

ASIAN DEVELOPMENT BANK

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**REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
BOARD OF DIRECTORS
ON PROPOSED LOANS
TO THE
KINGDOM OF CAMBODIA,
LAO PEOPLE'S DEMOCRATIC REPUBLIC, AND
SOCIALIST REPUBLIC OF VIET NAM
FOR THE
GREATER MEKONG SUBREGION:
MEKONG TOURISM DEVELOPMENT PROJECT**

November 2002

CURRENCY EQUIVALENTS

(as of 15 November 2002)

CAMBODIA

Currency Unit	–	Riel (KR)
KR1.00	=	\$0.0003
\$1.00	=	KR3,835

LAO PDR

Currency Unit	–	Kip (KN)
KN1.00	=	\$0.00009
\$1.00	=	KN10,760

VIET NAM

Currency Unit	–	Dong (D)
D1.00	=	\$0.00007
\$1.00	=	D15,369.5

ABBREVIATIONS

ADB	–	Asian Development Bank
AMTA	–	Agency for Coordinating Mekong Tourism Activities
AP	–	affected person
ATR72	–	(a twin-turboprop engine aircraft used for regional and short-haul routes)
DCA	–	Department of Civil Aviation (Lao PDR)
EA	–	executing agency
EMP	–	environmental management plan
ESCAP	–	United Nation's Economic and Social Commission for Asia and the Pacific
GAD	–	gender and development
GMS	–	Greater Mekong Subregion
GMSPC	–	GMS participating countries
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
IA	–	implementing agency
IEE	–	initial environmental examination
Lao PDR	–	Lao People's Democratic Republic
MOE	–	Ministry of Environment (Cambodia)
MOT	–	Ministry of Tourism (Cambodia)
MPP	–	Municipality of Phnom Penh
NGO	–	nongovernment organization
NTAL	–	National Tourism Authority of Lao PDR
NTO	–	national tourism organization
O&M	–	operation and maintenance

PATA	–	Pacific Asia Travel Association
PCU	–	project coordination unit
PIU	–	project implementation unit
PMU	–	project management unit
PPC	–	provincial people's committee (Viet Nam)
PPMS	–	project performance monitoring system
SERF	–	shadow exchange rate factor
SOE	–	statement of expenditure
SSCA	–	State Secretariat of Civil Aviation (Cambodia)
SWRF	–	shadow wage rate factor
TA	–	technical assistance
TAT	–	Tourism Authority of Thailand
TMPB	–	tourism marketing and promotion board
TWG	–	Tourism Working Group
UNDP	–	United Nations Development Programme
UNESCO	–	United Nations Education, Scientific and Cultural Organization
VNAT	–	Vietnam National Administration of Tourism
WTO	–	World Tourism Organization

NOTES

- (i) The fiscal year (FY) of the Government of Lao PDR ends on 30 September, and that of the Governments of Cambodia and Viet Nam on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2003 ends on 30 September 2003 for Lao PDR.
- (ii) In this report, "\$" refers to US dollars.

WEIGHTS AND MEASURES

BOD	–	biochemical oxygen demand
COD	–	chemical oxygen demand
km	–	kilometer
l	–	liter
m ²	–	square meter
mg	–	milligram

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LOAN AND PROJECT SUMMARY

Borrowers	Kingdom of Cambodia, Lao People's Democratic Republic (Lao PDR), and Socialist Republic of Viet Nam
Classification	Poverty classification: Poverty intervention Thematic: Economic growth, and regional cooperation
Environment Assessment	Category B. An initial environmental examination (IEE) was undertaken and the summary IEE is a supplementary appendix. A sample IEE is presented in a core appendix.
Project Description	The Project will promote the development of the tourism sector in the lower Mekong River basin. It will improve tourism-related infrastructure in Cambodia, Lao PDR, and Viet Nam (Greater Mekong Subregion (GMS) participating countries [GMSPC]), support pro-poor community based tourism projects in the rural areas of these countries, facilitate private sector participation in tourism marketing and promotion, establish mechanisms to increase subregional cooperation, and facilitate the movement of tourists across borders.
Rationale	<p>The GMS is the fastest growing tourism destination in the world. This is bringing in much-needed foreign exchange, creating jobs, and contributing to economic growth. However, growth in tourism is constrained by difficulties in access, the lack of investment in tourist infrastructure, the absence of new products to attract visitors, and weaknesses in policy and institutional capacities. The GMS countries have a strong comparative advantage in tourism, demonstrated by the high growth rates, but need to exploit it more effectively to use it as an instrument of poverty reduction and broad-based economic growth.</p> <p>Investments in access roads, airports, river piers, sewerage services, solid waste management, and human resource development are badly needed. Also needed are investments in pro-poor, community-based tourism to put local communities at the heart of tourism growth in the subregion. The poor need to share in the benefits of increased tourism and to participate actively in its growth. At the policy and institutional level, issues concerning partnerships between the public and private sectors, and enhanced access to and within the subregion need to be urgently addressed.</p> <p>Tourism development in the GMS needs to cater not only to expansion but also the effective management of current levels of tourism activity. Cultural traditions and natural habitats are under threat. Mechanisms need to be developed so that tourists, host communities, and the public take effective responsibility for conserving and strengthening the fragile cultural and physical environment.</p>

Tourism in the GMS has become increasingly multicountry. In a highly competitive world tourism market, the GMS can survive and grow only if it promotes a “one holiday, several destinations” type of tourism. Individual tourism sectors in the GMS countries can only prosper when they are strongly linked to others.

Subregional cooperation in tourism is not a slogan in the GMS—it is central to its existence. Cambodia, Lao PDR, and Viet Nam have nascent tourism industries and have recognized the advantages of cooperating in order to develop new products, improve the policy climate and institutional capacities, strengthen promotion and marketing, and establish effective partnerships between the public and private sectors. With increased tourist arrivals, higher incomes from tourism, and effective conservation and protection of the cultural and physical environment, these countries will be able to create jobs, reduce poverty, ensure equitable distribution of tourism benefits, and improve economic and social well-being.

Objectives

The Project aims to reduce poverty in the countries, contribute to economic growth, increase employment, and promote the conservation of the natural and cultural heritage. The specific objective of the Project is to promote sustainable tourism in the lower Mekong basin countries through infrastructure improvements, community and private sector participation, and subregional cooperation. The Project will improve high priority, tourism-related infrastructure in Cambodia, Lao PDR, and Viet Nam, promote pro-poor, community-based sustainable tourism in rural areas, and strengthen subregional cooperation. It will mitigate environmental degradation, develop human resources, and promote cooperation between private and public sectors within the GMS by establishing tourism marketing and promotion boards. The Project will comprise four parts: (i) tourism-related infrastructure improvements; (ii) pro-poor, community-based tourism development; (iii) subregional cooperation for sustainable tourism; and (iv) implementation assistance and institutional strengthening.

Cost Estimates

The total cost of the Project, including physical and price contingencies, duties, taxes, and interest during construction, is estimated at \$47.1 million equivalent. The foreign exchange cost is \$30.2 million, or 64.1% of the total. The local currency cost, including duties and taxes, is \$16.9 million equivalent, or 35.9% of the total. The estimated costs by country are \$20.7 million equivalent for Cambodia, \$14.2 million equivalent for the Lao PDR, and \$12.2 million equivalent for Viet Nam.

Financing Plan

The proposed ADB loans will be \$15.6 million equivalent for Cambodia, \$10.9 million equivalent for the Lao PDR, and \$8.5 million equivalent for Viet Nam. The loans, from ADB's Special Funds resources, will have a repayment period of 32 years, including a grace period of 8 years, with an interest charge of 1.0% during the grace period and 1.5% during the amortization period. The Borrowers will be the Kingdom of Cambodia, Lao PDR, and Socialist Republic of Viet Nam for their respective components. The proceeds of the proposed ADB loans will finance the entire foreign exchange cost and part of the local currency cost of the three components. The Governments will bear the exchange risk and transfer the loan proceeds to the relevant executing agencies (EAs).

(\$ million)

Source	Foreign Exchange	Local Currency	Total Cost	Percentage
Cambodia				
ADB	13.0	2.6	15.6	75.4%
Government	0.0	5.1	5.1	24.6%
Total	13.0	7.7	20.7	100.0%
Lao PDR				
ADB	9.3	1.6	10.9	76.8%
Government	0.0	3.3	3.3	23.2%
Total	9.3	4.9	14.2	100.0%
Viet Nam				
ADB	7.9	0.6	8.5	69.7%
Government	0.0	3.7	3.7	30.3%
Total	7.9	4.3	12.2	100.0%
Overall Project				
ADB	30.2	4.8	35.0	74.3%
Government	0.0	12.1	12.1	25.7%
Total	30.2	16.9	47.1	100.0%

ADB = Asian Development Bank.

Loan Amount and Terms

Cambodia Component: The equivalent of SDR11.811 million (\$15.6 million equivalent) will be provided in various currencies from the Special Funds resources of the Asian Development Bank (ADB) for a term of 32 years, including a grace period of 8 years, and with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter.

Lao PDR Component: The equivalent of SDR8.255 million (\$10.9 million equivalent) will be provided in various currencies from the Special Funds resources of ADB for a term of 32 years, including a grace period of 8 years, and with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter.

Viet Nam Component: The equivalent of SDR6.416 million (8.5 million equivalent) will be provided in various currencies from the Special Funds resources of ADB for a term of 32 years, including a grace period of 8 years, and with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter.

Period of Utilization	Until June 2008
Estimated Project Completion Date	31 December 2007
Executing Agencies	The EAs for the Project will be the Ministry of Tourism for Cambodia, the National Tourism Authority of the Lao PDR, and the Vietnam National Administration of Tourism. In Viet Nam, the provincial people's committees of An Giang and Tien Giang provinces will be the EAs for part A of the Project. The EAs will be supported by IAs in charge of implementing infrastructure improvement subprojects.
Implementation Arrangements	The implementing agencies (IAs) in Cambodia will be the Ministry of Public Works and Transport, State Secretariat of Civil Aviation, and Phnom Penh Municipality; and in the Lao PDR, the IAs will be the division of communications, transport, posts and construction of Louang Phrabang and Khammouan provinces, and the Department of Civil Aviation. Project coordination units (PCUs), to be headed by a project director, will be established in each national tourism organization. The PCUs will be supported by the project management units established in the IAs in Cambodia and Lao PDR, and in the EAs in Viet Nam, and project implementation units (PIUs) will be established at the provincial level for most subprojects. PCUs will be responsible for day-to-day management, and monitoring of all project activities, including coordination with PCUs in other GMS participating countries, PMUs, and PIUs. Each PCU will be staffed by a project director and six permanent staff, including a project manager, a financial officer, an accountant, an environment specialist, a social specialist, and a resettlement specialist; and supported by international and domestic consultants.

Procurement

Goods and works to be financed by ADB will be procured in accordance with ADB *Guidelines for Procurement*. International competitive bidding procedures will be used for major civil works contracts estimated to cost over \$1.0 million and supply contracts valued over \$500,000. Minor civil works will be procured through local competitive bidding in accordance with procedures acceptable to ADB. International shopping procedures will be followed for materials and equipment packages estimated to cost more than \$100,000 equivalent but less than \$500,000 equivalent. Equipment items that are locally available, and cost less than \$100,000 equivalent, may be procured through direct purchase in accordance with procedures satisfactory to ADB. For the pro-poor, community-based tourism component, where the proposed subprojects will be relatively small, and scattered throughout the provinces, the Project may fund nongovernment organizations to work in a collaborative and participatory manner with local communities.

Consulting Services

To support the implementation of the Project, a total of 346 person-months of consulting services (127 person-months of international and 219 person-months of domestic services) will be required for Cambodia; 241 person-months (104 person-months of international and 137 person-months of domestic services) for the Lao PDR, and 169 person-months (63 person-months of international and 106 person-months of domestic services) for Viet Nam. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants.

Project Benefits and Beneficiaries

The poor in rural areas will especially benefit from community-based ecotourism and village-based tourism projects. Isolated rural areas will be further integrated into the mainstream of regional economic and social development. Properly planned, ecotourism development will reduce rural poverty by increasing rural employment and incomes; encouraging the conservation of the natural and cultural heritage; expanding employment opportunities; and enabling the poor, women, and indigenous communities to participate in and influence development projects that directly bear on their own futures. Indigenous minorities and women, in particular, will benefit from ecotourism and village-based tourism through training as guides and managers, provision of food and accommodation for tourists, and from the manufacture and sale of handicrafts. Ethnic minorities will also increasingly value their own cultures as tourists and governments show an interest in them and their survival. Increased exposure to tourism will be accompanied by a corresponding awareness of the need to protect the physical and cultural environments from social and economic pressures.

The improvement of tourism-related infrastructure will bring major social benefits to residents in and around urban areas, local and international tourists, and the tourism industry. Upgraded roads will facilitate movement of population and goods, as will improved airports and river facilities that will increase tourist traffic. An increase in economic activity in the three countries, with increased employment and higher incomes, is likely. The provision of efficient wastewater treatment and sewerage disposal systems will similarly improve the health and general quality of life of resident populations. The burden on women in particular, on whom much childcare and household activities depend, will be relieved with improved child health. Better facilities at border crossings will facilitate the movements for migrant workers and local tourists, and will contribute to the development of the wider regional economy.

The Project has high economic and financial benefits. Economic internal rates of return range from 13.3% to 33.4%, and financial internal rates of return from 2.2% to 13.3%. The Project will contribute to increased tourism receipts of about \$129 million in the decade after implementation.

Risks and Assumptions

The main risks associated with the Project are (i) delays caused by the lack of experience of the EAs in managing an ADB-funded project; (ii) delays caused by the lack of effective coordination of the national tourism organizations, other line agencies, provincial authorities, and consultants; (iii) inadequate resources available for counterpart funding; and (iv) the poor, women, and vulnerable rural communities who may face negative socioeconomic impacts or may not benefit from increased tourism.

Mitigation measures to address these issues include (i) the establishment of well-staffed and equipped project management and implementation units in each country and the early creation of effective project management, reporting, and coordinating procedures, as well as training of local staff; (ii) inclusion of cost recovery mechanisms for all infrastructure subprojects, especially by requiring tourists using the facilities to contribute most of the required funds for operation and maintenance; (iii) the ministries of finance of each country have confirmed that ADB-financed projects will have high priority in budgetary allocation of counterpart funds; (iv) resettlement frameworks and resettlement plans, which have been prepared for each country; (v) preparation for each province of an ethnic minority participation strategy and gender development programs to protect the most vulnerable minority groups; (vi) awareness campaigns, directed at tourists and local communities, that focus on the dangers of drug abuse and the health risks of indiscriminate and commercial sex activities; and (vii) the provision of training for the development of micro-businesses in areas subject to tourism expansion and capacity building for the rural poor in community-based ecotourism to ensure that they will benefit from increased tourism.



I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on proposed loans to the Kingdom of Cambodia, the Lao People's Democratic Republic (Lao PDR), and the Socialist Republic of Viet Nam for the Greater Mekong Subregion (GMS): Mekong Tourism Development Project.

II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

2. Following the request of the GMS Tourism Sector Working Group, the Asian Development Bank (ADB) approved technical assistance (TA)¹ to prepare the Mekong Tourism Development Project. The TA built on a previous ADB-supported study.² The Project covers three countries in the GMS—Cambodia, Lao PDR, and Viet Nam (GMS participating countries, GMSPCs).

A. Performance Indicators and Analysis

3. Tourism is one of the world's most significant and dynamic socioeconomic sectors. The combination of domestic and international tourism is probably the world's largest industry. It generates approximately 11% of global gross domestic product (GDP) and provides direct employment to more than 200 million people. In 2001, there were 700 million international tourist arrivals, from which about 30% went to developing countries. International tourist arrivals in developing countries have been growing at an average of 9.5% annually since 1990, compared to 4.6% worldwide. Tourist arrivals in the GMS have been even higher, making the GMS the fastest growing destination in the world. Although international travel has been negatively impacted by global insecurity over the past year, tourist arrivals in the GMS increased by nearly 7.5% in 2001. Within the GMS, tourist arrivals in Cambodia, Lao PDR, and Viet Nam have increased even more rapidly. The growth in arrivals has averaged 26% per year in Cambodia, 25% in Lao PDR, and 20% in Viet Nam during the last 10 years. In 2001, tourist arrivals are estimated at 0.61 million in Cambodia, 0.67 million in the Lao PDR, and 2.23 million in Viet Nam. Although tourism growth in the GMSPCs has been impressive, opportunities to attract additional visitors to these countries are still significant considering that 14.84 million tourists visited the GMS in 2001.

4. Tourist arrivals by itself is not an adequate indicator of the growth of the tourism industry. Receipts from tourism are important. The average daily tourist spending of \$55 in the GMSPCs is still low compared with other countries of the region. A high proportion of tourists visiting these countries are low-budget tourists and backpackers. Further, tourists stay an average of just 5 days in each country. However, despite the low average level of spending and short stay in the countries, the tourism sector already accounts for 9.2% of GDP in Cambodia, 9.7% in the Lao PDR, and 6.7% in Viet Nam. Significant opportunities exist to increase economic benefits from tourism by attracting high-spending tourists to the subregion through improved tourism products, investments in tourism-related infrastructure, a higher quality of tourist services, improved skills in the industry, and the development and implementation of a dynamic and focused marketing strategy. A key factor in increasing the economic benefits from tourism is to maximize the number of days that tourists stay in the subregion. This will be achieved by developing tourism circuits that integrate attractive destinations in the GMSPCs, improving

¹ ADB. 1999. *Technical Assistance to the Greater Mekong Subregion for Preparing the Mekong/Lancang River Tourism Infrastructure Development Project*. Manila.

² ADB. 1997. *Technical Assistance to the Greater Mekong Subregion for the Mekong/Lancang River Tourism Planning Study*. Manila.

access to remote destinations to link them with main destinations, and investing in capacity building to improve the interpretation capabilities of guides and local operators. Perhaps the most important asset of the GMS is its multiplicity of cultures, unique physical features, and varied flora and fauna that allow the promotion of “one subregion, many destinations”. A key factor in the rapid growth of tourism in the subregion is the recognition by the itinerant traveler that the GMS is unique in its ability to offer multiple destinations in a single holiday package. Capturing this special subregional advantage will be at the heart of any strategy that seeks to increase socioeconomic benefits from tourism.

5. Notwithstanding the rapid technological advances of the 20th century, tourism remains an essentially labor-intensive industry. It has high potential for employment generation—every additional hotel room creates about two jobs directly and several indirectly. The poor gain disproportionately especially when tourism depends on remote, undeveloped destinations to provide the diversity in products and experience that the current generation of tourists are looking for. New jobs in the industry go mainly to immigrants from rural areas. Many of these are women who work in hotels, travel agencies, and restaurants. In 2001, the tourism sector employed approximately 10.3% of the total population working in Cambodia, 8.3% in the Lao PDR and 5.3% in Viet Nam.

6. Given the comparative advantage that the GMSPCs enjoy in tourism, the sector provides one of the best opportunities to reduce poverty through increased foreign exchange earnings, diversified regional development, broad-based economic growth, expansion of the private sector, and employment creation. However, investments in infrastructure, community awareness and education, subregional cooperation, and human resources development are urgently required to ensure that tourism growth is sustained, while simultaneously protecting the cultural and environmental heritage of the countries in the lower Mekong River basin. Public sector investments in tourism will also provide a much-needed opportunity to involve local communities in planning, managing, developing, and protecting tourism destinations. The sector’s competitiveness will increase with the development of a larger number of diverse, high-quality tourism products that will enable a more equitable distribution of tourism benefits to the people, especially the poor. The project framework is presented in Appendix 1.

B. Analysis of Key Problems and Opportunities

7. **The GMS Tourism Sector.** From the ski resorts of Yunnan in the north to the pristine tropical beaches of the Mekong delta in the south, the GMS offers the prospective traveler a staggering wealth of opportunities and choice. This includes six distinct cultures and 12 world heritage sites. The Mekong River is an evocative icon of the subregion. It is a unifying theme in an otherwise diverse land, and along its 2,400-kilometer lower basin course from Louang Namtha in the northern Lao PDR to My Tho in the Mekong delta in Viet Nam it provides a unique ribbon for the development of tourism circuits across the subregion. The project area integrates spectacular architecture and pristine natural environments with traditional ways of life and rich cultural and religious destinations. All subprojects are along the Mekong River or will be closely connected to the river. The Project will provide an excellent opportunity for developing along the lower basin of Mekong River a circuit that integrates all the tourist destinations in a single package.

8. The GMSPCs have opened their tourist attractions to the rest of the world mainly in the last decade. While the subregion has increased and improved its linkages by air, land, and water, with the rest of the world and within the region, much remains to be done to improve access, create and effectively market tourism products, improve quality, and enhance skills to

manage an expanded tourism industry. A description of the GMS tourism sector and its recent development is provided in Supplementary Appendix A.

9. **The GMS Program.** The formal framework for the initiation and elaboration of tourism sector policies and plans on a subregional basis is the multisectoral GMS Economic Cooperation Program (the GMS program) established by ADB in 1992. The broad policy objectives of the program are the promotion of economic growth and the delivery of better lives for all through recognition of the importance of subregional economic cooperation. From its inception, the GMS program has emphasized practical results through a wide range of specific projects, principally in infrastructure. More recently, the importance of placing greater emphasis on measures to reduce nonphysical barriers to trade and investment has gained recognition. However, a fundamental achievement of the first decade of the program has been the building of trust and confidence among member countries. With this foundation, a number of specific programs have been initiated on a cooperative basis. Detailed information on tourism-related assistance to the GMS is presented in Appendix 2.

10. **GMS Tourism Cooperation.** Tourism is one of the eight priority sectors of cooperation within the GMS program and has been included as the 11th “flagship” program under the 10-year GMS Program Strategic Framework. A working group comprising senior representatives of the national tourism organizations (NTOs) was established in 1993 and implements agreed programs and projects aimed mainly at promoting the GMS as a unique tourism destination. Indeed, the Tourism Sector Working Group (TWG) has established its own permanent secretariat to coordinate the plans to develop and promote the subregion as a tourism destination. This permanent secretariat is the Agency for Coordinating Mekong Tourism Activities (AMTA), established on 1 January 1997 within the Tourism Authority of Thailand (TAT) in Bangkok.

11. The GMS tourism cooperation program commenced in 1993. The 13th Meeting of the TWG took place in 2002. The TWG is supported by the Pacific Asia Travel Association (PATA), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and ADB. Its meetings are often attended by representatives of the United Nations Education, Scientific and Cultural Organization (UNESCO) and the World Tourism Organization (WTO). ADB and ESCAP support the working group, finance meetings selectively, and provide TA for studies and capacity building activities. PATA supports AMTA in its marketing functions. UNESCO provides TA on conservation-related issues. It is also supporting the implementation of the award-winning Nam Ha eco-tourism project in Louang Namtha Province in the Lao PDR. WTO liaises with other agencies and identifies funding for various schemes. The program is truly collaborative and impressive gains have been made in profiling tourism in the GMS.

12. The Mekong Tourism Forum was set up by the Third Conference on Sub Regional Cooperation in April 1994 with two main objectives: (i) to provide a platform for public and private sectors of the GMS countries to address subregional tourism issues, and (ii) to raise the profile of the GMS as a tourist destination. The forum has convened seven times since 1996 and is today a major annual tourism event in the Asia and Pacific region. It is led mainly by the private sector through PATA.

13. The TWG promotes the subregion as a single tourist destination. The TWG’s marketing activities are coordinated by AMTA. PATA facilitates the identification of marketing opportunities for the GMS countries. It also supports GMS tourism marketing selectively. AMTA, on behalf of the TWG, has (i) prepared a GMS tourist map, (ii) organized GMS tourism booths in major

tourism events, (iii) established a GMS tourism website, and (iv) produced tourism promotional materials. The GMS Tourism Marketing Fund has also been established.

14. **National Tourism Plans and Strategies.** The GMSPCs have recently completed national tourism plans. A national tourism development plan for the Lao PDR, funded by the United Nations Development Programme (UNDP) and WTO, was completed in November 1998. This was supplemented in August 1999 by a national tourism marketing plan, also funded by UNDP and WTO. Both plans are designed to cover 15 year time frames, from 1999/2000. Cambodia, too, has a national tourism development plan up to 2005, prepared with ADB support.³ In 1998, with the assistance of TAT, Ministry of Tourism (MOT) prepared a master plan for tourism development in Rattanak Kiri and Mondol Kiri provinces in Cambodia. Currently, three regional tourism planning studies are being conducted in Siem Reap Province and along the southern coastal provinces of Cambodia by the Singapore Tourism Promotion Board, TAT, and the Japan International Cooperation Agency (JICA). Viet Nam has a revised 10 year master plan for sustainable tourism development prepared in 2001 with UNDP and WTO assistance. The individual country plans take into account the synergies available through collaborative tourism planning and marketing at the subregional level.

15. At the subregional level, the Mekong-Lancang River Tourism Planning study funded by ADB⁴ and completed in 1998 has been the foundation of overall GMS tourism sector planning. The study provided an initial assessment of the potential for tourism cooperation to develop the Mekong River as a unifying, central tourism attraction. What is needed, however, is an overall GMS tourism-planning framework to guide tourism development in the subregion in the long term. The objective is to optimize the mutually reinforcing country complementarities and obtain high, sustainable growth levels in the GMS. The Project will support the preparation of a GMS tourism plan building on this previous study.

16. Tourist infrastructure needs urgent attention to sustain existing levels of arrivals and cater to growth. Road network planning has paid little attention to tourist needs. Airports need upgrading to meet the growth in tourist traffic as does river transport infrastructure, especially in the lower Mekong River basin. Many of the tourist destinations included in the Project are difficult to reach, and become actually inaccessible during certain periods of the year. The objective is to facilitate access to tourist destinations, generally using the Mekong River as a connecting link between sites, and increase the reliability, safety, and comfort of transport services so as to increase the volume of tourists and attract the high spenders. The need for investments in infrastructure is further underscored by the rapid growth and concentration of large numbers of tourists in particular destinations. These destinations lack infrastructure facilities and this is damaging the environment of the sites and increasing health risks for tourists and local people. Investment in sewerage, wastewater treatment, and solid waste infrastructure and management systems is urgently required to ensure the economic and environmental sustainability of these destinations.

17. The infrastructure improvement subprojects have been selected on rigorous criteria, including (i) determination of the subproject as a high priority investment for the development of international tourism at national and subregional levels and endorsement by the government concerned; (ii) the number of tourists visiting the selected destinations has been increasing significantly in recent years showing a high demand for that particular destination; (iii) significant

³ ADB. 2000. *Technical Assistance to Cambodia for Building Capacity in Tourism Planning*. Manila.

⁴ ADB. 1997. *Technical Assistance to the Greater Mekong Subregion for the Mekong-Lancang River Tourism Planning Study*. Manila.

infrastructure constraints to growth of the destination or that risk its sustainable development; (iv) private sector investment cannot be attracted to develop the required infrastructure; (v) the subproject cost is between \$1 million and \$6 million; (vi) the infrastructure improved is owned by the government; (vii) improvement of the infrastructure will have a positive effect in the subregion as a whole by increasing the attractiveness of important consolidated destinations (Siem Reap, Genocide Memorial in Phnom Penh, Kwangsi Falls in Louang Phrabang, and Sam Mountain and My Tho in the Mekong Delta) or by opening new destinations to diversify GMS tourism and avoid concentration in saturated destinations (Louang Namtha, Khammouan and Champassak in the Lao PDR and Stung Treng and Rattanak Kiri in Cambodia); and (viii) the incorporation of the selected subprojects in a single circuit within the GMSPCs that can be covered by travelling from south to north or vice versa by land, river, and air, offering an attractive GMS product that includes a combination of river excursions, beautiful beaches, world heritage sites, pristine environments, and traditional ways of life.

18. Growth in tourism brings in foreign exchange, creates jobs, and stimulates economic development. However, it also can damage the physical and cultural environment. GMS tourism is beginning to show evidence of uncontrolled tourism development without appropriate planning, management, and participation of local communities that could lead to the destruction of cultural traditions and natural habitats. Urgent measures need to be taken by national and provincial governments, the private sector, and local populations to educate tourists and train local communities to manage tourism increases, particularly in fragile cultural or physical environments. A community-based tourism development program needs to be developed and implemented to ensure that the poor and vulnerable, particularly indigenous peoples, women, and isolated communities in rural areas, are not negatively affected by tourism development, and increase their capacity to benefit from a growing tourism sector. Properly planned and managed ecotourism and village-based tourism development will provide a complementary source of income to the rural poor, increase awareness about the value of their own cultural heritage and natural environment, and form the basis for sustainable poverty reduction and environmental protection in the areas visited by the tourists. Equally, policies need to be designed that inhibit the leakage of benefits from increased tourism outside the GMSPCs and prevent their uneven distribution.

19. The rationale for a subregional tourism development project derives from the crucial recognition that development of a sustainable tourism sector in each GMSPCs in isolation from others will become increasingly difficult in the highly competitive world tourism market. Individual country attractions will only be sustained in a multicountry context. Many travelers to the GMSPCs are no longer visiting just one or two of the GMSPCs but all three. Among the GMSPCs, border crossings remain difficult and costly due to visa requirements. This is a key deterrent to tourism development. The inability to acquire visas on arrival at most of the international border checkpoints in the GMSPCs is an important obstacle for the development of tourism. The promotion of the GMS as a single destination, development of joint circuits and products across countries within the subregion, harmonization of hotel classification systems, increased participation of the private sector through establishment of tourism marketing and promotion boards, and facilitation of the movement of tourists across borders, will increase the attractiveness of individual destinations and countries, foster synergies across borders, and provide new opportunities for sector development

20. **Lessons Learned.** Some major lessons with regard to sustainable tourism sector development, including community-based tourism in rural areas, and timely project implementation have been learned from ADB interventions in other countries. Key lessons include the following: (i) community involvement in design and implementation can enhance

subsequent operations, but such involvement may cost more and cause implementation delays; (ii) a clear view of the type of service to be provided is needed when designing facilities such as tourism information centers; (iii) the private sector will not automatically respond to the opening of new tourists sites and such sites should be actively marketed; (iv) the private sector should have a role in the design of tourist sites to ensure that they are practical from a tour operator's perspective; (v) ecotourism can work, but facilities need to be carefully assessed; (vi) where there are many inexperienced implementing agencies, the early and complete formation of a project management unit is needed to avoid delays and other problems; and (vii) monitoring requires specific attention from project supervisors at an early stage of implementation.

21. Some major lessons with regard to tourism related infrastructure, including urban sewerage systems, airports, piers, and roads are related to cost recovery mechanisms, and funding for operation and maintenance (O&M). Arrangements to generate adequate financial resources for project O&M should be identified and discussed with government agencies during project preparation. These lessons have been factored into the design of the Project.

III. THE PROPOSED PROJECT

A. Objective

22. The Project's goal is to reduce poverty through increasing economic growth and employment opportunities, increasing foreign exchange earnings, and promoting the conservation of the natural and cultural heritage. The specific objective of the Project is to promote sustainable tourism development in the lower Mekong River basin through infrastructure improvements, increased community and private sector participation, and subregional cooperation. The Project is targeted to improve high priority tourism-related infrastructure in the lower Mekong basin; promote pro-poor, community-based, sustainable tourism in rural areas; and strengthen subregional cooperation. It will mitigate environmental degradation from unplanned and unsustainable development, develop human resources, and promote cooperation between the private and public sectors within the subregion through the establishment of tourism marketing and promotion boards (TMPBs).

B. Components and Outputs

23. The Project will comprise four parts: part A, tourism-related infrastructure improvements; part B, pro-poor, community-based, tourism development; part C, subregional cooperation for sustainable tourism; and part D, implementation assistance and institutional strengthening. A detailed description of the components is presented in Appendix 3.

24. Part A includes (i) urban environmental improvements (Siem Reap in Cambodia, and Sam Mountain in An Giang Province and My Tho in Tien Giang Province in Viet Nam); (ii) small airports extension and rehabilitation (Louang Namtha in the Lao PDR and Rattanak Kiri and Stung Treng in Cambodia); (iii) access roads improvement (road to the Genocide Memorial in Cambodia and roads to Kwangsi Falls and Konglor cave in the Lao PDR); and (iv) river tourism piers development (My Tho in Tien Giang Province and An Giang Province in Viet Nam).

25. Part B includes 10 components: (i) an institutional strengthening and community participation program; (ii) an awareness program on tourism benefits and negative impacts, and environmental and cultural conservation; (iii) pro-poor tourism products identification and development; (iv) small-scale tourism-related infrastructure (tourism information centers, community lodges, small river piers, viewing points, and walking trails); (v) capacity building for

tourism-related local microenterprises and communities; (vi) a gender development program; (vii) an ethnic minorities participation program (this component not applicable in Viet Nam); (viii) a marketing and promotion plan; (ix) promotion of community-based tourism networks and ecotourism stakeholder associations; and (x) a system of monitoring project outputs and impacts. Part B will be implemented in two provinces in Cambodia (Stung Treng and Rattanak Kiri), four provinces in the Lao PDR (Louang Namtha, Louang Phrabang, Khammouan, and Champassak), and two provinces in Viet Nam (An Giang and Tien Giang).

26. Part C includes seven components: (i) a GMS facility for tourism cooperation; (ii) improvement of tourism facilities at border posts; (iii) establishment of a GMS network of TMPBs; (iv) a standardized GMS hotel classification system; (v) a GMS tourism plan; (vi) GMS tourism statistics improvement and harmonization; (vii) diversification of AMTA human resources; and (viii) GMS tourism human resource development.

27. Part D includes (i) consulting services for project management support, tourism development and subregional cooperation, detailed design and construction supervision of tourism-related infrastructure, and pro-poor community-based tourism development; and (ii) incremental administration costs and project administration equipment.

C. Special Features

28. **Subregional Cooperation.** The GMS program identifies projects and institutional mechanisms that will enhance economic and social integration. The development of the GMS as a unified tourism destination will increase the international attractiveness of the subregion. The Project will enhance subregional cooperation and increase economic integration of the subregion by facilitating the movement of tourists, increasing the attractiveness of key subregional tourism destinations, and promoting common approaches to community-based ecotourism activities in the GMS, hotel classification systems, private sector participation, and planning. Particularly, the GMS facility for tourism cooperation will facilitate the implementation of the bilateral agreements that were on hold due to lack of funding by supporting cross-border projects involving at least two of the three participating countries or alternatively, one of the three and another GMS country not included in the Project. The facility could fund (i) studies to prepare circuits and assess demand, (ii) building of small infrastructure to improve the circuits, (iii) a marketing program for the circuits, (iv) a system for monitoring economic benefits for each country, and (v) meetings and seminars to promote cooperation of the private sector on both sides of the border. The Project will also support upgrading of tourism and immigration facilities at border checkpoints within the GMS and expanding the points where visas on arrival are provided.

29. All subprojects identified are either on the Mekong River or will have easy access from the river due to the Project. The improvement of infrastructure in the selected subprojects and the provision of visas on arrival at the border checkpoints will help tour operators prepare circuits along the river that could integrate some or all the subprojects included in the Project. The Project will complement other GMS projects supported by ADB, particularly the economic corridors, including the northern section of the East-West Corridor along road number 8 in Viet Nam⁵ from which the access road to Konglor Cave will be constructed, and the southern

⁵ ADB. 1999. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grant to the Lao People's Democratic Republic and Viet Nam for the Greater Mekong Subregion: East-West Corridor Project*. Manila.

economic corridor⁶ that will benefit An Giang and Tien Giang provinces in Viet Nam. Other projects under ADB consideration will also complement the Project, if approved, including the north-south corridor crossing Louang Namtha Province in the Lao PDR and the development triangle project that could include the provinces of Strung Treng and Rattanak Kiri.

30. **One Project, Three Loans.** The Project will involve three separate loans, one for each of the GMSPCs. Separate loan agreements will be signed with each of the three borrowers. Detailed project management mechanisms have been included in the Project to ensure coordination among the GMSPCs during implementation. AMTA will also support the coordination of the Project as secretariat to the subregional steering committee and will link the Project with other GMS countries that are not participating. The chairmanship of the subregional steering committee will rotate among the GMSPCs.

31. **Cost Recovery Mechanisms and Financial Sustainability.** The Project will include cost recovery mechanisms for most of the tourism-related infrastructure subprojects. A substantial portion of the Project's capital and O&M costs will be recovered through charges, levies, and taxes on the tourists using the improved facilities. Small charges on local users of the facilities are also included in the Project. However, significant contributions from international tourists will ensure that charges to local users, including the poor, are affordable. Financial analyses have been undertaken for all infrastructure subprojects with cost recovery possibilities to ensure that each subproject generates sufficient revenue to cover O&M costs and, in most cases, capital costs, and with a rate of return that meets or exceeds the weighted average cost of capital. Subsidies from government budgets will not be required.

32. **Private Sector Participation.** The Project will promote private sector participation in market research, planning, and tourism marketing and promotion through initial support for the establishment of TMPBs in Cambodia, Lao PDR, and Viet Nam. TMPBs will have leadership from the private sector and will mainly be financed from contributions from the private sector. The TMPBs will promote dialogue between the private and public sectors; expand opportunities for coordination in the development of plans, strategies, legislation, and marketing; and increase the efficiency and international competitiveness of the tourism sector in each country and in the subregion. The Project will also promote the establishment of micro and small tourist enterprises in rural areas, through the pro-poor community-based component. Capacity building, for communities and small entrepreneurs involved in the tourism industry, will be provided under the Project.

33. **Poverty.** The Project has been classified as a poverty intervention following the geographical classification criteria. Substantial benefits will accrue to the poor and opportunities to reduce poverty will be created by the Project through increased employment and economic growth. About 39.8% of the population in the Project area are poor, including 42.8% in the Lao PDR, 38.5% in Cambodia, and 34.5% in Viet Nam. About 90% of the poor in the GMSPCs are in the rural areas. The pro-poor, community-based tourism component of the Project will particularly benefit the poor in the rural areas in some of the poorest provinces in the subregion. The improvement of environmental conditions in the urban areas of Siem Reap in Cambodia and Sam Mountain and Tien Giang in Viet Nam will consolidate the tourism sector in those areas, increase employment opportunities for the poor in those areas, and help improve the quality of life for the urban poor. The upgrading of airports in some of the most isolated areas of

⁶ ADB. 1998. *Report and Recommendation of the President to the Board of Directors on Proposed Loans to Cambodia and Viet Nam for the Greater Mekong Subregion: Phnom Penh to Ho Chi Minh City Highway Project*. Manila.

Cambodia and Lao PDR will attract new tourists and increase the possibilities for the poor to be employed and to sell their local products at a higher price. Improved access to tourist destinations by air, land, and water will attract more tourists to isolated areas where poverty levels are high. The pro-poor, community-based tourism components will help poor communities enhance their capacities to use the opportunities created by tourism development. The Project's pro-poor tourism development activities are expected to improve incomes of poor beneficiaries by at least 25%. These estimates are based on studies of the economic impacts of the UNESCO-supported Nam Ha Eco-tourism Project in the Lao PDR, which has been used as a model for the development of part B of the Project. Studies in October 2001 demonstrate that, at the village level, approximately 42% of all income was from ecotourism. Activities from which such incomes were derived include sale of nontimber forest produce, food preparation and sale, handicraft sales, and services to tourists including guiding and traditional massage. As a result of the increases in individual household incomes as well as village funds, overall improvements in the food security of participating communities are expected. Village funds will enable the creation of rice banks from which poor households can borrow and pay back in better times. Village funds can be used to develop village infrastructure such as tracks and schools. Individual households will benefit by improving their food consumption; access to clothes, blankets, and medicines; investment in agricultural equipment and tools; and household savings. A summary poverty and social analysis is presented in Appendix 4; a more detailed social and poverty analysis is presented in Supplementary Appendix B.

34. **Gender.** The tourism industry is particularly important for women. The percentage of women employed in restaurants, hotels, and other tourism services is higher than in the average general workforce.⁷ The Project will particularly benefit women through increased employment opportunities in the tourism sector. The participation of the national women's organizations machineries (Ministry of Women and Veteran's Affairs in Cambodia, Vietnam Women's Union, and Lao Women's Union) in the national steering committees is important. This will help to ensure that the implementation of gender and development (GAD) plans is effectively monitored, and GAD issues are mainstreamed in tourism development. At the provincial level, a subproject gender action plan will be prepared by the project implementation unit (PIU) with the help of social advisers and the community-based tourism development advisers. These plans will be in keeping with the ADB's Policy on Gender and Development. They will reflect all activities related to promoting women's equitable participation in tourism development and its benefits, to be implemented in a time-bound manner. All plans will set targets. Generic principles that will form the basis of subproject-level gender planning are: (i) under part B of the Project, 50% of all trainees in all training programs will be women; (ii) at least 40% membership in ecotourism associations at all levels will be recruited to implement pro-poor, community-based tourism activities; (iii) such women staff will be trained and will, in turn, help develop provincial GAD action plans, with targets that can be monitored; (iv) in keeping with such action plans, women staff will (a) provide training to participating communities in GAD issues related to tourism; (b) help disseminate tourism-related skills particularly among rural women, and in association with the local women's machinery; (c) build strong village-based women's groups for participation in ecotourism stakeholder associations and informed decision making; (d) under the guidance of the social and gender advisers, community-based tourism advisers, and participating NGOs, help develop training and education programs related to health risks of HIV/AIDS⁸ and sexually-transmitted diseases; (e) design and implement awareness and training programs and workshops for government agencies, the private sector,

⁷ United Nations Development Programme-United Kingdom. 1999. *Gender and Tourism*.

⁸ Human immunodeficiency virus/acquired immunodeficiency syndrome.

local communities, and women's groups, related to the risks trafficking and exploitation through illegal sexual activities and other hazardous forms of employment.

35. **Resettlement.** A social impact assessment identified subprojects that would involve land acquisition and resettlement. A total of 231 households (approximately 1,155 persons) will be significantly affected and will have to relocate to nearby sites. Of these, the main impacts will be from improvements to two airports—Louang Namtha in the Lao PDR, and Rattanak Kiri in Cambodia—for which resettlement plans have been prepared. There will also be marginal impacts on 18 households from subprojects for which short resettlement plans have been prepared, and lesser marginal impacts from the remaining subprojects that will be covered by a resettlement framework. A table showing the significance of resettlement for each subproject, the type of resettlement planning documentation required for each, and a summary resettlement framework for the Lao PDR is presented in Appendix 5. Summary resettlement frameworks for Cambodia and Viet Nam, and full resettlement frameworks for the GMSPCs are provided in Supplementary Appendix C. The resettlement frameworks are intended to guide resettlement planning for other subprojects that may involve minor involuntary resettlement and for which the zone of impact cannot be determined before appraisal due to lack of detailed design and the need for a community participation process, such as in the pro-poor, community-based tourism subprojects. Following detailed design of the remaining subprojects during project implementation, resettlement plans, using the agreed upon resettlement framework, will be prepared as required and submitted to ADB for approval prior to implementation.

36. During project preparation, four resettlement plans were prepared for the core subprojects that will be implemented during the first year of the Project, as well as a resettlement framework for each country, in accordance with ADB's *Policy on Involuntary Resettlement* and *the Handbook on Resettlement*. The resettlement plans are also provided in Supplementary Appendix C. As the proposed executing agencies (EAs) are not completely familiar with implementing land acquisition and resettlement to ADB standards, the construction supervision consultants will be required to provide resettlement capacity building to these agencies and to external monitoring agencies. As the GMSPCs have, or are in the process of preparing, draft national resettlement policies with ADB assistance, the Project will encourage and support those efforts.

37. **Environment.** The Project is classified as environment category B. Several of the proposed infrastructure subprojects (i.e., waste treatment, boat jetty, and road rehabilitation) may have some negative environmental impacts arising from construction and operation. However, the potential negative impacts can be mitigated to acceptable levels through appropriate design and implementation of mitigation measures included in the subprojects in line with ADB's environmental requirements and those applicable at the national and provincial levels in each GMSPCs.

38. The governments of the GMSPCs have assured ADB that an initial environmental examination (IEE) will be prepared for each subproject in accordance with ADB's guidelines, and that a determination will be made as to whether the subproject is environmentally sensitive. If it is, the IEE will be amplified to address any significant environmental concerns, and if the concerns are extensive, an environmental impact assessment will be prepared and reviewed by ADB prior to the approval of the subproject. To ensure that ADB's environmental assessment requirements are met during implementation of the Project, an environmental management plan (EMP) for the Project and four sample IEEs were prepared. The sample IEEs are for (i) Louang Namtha airport improvement in the Lao PDR, (ii) My Tho tourist river pier improvement in Viet Nam, (iii) access road improvement to Konglor cave in the Lao PDR, and (iv) Siem Reap

environmental improvement in Cambodia. A summary IEE, including an EMP, and three sample IEE are presented in Supplementary Appendix D. The summary IEE for the environmental improvement subproject in Siem Reap is presented in Appendix 6.

39. To support the EAs and implementing agencies (IAs) in the GMSPCs in preparing IEEs for other subprojects and to implement the EMP, at least one environment specialist will be placed at each project coordination unit (PCU) at the national level. The specialist staff will also help ensure that all applicable national and provincial environmental laws, regulations, and standards, as well as ADB's environmental requirements, will be met during implementation and operation of the project components. An environment unit will be established for each of the environmental improvement subprojects in Tien Giang and Sam Mountain in An Giang Province in Viet Nam, and Siem Reap in Cambodia, to ensure that proposed mitigation measures identified in the IEEs are incorporated in the design, construction, and operation stages of the Project. Environmental measures, on which action needs to be taken by the contractors, will be incorporated in the contracts for civil works. Implementation of the EMP and proposed mitigation measures will be monitored during construction and operation. Monitoring results will be reported in the quarterly progress reports on project implementation and annual reports on environmental monitoring.

40. **Ethnic Minorities.** The pro-poor community-based tourism part of the Project has been prepared based on positive ecotourism pilot projects in the GMS that have particularly benefited ethnic minorities. An ethnic minorities participation program will be prepared for each province in the Lao PDR and the provinces of Stung Treng and Rattanak Kiri in Cambodia to ensure that these groups enjoy the benefits of tourism, while any potential negative impact from tourism will be mitigated through training and awareness programs in each province.

D. Cost Estimates

41. The total cost of the Project, including physical and price contingencies, duties, taxes, and interest during construction, is estimated at \$47.1 million equivalent. The foreign exchange cost is \$30.2 million, or 64.1% of the total. The local currency cost, including duties and taxes, is \$16.9 million equivalent, or 35.9% of the total. The project cost for the Cambodia component is \$20.7 million equivalent, comprising a foreign exchange cost of \$13.0 million (about 62.8% of the project cost) and a local currency cost of \$7.7 million equivalent (about 37.2% of the project cost). The project cost for the Lao PDR component is \$14.2 million equivalent, comprising a foreign exchange cost of \$9.3 million (about 65.5% of the project cost) and a local currency cost of \$4.9 million equivalent (about 35.5% of the project cost). The project cost for the Viet Nam component is \$12.2 million equivalent, comprising a foreign exchange cost of \$7.9 million (about 64.8% of the project cost) and a local currency cost of \$4.3 million equivalent (about 35.2% of the project cost). Cost estimates for each country are presented in Appendix 7. Detailed cost estimates are available in Supplementary Appendix E.

E. Financing Plan

42. The proposed ADB loans will be \$15.6 million equivalent for Cambodia, \$10.9 million equivalent for Lao PDR, and \$8.5 million equivalent for Viet Nam. The loans, from ADB's Special Funds resources, will have a repayment period of 32 years, including a grace period of 8 years, with an interest charge of 1.0% during the grace period and 1.5% during the amortization period. The borrowers will be the Kingdom of Cambodia, the Lao PDR, and the Socialist Republic of Viet Nam. The proceeds of the proposed ADB loans will finance the entire

foreign exchange costs and part of the local currency costs of the three components. The Governments will bear the exchange risk and transfer the loan proceeds to the EAs and IAs.

Table 1: Summary of Cost Estimates

(\$ million)			
Part	Foreign Cost	Local Cost	Total
A. Cambodia			
1. Base Costs ^a			
Part A: Tourism Infrastructure Improvements	8.3	5.3	13.6
Part B: Pro-poor Community-Based Tourism	0.2	0.4	0.6
Part C: Subregional Cooperation	0.4	0.0	0.4
Part D: Project Implementation Support	1.8	0.9	2.7
Subtotal	10.7	6.6	17.3
2. Contingencies ^b	1.9	1.1	3.0
3. Service Charge	0.4	0.0	0.4
Total	13.0	7.7	20.7
B. Lao People's Democratic Republic			
1. Base Costs ^a			
Part A: Tourism Infrastructure Improvements	5.4	2.5	7.9
Part B: Community-Based Tourism	0.4	1.2	1.6
Part C: Subregional Cooperation	0.4	0.0	0.4
Part D: Project Implementation Support	1.4	0.5	1.9
Subtotal	7.6	4.2	11.8
2. Contingencies ^b	1.4	0.7	2.1
3. Service Charge	0.3	0.0	0.3
Total	9.3	4.9	14.2
C. Viet Nam			
1. Base Costs ^a			
Part A: Tourism Infrastructure Improvements	5.0	2.7	7.7
Part B: Community-Based Tourism	0.2	0.6	0.8
Part C: Subregional Cooperation	0.4	0.0	0.4
Part D: Project Implementation Support	0.8	0.3	1.1
Subtotal	6.4	3.6	10.0
2. Contingencies ^b	1.3	0.7	2.0
3. Service Charge	0.2	0.0	0.2
Total	7.9	4.3	12.2
D. Project Total	30.2	16.9	47.1

^a Includes taxes and duties.

^b Includes physical and price contingencies.

Source: Asian Development Bank estimates.

F. Implementation Arrangements

1. Project Management

43. Project management will be challenging but feasible. The arrangements are seemingly complex but in fact rely mainly upon existing institutions and bodies. The EAs for the Project will be the national tourism organizations (NTOs) in each country: the Ministry of Tourism for Cambodia, the National Tourism Authority of the Lao PDR, and the Vietnam National Administration of Tourism (VNAT). In Viet Nam, the provincial people's committee (PPCs) of An Giang and Tien Giang provinces will be the EAs for part A of the Project. A subregional project steering committee (SRPSC) with chairpersons of the NTOs of Cambodia, Lao PDR, and Viet Nam will be established to oversee overall project implementation at the subregional level, and the subregional cooperation component in particular. AMTA will act as a secretariat of the

SRPSC. At the national level, national project steering committees will provide policy advice and guidance, and will oversee the general direction of the Project in each country. The committees, to be chaired by a senior representative of the NTOs, will consist of representatives from ministries and provincial authorities involved in the Project. These arrangements are expected to provide effective links between government agencies for collaborating on tourism development in general.

Table 2: Financing Plan
(\$ million)

Source	Foreign Exchange	Local Currency	Total Cost	Percentage
Cambodia				
ADB	13.0	2.6	15.6	75.4%
Government	0.0	5.1	5.1	24.6%
Total	13.0	7.7	20.7	100.0%
Lao PDR				
ADB	9.3	1.6	10.9	76.8%
Government	0.0	3.3	3.3	23.2%
Total	9.3	4.9	14.2	100.0%
Viet Nam				
ADB	7.9	0.6	8.5	69.7%
Government	0.0	3.7	3.7	30.3%
Total	7.9	4.3	12.2	100.0%
Overall Project				
ADB	30.2	4.8	35.0	74.3%
Governments	0.0	12.1	12.1	25.7%
Total	30.2	16.9	47.1	100.0%

ADB = Asian Development Bank, Lao PDR = Lao People's Democratic Republic.

Source: Asian Development Bank estimates.

44. The EAs will be supported by IAs responsible for the implementation of infrastructure improvement projects. The IAs in Cambodia will be the Ministry of Public Works and Transport, State Secretariat of Civil Aviation, and Municipality of Phnom Penh (MPP). In the Lao PDR, the IAs will be the division of communications, transport, posts and construction of Louang Phrabang and Khammouan provinces, and the Department of Civil Aviation. For the Viet Nam components, the EAs of An Giang and Tien Giang provinces will implement part A of the Project.

45. PCUs, to be headed by a project director, will be established in each NTO. They will be supported by project management units (PMUs) established in the IAs in Cambodia and Lao PDR and in the other EAs in Viet Nam, and PIUs established at the provincial level for each subproject. PCUs will be responsible for day-to-day management, and monitoring of all project activities, including coordination with PCUs in other GMSPCs, PMUs, and PIUs. Each PCU will be staffed by a project director and six permanent staff including a project manager, a financial officer, an accountant, an environmental specialist, a social specialist, and a resettlement specialist, and supported by international and domestic consultants. Project directors and PCU staff have been appointed as well as deputy project directors for each PMU and PIU. The project organization chart and project management mechanism is presented in Appendix 8.

2. Implementation Period

46. The Project will be implemented over a period of 5 years until 31 December 2007. This is considered reasonable based on the proposed size of the individual subprojects and the commitment and interest shown by all IAs. An implementation schedule is presented in Appendix 9.

3. Procurement

47. Goods and works to be financed by ADB will be procured in accordance with ADB *Guidelines for Procurement*. International competitive bidding procedures will be used for major civil works contracts estimated to cost over \$1.0 million and supply contracts valued over \$500,000. Minor civil works will be procured through local competitive bidding in accordance with procedures acceptable to ADB. International shopping procedures will be followed for materials and equipment packages estimated to cost more than \$100,000 equivalent but less than \$500,000 equivalent. Equipment that is locally available and costs less than \$100,000 equivalent may be procured through direct purchase in accordance with procedures satisfactory to ADB. For the pro-poor, community-based tourism component, most of the subprojects will be relatively small, and scattered throughout the provinces. The Project will consider funding suitable nongovernment organizations (NGOs) to work in a collaborative and participatory manner with local communities. PMUs will prepare the bidding documents and evaluate the components under their responsibility and will report to the PCU. All procurement processes will be channeled through the PCUs for concurrence before submission to ADB for approval. Indicative contract packaging is presented in Appendix 10.

4. Consulting Services

48. To support the implementation of the Project, a total of 346 person-months of consulting services (127 person-months of international and 219 person-months of domestic services) will be required for Cambodia, 241 person-months (104 person-months of international and 137 person-months of domestic services) for the Lao PDR, and 169 person-months (63 person-months of international and 106 person-months of domestic services) for Viet Nam. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants. Separate consulting services packages will be procured to provide assistance to the PCUs established in the NTOs, and the PMUs in charge of infrastructure improvements. The consultants for the PMUs will be firms and will focus on part A. The consultants for the PCUs will be firms and will focus on overall project management and part C of the Project. Individual consultants will be used for part B and will be recruited by the PCU. Consulting firms will be selected and engaged following the quality and cost-based selection method. Consultants will provide on-the job training to national and provincial government officials involved in implementation of the Project. Information on consulting services is presented in Appendix 11.

5. Disbursement Arrangements

49. Payment of eligible expenditures from the proceeds of the loan will be made either through disbursement procedures, direct procedures, commitment procedures, or reimbursement procedures in accordance with ADB's *Loan Disbursement Handbook* of January 2001. To ensure the timely release of loan proceeds, and to expedite project implementation, the governments of Cambodia and Lao PDR will, immediately upon loan effectiveness, open and maintain a project imprest account in their respective central banks; and the Government of

Viet Nam will open three imprest accounts, one for each EA in commercial banks acceptable to ADB. Concurrently, PMUs will each establish second generation imprest accounts, and the PIUs in each province will establish project accounts, as required, under supervision by PCU. The initial deposit to the imprest accounts for each country will be based on estimated expenditures for the first 6 months of project implementation, but will not exceed the equivalent of \$1.0 million for Cambodia, and \$500,000 for Lao PDR and Viet Nam. ADB's statement of expenditure (SOE) procedures may be used for reimbursement of eligible expenditures and for liquidation of advances in the imprest account. SOE procedures will be applicable to contracts amounting to \$50,000 or less. The consultants will provide training and operating support to the PCUs, PMUs, and PIUs accounting staff on the use of the project accounts in the initial stage of project implementation. In Cambodia and Lao PDR, IAs will submit SOEs to their ministries of finance and to the EAs. The EAs will approve each SOE within 12 working days in Cambodia, and within 15 calendar days in the Lao PDR. In Viet Nam, the PPCs will send a copy of the SOEs to the PCU. Disbursement arrangements will be subject to ADB's review during its first year of project implementation.

6. Accounting, Auditing, and Reporting

50. The NTOs will provide ADB with quarterly and annual progress reports on Project implementation 30 days after the end of the reporting period. The progress reports will be prepared by each PIU and PMU and consolidated by the PCU. The reports will particularly address the institutional and policy development aspects of the Project. Separate accounts for the Project will be maintained by the PCU. Detailed annual project accounts, and statements of the imprest account, will be audited and submitted to ADB within 9 months of the close of the financial year. An auditor, acceptable to ADB, will be appointed to audit the accounts. The NTOs will also submit to ADB, within 3 months of completion of the Project, a project completion report that will cover the details of project implementation, costs, PPMS activities and results, compliance with covenants, and other information that may be requested by ADB.

7. Project Performance Monitoring and Evaluation

51. The EAs will ensure that a comprehensive PPMS program acceptable to ADB is prepared and implemented to monitor and evaluate the technical performance and social and economic benefits of the Project, especially for the low-income groups. The PPMS indicators and procedures will be tested for data availability and other constraints, revised where necessary, and institutionalized as part of the management information systems of the agencies concerned. For the pro-poor, community-based tourism component, the provincial governments will perform the PPMS activities and ensure that the facilities provided or improved under the Project are managed efficiently and that the benefits are maximized. The PCUs will maintain the PPMS, and analyze and compile data, in coordination with the PMUs and PIUs.

8. Project Review

52. In addition to periodic reviews of the Project, a first year review will be carried out jointly by each Government and ADB within 1 year of loan effectiveness. A midterm review will be undertaken between each Government and ADB no later than 3 years after loan effectiveness. These reviews will include a comprehensive evaluation of the Project implementation arrangements, the progress of implementation compared with targets, feedback from PPMS activities, consultations with community groups, and the performance of the consultants and selected NGOs. The cost recovery mechanisms for each subproject will also be evaluated. Remedial action will be instituted as needed.

IV. PROJECT BENEFITS, IMPACTS, AND RISKS

53. **Economic Benefits.** The Project will encourage sustainable tourism development in the countries of the lower Mekong River basin. Net tourist spending in the Project areas will increase due to increased numbers of tourists, longer stays and increased tourist spending. Additional net tourist spending due to the Project during the first 10 years after project completion is expected to be \$129 million. Sustainable tourism growth will increase foreign exchange earnings, support economic growth, and create new employment opportunities. The economic internal rates of return calculated for tourism infrastructure subprojects range from 13.3% to 33.4%. The economic analysis is presented in Appendix 12; details are available in Supplementary Appendix F.

54. **Financial Benefits.** The establishment of appropriate cost recovery mechanisms and institutional reforms will increase the financial revenues from airports, sewerage systems, river piers and small roads to tourist destinations. A significant portion of the financial benefits will come from the tourists visiting the project areas. The reinvestment of benefits to the sector will ensure that appropriate funding is available for O&M of the infrastructure facilities, and (in some cases) sufficient revenue is collected to expand the facilities built under the Project. This will ensure the sustainability and increased quality of the services, establishing the basis for further improvements of the accessibility and attractiveness of the tourist destinations. The financial internal rates of return of applicable subprojects range from 2.2% to 13.3%, higher than the estimated weighted average cost of capital at 1.2% for projects in Cambodia and the Lao PDR and 1.1% for projects in Viet Nam. The financial analysis is presented in Supplementary Appendix G.

55. **Environmental Benefits.** The Project will contribute to improved environmental conditions in several urban areas by rehabilitating and expanding the sewerage systems in Siem Reap in Cambodia and Sam Mountain in Viet Nam, and expanding landfill capacities, preparing solid waste management plans, and providing equipment in Tien Giang Province and Sam Mountain in Viet Nam. In the rural areas, the Project will facilitate the conservation of the natural environment of the subregion. It will provide opportunities for alternative income to the local population in isolated areas, thus taking pressure off forests. Additionally, awareness programs and training for local communities on the relationship between tourism and environmental conservation will be undertaken.

56. **Institutional Benefits.** The Project will reinforce the role of AMTA as the only agency in the GMS responsible for coordinating tourism, by appointing a national representative of AMTA in each GMSPCs and possible short-term secondments to the AMTA headquarters in Bangkok. These measures will improve the capacity of AMTA to perform its role and increase the ownership of the institution by the GMSPCs. At the national level, the establishment of TMPBs with participation from public and private sectors will facilitate the preparation of more efficient tourism marketing and promotion strategies, international cooperation activities involving the private sector, and the development of common approaches to tourism regulations, standards, and investment incentives. In the civil aviation sector, the Project will promote the establishment of autonomous airport authorities in Cambodia and Lao PDR, which will be able to collect revenue from airport operations and reinvest it in the airports to ensure sustainability. In the urban sector, the establishment of a wastewater agency in Siem Reap and urban environmental units at the provincial level in Viet Nam will provide models for replication countrywide. In Viet Nam, the establishment of public sector pier authorities responsible for O&M of the piers, as separate entities from the commercial provincial tourism companies, will increase transparency and equitable competition in tourist river transport.

57. **Social Impacts.** The improvements to tourism-related infrastructure will bring major social benefits to residents in and around urban areas, local and international tourists, and the tourism industry. Upgraded roads will facilitate the movement of population and goods, as will rehabilitated airports and river facilities that encourage greater tourist numbers. Economic activity in the subregion will increase with increased employment and higher incomes. The provision of efficient wastewater treatment and sewerage disposal systems will similarly improve the health and general quality of life of resident populations. The burden on women in particular, on whom much childcare and household activities depend, will be relieved with improved child health resulting from more efficient sewerage and waste disposal. Better facilities at border crossings will facilitate movement of migrant workers and local tourists, and contribute to the development of the wider regional economy.

58. **Impact on the Poor and Vulnerable.** The poor in rural areas will especially benefit from community-based ecotourism and village-based tourism subprojects supported by a concentrated and focused program spanning two provinces in Cambodia, four in the Lao PDR, and two in Viet Nam. Isolated rural areas will be integrated into the mainstream of regional economic and social life through ecotourism and village-based tourism development. As successfully demonstrated in the UNESCO-supported Nam Ha ecotourism project, ecotourism can reduce rural poverty by increasing rural employment and incomes; encourage the conservation of the natural and cultural heritage; and enable the poor, women, and indigenous communities to participate in and influence development projects that directly influence their own futures. Indigenous minorities and women, in particular, will benefit from training as guides and managers, providing food and accommodation for tourists, and the sale of handicrafts. Ethnic minorities will also increasingly value their own cultures as tourists and governments demonstrate an interest in them and their survival. Increased exposure to tourism will be accompanied by a corresponding awareness of the need to protect the physical and cultural environments from undesirable social and economic pressures.

59. **Policy Dialogue.** Policy dialogue has centered on issues that will facilitate the movement of tourists within the region and will enhance subregional cooperation. Under the Project, tourist movement by air will be facilitated and efficiency improvements in air services will be obtained as a consequence of increased competition once the upgraded domestic airports are opened to subregional air traffic. Tourist movement by land will also be facilitated by issuing visas on arrival at several border checkpoints near some project areas, and at those border posts where the Project supports investments in small infrastructure and equipment. These interventions are expected to show the benefits of facilitating the movement of tourists, and promote continued policy dialogue for further liberalization. The harmonization of hotel classification systems in the subregion will also serve as a pilot case for harmonizing of other tourism services that will ensure a common quality of service and standards in the GMS. Other results of the intensive policy dialogue include (i) the integration of poverty, gender, environmental, resettlement, and indigenous people's concerns in the preparation of policies, and in the identification, development, and management of tourism destinations; and (ii) the increased participation of the private sector in tourism through the establishment of TMPBs, with the private sector having the leading role.

60. At the national level, policy dialogue has included (i) civil aviation sector reform through advances in the institutional reform process for the establishment of autonomous airports authorities in Cambodia and Lao PDR; and (ii) institutional reform and O&M issues concerning urban environmental services in Cambodia and Viet Nam that will ensure the institution of appropriate cost recovery mechanisms. Additionally, separating the operation of the tourism

river piers in the Mekong River delta from the tourist companies using them will help improve competition and transparency and enhance the O&M of tourism river piers in the Mekong Delta.

61. **Risks.** The main risks associated with the Project are (i) delays caused by the lack of experience of the EAs in managing an ADB-funded project; (ii) delays caused by the lack of effective coordination of the EAs, other line ministries, provincial authorities, and consultants; (iii) inadequate counterpart funding; and (iv) the poor, women, and vulnerable rural indigenous communities being negatively affected by pressures arising from resettlement, contact with alien cultures, other negative socioeconomic impacts, or not being able to benefit from increased tourism.

62. **Risk Mitigation.** The Project incorporates mitigation measures to address these risks. They include: (i) two individual, international consultants with experience in implementing ADB-assisted projects and managing project accounts will be recruited in each GMSPCs at an early stage of project implementation to help PCUs, PMUs, and PIUs establish effective project management, reporting, and coordinating procedures, and train local staff; (ii) cost recovery mechanisms have been included for all infrastructure projects, with the tourists using the facilities contributing a significant portion of the funds needed for O&M; (iii) the ministries of finance of each country has confirmed that ADB-financed projects will have priority in budgetary allocation of counterpart funds; (iv) resettlement frameworks for each country and resettlement plans for each subproject with significant impact have been prepared and agreed upon; (v) a pro-poor ethnic minority participation program to protect the most vulnerable minority groups will be prepared in each province; (vi) awareness campaigns, directed at tourists and local communities, that focus on the dangers of drug abuse and the health risks of indiscriminate and commercial sex activities; and (vii) training for the development of microbusinesses in areas subject to tourism expansion and capacity building for the rural poor in community-based ecotourism to ensure that they will benefit from increased tourism.

V. ASSURANCES

A. Specific Assurances

63. In addition to the standard assurances, the governments have given the following assurances, which are incorporated in the legal documents:

64. Conditions applicable to all three countries are as follows:

- (i) In accordance with regulations of the GMSPCs governments and ADB's environmental guidelines, during feasibility study, the governments will prepare an IEE for each candidate subproject and submit it to ADB for review and approval prior to the approval of the subproject. To ensure that every IEE is well prepared in accordance with ADB's requirements, an international expert on environmental assessments (2 person-months) and a domestic environment consultant (2 person-months) will be recruited by each GMSPCs during the first year of Project implementation.
- (ii) Within 3 months after loan effectiveness, the EAs will ensure that the provincial authorities of Stung Treng and Rattanak Kiri in Cambodia; Louang Namtha, Louang Phrabang, Khammouan and Champassak in the Lao PDR; and An Giang and Tien Giang in Viet Nam will establish PIUs for project implementation.

- (iii) The EAs will ensure that land acquisition and resettlement actions are taken in accordance with all applicable laws and regulations, and ADB's policy on involuntary resettlement, as set out in the agreed resettlement plans and framework.

65. Conditions applicable to Cambodia are as follows:

- (i) Within 9 months after loan effectiveness, an environment unit will have been established within the PIU/Department of Public Works and Transport in Siem Reap to ensure that the EMP is implemented and monitored to a satisfactory standard.
- (ii) Within 12 months after loan effectiveness, the Ministry of Tourism will have developed guidelines, procedures, composition, financing mechanisms, and terms of reference acceptable to ADB for the TMPB, and will have established the TMPB through a subdecree, within 18 months after loan effectiveness.
- (iii) Within 18 months after loan effectiveness, the Government will have ensured that visas will be available on arrival for international tourists crossing the border checkpoint on the Mekong River with the Lao PDR (Don Kralor) in Stung Treng Province, provided that there is an analogous facility on the Lao PDR side of the border.
- (iv) Within 18 months after loan effectiveness, an autonomous waste water management agency, will have been established in Siem Reap by a subdecree or an interministerial regulation, acceptable to the Government and ADB, and with the authority and capacity to collect fees from hotels, other businesses, and domestic households. The agency will be responsible for O&M of the sewerage system created under the Project. The agency will prepare its own budget, determine service charges and retain all revenues to pay its expenses. It will have a minimum of 15 employees, including a general manager, a financial officer, an accountant, and an environmental specialist.
- (v) Within 24 months after loan effectiveness, the Government will have established an autonomous airport authority, which will be responsible for development and O&M of all airports in Cambodia, including Rattanak Kiri and Stung Treng. The authority will be a separate legal entity and with control over its budget and all fees generated by operating Cambodia's airports. Upon establishment of the authority, SSCA will transfer to it the project facilities, including all rights therein and legal titles.
- (vi) Within 24 months after loan effectiveness, MPP will have levied a surcharge on the entry fee currently charged by the MPP to international tourists visiting the Genocide Memorial in Phnom Penh. MPP will ensure that funds so collected will be retained and used solely for the O&M of the access road to the site of the Genocide Memorial.
- (vii) Within 30 months after loan effectiveness, the Government will revise civil aviation charges by a subdecree to meet the costs of airport O&M (including the airports of Stung Treng and Rattanak Kiri). Adequate numbers of suitably qualified personnel will have been permanently assigned to the Rattanak Kiri and

Stung Treng airports to ensure that the O&M of the airport facilities comply with International Civil Aviation Organization standards.

- (viii) Within 48 months after loan effectiveness, the Government will have ensured that the Stung Treng and Rattanak Kiri airports will be opened to subregional flights to and from other GMS countries with all required facilities and staff in place.

66. Conditions applicable to the Lao PDR are as follows:

- (i) Within 6 months after loan effectiveness, the Government will have approved a draft civil aviation act and the proposed act will have been submitted to the National Assembly for enactment.
- (ii) Within 12 months after loan effectiveness, the National Tourism Authority of Lao PDR will have developed guidelines, procedures, composition, financing mechanisms and terms of reference, acceptable to the Government and ADB, for a TMPB and will have established the TMPB through a decree of the Prime Minister within 18 months after loan effectiveness.
- (iii) Within 12 months after loan effectiveness, the Government will have promulgated a decree, acceptable to the Government and ADB, issued by the Prime Minister, allowing provincial authorities to issue licenses to small-scale tourism operators to operate within the Champassak, Khammouan, Louang Namtha, and Louang Phrabang provinces.
- (iv) Within 12 months after loan effectiveness, the Borrower will have ensured that visas are available on arrival for international tourists crossing the border checkpoints on the Mekong River with Cambodia in Champassak Province at Veun Kham, with Yunnan Province of the People's Republic of China; in Louang Namtha Province, at Boten; and with Viet Nam in Bolikhamxay Province on Road No. 8, at Namphao.
- (v) Within 12 months of loan effectiveness, the Government will have approved an updated civil aviation master plan, acceptable to the Government and ADB, that will be recommended under ADB's project preparatory TA for the Northern Airports Improvement Project.
- (vi) Within 12 months after loan effectiveness, Department of Civil Aviation (DCA) will have implemented a maintenance program, acceptable to the ADB, for Louang Namtha Airport, incorporating (a) a set of maintenance standards agreed jointly with DCA and ADB, (b) a work management plan that identifies and schedules maintenance tasks to be undertaken, (c) a reporting system that regularly tracks and reports tasks planned and undertaken, actual expenditure, and the standard of achievement accomplished; and (d) a DCA inspection group, which will report to ADB on performance against the plan, beginning for fiscal year 2004. The first report will be due within 3 months of the end of fiscal year 2004 and reports will be due annually thereafter for the term of the loan.
- (vii) The Government will ensure that sufficient funds are allocated for the Louang Namtha Airport to cover all costs for appropriate operations, repairs, and maintenance to meet International Civil Aviation Organization standards.

- (viii) Within 24 months after loan effectiveness, the Government will ensure that a surcharge is imposed to the current entry fee for international tourists visiting the Konglor cave in Khammouan Province and the Kwangsi Waterfalls in Louang Phrabang Province. The Government will ensure that the funds generated from the surcharge will be retained and used solely for O&M of the access roads to these sites.
- (ix) Within 42 months after loan effectiveness, the Government will have ensured that Louang Namtha Airport is opened to subregional flights to and from other GMS countries with all required facilities and staff in place.

67. Conditions applicable to Viet Nam are as follows:

- (i) Within 12 months after loan effectiveness, VNAT and the PPCs of An Giang and Tien Giang provinces will have developed guidelines, procedures, composition, financing mechanisms, and terms of reference, acceptable to the Government and ADB, for the provincial tourism marketing and promotion boards, and will have established them through promulgation of a decision issued by the PPCs.
- (ii) Within 18 months after loan effectiveness, VNAT will have developed guidelines, procedures, composition, financing mechanisms, and terms of reference, acceptable to the Government and ADB, for the TMPB at the national level, and will have established it through promulgation of a decision issued by VNAT within 24 months after loan effectiveness.
- (iii) Within 24 months after loan effectiveness, the PPCs of An Giang and Tien Giang provinces will each have established a tourist river pier authority for the O&M of river piers. The authorities will receive their income from, among other sources, landing and parking fees from tourist boats using the piers. Each authority will have a separate account and will have control over its budgets and be responsible for O&M of its piers. PPCs from each of the two provinces will ensure that funds so collected are retained and used solely for the O&M of the piers.
- (iv) Within 24 months after loan effectiveness, the PPCs of An Giang and Tien Giang provinces will have ensured that the Public Works Company of Tien Giang Province and the Public Management Board of An Giang Province will each have established a separate budget and associated accounting procedures to enable them to receive revenues from, among other sources, fees charged to hotels, other businesses, and private households for the solid waste and wastewater management facilities developed from the proceeds of the loan. Such revenues will be retained in a separate account and used solely for O&M of the solid waste and wastewater management facilities developed pursuant to the Project.

B. Conditions for Loan Effectiveness

68. The following action will be required prior to loan effectiveness;

- (i) For Cambodia, the proposed tourism law will have been approved by the Council of Ministers.

- (ii) At least two of the GMSPCs will have duly executed and delivered their loan agreements and all conditions for the effectiveness of the loans will have been fulfilled.

IV. RECOMMENDATION

69. I am satisfied that the proposed loan would comply with the Articles of Agreement of ADB and recommend that the Board approve the loans in various currencies equivalent to Special Drawing Rights 11,811,000 to the Kingdom of Cambodia, Special Drawing Rights 8,255,000 to the Lao People's Democratic Republic and Special Drawing Rights 6,416,000 to the Socialist Republic of Viet Nam for the Greater Mekong Subregion: Mekong Tourism Development Project from ADB's Special Funds resources with an interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter; a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft Loan Agreements presented to the Board.

TADA0 CHINO
President

20 November 2002

PROJECT FRAMEWORK

Project Summary	Performance Targets	Project Monitoring Mechanisms	Risks/Assumptions
<p>Goals</p> <p>To increase foreign exchange earnings from tourism in the three Greater Mekong Subregion (GMS) participating countries</p> <p>To reduce poverty through increased and economic growth and employment opportunities</p> <p>To promote the conservation of natural and cultural heritage</p>	<p>Increased foreign earnings (0.5% points more than growth rate)</p> <p>Reduced poverty and improved living conditions</p> <p>Increased awareness and sustainable use of natural and cultural heritage in eight provinces of the GMS due to new tourism opportunities based on natural and cultural heritage</p>	<p>National tourism statistics</p> <p>Reports issued by international and national tourism, health, education and welfare organizations; and multilateral and bilateral agencies (e.g., Asian Development Bank, United Nations Children's Fund, United Nations Development Programme, United Nations Educational, Scientific and Cultural Organization, World Bank, World Health Organization, and World Trade Organization)</p> <p>Official Government reports and statistics</p>	<p>The governments' commitment to sustainable tourism development and poverty reduction</p> <p>Continued support for environmental and cultural conservation</p> <p>No major political or social events disrupt travel movements to or within the region</p>
<p>Purpose</p> <p>To promote sustainable tourism development in the lower basin of the Mekong River through infrastructure improvements, increased community and private sector participation, and subregional cooperation</p>	<p>Net tourism expenditure increased by approximately \$129 million in the first 10 years after project completion</p> <p>Benefits from tourism reach the poor</p> <p>Increased awareness and capacity of environmental protection and conservation of cultural and natural heritage</p>	<p>Periodic project progress reports (technical, financial, and administrative)</p> <p>Review missions (including beneficiary consultants)</p> <p>Project survey reports</p> <p>Review of benefit monitoring and evaluation reports</p> <p>Official government reports and statistics and the reports of other bilateral and multilateral agencies</p>	<p>Continued improvement in pro-investment policies in the sector and continued economic stability</p> <p>Government commitment to appropriate legislation, enforcement, and monitoring</p> <p>Governments put in place and enforce adequate planning controls</p>
<p>Outputs</p> <p>A. Tourism-related infrastructure improvements</p> <p>1. Urban environmental improvement</p>	<p>Tourism-related infrastructure improved and maintained properly</p> <p>Environmental conditions in key tourism destinations improved through wastewater management:</p> <ul style="list-style-type: none"> • Siem Reap (Cambodia) • Sam Mountain (An Giang, Viet Nam) <p>Solid waste management:</p> <ul style="list-style-type: none"> • My Tho (Viet Nam) 	<p>Project progress reports</p> <p>Review missions</p> <p>Interviews with tourists, tour operators and guides, hotel and destination managers, and communities</p> <p>Benefit monitoring and evaluation reports</p> <p>Project completion report</p>	<p>Detailed designs for projects confirm feasibility with no unforeseen or insurmountable technical problems</p> <p>Land acquisition and resettlement activities will be carried out on time</p> <p>Initial environmental examinations and environmental impact</p>

Project Summary	Performance Targets	Project Monitoring Mechanisms	Risks/Assumptions
<p>2. Small airports extension and rehabilitation</p> <p>3. Access road improvement</p> <p>4. River tourism piers development</p>	<ul style="list-style-type: none"> • Sam Mountain (An Giang, Viet Nam) <p>“Gateways” to tourist areas improved, including extensions of runways and airport facilities at</p> <ul style="list-style-type: none"> • Stung Treng, Cambodia • Rattanak Kiri , Cambodia • Louang Namtha, Lao People’s Democratic Republic (Lao PDR) <p>Access roads to tourist destinations improved</p> <ul style="list-style-type: none"> • 7 km to Genocide Memorial paved (Phnom Penh) • 22 km to Kwangsi Falls paved (Louang Phrabang) • 36 km laterite road to Konglor cave <p>Access by river to tourist routes improved by</p> <ul style="list-style-type: none"> • small passenger boat facility at Chau Doc • passenger pier at My Tho improved and expanded • river-based cross border facility in Vinh Xuong (Viet Nam) 		<p>assessments where necessary do not require extensive mitigation</p> <p>Cost recovery mechanisms are in place with pricing at appropriate and acceptable levels for visitors and residents</p>
<p>B. Pro-poor, community based tourism development</p> <p>1. Community participation in tourism development</p> <p>2. Community awareness of tourism benefits and environmental and cultural conservation</p> <p>3. Pro-poor tourism products identification</p> <p>4. Small-scale tourism community-related infrastructure</p> <p>5. Capacity building</p>	<p>Local communities in rural areas benefit from development of self-sustainable pro-poor, community-based tourism projects established with</p> <ul style="list-style-type: none"> • key skills for rural tourism developed among local communities • sustainable community eco/cultural tourism activities established, especially targeted at women and ethnic minorities where appropriate • training program developed on environment, culture, and tourism for tour operators and guides 	<p>Project progress reports</p> <p>Review missions</p> <p>Interviews with communities and participating villagers, tourists and tour operators</p> <p>Benefit monitoring and evaluation reports</p> <p>Project completion report</p>	<p>Proper selection subprojects based on community preferences</p> <p>Provincial commitment to pro-poor, community based tourism development</p> <p>Planning and environmental controls and enforcement measures in place to minimize inappropriate development</p> <p>Communities willing to participate and contribute to operation and maintenance of Project assets; villagers are willing to contribute (cash/in kind) to the capital cost of improvements and take charge for operation</p>

Project Summary	Performance Targets	Project Monitoring Mechanisms	Risks/Assumptions
<p>for tourism-related local microenterprises and communities</p> <ol style="list-style-type: none"> 6. Gender development strategy 7. Ethnic minority participation strategy 8. Marketing and promotion plan 9. Community-based tourism networks 10. Project performance monitoring system 	<ul style="list-style-type: none"> • manual on tourism and environmental and cultural conservation produced • supporting infrastructure provided at provincial and local levels in Stung Treng (Cambodia), Rattanak Kiri (Cambodia), Louang Namtha (Lao PDR), Louang Phrabang (Lao PDR), Khammouan (Lao PDR), Champassak (Lao PDR), Tien Giang (Vietnam), An Giang (Vietnam) 		<p>and maintenance</p> <p>Adequate internal control mechanisms in place</p>
<p>C. Subregional cooperation for sustainable tourism</p> <ol style="list-style-type: none"> 1. GMS facility for tourism cooperation 2. Improvement of tourism facilities at border posts 3. Establishment of a GMS network of tourism marketing and promotion boards 4. GMS hotel classification system 5. GMS tourism plan 6. GMS tourism statistics improvement and harmonization 	<p>Subregional cooperation activities and initiatives among GMS countries increased in the tourism public and private sectors.</p> <ul style="list-style-type: none"> • At least three inter-country cooperation initiatives taken to develop and market tourist circuits along the Mekong • At least six border crossing facilities with equipment for visa on arrival provided at land and river borders • National tourism boards established in each country and cooperating in the GMS • System developed for recognizable "Mekong" hotel classification, including eco-labeling and assessors for hotel classification trained and operational in each country • GMS tourism plan completed and adopted by GMS governments • Tourism statistics and strengthened in each country using comparable methodologies throughout the subregion 	<p>Project progress reports</p> <p>Review missions</p> <p>Interviews with subregional tourism institutions</p> <p>Benefit monitoring and evaluation reports</p> <p>Project completion report</p>	<p>Cooperation between the three countries and with other countries in the subregion on tourism and sustainable economic development continues</p> <p>Role and activities of Agency for Coordinating Mekong Tourism Activities (AMTA) is strengthened, with continued support from all countries in the subregion.</p>

Project Summary	Performance Targets	Project Monitoring Mechanisms	Risks/Assumptions
7. Diversification of AMTA human resources 8. GMS tourism human resource development	<ul style="list-style-type: none"> • Each country sends 1 person for at least 12 months to work in AMTA in their countries. • At least three joint training activities organized for the 3 GMS countries 		
D. Implementation assistance and institutional strengthening	<ul style="list-style-type: none"> • National Tourism Organizations staff capacity enhanced to improve: <ul style="list-style-type: none"> - marketing, - private sector cooperation, - tourism infrastructure needs, - community tourism development and - environment and cultural conservation 	Project progress reports Review missions Interviews with private sector and public sector tourism institutions Benefit monitoring and evaluation reports Project completion report	Government able to increase staffing levels of National Tourism Organizations and to gain new capabilities from on-the job training and capacity building activities Consultants' performance is appropriate to the needs of the countries
Inputs Funding Asian Development Bank to: <ul style="list-style-type: none"> • Cambodia • Lao PDR • Vietnam Government of Cambodia Government of Lao PDR Government of Vietnam Total	(in \$ million) \$ 15.6 \$ 10.9 \$ 8.5 \$ 5.1 \$ 3.3 \$ 3.7 \$ 47.1	<ul style="list-style-type: none"> • Mission reviews • Annual progress reports of project coordination unit (PCUs) • Quarterly progress reports of PCUs • Subproject appraisal reports • Detailed design reports • Implementation schedules and plans • Construction and procurement progress reports • Disbursements of ADB loan funds • Project completion reports 	Good quality consultants' teams are recruited on time Adequate number of qualified staff is in place in PCUs and project implementation units in each country on time Optimum use of project resources, including consultants and counterpart staff

**EXTERNAL ASSISTANCE FOR TOURISM AND TOURISM-RELATED PROJECTS
IN THE GREATER MEKONG SUBREGION**

Table A2.1: Tourism-Related Infrastructure Projects with the Asian Development Bank

Project	Year	Amount (\$000)
East-West Corridor Project (Lao PDR)	1999	40,000
East-West Corridor Project (Viet Nam)	1999	36,000
Southern Yunnan Road Development	1999	770,300
Phnom Penh – Ho Chi Minh City Highway (Cambodia)	1998	52,700
Phnom Penh – Ho Chi Minh City Highway (Viet Nam)	1998	144,800
Siem Reap Airport	1996	17,000
Champassak Road Improvement	1995	60,100

Lao PDR = People's Democratic Republic.

**Table A2.2: Technical Assistance for Tourism and Tourism-Related Projects
with the Asian Development Bank**

Project	Year	Amount (\$000)
Facilitating Cross-Border Trade and Investment for SME Development in the GMS	2001	900
GMS Preinvestment Study for the East-West Corridor	2001	350
Drug Eradication in the GMS	2000	150
Roll Back Malaria Initiative for the GMS	2000	750
Subregional Environment Monitoring and Information System (Phase II)	1999	600
Preventing HIV/AIDS among Mobile Populations in the GMS	1999	610
Facilitating the Cross-Border Movement of Goods and People in the GMS	1999	990
Protection and Management of Critical Wetlands in the Lower Mekong Basin	1998	2,070
Strategic Environmental Framework for GMS	1998	1,900
Tourism Skills Development in the GMS	1998	135
Poverty Reduction and Environmental Management in Remote GMS	1997	3,800
Mekong-Lancang River Tourism Planning Study	1997	655
Cross-Border Movement of Goods and People in the GMS	1997	730
Subregional Environmental Training and Institutional Strengthening in the GMS	1996	2,370
Mitigation of Non-Physical Barriers to Cross-Border Movement of Goods and People	1996	232
Subregional Environmental Monitoring and Information System	1995	4,000
Regional Program to Train Trainers in the GMS	1995	149

GMS = Greater Mekong Subregion, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, SME = small- and medium-sized enterprise.

Table A2.3: Other Technical Assistance for the Tourism Sector

Project	Year	Institution	Amount (\$000)
Cambodia			
Tourism Plan for Siem Reap	2002	Singapore Tourism Promotion Board	
Tourism Plan for Rattanak Kiri and Mondul Kiri Provinces	2001 - 2002	TAT	
Capacity Building in Tourism	2000	ADB	600.0
Strengthening Tourism Planning	1999	ADB	150.0
Lao People's Democratic Republic			
Technical Assistance to National Tourism Authority	2001 - 2002	JICA	
Ecotourism Project at Louang Namtha	1999 - 2002	UNESCO/NZ	450.0
Support to Revise the National Tourism Plan	1997	UNDP	210.0
Viet Nam			
Institutional Building for Establishment of a Training Council	2001 - 2005	European Union	10,050.0
Hospitality Training	2001 - 2002	Luxemburg	1,731.0
Craft Standards Development (tourism)			
National Certification Scheme (tourism)			
Training Staff in VNAT			
Tourism Master Plan Update	2000 - 2001	UNDP	232.0
Vocational Training for the Tourism	2000 - 2001	France	168.0
Sharing Benefits of Tourism and Community Participation	2000 - 2001	Netherlands	177.0
Tourism Training for Experts	1999 - 2000	Belgium	66.0
Tourism Plan for Cuc Lo Town	1998 - 1999	UNDP	85.0
Ecotourism Development	1997 - 1999	Interchurch Committee	108.0
Capacity in Hotel School	1991 - 2000	Luxemburg	4,235.0
Train the Trainers			

ADB = Asian Development Bank, JICA = Japan International Cooperation Agency, NZ = New Zealand, TAT = Tourism Authority of Thailand, UNDP = United Nations Development Programme, UNESCO = United Nations Educational, Scientific and Cultural Organization, VNAT = Viet Nam National Administration of Tourism.

DETAILED DESCRIPTION OF PROJECT COMPONENTS

Part A: Tourism-Related Infrastructure Improvements

1. Part A includes the upgrading of priority tourism-related infrastructure that will facilitate access or improve the environmental situation of tourist destinations. It includes the following subprojects:

1. Cambodia

2. **Siem Reap Environmental Improvement.** The Siem Reap town is growing very fast, and attracted about 265,000 international tourists in 2001. Many hotels and private houses discharge wastewater into a canal to the west of the town, which is heavily polluted due to lack of maintenance and encroachment by dwellings, which partially block the canal in various places. The wastewater flows untreated to the Tonle Sap Lake or filters into the ground, polluting the ground water and creating high risks for the health of the local population and tourists, and for the fragile ecosystem of Tonle Sap Lake. The Project will rehabilitate the urban sewer on the west side of the town, construct new connections to the system, construct stabilizing lagoons to treat discharges from a population of about 17,000 in the west part of the town, and prepare a community sanitation and health awareness program and a small resettlement plan.

3. **Road Access Improvement to the Genocide Memorial.** The memorial to the genocide erected at Cheong Ek, about 9 kilometers (km) from Phnom Penh, attracted about 25,000 tourists in 2001. However, the access road to the site is in very poor condition and constraints visits the site, particularly in the rainy season when the road becomes almost impassable. The Project will elevate the 6.3 km access road, surface it with asphalt concrete, rebuild two bridges, and improve the drainage system for the road.

4. **Rattanak Kiri Airport Improvement.** Rattanak Kiri is a very attractive province isolated due to the poor condition of the road. The province depends on air travel for economic development, tourism, and health purposes. About 12,800 passengers used the airport in 2001. However, the airport is in poor condition and the runway is too short to permit ATR 72 or similar sized aircraft to operate safely with economic loads. The Project will include the resurfacing and extension of the runway, a new taxiway and apron, runway grading and a drainage system, a new passenger terminal, an airport fence, a control tower, an operations building, car park and access, navigation, security and communication equipment, and land acquisition and resettlement.

5. **Stung Treng Airport Improvement.** Stung Treng is on the Mekong River, strategically situated just a few kilometers from the border with the Lao People's Democratic Republic (Lao PDR). The province has many nature-based tourist attractions; however, access from Phnom Penh by road is extremely difficult and river access is slow and impossible during the dry season. The airport is in poor condition and the runway is too short to permit ATR 72 or similar sized aircraft to operate safely. The project will include the resurfacing and extension of the runway, a new taxiway and apron, runway grading and drainage system, a new passenger terminal, an airport fence, a control tower, an operations building, car park and access, navigation equipment, and security and communication equipment.

2. Lao PDR

6. **Louang Namtha Airport Improvement.** Lao Aviation operates round trips from Vientiane to Louang Namtha four times weekly and twice weekly service from Louang Phrabang and Houeixai. However, the poor condition of the airport makes these services very dangerous and unreliable

depending on weather conditions. The present airport has a runway of 1.2 km which allows landing only for small aircraft. The extension of the runway to 1.5 km is required to allow the landing of larger and more reliable aircraft commonly used in the region. The present runway is in poor condition, full of patches, encroached on by vegetation, and full of water in the rainy season due to lack of a drainage system. The terminal and control tower are rudimentary, as are the passenger facilities and there is no emergency and fire service equipment. The improvement of the airport is necessary to attract more tourists and develop the potential of the area. The project includes the repairing and extending of the runway, constructing a drainage system and a passenger terminal, providing emergency, fire service, and air navigation equipment.

7. **Improvement of the Access Road to Konglor Cave.** The project site is 46 km from road 8a, connecting Lao PDR and Viet Nam, in Khammouan Province. The main attractions of the area are limestone formations and natural caves, including an 11.2 km underground river. The area is not accessible by air, and tourists travel by road or across from Thailand and Viet Nam. The site can also be reached by a 4 hour road journey from Vientiane. The project includes upgrading of the 36 km road connecting to road 8a. The road is in a very poor condition and becomes impassable during rainy season. The project will include the extension of a small water supply system.

8. **Improvement of the Access Road to the Kwangsi Water Fall.** The spectacular Kwangsi water fall is 29 km south of the World Heritage site of Louang Phrabang, and received about 38,200 foreign visitors in 2001 (from a total of 68,250 foreign tourists visiting the province). The road from Louang Phrabang to the falls is dusty and bumpy and used by open vehicles or rented motorbikes. The situation of the present road causes high vehicle operation costs for local transport companies, entails high road maintenance costs, is a highly unpleasant experience for tourists, and is accident-prone due to the dust. The proposed project includes upgrading of 22 km of access road with asphalt concrete, and extending small water supply and infrastructure facilities, such as toilets by the site and trekking trails around the site.

3. Viet Nam

9. **Sam Mountain Environmental Improvement in An Giang Province.** Sam Mountain is one of the most important tourist centers of the Mekong Delta, and attracted more than 2 million Vietnamese visitors in 2001, who came as pilgrims to visit the famous Buddhist temples around the mountain. Considered by the Government as one of the five international tourist attractions¹ of the delta, Sam Mountain is also visited by 16,000 international tourists annually and has great potential to attract many more international visitors. However, due to unplanned tourism development and lack of investment in environmental urban services, the mountain and the villages where the tourists stay are in a critical environmental situation, increasing the health risks for tourists and the local population and reducing the attractiveness of the site. The subproject will include a wastewater management system and treatment lagoons, a solid waste management plan for the area, landfill, small drainage improvements, and land acquisition and resettlement.

10. **An Giang Tourist River Piers Development.** An Giang Province is the gateway of the Mekong River for all tourists visiting the Mekong Delta from Cambodia and Lao PDR by river. More than 12,000 international tourists cross the border by river from Cambodia every year and the number is increasing rapidly. Furthermore, tourists coming from Ho Chi Minh City and other places in the delta could visit the province by river. However, neither appropriate river piers are not available to accommodate the increasing number of visitors. Thus, the project will include the construction of a floating pier and tourist visa clearing and restroom facilities in Vinh Xuong, and the construction of a pier in Chau Doc with waiting lounge and toilet.

¹ Viet Nam National Administration of Tourism. 1998. *Tourism Development Planning in Mekong River Delta*.

11. **My Tho Tourist River Pier Development in Tien Giang Province.** More than 378,000 tourists, including 191,000 foreigners used the river pier facilities in My Tho in 2001. Most tourists use this pier to visit the attractive Thoi Son Island and other islands in the province, while some use the pier to start a river trip in the Mekong Delta. The existing small wooden quay cannot accommodate the demand, which has been increasing by 20% annually in the last 5 years. The lack of space causes delays and increases security risks, and the tourist facilities in the pier are very poor. The project will include the construction of a new pier complex that can accommodate 150 passengers, fencing of the site, parking area, toilets, and tourist facilities.

12. **Tien Giang Environmental Improvement.** The combination of lack of investment and a rapid increase in the amount of solid waste generated by more than 300 hotels and guesthouses in My Tho City and 378,000 visitors to the four tourist islands in the province has increased the difficulties of the provincial authorities in collecting, transporting, and depositing the waste in an efficient manner that respects the environment. The current landfill used by the provincial government will reach its capacity in less than 2 years. Action is urgently required to avoid further deterioration of the environment. The project will include a solid waste management plan for the islands visited by the tourists and My Tho City, equipment for the collection and transportation of garbage from the islands and My Tho City to the landfill site, and improvement and expansion of the capacity of the current landfill, 20 km from the town. It will also include the development of an ecological toilet system and a program to improve management capacity and community participation in environmental protection.

Part B: Pro-Poor, Community-Based Tourism Development

13. Part B will assist local communities with distinctive rural lifestyles or living in areas with pristine ecosystems to manage and determine their limits to tourism growth, increase control in the selection of tourist types and modalities, and equitably distribute tourism benefits. It will develop pilot ecotourism and village-based tourism projects, foster the conservation and improvement of the cultural, and environmental heritage of the selected areas, monitor social impacts, promote the role of women, and establish measures to minimize negative impacts due to increased tourism. Part B will include the provinces of Rattanak Kiri and Stung Treng in Cambodia; Louang Namtha, Louang Phrabang, Khammouan, Champassak in Lao PDR; and An Giang and Tien Giang in Viet Nam. It will include the following components:

14. **Institutional Strengthening and Community Participation Program.** The component will include support for the establishment of national, provincial, and village organizations that will promote pro-poor community based ecotourism and village-based activities. It will also include support for the preparation of detailed participation plans in each province and the implementation of the plan. It could include the organization of workshops, surveys, discussion groups, etc.

15. **Awareness Program on Tourism Benefits and Negative Impacts, and Environmental and Cultural Conservation.** The component will develop and implement an awareness program for selected communities to show the economic and social benefits derived from environmental and cultural conservation though increased tourism. The program will also provide awareness campaigns and develop measures to mitigate the potential negative impacts of tourism mismanagement and uncontrolled tourism, such as illegal traffic of women and children, HIV/AIDS,² children prostitution, drug trafficking, etc. It will advertise successful experience in the region, educate tourists, and include the preparation of a manual on ecotourism and environmental conservation and other materials.

² Human immunodeficiency virus/acquired immunodeficiency syndrome

16. **Pro-Poor Tourism Products Identification and Development.** The component will initially identify possibilities for community-based tourism in each province, based on community commitment, attractiveness of the destination and potential for development, demand analysis, accessibility, absorptive capacity of the site, and sustainability. Where appropriate, tourism products will be developed, as for example, the sustainable development of treks/excursions by land or river, based on the appeal of ethnic minorities and their ways of life; other aspects of social, cultural, or economic life; or the natural environment.
17. **Small-Scale Tourism-Related Infrastructure.** The component will support the development of small-scale infrastructure for the new identified local tourists sites, for example, village lodges and other forms of local accommodation, through a combination of grants and loans from revolving credit schemes, designed to be sustainably operated by local people. It could include support for the development of provincial or district visitor and information centers for community-based projects, if this is appropriate, the objectives of the center have been clearly defined, the location has been carefully analyzed comparing different options, and the local authorities or the communities have allocated personnel to serve the tourism center.
18. **Capacity Building for Tourism-Related Local Microenterprises and Communities.** The component will provide support to local communities and small tourism-related enterprises to enhance their capabilities to interact and communicate with international tourists. Training will be provided at provincial and local levels in guiding techniques, language skills, environmental and interpretative techniques, financial management, and planning for ecotourism development.
19. **Gender Development Program.** The Project will support rural poor women's full participation in economic activities associated with development of pro-poor ecotourism. Training of women in developing and running micro enterprises, identification of markets and provision of backward and forward linkages, participation in guiding tourists, community-based housing for tourists, and handicraft production are expected to create alternative opportunities for poor women and reduce risks of sexual exploitation. Women will be fully involved in decision-making for ecotourism development at all levels, through their organization, training, and awareness in all aspects of tourism development. At least 40% of members of all ecotourism stakeholder associations to be set up under the Project are to be women. Regular monitoring and impact assessment will be done with the full participation of women, using gender sensitive variables to assess poverty reduction, improvement in access to social services, reduction of risks associated with increased movements of people in fragile and poor areas, and improvements in women's status.
20. **Ethnic Minorities Participation Program.** The component will focus on the support for preparing ethnic minorities' participation programs in each province included in the Project where ethnic minorities exist, and the implementation of the program to ensure that these groups are not negatively affected by tourism development, and can enjoy a significant part of tourism benefits to the project areas.
21. **Marketing and Promotion Plan.** The component will include training in basic techniques in marketing and ecotourism promotion, and the identification of specific markets for the ecotourism ventures developed under the Project. It will also support development websites, promotional materials, and advertising campaigns in selected national or international markets.
22. **Promotion of Community-Based Tourism Networks and Ecotourism Stakeholder Associations.** The component will involve creating a series of developing and sustainable networks, through seminars and workshops, at Greater Mekong Subregion (GMS), national, and provincial levels. The networks will enable the productive and regular transmission of information, especially

shared information concerning best practices, and the regular extension of these across national boundaries within the GMS, most notably Cambodia, Lao PDR, and Viet Nam. In particular, the establishment at subregional, national, and provincial levels of the networks will encourage the formation of individual associations from the sectors of the tourism industry and enable them to meet regularly with representatives of communities, local governments, and government departments (e.g., agriculture and forestry, fisheries, women's and ethnic minorities affairs), women's groups, nongovernment organizations, ethnic minority associations, and other parties with economic and practical interests in the development of pro-poor, community-orientated sustainable tourism practices.

23. **Project Performance Monitoring System Project Outputs and Impacts.** This component will include the development of regular monitoring mechanisms to ensure that the basic aims and objectives of the overall program are being met and benefits of tourism are widely distributed, particularly to the poor. It will also closely monitor that expertise being provided by international technical advisers is being satisfactorily disseminated to nationals from Cambodia, Lao PDR, and Viet Nam.

Part C: Subregional Cooperation

24. Part C will provide measures to facilitate and promote cooperation among the GMS participating countries (GMSPCs), and with other GMS countries not included in the Project for the development of the subregional tourism sector. A total of \$350,000 will be allocated for each GMSPCs to use under the identified components for various cooperative and facilitation measures. Part C will include the following components.

25. **GMS Facility for Tourism Cooperation (GMS-FTC).** All national tourism organizations (NTOs) have signed bilateral agreements for tourism cooperation. However, in many cases, the bilateral agreements or agreements between provincial authorities from two different countries have not been implemented due to lack of funding. Through the GMS facility for tourism cooperation (FTC), the Project will make available \$80,000 from the loan for each GMSPCs. To access the FTC, national tourism organizations (NTOs) should identify projects that will encourage regional tourism development. The GMSFTC will only be used for projects involving at least two GMSPCs or one GMSPC and another GMS country not included in the Project. In the latter case, the nonparticipating country will fund its contribution from its own resources. The NTOs or other public bodies can request funding for an eligible project and this will be appraised by the project coordination unit (PCUs), and sent to the national steering committee for approval, and to the Asian Development Bank (ADB) for concurrence after approval by the national steering committee. The cooperating members will be required to sign a cooperation agreement before ADB will authorize the use of these funds.

26. The facility could fund (i) studies to prepare circuits and assess demand, (ii) small-scale infrastructure to improve the circuits, (iii) a marketing program for the circuits, (iv) a monitoring system of economic benefits for each country, and (v) meetings and seminars to promote cooperation activities for the private sector on both sides of the border. Cross-border projects to be supported could include the promotion and development of an activity, facility, or amenity, that involves two or more countries, and ideally where the benefits would be jointly shared. Examples could include observation of river dolphins, minority cultural displays, trails across the borders, information panels, studies, marketing, brochure production, advertising, trail improvements/signposting, conservation measures, and the organizing costs of events. The facility could be particularly appropriate in the development triangle of northeastern Cambodia, southeastern Lao PDR, and Viet Nam.

27. **Improvement of Tourism-Related Facilities at Border Posts.** The Project will address constraints to movement of tourists across the GMS. The Project will provide support to NTOs that propose or endorse measures suggested by other public agencies, such as immigration departments, to fund (i) computer equipment for visa sections in the border checkpoints; (ii) provision of immigration and customs facilities to permit regional flights to land at local airports; (iii) improved facilities in immigration offices and visa extension offices; (iv) structures for new crossing points; (v) training to immigration personnel; (vi) small-scale infrastructure in border checkpoints, establishing monitoring and financial management systems for the processing of visas on arrival; and (vii) processing areas for vehicle movements.

28. **Establishment of a GMS Network of Tourism Marketing and Promotion Boards.** The role of government in tourism should be limited to setting objectives and policies for the sector; monitoring performance, control and regulation; and creating a favorable environment for business. It may also be involved in sharing responsibilities for training, collection of statistics and basic information, and development. NTOs should not have the leading role in marketing, standards development, research, and service of tourists. These are best undertaken by the private sector or by a tourism marketing and promotion board (TMPB) in which the private sector has a leading role. The involvement of the private sector in tourism marketing and promotion is necessary because it knows the market, knows how to market, and knows what the visitor demands and how to provide it. It has more flexibility and ability to respond to changing situations than the public sector. At present, the private sector is not involved in tourism marketing and promotion at the national level in any of the GMSPCs. These countries recognize the need to further involve the private sector in tourism promotion and favor the establishment of TMPBs.

29. The component will provide the NTOs with resources to establish TMPBs and support them during the first year of operations. The responsibilities of the TMPBs will essentially be international promotion, servicing of tourism, and standards development. They will normally act independently but will cooperate for their mutual benefit under the umbrella of the Agency for Coordinating Mekong Tourism Activities (AMTA). Resources can be devoted to (i) incorporation and legal matters; (ii) development of a corporate image; (iii) start-up costs; (iv) recruitment, training, management systems; (v) computer hardware and software, equipment, and furniture for the TMPB and information offices; (vi) design and production of initial print and other promotional material; and (vii) cooperation activities between GMS TMPBs.

30. **GMS Hotel Classification System.** Customers want to be able to make "value for money" assessments on where to stay based on an impartial and independent assessments, and the tour operators need a hotel classification system to promote their product. The GMSPC recognizes the necessity for a system. An ADB- funded technical assistance (TA) drafted recommendations for a grading system in Cambodia in 2001 and Viet Nam is in the process of designing a scheme. All three countries have agreed to cooperate on a common system. The Project will provide support for (i) the establishment of common criteria and systems together with other GMS countries, (ii) administration and inspectorate costs in the course of the first year, (iii) design of a common logo, (iv) production of promotional material, and (v) computer and other equipment.

31. **GMS Tourism Plan.** Considerable work has been done at a national level in the three countries to develop tourism plans. At the subregional level, much of the background information and research gathered for the ADB-funded Mekong-Lancang River Planning Study in 1998 is still valid. In addition, several provincial and sectoral studies have been recently published. However, a tourism plan for the GMS to (i) give direction and encourage tourism investment and development in the subregion; (ii) synchronize development and investment; and (iii) dovetail national planning is needed. The Project will support the preparation of a GMS tourism plan focused on updating the 1998 study and integrating the separate national plans into a coherent document. The plan will list

investment needs and opportunities, constraints to growth, and proposals for further integration and promotion of the subregion. It will also address aspects of tourism, which particularly benefit the poor and help preserve the natural environment and cultural heritage of the GMS.

32. **GMS Tourism Statistics Improvement and Harmonization.** Lack of statistics and research material in all three countries makes tourism planning and project evaluation difficult. The problem of limited data is compounded by nonuniformity among countries with respect to definitions, collection, analysis, and presentation of statistics. This is a serious constraint and creates problems for potential investors and planners. Lack of data makes it difficult to measure tourism performance and in turn the value of tourism. Making a meaningful case in favor of tourism initiatives (such as lobbying for easing restrictions of travel) is virtually impossible. The Project will support (i) organizing GMS meetings on harmonization of tourism statistics; (ii) provision of computer software and hardware, and equipment to improve the collection of tourism statistics; and (iii) training of technical staff in the statistics divisions of the NTOs and the central statistics offices of each country in the World Tourism Authority's Satellite National Accounts System.

33. **Diversification of AMTA Human Resources.** All employees in AMTA are of Thai origin, and their salaries are paid by the Tourism Authority of Thailand. Other GMS countries have not provided national personnel to AMTA due to lack of funds, and because AMTA offices are also in Thailand. This situation has created a lack of ownership of AMTA from other GMS countries and has on many occasions created the impression that AMTA was not defending the national interests of all GMS countries. A broader representation from other nationalities is required among AMTA employees in order to increase ownership and ensure that views from other GMS countries are appropriately represented. The Project will provide assistance for the appointment of one national officer in AMTA, who will be based in the GMSPCs, with short periods of time at AMTA headquarters in Bangkok, if desired.

34. **GMS Tourism Human Resource Development.** The quality of personal service in tourism in each of the countries needs to be improved. To address the problem, the Project will support (i) the preparation of a training needs survey for the GMSPCs to determine the scale and nature of priority training required; and (ii) specific training activities involving at least two countries for certain key people in dealing with the tourist, such as immigration and customs officials, river pilots, and guides.

Part D: Implementation Assistance and Institutional Strengthening

35. This component provides (i) consulting services for project management support, tourism development, and subregional cooperation; (ii) detailed design and construction supervision of tourism-related infrastructure and pro-poor, community-based tourism development; and (iii) incremental administrative cost and project administration equipment.

SUMMARY SOCIAL AND POVERTY ANALYSIS

1. The Project will include subprojects for pro-poor community-based tourism development, tourism-related infrastructure improvements, and subregional cooperation for sustainable development in Cambodia, Lao People's Democratic Republic (Lao PDR), and Viet Nam. All three countries suffer from high levels of poverty, poor infrastructure, and lack of access to social services and infrastructure, particularly in rural areas, where poverty levels tend to be higher than in urban areas. Food insecurity levels are high among ethnic minority communities in selected subproject areas in Cambodia and Lao PDR. A detailed social and poverty analysis of the countries is presented in Supplementary Appendix B. The summary initial poverty and social analysis report form is shown in Table A4.1.

A. Social Analysis

2. The project impacts are expected to include poverty reduction among participating ethnic minority communities and poor rural communities likely to be involved in community-based tourism development activities in partnership with nongovernment organizations (NGOs) and government agencies. A stakeholder participation strategy is included in the pro-poor community-based tourism component of the Project. A pro-poor ethnic minority participation strategy is also included, which will apply to all project components that are related to ethnic minorities. The strategy will include capacity building, organization, and training for activities related to increased tourism for the affected communities. The active participation of the communities will help to mitigate the potential negative impacts of increased contacts with outsiders and increase their capacities to benefit from tourism. Impacts upon them will be monitored through participatory approaches. Gender disadvantage among ethnic minority women and girls, and risks associated with increased inflows of outsiders into such communities, particularly for women and young people, will be effectively dealt with by stakeholder participation, organization and mobilization efforts by NGOs, and consultants working in partnership with rural community-based organizations, government, and private sector entities. A gender and development (GAD) strategy is included in this context. Some resettlement impacts are expected to result from infrastructure development, including the upgrading of two airports, improvement of wastewater and sewage treatment and road improvements in Cambodia and Lao PDR, and development of river piers in Viet Nam. Resettlement plans have been prepared to address the impacts, in keeping with the Policy on Involuntary Resettlement of the Asian Development Bank (ADB). Resettlement plans have been prepared to ensure the affected people will be able to at least restore, but preferably improve, their preproject situations. Special attention has been given to ensuring socially and culturally appropriate mitigation and rehabilitation measures.

3. The Project will promote pro-poor community-based ecotourism in Cambodia, Lao PDR, and Viet Nam. The Project has identified other key institutional partners along with the governments of the three countries. These include the Netherlands Cooperation Agency, the Nam Ha Ecotourism Project in Louang Namtha in the Lao PDR supported by United Nations Education, Scientific and Cultural Organization (UNESCO), and the NGO Developing Remote Indigenous Village Education (DRIVE) in Cambodia. The Project also tries to build upon experience of local comanagement of natural resources, such as in the Khong District in Champassak Province of the Lao PDR, in order to demonstrate approaches to participatory ecotourism. The objectives of the participatory pro-poor ecotourism activities are to (i) enable the rural poor to benefit from tourism while sustainably managing, using, and conserving their natural, cultural, and social heritage; (ii) increase income earning opportunities through sustainable tourism-related enterprises and employment opportunities; (iii) strengthen the participation of the poor, particularly ethnic minorities, women, and young people, in organizations for decision making and improved interactions, at a wider level, with official and private sector entities for planning and implementing activities, as well as for impact assessment; (iv) increase awareness among the poor communities, women, and young people, regarding the risks of

tourism development, and develop their capacity to prevent or reduce risks to vulnerable sections of poor communities; and (v) expand regional and international cooperation in ecotourism development within the Greater Mekong Subregion by creating at regional, national, and local levels, sustainable networks to promote awareness of such issues and enabling the development of common approaches to tackling such problems.

4. The Project will include support to village, provincial, and national institutions for activities related to the objectives stated in paragraph 3. Training will be provided at provincial and local levels for ecotourism-related skills such as tour guiding, interpretation and language, financial management, and establishment and management of micro enterprises. In appropriate areas, ecotourism activities will be established in partnership with local community organizations, NGOs, and civil society. The Project will support the training and promotion of economic activities based on ecotourism, particularly among ethnic minority and other poor women, in order to reduce the risks of exploitation of women and girls for economic gains from the sex trade. Local infrastructure such as provincial visitor information and guidance centers will provide information to incoming visitors regarding risks associated with the sex trade, HIV/AIDS,¹ and illegal drug use. Visitor lodgings in villages will be created through grants and credit, to be operated by trained local people. The Project will set up networks of information exchange through a series of seminars and workshops at subregional, national, and local levels to promote the best practices related to safe tourism development. The establishment of ecotourism stakeholder associations from the community level up will promote regular interaction between women's groups, government institutions, and other private interests, in order to strengthen pro-poor community-oriented tourism development. Training will also be oriented to marketing techniques and promotion of ecotourism. Markets for different ecotourism ventures will be identified as part of this overall strategy. Regular monitoring mechanisms will be included as part of the Project in order to assess the poverty reduction impacts of project-supported activities by communities themselves, as well as the extent of impacts on reduction of gender- and health-related risks associated with increased tourism.

B. Poverty Analysis and Impact

5. Poverty levels in the participating countries and in the sub project areas are high. Lao PDR has a national poverty level of 38.6%. Most of the subproject areas have poverty levels that are higher than the national average. The province of Louang Namtha has a poverty level of 57.5% with 70,900 poor out of a total population of 123,200. Louang Phrabang has a poverty level of 49.4% with 195,600 poor out of a total population of 396,600. Khammouan has a poverty level of 41.6% with 137,700 poor out of a total population of 331,000. Champassak Province has a poverty level of 35.6% with 601,000 poor out of a total population of 196,800. In the project areas in the Lao PDR, the average poverty level is 42.8%, significantly higher than the national average. Cambodia has a national poverty level of 36.0%. Many of the subproject areas have high levels of poverty, particularly in the upland province of Rattanak Kiri, with a poverty level of 52.7%, and in Stung Treng, with a poverty level of 35.5%. In Siem Riep town the poverty level is 33.1% and the city of Phnom Penh has the lowest poverty level at 10.8%. For the Project area as a whole, the poverty average amounts to 38.5%, higher than Cambodia's national average. In Viet Nam, the national poverty level is 36.5%, with An Giang Province having a poverty level of 40.6% and Tien Giang Province at 27.6%. For the Project in Viet Nam, the average poverty level is 34.8%, just a little lower than the national average. The three-country poverty level averages at 39.8%, making the Project eligible for classification as a poverty intervention project.

6. The Project's pro-poor tourism development activities are expected to improve incomes of poor beneficiaries by 25% or more. These estimates are based on studies of the economic impacts

¹ Human immunodeficiency virus/acquired immunodeficiency syndrome

of the Nam Ha Ecotourism Project in the Lao PDR, supported by UNESCO. The project is a model that the Project will replicate. Studies carried out in October 2001 demonstrate that, at the village level, the total income from ecotourism amounted to approximately 42% of all incomes. Activities derived from such incomes include sale of nontimber forest produce, food, and handicrafts, and provision of services to tourists including guiding and traditional massage. As a result of the increases in individual household incomes and in village funds, participating communities reported improved food security. Village funds will be used to develop village infrastructure such as tracks and improved schools. Individual households benefited by improving their food consumption; improving access to clothes, blankets, and medicines; greater investment in agricultural equipment and tools; and increased household savings. During meetings with ethnic minority communities in the subproject areas, the community representatives strongly supported the proposals for community-based tourism development. They stated that in their areas, tourism potential was high but they could not exploit it due to poor infrastructure, and their own lack of training and awareness. They would like improved access to training in order to be able to diversify their occupations. Women from ethnic minority households wanted to learn how to make new handicrafts that would appeal to tourists. Young people wanted training in guiding skills, and the English language. Thus, the intended beneficiaries expect tourism development to be based on the full participation of local communities, and to involve them fully in all activities, so as to bring them the maximum economic benefits. They expect that this involvement can reduce poverty and food insecurity, and contribute to improving their quality of life.

C. Ethnic Minorities Analysis and Participation Program

7. The subproject areas in Cambodia and Lao PDR have significant ethnic minority populations. The Lao PDR is a multiethnic country. The definitions used by the Government to classify the population groups are Lao Loum (lowland Lao), Lao Theung (upland Lao) and Lao Soung (highland Lao). As per this classification, the lowland Lao or Lao Loum, account for 52.5% of the population. However, this definition fails to capture the diversity of cultures, languages, social practices, customs, and economic structures of the large variety of groups. The 1995 census categorized the population into 47 ethnicities and 4 major ethno-linguistic groups: (i) Tai Kadai, comprising the Lao Phutai (66.2%); (ii) Austro-Asiatic, comprising the Mon Khmer and Viet Muong (0.1%); (iii) Hmong Yao (7.4 %); and (iv) Sino Tibetan, comprising Tibeto Burman and Hor. In Louang Namtha the Tai Kadai comprise 32.1%, the Austro- Asiatic 46.0%, and the Hmong Yao 15.7% of the population.

8. Article 8 of the Lao Constitution adopted in 1991 guarantees that the state will not discriminate against people on the basis of ethnicity. The Constitution specifically mentions ethnic minorities and states that: (i) the Lao PDR is a unified nation with indivisible ethnic groups; (ii) all power is of the people, by the people, and for the use of the multiethnic population; (iii) the right to be owners of the nation is exercised by multiethnic peoples and is guaranteed by the political system; (iv) the mass organizations are the gathering point for solidarity and mobilization for citizens of all backgrounds and all ethnicities; (v) the state will provide a policy of unity and equality between ethnic groups; (vi) all ethnic groups have the right to maintain their traditions and improve their culture and that of the nation, and the state will use all means to improve the economic and social levels of all groups; (viii) the economic system is for improving the living standard and spirituality of the multiethnic peoples; and (ix) all Lao citizens, regardless of their sex, social position, education, beliefs, or ethnicity are equal before the law.

9. In 1992, a policy concerning ethnic minority affairs was adopted. It is the cornerstone of current Lao PDR policy towards ethnic minorities. The agency that manages affairs related to ethnic minorities is the Lao Front for National Construction which is represented at the provincial and district levels. The Lao Front for National Construction is responsible for (i) promoting the human development of ethnic minority officials; (ii) ensuring that educational opportunities are made

available to ethnic minorities; (iii) promoting and preserving their cultural traditions; (iv) improving and expanding healthcare, knowledge of reproductive health, traditional medicine, and detoxification of opium addicted persons; and (v) enhancing the administrative mechanism for ethnic minorities including their promotion in rural development activities by ensuring that other agencies are aware of the requirements for the participation of ethnic minorities.

10. The Lao PDR's 5 year plan from 2001-2005 has several objectives that are of central relevance to ethnic minorities in the project area and are related to poverty reduction, including support for (i) food security, (ii) commercial agricultural production, (iii) rural development, (iv) infrastructure development, (v) external economic relations, and (vi) access to services. In 2000 the Government prepared a decentralization plan that calls for establishing the province as the strategic unit, the district as the planning unit, and the village as the implementation unit. In addition, villages are responsible for data collection on the living conditions of families. The villages are supposed to establish regular project performance monitoring systems for project implementation.

11. The ethnic minorities have gained substantial benefits through their ecotourism activities under the UNESCO project in Louang Namtha which has brought them substantial benefits. Recent surveys demonstrate that 25–70% of household incomes of participating communities were sourced from ecotourism-related activities. For some households, the contribution was even higher. These activities need to be extended to other districts in the province. The province needs strengthened community capacity to participate effectively at local, district, and provincial levels in decision making, and increased economic activities and benefits from pro-poor tourism development. Future activities need to concentrate on community capacity building through organization and mobilization of community groups, training programs and workshops, gender outreach workshops, teaching of English language and guiding skills to more ethnic minority people (including women and girls), and improved production and marketing of handicrafts. Awareness related to the negative impacts of tourism and community capacity to prevent such impacts need to be strengthened.

12. The Project will aim at the full participation of ethnic minority communities in project planning, implementation, and benefits. Ethnic minority participation will be strengthened through the establishment of village committees consisting of the village chief, deputy chief, elders, and at least three women representatives. These village committees will liaise with the district and provincial tourism development authorities with regard to the planning of activities, training programs, revenue sharing, and use of village incomes from pro-poor tourism, for sustainable poverty reduction. Representatives of ethnic minority communities will participate in district-level committees in association with district agencies involved in pro-poor tourism development. Such committees will coordinate and decide matters related to planning of activities, skills development of ethnic minority groups (including women) for pro-poor tourism development, and sharing of revenues between village communities and district offices of tourism development. Ethnic minority representatives will be elected to provincial level associations that will interact with each other and provide inputs to policy planning and development of pro-poor tourism in the region.

D. Gender Analysis and Development Program

13. The Project will support rural poor women's full participation in economic activities associated with development of pro-poor ecotourism. Training of women in development and running of micro enterprises, identification of markets and provision of backward and forward linkages, women's participation in guiding tourists, community-based housing for tourists, and handicraft production are expected to create alternative opportunities for poor women, and reduce risks of sexual exploitation. Women will be fully involved in decision-making for ecotourism development at all levels, through their organization, training, and awareness in all aspects of tourism development. The participation of the Ministry of Women and Veteran's Affairs in Cambodia, the Lao PDR women's union and the

Viet Nam women's union in the national steering committees is important. This will help to ensure that the implementation of GAD plans is effectively monitored, and GAD issues are mainstreamed in tourism development. At the provincial level, a subproject gender action plan will be prepared by the project implementation unit with the help of the social and gender specialist and the community-based tourism development advisers. These plans should be in keeping with ADB's *Policy on Gender and Development* and should reflect all activities related to promoting women's equitable participation in tourism development and its benefits, to be implemented in a time bound manner. All plans should set targets that can be monitored.

14. The following generic principles should form the basis of subproject-level gender planning. (i) Under part B of the Project, in order to strengthen women's participation in tourism development, women will form 50% of all trainees in all training programs. (ii) At least 40% membership from ecotourism stakeholder associations at all levels will be women. (iii) Such women will be trained and will, in turn, help in develop provincial GAD action plans, with targets that can be monitored. (iv) In keeping with such action plans, they will (a) train participating communities in GAD issues related to tourism; (b) help disseminate tourism-related skills particularly among rural women, and in association with the local women's machinery; (c) build strong village-based women's groups for participation in ecotourism stakeholder associations, and for informed decision making; (d) under the guidance of the social and gender specialist and community-based tourism advisers and participating NGOs, help develop training and education programs related to health risks of HIV/AIDS, sexually transmitted diseases; and (e) design and implement for government agencies, the private sector, local communities, and women's groups, awareness and training programs and workshops related to the risks to women and children of trafficking, exploitation through illegal sex activities, and other hazardous forms of employment.

15. Gender outreach workshops for such training will be organized by the project implementation units under the guidance of the social and gender specialist and the community-based tourism development advisers at provincial, district, and community levels, involving provincial and local officials, and ethnic minority communities. Such workshops and training programs will aim at raising consciousness among government agencies, local authorities, and ethnic minority communities, regarding (i) gender roles in the economy and society, (ii) likely impacts of tourism on such roles, and (iii) the need to strengthen women's awareness of pro-poor tourism-related opportunities and their capacity to participate effectively in such economic activities and in decision making. Such workshops and associated gender training are expected to (i) contribute to greater awareness at all levels of the need to fully involve poor women, especially ethnic minority women, in pro-poor tourism; and (ii) improve the awareness and capacity of ethnic minority women regarding the implications of pro-poor tourism development for their own livelihoods and communities, and strengthen broad-based opportunities for their participation.

Table A.4: Summary Initial Poverty and Social Analysis Report Form

A. Linkages to the Country Poverty Analysis	
<p>Sector identified as a National Priority in Country Poverty Analyses? Yes</p> <p>Greater Mekong Subregion participating countries (GMSPCs) recognize that tourism is growing exponentially in the subregion and the development of pro-poor community-based ecotourism, and pro-poor infrastructure will help poor communities, particularly women and youth, to find employment opportunities, reduce negative impacts of growth of tourism, increase resource availability, and lead to broad-based poverty reduction and improvements in human development.</p>	<p>Sector identified as a subregional priority in Country Poverty Partnership Agreements? Yes</p> <p>Tourism has been included as the 11th “flagship” program for the 10 year Greater Mekong Subregion strategic program and GMSPCs have recognized the potential of the tourism sector to reduce poverty in the subregion, if properly managed.</p>
<p>Contribution of the sector/subsector to reduce poverty in Cambodia, Lao People’s Democratic Republic, and Viet Nam:</p> <p>By building on the experience of partnerships with local communities (particularly poor, rural, ethnic minority communities) to develop ecotourism and provide local employment opportunities, the economic benefits of tourism-based income earning opportunities can be maximized for local communities, particularly for young people and women. The negative impacts of increased tourism associated with the spread prostitution, transmission of HIV/AIDS, trafficking, and consumption of drugs can thus be reduced and positive community-based poverty reduction benefits increased. By organizing the participating communities, the Project will promote stakeholder participation in decision-making regarding tourism. It will help promote training and awareness among tourism authorities and the private sector regarding pro-poor and gender responsive tourism development. By providing infrastructure, including improved sanitation and roads, the Project will provide much-needed health improvements, reduce time spent by women in caring for sick family members, improve access of rural communities to markets and health services, and improve facilities for cross-border workers.</p>	
B. Poverty Analysis	Proposed Classification
What type of poverty analysis is needed? Not applicable	Poverty reduction intervention
C. Participation Process	
<p>Stakeholder Analysis – Consultations needed at project design</p> <p>Participatory community consultations and consultations with nongovernment organizations (NGOs), civil society, private sector operators, government tourism agencies, and regional tourism agencies have been held. The community-based participatory consultations have helped to identify the social and economic needs of the communities, their views related to proposed project interventions, expected benefits, modalities for community participation, and participation of women and youth in tourism-related skills building and employment opportunities. As a result of the consultations, the project design reflects the strategies for building partnerships with (i) poor rural communities (particularly ethnic minorities), NGOs, and civil society; and (ii) government agencies involved in tourism development, agriculture, and forestry. The purpose of the consultations is to promote participatory pro-poor tourism development in the subregion that can bring lasting economic and social benefits to participating communities, while reducing negative social and gender impacts.</p> <p>Participation strategy required? Yes</p>	

D. Potential Issues			
	Significant/ Non Significant/ Uncertain/ None	Strategy to Address Issues	Plan Required
Resettlement	Significant	Preparation of resettlement plans for each subproject wherever resettlement is required and resettlement frameworks for each country. Participatory consultations have been held with the affected communities and households, and the plans are prepared based on their requirements and to the satisfaction of the Asian Development Bank policy.	In two subprojects, full resettlement plans are prepared. In other two subprojects, short resettlement plans are prepared.
Gender	Significant	The gender strategy is included to provide women of poor rural communities and ethnic minorities increased opportunities to learn new skills, and take advantage of new employment and income generating opportunities. The strategy will promote the participation of women through their organization and at least 40% membership in ecotourism associations at all levels, which will strengthen their access to decision-making and improve their status. The Project will build increased community-based awareness and efforts to reduce the risks of increased prostitution, transmission of HIV/AIDS, and trafficking, through training of communities and officials of all the participating countries and through capacity building.	Yes. Gender program is prepared.
Affordability	None	Affordability analyses have been prepared for the urban environmental improvement subprojects.	None
Labor	None		None
Indigenous People	Not significant	Ethnic minorities will be affected by the Project through the development of ecotourism, and upgrading of tourism-related infrastructure in ethnic minority areas. Ecotourism development will fully involve ethnic minority communities, building on existing experience in both Cambodia and the Lao People's Democratic Republic. Positive economic and social impacts are expected. A pro-poor ethnic minority participation strategy will enable their capacity building for ecotourism-related activities so they can benefit from and minimize negative impacts of increased tourism.	An ethnic minorities participation strategy has been prepared.
Other Risks/ Vulnerabilities	Some vulnerabilities of ethnic minority women, girls, and youth to exploitation through increased demands for prostitution, exposure to drugs, etc.	The project strategy to deal effectively with such risks includes organization of concerned communities for increased awareness and vigilance in communities of such issues, and community-based action to check such trends and activities. By building and fostering partnerships with communities, NGOs, civil society bodies, government agencies, and the private sector, the Project will build new skills that generate employment opportunities for women and young people. The following are expected to help significantly reduce vulnerabilities: organization of community and women's groups to combat risks associated with increased tourism, training of officials at subregional and national levels to deal with such risks effectively, exchange of experience at subregional and national levels, and partnerships with international organizations and NGOs.	None. The project activities promote efforts to reduce the vulnerability of women, girls, and young people to any risks associated with increased tourist traffic.

SUMMARY RESETTLEMENT FRAMEWORK–LAO PEOPLE’S DEMOCRATIC REPUBLIC

1. A Resettlement Plan has been prepared for each core subproject that will be implemented during the first year of the loan and for which there is a sufficient level of design to identify land acquisition impacts. A resettlement framework has also been prepared because some subprojects have an insufficient level of design to be able to identify land acquisition impacts now, and for which the selection and design will entail a community participation process. The framework is based on *Policy on Involuntary Resettlement* and *Handbook on Resettlement: A Guide to Good Practice* of the Asian Development Bank (ADB) and includes the specific policies and guidelines for the process of land acquisition and resettlement. For each remaining subproject that will entail land acquisition and resettlement, a resettlement plan will be prepared by the National Tourism Authority of Lao (NTAL) after detailed design of each subproject, together with the project management units (PMUs).

2. **Scope and Scale of Resettlement.** A full resettlement plan has been prepared for the Louang Namtha airport improvement subproject, which will cause 109 families and one temple to be relocated to a fully serviced site within 1 kilometer (km) of the present site due to extension of the runway.

3. The pro-poor community-based tourism development subproject may require some minor land acquisition impacts for construction of small-scale community tourism-related infrastructure such as community lodges, guesthouses, river piers, viewing points, and upgrading of walking trails. The selection of infrastructure and identification of zones of impact cannot be done before appraisal due to lack of design and the need for a community participation process. The resettlement framework will guide resettlement planning and preparation of a subproject resettlement plan for ADB approval during project implementation.

4. A short resettlement plan may be required for the Konglor Cave access road improvement subproject, as the road passes through several villages; however, the impacts will be minimal, as the road will not be widened. The zone of impact cannot be identified before appraisal because the area is not accessible during the rainy season. The detailed design will be undertaken during the first year of the Project and construction in the second year. The resettlement framework will guide resettlement planning and preparation of a subproject resettlement plan for ADB approval after detailed design.

5. No resettlement plan is necessary for the Kwangsi Water Falls access road improvement subproject, as it will not cause any land acquisition impact. In the unlikely event that land must be acquired, any impacts will be addressed in accordance with the framework.

6. **Principles of Land Acquisition and Resettlement.** The resettlement policy framework for the Project has been built upon the laws of the Government of the Lao People’s Democratic Republic, ADB’s *Policy on Involuntary Resettlement* (1995), and the draft national resettlement policy.¹ This Project will be bound by the principles and conditions stated in the resettlement framework that will be approved by ADB and NTAL. If there are any gaps between ADB and Government policy, ADB policy supersedes. The principles and objectives are to ensure that all affected persons (APs) will be compensated for their losses at replacement cost and provided with

¹ A draft national resettlement policy was prepared by the Lao PDR Government in 1995 and presented by the Science, Technology and Environment Agency to the ADB Regional Workshop on National Resettlement Policy Enhancement and Capacity Building at ADB headquarters in 2002. The draft policy is the basis for a ministerial decree on resettlement that is being prepared under the ADB loan 1867, approved on 6 December 2001 (ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Lao People’s Democratic Republic for the Environment and Social Program*. Manila).

rehabilitation measures in order to assist them to improve on, or at least maintain, their pre-project living standards and income earning capacity.

7. Absence of formal legal title is not seen as a barrier to inclusion in compensation measures and no distinction will be made between legal and illegal APs. People who are to be resettled will be assisted in at least reestablishing, if not improving their former living standards, income-earning capacity, and livelihood production levels. Positive steps will be taken to ensure that poor and disadvantaged groups receive special consideration. The parameters addressed, and the manner in which they have been addressed, are summarized in Table A5.2.

Table A5.1: Resettlement Principles and Approach Applicable to the Project

Principle	Approach
1. Land acquisition and involuntary resettlement should be minimized.	This will be achieved through the examination of alternative alignments or variations in road and right-of-way widths to ensure that only individuals whose movement is vital to the successful implementation of the Project are affected.
2. Plans should be prepared for compensation, resettlement, and rehabilitation of affected persons.	Socioeconomic surveys of 20% of affected persons (APs) and inventory of lost assets survey of 100% of APs will be completed. APs will be identified, and their land, buildings and other assets enumerated. A resettlement plan will be prepared and will be revised if necessary after completion of the detailed design and detailed measurement survey.
3. Community participation is assured. The APs should be fully informed and closely consulted on resettlement and compensation options.	The APs will be regularly informed about the Project and consulted about impacts and entitlements while the resettlement plan (RP) is being prepared and before it is implemented. Consultations will be supplemented by a public information campaign through the media (radio and print) conducted by the project management units. A resettlement information booklet will also be prepared and distributed by the units to all stakeholders. The booklet will include the basic features of the RP (compensation and resettlement principles, procedures, compensation options, entitlements of the APs, implementing organizations, public consultation mechanisms, and grievance procedures).
4. APs will receive fair compensation for all losses, including assets and livelihoods.	All APs who will be identified in the project-impacted areas as of the date of the census and inventory of losses survey, will be entitled to compensation and rehabilitation measures sufficient to assist them to improve or at least maintain their preproject living standards, income earning capacity, and production levels.
5. Resettlement planning and implementation is to be an integral part of subproject design.	The alignment selection and design processes will include environmental and social aspects as major factors; alignments will be altered to minimize impacts on people (land acquisition and resettlement); subproject schedules will take into account land acquisition and resettlement schedules. All subproject RPs will be approved by ADB prior to project implementation. The compensation, resettlement, and rehabilitation activities will be satisfactorily completed before ADB will authorize award of contract of civil works under each subcomponent project.
6. Special measures will be included in the RP to protect socially and economically vulnerable groups.	Vulnerable APs, including the very poor, aged people without support, women, disabled, or ethnic minorities, are entitled to additional monetary assistance and additional relocation and special assistance as required during the transition period.
7. APs will receive adequate support in obtaining replacement land and livelihood restoration	Resettlement areas will be developed, with land, utilities, and access. New sites will have the same competitive advantages as the original. Any households affected by land acquisition for development of resettlement sites will be regarded as secondary APs and will be compensated in the same manner as primary APs.
8. There will be effective grievance procedures.	Mechanisms will be prepared for hearing and resolving grievances as early as RP preparation.
9. Resettlement plan implementation will be monitored by the Government and ADB.	The Government will engage a domestic monitoring agency acceptable to ADB, under terms of reference also acceptable to ADB, to monitor the land acquisition and resettlement program, and to report on it to the Government and ADB.

8. **Compensation Issues, Procedures and Definitions.** The approach to land acquisition and resettlement is based on the Project's social impact surveys and the Government's and ADB's requirements and procedures. People eligible for compensation are those who will experience

negative impacts on their assets and livelihoods as a result of the Project. APs who appear in the subproject's census will be entitled to compensation and assistance.

9. Loss of land, whether with legal title or not, will be compensated through land-for-land arrangements with full legal title to the new land (for agricultural land—equal size and productive capacity, for residential land—equivalent size, and for commercial land—equal size and accessibility to customers). If APs opt for cash compensation, the amount will be equivalent to the current market value. The APs' compensation will be free from taxes, registration, and land transfer. For affected houses and structures, compensation and assistance (in cash, kind, or both) will be equivalent to the full replacement cost sufficient to build a house/commercial structure of the same size and standard. Loss of unharvested annual crops will be compensated at current market value while perennial crops and trees will be compensated at an annual produce value multiplied by a 5 year factor.

10. Relocating APs will receive a materials transport allowance in cash or in kind (e.g., vehicle and labor) to transport household effects and new and salvageable materials to new sites. A housing subsistence allowance of KN1.2 million for relocating APs will be provided during the transition. The allowance is based on the labor paid for rice planting at KN20,000 per day multiplied by 60 days wages. The lump sum of KN1.2 million will also apply to businesses without tax declarations (e.g., small shops). For businesses with tax declarations, the amount will be based on the business income tax statements that they provide, multiplied 3-6 months, depending on the type of structure and estimated time to rebuild and reestablish business at the new site. All businesses will be notified 3–4 months in advance to relocate and rebuild new business structures at new sites. This will allow businesses to avoid disruption of operation and continue operating while they are rebuilding new structures at the new sites. Employees will receive cash compensation equivalent to actual wages lost for each day they cannot work while the business is reorganizing.

11. APs belonging to vulnerable groups including the very poor, especially the aged without support, women, disabled, or ethnic minorities. These groups are entitled to an additional special allowance amounting to KN200,000 based on identified needs and priorities. Households with more than one factor of vulnerability are entitled to a KN200,000 special allowance for each factor. For example, households who are very poor and with elderly household head would be entitled to KN400,000. In addition APs will receive any support necessary to obtain replacement land and resettlement. Relocating vulnerable households will also be assisted in rebuilding their homes if traditional sources of community or family support are insufficient. To ensure that the special needs of women are addressed, the resettlement committees will include women representatives.

12. **Implementation Arrangements.** NTAL is the Executing Agency for the Project. A project coordination unit under NTAL will be established wherein one social specialist and one resettlement specialist will work full time for the Project. Project management units will also be established in the division of communications, transport, posts and construction, and resettlement committees will be created. These PMUs will be responsible for the planning and day-to-day implementation of all resettlement-related activities. They will also work closely with concerned government agencies and organizations. The PMUs will provide monthly reports to the project coordination unit (PCU) and the PCU will submit quarterly reports to ADB. Training in compensation standards, procedures, entitlements, implementation, grievance, and monitoring procedures for the provincial, district, village resettlement committees will be conducted by the PCU and construction supervision consultants. International and local resettlement experts from the construction supervision consultants will work closely with the PCU, PMUs and affected communities, and provide capacity building to ensure that knowledge and expertise are transferred to the concerned agencies and to encourage participation among APs.

13. **Implementation Schedule.** Subproject resettlement plans (RPs) will include detailed implementation schedules coordinated with the civil works schedule for the subproject. All subproject RPs will be reviewed by ADB prior to project implementation. The compensation, resettlement, and rehabilitation activities will be satisfactorily completed before ADB approves the award of contract of civil works under each subcomponent project.

14. **Complaints and Grievances.** The APs will be made fully aware of their rights to grievance and the procedures, verbally and in writing, during consultation, survey, and compensation. The APs may present their complaints to the concerned local administrative officials and/or the resettlement committees. The complaints will be filed first at the village level and will be elevated to the provincial level if the APs are not satisfied with the earlier decisions. Local administrative authorities and resettlement committees at each level will settle complaint within 15 days of their being submitted. The APs will be exempted from all taxes, administrative, and legal fees for resettlement.

15. **Monitoring and Evaluation.** The PCU and PMUs are responsible for the internal monitoring activities of RPs. The PMUs and project implementation units will provide the PCU with monthly status reports. The PCU will submit quarterly reports to ADB. In addition, the PCU will ensure that the construction supervision consultants include in their progress reports the status of RP implementation, including information on location and number of people relocated, compensation amounts paid by item, and assistance provided to APs. For external monitoring and postevaluation activities, the PCU will engage a suitable domestic agency acceptable to ADB, under terms of reference acceptable to ADB, to monitor the land acquisition and resettlement programs. The PCU and PMU will provide the domestic agency all resettlement-related documents. The agency will submit to the PCU and ADB quarterly status reports together with detailed assessments.

16. **Cost and Budget.** Adequate budgetary support will be fully committed and made available to cover the costs of land acquisition and resettlement within the agreed implementation period. Subproject RPs will include the breakdown for each type of losses with corresponding cost estimates reflecting replacement cost at current market values. The cost estimates will make adequate provision for contingencies. The RPs will also include the detailed schedule and procedures related to flow of RP funds.

17. **Resettlement Frameworks for Cambodia and Viet Nam, and Resettlement Plans.** A summary of project impacts for the 3 GMSPCs from land acquisition and the related resettlement documentation required at the different stages of project preparation is presented in Table A5.2.

Table A5.2: Land Acquisition Impact and Related Resettlement Documentation Required

Subproject	Marginal Impact (HHs)	Significant Impact (HHs)	No RP	Prior to Appraisal			After Detailed Design	
				Short	Full	Framework	Short RP	Full RP
A. Cambodia								
1. Road Access Improvement to the Genocide Memorial	0	0	x					
2. Strung Treng Airport Improvement	0	0	x					
3. Siem Reap Environmental Improvement	18	14		x				
4. Pro-Poor Community-Based Tourism	0	0				x		x
5. Rattanak Kiri Airport Improvement		101			x			
Subtotal		115						
B. Lao People's Democratic Republic								
1. Access Road Improvement to Kwangsi Water Falls	0	0	x					
2. Louang Namtha Airport Improvement		109			x			
3. Access Road Improvement to Konglor Cave						x		x
4. Pro-Poor Community-Based Tourism						x		x
Subtotal	0	109						
C. Viet Nam								
1. Sam Mountain Environmental Improvement	8	0				x		x
2. An Giang Tourist River Piers Improvement	0	0	x					
3. Tien Giang Environmental Improvement	0	0	x					
4. My Tho Tourist River Pier Improvement	0	7		x				
5. Pro-Poor Community-Based Tourism						x		x
Subtotal	8	7						
Total	26	231						

HH = households, RP = resettlement plan.

SUMMARY INITIAL ENVIRONMENTAL EXAMINATION SIEM REAP ENVIRONMENTAL IMPROVEMENT

A. Introduction

1. This initial environmental examination (IEE) was carried out as a sample for IEEs of similar sewerage and sewage treatment subprojects under the Mekong Tourism Development Project. The IEE was based on site visits, discussion with local authorities and study of the environment in Siem Reap, Cambodia.

B. Description of the Project

2. Siem Reap Province has presented a proposal to develop a formal sewerage and sewage treatment system in the town of Siem Reap under the Project. Tourists visiting the World Heritage Site of Angkor Wat stay in Siem Reap. Siem Reap has a very limited sewerage system and no sewerage facilities treatment. The town is expanding rapidly due to the need to accommodate the increasing number of tourists visiting Angkor Wat and migration into the town. The Project will develop (i) a sewerage system to replace an open channel serving the town on the west side of the Siem Reap River, and (ii) wastewater treatment facilities. The proposed system will manage wastewater from the rapidly increasing number of hotels and about 20,000 residents. All wastewater collected by the present sewer is disposed of into a channel. The wastewater flows into the irrigation system and some of it eventually into the Tonle Sap Lake without treatment, although most is distributed in the rice fields before reaching the lake.

4. The proposed Project will include (i) rehabilitation of the open channel on the west side of the river as a covered sewer; (ii) new connections along the west side of town, carrying overflows from septic tanks, hotels, hospitals and private homes; (iii) separation of storm water run-off from septic tank wastes by existing channels and lagoons from septic tank wastes; (iv) a new series of lagoons (anaerobic and facultative) to treat the discharges from the west side of Siem Reap; (v) development of a system for the safe disposal of sludge from septic tanks and treatment lagoons; and (vi) discharge of treated effluent into an irrigation canal. The project will be implemented by the Department of Public Works and Transport of Siem Reap Province.

C. Description of the Environment

5. Siem Reap town lies on the plains between Tonle Sap Lake (15 kilometers [km] to the south) and the Kulen Mountains, 30 km to the northeast. The plains undulate gently, ranging in elevation from 10 to 80 meters (m), and the town lies on generally flat land, sloping down toward the lake. The soils are alluvial silts, sands, and clays deposited by floodwaters from the Siem Reap River and ancient drainage channels.

6. The Siem Reap River flows through the center of the town. The quality of the surface water in the Siem Reap River deteriorates as it passes through the town due to septic tanks overflows from squatter houses along the riverbank. However, a recent survey by the Ministry of Environment (MOE) shows that the water quality in the river (biochemical oxygen demand [BOD]: 40.7 milligram/liter [mg/l], chemical oxygen demand [COD]: 69.7 mg/l) still meets the required national standards (BOD: 80 mg/l, COD: 100mg/l).

7. Siem Reap District has 112,000 people; about 37,000 of them live within the town. The principal economic activities are related to tourism, including hotels, guesthouses, restaurants, souvenir shops, guiding, and taxi. Tourism is increasing rapidly in Siem Reap town, and the town is also the center of a primarily agricultural district with rice production, cattle raising, and fishing.

8. The area to the west of the town, to be served by the Project, is relatively prosperous and includes the old market and hospital area, and new hotels along the main road. Water quality of the open channel is very poor as shown by a MOE recent survey (Table A6).

Table A6: Water Quality Data in the Siem Reap Channel

Name of Location	pH (mg/l)	BOD₅ (mg/l)	COD (mg/l)
Wat Damnak Bridge	6.83	195.0	457.0
Ang Kropou Village	7.15	72.80	139.0
Wattpor Village	6.70	260.0	540.0
The Place In front of Psar Chas	6.74	185.6	397.8
National Standard	5-9	<80	<100

BOD = biochemical oxygen demand, COD = chemical oxygen demand, mg = milligram, pH (a measure of acidity and alkalinity).

9. The proposed site for the wastewater treatment lagoons is on the southwest edge of the town on a rice paddy field. Some bushes, trees, standing water, and a few isolated houses are on or adjacent to the site.

D. Screening Environmental Impacts and Mitigation Measures

10. The Project will improve the environmental and health conditions along the existing channel and the areas around it. The office of health services in Siem Reap Province has recorded that 24% of reported diseases in the town are water-related, and 42% of these could be prevented if water quality is improved.

11. Contamination of groundwater from septic tank overflows and the channel will be reduced due to the Project, thus reducing the risk of contamination of shallow wells throughout the area, which in many cases are located within 5 m of the channel. The safe disposal of sludge from septic tanks and lagoons will contribute to better environmental conditions in the rural areas where these are currently dumped. The Project will help reduce the incidence of waterborne diseases.

12. The potential negative impacts of the project include (i) disruption of households and road users while cleaning out and rehabilitating the channel, and of hotels and households while installing connections to the new sewerage system; (ii) removal of contaminated sludge from the channels, which may be temporarily left lying in the streets, posing a health hazard; (iii) removal of illegally constructed buildings and walls, which could create conflicts with affected people; (iv) land acquisition which will be required for the lagoons site; (v) the site proposed for the lagoons which may contain items of archaeological importance; (vi) discharge of inadequately treated waste waters into the irrigation canals; and (vii) bad odors and flies from inadequately designed treatment lagoons, affecting nearby households. However, appropriate practices during construction should minimize disturbance to households and road users, and damage to historical sites; and adequate design for the sewerage and sewage treatment, allowing for expansion of the town, will prevent any negative environmental impacts. Mitigation measures to ameliorate any negative impacts are summarized in paragraphs 13–17.

13. The site selected for the lagoons of the treatment plant is an open space. Some small trees are adjacent to an open channel. No environmentally or culturally sensitive areas at the site, although during construction the contractor will take special care to preserve any historical remains that are found. Some structures illegally encroaching on the channel structures will have to be removed. A short resettlement plan has been prepared following ADB resettlement policy to ensure that affected people will be compensated.

14. The analysis of channel water quality has confirmed that the proposed process for wastewater treatment (lagoon system) is adequate and acceptable. To ensure that the outflows of the lagoon system can be used for irrigation or can be discharged directly into public water bodies, a maximum of 80 mg/l per BOD and 80 mg/l for suspended substances is recommended for the effluent discharged from the Project.

15. A drainage channel already exists and the proposed lagoons will be on flat open land with little risk of erosion. To avoid contamination from dredged materials, proper arrangements for construction supervision will be done by (i) appointing experienced contractors; (ii) including for local contractors a training and capacity building component on efficient project management and site safety; (iii) constructing during dry season, if possible; and (iv) regularly monitoring disposal of dredged materials.

E. Environmental Management and Monitoring Plan

16. Prior to the design of the subproject, an environmental management plan (EMP) will be prepared for the construction and operation phases of the subproject. Environmental monitoring during operation will ensure that (i) open channels receiving wastewater are kept clear of weeds and rubbish; and (ii) effluent being discharged into the irrigation canals meets the standards, 80 mg/l of BOD, and 80 mg/l of suspended solids.

17. During the first year of the subproject implementation, at least one international environment specialist will be recruited for 1 month and a domestic specialist will be recruited for 2 months to help prepare the detailed EMP. Additionally, an environment unit will be established within the project implementation unit to ensure that the mitigation measures identified in the IEE are complied with at all stages of the subproject. Implementation of the EMP and proposed mitigation measures will be monitored regularly during the construction and operation period. Monitoring results will be reported in the progress reports during project implementation and be submitted to the Asian Development Bank and MOE for review.

F. Findings and Recommendations

18. The proposed sewerage and sewage treatment subproject is unlikely to result in any direct significant adverse environmental impacts. The identified adverse effects were readily addressed through proper engineering predesign and incorporation of the identified mitigation measures. Adverse impacts relate almost entirely to the construction phase, and particular attention will be paid to ensure that contractors comply with good engineering practice and avoid inconvenience to the public during construction. To ensure correct design and environmentally sound construction and operation, an EMP will be prepared prior to the design.

G. Conclusions

19. The IEE concluded that no significant environmental impacts are expected from the proposed subproject and additional studies, or a full environmental impact assessment are not needed. After completion of the subproject, it will have positive environmental benefits for Siem Reap town.

PROJECT COST ESTIMATES

Table A7.1: Cost Estimates for Cambodia
(US\$ million)

Component	Foreign Cost	Local Cost ^a	Total
A. Base Costs			
Part A: Tourism-Related Infrastructure Improvements			
1. Siem Reap Wastewater Management			
Land Acquisition and Resettlement	0.10	0.46	0.56
Civil Works	2.04	0.88	2.92
Equipment	0.04	0.01	0.05
Subtotal	2.18	1.34	3.53
2. Access Road Improvement to the Genocide Memorial			
Land Acquisition and Resettlement	0.00	0.00	0.00
Civil Works	0.24	0.96	1.19
Equipment	0.00	0.00	0.00
Subtotal	0.24	0.96	1.19
3. Ratanak Kiri Airport Improvement			
Land Acquisition and Resettlement	0.25	0.80	1.05
Civil Works	3.14	1.35	4.49
Equipment	0.49	0.09	0.58
Subtotal	3.88	2.23	6.11
4. Stung Treng Airport Improvement			
Land Acquisition and Resettlement	0.00	0.05	0.05
Civil Works	1.59	0.68	2.27
Equipment	0.44	0.08	0.52
Subtotal	2.03	0.81	2.84
Subtotal (Part A)	8.33	5.34	13.67
Part B: Pro-Poor Community-Based Tourism Development			
1. Stung Treng Community-Based Tourism Development	0.09	0.21	0.30
2. Rattanak Kiri Community-Based Tourism Development	0.09	0.21	0.30
Subtotal (Part B)	0.17	0.43	0.60
Part C: Subregional Cooperation for Sustainable Tourism			
Subtotal (Part C)	0.35	0.00	0.35
Part D: Implementation Assistance and Institutional Strengthening			
1. Consulting Services	1.65	0.64	2.28
2. Incremental Administration	0.13	0.26	0.39
Subtotal (Part D)	1.78	0.90	2.68
Total Base Cost (Parts A+B+C+D)	10.64	6.66	17.30
B. Contingencies			
1. Physical ^b	0.80	0.43	1.22
2. Price ^c	1.12	0.65	1.77
Subtotal (B)	1.92	1.07	2.99
C. Service Charges			
	0.40	0.00	0.40
Total	12.96	7.74	20.70
	63%	37%	100%

^a Including custom duties and taxes estimated at \$2.5 million equivalent.

^b At 8% of base cost, excluding land and resettlement.

^c An estimated inflation rate of 2.4% per annum for 2003-2008 was used.

Source: Asian Development Bank estimates.

Table A7.2: Cost Estimates for Lao People's Democratic Republic
(US\$ million)

Component	Foreign Cost	Local Cost ^a	Total
A. Base Costs			
Part A: Tourism-Related Infrastructure Improvements			
1. Access Road Improvement to Kwangsi Water Falls			
Land Acquisition and Resettlement	0.00	0.00	0.00
Civil Works	0.21	0.83	1.04
Equipment	0.02	0.00	0.03
Subtotal	0.23	0.83	1.07
2. Access Road Improvement to Konglor Cave			
Land Acquisition and Resettlement	0.00	0.02	0.02
Civil Works	2.74	0.48	3.22
Equipment	0.02	0.00	0.02
Subtotal	2.76	0.51	3.26
3. Louang Namtha Airport Improvement			
Land Acquisition and Resettlement	0.09	0.77	0.85
Civil Works	2.01	0.36	2.37
Equipment	0.29	0.03	0.32
Subtotal	2.39	1.15	3.54
Subtotal (Part A)	5.38	2.49	7.87
Part B: Pro-Poor Community-Based Tourism Development			
1. Champassak Community-Based Tourism	0.09	0.31	0.40
2. Khammouan Community-Based Tourism	0.09	0.31	0.40
3. Louang Namtha Community-Based Tourism	0.09	0.31	0.40
4. Louang Phrabang Community-Based Tourism	0.09	0.31	0.40
Subtotal (Part B)	0.36	1.24	1.60
Part C: Subregional Cooperation for Sustainable Tourism			
Subtotal (Part C)	0.35	0.00	0.35
Part D: Implementation Assistance and Institutional Strengthening			
1. Consulting Services	1.35	0.40	1.75
2. Incremental Administration	0.05	0.08	0.13
Subtotal (Part D)	1.39	0.49	1.88
Total Base Cost (Parts A+B+C+D)	7.48	4.22	11.70
B. Contingencies			
1. Physical ^b	0.70	0.34	1.05
2. Price ^c	0.72	0.37	1.09
Subtotal (B)	1.43	0.71	2.14
C. Service Charges			
	0.31	0.00	0.31
Total	9.23	4.93	14.16
	65.2%	34.8%	100%

^a Including custom duties and taxes estimated at \$1.10 million equivalent.

^b At 10% of base cost, excluding land and resettlement.

^c An estimated inflation rate of 2.4% per annum for 2003-2008 was used.

Source: Asian Development Bank estimates.

Table A7.3: Cost Estimates for Viet Nam
(US\$ million)

Component	Foreign Cost	Local Cost ^a	Total
A. Base Costs			
Part A: Tourism-Related Infrastructure Improvements			
1. My Tho Tourist River Pier Development			
Land Acquisition and Resettlement	0.00	0.07	0.07
Civil Works	0.63	0.27	0.90
Equipment	0.06	0.01	0.07
Subtotal	0.69	0.34	1.03
2. Tien Giang Environmental Improvement			
Land Acquisition and Resettlement	0.00	0.05	0.05
Civil Works	0.79	0.53	1.32
Equipment	0.35	0.04	0.38
Subtotal	1.14	0.62	1.75
3. An Giang Tourist River Pier Development			
Land Acquisition and Resettlement	0.00	0.00	0.00
Civil Works	0.94	0.58	1.52
Equipment	0.12	0.01	0.13
Subtotal	1.05	0.59	1.65
4. Sam Mountain Environmental Improvement			
Land Acquisition and Resettlement	0.00	0.06	0.06
Civil Works	1.80	1.09	2.89
Equipment	0.30	0.03	0.33
Subtotal	2.10	1.18	3.28
Subtotal (Part A)	4.98	2.74	7.71
Part B: Pro-Poor Community-Based Tourism Development			
1. An Giang Community-based Tourism	0.09	0.31	0.40
2. Tien Giang Community-based Tourism	0.09	0.31	0.40
Subtotal (Part B)	0.18	0.62	0.80
Part C: Subregional Cooperation for Sustainable Tourism			
Subtotal (Part C)	0.35	0.00	0.35
Part D: Implementation Assistance and Institutional Strengthening			
1. Consulting Services	0.76	0.22	0.98
2. Incremental Administration	0.00	0.10	0.10
Subtotal (Part D)	0.76	0.32	1.08
Total Base Cost (Parts A+B+C+D)	6.26	3.68	9.94
B. Contingencies			
1. Physical ^b	0.59	0.35	0.94
2. Price ^c	0.67	0.38	1.04
Subtotal (B)	1.26	0.73	1.98
C. Service Charges			
	0.21	0.00	0.21
Total	7.73	4.40	12.13
	64%	36%	100%

^a Including custom duties and taxes estimated at \$0.76 million equivalent.

^b At 10% of base cost, excluding land and resettlement.

^c An estimated inflation rate of 2.4% per annum for 2003-2008 was used.

Source: Asian Development Bank estimates.

Table A7.4: Part B: Pro-Poor, Community-Based Tourism Development
(cost estimates for each province)^a

GMS Tourism Cooperation	\$'000
1. Institutional Strengthening and Community Participation Program	35
2. Awareness Program on Tourism Benefits and Negative Impacts, and Environmental and Cultural Conservation	70
3. Pro-Poor Tourism Products Identification and Development	25
4. Small-Scale Tourism-Related Infrastructure (tourism information centers, community lodges, small river piers, viewing points, walking trails)	100
5. Capacity Building for Tourism-Related Local Microenterprises and Communities	20
6. Gender Development Program	30
7. Ethnic Minorities Participation Program	20
8. Marketing and Promotion Plan	40
9. Promotion of Community-Based Tourism Networks and Ecotourism Stakeholder Associations	50
10. Benefit, Monitoring and Evaluation Program of Project Outputs and Impacts	10
Total	400

^a For Cambodia, the total amount for each province is equivalent to \$300,000. The distribution for each subcomponent will be proportional to the distribution above.

Source: Asian Development Bank estimates.

Table A7.5: Part C: Subregional Cooperation
(cost estimates for each participating country)

GMS Tourism Cooperation	\$'000
1. GMS Facility for Tourism Cooperation	80
2. Improvement of Tourism Facilities at Border Posts	80
3. Establishment of a GMS Network of Tourism Marketing and Promotion Boards	35
4. Subregional Hotel Classification System	35
5. GMS Tourism Plan	30
6. GMS Tourism Statistics Improvement and Harmonization	25
7. Diversification of AMTA Human Resources	30
8. GMS Tourism Human Resource Development	35
Total	350

GMS = Greater Mekong Subregion, AMTA = Agency for Coordinating Mekong Tourism Activities.

Source: Asian Development Bank estimates.

PROJECT MANAGEMENT

1. A **Subregional Project Steering Committee**. This committee, composed of senior representatives from the national tourism organizations and Ministries of Finance and/or Planning in each country, and the Asian Development Bank (ADB), will have the overall control of the Project. The committee will receive and address any issues arising from the progress of the project and from financial reports, particularly from the subregional cooperation component. Chairing of the committee will be on a revolving (by country) basis (first, Cambodia; second, Lao People's Democratic Republic (Lao PDR); and third, Viet Nam). The Agency for Coordinating Mekong Tourism Activities will act as the secretariat of the committee. The committee will meet twice a year. One of the yearly meetings will be held at the same time as the Greater Mekong Subregion Tourism Working Group Meeting and the other one in the country chairing the committee that year. The committee will give policy guidance and oversee the implementation of the Project through the executing agencies, the national tourism organizations in each country: (i) the Ministry of Tourism in Cambodia, (ii) the National Tourism Authority of the Lao PDR, and (iii) the Vietnam National Administration of Tourism.

2. **National Project Steering Committees**. These steering committees will guide and supervise the progress of each subprojects within the country. Its members will consist of representatives from the executing agencies, each implementing agency and the ministries of finance and/or planning. The project coordination units (PCU) will be secretariats for these steering committees. The steering committee will address any planning and coordination issues arising out of the subproject progress reports. They will also consider any monitoring reports. They will meet at least four times per year.

3. **Project Coordination Units**. The PCUs will be based in the executing agencies of each country. Each PCU will be headed by a national project director and six permanent professional staff and will be supported by international and domestic consultants. The PCU will be responsible for

- (i) serving as a secretariat for the national steering committee;
- (ii) coordination of all the tourism infrastructure subprojects within the country;
- (iii) ensuring timely and accurate reporting from each of the subprojects; and consolidation of reports from all project management units (PMUs) and project implementation units, including technical, financial, social, environmental, and resettlement issues;
- (iv) coordination of the pro-poor community-based tourism development initiatives in the provinces;
- (v) coordination with other executing agencies on the subregional cooperation development component; and
- (vi) development of the legal and institutional strengthening measures in each country, including the preparations for (a) the establishment of tourism marketing and promotion boards, (b) tourism legislation, and (c) capacity building activities.

4. The tasks to be undertaken include

- (i) initiation of project preparation activities, including set-up of financial and management systems and procedures, and preparation of office equipment procurement and engagement of consultants;
- (ii) programming and budgeting of the overall implementation program and the annual plans and budgets;

- (iii) maintenance of accurate project accounts made up of the different subproject accounts, which will be reported to the ADB in a timely and accurate manner;
- (iv) supervision and management of all aspects of the implementation and management of the Projects' subcomponents;
- (v) supervision of revenue enhancing activities related to the recovery of cost for construction, operation, and maintenance of the project facilities and equipment;
- (vi) monitoring of activities and reporting to the national steering committee and ADB on overall project developments including physical, institutional, and financial progress; and
- (vii) coordination of all monitoring and evaluation activities.

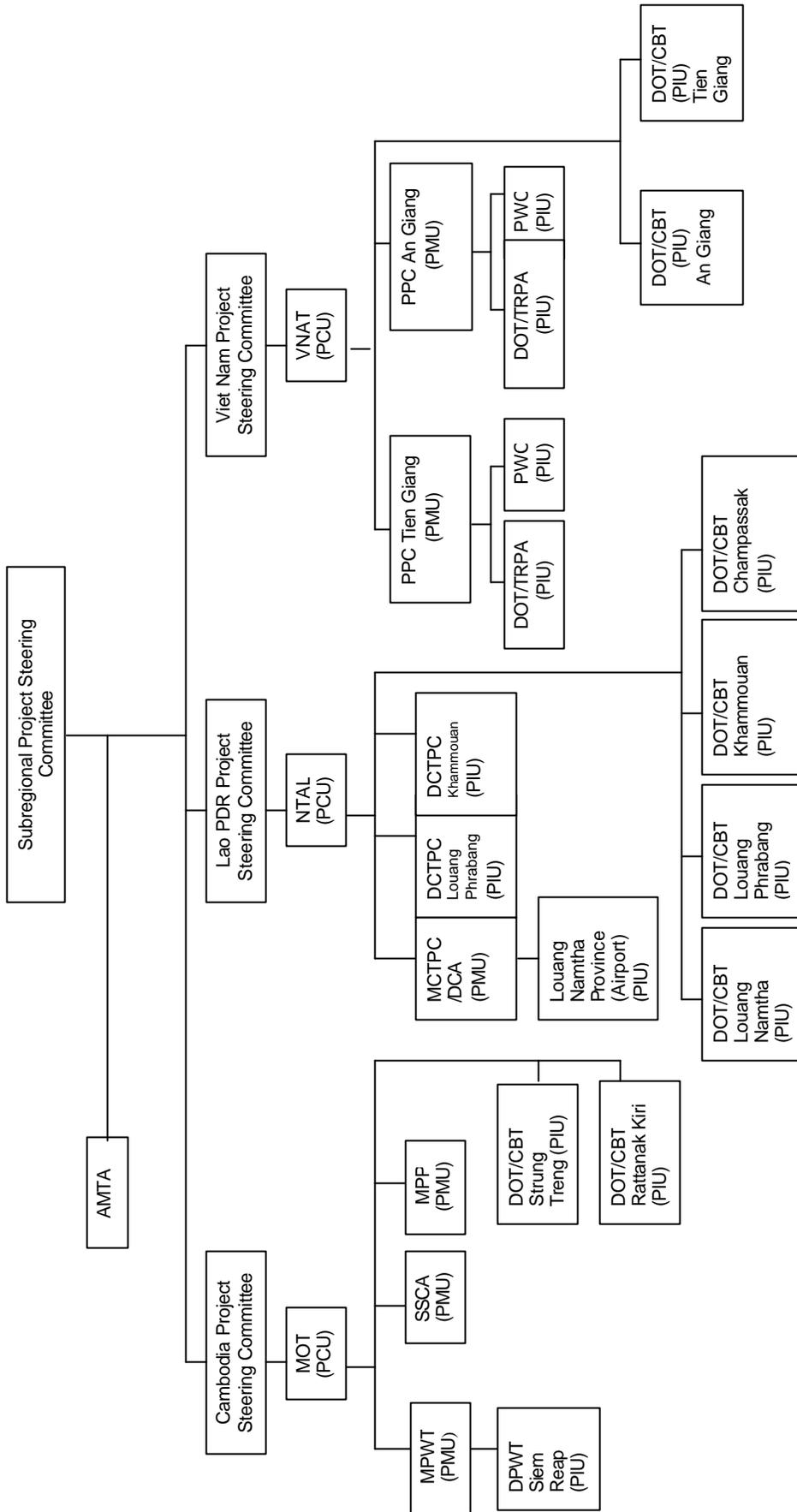
5. **Project Management Units.** The project management units (PMU)s will be based in each implementing agency responsible for infrastructure design and construction supervision. The PMU will design the infrastructure subproject with assistance from the international and local consultants appointed. The PMU will report on progress on a monthly basis to its PCU. Each PMU will be responsible for

- (i) the engineering design, contract documents, prequalification, bidding, and award of contracts;
- (ii) construction supervision and recruitment of design and supervision consultants through the assistance and coordination of the PCU;
- (iii) monitoring and reporting activities;
- (iv) accounting and financial reporting to the PCU; and
- (v) ensuring that appropriate cost recovery mechanisms are put in place.

6. **Project Implementation Units.** The units will be based in the provincial departments responsible for ensuring that the infrastructure developments are implemented as designed and that the pro-poor, community-based tourism subprojects are properly implemented. The PIUs will be responsible for the construction and day-to-day supervision of the project activities. They will report on progress on a monthly basis to their PCUs/PMUs.

7. A project organization chart is shown in Figure A8.

**Figure A8:
PROJECT ORGANIZATION CHART**



AMTA = Agency for Coordinating Mekong Tourism Activities, DCA = Department of Civil Aviation, DCTPC = Division of Communications, Transport, Posts and Construction, DOT/CBT = departments of tourism/community-based tourism, DPWT = Department of Public Works and Transport, MCTPC = Ministry of Communications, Transport, Posts and Construction, MOT = Ministry of Tourism, MPP = Municipality of Phnom Penh, MPWT = Ministry of Public Works and Transport, NTAL = National Tourism Authority of Lao PDR, PCU = project coordination unit, PIU = project implementation unit, PMU = project management unit, PWC = provincial people's committee, PWT = Public Works Company, SSCA = State Secretariat of Civil Aviation, TRPA = tourist river pier authority, VNAT = Viet Nam National Administration of Tourism.

IMPLEMENTATION SCHEDULE

Description	2003				2004				2005				2006				2007			
	Q1	Q2	Q3	Q4																
Part A. Tourism Infrastructure Improvements																				
Infrastructure Design																				
IEEs, EIAs, EMPs																				
Preparation and Implementation of Resettlement Plans																				
Construction and Supervision																				
Monitoring and Evaluation																				
Part B. Pro-Poor, Community-Based Tourism Development																				
Institutional Strengthening /Community Participation																				
Awareness Program on Tourism Impacts																				
Identification of Project Communities and Products																				
Orientation and Training of Community Participants																				
Gender Programs Preparation and Implementation																				
Ethnic Minorities Program Preparation and Implementation																				
Design and Construction of Small Infrastructure																				
Preparation and Implementation of Resettlement Plans																				
Community Tourism Product Development and Testing																				
Marketing of Community Tourism Products																				
Monitoring and Evaluation																				
Part C. Subregional Cooperation for Sustainable Tourism Development																				
GMS Facility for Tourism Cooperation																				
Develop Subregional Cooperation Initiatives																				
Establishment of Tourism Marketing Boards																				
Development of GMS Hotel Classification System																				
Preparation of GMS Tourism Plan																				
Tourism Statistics Improvement and Harmonization																				
Diversification of AMTA Human Resources																				
GMS Tourism Human Resource Development																				
Monitoring and Evaluation																				
Part D. Implementation Assistance and Institutional Strengthening																				
Engagement of Consultants																				
Development of Management Systems and Training																				
Establishment of Project Implementation Units																				
Monitoring and Evaluation																				

AMTA = Agency for Coordinating Mekong Tourism Activities, EIA = environmental impact assessment, EMP = environmental management plan, GMS = Greater Mekong Subregion, IEE = initial environmental examination.

INDICATIVE CONTRACT PACKAGING

Package No.	Description		Base Cost Estimates \$ x1,000				Remarks
			Total	ICB	IS	LCB	
Part A	Tourism Infrastructure Improvements						
	Cambodia						
C1	Siem Reap Environmental Improvement	Civil Works	2,917.40	2,917.40			
		Equipment	50.00			50.00	
C3	Road Access Improvement to Genocide Memorial	Civil Works	1,194.40	1,194.40			
		Equipment					
C4	Rattanak Kiri Airport Improvement	Civil Works	4,486.10	4,486.10			
		Equipment	576.30	576.30			
C5	Stung Treng Airport improvement	Civil Works	2,270.00	2,270.00			
		Equipment	520.00	520.00			
	Subtotal		12,014.20	11,964.20	0.00	50.00	
	Lao People's Democratic Republic						
L1	Luang Namtha Airport improvement	Civil Works	2,369.10	2,369.10			
		Equipment	322.50		322.50		
L2	Access Road Improvement Konglor Cave	Civil Works	3,223.20	3,223.20			
		Equipment	30.00		30.00		
L3	Access Road Improvement to Kwangsi Falls	Civil Works	1,040.00	1,040.00			
		Equipment	409.50	409.50			
	Subtotal		7,394.30	7,041.80	352.50	0.00	
	Viet Nam						
V1	Sam Mountain Environmental Improvement	Civil Works	2,890.10	2,890.10			
		Equipment	330.00		330.00		
V2	An Giang Tourist River Piers Development	Civil Works	1,520.00			1,520.00	
		Equipment	130.00		130.00		
V3	My Tho Tourist River Pier Development	Civil Works	900.00			900.00	
		Equipment	70.00		70.00		
V4	Tien Giang Environmental Improvement	Civil Works	1,320.00	1,320.00			
		Equipment	380.00		380.00		
	Subtotal		7,540.10	4,210.10	910.00	2,420.00	
	Total (Part A)		26,948.60	23,216.10	1,262.50	2,470.00	
Part B	Pro-Poor, Community-Based Tourism Development						
C6	Cambodia				100.00	multiple contracts	
L4	Lao People's Democratic Republic				100.00	multiple contracts	
V5	Viet Nam				100.00	multiple contracts	
	Total (Part B)		0.00	0.00	0.00	300.00	

Package No.	Description	Base Cost Estimates \$ x1,000				Remarks
		Total	ICB	IS	LCB	
Part C	Subregional Cooperation					
C7	Cambodia				100.00	multiple contracts
L5	Lao PDR				100.00	multiple contracts
V6	Vietnam				100.00	multiple contracts
	Total (Part C)	0.00	0.00	0.00	300.00	
Part D	Project Implementation Support and Institutional Strengthening					
C8	Cambodia -Vehicles & Equipment			50.00		multiple contracts
L6	Lao PDR Vehicles & Equipment			50.00		multiple contracts
V7	Viet Nam Vehicles & Equipment			50.00		multiple contracts
	Total (Part D)	0.00	0.00	150.00	0.00	
	Grand Total (Parts A+B+C+D)	26,948.60	23,216.10	1,412.50	3,070.00	

ICB = international competitive bidding, IS = international shopping, LCB = local competitive bidding.

CONSULTING SERVICES

1. Consulting services to help implement the Mekong Tourism Development Project will be in three major areas in each of the three countries: (i) project management and tourism sector development; (ii) pro-poor community-based tourism development; and (iii) design, construction supervision, and institutional and financial management for infrastructure projects. The requirements for international and local consultants for the three parts and each package are shown below in Tables A11.1–A11.3, one for each country. International consulting firms will be recruited for all packages except packages C2, L2, and V2, for which individual consultants will be recruited. Consulting firms will be selected and engaged following the quality-and cost-based selection method.

Table A11.1: Consulting Services Required for Cambodia

Scope	Person-Months		Total
	International	Local	
Package C1 Support to PCU in MOT (Project Management)			
Tourism Sector Specialist (Team Leader)	18		18
Project Management Specialist	4		4
Financial Accounting Specialist	4		4
Legal Adviser (tourism sector)	2		2
Private-Public Tourism Specialist	2		2
Institutional Development Specialist (tourism)	2	4	6
Resettlement Specialist	2	4	6
Environmental Specialist	2	2	4
Package C2 Pro-Poor Community-Based Tourism (MOT)			
Community-Based Tourism Specialist	18	36	54
Social and Gender Development Specialist	3	10	13
Ecotourism Planner	2	10	12
Community Business/SME Adviser	3		3
Package C3 PMU in MPWT			
Design and Construction Supervision – Siem Reap	17	54	71
Institutional Specialist (urban sector)	3	6	9
Financial Analyst/Cost recovery Specialist	3	6	9
Package C4 PMU in SSCA			
Design and Construction Supervision of Airports	37	75	112
Institutional Development Specialist (civil aviation)	2		2
Package C5 PMU in Phnom Penh Municipality			
Design and Construction Supervision of Roads	3	12	15
Total	127	219	346

MOT = Ministry of Tourism, MPWT = Ministry of Public Works and Transport (Cambodia), PCU = project coordination unit, PMU = project management unit, SSCA = State Secretariat of Civil Aviation (Cambodia).

2. The design of the structure of the project is similar for each country and will consist of a project coordination unit (PCU) to be based in the national tourism agency. Subprojects will be managed by project management units (PMU) based in the sectoral ministries. The PMUs in turn will oversee project implementation units (PIUs) based in the provincial departments and responsible for implementing each subproject. The government will second appropriate staff to implement and manage the project at all levels. The staff will be supported by the appointment of international and local consultants (Table A11.1).

3. Consultancy services will differ slightly from country to country depending upon the technical nature of the subprojects, but the overall structure of the services will be similar. The key consultancy teams that will support to PCUs, PMUs, and PIUs are the following:

- (i) team leader–tourism sector specialist;
- (ii) project management specialists–financial and management systems;
- (iii) infrastructure design specialists–civil engineers specializing in roads, airports, river piers and quays, sewerage and waste water treatment, and solid waste management;

- (iv) social and environment advisers—resettlement and environmental impact assessment for subprojects;
- (v) specialist tourism advisers—tourism law, public-private partnership development, and tourism institutional development; and
- (vi) community-based tourism advisers, consisting of a longer-term liaison consultant and short-term advisers on sociocultural development, ecotourism, and community business development.

Table A11.2: Consulting Services Required for the Lao People’s Democratic Republic

Scope	Person-Months		Total
	International	Local	
Package L1 Support to PCU in NTAL (Project Management)			
Tourism Sector Specialist (Team Leader)	18		18
Project Management Specialist	4		4
Financial Accounting Specialist	4		4
Legal Adviser (tourism sector)	2	4	6
Private-Public Tourism specialist	2	4	6
Institutional Development Specialist (tourism)		4	4
Resettlement Specialist	2	4	6
Environmental Specialist	2	2	4
Package L2 Pro-Poor Community-Based Tourism (MOT)			
Community-Based Tourism Specialist	24	36	60
Social and Gender Development Specialist	4	10	14
Ecotourism Planner	4	10	14
Community Business/SME Adviser	4	4	8
Package L3 PMU in DCA			
Design and Construction Supervision of Airport	27	45	72
Package L4 PIU in DCTPC Khammouan Province			
Design and Construction Supervision of Road	5	8	13
Package L5 PIU in DCTPC Louang Phrabang Province			
Design and Construction Supervision of Road	2	6	8
Total	104	137	241

DCA = Department of Civil Aviation (Lao PDR), DCTPC = Division of Communications, Transport, Posts and Construction, MOT = Ministry of Tourism, NTAL = National Tourism Authority of Lao PDR, PCU = project coordination unit, PIU = project implementation unit, PMU = project management unit, SME = small- and medium-sized enterprise.

4. The outline terms of reference for each team is as follows:
5. **Team Leader.** The team leader will be a tourism sector specialist with experience developing tourism policies, plans, institutions, and regulations and addressing the constraints on tourism development such as through infrastructure. The team leader will be experienced in managing international development projects; and, if possible, will be familiar with ADB procedures. The team leader will be responsible for ensuring that:
- (i) overall project management systems and all administrative and contractual arrangements for the subprojects comply with ADB procedures;
 - (ii) technical issues in each subproject are addressed competently;
 - (iii) where necessary, the appropriate consultancy skills are provided from international and local advisers;
 - (iv) supervision of construction is carried out effectively by the implementing agencies;
 - (v) subregional cooperation component activities, as agreed with PCUs in other countries, are implemented;
 - (vi) tourism institutional strengthening activities, policies, and training activities are developed and implemented; and
 - (vii) the pro-poor, community-based tourism activities are implemented as agreed.

Table A11.3: Consulting Services Required for Viet Nam

Scope	Scope Person Months		Total
	International	Local	
Package V1 Support to PCU in VNAT			
Tourism Sector Specialist (Team Leader)	18		18
Project Management Specialist	4		4
Financial Accounting Specialist	4		4
Private-Public Tourism specialist	2		2
Resettlement Specialist	2	4	6
Environmental Specialist	2	2	4
Package V2 Pro-Poor Community-Based Tourism (MOT)			
Community-Based Tourism Specialist	12	24	36
Social and Gender Development Specialist	2	8	10
Ecotourism Planner	2	8	10
Community Business/SME Adviser	2		2
Package V3 PMU in Tien Giang PPC			
V3.1. Design and Construction Supervision of Tourist Boat Quay and Piers	1	10	11
V3.2. Design and Construction Supervision of Solid Waste Treatment System	2	12	14
Package V4 PMU in An Giang PPC			
V4.1. Design and Construction Supervision of Tourist Boat Quay and Floating Border Crossing	2	12	14
V4.2. Design and Construction Supervision of Sewerage, Drainage and Sewage System	6	18	24
V3.4. Design and Construction Supervision of Solid Waste Treatment System	2	8	10
Total	63	106	169

MOT = Ministry of Tourism, PCU = project coordination unit, PMU = project management unit, PPC = provincial people's committee, VNAT = Viet Nam National Administration of Tourism.

6. **Project Management and Financial Accounting Specialists.** The consultants will provide short-term inputs in assisting the PCU, PMUs, and PIUs to set up coordinated project management systems. They will ensure that the systems set up provide timely and accurate reports so that management of each subproject can take appropriate decisions for effective design and implementation. This will include establishing and training staff in the use of financial accounting and reporting systems, and progress reporting. They will advise on the appropriate staffing requirements at each level. Their inputs will take place principally in the first few months of the project, although there may be a need for a follow up mission in the second year to assess effectiveness of the systems being applied.

7. **Infrastructure Design and Construction Supervision Specialists.** These specialists provide the principal technical inputs for each subproject. The exact requirements will depend on the nature and technical requirements of the subproject, but broadly fall into four categories: road construction, airport construction and rehabilitation, port and pier construction on the river, sewerage and wastewater treatment, and solid waste management. The international specialists will be supported by locally recruited consultants who will provide such services as surveying, quantity surveying, and architecture. The consultants will support the PMUs in preparing designs, tender documents, bid evaluations, construction supervision and institutional analysis, and financial management for infrastructure projects.

8. **Social and Environmental Advisers.** These advisers will be required fairly early on in the design of the infrastructure development projects to prepare any initial environmental examinations and environment impact assessments, and any resettlement plans that may be required. These advisers should work with locally recruited social and environmental consultants to prepare environmental management and resettlement plans. They will need to pay a follow-up visit to assess compliance with the plans during the implementation. They will liaise with and train the environmental and social development staff in the National Tourism Authority, so that this work may be continued as part of the institutional strengthening program.

9. **Tourism Advisers.** These short-term advisers will be called on to help the team leader develop subregional cooperation component and the tourism institutional strengthening component. The following expertise may be required: specialists in tourism law, public-private partnership tourism development, and tourism policy and institutions, e.g., development of tourism boards. Identification of training needs and the provision of training will be an important aspect of the work of these advisers, helping to develop the strengths of the National Tourism Authority. It may be possible to draw upon a pool of expertise available to all three countries in this subregional project.

10. **Pro-Poor Community-Based Tourism Advisers.** The advisers will consist of a long-term community tourism adviser in each country, who will liaise between the community-based tourism initiatives in each province, providing guidance and training and awareness programs where necessary. The community tourism advisers will help develop ecotourism products, identify appropriate infrastructure developments, and market the products. Where necessary, the advisers will call on specialist advice from a pool of advisers that may be social and gender development specialists, ecotourism planners, and advisers on small and micro-business development.

ECONOMIC ANALYSIS

1. An economic analysis has been conducted for each of tourism infrastructure subprojects and a community-based ecotourism subproject in the Lao People's Democratic Republic (Lao PDR), following the Asian Development Bank (ADB) *Guidelines for the Economic Analysis of Projects (1997)* and ADB's *Framework for the Economic and Financial Appraisal of Urban Development Sector Projects (1994)*. The economic analysis is undertaken by comparing the cost and benefits with and without the project. The without-Project scenario refers to the continuation of the existing situation. The with-Project case is established by appraising the costs and benefits of each subproject. The subprojects are evaluated over a period of 30 years with no salvage value assumed thereafter.

A. Economic Cost

2. The capital costs and incremental operation and maintenance costs of each subproject have been considered. Economic costs have been derived from the financial project costs. All costs are expressed in constant (2001) prices. Physical contingencies of 10% have been added to the base costs¹ and taxes and duties have been discounted as appropriate. Economic costs were valued using the domestic price numeraire but expressed in dollar currency. Tradable components have been adjusted to economic prices using shadow exchange rate factors (SERF)² and nontraded components are valued at domestic market prices. Appropriate shadow wage rate factors (SWRF) for unskilled labor have been used to reflect its opportunity costs in the context of wide availability of labor in the three countries.³ Incremental operation and maintenance costs have been taken into account and added to capital costs to obtain the total economic cost of the subprojects for each year.

B. Economic Benefits

3. The major economic benefits of the Project are increased spending by foreign tourists visiting the project areas. Moreover, environmental and health benefits will arise from improved water, sanitation, and solid waste management and different types of resource savings due to the activities of the Project.

4. **Tourism Benefits.** The Project will ease the constraints hampering tourism development in the project areas by rehabilitating and upgrading transportation infrastructure, i.e. airports, roads, and passenger quays, and providing wastewater and solid waste management services in some important tourist destinations. The Project will also enhance the region's attractiveness by opening new tour attractions that would be almost inaccessible without the Project. Tourism benefits will arise from the Project due to increased (i) numbers of tourists visiting the project areas, (ii) tourist stays in the project areas, and (iii) spending by tourists. The analysis considers mainly the benefits from foreign tourists, as in most cases, the spending of the local tourists is marginal compared with that of foreign tourists.

5. The tourism benefits gained by the subprojects are the increased net expenditure of the foreign tourists and the multiplier effects on the country's economy, which are induced by the project and retained by the project country. The net expenditure of the tourists, which is estimated to be 30% of the gross tourists' expenditure, is the tourists' overall expenditure on the tourism services less the costs of providing such services. The analysis takes 50% of the project-induced incremental net expenditure of the tourists as the benefits arising directly from the subprojects and

¹ Excluding land and relocation cost.

² The SERFs are estimated at 1.11 for all three countries.

³ The SWRF is estimated at 0.75 for Cambodia, 0.65 for Viet Nam, and 0.60 for Lao PDR.

a factor of 0.9 is used to adjust this net expenditure to the benefits of the country after considering the leakage and multiplier effects of the tourism benefits in the Greater Mekong Subregion.⁴ The current tourist arrivals, average stay, and spending in the subproject area, and projections under with and without project scenarios, are estimated by subproject taking into account recent development trends, attractiveness of the subproject area, constraints on tourism development in the area, and the impact of the subproject on removing/releasing the constraints. Details of the numbers of the tourists, their average stay, and their spending in the subproject area and the development projections are presented in Supplementary Appendix G.

6. **Incremental Airport Operating Revenues.** The airport operating revenues consist of landing and parking fees, passenger charges, commercial charges, and other miscellaneous incomes. Incremental airport operating revenues will arise from more flights and passengers using the airport and higher charge rates after the project. The economic incremental operating revenues are derived from the financial incremental revenues.

7. **Aircraft Operating Cost Savings.** Aircraft operating cost savings will result from three airport improvement subprojects. The current length of runways allows only the YN7 (50 seats) and YN12 (17 seats) to operate. With improvements to runways, the larger and more reliable ATR72⁵ (70 seats), which is commonly used in the region, will be allowed to land, and airline operators will benefit from reduced operating, repair, and maintenance costs. The aircraft operating cost savings are calculated using the typical operating costs per seat block hour of YN7 and ATR72 aircrafts and appropriate airplane loading factors derived from the capacities of the aircrafts, number of passengers, and projected flight schedules.

8. **Vehicle Operating Cost Savings.** The proposed roads leading to potential tour attractions under the Project are either clay or gravel and in very poor condition. Some of them are impassable during the rainy season. Traveling on the roads is dusty and uncomfortable. The vehicle operations cost savings attributable to the Project arise from (i) an overall improvement of road condition measured by roughness, and (ii) in some cases, reduced road distance. The forecast average traffic growth per annum is based on the recent growth of registered vehicles, the economic development projection for the country, and other relevant studies. In the with-Project scenario, no additional traffic was assumed, except for subprojects that will open a road for year-round traffic.

9. **Public Health Benefits.** Water-related diseases and health problems are attributed to unsanitary conditions, including the contamination of groundwater by wastewater. The Project, by providing proper sewage and sewerage treatment facilities, will enable wastewater collection and treatment and subsequently reduce the incidence of waterborne diseases. The benefits counted in the economic analysis are only the government savings from hospital and health service spending and household's savings on expenditure on medical care. The without-Project case has assumed a continuing deterioration of the unsanitary situation, and therefore an increasing incidence of the waterborne diseases with increasing government and household expenditure for treating waterborne diseases. The with-Project case has assumed a proportional reduction of the incidence of the waterborne diseases and therefore less government and household expenditure for treating waterborne diseases.

10. **Benefits Identified but not Valued.** The analysis does not include some important benefits that are difficult to value, for which data are unavailable, or that might give rise to double counting

⁴ The major assumptions and estimations in this economic analysis are made mainly based on the Mekong Lancang River Tourism Planning Study, which was completed in 1998 with ADB's support, and previous studies by ADB and United Nation's Economic and Social Commission for Asia and the Pacific.

⁵ ATR72 is a twin-turboprop engine aircraft used for regional and short-haul routes.

under some circumstances. The nonvalued benefits include: (i) benefits to local tourists, except for the Sam Mountain environmental improvement, as the local tourists account more than 99% of visitors; (ii) positive impact on economic activities due to improved transportation infrastructure; (iii) improved accessibility for people in remote areas to goods and services supplied outside; (iv) travel time savings due to the improved road conditions and shorter travel distance; (v) improved safety and reduced incidence of flight cancellations and diversions due to better airport conditions; (vi) road maintenance expenditure savings due to a lower incidence of flooding; (vii) reduced flood damage due to better drainage; (viii) reduced costs of removing solid waste from drains and canals; and (ix) increased productivity due to better health.

C. Results of the Economic Analysis

11. The economic internal rates of return (EIRR) has been calculated for each of the tourism infrastructure subproject and one sample pro-poor community-based ecotourism subproject in Louang Namtha, Lao PDR. The results of the economic analysis are summarized in Table A12. The EIRRs as evaluated range from 13.3% to 33.4%.

Table 12.1: EIRRs and NPVs for Subprojects

Subproject	EIRR (percent)	NPV (\$ million) (Discounted at 12 percent)
Siem Reap Wastewater Management	33.4	7.39
Access Road Improvement to the Genocide Memorial	25.1	1.54
Rattanak Kiri Airport Improvement	13.3	0.65
Stung Treng Airport Improvement	14.2	0.39
Access Road Improvement to the Kwangsi Water Falls	21.4	2.84
Access Road Improvement to Konglor Cave	15.3	0.95
Louang Namtha Airport Improvement	16.6	0.60
An Giang Tourist River Piers Improvement	17.7	0.52
Sam Mountain Environmental Improvement	27.0	7.21
My Tho Tourist River Pier Improvement	31.5	3.69
Tien Giang Environmental Improvement	23.6	1.41
Pro-poor Community-Based Ecotourism	19.3	0.18

EIRR = economic internal rate of return, NPV = net present value.

Source: Asian Development Bank estimates.

D. Sensitivity Analysis

12. Sensitivity analyses have been undertaken to test the robustness of the analysis and the consequences of changes in the following variables: (i) 10% increase of the project cost; (ii) 10% decrease of the project benefits (iii) a combination of both; and (iv) project benefits delayed by 1 year. Additionally, sensitivity analyses have also been made to test the consequences of (i) tourist growth reduced by 20% and (ii) tourist expenditure reduced by 20%. The results of the sensitivity analysis are summarized in Supplementary Appendix G.

13. The results of the analysis show that, in most cases, the EIRRs are most sensitive to delays and reductions in benefits. However, all EIRRs remain over 12% in the worst possible scenario tested in sensitivity analysis. The results show switching values range from 16% to 644% in the case of cost increase and 14% to 87% for benefit reduction. All subprojects are considered economically viable since the EIRR exceeds the economic opportunity cost of capital and there are other benefits that have not been quantified due to measurement difficulties and lack of data.

E. Distribution Analysis

14. Distribution analyses have been prepared for four sample subprojects: (i) Siem Reap environmental improvement, in Cambodia; (ii) Louang Namtha airport improvement, in Lao PDR;

(iii) Tien Giang environmental improvement, in Viet Nam; and (iv) Louang Namtha community-based pro-poor ecotourism, in the analyses were prepared to assess the distribution of project effects among the stakeholders. The major stakeholders of the Project are (i) the Government, (ii) labor, and (iii) local households. Details are presented in Supplementary Appendix G.

15. The Government will gain from (i) increased tax revenue due to the incremental expenditure from foreign tourists,⁶ (ii) aircraft operating cost savings through the airport improvement subproject, and (iii) savings on hospital and health services through environmental improvement subprojects. But the Government will lose due to overvaluation of domestic currency at the official exchange rate, implying the economic cost of traded inputs is higher than the financial costs by the extent of the SERF. The Government will also pay for the financial loss because subprojects will be subsidized by the Government budget. The analyses show the governments of Cambodia and Viet Nam will gain \$2.41 million and \$0.33 million, respectively from the subprojects, while the Lao PDR needs to provide \$0.51 million to subsidize the Louang Namtha airport improvement and ecotourism subprojects (\$0.20 million for airport and \$0.31 million for ecotourism).

16. Laborers will gain from the subprojects, because the wages paid by the subprojects during construction and the salaries paid by the incremental businesses due to increased tourism spending exceed the opportunity cost of labor. This benefit accrues to unskilled laborers. The analyses show the labor in Cambodia, Lao PDR, and Viet Nam will gain \$1.23 million, \$0.47 million (\$0.39 million from the airport and \$0.08 million from the ecotourism), and \$0.56 million, respectively, from the subprojects.

17. Local households will benefit from (i) increased numbers and expenditures of tourists, (ii) increased productivity and reduced medical expenses from the environment improvement subproject, and (iii) better and safer air services from airport improvement. The analyses show the residents in Siem Reap, Louang Namtha, and My Tho will gain \$3.75 million, \$0.71 million (\$0.41 million from the airport and \$0.30 million from the ecotourism), and \$0.52 million, respectively from the subprojects.

18. The results of the distribution analyses indicate that the residents and labor are the major beneficiaries of the subprojects. While the Government of the Lao PDR will probably subsidize the Louang Namtha airport and ecotourism projects, this can be justified because the projects will bring a net economic benefit to the Louang Namtha Province, which is a poor and remote province in the Lao PDR.

⁶ The government taxes include 10% value-added tax and 20% profit tax in Cambodia, 10% business tax and 20% of profit tax in the Lao PDR, and 10% value-added tax and 32% profit tax in Viet Nam.