## Regional: Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project</th>
</tr>
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<tbody>
<tr>
<td>Project Number</td>
<td>49387-002</td>
</tr>
<tr>
<td>Country</td>
<td>RegionalCambodiaLao People's Democratic Republic</td>
</tr>
<tr>
<td>Project Status</td>
<td>Active</td>
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<tr>
<td>Project Type / Modality of Assistance</td>
<td>Grant Loan</td>
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</table>

### Source of Funding / Amount

<table>
<thead>
<tr>
<th>Grant 0599-REG: Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project</th>
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<tbody>
<tr>
<td>concessional ordinary capital resources lending / Asian Development Fund</td>
</tr>
<tr>
<td>US$ 47.00 million</td>
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<tr>
<td>Loan 3701-REG: Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project</td>
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<tr>
<td>concessional ordinary capital resources lending / Asian Development Fund</td>
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<tr>
<td>US$ 30.00 million</td>
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### Strategic Agendas

- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

### Drivers of Change

- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

### Sector / Subsector

- Industry and trade - Small and medium enterprise development
- Transport - Road transport (non-urban) - Urban roads and traffic management - Water transport (non-urban)
- Water and other urban infrastructure and services - Urban flood protection - Urban solid waste management

### Gender Equity and Mainstreaming

- Effective gender mainstreaming

### Description

The project will help transform secondary GMS central and southern corridor towns into economically inclusive, competitive tourism destinations by improving transport infrastructure, urban environmental services, and capacity to sustainably manage tourism growth. It will boost trade in services and deepen regional cooperation and integration in the GMS and Association of Southeast Asian Nations (ASEAN). About 97,000 residents are expected to directly benefit from climate-resilient infrastructure development and increased access to economic opportunities. Project investments are prioritized in the ASEAN Tourism Strategic Plan 2015-2025, GMS Tourism Sector Strategy 2016-2025, and national tourism strategies.

### Project Rationale and Linkage to Country/Regional Strategy

Cambodia and the Lao PDR actively promote tourism because it produces substantial national income, local employment, private investment and trade in services. Tourism directly contributes 12.4% to Cambodia's gross domestic product (GDP) and 4.6% to Lao PDR's GDP, generating 70% 78% of service exports and $1.1 billion annual investment. There are about 1.1 million tourism workers in the two countries. Most are women employed by small and medium-sized enterprises (SMEs). Tourist visa on arrival is permitted for 180 countries and 15-day tourist visa exemptions granted to ASEAN citizens. Government efforts to upgrade gateway airports, transnational railways and highways, and secondary roads to facilitate travel and tourism are supported by the Asian Development Bank (ADB) and other development partners. ASEAN and GMS policies to liberalize aviation services and ease cross-border vehicle movements complement physical infrastructure investments. Even with these strengths and opportunities Cambodia and the Lao PDR rank low in the World Travel & Tourism Competitiveness Index, mainly because secondary destinations lack modern transport infrastructure and quality urban environmental services. Other underlying constraints are inadequate tourism planning, low service standards, and a weak business enabling environment. Consequently, in 2016 the two countries received only 8% of ASEAN's total tourist arrivals. In the same year Cambodia's international tourist arrival growth decelerated to 5%, about half the medium-term rate, and Lao PDR's arrivals fell 9.5% compared to 2015. Fewer visitors and lower spending because of poor sanitation and hygiene reduces economic benefits by about $90 million per year. Average expenditure per visitor in Cambodia ($641) and the Lao PDR ($414) is far below Asia and the Pacific's benchmark $1,500. Imbalances within the countries is also a problem. About half of international tourist arrivals and corresponding visitor expenditure, destination investment, and direct tourism employment accrue to just 3 cities: Phnom Penh, Siem Reap, and Vientiane Capital.

The GMS central and southern corridors are vulnerable to climate change, particularly increasingly severe weather events in Cambodia's coastal zone and flooding in Lao PDR's Mekong and Nam Xong River valleys. Climate vulnerability and risk are exacerbated by limited country capacity to integrate adaptation and mitigation solutions. Countering climate change requires finance and knowledge to retrofit and construct climate-resilient infrastructure and better prepare for natural disasters. Resource-efficiency certification programs, including the ASEAN green hotel standard, and public awareness campaigns to promote lower-carbon travel, emissions offsets, and environmentally-friendly tourism services are also needed.

To help address these constraints the project builds on the ongoing GMS Tourism Infrastructure for Inclusive Growth Project by strategically financing climate-resilient road, water transport, and urban infrastructure in areas with comparative tourism advantages. Priority investments include (i) road improvements to decongest urban areas and link secondary towns with nearby tourist attractions; (ii) coastal and river passenger ports to increase handling capacity and provide private operators with the facilities needed to expand water transport and recreation services; (iii) storm water drains and riverbank protection in flood-prone areas; and (iv) modern solid waste and septic management systems with expanded collection services, materials recovery, and hygienic disposal facilities.

### Impact

Sustainable, inclusive, and more balanced tourism development achieved.
Description of Project Outputs

Output 1. Urban-rural access infrastructure and urban environmental services improved.
Output 2. Capacity to implement ASEAN tourism standards strengthened.
Output 3. Institutional capacity for tourism destination management and infrastructure O&M strengthened.

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location
Cambodia - Nation-wide; Lao People's Democratic Republic - Nation-wide

Safeguard Categories

Environment
B

Involuntary Resettlement
B

Indigenous Peoples
B

Summary of Environmental and Social Aspects

Environmental Aspects
The safeguards categorization for environment is B. IEEs and EMPs for each infrastructure subprojects have been prepared in compliance with the Governments' regulatory requirements and ADB's Safeguards Policy Statement (SPS, 2009).

Involuntary Resettlement
The safeguards categorization for involuntary resettlement is B. Potential land acquisition impacts were assessed in accordance with ADB's SPS (2009). Resettlement Plans have been prepared for Preah Sihanouk province, Cambodia; and Vientiane province, Laos following ADB's SPS (2009) and were endorsed by the respective Governments. Project information was disclosed to all affected persons during project preparation. The Resettlement Plans will be updated based on detailed engineering designs.

Indigenous Peoples
The safeguards categorization for indigenous peoples is B. There will be positive impacts on the livelihoods of any indigenous people living within proposed project areas. Negative impacts are not expected. The Indigenous People's Plan was prepared based on meaningful consultation with all ethnic groups living in project areas, and in compliance with ADB's SPS (2009) and endorsed by the Government. The plan will be updated based on detailed engineering designs.

Stakeholder Communication, Participation, and Consultation

During Project Design
The main stakeholders are: (i) urban and rural residents living in/near secondary towns in the GMS economic corridors, including ethnic groups and women; (ii) owners and operators of tourism-related enterprises, and; (iii) public agencies responsible for tourism, urban environmental management, and urban-rural transportation networks. A series of national and site-specific workshops including women, men, ethnic groups, youth and the elderly will be conducted in each country to gain the views of project stakeholders on project scope, implementation arrangements, community participation and grievance redress mechanisms, and other social, environmental and economic aspects of the project. Representatives of nongovernment organizations, civil society, mass organizations, community-based organizations, and private sector associations will participate in workshops and focus group discussions to formulate the project's participation plan and stakeholder communication strategy.

Household surveys and focus groups discussions with key stakeholders will establish baseline conditions and provide opportunities for stakeholders to provide inputs into the design of infrastructure and capacity building programs.

The project information was shared with civil society organizations active in tourism and urban development in CLMV, including several international nongovernment organizations, non-profit associations, tourism industry associations, and foundations that provide skills training for the urban and rural poor, and support women's and child protection.

During Project Implementation

Business Opportunities
Procurement and consultant recruitment will follow ADB's Procurement Policy and Procurement Regulations for ADB Borrowers (2017) and government regulations acceptable to ADB.

Responsible ADB Officer
Phoxay Xayyavong

Responsible ADB Department
Southeast Asia Department

Responsible ADB Division
Lao Resident Mission

Executing Agencies
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Ministry of Tourism
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Timetable
Concept Clearance
14 Mar 2016
Fact Finding
09 Jan 2018 to 19 Jan 2018
MRM
20 Apr 2018
Approval
31 Aug 2018
Last Review Mission
- 
Last PDS Update
31 Aug 2018

Grant 0599-REG

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<th>Original</th>
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<tr>
<td>Approval Signing Date</td>
<td>16 Oct 2018</td>
<td>25 Dec 2018</td>
<td>30 Jun 2025</td>
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Financing Plan
Grant Utilization
Loan 3701-REG

Milestones

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Financing Plan

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