



## Lao People's Democratic Republic: Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

Project Name	Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project	
Project Number	46293-003	
Country	Lao People's Democratic Republic	
Project Status	Active	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	<b>Loan 3156-LAO: Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth - Lao PDR</b>	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 40.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships	
Sector / Subsector	<b>Industry and trade</b> - Small and medium enterprise development - Trade and services <b>Transport</b> - Road transport (non-urban)	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	The project will remove physical and capacity constraints impeding tourism development in Champassak, Khammouane, Luangprabang, and Oudomxay_four provinces situated astride the GMS Central Corridor. It will contribute to the creation of 27,000 tourism-related jobs in the Lao PDR by: (i) paving 70 kilometers (km) of rural roads to open new areas for private tourism investment and improve access to markets and social services for 15,000 people; (ii) improving environmental services in areas important for cross-border tourism to reduce public health hazards for 35,000 residents and 2.4 million annual visitors, beginning in 2019; and (iii) facilitating business support services for at least 500 small and medium-sized enterprises. <sup>3</sup> The project will strengthen regional cooperation and integration by implementing regional tourism standards, promoting multicountry tour circuits, and supporting structured policy dialogue to reduce nonphysical barriers to travel. The project investment plan is in line with the GMS Tourism Sector Strategy, <sup>4</sup> and the government's National Tourism Strategy, 2012_2020.	

Project Rationale and Linkage to Country/Regional Strategy

Regional context. Among country groupings in Asia and the Pacific, the GMS has a strong comparative advantage in tourism as a result of its diverse cultural and natural assets, good international air and land transport connections between gateway destinations, and surging demand for intraregional leisure travel. International tourist arrivals are growing by 12.4% per year; in 2012 arrivals reached an all-time high of 44.8 million, and generated \$44.3 billion in receipts. Tourism supports 7 million jobs and creates positive economic impacts in other service and productive sectors. About one-third of international arrivals visit at least two countries while travelling in the GMS and millions of residents cross borders each year for day trips. GMS countries are eager to strengthen subregional tourism cooperation and recently reaffirmed their commitment to promote cross-border tourism under the GMS Economic Cooperation Program Strategic Framework, 2012\_2022.6 Nevertheless, underinvestment in public infrastructure beyond the major gateways remains a critical constraint that restrains expansion of private tourism enterprises and dispersal of benefits to less-developed areas. National priorities. The Lao PDR received 3.33 million international tourists in 2012, a 22% increase over 2011, but accounting for less than 8% of GMS arrivals. Travel and tourism contribute 5.3% of gross domestic product and support 134,000 jobs, equal to 4.5% of total employment.8 The government's National Tourism Strategy is consistent with the GMS Tourism Sector Strategy, which prioritizes transport and urban infrastructure upgrades, education and training, and policy enhancements to improve the business enabling environment. The 2005 Tourism Law provides the legal basis for the strategy, setting out the parameters for creation of a sustainable tourism industry that contributes to national development and strengthens international cooperation. Strategic objectives are to: (i) generate employment and income for local people, (ii) strengthen tourism destination management, (iii) expand public-private cooperation in tourism, and (iv) diversify tourism products and services. The estimated cost of the government's investment program for tourism between 2011 and 2015 is \$118 million. Key issues. Although the Lao PDR has many cultural and natural tourist attractions with good development potential, tourism is highly concentrated in Vientiane Capital, which accounts for 43% of international arrivals and 47% of hospitality investment. Women comprise about half of tourism workers; however, many are employed in low-skill, low-wage jobs, and are underrepresented in tourism management. The key impediments to more inclusive and geographically dispersed growth are insufficient last-mile transport infrastructure in secondary destinations; weak market linkages between the tourism industry and other economic sectors; and limited institutional capacity to promote local tourism-related enterprise development. Consequently, at least 40% of tourism receipts leave the country in the form of tourism-related imports. Inadequate environmental infrastructure and low service standards suppress tourist length of stay, spending, and yield, resulting in average receipts per visitor of about \$154—the lowest in the GMS and much less than the benchmark of \$1,390 in Asia and the Pacific.

To remove these constraints and engender a more equitable pattern of tourism development, the project will upgrade access roads that link rural tourist attractions with urban centers, improve environmental services in areas important for tourism, and support training and capacity building for destination management organizations and local entrepreneurs.10 Project investments are designed to catalyze additional private investment in tourism superstructure and services, boost tourist spending and related job creation in underdeveloped areas, and ensure that tourism growth is environmentally and socially sustainable.

Related policies and strategies. The project is consistent with the Lao PDR's Seventh National Socioeconomic Development Plan, 2011\_2015, which aims to promote sustainable economic growth and reduce poverty and inequality. Project outputs will contribute to economic diversification and human resource development, and strengthen the participation of women and ethnic groups in national development. The emphasis on improving connectivity between urban and rural areas, strengthening value chains linked to the rapidly growing tourism sector, and creating jobs for unskilled and semiskilled workers is closely aligned with the overarching objectives of the ADB's Lao PDR country partnership strategy, 2012\_2016: inclusive and sustainable economic growth and poverty reduction.12 The project reinforces regional efforts to increase cross-border investment flows and develop the GMS corridors into economic corridors.

Development coordination. The GMS Tourism Working Group is the forum for coordinating regional tourism sector assistance. Senior GMS tourism officials and ADB co-chair semiannual working group meetings to guide implementation of the GMS Tourism Sector Strategy and identify policy issues for elevation to the annual GMS tourism ministers meeting and the triennial GMS summit. In the Lao PDR, sector coordination is led by the Ministry of Information, Culture and Tourism (MICT). Other development partners engaged in tourism are German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, the International Trade Center, the Japan International Cooperation Agency, the Lux-Development, the New Zealand Aid Programme, Swisscontact, the World Wildlife Fund, and the Wildlife Conservation Society.13 The Pacific Asia Travel Association is the leading industry group with over 1,100 members and an active chapter in the Lao PDR. Parallel financing opportunities will be actively sought during implementation.

Lessons. ADB's GMS tourism sector assistance program and completed tourism projects in the Lao PDR are rated successful.14 Lessons from past projects include the need to (i) analyze tourism demand in project areas to guide selection of infrastructure investments, (ii) improve cross-sector coordination and build synergies with other ADB assistance, (iii) provide capacity building for project management and operation and maintenance (O&M), and (iv) promote tourism-related private enterprise development alongside infrastructure to expand income-generating opportunities for local residents. Applying these lessons, the project has selected relevant infrastructure subprojects based on robust market analysis,15 as well as complementarities with other ADB and development partner assistance for urban development, water supply and sanitation, vocational training, and tourism. Capacity building for entities responsible for infrastructure O&M, and parallel support for small enterprises led by women and ethnic groups, will enhance the sustainability of project outputs and ensure benefits reach vulnerable groups. The project has deliberately selected infrastructure and capacity-building interventions that will connect lower-income groups to basic services and markets and enable them to access tourism employment, education, health care, and other opportunities

Special features. The project will (i) strengthen collaboration between government, the private sector, civil society, and local communities to improve tourism destination management; (ii) demonstrate how tourist entry fees and charges can help finance the maintenance of public goods such as heritage sites, roads, and environmental services; (iii) strengthen knowledge partnerships among GMS and Association of Southeast Asian Nations members; and (iv) leverage service sector opportunities to accelerate widening of the GMS corridors into economic corridors by linking secondary tourism destinations with increasingly affluent

Impact

Increased tourism employment for men and women living in underdeveloped segments of the GMS Central Corridor

## Project Outcome

Description of Outcome	Increased tourism receipts in Champassak, Khammouane, Luangprabang, and Oudomxay
Progress Toward Outcome	Progress toward outcome will be assessed during the mid-term review in early 2018.

### Implementation Progress

Description of Project Outputs	Last-mile tourism access infrastructure improved. Environmental services in cross-border tourism centers improved. Institutional capacity to promote inclusive tourism growth strengthened. Effective project implementation and knowledge management.
Status of Implementation Progress (Outputs, Activities, and Issues)	-MICT advertised bidding documents for Ban Xang Hai-Tham Ting Access improvement and Chomphet Heritage District Access Improvement civil works. Bid opening schedule for 28 March 2017 and MICT is aiming to award the contract by Q4. -Chom Ong Cave access improvements detailed engineering designs being prepared, for advertisement by Q3 2017. -Xang Cave Access Improvements-That Sikhottabong Environment Improvements civil works package is being evaluated, for award in Q2 2017. -Capacity building programs have reached about 2,660 participants (~40% women overall). -Destination management plans (DMPs) prepared for 4 provinces. Capacity building includes leadership training for DMN members, support for doctoral studies in tourism management, baseline data collection, English language training, workshops to prepare provincial heritage management plans and consultative workshop on prospective public-private partnerships in four provinces. -Gender Actions Plans and Ethnic Participation Plans on-track in all target provinces. Additional gender mainstreaming strategy for MICT prepared.
Geographical Location	

## Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

## Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

### Stakeholder Communication, Participation, and Consultation

During Project Design
During Project Implementation

## Responsible Staff

Responsible ADB Officer	Schipani, Steven M.
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Lao Resident Mission
Executing Agencies	<i>Ministry of Information, Culture and Tourism Lane Xang Avenue, Vientiane Lao Peoples Dem Rep</i>

## Timetable

Concept Clearance	30 Nov 2013
Fact Finding	01 Dec 2013 to 15 Dec 2013
MRM	13 May 2014
Approval	08 Sep 2014
Last Review Mission	-

**Loan 3156-LAO**

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
08 Sep 2014	27 Oct 2014	14 Jan 2015	31 Dec 2019	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	43.57	Cumulative Contract Awards			
ADB	40.00	08 Sep 2014	7.14	0.00	20%
Counterpart	3.57	Cumulative Disbursements			
Cofinancing	0.00	08 Sep 2014	4.41	0.00	12%

Project Page <https://www.adb.org/projects/46293-003/main>

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