



Report and Recommendation of the President to the Board of Directors

Project Number: 46293-005
September 2014

Proposed Loan Socialist Republic of Viet Nam: Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 11 August 2014)

Currency unit	–	dong (D)
D1.00	=	\$0.00004
\$1.00	=	D21,185

ABBREVIATIONS

ADB	–	Asian Development Bank
DCST	–	department of culture, sports, and tourism
DOT	–	department of transportation
EMP	–	environmental management plan
GMS	–	Greater Mekong Subregion
ICB	–	international competitive bidding
IEE	–	initial environmental examination
MCST	–	Ministry of Culture, Sports and Tourism
O&M	–	operation and maintenance
PCU	–	project coordination unit
PIU	–	project implementation unit
SDR	–	special drawing right
TA	–	technical assistance

NOTES

- (i) The fiscal year of the Government of Viet Nam and its agencies ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 46293-005	
Project Name	Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project	Department /Division	SERD/TRM
Country Borrower	Viet Nam, Socialist Republic of Ministry of Finance	Executing Agency	Ministry of Culture, Sports and Tourism (MCST)
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Industry and trade	Small and medium enterprise development		2.00
	Trade and services		8.00
Transport	Road transport (non-urban)		20.00
Water and other urban infrastructure and services	Urban sanitation		20.00
	Total		50.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Adaptation (\$ million)	40.00
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	Climate Change impact on the Project	Medium
	Natural resources conservation		
	Urban environmental improvement		
Regional integration (RCI)	Pillar 2: Trade and investments		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Civil society participation	Effective gender mainstreaming (EGM)	✓
	Institutional development		
	Organizational development		
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Civil society organizations		
	Implementation		
	Private Sector		
Private sector development (PSD)	Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: B		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Sovereign Project loan: Asian Development Fund		50.00	
Cofinancing		0.00	
None		0.00	
Counterpart		5.08	
Government		5.08	
Total		55.08	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Socialist Republic of Viet Nam for the Greater Mekong Subregion (GMS) Tourism Infrastructure for Inclusive Growth Project.¹ Two complementary projects are proposed for Cambodia and the Lao People's Democratic Republic.²

2. The project will remove physical and capacity constraints impeding tourism development in Dien Bien, Ha Tinh, Kien Giang, Lao Cai, and Tay Ninh, five provinces situated within GMS corridors. It will contribute to the creation of 85,000 tourism-related jobs in Viet Nam by (i) paving 45 kilometers of rural roads to open new areas for private tourism investment, and improve access to markets and social services for about 30,000 residents; (ii) improving environmental services in areas important for cross-border tourism to reduce public health hazards for 21,000 residents and 8.8 million annual visitors beginning in 2019; and (iii) facilitating business support services and access to microfinance for at least 560 micro-, small, and medium-sized enterprises.³ The project will strengthen regional cooperation and integration by implementing harmonized 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 Strategy⁴ and the government's Strategy for Tourism Development in Viet Nam until 2020, Vision to 2030.

II. THE PROJECT

A. Rationale

3. **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, generating \$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, 2012–2022.⁵ Nevertheless, underinvestment in public infrastructure beyond the major gateways remains a critical constraint to expanding private tourism enterprises and dispersing benefits to less-developed areas.⁶

4. **National priorities.** Viet Nam received 6.84 million international tourists in 2012, a 14% increase from 2011 and about 15% of total GMS arrivals. Tourism directly contributes 4.5% to

¹ The design and monitoring framework is in Appendix 1.

² The Asian Development Bank (ADB) provided project preparatory technical assistance. ADB. 2012. *Technical Assistance for Preparing the GMS Tourism Infrastructure for Inclusive Growth Project*. Manila.

³ Asian Development Bank. 2013. *Framework of Inclusive Growth Indicators 2013: Key Indicators for Asia and the Pacific*. Manila. Indicators for inclusive growth are derived from this document.

⁴ Asian Development Bank. 2005. *Greater Mekong Subregion Tourism Sector Strategy, 2005–2015*. Manila. Implementation of the strategy is estimated to cost \$430 million, of which 83% is allocated for infrastructure.

⁵ Asian Development Bank. 2011. *Greater Mekong Subregion Economic Cooperation Program Strategic Framework, 2012–2022*. Manila.

⁶ Sector Assessment (Summary): Tourism in the Greater Mekong Subregion (accessible from the list of linked documents in Appendix 2).

gross domestic product and sustains 2.3 million jobs or 9.4% of total employment.⁷ The government's strategy and vision for tourism development is consistent with the GMS Tourism Sector Strategy, emphasizing tourism infrastructure and facility upgrades, human resource development, marketing and promotion, and policy enhancement to improve the business enabling environment for tourism. Strategic objectives are to (i) develop tourism into a leading economic sector; (ii) improve tourism quality and competitiveness; (iii) attract more high-spending international visitors; (iv) promote domestic tourism; and (v) protect cultural, historic, and natural resources. The national strategy forecasts 10.5 million international arrivals, 48 million domestic tourists, and tourism receipts equivalent to \$19 billion in 2020.

5. **Key issues.** Despite a rich inventory of cultural and natural features with good development potential, most tourism activity is concentrated in Da Nang, Ha Long, Hanoi, Ho Chi Minh City, or Hue–Hoi An, which account for over one-third of hospitality investment.⁸ While women comprise about 60% of tourism workers, many are employed in lower-skilled jobs paying lower wages, and are underrepresented in tourism management. At least 30% of tourism receipts leave the country as tourism-related imports because of weak market linkages between the tourism supply chain and other economic sectors. The key impediments to more inclusive and geographically dispersed growth are insufficient last-mile transport infrastructure in secondary destinations, limited institutional capacity to promote local tourism-related enterprise development, and ineffective marketing. A few areas such as Ba Den Mountain in Tay Ninh province have had a surge in visitors following improvements to the GMS transport corridors, however sanitary conditions are quickly being degraded due to inadequate management of solid waste and wastewater. Together with low service standards, this situation suppresses tourist length of stay, reduces spending, and threatens future prospects for sustainable growth.

6. 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 infrastructure and services in areas important for tourism, and support capacity building for local entrepreneurs and destination management organizations.⁹ Project investments are designed to catalyze private investment in tourism superstructure and services, boost tourist spending and job creation in underdeveloped areas, and ensure that tourism growth is environmentally and socially sustainable.¹⁰

7. **Related policies and strategies.** The project is aligned with Viet Nam's Socio-Economic Development Strategy, 2011–2020, which aims to transform the country into a modern industrialized nation by (i) improving socialist-oriented market economy institutions, (ii) developing human resources, and (iii) improving transportation networks and urban infrastructure. Promotion of cultural heritage and tourism features prominently. The focus on creating jobs for women and ethnic minorities living in underdeveloped areas; improving urban–rural connectivity; expanding the quality and coverage of environmental services; and building capacity to sustainably manage tourism overlap with the three pillars of the country partnership strategy of the Asian Development Bank (ADB) for Viet Nam: inclusive growth, enhanced economic efficiency, and environmental sustainability.¹¹ The project reinforces regional efforts to increase cross-border tourism and investment flows, develop the GMS corridors into economic corridors, and promote the Mekong as a single tourist destination.

⁷ World Travel and Tourism Council. 2013. *Travel and Tourism Economic Impact 2013: Viet Nam*. London.

⁸ Viet Nam National Administration of Tourism. 2012. *Viet Nam Tourism Statistics, 2000–2012*. Ha Noi.

⁹ A destination management organization is defined as a public, private, or public–private entity responsible for the management and/or marketing of tourism in a geographic region defined for that purpose.

¹⁰ Tourism superstructure includes all facilities developed especially to respond to the demands of visitors.

¹¹ ADB. 2012. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.

8. **Development coordination.** The GMS Tourism Working Group coordinates regional tourism assistance. Senior GMS tourism officials and ADB co-chair the semiannual working group meetings, which guide GMS Tourism Sector Strategy implementation and identify policy issues for discussion at the annual GMS tourism ministers meeting and triennial GMS summit. In Viet Nam, the Ministry of Culture, Sports and Tourism (MCST) coordinates tourism sector assistance. Other development partners engaged in tourism are the European Union, the German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, Japan International Cooperation Agency, Lux-Development, and the Government of New Zealand.¹²

9. **Lessons.** ADB's GMS tourism sector assistance program and completed tourism projects in Viet Nam are rated successful.¹³ Project lessons 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. The project's infrastructure subprojects are based on robust market analysis and complementarities with ADB assistance for urban development, water supply and sanitation, 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 sustainability of project outputs and ensure benefits reach vulnerable groups. The interventions will connect lower-income groups to basic services and markets, and enable them to access tourism employment, education, health care, and other opportunities.

10. **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 GMS corridors into economic corridors by linking secondary tourism destinations with increasingly affluent regional markets.

B. Impact and Outcome

11. The impact of the project will be increased tourism employment for people living in underdeveloped segments of GMS corridors in Viet Nam. The outcome will be increased tourism receipts in Dien Bien, Ha Tinh, Kien Giang, Lao Cai, and Tay Ninh. By 2019, aggregate annual tourism receipts in the project provinces will increase to \$480 million, helping to stimulate the creation of 85,000 additional tourism-related jobs by 2025. Based on current workforce participation rates, it is expected that 60% of these jobs will be held by women.

C. Outputs

12. The outputs are (i) last-mile tourism access infrastructure improved, (ii) environmental services in cross-border tourism centers improved, (iii) institutional capacity to promote inclusive tourism growth strengthened, and (iv) effective project implementation and management. Criteria guiding subproject selection include (i) infrastructure constraints; (ii) location in a GMS corridor with good tourism and economic development potential; (iii) location in a multicountry

¹² Development Coordination (accessible from the list of linked documents in Appendix 2).

¹³ ADB. 2009. *Sector Assistance Program Evaluation. Tourism Sector in the Greater Mekong Subregion*. Manila; ADB. 2013. *Completion Report: GMS Mekong Tourism Development Project*. Manila.

tour circuit prioritized by the GMS Tourism Sector Strategy and National Tourism Strategy; (iv) expressions of interest by private enterprises and communities to manage public tourism amenities; and (v) endorsement by local stakeholders, including women and ethnic groups. Table 1 summarizes output 1 and 2 infrastructure subprojects and the number of beneficiaries.¹⁴

Table 1: Infrastructure Subprojects

Output and Subproject	Description
1.1. Da Dung Cave access improvement, Kien Giang ^a	Improve the 2 kilometer (km) access road and construct a public tourist reception area with kiosks and sanitation; benefitting 6,000 residents
1.2. Lao Cai cultural exchange and tourist information center, Lao Cai	Construct a multipurpose tourist information center with kiosks and public amenities in Lao Cai city; creating tourism enterprise opportunities for 11,000 residents.
1.3. Ta Phin–Ban Khoang access road improvement, Lao Cai	Improve the 15 km access road linking Ta Phin and Ban Khoang villages with Sapa town; benefiting 8,400 residents.
1.4. Muong Phang access road improvement, Dien Bien	Improve the 19 km access road to Muong Phang National Historic Site and construct roadside viewing platforms, kiosks, parking and public sanitation; benefiting 8,200 residents.
1.5. Dien Bien Phu cultural exchange and tourist information center, Dien Bien	Construct a multipurpose tourist information center with vendor kiosks and public amenities at Dien Bien Phu Garrison; creating tourism enterprise opportunities for 1,100 residents living adjacent to the facility.
2.1. Phu Tu tourism zone environmental improvements, Kien Giang	Construct a WWTP with 1,000 m ³ per day capacity, improve public sanitation and drainage covering 5 ha, upgrade the 4.2 km access road, ferry pier, and walking paths; and construct a visitor information center and market; benefiting 3,000 residents and 270 tourism enterprises.
2.2. Ba Den Mountain environmental improvements, Tay Ninh	Construct a WWTP with 1,500 m ³ per day capacity, extend public concourses around the main pagoda, improve drainage (10 ha) and water supply, construct a tourist information center with vendor kiosks and public sanitation, and construct a refuse transfer bunker; benefiting 7,500 residents and 330 tourism enterprises.
2.3. Huong Tich Pagoda environmental improvements, Ha Tinh	Construct a WWTP with 1,000 m ³ per day capacity, improve drainage (5 ha), water and electricity supply, upgrade the 5 km access road, and construct a visitor information center with parking, kiosks and sanitation; benefiting 7,700 residents and 35 local tourism enterprises.
2.4. Nguyen Du tourism zone environmental improvements, Ha Tinh	Upgrade drainage, water retention areas, solid waste management, and construct a memorial square with parking, sanitation, pavilions, and interpretative facilities to present the works of the poet Nguyen Du; benefiting 2,300 residents.

ha = hectare, km = kilometer, m³ = cubic meter, WWTP = wastewater treatment plant.

^a Kien Giang shares a border with Kampot, a project province in Cambodia, and Dien Bien and Ha Tinh share borders with Luangprabang and Khammouane, project provinces in the Lao People's Democratic Republic.

Source: Asian Development Bank.

13. Output 3 will complement the project's infrastructure investments and other ADB assistance by building capacity to (i) improve destination management, (ii) promote micro-, small-, and medium-sized enterprise development, and (iii) prevent the negative social and environmental impacts of tourism.¹⁵ The focus will be on assisting residents to better understand the challenges and opportunities that tourism growth presents, and widening access to tourism-related economic opportunities such as retail services, food and craft production, recreation services, and wage employment in hotels and guesthouses.

14. Output 4 focuses on counterpart capacity building to ensure that financial management and procurement, civil works design and supervision, safeguards monitoring, and the

¹⁴ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

¹⁵ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Secondary Cities Development Project*. Manila; ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Socialist Republic of Viet Nam for the GMS Southern Coastal Corridor Project*. Manila.

preparation of O&M plans comply with ADB and government requirements. It will support knowledge management and training aligned with the Association of Southeast Asian Nations tourism standards, help direct tourists to project provinces by intensifying the promotion of multicountry tour circuits in GMS corridors in cooperation with the private sector, and help participating countries develop common systems to collect and report tourism statistics to facilitate informed decision making and the formulation of sound policies.

D. Investment and Financing Plans

15. The project is estimated to cost \$55.08 million (Table 2).

Table 2: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1: Last-mile tourism access infrastructure improved	19.44
2. Output 2: Environmental services in cross-border tourism centers improved	20.49
3. Output 3: Institutional capacity to promote inclusive tourism growth strengthened	1.90
4. Output 4: Effective project implementation and management	6.83
Subtotal (A)	48.66
B. Contingencies^c	4.33
C. Financing Charges During Implementation^d	2.09
Total (A+B+C)	55.08

^a Includes taxes and duties of \$4.38 million to be financed from government and ADB loan resources.

^b In mid-2013 prices.

^c Physical contingencies computed at 5% for civil works, equipment, consulting services, and capacity building. Price contingencies computed using cost escalation factors of -1.5% to 0.5% for foreign costs and 6.5% to 7.2% for local costs, including provision for potential exchange rate fluctuation assuming purchasing power parity exchange rates.

^d Includes interest charges during implementation for the Asian Development Bank loan computed at 2% per annum.

Sources: Asian Development Bank estimates.

16. The government has requested a loan in various currencies equivalent to SDR32,360,000 from ADB's Special Funds resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement. The loan will finance civil works, equipment, consulting services, capacity building and training, finance charges during implementation, contingencies, and recurrent costs.¹⁶ The government will finance an estimated \$5.08 million to cover taxes and duties on civil works and equipment (through exemption), all land acquisition and resettlement (in cash), and project office space (in cash). The government will make the loan proceeds available to the executing and implementing agencies on a grant basis. The financing plan is in Table 3.

Table 3: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank ^a	50.00	90.8
Government	5.08	9.2
Total	55.08	100.0

^a Asian Development Fund loan.
Source: Asian Development Bank.

¹⁶ The ADB loan will finance taxes and duties on training, capacity building, and consulting services as requested by the government, as these are within reasonable country thresholds, do not represent an excessive share of project investment, and apply to only ADB-financed expenditures that are relevant to the project's success. ADB will also finance recurrent costs, bank charges, transportation, and insurance to facilitate project implementation.

E. Implementation Arrangements

17. The implementation arrangements are summarized in Table 4 and described in detail in the project administration manual (footnote 14).

Table 4: Implementation Arrangements

Aspects	Arrangements		
Implementation period	December 2014–December 2019		
Estimated completion date	31 December 2019		
Management			
(i) Subregional steering committee	Deputy minister, MCST; senior officials representing the Ministry of Tourism, Cambodia; and the Ministry of Information, Culture and Tourism, Lao People's Democratic Republic (rotating chair)		
(ii) National steering committee	Deputy minister, MCST (chair); deputy chairpersons of participating PPCs; senior officials representing MOF and MPI		
(iii) Provincial steering committee	Deputy chairperson of PPC (chair); DCST; departments of planning and investment, finance, treasury, construction, transport, natural resources and environment; women's unions; and fatherland front (members)		
(iv) Executing agency	Ministry of Culture, Sports, and Tourism		
(v) Project coordination unit	Planning and Finance Department, MCST (10 PCU staff)		
(vi) Implementing agency	DCST of participating provinces		
(vii) Implementation units	Dien Bien, Ha Tinh, Kien Giang, Lao Cai, and Tay Ninh PIUs with full-time DCST counterparts and contractors (9 staff in each PIU)		
Procurement	International competitive bidding	5 contracts	\$32,815,000
	National competitive bidding	3 contracts	\$4,587,000
	Shopping	55 contracts	\$629,000
Consulting services	Firm (QCBS)	271 person-months	\$2,115,000
	Firm (QCBS)	135 person-months	\$502,000
	Firm (CQS)	Lump sum for audit	\$83,250
	Individuals	19 person-months	\$97,250
Retroactive financing and/or advance contracting	Advance action for consultant recruitment requested Retroactive financing is not requested		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

CQS = consultant's qualifications selection; DCST = department of culture, sports, and tourism; MCST = Ministry of Culture, Sports, and Tourism; MOF = Ministry of Finance; MPI = Ministry of Planning and Investment; PCU = project coordination unit; PIU = project implementation unit; PPC = provincial people's committee; QCBS = quality- and cost-based selection.

Source: Asian Development Bank.

18. All goods and civil works will be procured in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Civil works valued at \$5 million or above and goods valued at \$500,000 or above will be procured through international competitive bidding (ICB). The government's public procurement legislation and regulations (as acceptable to ADB) will be applied for packages below the ICB thresholds for goods and works, which will be procured using national competitive bidding. Goods and works will be procured through shopping for packages equivalent to \$100,000 and below. All consultants will be recruited following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

19. The implementation arrangements are based on current ADB projects.¹⁷ Policy guidance and oversight will be provided by subregional, national, and provincial steering committees. Development partners, the Pacific Asia Travel Association, and members of the GMS Tourism

¹⁷ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Lao People's Democratic Republic and Loan to the Socialist Republic of Viet Nam for the Greater Mekong Subregion Sustainable Tourism Development Project*. Manila.

Working Group will join steering committee meetings to harmonize other tourism assistance. MCST will be the executing agency and the departments of culture, sports, and tourism (DCSTs) will be the implementing agencies. Overall project coordination and regional cooperation activities will be led by a project coordination unit (PCU) embedded in MCST's Planning and Finance Department. The PCU will report to the MCST deputy minister, who will be the permanent chairperson of the national steering committee and represent Viet Nam on the subregional steering committee. DCSTs in each participating province will establish a project implementation unit (PIU) staffed with multidisciplinary teams to oversee day-to-day project implementation. The PIUs will report to the deputy chairperson of the provincial people's committees and the PCU, which will consolidate quarterly progress reports for submission to the national steering committee and ADB. The PIUs and the PCU will share consultant resources and attend steering committee meetings to ensure all project activities are well-coordinated.

20. The project will work directly with community-based organizations and business associations, which will appoint local focal points to ensure good coordination between the PIUs and project beneficiaries. If no community-based organizations or business associations exist in project areas, the PIUs will extend assistance to form them.

III. DUE DILIGENCE

A. Technical

21. The project will (i) upgrade rural roads to ease access to tourist attractions; (ii) construct facilities to treat wastewater and temporarily store solid waste; and (iii) construct public amenities such as tourist information centers and markets to create favorable conditions for enterprise development by local residents, particularly women and ethnic minorities. Engineering solutions are technically feasible and consider cost, durability, affordability, and climate resilience. All civil works designs are compatible with standard parameters and the O&M capacity of local authorities. Contract packaging will attract suitably qualified contractors and ensure efficient procurement. Capacity-building programs will help small entrepreneurs to become more competitive and improve the business enabling environment.

B. Economic and Financial

22. The economic analysis for all infrastructure subprojects followed ADB guidelines.¹⁸ Benefits quantified are increased tourism receipts arising from an increase in tourists visiting project-supported destinations and staying 0.4–0.8 days longer, and vehicle operating cost savings from reductions in road roughness. Economic benefits identified but not quantified are increased land values for property owners, increased agricultural production and income for farmers living along the improved rural roads, and health benefits arising from better environmental services. The base-case results indicate all subprojects are economically viable with an estimated economic internal rate of return exceeding the assumed economic opportunity cost of capital of 12%. Returns range from 15.3% for the Ta Phin–Ban Khoang access road to 49.4% for the Dien Bien Phu Cultural Exchange and Tourist Information Center. The findings are consistent with the performance of other ADB-financed public tourism infrastructure in Viet Nam; when similar assumptions were applied, the infrastructure generated internal rates of return of 28.4% to 82.2%.¹⁹ All subprojects remain viable under all adverse scenarios tested.²⁰

¹⁸ Economic Analysis (accessible from the list of linked documents in Appendix 2).

¹⁹ ADB. 2011. *Completion Report: Greater Mekong Subregion: Mekong Tourism Development Project in Cambodia, Lao People's Democratic Republic, and Viet Nam*. Manila.

²⁰ 1-year implementation delay or costs are 10% higher or benefits 10% lower than the base case.

23. The financial analysis followed ADB guidelines.²¹ Road subprojects are considered nonrevenue generating. The financial sustainability analysis of the provincial departments of transportation (DOTs) responsible for O&M is based on historical income and expenditure statements. It found that Kien Giang DOT will have sufficient budget and revenue to cover incremental O&M of the access roads at Da Dung Cave and Phu Tu Tourism Zone, but Dien Bien and Lao Cai DOTs will require additional funds for periodic maintenance of the Muang Phang and Ta Phin–Ban Khoang access roads. The government, through an assurance in the loan agreement, has committed to provide the DOTs with sufficient funds for this purpose. The analysis for other project-developed infrastructure under the responsibility of the DCSTs found that tourist user fees will generate sufficient revenue to cover O&M costs of all facilities.²²

C. Governance

24. The assessment of the executing and implementing agencies' capacity for financial management envisaged under the project, including the use of statement of expenditure and imprest fund procedures, suggests the implementation arrangements and internal control systems are suitable. Measures to mitigate risks identified, such as the potential for corruption from weak procurement oversight and low financial management capacity of PIUs, will be addressed by applying standard ADB bidding documents and providing intensive start-up training in ADB procurement, financial management, and disbursement procedures. Consultants with financial management expertise will be embedded in the PCU and PIUs to provide on-the-job training and prepare a project-specific financial management manual. Compliance with ADB financial reporting and external audit requirements will be monitored by review missions and normal project supervision. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MCST. The specific policy requirements and supplementary measures are described in the project administration manual.

D. Poverty and Social

25. The project will benefit about 490,000 residents (50% women and girls) in the five participating provinces. Poverty rates in project areas range from 6% in Tay Ninh to 33% in Lao Cai and Dien Bien due to limited assets, low productivity, and poor access to markets and social services. Project investments to improve access infrastructure and environmental services, strengthen tourism destination management, and provide micro- and small enterprises with business support services are designed to overcome these constraints and expand economic opportunities to benefit poor and lower-income households. The project is categorized effective gender mainstreaming. It will improve women's access to economic opportunities and strategic decision making. The gender action plan specifies women will hold 60% of tourism-related jobs created by the project and comprise 60% of training participants, 50% of participants in community consultations, 40% of leadership positions in destination management organizations, and 30% of project management and technical staff.²³ The project will reduce the vulnerability of women and children to HIV/AIDS transmission, human trafficking, and other forms of exploitation by conducting awareness programs and promoting collaboration between private enterprises, nongovernment organizations, and law enforcement agencies.²⁴

²¹ Financial Analysis (accessible from the list of linked documents in Appendix 2).

²² Institutional Analysis and Arrangements for O&M of Project Facilities (accessible from the list of linked documents in Appendix 2).

²³ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

²⁴ The project will collaborate with the Child Safe Tourism Campaign (active in Cambodia, the Lao PDR, and Viet Nam) in cooperation with World Vision, the United Nations Office on Drugs and Crime, and Interpol.

E. Safeguards

26. All safeguards documents were prepared in accordance with ADB's Safeguards Policy Statement (2009) and are posted on the ADB website in compliance with disclosure requirements.²⁵ The safeguards categorization for environment, involuntary resettlement, and indigenous peoples is B. Initial consultations with male and female residents, government officials, and civil society confirm broad support for the project. Consultation with these groups will continue throughout the project cycle, following the consultation and participation plan and stakeholder communications strategy.²⁶ The project includes resources to help counterparts effectively implement social and environmental safeguards. Monitoring requirements and appropriate grievance redress mechanisms are in the safeguards documents.

27. An initial environmental examination was prepared in the context of the project's area of influence and based on current information.²⁷ The potential environmental impacts are not irreversible, diverse, or unprecedented. Expected impacts and risks are site-specific and appropriate mitigating measures are incorporated into subproject-specific environmental management plans. Works in sensitive environments and near physical cultural resources such as pagodas and caves were designed in consultation with the DCSTs and in accordance with international good practice and national laws and regulations. The initial environmental examination (IEE) and environmental management plans (EMPs) will be updated and finalized at the detailed design stage with the involvement of tourism planners, heritage management experts, and environment specialists. Updated versions of the documents will be cleared by the government and ADB, posted to the ADB website, and form part of bidding documents. The final IEE and EMPs will guide construction supervision and the preparation of site management plans with environmentally sensitive O&M guidelines.

28. Land acquisition and resettlement impacts involve 7 severely affected households with 34 affected persons, minor land acquisition from 247 households with 1,219 affected persons, temporary disruption of 118 businesses with 583 affected persons, and 18 households with outstanding claims for compensation payments for loss of land and other assets at Phu Tu tourism zone in Kieng Giang province. Resettlement plans were prepared for each subproject, commensurate with the extent and degree of the expected impacts.²⁸ Corrective actions are included in the resettlement plan for Kieng Giang. Initial costs of land acquisition and compensation are estimated at \$1.07 million, and are considered adequate based on the census and inventory of losses prepared in consultation with affected persons. Project information was disclosed to all affected persons; a cutoff date for their inclusion in the resettlement plans was established during resettlement consultations. The project information booklet will be updated and disseminated during the detailed measurement survey.

29. An ethnic minority development plan was prepared in consultation with Dao, Hmong, Khmer, and Thai ethnic minorities in the project areas.²⁹ The project will benefit these groups by (i) formalizing community management of tourist attractions in ancestral territories, (ii) promoting cultural industries to create income-generating opportunities, and (iii) improving physical access to markets and social services. The plan specifies that ethnic minorities will be represented in tourism destination management organizations and includes measures to protect intangible

²⁵ ADB. 2011. *Public Communications Policy 2011: Disclosure and Exchange of Information*. Manila.

²⁶ Consultation and Participation Plan (accessible from the list of linked documents in Appendix 2).

²⁷ Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

²⁸ Resettlement Plans (accessible from the list of linked documents in Appendix 2).

²⁹ Ethnic Minority Development Plan (accessible from the list of linked documents in Appendix 2).

cultural resources. The ethnic minority development plan and resettlement plans will be finalized during detailed design, cleared by the government and ADB, and posted on the ADB website.

F. Risks and Mitigating Measures

30. The overall risk for the project is assessed as low and the integrated benefits and impacts are expected to outweigh the costs. Major risks and mitigating measures are summarized in Table 5 and described in the risk assessment and risk management plan.³⁰

Table 5: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Delays in civil works procurement and safeguards implementation	Advance actions for consultant recruitment and capacity building for procurement, financial management, and safeguards
Asynchronous implementation of subregional activities	MCST will appoint counterparts with regional coordination experience; the subregional and national steering committees are to resolve implementation issues
Lower-than-expected tourist arrivals undermine private sector and community interest in operating tourist attractions	Destination marketing programs target fast-growing priority markets; all subprojects are situated in multicountry tour circuits being promoted by all Greater Mekong Subregion countries
Ineffective financial management undermines infrastructure O&M	Preparation of O&M plans for all infrastructure subprojects and financial management training for entities responsible for O&M

MCST = Ministry of Culture, Sports, and Tourism; O&M = operation and maintenance.

Source: Asian Development Bank.

IV. ASSURANCES AND CONDITIONS

31. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents. The government has agreed with ADB on certain covenants for the project, which are set forth in the loan agreement.

V. RECOMMENDATION

32. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan in various currencies equivalent to SDR32,360,000 to the Socialist Republic of Viet Nam for the Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project, from ADB's Special Funds resources, with an interest charge at the rate of 2.0% per annum during the grace period and thereafter; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

4 September 2014

³⁰ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Increased tourism employment for people living in underdeveloped segments of the GMS corridors in Viet Nam</p>	<p>By 2025:</p> <p>Aggregate direct tourism employment in the five project provinces is 130,000 with 60% of jobs held by women (2012 baseline: 45,000 jobs)^a</p>	<p>WTTC Travel and Tourism economic impact report</p> <p>MCST tourism statistics reports</p>	<p>Assumption</p> <p>Residents of project areas continue to seek employment in the tourism sector</p> <p>Equal access to opportunities, resources, assets, and decision making</p>
<p>Outcome</p> <p>Increased tourism receipts in Dien Bien, Ha Tinh, Kien Giang, Lao Cai, and Tay Ninh</p>	<p>By 2019:</p> <p>Aggregate annual tourism receipts in the five project provinces equals \$480 million (2012 baseline: \$190 million)</p>	<p>MCST tourism statistics reports</p> <p>Completion report</p>	<p>Assumptions</p> <p>Government continues to support policies that facilitate travel, tourism, and regional tourism cooperation</p> <p>Responsible agencies effectively implement destination management plans</p> <p>Risk</p> <p>Ineffective financial management undermines infrastructure O&M</p>
<p>Outputs</p> <p>1. Last-mile tourism access infrastructure improved</p>	<p>By 2018:</p> <p>Da Dung Cave 2 km paved access road and tourism amenities constructed and benefiting at least 6,000 residents</p> <p>Lao Cai cultural exchange and tourist information center constructed and servicing at least 40% of provincial visitors</p> <p>Ta Phin–Ban Khoang 15 km paved access road constructed and benefiting at least 8,400 residents</p> <p>Muong Phang 19 km paved access road and tourism amenities constructed and benefiting at least 8,200 residents</p> <p>Dien Bien Phu cultural exchange and tourist information center constructed and servicing at least 80% of provincial visitors</p>	<p>Project progress reports</p> <p>End of project impact evaluation</p> <p>Completion report</p>	<p>Assumption</p> <p>Infrastructure is suitably constructed for dual use by residents and tourists</p> <p>Risk</p> <p>Delays in civil works procurement and safeguards implementation</p>
<p>2. Environmental services in cross-border tourism centers improved</p>	<p>By 2018:</p> <p>Phu Tu national tourism zone 1,000 m³/day WWTP, 4.2 km access road, ferry pier, market, visitor center and sanitation and drainage covering 5 ha constructed and benefiting at least 3,000 residents and 270 enterprises</p> <p>Ba Den Mountain 1,500 m³/day WWTP, water supply, refuse transfer station, and drainage covering 10 ha constructed and</p>	<p>Project progress reports</p> <p>End of project impact evaluation</p> <p>Completion report</p>	<p>Assumption</p> <p>Residents and tourists are willing to pay for improved environmental services</p> <p>Risk</p> <p>Delays in civil works procurement and safeguards implementation</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>benefiting at least 7,500 residents and 330 enterprises</p> <p>Huong Tich Pagoda 1,000 m³/day WWTP, water supply, refuse transfer station, 5 km access road, and drainage covering 5 ha constructed and benefiting at least 7,700 residents and 35 enterprises</p> <p>Nguyen Du tourism zone drainage covering 5 ha, public sanitation, and tourism amenities constructed and benefiting at least 2,300 residents</p>		
<p>3. Institutional capacity to promote inclusive tourism growth strengthened</p>	<p>By 2019:</p> <p>9 DMOs formed with systems and procedures in place to implement destination management plans (women hold 40% of DMO management positions)</p> <p>At least 80% of newly constructed vendor space allocated to women</p> <p>Awareness of heritage protection measures, health and safety, and tourism impacts increased among 6,750 people (50% women)</p> <p>560 micro-, small, and medium-sized enterprise operators (60% women) gain access to professional tourism-related business support services and microfinance</p> <p>At least 9 service enterprises operating tourist attractions under a public-private partnership</p>	<p>Project progress reports</p> <p>End of project impact evaluation</p> <p>Completion report</p>	<p>Assumptions</p> <p>Public and private entities maintain their commitment to improve destination management</p> <p>Risk</p> <p>Lower-than-expected tourist arrivals undermine private sector and community interest in operating tourist attractions</p>
<p>4. Effective project implementation and management</p>	<p>By 2019:</p> <p>PCU and PIU staff possess the knowledge, skills, and equipment needed for effective project management (at least 30% of PCU and PIU staff are women)</p> <p>12 new knowledge products published to Viet Nam's web-based tourism knowledge center</p> <p>20% of tourism enterprises in the five project provinces meet ASEAN tourism standards</p> <p>Collection and reporting of tourism statistics by GMS NTOs in harmonized format</p> <p>At least 3 joint marketing activities undertaken annually in cooperation with another GMS country (2012 baseline: 1 event)</p> <p>Infrastructure is well-maintained in accordance with O&M plans</p> <p>PCU and PIU staff effectively implement gender sensitive PPMS with sex-disaggregated data</p>	<p>Project progress reports</p> <p>Internet search</p> <p>GMS TWG summary of proceedings</p> <p>End of project impact evaluation</p>	<p>Assumptions</p> <p>Suitably qualified staff is appointed full-time to the PCU and PIUs</p> <p>Timely recruitment of qualified consultants</p> <p>Risks</p> <p>Asynchronous implementation of subregional activities</p>

Activities with Milestones	Inputs
<p>1. Last-mile tourism access infrastructure improved</p> <p>1.1 Prepare detailed civil works design and bidding documents by Q4 2015</p> <p>1.2 Approve updated safeguards documents (IEE, EMDP, and resettlement plan) by Q4 2015</p> <p>1.3 Complete land acquisition and resettlement by Q4 2015</p> <p>1.4 Award civil works contracts by Q3 2016</p> <p>1.5 Complete civil works and supply equipment by Q4 2017</p> <p>2. Environmental services in cross-border tourism centers improved</p> <p>2.1 Prepare detailed civil works design and bidding documents by Q4 2015</p> <p>2.2 Approve updated safeguards documents (IEE, EMDP, and resettlement plan) by Q4 2015</p> <p>2.3 Complete land acquisition and resettlement by Q4 2015</p> <p>2.4 Award civil works contracts by Q3 2016</p> <p>2.5 Complete civil works and supply equipment by Q4 2017</p> <p>3. Institutional capacity to promote inclusive tourism growth strengthened</p> <p>3.1 Prepare destination management plans by Q4 2015</p> <p>3.2 Implement heritage protection and interpretation program, Q2 2015–Q4 2018</p> <p>3.3 Implement micro- and small enterprise support program, Q2 2015–Q4 2018</p> <p>3.4 Implement health, safety, and tourism awareness programs, Q2 2015–Q4 2018</p> <p>3.5 Facilitate establishment of public–private partnerships, Q2 2015–Q4 2018</p> <p>3.6 Implement national marketing and promotion program, Q2 2015–Q4 2018</p> <p>3.7 Implement program to combat child exploitation and human trafficking, Q2 2015–Q4 2018</p> <p>4. Effective project implementation and management</p> <p>4.1 Establish project steering committees, PCU, and PIUs by Q2 2014</p> <p>4.2 Mobilize consultants and procure PCU and/or PIU equipment by Q2 2015</p> <p>4.3 Implement training on financial management by Q2 2015</p> <p>4.4 Finalize and train PIU and PCU staff to implement comprehensive sex-disaggregated PPMS, including safeguards monitoring, Q2 2015–Q2 2019</p> <p>4.5 Establish and maintain web-based knowledge center, Q2 2015–Q2 2019</p> <p>4.6 Implement the EMDP, GAP, IEE, EMPs, and resettlement plans, Q2 2015–Q2 2019</p> <p>4.7 Implement GMS marketing and statistics harmonization programs, Q2 2015–Q2 2019</p> <p>4.8 Implement ASEAN tourism standards program, Q2 2015–Q2 2019</p> <p>4.9 Approve and implement O&M plans with sustainable finance mechanisms, Q2 2016–Q2 2019</p> <p>4.10 Update baseline information and prepare end of project impact evaluation, Q1 2015–Q2 2019</p>	<p>Loan</p> <p>ADB: \$50,000,000</p> <p>Government: \$5,080,000</p>

ADB = Asian Development Bank; ASEAN = Association of Southeast Asian Nations; DMO = destination management organization; EMDP = ethnic minority development plan; EMP = environmental management plan; GAP = gender action plan; GMS = Greater Mekong Subregion; ha = hectare; IEE = initial environmental examination; km = kilometer; m³ = cubic meter; MCST = Ministry of Culture, Sports, and Tourism; NTO = National Tourism Organization; O&M = operation and maintenance; PCU = project coordination unit; PIU = project implementation unit; PPMS = project performance management system; Q = quarter; TWG = Tourism Working Group; WTTC = World Travel and Tourism Council; WWTP = wastewater treatment plant.

Notes:

1. Baseline year is 2012 and baseline figures zero unless otherwise indicated.
2. Progress reports comprise quarterly, annual, midterm, and the government's completion report.
3. Numbers may not sum precisely because of rounding.

^a Based on receipts to job ratio of \$4,368 = 1 job in 2012 and \$8,237 = 1 job in 2019.

Source: ADB staff estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46293-005-3>

1. Loan Agreement
2. Sector Assessment (Summary): Greater Mekong Subregion Tourism
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Financial Analysis
7. Economic Analysis
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Gender Action Plan
11. Initial Environmental Examination: For the Project
12. Initial Environmental Examination: Muang Phang Access Road
13. Initial Environmental Examination: Dien Bien Phu Cultural Exchange and Tourist Information Center
14. Initial Environmental Examination: Lao Cai Cultural Exchange and Tourist Information Center
15. Initial Environmental Examination: Ta Phin–Ban Khoang Access Road
16. Initial Environmental Examination: Huong Tich Pagoda Environmental Improvements
17. Initial Environmental Examination: Nguyen Du Tourism Zone Environmental Improvements
18. Initial Environmental Examination: Ba Den Environmental Improvements
19. Initial Environmental Examination: Phu Tu Environmental Improvement and Da Dung Cave Access Improvements
20. Resettlement Plan: Dien Bien Province
21. Resettlement Plan: Ha Tinh Province
22. Resettlement Plan: Kien Giang Province
23. Resettlement Plan: Lao Cai Province
24. Resettlement Plan: Tay Ninh Province
25. Ethnic Minority Development Plan
26. Risk Assessment and Risk Management Plan

Supplementary Documents

27. Lessons from Past Greater Mekong Subregion Tourism Projects
28. Tourism Demand Analysis
29. Consultation and Participation Plan
30. Institutional Analysis and Arrangements for Operation and Maintenance of Project Facilities
31. Climate Change Resilience Measures