

ASIAN DEVELOPMENT BANK

TAR: LAO 34197

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR PREPARING THE

**NORTHERN AND CENTRAL REGIONS WATER SUPPLY AND SANITATION
PROJECT**

August 2002

CURRENCY EQUIVALENTS

(as of 31 July 2002)

Currency Unit	–	kip (KN)
KN1.00	=	\$0.00011
\$1.00	=	KN9,500

ABBREVIATIONS

ADB	–	Asian Development Bank
AFD	–	Agence Française de Développement
Lao PDR	–	Lao People's Democratic Republic
MCTPC	–	Ministry of Communication, Transport, Posts, and Construction
NGO	–	nongovernment organization
NORAD	–	Norwegian Agency for Development Cooperation
NPV	–	Nam Papa Vientiane
PMU	–	project management unit
PNP	–	provincial nam papa
PPIAF	–	Public-Private Infrastructure Advisory Facility
PSP	–	private sector participation
SIP	–	Sector Investment Plan
TA	–	technical assistance
UDAA	–	Urban Development Administration Authority
WASA	–	Water Supply Authority
WSSSP	–	Water Supply and Sanitation Sector Project

NOTE

In this report, "\$" refers to US dollars

I. INTRODUCTION

1. Following a request from the Government of the Lao People's Democratic Republic (Lao PDR) for technical assistance (TA)¹ to prepare the Northern and Central Regions Water Supply and Sanitation Project, an Asian Development Bank (ADB) fact-finding mission visited Lao PDR from 22 April to 2 May 2002. The Mission held discussions with officials from the Ministry of Communication, Transport, Posts, and Construction (MCTPC), Water Supply Authority (WASA), and other government agencies concerned. The mission also exchanged views with multilateral and bilateral development agencies, as well as nongovernment organizations active in the water supply and sanitation sectors in the country. The mission made field visits to the small towns of Xanakham and Xiengngeun to assess the need for improved water supply, conduct initial social and poverty assessments, and discuss other project-related issues with the community representatives in the two towns. Based on the discussions and field visits, the mission reached an understanding with the Government on the goals, purpose, scope, cost estimates, financing plan, and implementation arrangements of the TA, and on the terms of reference for the consulting services.² The summary initial social and poverty assessment is presented in Appendix 1.

II. ISSUES

2. Water supply has been a priority in the Government's overall development program. On 30 September 1999, the Government approved the Sector Investment Plan (SIP) 1998-2020, under the Prime Minister's Decision No. 37/PM. The SIP sets out the Government's development targets for the sector: to provide 24-hour access to safe drinking water for 80% of the urban population by 2020, and to bring about equitable development benefits for all the regions of the country. The SIP also provides the order of priority for urban water supply development: (i) capital city of Vientiane; (ii) provincial capital towns; (iii) about 42 small towns with populations of 4,000 or more and a population density of 30 persons or more per hectare; (iv) about 30 small towns with populations of 3,000 or more; and (v) about 30 small towns with populations of 2,000 or more. The total investment required to achieve the above development target for urban water supply is estimated at \$188 million, and the identified financing gap is estimated at \$147 million.

3. Contemporary urban sanitation coverage, based on the 1995 census, ranges from about 90% in Xayabury Province to 50% in Khammuane and Sekong provinces, with an overall coverage of about 70%. Of those urban households with improved sanitary latrines, about 36% have water-flush toilets. Others use various forms of dry pit latrines. About 30% of the urban households in Lao PDR still have no access to sanitation facilities. Except for some public facilities at markets and temples, there are generally no public latrines. Latrine desludging is carried out irregularly, and the sludge is generally discarded in an unsanitary manner on remote land sites or in nearby watercourses. There are no centralized wastewater treatment systems in the country. Water-flush latrines commonly dispose of effluent through septic tanks, seepage trenches, or seepage pits, while some premises discharge wastewater effluent into adjacent stormwater drains that connect to nearby watercourses or drainage lines.

4. In 1998, the Government formally adopted a policy to decentralize the urban water supply and sanitation in the country. As a result, the national water supply company, Nam Papa Lao, was divided into Nam Papa Vientiane (NPV), responsible for water supply in the capital

¹ The TA is included in the country strategy and program (2002-2004) for Lao PDR for 2002.

² The TA first appeared in *ADB Business Opportunities* in December 2001.

city, and the provincial *nam papas* (PNPs), responsible for water supply in each of the 16 provinces and the Xaysomboun Special Region. Although decentralized sector development and management will ultimately lead to a more responsive service delivery, it has posed considerable challenges for the Government. A decentralized sector requires clear delineation of responsibilities among Central Government agencies, provincial government departments, and PNPs. It necessitates adequate technical and managerial capacity as well as operational and financial autonomy at PNPs. With the intended commercial orientations of PNPs under the decentralized development mode, and the likelihood of private sector participation, it also requires a regulatory framework. In response to the Government's request for assistance to cope with the decentralized environment in the sector, ADB provided the Government with a sector loan³ for the Water Supply and Sanitation Sector Project (WSSSP) to support (i) the establishment and development of a regulatory framework for the sector, (ii) the strengthening of the PNPs, and (iii) the provision of improved water supply and sanitation to small town communities. In the process of preparing the WSSSP, the Government issued a water supply sector policy statement, approved the SIP, and established WASA to regulate and coordinate activities within the sector. The development of the regulatory framework and related capacity building for WASA and the PNPs was cofinanced by the Norwegian Agency for Development Cooperation (NORAD) with a grant under a parallel arrangement.

5. To effectively manage the increasing demand for improved urban infrastructure and environment, the Government created the Vientiane Urban Development Administration Authority (UDAA) in 1995, and four other UDAA's in the four provincial towns of Savannakhet, Thakhek, Pakse, and Luang Prabang in 1997. In line with the Government's decentralization policy, the responsibilities for improving urban sanitation in these towns have been transferred from MCTPC to the UDAA's. While the UDAA's have been given the mandate to plan, implement, and manage urban development, they are constrained by limited development and operating budgets, and the improvement of urban sanitation conditions has been largely left to individual households. The low population density in the urban centers allows onsite treatment of liquid waste without causing significant environmental hazard.

6. While significant progress has been made in establishing the regulatory framework and building the essential capacity for the sector institutions,⁴ which has enabled the sector to move a long way towards decentralized, equitable, and sustainable development, the implementation experience of the WSSSP and stakeholder consultations carried out by ADB missions have revealed some important issues and lessons learned, which, apart from a clear need for additional investment for water supply and sanitation development, may constrain the long-term sustainability of the sector.

7. Although the documents have been drafted with respect to WASA's legal status, responsibilities, operational guidelines, and organizational setup, it will take considerable time, operational experience, and policy dialogue for the government agencies concerned to fully appreciate the implications of decentralization, build consensus, and act according to the redefined roles and responsibilities. Continued assistance is clearly needed for WASA to apply these newly delegated authorities in its regulatory operations.

³ ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao PDR for the Water Supply and Sanitation Sector Project*. Manila.

⁴ MCTPC, the executing agency of the WSSSP, as well as the consultants financed by NORAD, report that the project is proceeding satisfactorily in terms of achieving the designed targets.

8. The sector policy statement of the Government, while emphasizing that the PNPs will operate on a commercial basis, is silent on their financial and operational autonomy. Similarly, while the sector policy statement recognizes the role of the private sector in terms of complementing public sector funding, its participation in the sector's development is not explicitly and adequately encouraged. To further improve the sector policy environment in these respects, it is essential that the PNPs' autonomy is clearly defined and private sector participation explicitly encouraged. Furthermore, PNPs must have the capacity to operate autonomously, and WASA to regulate the private sector participants. Experience shows that a predetermined capacity-building program with a fixed input schedule often fails to achieve the intended objectives, because the time required for the recipient agency to digest the recommendations, build consensus, and translate the consensus into actions may not match the input schedule of the consultants. It also makes it difficult to adapt the inputs and terms of reference of the consultants to new issues emerging from the implementation of the recommended actions. Therefore, a more flexible, adaptive, and longer period capacity-building program is required.

9. To effectively carry out its mandate of assisting the Government in formulating sector development strategies and plans, and in setting norms, regulations, and technical standards, WASA needs to establish a database that retains, among others, timely and accurate information with respect to the financial and operational performance of the PNPs, and to groundwater conditions. Lack of groundwater knowledge often limits the technical options to surface water sources that have much higher operating costs. The matter is of particular importance in the light of arsenic problems in the neighboring countries of Cambodia and Viet Nam.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

10. The TA aims to assist the Government in achieving its sector development targets set forth in the SIP (para. 2). The purpose of the TA is threefold: First, it will help the Government meet the SIP targets by preparing an investment project for water supply and sanitation in the northern and central regions of the country suitable for ADB's sector lending modality. Second, it will assist the Government in implementing its decentralization policy and promoting private sector participation by further strengthening the institutional capacity of WASA as the regulatory agency for the sector. Third, it will assist the Government in improving the long-term sustainability of the PNPs by providing capacity building and training assistance to enable them to operate on commercial grounds.

11. The TA has three components: Part A: Sector Loan Preparation includes a thorough review of the existing policy and institutional framework for the urban water supply and sanitation sector, including the sector policy statement and the SIP, and the implementation modality of the WSSSP. It will also prepare the necessary project documents suitable for ADB's sector lending modality. Part B: Capacity Building for WASA will review policies and institutional relations with respect to effective regulations, the organizational setup and staff capacity of WASA, the result of the capacity-building assistance of WSSSP, and the feasibility of private sector participation in the sector. Further capacity-building programs will be recommended together with an action plan to further strengthen WASA's regulatory functions. The ultimate output of this component will be an effective and efficient sector regulatory agency that ensures sustainable and equitable growth of the sector. Part C: Capacity Building for PNPs aims at

strengthening the financial and operational autonomy of the PNPs, and at improving the capacities of PNPs in all operational aspects.

B. Methodology and Key Activities

12. The project design and implementation will make full use of the policy and institutional framework established, and the subproject information prepared, under the WSSSP. The capacity-building components will build upon the output of the capacity-building assistance financed by NORAD, and planned assistance by Agence Française de Développement (AFD) and the Public-Private Infrastructure Advisory Facility (PPIAF).⁵ Individual consultants will be engaged to carry out the above tasks. Except for consultants under Part A, whose work schedule will be guided by ADB to prepare a project for ADB financing in 2003, the inputs of the consultants under other parts of the TA will be carried out over a 3-year period. The exact time and duration of each input as well as detailed terms of reference for each individual consultant will be prepared by WASA within the overall framework of this TA, and will be approved by ADB, to allow for maximum flexibility, adaptability, and ownership.

13. Key activities by the consultants will include reviewing sector documents, conducting stakeholder consultations and workshops, and preparing the required reports. Policy dialogue will be carried out by ADB staff over the course of the TA to ensure participation and ownership of the Government in the policy and institutional changes. The TA study will be coordinated with AFD- and PPIAF-financed activities.

C. Cost and Financing

14. The total cost of the TA is estimated at \$825,000 equivalent, comprising \$543,000 in foreign exchange and \$282,000 equivalent in local currency. ADB will finance \$700,000 equivalent, covering the entire foreign exchange cost and \$157,000 equivalent of the local currency cost, on a grant basis from the Japan Special Fund, funded by the Government of Japan. The Government will finance the remaining \$125,000, which will cover the cost of office accommodation and utilities, counterpart staff remuneration, training, and workshop facilities. The details of cost estimates and financing arrangements are presented in Appendix 2.

D. Implementation Arrangements

15. MCTPC, with the overall responsibility for facilitating and coordinating the development of national water supply and wastewater management systems, will be the Executing Agency for the TA, and will provide office accommodation for the study in Vientiane. WASA, as the only agency in the country that has experience in managing a sector loan for water supply and sanitation development, will be the implementing agency for the TA. WASA will set up a project management unit and appoint a full-time project manager and key staff for it. Each of the participating PNPs will provide a subproject office for the study and will nominate an official to work with the consultants and coordinate activities at the provincial level.

16. The consultants will be selected on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants. The TA will be implemented over a 3-year period, with completion estimated in September 2005. The consultants' input schedule for Part A will be

⁵ AFD plans to provide a grant of €2 million for establishing a training center at NPV, and WASA is requesting assistance from the PPIAF for an initial water tariff policy study, and for a private sector mapping exercise.

managed by ADB to ensure that the loan documents will be ready for ADB Board consideration in 2003, while that for Parts B and C will be managed by WASA, which will also provide detailed terms of reference for each individual input on the basis of the outline terms of reference of this TA report, subject to approval by ADB. Consultants, with assistance from WASA and each participating provincial governor's office, will conduct workshops to disseminate project information and obtain stakeholder inputs and feedback. About 17 person-months of international, and about 12 person-months of domestic consulting services will be required. The expertise required includes water supply engineering, sector policy and institutional reforms, public utilities regulations, project economic and financial analyses, social dimension issues, private sector participation, and water supply management. Outline terms of reference are presented in Appendix 3.

17. To facilitate the study and field visits of the consultants, the TA will provide essential office equipment and a vehicle, to be procured following ADB's *Guidelines for Procurement*. Upon completion of the study, these will be transferred to WASA. The findings and output of the TA will be disseminated by workshops and stakeholder discussions. Significant findings and output of the TA study that could enhance the knowledge of the development profession will be disseminated through seminars or professional publications.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$700,000 on a grant basis to the Government of the Lao People's Democratic Republic for preparing the Northern and Central Regions Water Supply and Sanitation Project, and hereby reports this action to the Board.

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector identified as a National Priority in Country Poverty Analysis?	NA	Sector identified as a National Priority in Country Poverty Partnership Agreement?	Yes
<p>Contribution of the sector/subsector to reducing poverty in the Lao People's Democratic Republic: Safe and convenient water supply and improved sanitation will help reduce poverty through the time and cost savings from purchasing, fetching, treating, and storing water; improved public and family hygiene and health; reduced medical outlays; and increased productive days for adults and school attendance for children.</p>			

B. Poverty Analysis

Proposed Classification: Poverty Intervention (PI)

The types of poverty analysis needed: The Asian Development Bank's *Participatory Poverty Assessment, Lao PDR* provides detailed poverty assessment in the country by region, province, and district, using various methods for measuring poverty; socioeconomic surveys for subprojects will be carried out to provide quantitative poverty assessment in the project areas.

C. Participation Process

Stakeholder Analysis: Major stakeholders are (i) people living in the small towns facing shortage of safe water supply and inadequate sanitation facilities; (ii) village, district, and provincial government officials; (iii) provincial nam papas;¹ (iv) the water supply authority, (v) the Department of Housing and Urban Planning; (vi) mass organizations such as the women's union; (vii) international nongovernment organizations; (viii) private civil works contractors; (ix) private water vendors; and (x) external development agencies.

Stakeholders under (i) – (v) informed the technical assistance (TA) Fact-Finding Mission that they were strongly for the project. International NGOs informed the mission that to participate in ADB-financed projects would subject them to substantial financial and political risks, and their sector knowledge was area specific; therefore they would rather be consulted at the subproject area level rather than at the project level. Community representatives assured the Mission that the private water vendors are all part time and can easily change to other engagements, and they will also benefit from the Project by having safe drinking water, a cleaner environment, and new business opportunities arising from the availability of sufficient clean water supply.

Consultations Needed at Project Design: The TA Fact-Finding Mission carried out initial consultations regarding essential project design parameters with the above stakeholders except those under (vi), (viii), and (ix). Further consultation with regard to project design, implementation, operation and maintenance, and monitoring and evaluation will be carried out with all the above stakeholders through socioeconomic surveys, interviews, workshops, and discussions during the project design phase. Collaboration among the stakeholders, such as public-private partnerships, will be explored during the design process; and, where feasible, empowerment and shared control, over, for instance, the constructed water supply systems, will be introduced.

Participation Strategy Required: An explicit strategy is unnecessary, as adverse impacts of water supply and sanitation projects, if there are any, on any stakeholder will be negligible, and the formulation of the strategy itself will require substantial consensus building, knowledge sharing, capacity building, workshops, etc., which require resources that are unavailable.

¹ Provincial water supply companies.

D. Potential Issues

	Significant/ Insignificant/ Uncertain/ None	Strategy to Address Issues	Plan Required
Resettlement	Insignificant	<p>A short resettlement plan will be prepared during the TA study as a sample document in case land acquisition and resettlement are encountered during project implementation.</p> <p>Community representatives advised the mission that the villagers are willing to accept a swap of land if land acquisition is needed for the construction of the water supply system.</p>	Short
Gender	Insignificant	<p>Both genders will benefit from the Project; the views of women will be given equal consideration as those of men; water supply and sanitation system design will seek the participation of women in the communities; women's voice will be ensured in operation and maintenance, and monitoring.</p> <p>Community representatives and district officials confirmed to the Mission that women are the most active participants in water supply projects because they benefit most from convenient and clean water supply, and they normally force their husbands to contribute labor for digging distribution networks and for house connections.</p>	None
Affordability	Insignificant	The Project will be designed on the basis of affordability analysis; specific measures will be developed to help the poor with access to the systems and facilities.	None
Labor	Not applicable		None
Indigenous People	Insignificant	<p>The Project will not materially affect the livelihood of any particular ethnic minorities, communities, or groups, indigenous people or not.</p> <p>The district officials advised the Mission that those ethnic minorities who migrated to the small towns have already accepted the new way of life, with or without the Project.</p>	None
Other Risks/ Vulnerabilities	None	None were identified.	None

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration			
i. International Consultants	324	0	324
ii. Domestic Consultants	0	36	36
b. Per Diem			
i. International Consultants	51	0	51
ii. Domestic Consultants	0	18	18
c. Travel			
i. International Travel	48	0	48
ii. Domestic Travel	0	4	4
2. Equipment and Vehicle ^b	38	0	38
3. Workshops	0	8	8
4. Surveys and Maps	20	0	20
5. Reports	0	4	4
6. Communication	4	0	4
7. Training	0	70	70
8. Contingencies	58	17	75
Subtotal (A)	543	157	700
B. Government Financing			
1. Office Accommodation and Utilities	0	36	36
2. Counterpart Staff Remuneration	0	13	13
3. Training Facilities	0	72	72
4. Workshop	0	4	4
Subtotal (B)	0	125	125
Total	543	282	825

^a Financed by the Government of Japan.

^b Includes a low end sports utility vehicle, five computers and software, a copy machine, and two printers.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. These outline terms of reference have been prepared mainly for individual international consultants. Detailed terms of reference for individual domestic consultants under Part A will be prepared by the corresponding international consultants, while those for domestic consultants under Parts B and C will be prepared by the Water Supply Authority (WASA) as and when the need arises, subject to approval by the Asian Development Bank, all within the framework of this outline terms of reference. Similarly, the input schedules of the consultants under Part A will be determined by ADB, and those for the consultants under Parts B and C will be determined by WASA, in consultation with ADB.

A. Sector Loan Preparation

1. Water Supply Specialist (3 person-months)

2. The expert should have an engineering degree relevant to urban water supply, with experience in urban water supply sector policy formulation and implementation, water tariff policy design and implementation, and capacity building and training, and should have at least 15 years of experience working in the sector in the developing member countries of ADB. The specific assignments and outputs are as follows:

- (i) Act as the team leader of all the consultants working under Part A of the study; coordinate the input and work schedules of each team members; and ensure the quality of outputs of the team.
- (ii) Review the following government documents: Presidential Decree No. 126/PR: Law on Water and Water Resources (2 November 1996); Prime Minister Decision No. 37/PM: Management and Development of Water Supply Sector (30 September 1999); and Ministerial Decision No. 1728/MCTPC: Organization and Activities of Water supply Authority (26 May 2000).
- (iii) Review and assess the Government's Sector Investment Plan for Urban Water Supply, 1998-2020, and the Sector Policy Statement, especially with respect to private sector participation and full autonomy of the provincial nam papas (PNPs), and recommend as necessary updates and modifications.
- (iv) Review the Report and Recommendation of the President, October 1999 for Loan 1710-LAO(SF): Water Supply and Sanitation Sector Project (WSSSP), and in consultation with ADB, WASA, and consultants under the WSSSP, select four subprojects prepared under the WSSSP for the following review and assessment.
- (v) Review ADB's *Environmental Guidelines for Water Supply and Sanitation Projects*; review initial environmental examinations prepared under the WSSSP; and prepare (a) a rapid environmental assessment checklist within the first month of field study, and (b) a summary initial environmental examination in accordance with ADB requirements and guidelines.
- (vi) In consultation with WASA and selected PNPs, review and assess the subproject selection framework, including the procedures for identifying and appraising

subprojects, and subproject screening, evaluation, and approval criteria; make recommendations for improvements as necessary.

- (vii) In consultation with WASA and the PNPs, review and assess the project implementation arrangements under the WSSSP, and recommend improvements as necessary.
- (viii) In consultation with ADB, prepare the following documents, apart from requirements above: sector performance and indicators; external assistance to the sector and lessons learned; a problem tree and a logical framework for the project; components of the project; project cost estimates; implementation arrangements and schedule; indicative procurement packaging; terms of reference for the consulting services; and project impacts, benefits, and risks.

3. The consultant is expected to submit an outline for the above outputs within 1 month, and to complete the study by the end of the third month. The consultant will organize two workshops, one on sector policies and regulatory framework, targeting policy makers in the sector institutions, and one on project design and implementation arrangements, targeting management level staff at WASA and the PNPs.

2. Project Economist and Financial Analyst (1.5 person-months)

4. The consultant will have a degree in economics or finance, with project experience in urban water supply and sanitation sectors, and at least 5 years of working experience in the developing member countries of ADB. The consultant is expected to submit an outline for the required outputs to ADB for approval within the first two weeks in the field, and to complete the tasks by the end of the 1.5-month period.

- (i) Review ADB's *Handbook for the Economic Analysis of Water Supply Projects; Guidelines for the Economic Analysis of Projects; Economic Analysis of Environmental Impacts: A Workbook; Criteria for Subsidies; and Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank*.
- (ii) Review the economic analyses and financial analyses prepared for the four selected subprojects under the WSSSP, and recommend improvements, if any.
- (iii) Prepare the project economic analysis in forms and substance agreeable to ADB, covering, *inter alia*, demand forecast, least economic cost analysis, economic cost and benefit analysis, economic internal rates of return and average incremental economic costs, sensitivity analysis, benefit distributional analysis, poverty impact ratios, and subsidies.
- (iv) Prepare the project financial analysis in forms and substance agreeable to ADB, covering financial cost and benefit analysis, financial internal rates of return and average incremental financial costs, sensitivity analysis with respect to major project design and implementation risks, water tariff assessment and recommendations, affordability analysis, willingness to pay assessment, performance and indicators of the PNPs; and financial projections for the four PNPs.
- (v) Review the funds flow arrangements and disbursement experience under the WSSSP, and recommend improvements as necessary.

- (vi) Assess the financial management and control over the use of project funds by WASA and the PNPs; assess the adequacy of the project auditor's report with respect to meeting ADB's requirements; and recommend actions as necessary for improvement.

3. Social Development Specialist (1.5 person-months)

5. The expert shall have relevant education qualifications, with project experience in urban water supply and sanitation sectors, and at least 5 years of experience working in the sector in the developing member countries of ADB. The consultant is expected to submit an outline for the required outputs to ADB for approval within the first two weeks in the field, and to complete the tasks by the end of the 1.5-month period:

- (i) Review the Report and Recommendation of the President, October 1999 for the Loan 1710-LAO(SF): Water Supply and Sanitation Sector Project, the *Handbook on Poverty and Social Analysis*; and the *Handbook on Resettlement: A Guide to Good Practice*.
- (ii) Review the social aspects of the four selected subprojects prepared under the WSSSP; assess the socioeconomic surveys, gender and development, land acquisition and resettlement plans and their implementation, indigenous peoples' development plan, and the community awareness and participation programs; and suggest improvements, if any.
- (iii) Review the design and implementation arrangements of the WSSSP, and subproject selection and approval procedures and criteria from the social dimension perspective, and suggest improvements, if any.
- (iv) Organize a workshop on the findings of the above review to discuss the recommended actions or improvements, targeting staff of WASA and the PNPs.
- (v) Prepare the following documents: a short land acquisition and resettlement plan, indigenous peoples' development plan, a summary poverty reduction and social strategy, and a community awareness and participation program.

6. There will be five person-months of domestic consulting services, to help the international experts with the translation and interpretation, data and documents collection, travel and meeting arrangements, etc. The experts will prepare specific terms of reference for each of the domestic assistants for approval by ADB, which will prepare the contracts for domestic assistants.

B. Capacity Building for WASA (6 person-months)

7. This part of the TA requires the services of a water supply regulation specialist and a private sector participation (PSP) specialist. A training fund will be provided to allow key WASA staff to undertake essential training on public utility regulations. In addition, provision is made for WASA to maintain and expand the hydrogeological database established by the Norwegian Agency for Development Cooperation consultants under the WSSSP.

8. The consultants' input will be intermittent over a 3-year period. The timing and duration of, as well as the specific terms of reference for, each input will be determined by WASA, subject to approval by ADB. Four person-months of domestic consultants are available to the international experts, who will prepare the specific terms of reference and input schedules for

approval by WASA and ADB. ADB will enter into service contracts with the domestic consultants. The overall assignments are outlined as follows:

- (i) Review the existing regulatory framework in the sector, including the legal and policy environment, institutional responsibilities of key sector institutions, and the regulatory functions of WASA; identify areas for improvement; and prepare an action plan for discussion with WASA; the Ministry of Communication, Transport, Post, and Construction; and ADB.
- (ii) In consultation with WASA and consultants under the WSSSP, design a database, select appropriate software, and assist WASA in establishing the database, which will enable WASA to (i) effectively monitor the operational and financial performance of the PNPs, the quality of their services in the urban centers, and the suitability of the tariffs; (ii) assess the performance of key private sector participants in the water supply sector, including materials suppliers, civil works contractors, water supply system operators, management contractors, and investors, as appropriate; and (iii) maintain and expand the nationwide groundwater information system initiated by the consultant under the WSSSP.
- (iii) Assess the water tariff policy drafted by WASA under assistance from the PPIAF; recommend further improvements as necessary; design an implementation schedule; and assist WASA in implementing the policy.
- (iv) Assess the training needs of WASA staff on policy formulation, sector investment planning, water supply regulation, private sector promotion and regulation, and database management; design a training program for financing under the TA in consultation with WSSSP consultants; and supervise the implementation of the training program and make necessary modifications to accommodate new training needs identified during implementation.
- (v) Prepare a PSP strategy for the sector; identify private sector involvement in the sector, and design and carry out pilot PSP projects in selected small towns, and document key activities; and assist in replicating the strategy in other small towns if pilot projects are found successful.
- (vi) Review the capacity-building output of the WSSSP consultants and the experience of the training program under the TA; identify areas where further capacity building is required, especially with respect to effective sector regulation, transfer of project implementation functions from WASA to other organizations, and PSP; and prepare a training program to cover the identified training needs for financing under the ensuing ADB loan.
- (vii) Organize workshops to discuss and disseminate the findings of the above assessment, and obtain feedback from concerned stakeholders in the sector.
- (viii) Prepare progress reports to WASA and ADB with respect to the tasks accomplished, difficulties encountered, remaining issues and suggested actions.

C. Capacity Building for PNPs (5 person-months)

9. The consultant will have a degree in engineering or management, with senior managerial experience in water supply companies. The consultant's input will be intermittent over a 3-year period. The timing and duration of, and detailed terms of reference for, each input will be determined by WASA, subject to approval by ADB. There will be 3 person-months of domestic consulting services available to the international expert, who will prepare the specific

terms of reference and input schedule for the domestic consultant. The tasks are outlined as follows:

- (i) Review the Prime Minister's Decision No. 37/PM: Management and Development of Water Supply Sector, and the Government's Sector Policy Statement; in consultation with WASA, assess the financial and operational autonomy of PNPs; and recommend actions to improve their autonomy, including necessary modifications in the Sector Policy Statement to clearly spell out the autonomy of the PNPs.
- (ii) Review the capacity-building assistance provided to the PNPs under the WSSSP; and prepare a program to implement the recommendations of the WSSSP consultants for the PNPs to be selected under the ensuing ADB loan project, including revised organizational structures and job descriptions for the financial and technical departments, operation and maintenance manuals, standard stores and inventory control system for technical departments, standard format for corporate planning, standard financial management information system, standard computer-based accounting, customer database, billing and revenue collection systems, formats for monthly financial reports, format for water supply databases with procedural standards for scheme inspection and maintenance, and recommended measures to reduce unaccounted for water.
- (iii) Provide technical assistance to the PNPs for the implementation of the above institutional changes, and undertake periodic review of the implementation.
- (iv) Based the above implementation reviews, review the training needs report prepared by the WSSSP consultants; and, in consultation with Nam Papa Vientiane (NPV) and Agence Française de Développement, develop a training program for the PNPs, using, as much as possible, the training facilities available at NPV, to cover the identified training needs of the PNPs, which may include: (a) bookkeeping and accounting; (b) tariff planning, billing, and collection; (c) financial planning and management; (d) management information systems; (e) procurement and contract management; (f) project implementation management; (g) community development and cooperation; (h) PSP; (i) operation and maintenance; (j) computer operation and English language; and (k) unaccounted for water reduction
- (v) Based on findings of the above exercises, prepare a long-term training program for the PNPs in all the regions of the country for financing under the ensuing ADB loan.
- (vi) Organize seminars among the PNPs to disseminate lessons learned and best practices. This part of the TA will provide essential office equipment to the PNPs to enable them to introduce the recommended institutional changes and carry out the required actions. It will also provide a matching fund for the PNPs to allow their staff to undertake the initial trainings at NPV's training center. The PNPs will be required to provide 10-40% of the training cost depending on their financial positions and willingness to introduce the recommended institutional changes, with the balance financed from the matching fund.
- (vii) Prepare progress reports to WASA and ADB with respect to the tasks accomplished, difficulties encountered, remaining issues, and suggested actions.