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. 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. 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. 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

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

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

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." 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. 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. 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

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 MICTs annual statistics report.

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

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

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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.

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

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

Limited contribution to regional economic growth and development of regional economic corridors

Growing economic Deteriorating health Environmental degradation Constrained Growing Unplanned and Inadequate levels of discrepancies and living conditions economic growth and negative climate change aender disorganized growth access to urban impacts and tourism disparities patterns in urban areas infrastructure development development Inadequate water supply and other municipal services

Lack of funds for investment and operation

Urban water supply^a
Sector investment plan in place
Limited government funding for water systems
Limited internal revenue from water utilities for
new and rehabilitated systems and limited
access to credit from commercial banks
Limited private sector funding
Limited funds for operation and maintenance

Urban development^a

Draft sector investment plan prepared Limited government funding for wastewater management

Strengthen role of private sector in septage collection and disposal

Property owners finance on-site sanitation Limited government funds for drainage, flood protection, and solid waste management Limited private sector funding

Limited funds for operation and maintenance Poor households lack funds for toilets Public latrines need improvement

Rural water supply and sanitation Limited government funding Limited private sector funding Limited sector planning and implementation capacity

Limited inter-ministerial and cross-sector coordination Urban data is not regularly collected or managed Limited awareness of roles of women and community Unwillingness of consumers to pay for urban services

Urban water supply^a

Limited central and provincial government capacity Low capacity among water utility and private operators Lack of qualified engineers, technicians, and financial management experts

Limited experience in corporate planning, water safety plans, and nonrevenue water management

Urban development^a

Urban master plans and land use plans do not guide urban growth; district sanitation plans are ad hoc Hierarchy and division of responsibilities for urban management are unclear

Limited awareness of urban and environmental issues Low technical capacity in urban planning and environmental management

Limited preparedness for climate change and disasters Need for greater awareness about the urban poor Unchecked growth of greenhouse gas emissions

Rural water supply and sanitation

Low capacity at central and district levels to coordinate sanitation and hygiene programs

Limited technical options and choice

Weak institutional and legal framework

Urban water supply^a

Implement the water supply law and urban water supply and sanitation strategy Scale up free connection policy

Strengthen regulatory framework and finalize drinking water quality standards

Slow progress in aligning utility business practices with corporate plans

Urban development^a

National urban development plan approved, but wastewater strategy and investment plan in draft form and not finalized

Limited understanding of the impact of local administration on urban development and management

Lack of guidelines or regulatory framework for private sector participation

Need for urban guidelines and regulations to control overdevelopment

Strengthen strategies to reflect gender and community concerns

Lack of a policy framework on climate change and greenhouse gas emissions

Rural water supply and sanitation Implement updated rural water supply and sanitation strategy and framework Lack of clarity on the location of the Nam Saat Program^b

^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	Indicators with	•	•		Main Outputs
with ADB	Targets and	Sector Outputs with	Indicators with	Planned and Ongoing ADB	Expected from ADB
Contributions	Baselines	ADB Contribution	Incremental Targets	Interventions	Interventions
Transport corridors	Trade and investments	Infrastructure	By 2020, GMS corridor	Planned key activity areas	Planned projects
become economic	(national and regional)	investments and	towns will have improved	Urban development	New systems in key
corridors	in each corridor town	capacity building in	environmental and	Urban WSS	small towns
	increased by 10%,	corridor towns	economic infrastructure		Environmental
	from 2012 to 2022 (baseline: 2009)	Urban infrastructure	(baseline 2009): 80% of	Pipeline projects with	improvements in key
	,	and municipal services	residents have access to water supply and	estimated amounts	urban areas
	GMS corridors become	developed and	wastewater treatment; 80%	Urban Environmental	Increased gender equity
	economic corridors by 2022	operated efficiently in main urban areas	of solid waste is collected:	Improvement Project (PPTA:	in urban development
	2022	Enhanced urban and	flood incidence is reduced	\$0.75 million; project: \$25	Regional water operator
		development planning	by 100%	million, 2016)	partnership agreements
		coordination across	Urban sanitation and	Second Water Supply and	
		provinces and districts	wastewater management	Sanitation Sector Project (PPTA:	Ongoing projects:
		and with concerned	systems introduced and	\$0.75 million; project: \$25	Increased
		government agencies	operational in three urban	million, 2016)	competitiveness of at
		Increased	areas by 2020 (baseline:		least three towns in Lao
		preparedness for	2009)	Ongoing projects with	PDR and in the GMS
		potential climate	Integrated urban	approved amounts	Regional water operator
		change impacts in	development projects	GMS Tourism Infrastructure for	partnership agreements
		urban areas	developed and operational	Inclusive Growth Project (\$40	Strengthened sector
			by 2020	million, 2014)	and regulatory capacity
			(baseline: 2009)	Water Supply and Sanitation	of key agencies
			Integrated plans and	Sector Project (\$35 million,	Tourism development in
			procedures in place in	2013)	four provinces
			Vientiane, secondary towns, and provincial capitals by	GMS East–West Economic	Improved governance in
			2020 (baseline: 2009)	Corridor Towns Development Project (\$40.8 million, 2012)	water supply utilities (at
			Climate change policies and	Pakse Urban Environmental	least 10 provincial
			plans in place for major	Improvement Project (\$27.5	utilities corporatized)
			urban areas by 2020	million, 2012)	Increased gender equity in WSS
			(baseline: 2009)	, , , , , , , , , , , , , , , , , , ,	111 44 32

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
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.