

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Lao PDR	Project Title:	Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth
Lending/Financing Modality:	Project	Department/Division:	SERD/TRM

I. POVERTY ANALYSIS AND STRATEGY

Targeting Classification: General Intervention

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

In accordance with the Greater Mekong Subregion (GMS) Strategic Framework 2012–2022,^a the project will promote private sector-driven economic growth and foster skilled human resource development in the labor-intensive tourism sector. In the Seventh National Socio-Economic Development Plan (NSEDP) 2011–2016 of the Lao People’s Democratic Republic (Lao PDR), the government is targeting graduation from Least Developed Country status by 2020, with poverty reduction as the primary objective. With its focus on job creation and inclusive economic growth, the project supports national objectives to accelerate economic growth, reduce poverty and inequality, and generate more jobs and income-generating opportunities for women and ethnic groups. The NSEDP highlights economic diversification in the service sector, in particular tourism, as essential for reaching national development and poverty reduction goals. The project design is aligned with the Asian Development Bank (ADB) country partnership strategy for Lao PDR 2012–2016, which focuses on four themes: (i) private sector development, (ii) governance, (iii) gender equity, and (iv) regional cooperation and integration.^b The project will foster tourism growth, increase tourism receipts, and boost tourism employment by improving access infrastructure in urban and rural tourism sites, improving environmental services in cross-border tourism centers, and providing capacity building to promote small and medium-sized enterprises and regional tourism cooperation.

B. Results of the Poverty and Social Analysis during the PPTA

1. Key Issues: Lao PDR has steadily reduced poverty over the past decade, reaching lower-middle income status in 2011 with a per capita gross domestic product of \$1,069. In 2010, 26% of the population was living in poverty, compared to 33.5% in 2002.^c The poverty rate in rural areas is 31.7%, but reaches 54% in mountainous areas, illustrating the need for more investment in off-farm, labor-intensive economic sectors. In 2010 industry accounted for 26% of GDP but employed only 5.5% of the active labor force. By comparison the service sector, of which tourism is an important component, generated 37.2% of GDP and accounted for 19.5% of employment. Tourism in Lao PDR contributes directly to poverty reduction by stimulating enterprise development and employment opportunities in a range of subsectors that are accessible to poor and low-income populations. About 27% of destination spending by tourists reaches the poor.^d Women represent about half of entrepreneurs in the tourism sector and tourism creates many jobs for youth. In order to maximize tourism’s poverty reduction benefits, the project has selected areas where improvements to last-mile access infrastructure will catalyze tourism growth and investment in locations that can realize tangible gains from increased tourist numbers. Areas in Champasak, Khammouane, Luangprabang, and Oudomxay with good tourism potential (but persistent pockets of poverty) have been selected for inclusion in the project. Oudomxay is the fifth-poorest province in Lao PDR. Poverty in rural Luangprabang is 30.8% compared to 13.5% in Langprabang town. The poverty incidence in Khammouane Province in 2008 was 31.4%.

2. Beneficiaries: The project will directly benefit men and women living in the proximity of upgraded tourist sites. A total of about 15,000 local residents will directly benefit from increased access to economic opportunities from tourism and improved access to markets and social services as a result of road upgrades. Women from low-income households that are supplementing farm livelihoods with handicraft production or food and beverage services stand to gain the most from the project. In Oudomxay, 65% of the villagers living along the access road are ethnic Khmu and 13% are Hmong. The project will boost tourism growth and spending in the four participating provinces, which have a population of 1.9 million, thus catalyzing additional private investment and creating 27,000 tourism-related jobs. Close to 200,000 people living in the target districts will benefit from increased tourism activity and economic spillover effects in a range of subsectors.

3. Impact Channels: The project will impact poor and vulnerable groups through the following channels: (i) involvement in tourism retail enterprises with low startup costs will provide a means for the poor to diversify livelihoods from subsistence agriculture; (ii) the project will support community tourism groups to ensure that poor households gain access to new jobs and income-generating opportunities from tourism; (iii) value-chain analysis will inform and support enterprise development activities that assist farming communities produce and market local products to tourism enterprises, and directly to tourists; and (iv) by working with the Lao Women’s Union and the Lao Front for National Reconstruction to ensure female heads of households, members of poor households, and ethnic groups have equal access to the project’s skills training and business support services. Civil works contractors will be required to hire local unskilled labor; 20% of those hired will be women.

4. Other social and poverty issues: The project’s training programs will include awareness raising to promote better health and hygiene, and will support village site management committees to improve solid waste management practices. These interventions will help improve the health status of target communities. The project will reduce the vulnerability of women and children to human trafficking and other forms of exploitation by conducting awareness programs and promoting collaboration between private enterprises, nongovernment organizations (NGOs), and law enforcement agencies.

5. Design Features: Complementary investments in access infrastructure, environmental services, and capacity building are designed to maximize economic opportunities for small and medium-sized enterprise (SME) development that benefits poor and low-income populations, with an emphasis on women and youth. The project will contribute to (i) creating about 27,000 jobs in underdeveloped areas, at least 50% of which will be held by women; (ii) increasing the percentage of paved roads in rural areas, bringing improved access to markets and services for about 15,000 residents; (iii) improving environmental services at sites to lessen public health hazards for 35,000 residents, enterprise operators and tourists; and (v) providing at

B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Key impacts: The project will bring beneficial impacts to diverse ethnic groups living near the selected tourist sites and along access roads. The subproject in Oudomxay will benefit a cluster of Khmu villages living near the Chom Ong Cave as well as Khmu and Hmong villagers who live along the rural road to be upgraded. In Khammouane, a Makong village will benefit from an upgraded road that will provide better access to markets and social services and facilitate tourist visits. The Tham Ting-Xang Hai access improvements subproject in Pak Ou District Luangprabang will benefit mixed ethnic villages by upgrading road access and providing more tourism-related business opportunities. The sites have been open to tourism for a number of years and are in areas where members of ethnic groups are already engaged in existing tourism activities. All ethnic groups were consulted and support the project. The project will ensure that local ethnic people continue to maintain and gain more access to tourism-related enterprise opportunities and participate in tourism planning. In Oudomxay, the improved Chom Ong Cave site shall remain under the management of the local Khmu village.</p> <p>2. Strategy to address impacts: The Indigenous Peoples Plan (IPP) includes actions to ensure that ethnic groups in project areas benefit from tourism activities and actions to promote responsible tourism. These include (i) strengthening management of community-based tourism activities in ethnic villages; (ii) supporting ethnic groups, in particular women from ethnic groups, with business planning and enterprise development services; and (iii) promoting the formation of CTGs by ethnic groups. The design of information and awareness campaigns will focus on promoting responsible tourism. Learning materials will incorporate ethnically sensitive designs and local languages where appropriate.</p> <p>3. Plan or other actions: <input checked="" type="checkbox"/> Indigenous Peoples Plan <input type="checkbox"/> Combined RP and Indigenous Peoples Plan <input type="checkbox"/> Indigenous Peoples Planning Framework <input type="checkbox"/> Combined RF and IP Participation Framework <input type="checkbox"/> Environmental and Social Management Arrg. <input type="checkbox"/> Indigenous Peoples plan elements in project with summary <input type="checkbox"/> No Action</p>	
IV. ADDRESSING OTHER SOCIAL RISKS	
<p>A. Risks in the Labor Market <input type="checkbox"/> Unemployment <input type="checkbox"/> Under-employment <input type="checkbox"/> Retrenchment <input checked="" type="checkbox"/> Core labor standards Risks in the labor market are minimal and relate primarily to the construction phase. Contractors will be required to hire local labor and apply Lao PDR's labor laws and internationally recognized Core Labor Standards, including fair wages at market prices, equal pay for equal work, and no use of child labor.</p>	
<p>B. Affordability: None. The project will improve tourism-related infrastructure but does not include mandatory service fees to be imposed on local residents. The main public service is upgraded rural roads that do not have tolls. Existing vendors will not pay additional fees because of project improvements. The village and site management committees will manage rental fees for any new retail stalls as per the existing norms in place. A dual pricing mechanism for entry fees to public tourist attractions will ensure affordability for domestic tourists.</p>	
C. Communicable diseases and other social risks	
<p>1. Indicate the respective risks, if any, and rate the impact as high, medium, low, or not applicable: <input checked="" type="checkbox"/> Communicable diseases <input checked="" type="checkbox"/> Human Trafficking <input type="checkbox"/> Others Communicable diseases and other social risks are rated medium because such risks are known to occur in areas with poorly managed tourism growth. Despite this association, the risks are not rated high because the project includes specific activities to raise awareness on issues of health, HIV/AIDs, human trafficking, and other social risks such as traffic safety and child exploitation. The activities include mechanisms to promote collaboration between communities, law enforcement, the private sector, government agencies and NGOs to prevent negative social impacts from arising.</p>	
IV. MONITORING AND EVALUATION	
<p>1. Targets and indicators. Gender and social impact indicators are included in the design and monitoring framework and include performance targets for increased employment and economic benefits, and to ensure that women participate in consultations and tourism planning. Additional social safeguard monitoring indicators are described in the various social action plans.</p> <p>2. Required human resources. International and national consultants will be engaged to assist project implementing agencies update, implement, and monitor (i) resettlement plans, (ii) the IPP, and (iii) the gender action plan. Various consultants will be engaged to support the project's SME support programs, with mandates to ensure that local women, ethnic groups and youth benefit equally from economic opportunities generated by the project.</p> <p>3. Information in PAM: Summaries of the safeguard requirements and references to the safeguard plans are described in the PAM. Quarterly project progress reports will include a description of the physical progress, and implementation status of resettlement plans, gender action plans, the IPP, and the consultation and participation plan.</p> <p>4. Monitoring tools. Baseline data for performance monitoring is included in the design and monitoring framework. Additional information on poverty and social indicators will be collected shortly after the project starts, in order to produce a more detailed baseline and enable a detailed end-of-project impact evaluation. Safeguard monitoring, and the monitoring mechanisms of key performance indicators for economic, social and environmental aspects of the project will be elaborated in the project performance management system.</p>	

^a ADB. 2011. *Greater Mekong Subregion Economic Cooperation Program Strategic Framework, 2012–2022*. Manila.

^b ADB. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila.

^c Ministry of Planning and Investment, Lao PDR. 2011. *The Seventh Five-Year National Socio-Economic Development Plan 2011-2015*. Vientiane. The poverty level in 2012 was equal to KN180,000 kip per person/month for people living in rural areas and KN210,000 per person/month for people living in urban areas.

^d Mitchell, J., and C. Ashley. 2010. *Tourism and Poverty Reduction, Pathways to Prosperity*. London: Overseas Development Institute and Earthscan.