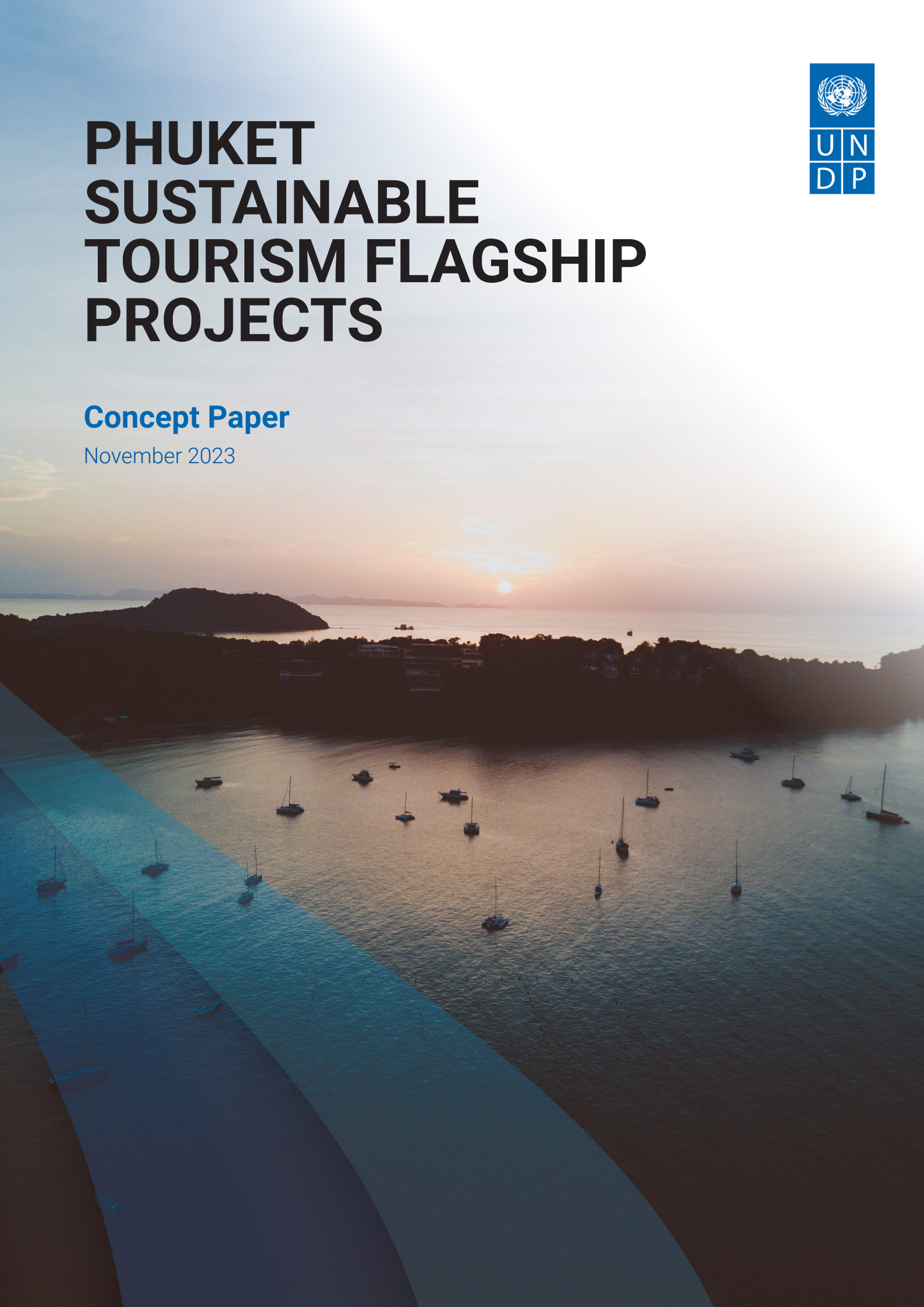




PHUKET SUSTAINABLE TOURISM FLAGSHIP PROJECTS

Concept Paper

November 2023



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1. THE INVESTMENT PROGRAM

1.1 The Proposal

The proposed Phuket sustainable tourism flagship project has four components:

1.1.1. Design and construction of MICE and Wellness Facilities

MICE convention facilities to contribute to the medical city project planned for Phuket's Maikhao District. The proposed site is in the province's proposed wellness zone.

Complementary and co-located establishment of a sustainable eco-friendly Wellness Community to transform the medical city project into a world class destination by providing a commercial element to attract dedicated Wellness travellers¹. Four essential pillars are required to achieve this complementary scheme:

Pillar 1 – International Medical Centre combining primary, preventative, and rehabilitative long-term and specialty care along with comprehensive diagnostic services.

Pillar 2 - Active Living and Wellness Hub – well-planned purpose-built facilities for all ages to engage in healthy active lifestyles. Facilities will cover recreation, sports, fitness, healthy nutrition, outdoor activities, relaxation and recovery programming. The medical and wellness facilities go hand in hand, a majority of complex medical treatments and surgeries require pre or post rehabilitation, the wellness centre ensures utmost health and quality of life for medical patients. Also, holistic healing practices like Ayurveda, yoga etc, are now increasingly revered by patients suffering from chronic illnesses.
(Active Living Wellness Hub – Land Estimate (2 Rai), Built-up Estimate (3,000m²))

Pillar 3 - Wellness Real Estate – Commercial Real Estate will bring a community element providing sustainable accommodation in the form of condos and villas attracting people who share common goals, interests and experiences pursuing wellness across its many dimensions

¹ Wellness activities include but are not limited to spa, mind + body physical activities (fitness, yoga, meditation etc.), thermal bathing and hydrotherapy and diagnostics and consultation.

Pillar 4 – Wellness Resort – To be considered a world class destination the Wellness Resort will anchor the Wellness Community catering to adults and families, there must be a physical separation of the Family and Adult wings. (Wellness Resort - Land Estimate (25 Rai) Built-up Estimate (18,000m²) (150 keys, 75 Adult only, 75 Family); Wellness Real Estate Villas – Land Estimate (20 Rai), Built-up Estimate (8,000m²); Wellness Real Estate Condos - Land Estimate (15 Rai), Built-up Estimate (10,000m²))

The combined facilities investment will position and promote Phuket as a globally accessible MICE and Wellness destination and compliment the Thailand's 2024 vision of becoming the world's leading wellness destination.

1.1.2. Supply chain capacity enhancement

The supply chain capacity enhancement program will focus on micro and small enterprises, including currently unregistered tourism accommodation. The supply chains include accommodation, catering, leisure/travel companies, venues, professional exhibition organizers, professional convention organizers, and destination management companies. Convention and Visitors Bureaux will be consolidated to facilitate and coordinate MICE and Wellness organizers and in addition promote Phuket and to the international and domestic MICE and Wellness markets.

Strategies to strengthen human capital and ensure social development are included as part of the Phuket Development Plan. This includes re-establishing and consolidating supply chains with emphasis on supporting micro and small enterprises. It is noted that pre-pandemic Phuket had a lower tourism employment multiplier than found in Bangkok, Chiangmai, Pattaya, and Rayong and it is expected that the Phuket multiplier will increase with the changed emphasis on MICE and Wellness.

Post pandemic, there is a need to build the capacity of supporting enterprises to ensure that the potential of the MICE and Health and Wellbeing markets in Phuket can be realised. Analysis of Phuket visitor's daily expenditure in the pre-pandemic years suggest that the following are key supply chain components for capacity building: accommodation, food and beverages, shopping and souvenirs, entertainment, tours and sightseeing and local transportation.

1.1.3. Marketing strategies formulation

Marketing strategies will be required to secure a larger share of the domestic MICE and Wellness markets in the short term and expand Phuket's share of the international MICE and Wellness market in the longer term.

Marketing strategies will build brand awareness about Phuket as a top-of-range destination as strong brand recognition will be a significant advantage when marketing new focus on MICE and Wellness to potential travelers. Phuket attracts travelers for its picturesque beaches and strong reputation for hospitality and the brand image will start with this, adding the advantages of Phuket's capacity for the provision of MICE and Wellness services. For MICE, initially marketing will focus on industries identified as pioneer pandemic recovery business travel industries, including manufacturing, pharmaceuticals, and construction². Wellness marketing will focus on Wellness focused individual travellers, multi-generational and family wellness groups, sports and fitness enthusiasts, corporate retreats and secondary wellness travellers traveling for leisure but who choose to indulge in some wellness experiences during their trip.

1.1.4. Consolidation of Phuket based MICE and Wellness Knowledge Management

Consolidation of Phuket’s capacity to support the MICE and Wellness initiatives through building MICE and Wellness Centres of Excellence—in these centres (possibly based in the Prince of Songkla University in Phuket) an inventory of best practices in MICE and Wellness planning and management will be built. Through dissemination of best MICE and Wellness practice, Phuket will become the go-to place for the industries to share experience and knowledge of the design, management and training for MICE and Wellness services.

1.2 The Rationale for the Proposal

1.2.1. Economic diversification

To ensure long term economic growth which is resilient to shocks, Phuket must diversify its economy. A recommended route to a more secure Phuket economy is to focus initially on product development. The tourism industry is so dominant in Phuket that diversification of the economy by the introduction of an economic product which is not related to tourism in any way would be very high risk. Instead, it is recommended that gradually and within 10 years, the diversification is strengthened by taking selected tourism product developments into new markets. Given the higher productivity of the MICE and Wellness tourism sub sectors and the huge potential growth domestically and internationally of these sub-sectors, it has been concluded that diversification should focus on these sub-sectors, achieving much more resilience. This consideration is consistent with recommendations made by the Phuket Chamber of Commerce³. It should also be noted that international high-value service is a core component of the previous and current Phuket Development Plan (PDP). Developing City towards a value-based economy and international high-value service is one of the key development pillars of the 2023-2027 PDP⁴.

Creating a convention center and associated wellness community on the Island, with associated supply chain capacity building, marketing and knowledge management, has the potential to be the first step in re-positioning and consolidating Phuket as a MICE and Health and Wellness destination providing an opportunity for the Island to benefit from the growth of MICE and Wellness related tourism expected over the next decade. In addition, there is a great potential for Phuket to capture domestic markets and international markets from the Asia-Pacific region.

1.2.2. Phuket has a solid foundation for post-pandemic growth

Phuket, the largest island in Thailand, is located strategically with excellent accessibility via air, land, and sea. Prior to the pandemic, the Phuket International Airport was considered the second busiest airport of the nation, with direct flights from international cities and domestic destinations. In addition, the island is renowned for its natural beauty, recognition as the UNESCO City of Gastronomy, unique architecture, and local heritage that attracts 13 million tourists per year.

In the pre-pandemic period, Phuket ranked 14th on the “Global Destination Cities Index 2019” above destinations such as Milan, Bali, and Hong Kong, reflecting its global appeal for travelers. Phuket’s advantages include the following: global access, urbanized infrastructure for a resort destination, strong leisure demand and a growing international visitor market. Phuket’s governing bodies continued to invest in infrastructure improvements including a second major international airport improving their capacity to accommodate more international arrivals and flights and a local train system for easy access throughout the island.

3 COVID 19 Socio-economic Impact Assessment and Financing Options in Phuket, Final Report, UNDP Thailand, August 2021

4 Aiming to become a MICE destination is one of the 14 guided development plans in the new PDP (2027-2023). The nation’s record of average spending per head of MICE foreign travellers is generally three times higher than leisure foreign travellers.

Phuket was the first region in Southeast Asia to reopen its border to welcome international travellers through the Phuket Sandbox campaign. Due to the high vaccination rate of local residents, efficient resource management, and the collaborative working of tourism stakeholders in Phuket, the Thai government continued the Phuket Sandbox campaign throughout the period of the Delta and the Omicron variants. The Phuket healthcare system proved to be resilient.

To date, Phuket Island has been mainly positioned as a general leisure destination although to a limited extent it has also attracted MICE⁵ and Wellness markets. From 2015-2019, the international exhibition and event market in Thailand had been dominated by Bangkok. In this period Phuket attracted 13 per cent of the international Meetings and Incentives markets, and 10 per cent of the Conferences market. Phuket was third to Bangkok and Pattaya in terms of the international Incentive market. Local Phuket MICE entrepreneurs emphasise that the lack of large convention facilities has constrained the realisation of the MICE potential of the province.

A large convention center or meeting facility will also enable Phuket to attract a domestic Incentive market that has the highest average spending per head in comparison to Meetings, Conferences, and Exhibitions. It is also considered that the existence of a suitably sized convention center would enable Phuket as an Exhibition destination for the domestic market (which had been strongly dominated by Bangkok (84 per cent during the pre-pandemic period)).

1.2.3. MICE potential

In 2019, Thailand received 1.58 million MICE visitors, with average spending per person of 414,417 Baht, threefold higher than general tourists. This has contributed to a total revenue of 95,000 million Baht in 2019. Aiming to become a MICE destination is one of the 14 guided development plans in the new PDP (2023-2027). The nation's record of average spending per head of MICE foreign travellers is generally three times higher than leisure foreign travellers. It should be noted once again that the wisdom of being a city that provides international high-value service has appeared in the current provincial development plan.

The global MICE industry size was valued at \$805.0 billion in 2017, and the pre-pandemic estimate at that time was that the industry size would reach \$1,337.4 billion by 2028, a compound annual growth rate of 21.3% from 2021 to 2028. The pandemic interrupted the industry's growth trend and has changed characteristics of the industry. This is reflected in the 68 per cent contraction in global exhibitions during the pandemic.

In a report 'Reimagining Business Events Through Covid-19 and Beyond'⁶ it was noted that what is certain is that health and safety have become more urgent – and visible – priorities at business events. Delegates expect measures for health and hygiene to be implemented, on top of their usual requirements for high-value experiences and robust networking opportunities.

Within Asia Pacific, there are strong indications of growth and innovation. Based on UFI, Explori and SISO's Global Recovery Insights report⁸, exhibitions in Asia are likely to see stronger growth in participation from both visitors and exhibitors, compared to the rest of the world. Exhibitors in Asia are now much more optimistic about their budgets, and the number of events they are planning to participate in already recovered to pre-pandemic levels.

5 M - Meeting: creating a gathering or discussion within an organization or between organizations; I - Incentives: using tourism management as a reward for employees or people who can help the organization to achieve specific goals; C - Conventions: referring to international meetings that include people in the same profession or similar professions. This is usually a large event at the regional or national level; and E - Exhibitions: organizing a trade show of goods or services. This could be organized either at regional or national levels.

6 Reported by Global Association of the Exhibition Industry (UFI) in a COVID-19 damage assessment for the global exhibition and trade show industry covering the full year of 2020 and published in February 2021.

7 Published as a White Paper by the Singapore Tourism Board, in partnership with the Professional Convention Management Association (PCMA) and UFI (Global Association of the Exhibition Industry), outlining how the sector can reimagine its offerings and better future-proof itself through innovation.

8 From July 2021 Global Recovery Insights report by UFI and Explori, supported by SISO. Survey of 14,000 trade show visitors and exhibitors conducted in Summer 2020 and Spring 2021.

There is also a stronger appetite for digital or hybrid events in Asia, with respondents more than twice as likely to have participated in such events than respondents from other regions. Visitors from Asia are significantly more likely to convert from attending a new event digitally to attending in person in the future – 64 per cent compared to 48 per cent of respondents from the rest of the world.

PCMA's APAC Dashboard Survey⁹ reflected similar findings. A greater proportion of planners in Asia Pacific (38 per cent) were planning to simultaneously stream their in-person events to virtual audiences, compared to their North American counterparts (17 per cent).

1.2.4. Wellness potential

The Tourism Authority of Thailand has a goal of establishing Thailand as a global health and wellness destination, to achieve this they must align the goal of attracting wellness travelers with development objectives to meet the growing demand. The state of the hotel industry in Phuket indicated rooms to expand the 'experience-driven' or 'wellness-related' venues.

The Global Wellness Industry is valued at US\$4.4 trillion, and is expected to almost double by 2025 representing substantial upside for Wellness related developments¹⁰. Despite the pandemic the wellness industry in 2020 marginally decreased in revenues from 2019, due to a substantial growth in fitness technology, wellness real estate, mental wellness platforms, public spending on citizen's well-being and healthy eating and nutrition. Up to 2025 there is significant growth expected from Wellness tourism, thermal bathing, spa, beauty and aesthetics. Thailand was ranked 15th most popular Wellness Travel Destinations and Phuket was rated in the top 15 of global travel destinations. Pre-covid Thailand 's wellness related travel industry was growing at a pace of US\$2 billion per year reinforcing the focus of the Thailand government on growing this sector.

Drivers of the resurgence of the Wellness industry include the following: stronger feeling for self-care and self-preservation after the pandemic; scientific innovation in medical and holistic healing bridging the gap in medical care and wellness; larger sects of population seeking nature-driven travel experiences, especially during the pandemic; and heightened reverence of family values, community well-being and mental wellness. The proposed flagship project will also ensure that the development follows sustainable practices maintaining the health and biocapacity of the environment, supporting the well-being of individuals within the surrounding community. This also includes promoting less waste and pollutions to ensure a healthy environment for the residents and guests.

The majority of travelers to Thailand experience more than one destination within the country during their travel. With Health and Wellness a key focus for the Tourism Authority of Thailand, the launch of a wellness community in Phuket can complement the many medical offerings within the country creating alternative experiences and a potentially longer length of stay for wellness related travelers.

1.2.5. Revised PPP arrangements

With the 2019 PPP Act, there is a framework for establishing a successful public / private partnership and to explore the benefit of this model for projects that focus on the growth of tourism.

⁹ April 2021 survey was conducted with 184 event planners and suppliers in Asia Pacific.

¹⁰ Global Wellness Expenditures of US 4.4 trillion (2020) are larger than half of the Global Expenditures on Health and represent %5.2 of the Global GDP. Global Revenues on the elements of focus in this concept (2020); Wellness Real Estate generated US 275 billion, Wellness Tourism US 436 billion, Mental Wellness & Physical Activity US 870 billion. Global Wellness Tourism is expected to grow to US 1.12 billion by 2025. Thailand's Pre-covid Growth of US 2 billion per year will continue to grow in line with Global Wellness Tourism post-pandemic

1.3. Impact, Outcome, and Outputs

1.3.1. Expected Impact

The expected impact of the Flagship Project will be higher productivity and greater economic resilience in Phuket. The scale of the proposed development and pillars of Wellness development will bring significant employment opportunities, potential infrastructure improvements, and new sources of tourism to Phuket, improving local employment opportunities and providing additional tax resources for the government. It will have a positive impact on micro and small local enterprises.

Phuket will increase its MICE and Wellness market share, taking advantage of the anticipated significant increases in the size of these markets, domestically and particularly internationally. Phuket's economic structure will be more resilient, with benefits to the provincial and national economies and especially the wellbeing of Phuket residents, including those in the relatively depressed northern part of the Island.

It is anticipated that MICE and Wellness jobs for both men and women will be created along with the creation and recovery of registered and unregistered enterprises in the supply chains with more gender-balanced employment. The MICE and Wellness supply chains will use local sources for goods and services wherever economically advantageous.

The expected impacts can be summarised as: premium on accommodation and longer length of stays compared to traditional resorts; attracting new market segments presently un-targeted by existing supply; positively impacting local business by using and promoting healthy, organic and sustainable ingredients; supporting the increasing demand for medical services, assisted living and senior living; and the investment can significantly position Phuket as Asia's preferred MICE and Wellness destination.

The investment will contribute to a green, inclusive and resilient recovery with the post-pandemic Phuket being recognised as a low-carbon destination offering tourists and businesses an exceptionally high quality natural and built environment, with skilled and healthy communities and a creative, multi-dimensional, and inclusive economy.

The investments will require reductions in emissions from all sources and it should be the intention of the developers to drive these down as far as possible (improved building standards, increased renewable energy generation, green transport as examples).

The proposed flagship project will contribute to the achievement of the Sustainable Development Goals as well as the objectives of the 2023-2027 Provincial Development Plan as shown in the Table.

Sustainable Development Goals (SDGs)	2023-2027 Phuket Development Plan
SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy for all	Plan 7 Modern and livable Phuket
SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Plan 9 Developing local people for stable and prosperous community, moving towards sustainable future society
SDG 9. Industry, innovation and infrastructure	Plan 7 Modern and livable Phuket
SDG 12. Ensure sustainable consumption and production patterns	Plan 8 Clean & Green Phuket Island
SDG 13. Take urgent action to combat climate change and its impacts	Plan 8 Clean & Green Phuket Island
SDG 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Plan 1 Developing of the global tourism industry (World Class Tourism Industry Project) and International Sport City and Plan7 Modern and livable Phuket

1.3.2 Expected Outcome

The outcome of this Flagship Project will be a combination of the provision of facilities to support MICE and Wellness activities and the readiness of the MICE and Wellness supply chains to create the conditions needed to capture market share and share of anticipated market growth. The consolidation of the MICE and Wellness tourism sub-sectors in Phuket will be based on securing a larger share of the domestic market than at present and pre-pandemic.

1.3.3. Expected Outputs

Four outputs are anticipated:

- MICE and Wellness facilities are adequate to create and meet the demand.
- Strengthened local MICE and Wellness supply chains, with adequate staff numbers and skills, and the capacity to resource goods and services locally whenever economically advantageous to do so. Enterprises which are not currently registered (including accommodation) will be encouraged to register, with benefits to resilience and the local tax base.
- Marketing strategies to secure a larger share of the domestic MICE and Wellness market in the short term, and recovery and growth of the international MICE and Wellness market in the longer term.
- Positioning Phuket as a Centre of Excellence in the design, management and training for MICE and Wellness services.

1.4 Investment and Financing Plans

The preliminary cost of the proposed convention centre was estimated using the space capacity requirements preferred by MICE stakeholders in the province. The preferred capacity for the Phuket convention center is 10,000 participants. The recently built Kon Kaen international convention and exhibition (KICE) center was built in Kon Kaen province. KICE can host 420 exhibition booths and can accommodate up to 12,460 participants. The estimated construction cost for this convention facility is 172 million baht, (US\$5.22m) excluding the car park and surrounding facilities.

It is anticipated that the convention centre would be built on currently undeveloped public land, and with private, as well as public, sector funding. The form of this will be determined by the proposed TA.

The cost of the proposed Wellness development pillars will be identified in the proposed Technical Assistance to prepare the Flagship Project. Preliminary estimates¹¹ are as follows:

- Active Living Wellness Hub Budget Est (THB125 million)
- Wellness Resort Budget Est (THB 1.5 billion)
- Wellness Real Estate Villas Budget Est (THB200 million)
- Wellness Real Estate Condos Budget Est (THB500 million)
- Project related Consultants) Budget Est (THB300 million)
- **Total Facilities provision Project Budget Est (THB2.62 billion) (US\$80m)**

In addition, there will be costs for the supporting capacity building program and Knowledge Management consolidation.

¹¹ These costs are estimates and based on industry norms to validate these numbers the following stages must be complete; Site Inspections, Concept Development, Masterplan, Design and Financial Feasibility.



2. TECHNICAL ASSISTANCE

Technical Assistance will be sought to develop the Flagship Project. The TA will include concept development of the proposed Convention Centre and Wellness development pillars, master planning and a detailed market research feasibility study. It will also include the design of a program of capacity building and MICE and Wellness Knowledge Management. The capacity building program preparation will include assessments of further registration of micro and small enterprises, innovative funding of local infrastructure and consolidation of the Phuket tax base.



3. DUE DILIGENCE REQUIRED

Due diligence required for project preparation will include the following:

- (i) **Technical issues.** The technical due diligence will include (a) feasibility study of convention facilities and Wellness facilities provision; (b) options for public-private partnership; (c) potential impact of climate change and options for mitigation and adaptation; (d) off-site infrastructure provision; (e) capacity building needs assessment; and (f) inclusivity impact.
- (ii) **Legal, regulatory, and policy framework.** The due diligence will involve a diagnostic to the existing legal, regulatory, and policy framework to identify the gap and weakness, if any, related to a sustainable PPP (if required). An action plan will be discussed and agreed with the government to strengthen the framework.
- (iii) **Commercial, financial, and economic issues.** Due diligence on commercial perspectives of the proposed convention facilities will be conducted to balance the requirements of the government and the private sector. The economic and financial viability and sustainability of the proposed convention facilities will also be reviewed.
- (iv) **Institutional issues and governance.** Due diligence will be undertaken to assess the institutional issues and mechanisms of executing agency and implementing agency for financial management, procurement, anticorruption, policy and legal frameworks, and to formulate remedial measures (in the case of a PPP).
- (v) **Poverty and social.** Due diligence will be undertaken to assess the overall Flagship Project's impacts on poverty reduction and social aspects. Gender-disaggregated impact will be also explored. A preliminary assessment of the socio-economic impact of the pandemic in Thailand is included in Appendix E.
- (vi) **Safeguards.** Safeguard due diligence will be conducted. Environment impact will be assessed for the convention facilities. Land acquisition and resettlement impacts will be assessed. Social impact will be emphasised, including assessments of the impact on socio-economic groups with data provided by studies such as the "COVID-19 Socio-Economic Impact Assessment, for the United Nations Development Program (UNDP)", 2019.

4. PROCESSING PLAN

4.1 Risk Categorization

As the work with the TA progresses, risks of the project will be further identified and assessed, along with risk mitigation strategies. Risk analysis is a focus of the preparation of the proposed design and monitoring frameworks. Risks were identified as: (i) lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable); and (ii) innovative funding to ensure off-site infrastructure to ensure the viability of facilities investment is not agreed.

4.2 Resource Requirements

The proposed TA could be completed within 6 months and at a cost of about THB 19.97 million (US\$600K). The following Technical Assistance is essential to bring the concept to a stage that can be presented to potential investors.

- Concept Development and Master Planning Budget Estimate THB 6-10 million (US\$180.3K-US\$300.5K)
- Detailed Market Research Feasibility Study Budget Estimate TH B2-5 million (US\$60.1-US\$150.3K)

In addition, resources are recommended for preparation of the capacity building program, marketing strategy and Knowledge Management consolidation. Further details are available in Appendix D.

In order for this project to be successful it is imperative that the consultants appointed be experts in the MICE and Wellness industries both in terms of Concept Development, Master Planning, Design and Market Research. They must have experience developing projects globally and understand how to appeal to the potential customer base for Phuket.

5. KEY ISSUES



Currently, the key issues include:

The uncertainties around the trajectory of MICE and Wellness domestic and international markets. The aim will be to develop a project preparation approach which has flexibility to adapt to changing circumstances.

Land availability for the proposed convention facilities

Take-up of registration of micro and small enterprises (including accommodation providers for MICE and Wellness visitors).

APPENDIXES

A. Basic Project Information

Modality of next step – technical assistance to prepare the MICE Flagship Project, on a grant basis from an international finance institution.

Modalities of Flagship Project

- Beyond the project preparation, funded by grant TA, private sector funding is anticipated, subject to the findings of the feasibility study undertaken in the TA stage. The private sector funding could be by PPP, although will probably require additional TA support.
- Climate change / green infrastructure funding may be sought if the proposed convention facilities (and associated infrastructure) are substantial with climate change mitigation a key feature.
- For the capacity building of supply chains, including registration of micro and small enterprises including accommodation providers for MICE visitors, TA funding is required.
- The knowledge Management component could also be supported on a grant basis from an international finance institutions.

B. Problem Tree and Objectives Tree

PROBLEM TREE



OBJECTIVES TREE

IMPACTS

Phuket increases share of MICE and Wellness market and share of market growth/revenue generation growth

Phuket economy is more resilient, enhancing national economy and wellbeing of Phuket residents

CORE OBJECTIVE

Phuket enhances productivity and is more resilient to economic shocks through more focus on the MICE and Wellness sectors

OUTPUTS

MICE and wellness facilities adequate to meet demand

Robust business cases for MICE and Wellness facilities are made

Land for MICE and Wellness facilities is available

MICE and wellness supply chains are fully operational

Micro and small enterprises gain staff and skills and are registered

The capacity to resource goods and services locally increases

Phuket brand image appropriate to attract higher productivity MICE and Wellness sectors

Marketing is focused on MICE and Wellness sectors

Phuket is recognised as a MICE and Wellness brand leader

Phuket focuses on higher productivity MICE and Wellness tourism sectors

C. Draft Design and Monitoring Framework for the proposed Flagship Project

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
IMPACT			
<p>Phuket increases share of MICE and Wellness market and share of market growth / revenue generation growth leading to a Phuket economy that is more resilient, enhancing the national economy and the wellbeing of Phuket residents</p>			
OUTCOME			
<p>A combination of the provision of facilities to support MICE and Wellness activities and the readiness of the MICE and Wellness supply chains to create the conditions needed to capture market share and share of anticipated market growth. The MICE and Wellness operations will be accelerated by implementation of a marketing strategy and MICE and Wellness knowledge management.</p>	<p>Facilities designed, built and operational</p> <p>Supply chains established, re-established and consolidated.</p> <p>If shown to be appropriate, the regularization of informal small enterprises (including accommodation providers).</p> <p>In early years of recovery (2022 -2024/5) the consolidation of the MICE sub-sector in Phuket will be based on securing a larger share of the domestic market than at present and pre-pandemic</p>	<p>Central and provincial government monitoring</p>	<p>Risks</p> <p>Lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable)</p> <p>Linked infrastructure investment is not funded</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
OUTPUTS			
1. Convention and Wellness facilities provision and application of innovative financing mechanisms for infrastructure provision	<p>Detailed design completed (Including assessment of associated climate change adaptation / mitigation infrastructure improvements (possibly by a form of land value capture linked to the facility development))</p> <p>Public / private arrangement confirmed</p> <p>Facility construction complete</p>	Central and provincial government monitoring	<p>Risks</p> <p>Lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable)</p> <p>Linked infrastructure investment is not funded</p>
2. Capacity building to re-establish and consolidate MICE and Wellness supply chains, including registration of small enterprises	<p>Assessment of registration benefits of micro and small enterprises, including MICE and Wellness visitors' accommodation</p> <p>Registered and unregistered supply chain Micro, Small enterprises created / consolidated</p> <p>MICE and Wellness jobs for both men and women created</p> <p>MICE and Wellness supply chain uses local sources for goods and services wherever financially advantageous</p>	Central and provincial government monitoring	<p>Risks</p> <p>Lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable)</p> <p>Linked infrastructure investment is not funded</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
OUTPUTS			
<p>3. Marketing strategies to secure a larger share of the domestic MICE and Wellness market in the short term, and establishment of a foundation for the recovery and growth of the international MICE and Wellness market in the longer term</p>	<p>Marketing strategies available in 2022 to attract domestic MICE and Wellness market and visitors</p> <p>Marketing strategies available in 2022 to attract international MICE and Wellness market and visitors</p>	<p>Central and provincial government monitoring</p>	<p>Risks</p> <p>Lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable)</p> <p>Linked infrastructure investment is not funded</p>
<p>4. Consolidation of Phuket based MICE and Wellness Knowledge Management</p>	<p>MICE and Wellness knowledge Management Centre established / consolidated</p>	<p>Central and provincial government monitoring</p>	<p>Risks</p> <p>Lower-than-expected trajectory of both domestic and international MICE tourist visits (and the proposed feasibility study indicates that the facility investments are not viable)</p> <p>Linked infrastructure investment is not funded</p>

D. Project Preparatory Technical Assistance

Justification

TA support to prepare the MICE and Wellness Flagship project is required as the proposed project is complex and innovative in a number of respects.

Major Outputs and Activities

Output 1

A feasibility study of the convention and Wellness facilities provision, including the possible application of innovative financing mechanisms for infrastructure provision.

Output 2

Design of a capacity building program to re-establish and consolidate MICE and Wellness supply chains, including the possible registration of small enterprises, including accommodation providers. Although there are benefits of this in respect of small enterprise resilience and consolidating the provincial tax base, an assessment needs to be made of the practicality of introducing this in the time frame of the proposed Flagship Project.

Output 3

Design of marketing strategies to secure a larger share of the domestic MICE and Wellness market in the short term, and establishment of a foundation for the recovery and growth of the international MICE and Wellness market in the longer term. This is also innovative in the post-pandemic context.

Output 4

Consolidation of Phuket based MICE and Wellness Knowledge Management in the Prince of Songkla University

Cost Estimate and Proposed Financing Arrangement

It is proposed that grant funding is sought with government counterpart support in the form of counterpart staff, office accommodation, office supplies, and the provision of all relevant and available documents, data, statistics, information and maps. An initial estimate is that it will cost THB 19.97 million (US\$600K).

	Person Months
International	
Investment specialist / Project Economist (Team Leader)	5
MICE specialist (including supply chains)	3
MICE specialist (marketing)	2
Wellness specialist (including supply chains)	2
Wellness specialist (marketing)	2
Knowledge Management Specialist	3
National	
Civil engineer	5
Financial analyst	4
Social safeguards specialist	3
	29

Consulting Services

The funding agency will engage a team of international and national consultants, possibly through a consulting firm, for all outputs. The TA will require 29 person-months of consulting services, as shown in the accompanying Table (17 international person months and 12 national person months).

Implementation Arrangements

It is anticipated that the Executing Agency of the initial Technical Assistance will be an international finance institution and the Implementing agencies will be the Ministry of Public Health and the Phuket Provincial Government, one of the aims being to build the capacity of the provincial government for investment project development, working in association with the private sector.

E. Initial Poverty and Social Analysis

Diversification also includes a mix of small and medium sized businesses¹³. Industries such as sustainable tourism, healthcare and education provide a solid foundation that support small and medium-sized businesses. In turn, these both provide anchors that support smaller (micro) businesses. Each tier supports one another and provides the services and goods the others depend upon. As the economy expands and more businesses within each tier open their doors, the stronger this support network becomes. As the network grows and expands it creates additional room for similar sized businesses to find a niche within the economy that needs to be filled. This can help micro and small businesses grow, benefiting the most vulnerable.

UNDP undertook a COVID impact analysis in Phuket in 2020¹⁴, focusing on the initial and subsequent economic loss, the impact on local businesses, employment, social and economic aspects, and vulnerable individuals. The impact analysis noted that the pandemic set back Phuket's economy more than other provinces due to its heavy reliance on the tourism sector. The role of manufacturing industries and agriculture in Phuket had already declined from 20 per cent in 1995 to only 5 per cent in 2018, creating an economy which was vulnerable to any event which put the tourism industry at risk.

The report noted that Phuket's economy is not the only tourism-oriented province in Thailand, but it is the least diverse and the most foreigner-dependent. It was also very successful in terms of growth rate, which was above national levels in recent years, whilst at the same time experiencing inequality below national levels¹⁵. But during the pandemic, Phuket's labour force were almost entirely out of work: the unemployment rate reached the record high 9.9% in Q1 2021 and 12.71% of employment were classified as semi-unemployment (working less than 24 hours per week).

The analysis confirmed that the most vulnerable were hit the hardest. Informal enterprise and informal employment were commonplace in Phuket, with those in informal jobs poorly served by social protection and so more vulnerable to shocks. Migrant labour was also widely used, with migrants enjoying little or no protection – many had returned home. Labour productivity was assumed to be low, particularly in informal jobs serving low-end tourism, which were poorly paid. The pandemic also exacerbated gender inequality.

The impact analysis also recorded that, during the pandemic, the income of 46 per cent of respondents diminished at least by half and that most residents did not have the financial resilience to cope with this loss of income. About 73 per cent of Phuket residents indicated that they sought alternative employment or business strategies. Most entrepreneurs reported a decline in year-on-year revenue during an intense period of the pandemic (March-May 2020). Even after the initial easing of restrictions, most entrepreneurs in Phuket reported revenue decline. About one fifth of business respondents reported that their businesses were officially closed due to the pandemic.

The impact study identified vulnerable groups, for example, sex workers and rural migrants. These groups reported a complete loss of income due to sudden unemployment or loss of their tourist-patronized income. They experienced severe economic hardship as there were few alternative job opportunities. This economic devastation has major health impacts.

13 Large businesses are usually defined as +250 employees. There will be few of these in Phuket.

14 "COVID19- and the future of Phuket economy" Output 2: Socio-Economic Impact Assessment on the Tourism Sector in Phuket, Project Title: COVID19- Socio-Economic Impact Assessment, for the United Nations Development Program (UNDP), Submitted by Asst. Prof. Dr. Kullada Phetvaroon, Dr. Sukampon Chongwilaikasaem, Asst. Prof. Dr. Pornthep Benyaapikul, Dr. Thammasin Ingviya, M.D., Asst. Prof. Dr. Tatiyaporn Jarumaneerat, Dr. Vipawee Dumme, Eva Ayaragarnchanakul and Prof. Dr. Virasakdi Chongsuivatwong, M.D. (Project advisor)

15 GDP growth rate in real terms was 8.1 per cent and 5.1 per cent in 2018 and 2109 respectively in Phuket and 4.2 per cent and 2.3 per cent for the Kingdom as a whole in the same years. The Gini coefficient in 2015 was 0.305 in Phuket and 0.429 in the Kingdom as a whole, reflecting a greater degree of income inequality nationally than locally in Phuket.

Understanding of the full impact of the pandemic nationally is still imperfect and across the world efforts are being made to enhance understanding to counter socio-economic impacts whilst emphasising the importance of the whole-of-government and the whole-of-society approaches¹⁶.

The Flagship Projects will monitor poverty and social aspects as follows.

- During the pandemic, the initial economic loss (Feb-July, 2020) from tourism (revenue from visitors) in Phuket was estimated to be slightly over 190 billion Baht or an 83% decrease from the pre-COVID values. The impact on employment showed clearly in the second quarter of 2020. The total working hours of employed workers in Phuket were reduced by 48% compared to the same period of 2019. Workers in travel agencies, tour operators, reservation service and related activities, transportation, and accommodation sectors lost their working hours by above 80%. Workers in travel agency, tour operator, reservation service and related activities saw their income dropped by 58% while those in accommodation, transportation, and food and beverage service experienced 51%, 40% and 14% drops, respectively. An assessment of tourism employment gains associated with the flagship projects will monitor the impact on different groups of workers.
- Female workers' incomes were more affected by shocks, as reflected during the pandemic. Gender-disaggregated tourism employment data will be monitored.
- Local enterprises reported that their sales decreased around 80% (March – August, 2020). Large enterprises had safety adaptive margins and recovery plans. Overall, about 20% of the enterprises were permanently or temporarily closed – unrelated to being formal or not. Conditions of different types of local enterprises will be part of an assessment of tourism employment gains associated with the flagship projects.
- Formalization is uncommon at the micro-level. Workers and SMEs detect no differences in being formal or informal. If formalizing is the key to economic development, the government should provide more incentives such as increasing the benefits of being in the formal sector and reasonably reallocate the social security fund. This will be the baselines for an assessment of regularization feasibility.
- Months of zero income were experienced during the pandemic by LGBTIs, informal sectors, and sex workers. After being laid-off, staying in Phuket was not much of a choice due to the high cost of living. Almost 40,000 people registered to move out of Phuket in the first day that the government allowed them to. Flows of returning migrants to the MICE and Wellness initiatives will also be monitored.
- Nevertheless, vulnerable groups were not neglected as they benefited from social welfare or assistance specific to COVID-19 like the 5,000-baht short-term assistance and the Social Security Insurance compensation for unemployment. Even so, the financial sector will have to play an important role in debt restructuring and provide financial liquidity to local businesses and households amid the aftermath of the pandemic and income shocks. The impact of the flagship projects on the conditions of local businesses and households will be assessed as part of project monitoring.

16 UN Secretary-General António Guterres set the tone for UN's approach with his Shared Responsibility, Global Solidarity plan

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