-80% of revenue in 2020 compared to previous year (June 2020)</li> </ul>		
Hotels & restaurants	<ul style="list-style-type: none"> <li>- Lockdown – 100% reduction in revenue, after that up to 80% in loss of revenue (June 2020)</li> <li>- Restaurant sales dropped by 60% compared to same time last year (Nov 2020)</li> <li>- Hotel sales dropped by 70% compared to same time last year (Nov 2020)</li> <li>- Hotels with quarantine quotas can get up to 30% occupancy (Nov 2020)</li> <li>- Most businesses give 50% discount as a survival strategy (Nov 2020)</li> <li>- Some hotels are closed and up for sale (Nov 2020)</li> <li>- Domestic tourism is not raising enough revenue to cover costs (Nov 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- 40% of workers on leave without pay (June 2020)</li> <li>- 80% of workers laid off (June 2020)</li> <li>- Up to 75% of staff laid off (Nov 2020)</li> <li>- Paid 10 to 20% of regular salaries as a business survival strategy; not laying off staff as well trained and quality staff are difficult to find in Lao PDR (Nov 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- Debt is likely to grow as interest cost on loans accumulates, resulting in some bankruptcies (June 2020)</li> <li>- 20% of businesses will face bankruptcies (June 2020)</li> <li>- Substantial losses - Don't expect to survive beyond mid 2021 (Nov 2020)</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>- Some impact on crops that supply restaurants and hotels: 10 to 30% drop in Louangphabang, Vangvieng and Savannakhet (June 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- No information</li> </ul>	<ul style="list-style-type: none"> <li>- No information</li> </ul>

	- Drop in sales continued past the lockdown period		
Wholesale and retail trade, repair of motor vehicles and motorcycles	- No information	- 20% of workers laid off (June 2020)	- No information



## CURRENT CHALLENGES, EMERGING TRENDS AND RECOVERY INFLUENCERS

### Challenges for the tourism sector globally

Indications are that recovery of tourism globally is unlikely to happen until a vaccine is readily available and economies in source countries are rebounding. McKinsey's tourism recovery model forecasts a cumulative drop of \$3 trillion to \$8 trillion before tourism expenditure returns to 60 to 80% of pre-COVID-19 levels in 2021, with full recovery not expected until 2023 (McKinsey 2020b).

The halt in tourism is having a knock-on impact on the wider economy, given the interlinked nature of the sector. The OECD estimates that more than a third of the tourism value added generated in the domestic economy comes from indirect impacts, reflecting the breadth and depth to linkages between tourism and other sectors (e.g. food production, agriculture, transport, business services) (OECD 2020).

Enduring restrictions on global mobility (reduced air access, lock downs and stringent immigration and entry procedures, quarantine rules) are expected to continue into 2021 as Europe is experiencing a second wave and early attempts, such as those between Australia and New Zealand to open a travel bubble, are slow to emerge.

Countries with substantial domestic tourism markets or which can form regional 'travel bubbles' are likely to experience quicker recoveries than those countries dependent on inter-regional markets and particularly those dependent on China, Europe and the U.S (WB 2020).

With the downturn increasingly likely to be protracted, tourism is unlikely to return to pre-COVID-19 levels for several years and it seems unavoidable that this is likely to lead to a wave of bankruptcies and closures – only the very strongest with the deepest pockets and lowest exposure to debt will survive. Unfortunately, Lao is likely not to be an exception to this, as the next chapter demonstrates further.



## Challenges of the tourism sector in Lao PDR

How well Lao will be able to position itself amongst other regional destinations is of big concern to the private sector, and it will almost certainly require both supply and demand side interventions and actions. Even before COVID-19 Laos was less competitive than its neighbours, and this is likely slowing the rate and likelihood of recovery of the tourism sector even more.

The pandemic is expected to last into 2021, and businesses are facing a growing difficulty repaying loans, raising risks of business closures.

As a result of COVID-19, up to 65% of formal businesses have reported a high risk of needing to terminate at least part of their operations (UN 2020b). Businesses report issues with cashflow as approximately 50% of businesses stated in May that they only had enough financial reserves to last 4.5 to 5 months. Although respondents cite lack of working capital as a major obstacle to continue or resume their businesses, they are reluctant to borrow from financial institutions, and alternatively prefer fiscal support measures such as tax relief and cash transfers as well as improved COVID-19 screening at the border to protect public health and build consumer confidence (ADB 2020a).

Challenges induced by the pandemic are experienced even more by women in Lao PDR, who account for more than half of the owners of newly registered MSMEs, as they are often less resilient to economic shocks and less able to take advantage of digital solutions. The tourism and garment sectors, where women feature prominently, have been amongst the hardest hit sectors (UN 2020b).

Businesses report challenges in keeping the doors open and most firms in Lao PDR (60% to nearly 90%) did not think government tax measures have meaningfully helped. They are asking for urgent assistance on utility bills (mainly electricity), loan repayment delay, low interest loan, a temporary break on tax obligations, and advisory support (UN 2020b). The sector feels they are not being heard, and that despite concerted effort by the Government, support has not been quick enough to arrive.

Tourism businesses do not see domestic tourism as a viable recovery strategy in the short to mid-term, due to the low population, low buying capacity and lack of typical tourism behaviours amongst the domestic population. One business commented that the promotion efforts to the domestic tourism market are more a professional development opportunity (practice of good communications with suppliers, testing the market and the different

promotion avenues) and a means to keep good quality staff, rather than a revenue raising opportunity. From a financial perspective it is not good return on investment – the revenue will not keep the company going in this time of crisis, it is costing the company.

Interviews in November 2020 with the private sector and the stakeholder consultation workshop in December 2020 indicated the same views about domestic tourism: it is considered a “niche market”. When there are 500,000 domestic travellers and only 1,000 buy a package, it demonstrates that spending on tourism product by the Lao population is very limited. Hotels and restaurants heavily discount their packages for domestic tourism (70% to 80% discounts) however this is not sustainable, even in the short term, as cash flow is needed to pay the bills. As a mid-term strategy, a focus on domestic tourism is seen as positive as it will help build the sector’s resilience and will help with managing the peaks and troughs of the high and low season that is experienced with international tourism arrivals. In the short term, the sector wants a financial relief package and this was strongly re-iterated in the Consultation workshop – if this is not delivered the majority of private sector representatives believe businesses will cease to operate by June 2021 and the sector will collapse. They want to see a clear relief package.

The sector wants to collaborate with the government for recovery, if this can be done in a true partnership where tasks are divided and each party is listened to and considered. The activation of a Tourism Board is desperately needed at this time of crisis.

Interviews indicate that a focus on sustainable tourism and greening of tourism is welcomed, however this is costly and should be met with some financial support, hand-in-hand with professional development support for businesses so they know how to do this (greening of their business) better.

The sector also would like more access to market intelligence, so they can better focus efforts on new products and marketing to growth source markets.

### Emerging trends and recovery influencers

Tourism recovery depends on global mobility, a vaccine, consumer sentiment and the ability for a destination to (re)-establish itself amongst its competitors.

Addressing the challenge of recovery of the tourism sector is a balancing act between safety, easing of travel restrictions, opportunities of sector strengthening and timely position of the destination.

Overall, countries that are actively looking at tourism recovery strategies are looking at ways to build a more resilient tourism economy post-COVID-19.

Despite this, all predictions and recovery models indicate that recovery will be slow and driven by the underlying dependencies countries had on domestic tourism (high impact), dependencies non-air travel (medium impact), health and hygiene factors (medium impact), the importance of business travel (medium impact) and sustainability as an influencer of travel decisions (low impact).<sup>1</sup>

Whilst there is currently no in-depth market research on traveller sentiment, there are indications that there is a desire for travel, but it is not clear which market segments are going to be acting first on this sentiment once travel restrictions ease and what the travel behaviour will be of those early adopters. It is

likely that travel behaviours will shift away from the baby boomer market segments and the higher yield market segments. Reduced disposable income as a result of economic losses due to the pandemic will almost certainly play a role in travel behaviour, and already developing countries are seeing the challenge of this with regards to igniting domestic tourism, which is hailed widely as the short-term recovery solution to the pandemic.

Communities will need to work together to create solutions. Historically, demand is known to rebound after a crisis, though the recovery time may vary. In this instance, the tourism sector can expect substantial change in supply and demand patterns emerging from this crisis. There will likely be a downturn in disposable income leading to less travel for some groups, and renewed travel for higher-end market segments (WVB 2020).



Transparency, good communications and demonstrable active steps regarding hygiene and safety measures will be key to restore confidence in source markets, in order to convert from interest to sales. There are early signs of a vaccine coming on the mark early 2021, however it is too early to understand what the impact of the roll-out of a vaccine will be on re-opening of borders for outbound travel and inbound travel, as well as consumer confidence in travel.

In the short-term there is a risk of widespread discounting to attract visitors to return, in the medium to long-term consolidation may spur price increases and reductions in the range and quality of services. Consequently, the travel and tourism sector that will emerge from the pandemic is likely to be smaller, in terms of both employment and revenue, than it was before. The process of consolidation and vertical integration is also likely to curtail opportunities provided by the sector for operators from developing countries (WVB 2020).

Globally tourism has proven to be resilient to many events in the past decades, however the scale of disruption in 2020 is unprecedented and far more severe, and one cannot rely just on innate resilience of the sectors strongest players. The role of strategy and effective policy implementation is going to be playing a crucial role in recovery and in (re)-positioning of any destination in a competitive landscape.

It is anticipated that the following features will be common to successful recovery strategies:

- **Market diversification and product diversification:** successful recoveries often achieve structural change because they force investment into new regions while traditional markets return organically over time. A thorough understanding core source markets and the ability to shift to growth source markets is key. New source markets bring new visitor preferences and with that, product development opportunities.
- **Return-on-investment driven decisions:** investments should be made against clear assessments of opportunity cost versus multi-year gains, and this should be supported by phased marketing communications and travel trade engagement programmes.
- **Messaging:** recovering destinations use the value for money propositions hand-in-hand with subtle messaging on safety and security.
- **Comprehensive strategy:** whilst it is tempting to adopt a single high-impact intervention such as a marketing campaign or price cuts, or easing visa restrictions and opening borders, those actions alone are unlikely to bring recovery and a competitive positioning of the destination in the long run. A comprehensive strategy that takes into account all levers and drivers of the industry and the transformation initiatives should be addressed and worked on.<sup>1</sup>

## APPROACHES AND INTERVENTIONS

This section covers recommendations by international organisations on the approach to tourism recovery. This is of importance so the GoL can target its efforts in exploring partnership opportunities for tourism recovery. It also covers the impact of a vaccine on re-opening of boarders and it gives some case studies of how some other countries have responded to the pandemic.

### **International organisations' recommended tourism recovery priorities**

International organisations are responding with guidelines for policy responses to the recovery of the tourism sector. Table 4 provides an overview of the recovery focus areas of the WB, UN, ADB and European Commission:



Table 4: Tourism recovery focus areas for international organisations

WB	UN / UNWTO	ADB	European Commission
<ol style="list-style-type: none"> <li>1. Liquidity injection, cost reduction</li> <li>2. Adaptation and sector restructuring</li> <li>3. Improvement to tourism offering</li> <li>4. Use digital tools and platforms</li> </ol>	<p>UN: focus on sustainable tourism, fair distribution of tourism's benefits and building partnerships.</p> <p>UNWTO:<sup>4</sup></p> <ol style="list-style-type: none"> <li>1. Manage the crisis and mitigate impact</li> <li>2. Provide stimulus and accelerate recovery</li> <li>3. Prepare for the future</li> </ol>	<ul style="list-style-type: none"> <li>- Domestic tourism</li> <li>- Travel bubble</li> <li>- Non-discriminatory approach to opening borders, with harmonized and cross border health protocols</li> </ul>	<p>Health response</p> <p>Socio-economic response</p>

## WORLD BANK

The WB recommends a 4 phased recovery strategy, with the first phase focusing on liquidity injection and cost reduction, the second phase on adaptation and sector restructuring, the third phase on improvement to the tourism offering and the fourth phase on the use of digital tools and platforms.

It recommends WB clients to consider the following aspects in the short, medium and long term in its response strategy:

- Short term: liquidity injection and cost reduction as a short-term response, to avoid insolvency and support tourism operators so they are able to launch into what they do best, when the time is right. This includes waiving fees, tax rebates, government grants, wage subsidies, support for the industry to protect the health of workers, training tourism workers and repurposing tourism assets.
- Medium term: investing in information for evidence-based decision making (insights in the needs of SMEs, understanding traveller sentiment, sector analysis), incentivizing business expansion and entrepreneurship, strategizing recovery, (re-)launching a destination, improving access to finance

<sup>4</sup> UNWTO Tourism Recovery Technical Assistance Package: <https://www.unwto.org/news/unwto-releases-a-covid-19-technical-assistance-package-for-tourism-recovery>

- Long term: improving competitiveness and resilience through awareness raising of crisis management, supporting sector sustainability through greening, geographic diversification and improvement of data collection

The World Bank Group also promotes the new IFC Fast Track COVID-19 Facility, which assists private sector companies to cope with the impact of the global pandemic. As part of the facility, there is a \$2 billion Real Sector Crisis Response Envelope and a \$6 billion Finance Institutions Response Envelope. The package focuses on providing financing for existing IFC investment clients that are in good standing. Within the tourism sector, this will focus on clients mainly in the accommodation sector (WB 2020).

## UNITED NATIONS

The UN sees this pandemic-induced tourism crisis as an unprecedented opportunity to transform the relationship of tourism with nature, climate and the economy. It recommends a stronger focus on sustainable tourism, investments in the green economy and ensuring there is fair distribution of tourism's benefits by making a concerted effort to create decent jobs for all, especially for youth, women and the most vulnerable groups. It also recommends that the sector advances efforts to build a new model that promotes partnerships, to ensure effective coordination and implementation of recovery plans. Emphasis is also put on harnessing innovation and digitalization and placing host people at the center of development. The UN would like the tourism recovery been driven by evidence-based policies and carbon neutral investment and operations (UN 2020a).

The UNWTO recommends to focus on providing business liquidity and protecting jobs, recover confidence of travellers through safety and security and opening borders responsibly (UNWTO 2020). In addition, UNWTO priorities for tourism recovery include:- Public-private collaboration for an efficient reopening;

- Harmonize and coordinate protocols and procedures;
- Added value jobs through new technologies; and
- Innovation and sustainability as the new normal.



## ASIAN DEVELOPMENT

The ADB's policy brief on tourism recovery focuses on domestic tourism and a travel bubble:

- Domestic tourism is an attractive option for countries where there is a strong domestic tourism market, whilst acknowledging that promoting domestic tourism is not straightforward, due to lack of disposable income, containment measures and the time it takes to reorient tourism attractions geared for foreign markets towards domestic preferences.
- Travel bubbles are seen as an attractive option for economies that are highly dependent on tourism from one source country. In the case of Lao PDR, this would be a travel bubble with Thailand. ADB points out that, when considering a travel bubble, the impact of rapidly changing epidemiological circumstances on this strategy should be considered. Also, the need for establishment of harmonized health protocols for travel that consider the full customer journey as well as cross-border and regional contact tracing methods need to be included when executing on the travel bubble strategy.

ADB recommends that travel bubbles should only be seen as a second-best option that is temporarily in place, as a nondiscriminatory approach to travel is preferred. Several countries, such as the Maldives have chosen this option to open its borders for all international tourism. They have established guidelines around health checks for inbound tourists and protocols in the event of an outbreak. They are supported by their “one island one resort” tourism model which affords some natural social distancing (ADB, 2020b)

## EUROPEAN COMMISSION

The European Union support strategy focuses on:

- Responding to the immediate health crisis and the resulting humanitarian needs;
- Strengthening health, water and sanitation systems, as well as partner countries' capacities and preparedness to deal with the pandemic;
- Mitigating the immediate social and economic consequences, including support to the private sector with a focus on Small and Medium-sized Enterprises, and government reforms to reduce poverty.<sup>5</sup>

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<sup>5</sup> European Union n.d.



### Considerations of the COVID-19 vaccine for re-opening of borders

The imminent approval of and commencement of distribution of vaccines for coronavirus means the world is a step closer to opening up of borders and easing travel restrictions. However, the use of vaccines by source countries presents its own set of challenges and opportunities for countries wishing to welcome back international travellers in the short term.

Rapid policy decisions need to be made to keep pace with rapidly changing developments that result from the roll out of vaccines. Policy decisions will need to take into consideration what type (or types) of documentation or proof of vaccination (digital, plastic card, paper booklet, etc) will be accepted at borders, taking security considerations into account with regards to the validity of the document and possible falsifications. The World Health Organisation (WHO), the International Air Transport Association (IATA) and Interpol are considering possible approaches and policies around the use of vaccinations for safe travel:

- WHO: does not recommend countries issuing “immunity passports” for those who have recovered from COVID-19, and instead is investigating the prospects of using e-vaccination certificates. Introducing such a certificate would make it possible to identify and monitor people who have been vaccinated, and it would require policies at national level to be drawn up (The Guardian 2020a). Cyprus, as one of the first countries, has already announced waivers of testing for vaccinated visitors. This will go into effect from March 1<sup>st</sup> 2021 (The Guardian 2020b).

- IATA is in the final development phase of the IATA Travel Pass, a digital health pass that will support the safe re-opening of borders. The IATA Travel Pass will manage and verify the secure flow of necessary testing or vaccine information among governments, airlines, laboratories and travellers. The IATA Travel Pass is touted as an end-to-end solution that allows for: a/ global registry of health requirements for passengers, b/ global registry of testing and vaccination centres at departure points that meet the standards of testing and vaccination, c/ a lab app that enables authorised labs and test centres to securely share test and vaccination certificates with passengers, and d/ a contactless travel app that enables passengers to create a digital passport, receive vaccination and test certificates and share these with airlines and authorities to facilitate travel. Piloting of the Travel Pass are underway and the Travel Pass is due to be launched in the first quarter of 2021 (IATA 2020).
- Interpol has issued a global alert to law enforcement agencies across 194 member countries, warning them to prepare for organised crime networks targeting COVID-19 vaccines, fake websites and false cures as well as parallel production of and distribution of unauthorised and falsified coronavirus testing kits, as airlines and immigration authorities will be increasingly demanding passengers produce a negative test result. It is essential that law enforcement is as prepared as possible for what will be an onslaught of all types of criminal activity linked to the COVID-19 vaccine (Interpol 2020).

## Country Responses

Countries' policy responses to COVID-19 vary and the focus tends to be on short term relief to the sector, finding safe and healthy ways to re-open the borders early, re-igniting tourism with an immediate focus on domestic tourism and building for a stronger future.

### Short term relief to the sector

A number of countries offer relief packages:

- **Thailand** has put in place an SME support program that provides subsidies on salaries, low interest loans, tax and utilities payment deferrals. There is also support for the self-employed, in the form of handouts to contracts and temporary tourism workers for 6 months (Pearson 2020).
- **Armenia** has put in place a cash transfer program to support workers and entrepreneurs in the tourism sector, to the value of US\$137 – 274 (WVB 2020).
- The Government of **Jamaica** has allocated \$1.2 billion in grants to businesses operating in tourism and related sectors. Funding from multilateral partners and international institutions are to be made available for small and medium tourism enterprises (KPMG 2020).
- **Cambodia** has given tax exemptions for all tourism related businesses; employees receive 20% of salary but must attend Govt short skills course (Pearson n.d.)

## Early re-opening of borders

Some countries are opting for a “balance and manage”<sup>6</sup> strategy above the “zero-case-first”<sup>7</sup> strategy. Here are some examples:

- **Kyrgyzstan** has opened its borders to 31 approved countries with no mandatory quarantine requirements as long as a negative PCR test has been provided. Passengers need to undergo a health screening upon arrival and if symptoms are detected, they may be required to quarantine (Travel Off Path 2020a).
- **Maldives** re-opened its borders re-opened for international tourism for all countries under regular visa requirements on July 15th, 2020 and international flights resumed. Travellers require to show proof of a negative COVID-19 PCR test that was taken no more than 72 hours prior to departure. They also have to have a confirmed booking at a registered tourist facility. All tourist establishments required to obtain a permit for re-opening from 15th July 2020, even if the resort has remained in operation before this date (Ministry of Tourism Republic of Maldives 2020).
- **Malaysia** has allowed medical tourists from allocated ‘green zones’ to enter from 1<sup>st</sup> July 2020. As of July 21, the green zone countries are Brunei, Singapore, South Korea, Japan, Australia, New Zealand. This example of opening up early for a particular subsector demonstrates an approach that can more easily be supervised and quarantined and hence a great way to slowly restart a portion of the tourism sector, and at the same time allowing tourists in that will be directly investing into the country (Travel Off Path 2020b)



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<sup>6</sup> A balance and manage strategy focuses primarily on rebuilding confidence in travel through the implementation of health and safety measures. It is often associated with opening international travel to countries and welcoming international travellers from countries with similar strategies (McKinsey 2020a)

<sup>7</sup> A Zero-case-first strategy focuses on getting the pandemic to zero before tourism is considered. This is seen as a good strategy where there is a strong domestic tourism market and where the potential for domestic recovery is high (McKinsey 2020a)

- **Nepal** used a similar strategy to Malaysia, where the country has opened for its most important subsector in tourism – trekking and mountaineering groups. The approach was slightly different, as Nepal firstly did a test run with a foreign expedition team to get a good idea of how to manage the adventure tourists. A team of mountaineers from Bahrain was given special permission to scale Mount Lobuche and Mount Manaslu. They were made to follow all the new rules placed by the government and reported no problems. Mountaineering and trekking travellers have been pre-approved with a visa, must present proof of a negative COVID-19 test taken no longer than 72 hours before



departure and will have to quarantine in a hotel for seven days at their own expense. On day five, at the government's expense, another PCR test will be performed. If the test is negative, they will be able to leave and continue with their trip on day 7 (Nepal Tourism Board 2020)

### **Focus on domestic tourism**

Many countries around the world have focused their early response to supporting the domestic tourism sector through various marketing and financial support mechanisms. Two are worth mentioning:

- **Thailand** offered fiscal support for the tourism industry as well as a domestic tourism subsidy: the domestic stimulus package, worth 22.4 billion THB will cover some cash relief and domestic incentive travel such as:

- 2.4 billion THB for 1.2 million health volunteers and hospital officials, subsidizing them with a 2,000 THB voucher for a trip (2 days, 1 night) that must be booked via tour firms, expected to help 13,000 tour firms
- 18 billion THB for 5 million nights at hotel accommodation at 40% of normal room rates (subsidy limited to 3,000 THB/ night up to 5 nights). Other services, such as food, are capped at 600 THB/ room/ night, and must be outside of the traveller's home province
- 2 billion THB fund to subsidize domestic flight fares, inter-provincial bus fares and car rental fees for 2 million people. It will pay up to 40% of expenses, limited to 1,000 THB/ tour (Bangkok Post 2020).

- **Japan** is delivering an innovative marketing and financial support to promote domestic travel. It is offering businesses subsidies so residents of the town Hokkaido can get up to 50% discount to travel in their own region. The incentive gives tourism providers a certain amount of money (based on the numbers in their application) to offset rates, making it cheaper for guests to book accommodation, transport and activities. Businesses that are eligible for the funds are those who practice the “New Hokkaido Style”. 2.3 billion Yen has been set aside for the incentive program (Vacationniseko.com, 2020).

### **Building for a stronger future**

Many countries are trying to build a stronger future for its tourism sector, by focusing on innovation, culture, embracing e-commerce, strengthening digital tools and platforms and pivoting to new products & market diversification. Here are some examples:

- **Georgia, Barbados and Estonia** have designed visa program to encourage remote workers to spend an extended time in the country and in this way boost their tourism economies. Digital Worker Visa programs attract digital nomads on long term visas. The application process often entails providing proof of income, an active passport and medical insurance (Insider 2020).
- **Finland** has allocated €5.5 billion to support a sustainable emergence from the crisis; some of those funds can be used to recover and further develop nature tourism, including protecting green areas, water services and forest conservation (Finnish Government 2020).
- **Egypt, Israel and Greece** are providing online tours of cities and attractions as way to keep their destination brand active and promote attractions directed at source markets (WB 2020). The virtual tours target both international and domestic markets, serving a dual purpose of



promoting domestic tourism and strengthening the brand internationally. It works much like a Google Maps tour, allowing you to navigate the space and take a closer look at specific details.

- **Myanmar** has adopted a seven-goal strategy for its COVID-19 relief plan, and promoting innovative products and platforms is part of this. The Government proposes to promote the use of mobile payment services, bank transfers or card payments for e-commerce sales and encourage retail businesses to use e-commerce and social commerce systems (Baker McKenzie, 2020).



## RECOMMENDATIONS FOR RECOVERY PRIORITIES AND ACTIONS

### Domestic tourism as a priority for recovery

Domestic travel is hailed to be the savior of the tourism sector in the short to medium term and international organisations are promoting this as a strategy that can have immediate positive effect on tourism businesses.

In the past months more studies on economic modelling of tourism as an economic recovery tool have been published, with McKinsey's recovery modelling and the ADB's policy brief the most relevant for the purpose of this report.

Domestic tourism will return to pre-crisis levels around one to two years earlier than outbound travel, with multiple factors driving this: having a domestic travel segment before COVID-19, fewer restrictions for travel within own country, more substitution options for non-air-based travel (such as cars and trains), anxiety. A larger share of this domestic travel is expected to be business travel, VFR and stays in vacation rentals rather than hotels (McKinsey 2020b). Those countries with a robust domestic tourism sector and high-quality networks of land transport will likely recover faster, indicating that domestic tourism and land transport will play critical roles in recovery.

This chapter describes strategic priorities, interventions and phases for Lao PDR's tourism recovery. Key recommendations are based on best practices case studies of recovery actions taken by other countries, and include options for support of domestic tourism, development of a travel bubble and strengthening the green tourism and sustainable tourism subsectors.

McKinsey is very clear about domestic tourism as an immediate recovery strategy: it is likely to be effective for those countries that have a strong domestic tourism basis to start off from, more specifically, for countries

- a) That had a domestic tourism offering and demand before the crisis;
- b) Where domestic tourism was supported and driven through non-air transport links, in other words, land transport; and
- c) Where the economy is sufficiently strong so domestic tourism spend will continue (McKinsey 2020b)

These report findings tie in with the challenges that the private sector expressed with regards to domestic tourism in the November 2020 interviews.



The McKinsey report also ranked 10 countries in terms of its tourism sector recovery speed from the pandemic, with Germany nr 1, India nr 2 and China nr 3 in this ranking, for following reasons:

- Germany will recover fastest because it has a strong health system, a strong economy and already established strong land-based tourism options, which will mute negative impact
- India, despite an underdeveloped public health infrastructure and dependence on air travel, is the second strongest recovery country because of its strong GDP growth
- China, is third in place because it was one of the fastest-responding countries to minimize community spread and already had a massive domestic tourism sector pre-COVID. China's domestic tourism has rebounded quickly whilst outbound travel is expected to be slower to recover due to travel restrictions remaining in place and fear by Chinese tourists of contracting the virus abroad (McKinsey 2020b).

Putting McKinsey's recovery modeling in the context of Lao PDR's tourism profile, the domestic tourism strategy should be seen as just one tactic for recovery as part of a broader strategy as its domestic tourism sector was not extensive pre-COVID and to date there has been a significant reliance on air travel.<sup>8</sup>

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<sup>8</sup> It would be worthwhile to compare domestic tourism spend with outbound tourism spend by Lao nationals to better estimate the benefit of domestic tourism as a short-term strategy, however at time of writing this report this information was not available. Hence the report relies on private sector interviews and scenario modelling.

The scenario modeling of McKinsey is also reflected in the ADB's scenario modelling. For Lao PDR, the ADB is suggesting that domestic tourism numbers are not sufficient to compensate for international tourism arrivals. The ADB model would consider domestic tourism sufficient to counter the negative impact from the pandemic if domestic tourists would spend an equivalent budget on travel as what they do for outbound travel (ADB 2020b). Unfortunately, interviews with the sector in November 2020 indicate that this is not the case and domestic tourism spend is just too low for tourism businesses to maintain cash flow during the crisis or to break even.

In light of these findings and studies done, it is unrealistic to assume that domestic tourism, in the short term, will provide the cash flow to tourism businesses in Lao PDR to survive the immediate crisis. Therefore, it is recommended that the tourism sector in Lao PDR not rely on a domestic tourism strategy as the most important immediate priority for recovery, and that other strategies should be part of an immediate priority. It seems imperative to focus on cash injection and economic relief to revive the tourism sector, whilst looking at domestic tourism as a more long-term market diversification strategy. This is reflected in the interviews with the tourism sector.

Domestic tourism has restarted and is helping to sustain jobs and businesses in some countries, but real recovery will only be possible when international tourism returns. This requires global coordinated, risk-based solutions so travel restrictions can be safely lifted (OECD 2020).

## **Negotiating travel bubbles as part of the recovery strategy**

Another option considered by Lao PDR for its tourism recovery strategy is to establish a travel bubble with other countries. The ADB's analysis points out that travel bubbles to date have been put in place (September 2020) for business travel only between the Republic of Korea and China, Singapore and China and Japan and Vietnam. These agreements typically are accompanied by quarantine periods, evidence of recent negative COVID-19 test and strict health protocols that need to be followed when leaving one country and entering the other (ADB 2020b).

## **Greening and sustainable tourism as a priority for recovery**

Nature-based tourism is likely to become more popular as it is seen as lowering the risk of contracting COVID. Nature areas are likely to become more attractive to tourists, such as nature tours in mountains where the air is fresh, as people spending time in outdoors have a lower likelihood of contracting COVID-19, as opposed to spending time in crowded indoor areas such as shopping centres.

This makes Lao PDR an attractive proposition and it is recommended to focus on this aspect in marketing campaigns. McKinsey argues that this will have lower impact on travel decision making (McKinsey 2020b), therefore it is wise that this should not become the main focus of the tourism recovery roadmap in the short term.

## Themes and priorities

A number of themes, priorities and phases are recommended to Lao PDR for its tourism recovery roadmap, and they are based on:

- MICT's tourism recovery plan of July 2020;
- Recommendations of strategic priorities by donors that can be potential partners for Lao PDR, in terms of supporting the implementation of the recovery roadmap;
- Case studies of recovery actions taken by other countries, as outlined in Chapter 0; and
- Research on recovery scenarios and recovery influencers as outlined in the previous chapters
- Interviews with the tourism private sector in Lao PDR

Lao PDR's tourism recovery roadmap is focused on 3 themes:

1. Economic relief to protect jobs and interventions to revive the tourism sector
2. Build confidence amongst travelers and strengthen the sector
3. Upgrade, expand and diversify tourism products, services and markets

Each of these themes is delivered through a number of strategic priorities, in total 8 priorities, as outlined in Table 5:

*Table 5: Strategic priorities of the tourism recovery roadmap of Lao PDR*

Recovery themes	1. Economic relief to revive the tourism sector	2. Build confidence in travel and strengthen the sector	3. Upgrade, expand and diversify
<b>Strategic priorities</b>	<ol style="list-style-type: none"> <li>1. Intensify structured engagement between Government and private sector</li> <li>2. Deploy tourism support package and provide businesses with liquidity (tourism relief fund, incentivize job retention and protect vulnerable groups)</li> </ol>	<ol style="list-style-type: none"> <li>3. Implement health protocols and communication strategy</li> <li>4. Invest in market intelligence (market research, data collection &amp; analysis), training and digital tools &amp; platforms</li> <li>5. Strengthen brand and boost marketing to re-ignite travel (domestic, top source markets through bubble)</li> </ol>	<ol style="list-style-type: none"> <li>6. Stimulate capital investment (renewing of assets)</li> <li>7. Diversify products (specific focus on greening and sustainability)</li> <li>8. Diversify markets (secondary source markets)</li> </ol>

**Strategic priority 1** has the aim to intensify the collaboration between the private sector and the government. This partnership will be invaluable to enable the delivery of the actions over the short, medium and long term. Implementation of this priority will mean that the government and private sector will actively find ways to collaborate, beyond meetings, such as activation of the tourism board who is delegated to take on strategic activities such as marketing and market research, and which is driven by private sector as well as government. Ideally this should include concerted efforts on marketing and allocation of a suitable marketing budget.

**Strategic priority 2** has the aim to provide businesses with liquidity to avoid mass closures of certain business types and to avoid well qualified staff to leave the tourism sector. The positive steps that Lao PDR has made through investing in training of quality tourism staff over the past years, would be lost and it would set Lao PDR behind its competitors. Whether cash relief is delivered to all businesses or is offered selectively or using incentives to meet long term strategic goals for tourism (for example, support those with least exposed business models (e.g. sufficient cash flow, least debt) those focused on specific market segments or those taking active steps towards greening and sustainable tourism) will depend on the GoL's appetite to use the pandemic to strategically invest in its tourism future.

**Strategic priority 3** is imperative and cannot be ignored or delayed and hence is seen as an immediate response priority. As per the McKinsey report on tourism recovery, health standards in destinations and insurance policies will increasingly affect traveller decision making (McKinsey, 2020b). China's distinct experience indicates that traveller behaviour and sentiment has evolved positively and restoring travel confidence is part of the process of growing demand.

**Strategic priorities 4 and 5** primarily aim to support tourism SMEs with pivoting from international to domestic market segments through providing them with market intelligence (better understanding of the needs/wants and preferences of the domestic market segment), a budget for marketing and adjusted marketing campaigns; and support to tourism SMEs for product development that is geared towards the domestic market segment.

Specifically, strategic priority 4 aims to stimulate an innovation culture: upgrade internet and communications networks to attract e-commerce leaders and digital nomads (think digital nomad visas issued by countries such as Barbados, Estonia and Georgia), investment in technology that is seen as reducing the risk of contracting COVID-19, such as cashless payments. Social media are now major sources of information and travel decisions in China (McKinsey 2020a) hence building digital touch points and experiences will be essential.

When considering strategic priority 5, it is recommended to investigate what neighbouring countries' policy is regarding outbound travel, and

if there is potential for travel to recommence with low COVID-19 cases (not FREE from cases) In this case, what would need to be put in place should be carefully considered and acted

upon as a matter of priority, for example rapid testing at borders, proof of negative COVID-19 test 72 hours prior to arrival, relaxing quarantine measures with negative tests, only travel to accredited hotels and preset itinerary with another COVID-19 test 5 days after arrival, opening of borders to all or some nationalities with specific control measures, or perhaps a specific policy focusing on travel permissions for those who have proof of a COVID-19 vaccine.

**Strategic priority 6** aims to facilitate national and public infrastructure investments, attract investors to specific tourism products (such as sustainable tourism and nature-based tourism), provide incentives to upgrade technology (cashless payments, internet connectivity, GPS maps).

**Strategic priorities 7 and 8** looks towards the future of tourism in Lao PDR, and form part of the longer-term priority in the tourism recovery roadmap. It aims to consider where Lao PDR wants to head towards in 2 years' time, with regards to the geographic and demographic market segments it wants to attract and the products and services it should develop to meet the needs of those segments. It may be premature to find the answer to the segment and product questions now, and it is recommended to develop a long-term strategy to further define this. Successful recoveries often achieve structural change because they force investment into new regions while traditional markets return organically over time. A thorough understanding core source markets and the ability to shift to growth source markets is key, and in the case of Lao PDR, it is important to start investing early on in market intelligence on the China market segment, given the expected opening of a strong rail link which will likely bring an increase of visitors to Lao PDR. To make this investment in both new markets and new products successful, it will firstly require a thorough understanding of the needs, wants, motivations and spending patterns of those key source markets, hence the need for investment in strategic priority 4, with the ability to respond with investment in product development and marketing that reflects the knowledge about the source market.

Online tours of cities and attractions is listed as a possible action under this priority as it may be a good way to keep the destination brand active and promote attractions directed to source markets using language-based marketing of Laos being a safe destination.

The next chapter outlines a series of actions in order to deliver on the 8 priorities, and the phases of delivery.



## PHASES, ACTIONS AND ACCOUNTABILITIES

### Phases

The delivery of the tourism recovery roadmap will occur in 3 phases:

Phase 1, which will deliver on the immediate needs over period January 2021 to December 2021

Phase 2, which will deliver on the mid-term needs for period January 2022 to December 2023

Phase 3, which will deliver on the long-term needs for the period January 2023 to December 2025

The recovery plan timeframe end in December 2025, in line with predictions that recovery will be to pre-COVID levels by 2025.

### Actions and accountabilities

Each of the 8 priorities will have a number of actions, that will need to be delivered by stakeholders within the tourism sector or the GoL. Each action point is allocated a timeframe with those with highest priority needing to be delivered in phase 1, and those with lower priority in subsequent phases.

Table 6 outlines the actions, with an allocation to a phase for delivery, and a stakeholder accountable for its delivery:



Table 6: Tourism Recovery roadmap actions

Strategic priority 1: Intensify engagement between Government and private sector				
Action	Phase			Accountability
	Immediate (Jan – Dec 2021)	Mid term (Jul 2022 - Jun 2023)	Long term (Jul 2024 - Dec 2025)	
1.1 Appoint members of tourism board	x			Tourism Management Department, MICT; LNCCI
1.2 Develop workplan for the board, governance structure and accountabilities	x			Tourism Management Department, LNCCI, USAID
1.3 Establish tourism board	x	x		Tourism Management Department, LNCCI, USAID
1.4 Establish tourism crisis communication taskforce	x	x		Tourism Management Department, MICT
Strategic priority 2: Deploy tourism support package (tourism relief fund, provide businesses with liquidity, incentivize job retention and protect vulnerable groups)				
Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2023)	
2.1 Establish a tourism relief fund for tourism-related businesses	x	x		Tourism Development Department, MICT
2.2 Support to workers who lost jobs in the tourism sector during the pandemic, especially the ethnic groups and workers	X	X		Tourism Development Department, MICT; Ministry of Labour and Social Welfare



### Strategic priority 3: Implement health protocols and communication strategy

Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2023)	
3.1 Distribute protective materials to tourism supply chains	x	x		<i>Tourism Management Department, and Institute of Mass Media, Culture and Tourism, MICT; ADB and Lao 029 Projects</i>
3.2 Develop operational protocols for COVID-safe passengers flows, especially those who have been vaccinated, including at border crossings, airports, transport sector, hotel sector, restaurants, souvenir stalls, attractions and tours, quarantine facilities, provincial and district authorities	x	x		<i>Institute of Mass Media, Culture and Tourism, MICT</i>
3.3 Provide access to training and technical assistance to the private sector to operationalize the protocols (housekeeping, clean and safe food preparation, cleanliness in vehicles and tour operations etc.)	x	x		<i>Institute of Mass Media, Culture and Tourism, MICT; LuxDev 029</i>
3.4 Design a communication strategy to communicate the health protocols, with the audience being travelers as well as the community and private sector, and develop education materials	x	x		<i>Tourism Marketing Department, MICT</i>
3.5 Implement the communication strategy	x	x	x	<i>Tourism Marketing Department, MICT</i>

3.6 Develop reporting tools to support industry self-regulation; reporting and monitoring	x	x		Tourism Management Department, MICT
3.7 In case of travel bubble, standardise health and biosecurity protocols and obtain agreements on immigration policies from travel bubble partners	x	x		Tourism Development and Tourism Marketing Department, MICT
3.8 Improve toilets at tourist sites (clean, well maintained, free of charge)	x	x	x	ADB Project

**Strategic priority 4: Invest in market intelligence (market research, data collection & analysis), training and digital tools / platforms**

Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2025)	
4.1 Consumer research: get a better understanding of travel sentiment of key source markets as well as domestic travelers, traveler behaviour and preferences, openness to constraints, interest in travel with green credentials	X	X	X	Tourism Marketing, Statistics Division to work with UNWTO and UNDP
4.2 Conduct regular “pulse” surveys (phone / online) to gauge traveler sentiment and to monitor recovery of the sector (through associations and key informants) and identify emerging issues	x	x	x	Statistics Division to work with UNWTO and UNDP, Work with telecom companies
4.3 Conduct market research on secondary source markets		x		Tourism Marketing Department, UNWTO and UNDP

4.4 Data collection on tourism related businesses (accommodation, travel agencies, restaurants, tour guides, and others)	x	x		<i>Tourism Management Department, MICT</i>
4.5 Identify priority training needs of the tourism sector	x			<i>Institute of Mass Media, Culture and Tourism, MICT; Lao 029; ADB Project</i>
4.6 Deliver training programs for tourism workers and provide incentives for businesses who keep those being trained on the payroll (incentivized wage subsidies)	x	x	x	<i>Lao 029, ADB Project</i>
4.7 Investigate e-commerce opportunities for Lao PDR and develop an e-commerce strategy, as a first step towards fostering strong links between domestic value chains and tourism (ICT infrastructure needs, online payment solutions, skills development, access to finance, legal and regulatory framework)		x	x	<i>Tourism Marketing Department, MICT</i>
4.8 Deliver a support and training program for MSMEs in digital transformation		x	x	<i>Institute of Mass Media, Culture and Tourism, MICT</i>
4.9 Provide training for businesses in environmental sustainability, business planning, tour pricing, marketing and financial management	x	x	x	<i>Tourism Marketing and Planning Department, MICT; and LNCCI</i>
4.10 Design incentive program for formalisation of informal businesses and micro tourism-related businesses		x	x	<i>Tourism Management Department, MICT</i>

### Strategic priority 5: Strengthen brand and boost marketing to re-ignite travel (domestic, top source markets through bubble)

Action	Phase			Accountability
	Immediate (Jan – Dec 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2025)	
5.1 Consider a cash back scheme for domestic tourists and subsidy (10%) by pilot project fund of tour packages sold to domestic tourists (During low season)	x	X		Tourism Development Department, MICT under ADB Project
5.2 Domestic traveller video / photo contest for outstanding natural, historical or cultural tourist sites, with domestic travel voucher for prize winners	x	X		Tourism Marketing Department, MICT
5.3 Design a marketing and media campaign for domestic tourism, based on market research findings	x	X		Tourism Marketing Department, MICT
5.4 Allocate a solid promotion and marketing budget to attract regional tourists when country re-opens	X	X (regional)		Marketing Department, MICT
5.5 Package itineraries and experiences based on the domestic market research findings	x	X		Marketing Department, MICT
5.6 Launch domestic marketing can media campaign	x	x	x	Marketing Department, MICT
5.7 Explore and negotiate travel bubble with countries (complying with the National Covid-19 Committee guidance).	x	x		Marketing Department, Tourism Development Department, and Tourism Management Department, MICT
5.8 Develop a regional marketing and media campaign based on market research	x	x		Marketing Department, MICT

5.9 Launch regional marketing campaign upon successful negotiation on travel bubble agreements	x	x		Marketing Department, MICT
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### Strategic priority 6: Stimulate capital investment (renewing of assets)

Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2023)	
6.1 Mobilise a capital investment fund for investment in upgrades to public facilities		x	x	ADB Project
6.2 Investigate improvement of security of investors willing to invest in tourism development in protected areas and partnerships with communities			x	ADB Project
6.3 Develop an investment framework for the transport and logistics sector		x		ADB Project

### Strategic priority 7: Diversify products (specific focus on greening and sustainability)

Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2022)	Long term (Jul 2022 - Dec 2023)	
7.1 Design an incentive program for greening of tourism (“green” credits for businesses using energy saving techniques, machinery or technology, and good waste management practices; etc.)		x		Tourism Marketing Department, MICT

7.2 Investigate the value of investment in online tours of cities and attractions, self-drive & self-guided tours (motorcycle / cars)		x	x	Tourism Board, LATA, LHRA
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**Strategic priority 8: Diversify markets (secondary source markets)**

Action	Phase			Accountability
	Immediate (Jan – Jun 2021)	Mid term (Jul 2021 - Jun 2023)	Long term (Jul 2023 - Dec 2025)	
8.1 Mobilise a marketing budget for greening of tourism, nature-based tourism, community-based tourism	x	x	x	Tourism Marketing Department, Tourism Development Department, MICT
8.2 Promotion campaign to promote local products, nature-based tourism, agro-tourism community-based tourism (handicrafts and souvenir made by ethnic groups)		x	x	Tourism Marketing Department, MICT
8.3 Develop marketing campaign for secondary source market		x		Marketing Department, MOICT; Tourism Board
8.4 Launch marketing campaign in secondary source markets		x	x	Marketing Department, MICT; Tourism Board

## Annex I – Profile of inbound travellers from the Greater Mekong Subregion

The main purpose of travel to Lao PDR among all markets is leisure (84%) and main interests are nature (70%), culture (79%), and religious monuments (61%).

Most visitors obtain tourist information from guide books/travel magazines (41%), the Internet (30%), and word of mouth (26%).

Drivers of demand and exceptional and resilient tourism growth in all the Greater Mekong subregion (GMS) countries is underpinned by improved physical connectivity with global markets, diverse tourism assets, convenient tourist visa policies, rapid advances in information technology, dynamic private sector participation and the increasing affluence of developing Asia.

### **Information technology:**

GMS countries have an optical fiber interconnection in place and are cooperating to promote universal access to information and communication technology, particularly for e-commerce. Broad adoption of digital, mobile and social media technologies is driving self-service and enabling spontaneous and immediate travel bookings. In all major GMS source markets consumers increasingly use social media to decide where to spend their holiday, which suppliers to use, and as a platform to share information, images and videos during and after a holiday. Social media penetration ranges from about 20% to 60% in Asian markets, where the typical travel consumer is very tech savvy and owns a range of mobile devices. Accor, the largest international accommodation group in Asia, reports that 80% of its clients follow hotel brands on social media, with the Chinese and Vietnamese most keen, and clients from Japan, Australia and New Zealand the least.

### **Profile of key source markets:**

- PRC – shopping (= 58% of travel budget); internet = main source of information; active social networkers. Lodging is 18% of the travel budget. They seek to explore the historical, cultural and architectural features of destinations.
- Republic of Korea – culture and nature: Koreans seek outdoor adventure and wellness activities so they can relax in a safe, clean environment
- Thailand – day trips
- Viet Nam – shopping (31% of budget); main reasons for travel are holiday, shopping, medical treatment, and education.

## Motivations to travel:

The main factors that motivate people to travel are the appeal of unique and interesting experiences while on vacation, and opportunities to broaden knowledge and enrich understanding of the world.

Type of trips:

- back-to-nature (36%)
- City and cultural excursions (35%)
- sun, beach, and sea vacations (28%)
- activity and adventure (15%)

The rich diversity and authenticity of the Mekong tourism product is consistent with travellers' high demand for unique and interesting experiences. However, the lack of consumer awareness about the subregion in key markets reinforces the need for better joint marketing and promotion.

## Opportunities, constraints and risks for GMS:

Apart from possessing diverse and unique attractions and a reputation for good value and safety, the GMS is conveniently accessed from many fast-growing source markets. At the same time, constraints and risks such as limited awareness of the Mekong region, the lack of multi-country product packaging and promotion, and degradation of core attractions from overcrowding threatens long-term sustainability and erodes tourism competitiveness.

By building on the strengths and opportunities for joint marketing, and addressing constraints and risks to more inclusive growth, the GMS TWG and its partners can substantially improve tourism competitiveness in the subregion.

(Mekong Tourism Coordinating Office 2015).





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