



Lao People's Democratic Republic: Urban Environment Improvement Investment Program (MFF)

Project Name	Urban Environment Improvement Investment Program (MFF)		
Project Number	53203-001		
Country	Lao People's Democratic Republic		
Project Status	Proposed		
Project Type / Modality of Assistance	Grant Loan		
Source of Funding / Amount	MFF Facility Concept: Urban Environment Improvement Investment Program		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 5.00 million
	MFF Facility Concept: Urban Environment Improvement Investment Program		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 150.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth		
Drivers of Change	Governance and capacity development Partnerships Private sector development		
Sector / Subsector	Water and other urban infrastructure and services - Other urban services - Urban policy, institutional and capacity development - Urban sewerage - Urban solid waste management		
Gender Equity and Mainstreaming	Gender equity		
Description	The investment program will: i) strengthen the policy and regulatory framework for sanitation, drainage, and SWM services, it will also assist the participating cities to prepare gender responsive and inclusive institutional development road maps with clear milestones to ensure city-level agencies are fully operational and responsive to citizens' needs; ii) improve sanitation infrastructure that includes sewerage (household connections, sewer networks, and treatment plants) and septage (vacuum trucks and treatment facilities), drainage and flood protection infrastructure, and SWM systems (facilities for waste reduction, reuse, recycle, segregation, collection and transport, treatment, recovery, and disposal such as landfills); iii) enhance the provincial and city governments' capacity in project management; and, iv) improve women's participation in MPWT employment and leadership roles.		

Project Rationale and Linkage to Country/Regional Strategy

1. Economic outlook. Mining and hydropower, along with agriculture, manufacturing, tourism, transport, and distribution industries, have been the primary drivers of the economy of the Lao People's Democratic Republic (Lao PDR). However, recent flood and drought events have slowed down production in the agriculture and hydro-electric sectors, which has resulted in a decline in the gross domestic product (GDP) from 6.2% in 2018 to 5.0% in 2019. Climate change will further exacerbate the problem with hotter and longer dry seasons, erratic rainfall, and more severe and frequent rainfall, storms, droughts, and floods.

2. COVID-19 impact. The economy is expected to experience a further decline due to the coronavirus disease (COVID-19) pandemic. Although there are only 23 positive cases in Lao PDR, 22 of whom have recovered, as of 5 October 2020, the GDP is projected to drop to 0.5% in 2020, and poverty level is likely to rise by 3.1% (or an additional 96,000 people) in 2020. COVID-19 has highlighted the importance of good health and hygiene practices and how water shortages and poor water quality and sanitation services can adversely affect the ability to maintain hygiene levels in communities. Such limitations can affect efforts to address the spread of the disease and as such, increasing the population's access to safe water, sanitation and hygiene (WASH) services to protect human health will be fundamental to curb the spread of COVID-19 and any future health emergencies.

3. Urbanization. Lao PDR is the second fastest urbanizing country in Southeast Asia. Since 1995, the population of Lao PDR has grown annually at 1.72%, increasing from approximately 4.8 million in 1995 to 7.2 million in 2019. While the country remains predominantly rural based, the urban population has had an average growth of 4.29% per year since 1998 and now represents 36% of the total population (footnote 3). About 1 million of these urban dwellers live in five fast growing cities of Kaysone Phomvihane, Luang Prabang, Pakse, Thakhek, and the capital Vientiane. These cities, and the infrastructure and services that support them, play an increasingly important role in sustaining the country's economic growth.

4. Strategic context. Due to rapid urbanization, most cities have expanded without essential urban infrastructure and services. Albeit with remaining gap, the water supply sector has received much support with 82.3% of the urban population having access to piped water supply. Sanitation, drainage, and solid waste management (SWM), on the other hand, has not achieved the same level of coverage. Untreated solid waste and sewage are being discharged to water bodies, causing adverse impacts on health and the environment. This, compounded by flood events, exposes communities to waterborne and water-related diseases. Moreover, children living in households without safe WASH conditions are more prone to diarrhea, stunting, and underweight, which impact cognitive skills in the long-term.

5. The Urban Environment Improvement Investment Program (the investment program) is consistent with the Country Partnership Strategy 2017 2020 and the strategic goals set in the government's 2030 Vision and 10-Year Socio-Economic Development Strategy (2016 2025). It supports ADB Strategy 2030's key operational priorities of addressing remaining poverty, tackling climate change, making cities more livable, strengthening governance and institutional capacity, and accelerating gender equality. The investment program will address major issues faced by Lao PDR's urban environment described in paras. 6 to 10 below.

6. Underdeveloped policy and regulatory framework. Policy and regulations for urban services do not (i) enable an integrated SWM system which favors environmental sustainability, such as waste reduction, segregation, recycle, reuse, recovery, and safe treatment and disposal; (ii) set design standards for drainage and sanitation infrastructure or require desludging of septic tanks on a regular basis and treating septage; (iii) require payment for urban services at a level that would ensure financial sustainability; and (iv) support women, the poor, and the vulnerable.

7. Inadequate infrastructure. Although 40% 60% of urban households are serviced with solid waste collection, most urban centers still use open dumping sites without segregation or treatment. While 94.4% of the urban population has access to water on premises, about 38% of the urban population did not have access to safely managed sanitation facilities in 2017. Sewer networks are almost non-existent and pour-flush toilets connected to septic tanks or pit latrines are the most commonly used sanitation systems with very limited desludging and treatment of the septage. The needs of women and girls, such as safe public toilets or menstrual hygiene management needs, have also not been considered.

8. Institutional weakness. The institutional and governance systems to manage urban areas in Lao PDR are nascent, especially for sanitation, drainage, and SWM. The Ministry of Public Works and Transport (MPWT) and its provincial Departments of Public Works and Transport (DPWTs) have been planning, designing, constructing, and managing urban infrastructure. Following the Sam-Sang Policy in 2012 and the Local Administration Law 2015 which support decentralization, Urban Development Administration Authorities (UDAAs) were established to operate and maintain the infrastructure; however, this restructuring process is still ongoing, and will need further assistance.

9. Coordination between national, and local levels should improve once the UDAAs are more established. Mandates between the DPWTs, the provincial water utilities (also known as provincial nam papas [PNPs]), and the UDAAs for sanitation, drainage, and SWM are still evolving. When the risks resulting from small market size, inadequate regulatory framework, and uncertainties in revenue streams are reduced, the private sector is expected to participate more actively in the sector.

10. Limited representation of women in decision-making and leadership positions in urban services. Women represent 25% of national, 20% of provincial, and 10% of district staff under the MPWT. The proportion of women in senior decision-making positions is 4.2%. This is the result of (i) few women with technical skills and managerial experience in the sector; (ii) low awareness about career opportunities and societal attitudes that discourage girls from studying science, technology, engineering and mathematics; and (iii) women's and girls' limited education opportunities as they are disproportionately responsible for unpaid household tasks.

Impact	Improved quality of life and sustainability of participating cities
Outcome	Coverage, sustainability and inclusivity of urban environmental services in participating cities increased
Outputs	Policy and regulatory environment improved Urban infrastructure improved Institutional effectiveness improved Women's leadership and employment enhanced
Geographical Location	Nation-wide, Luang Prabang, Pakse, Savannakhet

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Dang, Thuy Trang
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Urban Development and Water Division, SERD

Timetable	
Concept Clearance	11 Nov 2020
Fact Finding	03 May 2021 to 14 May 2021
MRM	21 Jun 2021
Approval	-
Last Review Mission	-
Last PDS Update	16 Nov 2020

Project Page	https://www.adb.org/projects/53203-001/main
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