Lao Urban Water Supply and Sanitation – Development Model

Ministry of Public Works and Transport
Lao PDR

ASEM Water Forum on Sustainable Water Resources Management in Context of Urbanization, Hunan, May 2014
## Sector Context

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Urban Population</td>
<td>6.30 million approx.</td>
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<tr>
<td>National Growth Rate</td>
<td>2.1%</td>
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<tr>
<td>Urbanization</td>
<td>&gt;3.0%</td>
</tr>
<tr>
<td>Urban Population (2013)</td>
<td>1.80 million</td>
</tr>
<tr>
<td>Sector Goal (2020)</td>
<td>80%</td>
</tr>
<tr>
<td>Urban Coverage (2013)</td>
<td>60%</td>
</tr>
<tr>
<td>Additional Urban Population (2020)</td>
<td>1.26 million</td>
</tr>
<tr>
<td>Required Investment (now to 2020)</td>
<td>$150 million</td>
</tr>
</tbody>
</table>
Sector Context (Cont’d)

• Sector Decentralized in 2000
  • 17 provinces
  • Vientiane Capital City

• Provincial Water Supply Service Providers
  • State-owned Water Supply Enterprise in each Province with several urban systems in each
  • A few small-scale entrepreneurs – MIREP
  • One large joint venture - Savannakhet
  • One medium-scale BOT – Pakse

• Sector guided by a Sector Investment Plan and a Sector Strategy
Legal Framework

• Enterprise Law 2005  
  • Sets out business registration and procedures
• Water Supply Law 2009  
  • Sets out roles and responsibilities of key sector actors
• Investment Law 2009  
  • Sets out requirements for entities wishing to invest in the sector
• District Sanitation Regulations  
  • Pilot tested under recent projects
• Party and Government Policy on Enterprise Reform 2013
Government Goals and Policies

• Sector Goals
  • Water Supply (pws) - 80% coverage of urban population by 2020
  • Sanitation - 90% coverage of urban population by 2020

• Key Policies
  • Sector development must have a clear focus on poverty alleviation, with assistance provided on an equitable basis
  • Subsidies to State-owned enterprises to be eliminated – direct impact on tariffs and cost recovery policies
Model to Date

• Implementation
  • Appropriate Technology
  • Capacity Development
  • Twinning Arrangements
  • Consistent with Absorptive Capacity

• Complementary and Parallel Reform
  • Corporatization – development of corporate plans (3 years rolling)
  • Introduction of more realistic and affordable tariffs – close to or full recovery
  • Free connection policy linked to sanitation – over 90% coverage
Challenges for the Future

- **Mobilization of Financial Resources**
  - Required annual capital investments to 2020 exceed $25 million/annum
  - Donors currently provide less than half this amount
  - Budgetary resources very limited
  - Banking sector not sufficiently mature to support infrastructure financing
    - Repayment periods – 5-7 years
    - Interest rates – 12%/annum
    - No grace period
  - Existing service providers not considered creditworthy at this stage – high risk
  - Enabling environments for private sector investment not yet sufficiently developed
Challenges for the Future (Cont’d)

• Improved knowledge and understanding of Policy- and Decision-Makers (need a common understanding to the following aspects)
  • Need to develop better awareness of legal and regulatory regimes
  • Need to develop better awareness of institutional constraints and needs
  • Need to develop better awareness of sector capacity
  • Need to develop better awareness of issues/decisions to be taken to achieve sector goals
  • Need to develop better awareness of the need for strategic planning and implementation
Challenges for the Future (Cont’d)

• Absorptive Capacity to be Enhanced
  • Government ministries and agencies have limited skilled resources and budget
  • Consulting and constructing industries have limited skilled resources and expertise to support accelerated sector development
  • Few Lao contractors can qualify for MDB-financed procurement packages
  • Government agencies have little or no experience in managing private sector contracts
Challenges for the Future (Cont’d)

• One major issue is that of equitable and affordable access to services

• Population density, poverty levels, topographic patterns and logistics lead to significantly different tariffs in some provinces

• The challenge is to effect some cross-subsidy arrangement to address this issue and ensure equitable access

• A sector development fund will be explored in the near future to address this issue
  • Capital investment
  • Possibly recurrent costs
Conclusions

• Despite seemingly insurmountable problems, much has been achieved in the sector over the past decade.
• Government will look for away and act strategically to maximize development effort
• Greater effort needed to secure mobilization of additional financial resources
• Absorptive capacity of all level needs to be enhanced
• Thank you

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