

Lao People's Democratic Republic

Overview: Water Supply, Sanitation and Hygiene

Summary

The 8th National Socio-Economic Development Plan of Lao PDR outlines the direction of the country's development until 2020. Lao PDR has set a target of 90% coverage of access to basic water supply and 80% coverage with adequate sanitation and hygiene by 2020. (NSED P106; 7th draft Nov 24, 2015) To achieve these targets, Lao PDR will require financing of US\$143 million annually, in particular to develop sanitation and manage water services and resources for the future. Currently, the public financing gap is estimated as \$34 million a year. An improved sanitation and hygiene status is critical to the intent of the Government to tackle the high level of malnutrition, with children under age five stunting still at 35% in 2015. Lao PDR has drawn up plans to further reduce open defecation from the current 21%. Following the development of the WASH policy in 2015, Lao PDR is in the process of completing a sanitation strategy that aims to raise sanitation and hygiene coverage to 100% safely managed sanitation services by 2030. Good progress has been made in recent years by the WASH sector and associated partners. The achievement of the SDGs will require an extra effort, with a significant household participation to eliminate open defecation and progress to universal basic sanitation services. Poverty, remoteness and limited access to markets remain important challenges in raising WASH coverage and ensuring equitable access.

Five major actions to ensure a proactive approach to progress:

1. Channel adequate public and private resources to rural sanitation and hygiene, and water supply, and initiate a safely managed urban sanitation strategy.
2. Scale-up strategies in behavior change communications (BCC) and sanitation marketing to eliminate open defecation in rural areas and improve access to basic sanitation level.
3. Raise competency and capacity for the Sector as the foundation for better performance and efficiency, including a functional sector monitoring system.
4. Identify and better target resources to improve WASH coverage for vulnerable groups, schools and health facilities through collaboration and convergence with partner programmes.
5. Increase regulatory oversight and monitoring of key performance indicators (KPIs) in urban water supply and improve quality in order to achieve and sustain the new standards for safely managed services and enable utilities to become attractive for additional financing

1. Overview of the Lao PDR vision and targets for the SDGs

In Lao PDR the WASH sector is guided by the [draft] National WASH policy 2016. The policy builds on the Water Supply Law 2009 and the National Plan of Action 2012 for Rural Water Supply, Sanitation and Hygiene. Currently a national strategy for sanitation is in the final draft stage. The sector is guided by the Government Vision for "Promoting access to safe and reliable water supply and sanitation for everyone".

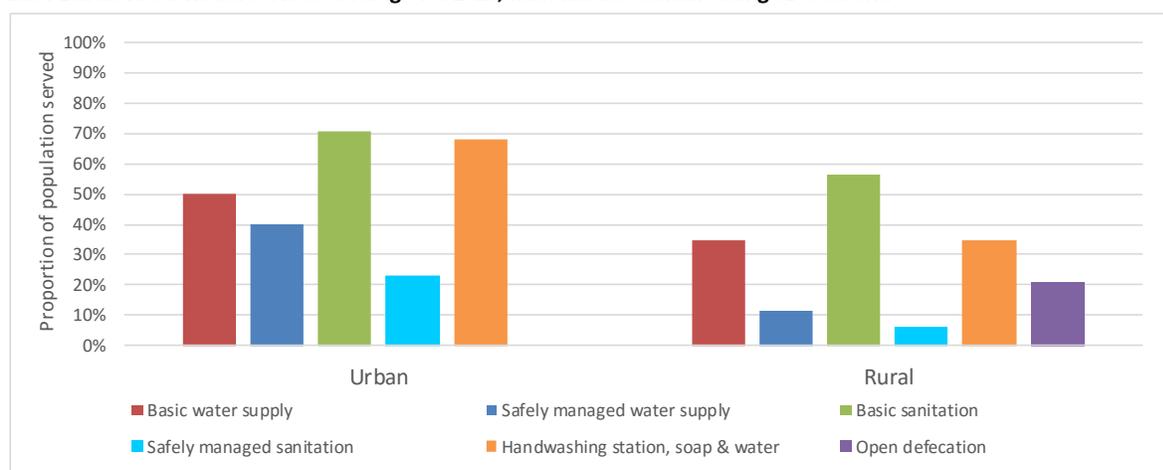
In 2015, open defecation was still practiced by some 23% of the population, mostly in the rural areas. The 2016-2025 National Nutrition Strategy and 2016-2020 Plan of Action views improved WASH services as a critical intervention component. A reduction of open defecation is a priority and will be achieved through outreach and promotion to remote and poor communities.

In 2015, Lao PDR achieved coverage of 84% for improved water supply and 71% for improved sanitation. This was sufficient to achieve the MDG targets for water and sanitation. The more ambitious WASH targets and standards under the SDGs significantly raise the bar for what is required. Lao PDR expects to achieve universal access to safely managed water supply and sanitation services by 2030. Its achievement is a socio-economic necessity and is essential to boosting income from tourism.

The main challenges are (1) extending services, and improving water quality and the management of faecal sludge, and (2) raising district level capacity in terms of human resources and capacity to develop and maintain WASH services in remote and poor communities. As service access varies considerably among communities and ethnic groups, targeting of service delivery to reduce inequalities continues to need attention.

The critical bottlenecks to overcome include: weak capacity to monitor services and functionality, including the lack of separation of oversight from service provision; shortfalls in public financing to match donor funds and encourage household contributions; human resource constraints; limited multi-year funding agreements from partners which limits predictability of planning. If these are not resolved, progress will remain slow and the SDGs will be missed.

Lao PDR: Revised WASH service coverage for 2015, national assessment using SDG criteria



2. Review of the sector – State of the Sector Building Blocks and Collaborative Behaviours

In the last decade, Lao PDR has moved from being classified as a low-income country to a lower middle-income country. It has managed to halve its national poverty rate to 24.8 % by 2015. Since 1999 the WASH sector has gradually developed into an active contributor to national development. Legislation, ministerial guidance, a draft WASH policy and sector strategies provide directions towards achieving the SDGs by 2030.

There are several gaps which need to be addressed in a number of building blocks.

Policy and strategy: The government has led the process of developing the sector vision and policy, which is focused on achieving universal access by 2030. While the sector has drafted an overarching WASH policy, the strategies for achieving these will need revision and harmonization for efficiency, and to reflect SDG targets appropriately. The growing role of the decentralized government authorities needs to be further clarified and supported to raise service delivery capacity (*Sam Sang Policy*). Service gaps need to be resolved through district level plans. The district level plans should reflect a multi-stakeholder collaboration and convergence to enhance synergy for investment and sustainability of services, on cost-sharing basis. Special attention is to be given to economically backward districts and measures to further reduce open defecation.

Institutional arrangements: The Department for Water Supply of the Ministry of Public Works and Transport is the lead agency in the sector. It mainly serves the urban sector and collaborates with the Ministry of Health which implements sanitation and hygiene activities, and some water points in the rural

areas. Implementation of the WASH policy and sanitation strategy will clarify roles and responsibilities of stakeholders at all administrative levels, with particular emphasis on raising management capacity at district level and among the provincial water utilities.

An independent regulatory body for water supply and sanitation may need to be established in due course to enhance quality control and good governance.

Multi-stakeholder coordination at national and provincial level needs improvement to enhance monitoring and information exchange for better targeting, and to enhance synergy among complementary programmes.

Sector financing: Lao PDR remains very dependent on external financial sources for investments in the WASH sector. Most external investment is provided to urban water supply. This dependence creates uncertainty with respect to long-term planning and the Human Resource Development Action Plan (HRD) requirements for the sector. Public spending for rural WASH has improved in the last few years, but still remains well below requirement.

Existing urban water supply agencies (Nam Papa) continue to receive capacity building support for performance improvement and are gradually moving towards full cost recovery.

Financing for sanitation improvements is serviced by individual households, with some exceptions for the ultra-poor and vulnerable. However, public finance should be employed for mass communication campaigns for good WASH, to develop sanitation markets and establish micro-finance opportunities at local level.

Planning, Monitoring and Review: Water supply utilities are benchmarking their performance through key performance indicators. A national WASH sector monitoring system is however not in place. For district level planning and asset management a suitable monitoring system for water supply is urgently needed. Annual feedback from local authorities on the status of sanitation (and rural hygiene) needs to be established. In consultation with district public health and education authorities an up-to-date system for monitoring WASH + menstrual hygiene management (MHM) facilities at health facilities, schools and markets can be set up.

Capacity development: The sector will need to renew itself urgently as many current staff will retire shortly. The national HRD plan needs to be updated and relevant staff and career development opportunities need to be created. Dedicated training programmes will be needed for all sector staff, management committees and the private sector.

The WASH sector in Lao PDR has gained profile and leadership with the establishment of the Department of Water Supply. It implements town water supply projects supported by several donor partners and development banks, and provides technical assistance to the urban water supply utilities. The Centre for Environmental Health and Water Supply of the Ministry of Health support sanitation and hygiene in the rural areas, assisted by a good number of INGOs. It also works with the Poverty Reduction Fund. Government agencies and partners to the sector are nowadays working together better. The development of the overarching WASH policy, the Joint Sector Review and the sanitation strategy have generated closer collaboration and understanding.

With regular joint sector reviews, district level stakeholder meetings and regular analysis and feedback on sector achievements greater respect and familiarity will accrue that will further improve effectiveness of planning and greater cost efficiency.

In terms of the SWA Collaborative Behaviours, government and development partners are generally working together well at all levels. Development partners are orientating their programs and funding in line with the government-led strategy for SDG 2030. Greater efficiency of investment can be achieved in rural WASH with district level multi-stakeholder collaboration and convergence. While sector agencies and

partners monitor their project progress, there is no common monitoring system that captures investment and progress across subsectors. For effective targeting as well as national and district level planning, this needs to be developed. The WASH sector will need to engage the financial services sector, large and small (e.g. micro-finance for sanitation and hygiene facilities), to interest the private sector.

COLLABORATIVE BEHAVIOUR	Government	Development Partners
Enhance government leadership of sector planning processes	★ ★ ★ ☆ ☆	★ ★ ★ ☆ ☆
Strengthen and use country systems	★ ★ ★ ☆ ☆	★ ☆ ☆ ☆ ☆
Use one information and mutual accountability platform built around multi-stakeholder, government-led cycle of planning, monitoring and learning	★ ★ ★ ☆ ☆	★ ★ ★ ☆ ☆
Build sustainable water and sanitation sector financing strategies that incorporate financial data from taxes, tariffs and transfers as well as estimates for non-tariff household expenditure	★ ★ ☆ ☆ ☆	★ ★ ☆ ☆ ☆

Priority actions to be taken to ensure the readiness of the sector for the SDGs

- Channel adequate public and private resources to rural sanitation and hygiene, and water supply, and initiate a safely managed urban sanitation strategy
- Scale-up strategies in BCC and sanitation marketing to eliminate open defecation in rural areas and improve access to basic sanitation level.
- Raise competency and capacity for the sector as the foundation for better performance and efficiency, including a functional sector monitoring system.
- Identify and better target resources to improve WASH coverage for vulnerable groups, schools and health facilities through collaboration and convergence with partner programmes
- Increase regulatory oversight and monitoring of KPIs in urban water supply and improve quality in order to achieve and sustain the new standards for safely managed services and enable utilities to become attractive for additional financing
- At provincial and district level, explain and monitor the additional quality aspects of the SDGs 6.1-6.3 (equity of access, gender, MHM, vulnerable groups, fecal sludge management, etc.)

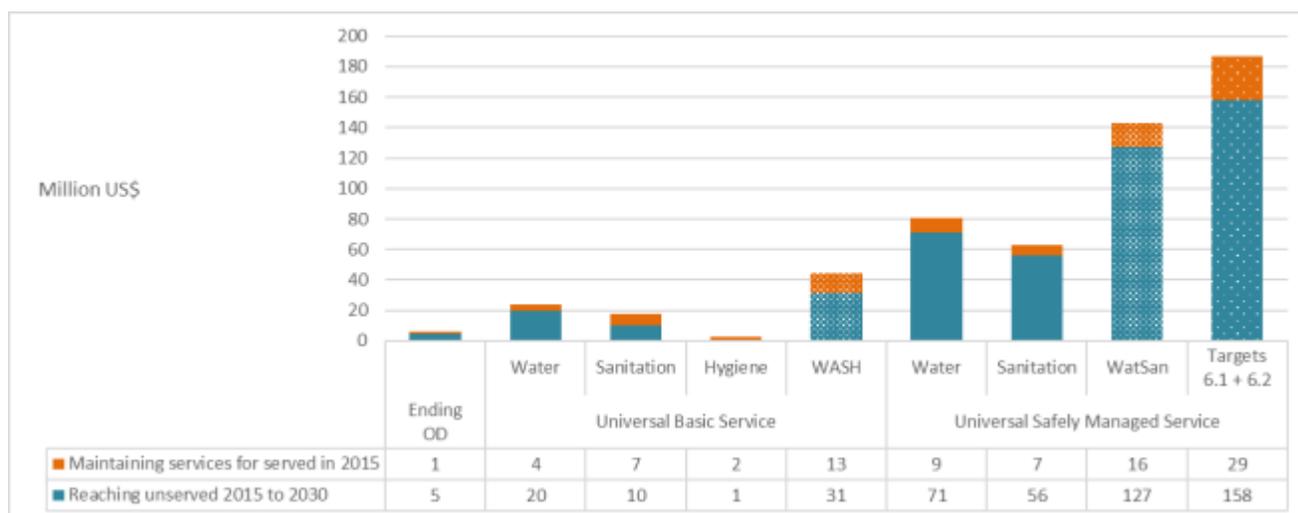
3. Sector investment needs, the financing gaps and areas for improving efficiency

Investment needs and funding gap

Lao PDR may require up to \$87 million dollars per year to achieve the water, sanitation and hygiene SDG targets. The largest share of the investments will be targeted at capital expenditures in the medium-term and mostly dominated by investment needs in urban water supply and sanitation. These costs are driven mostly by lack of services in small town and emerging town areas. Government policy to aggregate people in urban centers adds to this challenge. New construction to expand services is a regular feature of the Provincial Water Utilities which in 2015 provided services to only 69% of the households in their potential command area.

Currently, the financing gap is estimated at \$34 million annually. The deficit is evenly split between urban water and sanitation and rural water supply, with a gap of some \$10-15 million per annum for these three subcategories. The support for sanitation in rural areas is basically for enabling software activities, requiring some \$3 million a year.

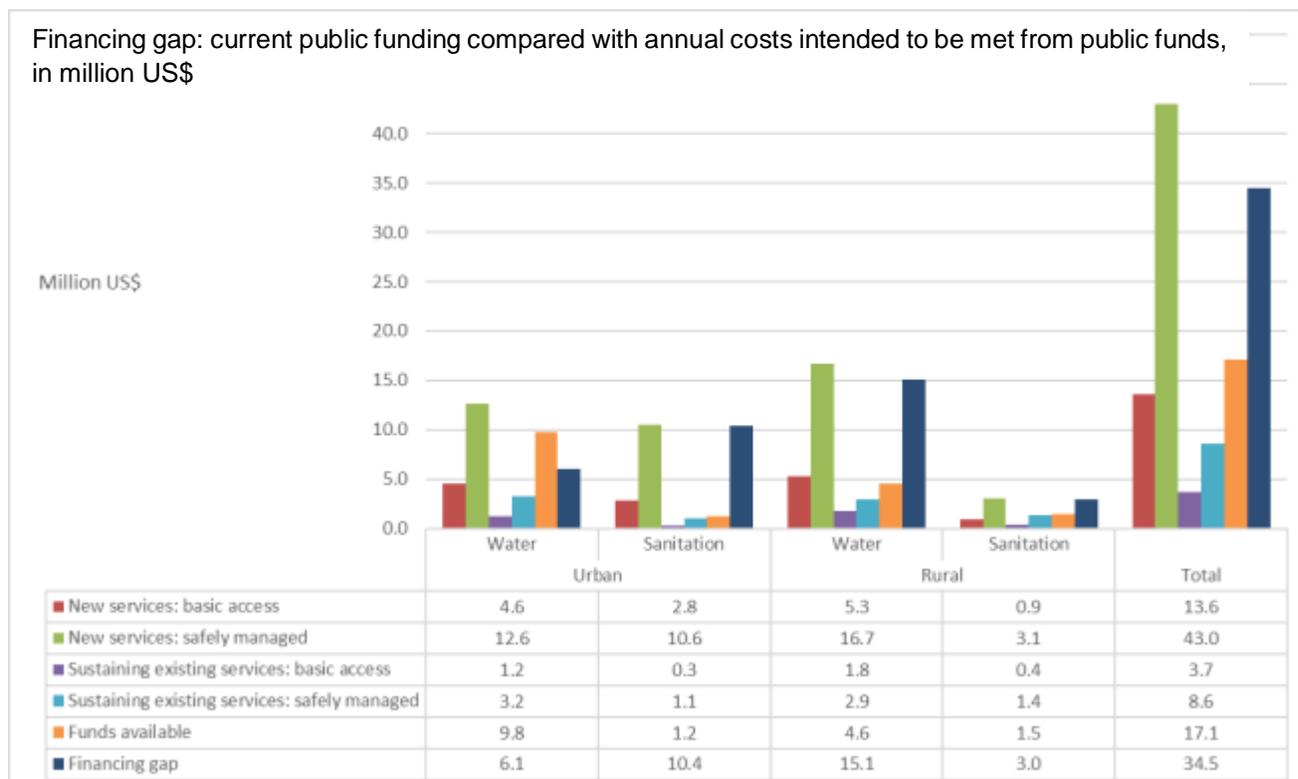
Annual capital costs of reaching entire population to achieve universal access of different service levels by 2030, in million US\$



Strategies to close the financing gap

For effective planning and management, more predictable funding streams would be required. It may well be possible to increase the regular government contribution by 30-40%. At the same time, local authorities should contribute financially to nationally sanctioned projects. Allowing the Provincial Water Utilities to raise their tariffs a little beyond fiscal requirement would generate additional funds for extension of services in their service areas, and make the utilities less dependent on government support.

Mobilizing additional resources include accessing domestic private markets and commercial resources. This will include furthering on-going pilots with service provision through water supply concessionaires.



To achieve the SDGs and particularly to mobilize additional funding, a pro-active and visible resource mobilization strategy, which combines higher household and public contributions as well as access to commercial financing is needed. In addition, further cost saving measures will be needed particularly by using alternative energy sources for utilities. Resource and energy recovery from management of fecal sludge will contribute to a cost-effective service that will attract private entrepreneurs.

4. Planned actions to catalyze progress towards the SDGs

The Government of Lao PDR is in the process of drafting a Lao WASH Sector Strategy 2017. The Strategy has 11 main goals:

Goal 1: Realization of the Governmental Vision 2030 and the 8th Five Year Socio-Economic Development Plan 2016-2020

Goal 2: Ensure an appropriate legal framework: review existing laws and provide a clear and comprehensive framework for the WASH sector

Goal 3: Establish an effective institutional framework, realigning mandates and responsibilities

Goal 4: Improve the regulatory framework

Goal 5: Integration and harmonization with urban planning and development

Goal 6: Expand services to kum bans (lowest administrative unit) and emerging towns

Goal 7: Corporatize the Provincial Water Supply Utilities (*Nam Papas*) for raising financial and operational service performance

Goal 8: Establish a dedicated WASH Trust Fund

Goal 9: Enhance private sector participation

Goal 10: Scale up Human Resource Development for the Sector at all levels, and including HRD services for management committees and CSOs.

Goal 11: Ensure equitable access to services through principles of gender mainstreaming, ensuring inclusion and access to affordable services for all, with particular attention for the poor and vulnerable.

The WASH Sector Strategy will take guidance from the WASH policy 2016 and focus on the elimination of open defecation by 2020, while extending access to basic services in WASH. As much as possible, the quality parameters of the SDGs will be followed, although it is accepted that equity, finance and human resources may dictate a gradual approach.



The Lao PDR country brief was prepared by the Department of Water Supply of the Ministry of Public Works and Transport, in close consultation with the Center for Environmental Health and Water Supply of the Department of Hygiene and Public Health of the Ministry of Health. The note has benefitted from contributions by UNICEF, ADB, World Bank and WHO.

The support from UNICEF and ADB in the consultation process is particularly appreciated.