

LESSONS FROM PAST GMS TOURISM PROJECTS

A. ADB ASSISTANCE IN THE TOURISM SECTOR

1. Since 2003 ADB has provided approximately \$60 million in concessional loans, grants, and technical assistance to the Greater Mekong Subregion (GMS) tourism industry.¹ The focus of ADB's past support has been to (i) improve tourism-related public infrastructure such as access roads to tourist sites, small airports and river piers; (ii) improve solid waste and wastewater treatment facilities to help expand the coverage and quality of environmental services in urban tourism centers, and (iii) promote pro-poor, community based tourism. Past and ongoing projects support tourism-related enterprise development, capacity building for public officials, and cooperation on issues of common concern such as joint marketing and development of common tourism standards.

B. KEY LESSONS AND PROJECT DESIGN RESPONSES

2. This document summarizes key lessons from past projects and how they have been incorporated into the design of the GMS Tourism Infrastructure for Inclusive Growth Project (the project).

3. **Tourism Demand Analysis.** Many tourism support programs fail to deliver envisioned additionality in terms of tourist arrivals, spending, and employment generation due to insufficient consideration of demand or changing market trends. In response, a robust demand analysis for each participating country, province, and destination has been prepared. The project supports the development of tourism products and services that appeal to tourists from within the GMS, the Association of Southeast Asian Nations (ASEAN) and long haul visitors. Subprojects and destinations all show strong tourism development potential based on market studies, historical data and on-the-ground assessments.

4. **Cross-sector Coordination.** Project design complements ADB and other development partner assistance in the participating countries. Clustered project investments in contiguous sections of the GMS Southern Coastal Corridor in Cambodia and Viet Nam, Central Corridor in the Lao PDR, and the Southern and Eastern Corridor in Viet Nam will create synergies with ADB lending in the transport and urban sectors, and with technical assistance to facilitate cross-border movement of tourists.

5. **Infrastructure Feasibility Analysis.** ADB's first GMS tourism project saw two infrastructure subprojects cancelled during implementation due to resettlement issues and cost increases. Taking this into account, project design involves only minor resettlement. Similarly, detailed cost estimates have been prepared based on market rates, government cost norms, country experience with cost variations, and consideration of inflationary factors. All infrastructure subprojects are demand driven investments that were selected in close coordination with the project's executing and implementing agencies.

6. **Project Scope.** While ADB's past tourism assistance is rated successful² the tendency to include too many small, geographically dispersed subprojects was found to

¹ *GMS Mekong Tourism Development Project*: CAM-1969, LAO-1970, VIE-1970 (\$35.0 million); *GMS Sustainable Tourism Development Project*: LAO-0117, VIE-2457 (\$22.0 million); TA 8233-REG: *Preparing the Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project* (\$1.2 million); TA 6279: *Preparing the GMS Sustainable Tourism Development Project* (\$0.9 million); TA 6179: *GMS Tourism Sector Strategy* (\$0.8 million).

² ADB. 2005. *TA-6179 Completion Report. Greater Mekong Subregion Tourism Sector Strategy*. Manila.
ADB. 2009. *Sector Assistance Program Evaluation. Tourism in the Greater Mekong Subregion*. Manila.
ADB. 2011. *Completion Report. Greater Mekong Subregion Mekong Tourism Development Project*. Manila.

spread project resources too thin, impose high recurrent project management costs, and unnecessarily increase the risk of not delivering successful project outputs and outcomes. Recognizing these challenges, proposed infrastructure subprojects are larger than in the past, and limited to 3 to 8 civil works packages per country. The number of project provinces per country ranges from 3 to 5.

7. **Capacity Building for Inclusiveness.** Project design incorporates complementary investments in infrastructure, enterprise promotion, and capacity building for public and private tourism managers. Meaningful consultations with potential beneficiaries during project design identified training and capacity building needs for a range of stakeholders, including women and men, youth, ethnic groups, and public officials. Performance indicators selected to assess inclusiveness are the: (i) number of people with access to newly paved roads; (ii) number of people with access to improved sanitation; (iii) number of jobs created and percentage of women employed in tourism; (iv) number of depositors with commercial banks; and (v) percentage of women holding management positions in tourism destination management organizations.

8. **Catalytic Effects.** One of the key factors constraining private investment in tourism facilities and services such as hotels, restaurants, and tour operations in secondary destinations is a lack of transportation infrastructure and proper management of solid waste and wastewater, compounded poor destination management. Clustered infrastructure and capacity building investments are designed to remove these constraints and strengthen tourism value chains, giving an extra boost to the local economy.

9. **Operations and Maintenance Capacity.** Evaluation of past tourism projects has shown that the main factors that impede sustainable operations and maintenances (O&M) are (i) low skills and capacity of entities responsible for O&M, (ii) selection of unsuitable technologies or equipment, and (iii) insufficient financial means to carry out the required O&M tasks. While tourists are willing to pay fees and surcharges that can be used to finance O&M of tourism-related infrastructure, sound financial management systems need to be in place to enable this revenue to be effectively directed to O&M. These lessons are addressed in the project design through (i) selection of the most suitable technologies and equipment, with a focus on durability and O&M capacity, (ii) inclusion of adequate resources for O&M training; and (iii) identification of finance mechanisms to cover the cost of O&M for each infrastructure subproject. Moreover, options for public-private partnerships such as service agreements and management contracts for O&M will be promoted during implementation.

10. **Regional Tourism Cooperation and Knowledge Sharing.** The GMS countries have shown a strong commitment to regional tourism cooperation and knowledge sharing through active participation in the GMS Tourism Working Group (TWG) and by self-financing the Mekong Tourism Coordinating Office. Building on this commitment, the project will support (i) implementation of regional tourism standards developed by the ASEAN Secretariat; (ii) joint marketing of multicountry tour circuits; (iii) regional knowledge sharing events such as the Mekong Tourism Forum; and (iv) harmonization of the collection, analysis and reporting of tourism statistics. Parallel ADB technical assistance will strengthen the capacity of the Mekong Tourism Coordinating Office to undertake subregional tourism knowledge management and marketing, which will benefit all GMS countries.³

³ ADB. 2013. TA 8516-REG. *Strengthening the Mekong Tourism Coordinating Office*. Manila.