

SECTOR ASSESSMENT (SUMMARY): WATER SUPPLY AND OTHER MUNICIPAL INFRASTRUCTURE AND SERVICES

Sector Road Map

A. Sector Performance, Problems, and Opportunities

1. The Lao People's Democratic Republic (Lao PDR) remains essentially a rural country based on population distribution. Its current population of 6.7 million is expected to increase to 7.3 million by 2020. In 2014, 62% of the population lived in rural areas, with the remaining 38% residing in urban centers or towns.¹ With an urban population growth rate of about 5-6% since the 1990s, the share of the urban population will continue to increase (footnote 1). Meanwhile, the share of agriculture as a percentage of national gross domestic product (GDP) decreased from over 40% in 2002 to 26% in 2012, while the service sector and the industry sector increased to account for about 37% and 31% of GDP, respectively, by 2012.²

2. To address increasing urbanization, there is a need for (i) sustainable infrastructure investments; (ii) better planning and management capacity of sector departments in government, urban authorities, and water utilities; and (iii) improved understanding by the population of the environmental impacts brought about by rapid economic growth. National and subnational urban planning and management need to be strengthened to safeguard against disorganized growth, inefficient land use, damage and loss of natural resources, and inequitable access to urban services. This is particularly important in provincial and district towns which link rural areas and wider economic markets.

3. The core problem facing urban areas arises from inadequate urban infrastructure and services, which relates directly to the lack of funds for investments in urban infrastructure and operations, weak sector planning and implementation capacity, and an inadequate institutional and legal framework. Missing links in the road network, poor maintenance of water supply infrastructure, flooding and clogged drains, and disposal of untreated waste constrain the productive capacity of urban areas, making them less competitive and livable. Inadequate urban infrastructure, poor management of urban services, and a weak regulatory environment also discourage private sector investment in urban services. Infrastructure investments need to be targeted and based on clear strategies for urban development, including water supply and sanitation.

B. Government's Sector Strategy

4. **Socioeconomic development plan.** The government's Five-Year National Socio-Economic Development Plans (i) provide the framework and agenda for national development and attainment of national goals and objectives, and (ii) establish national development priorities and budgetary allocations over the coming 5-year period. The Seventh Five-Year National Socio-Economic Development Plan, 2011–2015, calls for maintaining economic growth, achieving poverty reduction targets, ensuring sustainable development, and supporting regional integration.³ While it includes many targets and policies similar to previous versions, it presents some departures from the established formula for poverty reduction through the four traditional areas of agriculture, forestry, education, and health. As well as setting broad economic and social targets, the plan includes provisions for improving public administration, enhancing

¹ The World Bank. *World Development Indicators*. 2015. Washington DC.

² Government of the Lao PDR. Lao Statistics Bureau. 2013. *Statistical Year Book 2013*. Vientiane.

³ Government of the Lao PDR. Ministry of Planning and Investment. 2011. *Seventh Five-Year National Socio-Economic Development Plan, 2011–2015*. Vientiane.

regional integration, supporting the sustainable use of natural resources, and providing infrastructure.

5. **Urban sector strategy.** The Department of Housing and Urban Planning, a department under the Ministry of Public Works and Transport (MPWT), completed a draft National Urban Sector Strategy, including a wastewater strategy and investment plan. It outlines objectives, policies, and programs in the urban sector and corresponds to MPWT's 5-year plans. It is a multisector urban agenda intended to be a reference document for planners and decision makers in the government and for other stakeholders. The draft strategy focuses on proposals for technical improvements in urban management and includes suggestions for establishing cross-sector committees for national and provincial urban development and management. The objectives of the strategy are to (i) develop all urban areas from the capital city to village clusters to gradually reduce the development gap between urban and rural areas; (ii) strengthen the capacity of urban management authorities; (iii) create favorable conditions for civil society and the private sector to participate actively in urban planning, management, and sustainable development; and (iv) preserve and expand cultural and national heritage resources through urban development and environmental protection.

6. **Water supply and sanitation strategy.** The MPWT completed its Water Supply and Sanitation Strategy, 2013–2030 in July 2013 with the mission of providing “treated water supply by regulated, self-financing service providers and access to basic sanitation for 90% of the urban population.”⁴ With respect to water supply, the strategy sets goals of water supply coverage of 80% by 2020 and 90% by 2030. With respect to sanitation, the strategy sets a goal of adequate sanitation coverage of 90% of the total urban population by 2020 and 100% by 2030.

7. **Tourism Strategy.** The Lao PDR's National Tourism Strategy, 2012–2020 targets 4.5 million international arrivals and annual tourism revenue equivalent to \$760 million by 2020.⁵ Strategic objectives include generating employment and income for local people, strengthening heritage protection, increasing public–private cooperation, and diversifying tourism products and services. Although the Lao PDR possesses many cultural and natural tourism assets, including two United Nations Educational, Scientific and Cultural Organization World Heritage sites and a protected area network covering more than 15% of the country, international tourist arrivals are largely concentrated in Vientiane. For this reason, there is a special focus on tourism development in secondary destinations, and particularly in improving last-mile access, water supply, and other public infrastructure.

C. Asian Development Bank Sector Experience and Assistance Program

8. The Asian Development Bank (ADB) has been contributing to urban development in the Lao PDR since 1973, when it commissioned a water supply project in Vientiane. ADB commenced its first multisector urban project in the country in 1995.⁶ ADB projects have supported water supply, sanitation, flood protection and drainage, solid waste management, and roads and transport in Vientiane, secondary towns, and provincial capitals. ADB has also provided support for the establishment and capacity building of urban development

⁴ Government of the Lao PDR, Ministry of Public Works and Transport. 2013. *Water Supply and Sanitation Strategy, 2013–2030*. Vientiane.

⁵ Government of the Lao PDR, Ministry of Information, Culture and Tourism. 2012. *Lao PDR Tourism Strategy 2012–2020*. Vientiane. Arrival targets are updated annually and published in MICT's annual statistics report.

⁶ ADB. 1995. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Lao People's Democratic Republic for the Vientiane Integrated Urban Development Project*. Manila.

administration authorities, and capacity development of decentralized provincial water utilities through technical assistance and a number of projects. ADB helped develop the legal framework and strategies for the sector by supporting the preparation of the draft National Urban Sector Strategy by the Department of Housing and Urban Planning (para. 5). ADB has supported tourism in the Greater Mekong Subregion (GMS) since 1992, most recently through the GMS Tourism Infrastructure for Inclusive Growth Project that covers four provinces in the Lao PDR.⁷

9. The strategic thrust of ADB's urban and water operations will continue to follow the government's sector strategies; ADB's Urban Operational Plan, 2012–2020; ADB's Water Operational Plan, 2011–2020; and ADB's Urban Development Sector Assessment, Strategy, and Road Map for the Lao PDR.⁸ Investment projects will continue to be in line with ADB's country partnership strategies for the Lao PDR.⁹ ADB's regional urban projects will follow the GMS strategy to transform transport corridors into economic corridors, as identified in the GMS Economic Cooperation Program Strategic Framework, 2012–2022.¹⁰

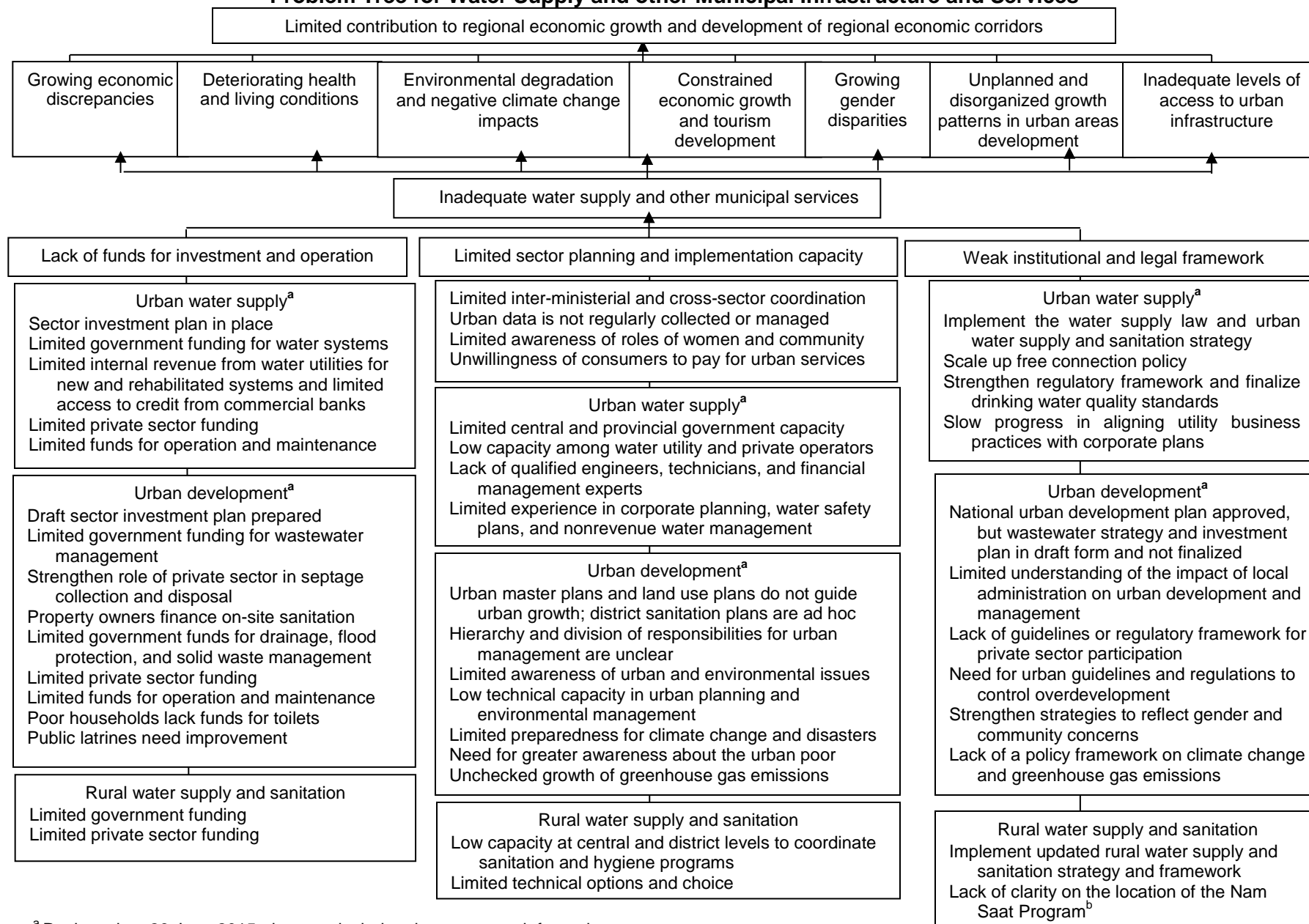
⁷ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Lao People's Democratic Republic for the GMS Tourism Infrastructure for Inclusive Growth Project*. Manila.

⁸ ADB. 2013. *Urban Operational Plan, 2012–2020*. Manila; ADB. 2011. *Water Operational Plan, 2011–2020*. Manila; ADB. 2012. *Lao PDR: Urban Development Sector Assessment, Strategy, and Road Map*. Manila.

⁹ The most recent strategy, covering 2012–2016, was completed in October 2011. An updated strategy is forthcoming.

¹⁰ ADB. 2011. *The Greater Mekong Subregion Economic Cooperation Program Strategic Framework, 2012–2022*. Manila.

Problem Tree for Water Supply and other Municipal Infrastructure and Services



^a Reviewed on 26 June 2015; does not include urban transport information.

^b Program involving rural water supply systems developed by the National Center of Environmental Health and Water Supply in the Ministry of Health

Source: Asian Development Bank. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila.

Sector Results Framework (Water Supply and Other Municipal Infrastructure and Services, 2012–2016)

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations ^a	
Sector Outcomes with ADB Contributions	Indicators with Targets and Baselines	Sector Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
Transport corridors become economic corridors	Trade and investments (national and regional) in each corridor town increased by 10%, from 2012 to 2022 (baseline: 2009) GMS corridors become economic corridors by 2022	Infrastructure investments and capacity building in corridor towns Urban infrastructure and municipal services developed and operated efficiently in main urban areas Enhanced urban and development planning coordination across provinces and districts and with concerned government agencies Increased preparedness for potential climate change impacts in urban areas	By 2020, GMS corridor towns will have improved environmental and economic infrastructure (baseline 2009): 80% of residents have access to water supply and wastewater treatment; 80% of solid waste is collected; flood incidence is reduced by 100% Urban sanitation and wastewater management systems introduced and operational in three urban areas by 2020 (baseline: 2009) Integrated urban development projects developed and operational by 2020 (baseline: 2009) Integrated plans and procedures in place in Vientiane, secondary towns, and provincial capitals by 2020 (baseline: 2009) Climate change policies and plans in place for major urban areas by 2020 (baseline: 2009)	Planned key activity areas Urban development Urban WSS Pipeline projects with estimated amounts Urban Environmental Improvement Project (PPTA: \$0.75 million; project: \$25 million, 2016) Second Water Supply and Sanitation Sector Project (PPTA: \$0.75 million; project: \$25 million, 2016) Ongoing projects with approved amounts GMS Tourism Infrastructure for Inclusive Growth Project (\$40 million, 2014) Water Supply and Sanitation Sector Project (\$35 million, 2013) GMS East–West Economic Corridor Towns Development Project (\$40.8 million, 2012) Pakse Urban Environmental Improvement Project (\$27.5 million, 2012)	Planned projects New systems in key small towns Environmental improvements in key urban areas Increased gender equity in urban development Regional water operator partnership agreements Ongoing projects: Increased competitiveness of at least three towns in Lao PDR and in the GMS Regional water operator partnership agreements Strengthened sector and regulatory capacity of key agencies Tourism development in four provinces Improved governance in water supply utilities (at least 10 provincial utilities corporatized) Increased gender equity in WSS

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Increased access to safe WSS for women and men	Lao PDR MDG and NSEDP-7 targets by 2015: 80% of the population has access to clean water supply (2007 baseline: 74%); and 60% has access to pour-flush latrines (2007 baseline: 49%) Urban water supply sector goal by 2020: 80% of urban residents have access to piped water supply (2005 baseline: 67%)	Expanded access to safe piped water supply and increased household coverage of pour-flush latrines in small towns Enhanced gender equity in WSS and urban development	Piped water supply systems in small towns increase to at least 70 small towns by 2015 (2009 baseline: 51) Urban strategies and guidelines incorporate gender concerns	Small Towns WSS Sector Project (\$23 million, 2009) TA Strengthening Capacity in Urban Water Supply and Sanitation Management (\$1.3 million, 2014) TA Strengthening Urban Water Supply Regulation (\$0.5 million, 2011)	Rehabilitated piped water supply systems in at least three small towns New systems in at least 10 small towns

^a Updated on 26 June 2015; does not include urban transport information.

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, MDG = Millennium Development Goal, NSEDP-7 = Seventh Five-Year National Socio-Economic Development Plan, PPTA = project preparatory technical assistance, TA = technical assistance, WSS = water supply and sanitation.

Sources: ADB. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila; Government of the Lao PDR, Ministry of Planning and Investment. 2011. *Seventh Five-Year National Socio-Economic Development Plan, 2011–2015*. Vientiane; ADB. 2011. *GMS Economic Cooperation Program Strategic Framework, 2012-2022*. Manila; Government of the Lao PDR and United Nations Development Programme. 2008. *Millennium Development Goals, Progress Report Lao PDR 2008*. Vientiane.