

Is Tourism in Siem Reap Pro-Poor?

*TUOT Sokphally and HING Vutha provide an update on tourism development in Cambodia, discuss the economic impacts of tourism in Siem Reap on local people, and offer policy recommendations for directing a greater share of tourism benefits to local communities and to the poor.**

The tourism industry in Cambodia has been growing rapidly for the last decade and has become the second main source of growth after the garment sector. In 2007, it is expected to generate USD718.3 million of direct economic activity, or about 9.3 percent of GDP, and USD1,561.9 million of both direct and indirect economic activity. In terms of employment, the sector is expected to create approximately 1,108,000 direct and indirect jobs, representing 15.8 percent of total employment in the same year.¹ Siem Reap, with Angkor Wat as the most well-known tourist attraction, has experienced rapid development in tourism in terms of the number of tourist arrivals, city landscape, tourism facilities and services. It received 856,510 foreign visitors in 2006, or about 50 percent of total foreign visitors arriving in Cambodia, a rapid increase from 264,000 visitors in 2001 (MoT, 2006).

Despite such rapid growth, some argue that the distribution of benefits from tourism in Siem Reap is uneven among different social groups, different economic activities and across different locations (Ballard, 2005; Economic Institute of Cambodia, 2005 in World Bank, 2006). The poor benefit less from tourism development, and thus the contribution of the tourism sector to poverty alleviation in the province has not been as significant as one would expect. As a result, Siem Reap remains one of the poorest provinces in the country. In order to better understand this dilemma, CDRI has analyzed the distribution of benefits from tourism by exploring the following questions: (i) What are the structure and nature of linkages between the tourism industry and the local economy? (ii) What are the transmission mechanisms of tourism impacts on local communities? And (iii), what role could national and local governments as well as civil society, donors and the private sector play in enhancing tourism benefits for local communities and the poor? The following is a summary of key findings from this study.

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Overview of Tourism Development in Cambodia *Tourism Development and Policy*

The tourism industry in Cambodia has shifted from being a passive, quiet sector, playing only a minor role in the development of the country in the late 1980s-early 1990s, to being a dynamic engine of Cambodia's economy. The number of international tourists increased dramatically during 1995–2006 at an average annual rate of 20.4 percent, from 0.29 million persons in 1995 to 1.70 million in 2006. Tourism facilities and services, including hotels, guesthouses, tour agencies and restaurants also expanded rapidly (See Table 1). The development of this sector is attributed to: (i) the attainment of peace and stability since early 1990s, (ii) the diversity of tourism attractions (e.g., cultural tourism, ecotourism, natural tourism), (iii) an increase in international and domestic travel, and (iv) the government's development policies with particular focus on tourism development, such as the open sky policy, visas on arrival, and visa exemptions for Cambodians living abroad (NIS, 2005).

Tourism policy in the early 1990s was primarily designed to attract more tourists, focusing on developing tourism products, improving and facilitating access into

Table 1: Tourists and Tourism Services: 1998–2006

	1998		2001		2006	
	Overall	Siem Reap	Overall	Siem Reap	Overall	Siem Reap
International Tourists (in thousands)	290	-	605	264	1700	856
Hotels	216	24	247	47	351	91
Guesthouses	147	23	370	112	742	171
Tour Agencies	137	-	226	88	382	163
Tour Guides	369	280	727	603	2712	1978

Sources: Statistical Yearbook 2005, NIS and Annual Report of Tourism Statistics, MoT

and within the country, developing international markets, and strengthening human resource development of the government tourism administration. As the sector has grown rapidly and as poverty reduction has become a major objective in the government's socio-economic development plans, the current tourism strategy focuses not only on promoting growth, but also on better distribution of tourism benefits to the local communities and to the poor. In this context, the current tourism plan is based on the principle that tourism development must contribute to reducing poverty and ensure the equitable distribution of tourism revenues in a well planned and managed manner.

Tourism, Economic Growth and Poverty Reduction

Growing at a steady rate, Cambodia's tourism sector is playing an important role in boosting economic growth. Tourism's contribution to GDP in terms of Gross Value Added (GVA) has grown rapidly during 1993–2004, with an average annual growth of 28 percent. Tourism GVA

in constant 2000 prices in 2004 was 2,022.49 billion Riel (USD 503.61 million), or 11.2 percent of GDP, compared to 177.13 billion Riel (USD 64.48 million), or 2.1 percent of GDP in 1993.² Tourist expenditure was estimated at USD 744.51 million in 2004. As tourism is expected to continue to grow, this sector will become increasingly significant for sustaining economic growth in Cambodia.

Table 2: Tourism Gross Value Added and Tourist Expenditure

	1994	1998	2001	2004 ³
Tourism GVA in USD millions	87.69	106.1	340.6	503.6
Tourist Expenditure in USD millions	88.19	121.04	427.5	744.5
Share of GVA to GDP	2.4%	3.5%	9.0%	11.2%

Source: Statistical Yearbook 2005, NIS

Although tourism has been an engine of growth, its impacts on the local economy and poverty reduction have been limited. Ballard (2005) argued that the distribution of benefits from tourism is uneven, and people benefit more from employment in construction, services, and handicraft sectors than in agriculture. EIC (2005) in World Bank (2006) found that most of the jobs available for local people were unskilled casual construction work, while the more permanent jobs in other sectors have been much less significant.

Impacts of Tourism on Local People around Siem Reap

The findings in this section are based on a survey of 506 households and 10 focus group discussions (FGDs) conducted in eight villages in Siem Reap: Ta Check, Srah Srang Khang Cheung, Tek Thla, Sandan, Preah Dak, Ta Trai, Lor Ley, and Kork Trach. The study examines the impacts of tourism on local people in these communities in terms of *employment, income, land markets and general well-being*. The analysis focuses on the scope and scale of tourism impacts on different social groups (defined as *poor and non-poor*⁴), and on different types of communities based on distance to Siem Reap town or temple sites (defined as *the Near and the Far*⁵).

Employment Impacts

From the sample, tourism has generated some new employment, shifting the structure of employment from agriculture to manufacturing and services around Siem Reap. The extent of the shift is, however, modest. More than a third of individual earners in the surveyed households are involved in tourism jobs, which include construction work, hotel and restaurant staff, tour operators, recreation, petty trade, transport, handicraft/souvenir production and marketing, staff in temples or tourist site management, and some agriculture work for

the tourism market. The Near communities have a larger proportion of individuals working in tourism than the Far, while the poor are involved more than the non-poor. The bulk of employment that the poor group and the Near community receive, however, is in low paid jobs, such as unskilled construction, temple guards, cleaners, and petty traders.

Table 3: Employment Structure by Tourism Category, 2002-2006

Activity	Tourism		Non-Tourism	
Year	2002	2006	2002	2006
Community Type	in percent			
<i>Near</i>	43	47	57	53
<i>Far</i>	20	26	80	74
Well-Being Class	in percent			
<i>Poor</i>	32	39	68	61
<i>Non-Poor</i>	30	34	70	66
Overall	31	36	69	64

Source: CDRI's survey of 506 households in Siem Reap, May 2006

Between 2002 and 2006, the overall employment structure has not significantly changed. Forty-five percent of local earners worked in agriculture in 2006, declining from 49 percent in 2002. Meanwhile, 18 and 37 percent worked in the manufacturing and service sectors in 2006, rising from 16 and 35 percent, respectively, in 2002. There are two main reasons for these modest changes. Firstly, the study period is very recent, and we suspect that the most significant structural changes in employment had already occurred before the survey was undertaken. Second, the bulk of new employment generated by tourism is absorbed by migrants from other areas of the country. For example, jobs like moto-dup and tuk-tuk drivers are filled by non-local people, mostly from Kompong Cham, Kandal, Battambang and Prey Veng.

Income Impacts

Tourism is one of the major livelihood activities of local people. According to the survey, the average income from tourism represented about 47 percent of the total household income in 2006, which is quite high.⁶ The Near are more impacted by tourism than the Far communities, both in terms of sheer income from tourism and tourism income as a share of total income. While the poor tend to depend more on tourism than the non-poor, their absolute income from tourism is much less than the non-poor.

Tourism is also one of the most important factors contributing to the improvement of local households' total income. According to people's perceptions in the survey, about 50 percent of households reported an improvement in their income level in the period of 2002–2006. Nearly 50 percent of the reasons were related to tourism, including an increase in the number of family earners working in tourism jobs, increased agricultural production for the

Table 4: Household Income and Tourism Indicators

Community Type	Average income/household in ten thousand riels	Average tourism income/household	Tourism Income Share in percent
<i>Near</i>	830.1	334.2	49
<i>Far</i>	393.2	161.7	45
Well-Being Group			
<i>Poor</i>	316.6	154.3	49
<i>Non-Poor</i>	813.6	310.4	45
Overall	600	243.3	47

Source: CDRI's survey of 506 households in Siem Reap, May 2006

tourism market, an increase in new tourism jobs, and an increase in land values. It is important to also observe that that 26 percent of households⁷ reported income declines during 2002–2006, but the explanatory factors were social and not related to tourism, such as sickness, debts and family crises.

Land Impacts

Tourism has had a significant impact on land values in and around Siem Reap as indicated by the increasing number of land transactions, especially since late 1990s, which have led to a dramatic increase in land prices. The survey reveals that about 27 percent of households have sold some portion of land, while about 14 percent of households have purchased some land. The major reasons for land sales include renovating houses, basic family consumption and expenses, investing in higher productive businesses and assets, and non-productive farming.

Land sales can have both positive and negative effects on local people depending on how the money earned from selling land is used. If the money is used productively, i.e. buying productive assets or being used as capital to fuel other businesses or invested in children's education, then selling land can help improve a family's well-being.

Table 5: Land Transactions

	Land Sales		Land Purchases	
	% of household	average area/household (m ²)	% of household	average area/household (m ²)
Poor	21.7	4389.6	8.3	10438.9
Non-Poor	31.3	5636.1	18.1	11505.1
Overall	27.1	5208.5	13.9	11230.9

Source: CDRI's survey of 506 household in Siem Reap, May 2006

Box 1: A Household Becoming Worse off after Selling Agriculture Land

A poor couple in Ta Check village has three sons (aged 23, 21 and 17) and a daughter aged 14. The oldest son has married and has his own family outside the village. The younger son has left for Phnom Penh and his situation is unknown. The parents have very little education and only the daughter is currently in school.

Before 2002, this family grew paddy twice a year. Paddy production was more than adequate for household consumption, but did not allow them any savings. In 2002, the oldest son got married and this was the turning point of the family's fortune. In order to pay the dowry for his son's marriage, they sold all agricultural land (about one half of a hectare) for about USD 800. The husband left agricultural work and entered daily construction work. He is unhealthy so can work only about 20 days per month and earns 8,000 riels per working day. Later, their youngest son followed him to work and earns 7,000 riels per day. They occasionally borrow money to cope with daily expenses and health treatments.

Source: CDRI's Qualitative Field Work in Siem Reap, May-July 2006

Otherwise, selling land, especially farm land, can be detrimental as the family could lose a livelihood source, especially in the absence of alternative employment. From the point of view of local people, land

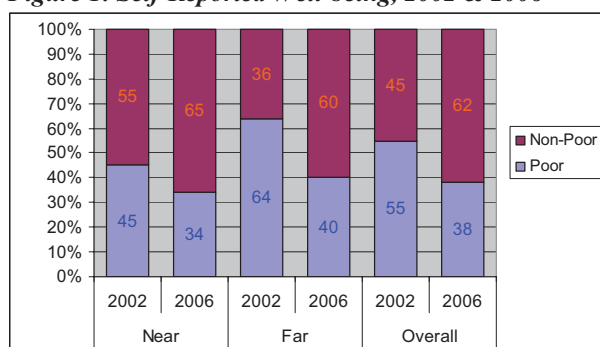
sales are very welcome and reportedly have had positive impacts on local people and communities. In dynamic land markets such as Ta Check village, for example, people reported an improvement in the quality of housing and increased numbers of motor bikes. Some of the land sellers buy larger areas of land in other areas away from the villages for agriculture production and become wealthier. The poor, however, tend to use all the money earned from land sales for family consumption, such as housing improvement, purchasing non-productive assets, or paying for the marriage of children. They end up leaving agricultural work and become dependent on high-risk day labour and casual jobs.

Well-being Impacts

Tourism development has contributed to the improvement of local people's well-being. According to people's perceptions, half of households reported that their well-being improved compared to the last 5 years. This improvement resulted in a significant decrease in the percentage of poor households in 2006 as compared to 2002. Thirty eight percent of households in 2006 perceived themselves as poor compared to 55 percent in 2002. A larger proportion of households reporting improvements in their well-being has been observed in the poorer communities, i.e., the Far community compared to the Near community. The factor that explains this phenomenon is the predominance of the poor in the Far community in the base year (2002) with a low-income base. Thus, an increase in income, even at smaller amounts, leads to the perception of greater improvement in well-being.

For all households, the well-being improvement was mainly explained by tourism factors, such as increases in income largely from tourism, better housing, better infrastructure, and higher land prices/values.

Figure 1: Self-Reported Well-being, 2002 & 2006



Source: CDRI's survey of 506 households in Siem Reap, May 2006

There are also a number of households that reported becoming worse off. According to the survey, 22 percent of households reported that their well-being declined, especially among the poor. This is mainly due to family and social factors, such as income decline because of a decrease in the number of earners, family shocks and crises, more dependent family members, and increases in goods prices. Most of these households are in the group reporting an income decline.

Conclusion and Recommendations

The growth of tourism in Siem Reap has had some positive economic impacts on local communities through employment generation, raising incomes and improving livelihoods. The benefits from tourism, however, are unevenly distributed among the various groups and are skewed in favour of the non-poor. The poor frequently face various barriers in obtaining greater benefits from tourism, including lack of education and skills, lack of capital or social networking and weak family structure. As a result, the poor have not benefited as much as expected from this phenomenon; and therefore, tourism development in Siem Reap does not appear to have a sufficient pro-poor nature.

In this sense, tourism policy and strategies should focus not only on promoting tourism growth, but also on enhancing benefits for the poor. In order to direct a greater share of tourism benefits to local communities and to the poor, the following recommendations are offered:

(i) Diversifying tourism attractions, destinations and activities
Increase tourist attractions and destinations in rural communities. An increase in the number of tourist destinations could increase the opportunities for local communities, including the poor, for involvement in the tourist industry, thus increasing their participation

in benefit sharing. Pradak village is a good example of this type of tourism approach where tourists are brought to see the palm-sugar production while travelling to Banteay Srey temple. The presence of tourists lead to the emergence of souvenir trade and other small businesses along the road, and consequently better livelihoods.

(ii) Redistribution of tourism benefits to the poor

Another measure concerns macroeconomic policies that provide national and local governments sufficient financial resources to introduce benefit redistribution to the poor. An appropriate and effective taxation policy could be a powerful tool to generate and enhance revenues from tourism. Part of revenues could be used to preserve tourism assets and environments, while another part could be used to implement some key components in the poverty reduction strategy. Those components, which are necessary in helping the poor participate further in the tourism development process, include: *education and skills training for the poor, health care, clean water and improved services for the poor, and improved access of the poor to tourism markets.* A greater share of Angkor Park entrance fees could be, for instance, used to fund projects that have pro-poor impacts.

The effective implementation of all the above measures requires tourism organisations, in particular the Ministry of Tourism and the Provincial Tourism Department, to develop sufficiently capable human resources, certain levels of authority and responsibility in planning and decision making, and revenue generation opportunities from tourism. It is also imperative to have deeper partnership and continuous support from the donor community, NGOs and the private sector to promote tourism growth and enhance equitable distributions of benefits to the poor.

Endnotes

1. The projection for 2007 is by World Travel & Tourism Council
2. Statistical Yearbook 2005, NIS
3. The calculation of Gross Value Added from tourism sector in 2004 is the most recent available data.
4. These social groups are defined by FGDs who base generally on the size of land, the type of housing, the possession of big assets, and the type of occupations. For example, the 'poor' are described as households who have no or own little agriculture land and less agriculture productive assets, by which paddy production is not sufficient for family consumption. The poor are also those who have low-income earning occupations such as farm workers, unskilled construction workers, cleaners or guards at temples or hotels, petty vendor, and scavenger.
5. The Near defined as communities with average distance of 8 kilometres from Siem Reap town or temple site for, while the Far are communities with average distance of 14-16 kilometers.

6. The degree of local people's dependency on tourism depends on tourism income share, which is calculated by average income from tourism divided by average total income. Tourism is a risky industry. It is assumed that households having tourism income of at least 40 percent of their total income would have difficulty if income sources from tourism disappeared.
7. Out of 130 households who reported income decline, 51 percent are poor and 84 percent earn some money from tourism.

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and access to agricultural inputs that can be provided by NGOs and the private sector.

Issues Related to Catchment Area

The term watershed is here defined as: "...an area of land that drains downslope through a network of drainage pathways, both underground and on the surface. Generally, these pathways converge into streams and rivers, which become progressively larger as the water moves on downstream, eventually reaching an estuary and the ocean. Watersheds can be large or small. Every stream, tributary, or river has an associated watershed, and small watersheds join to become larger watersheds". The impact of activities in the catchment area on river flow conditions and water quality are key areas for research. Deforestation and other development activities (e.g., mining exploitation) in upstream areas have caused problems both upstream and downstream. Potential issues that require attention are soil erosion, sedimentation, ecologic consequences of changing flow regimes, impacts on fisheries and aquaculture. In-depth study of catchment areas will provide information and data necessary for a cost-benefit analysis of any proposed development in the future.

Land and water use directly affects the flow of water, sediments and nutrients, and thus contributes to the alteration of aquatic systems downstream. Watershed management is far from limited to physical parameters as the application of social, ecological, and economic sciences has been proven to be absolutely essential. In order to promote sustainable management, a complex set of water governance issues must be developed among people of diverse social backgrounds and values and by drawing on experience from outside. The decision making process must not only consider physical and ecological issues, but also include the social and economic benefits and costs of alternative actions.

Concluding Remarks

The complexity of managing irrigation varies according to the size of the scheme. Larger schemes have a greater impact in terms of area and the number of households served, but require high investment and governance capacity. Water governance for all sizes of schemes depends on technical design, institutional arrangement and functionality in operating and maintaining the system. Well designed systems provide efficient water usage, which results in increased agricultural production and popular participation. The proper institutional arrangement should represent different communities who share water resources to solve the problems of over water usage within and across community boundaries. The operation and maintenance of the system will depend on the functionality of a decentralized organization, in which the members should be fairly and freely elected, share common interests and work independently from political interference.

Watershed management is a new concept in Cambodia and only limited experience with this form of integrated management exists and a number of difficulties have been encountered by those initiatives implemented or planned. There is a real need to document experiences and lessons learned and to build capacity among government agencies and relevant stakeholders.

Endnotes

1. The project also involves MOWRAM, MAFF and donor agencies such as Australian Government Overseas Aid Program (AusAID), and Agence Française de Development (AFD).
2. For the purpose of comparison and making the discussion more direct, the article will focus on small schemes versus large schemes. As 200-5,000ha is a significant interval in terms of size, some points of medium scale projects may be defined as small scale while some others may be defined as large scale,