

**ASIAN DEVELOPMENT BANK**

**TAR: LAO 34197**

**TECHNICAL ASSISTANCE**

**TO THE**

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**FOR PREPARING THE**

**NORTHERN AND CENTRAL REGION WATER SUPPLY AND**

**URBAN DEVELOPMENT PROJECT**

**August 2004**

## CURRENCY EQUIVALENTS

(as of 31 July 2004)

Currency Unit	–	kip (KN)
KN1.00	=	\$0.0000926741
\$1.00	=	KN10,791

## ABBREVIATIONS

ADB	–	Asian Development Bank
CPC	–	Committee for Planning and Cooperation
DCTPC	–	Department of Communication, Transport, Post, and Construction
DHUP	–	Department of Housing and Urban Planning
DPACS	–	Department of Public Administration and Civil Service
GDP	–	gross domestic product
LAO PDR	–	Lao People's Democratic Republic
MCTPC	–	Ministry of Communication, Transport, Post, and Construction
MFA	–	Ministry of Foreign Affairs
MOF	–	Ministry of Finance
NCWUD	–	Northern and Central Water Supply and Urban Development
PMU	–	project management unit
PNP	–	provincial nam papa (water supply authority)
TA	–	technical assistance
UDAA	–	Urban Development Administration Authority
WASA	–	Water Supply Authority

## TA CLASSIFICATION

<b>Sector</b>	–	Water Supply, Sanitation and Waste Management
<b>Subsector</b>	–	Integrated
<b>Theme</b>	–	Human development
<b>Subtheme</b>	–	Fostering (physical) infrastructure development

## NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars

This report was prepared by J. Hakim (team leader) and Y. Ye, Mekong Regional Department.

## I. INTRODUCTION

1. Following a request from the Government of the Lao People's Democratic Republic (Lao PDR) for preparatory technical assistance (TA)<sup>1</sup> for the Northern and Central Region Water Supply and Urban Development (NCWUD) Project, the Asian Development Bank (ADB) sent the Fact-Finding Mission to the Lao PDR from 20–28 April 2004, to design the urban development component of the Project. The Mission held discussions with key officials from the Ministry of Communication, Transport, Post and Construction (MCTPC); Ministry of Finance (MOF); Ministry of Foreign Affairs (MFA); Committee for Planning and Cooperation (CPC); Department of Public Administration and Civil Service (DPACS); and other agencies concerned. Based on discussions and field visits, the Mission reached an understanding with the Government regarding the objectives, scope, cost and financing, and implementation arrangements of the TA, and on the terms of reference for consulting services. The preliminary project framework is in Appendix 1.

## II. ISSUES

2. Although rapid development progress has occurred during the past decade, the Lao PDR ranks 143<sup>rd</sup> out of 173 countries in terms of poverty,<sup>2</sup> with an annual gross domestic product (GDP) per capita of \$324. The urban population of the Lao PDR is approximately 18% of the total population, with agriculture as the largest contributor to GDP. With an average annual growth rate of 4.7% between 1990 and 2003, urban areas are playing an increasingly important role in economic development, serving as centers for economic growth, markets for agricultural exchange, locations for industries and nodes of transportation, and centers for attracting foreign and domestic investment. However, as in other large Asian urban areas, rapid urbanization and lack of adequate water supply, environmental sanitation, treatment systems, and other public services have contributed to poverty, poor health, and low productivity of the majority of the urban population. If nothing is done, the bleak prospects of large urban slums and social ills that plague large cities will unfold in the Lao PDR.

3. ADB has actively assisted the Lao urban sector since 1991, with emphasis on environmental and infrastructure improvements, urban governance, and capacity building. The assistance has included the Water Supply and Sanitation Project<sup>3</sup> and three related water supply and sanitation projects: Vientiane Integrated Urban Development Project,<sup>4</sup> Vientiane Urban Infrastructure and Services Project,<sup>5</sup> and Secondary Towns Urban Development Project<sup>6</sup> (covering Luang Prabang, Pakse, Savannakhet, and Thakek). The ADB commitments total \$140.10 million in loans and \$10.23 million in TAs between 1991–2003.<sup>7</sup> The ongoing Small

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<sup>1</sup> The TA first appeared in ADB *Business Opportunities* (Internet edition) on 27 February 2004 under the title "Urban Development".

<sup>2</sup> United Nations. 2002. *United Nations Human Development Report*. New York.

<sup>3</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao People's Democratic Republic for the Water Supply and Sanitation Sector Project*. Manila.

<sup>4</sup> ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao People's Democratic Republic for Vientiane Integrated Urban Development Project*. Manila.

<sup>5</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao People's Democratic Republic for Vientiane Urban Infrastructure and Services Project*. Manila.

<sup>6</sup> ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao People's Democratic Republic for the Secondary Towns Urban Development Project*. Manila.

<sup>7</sup> This amount includes \$16 million for the ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Lao People's Democratic Republic for the Small Towns Development Sector Project*. Manila. Currently ADB is focusing on the development of smaller towns in the urban hierarchy, particularly those in the northern and central regions.

Towns Sector Development Project will serve to enhance rural-market linkages that connect rural areas with subregional and international markets and contribute to sustainable environmental management in urban and peri-urban areas.

4. The need to effectively manage the increasing demand for urban infrastructure and services and the need for continued policy dialogue between ADB and the Lao Government has led to several outcomes. For example, the creation of urban development administration authorities (UDAAs) in Vientiane and four provincial towns to plan, implement, finance, and manage urban development through three decrees has enabled collection of urban-based revenues. The Local Administration Law, adopted by the National Assembly in October 2003, specified the various government levels, roles, and responsibilities. In the water supply sector, provincial *nam papas* (PNPs) have been created to implement and manage water supply systems, while the Water Supply Authority (WASA) was tasked to regulate the water supply sector through a decree and the 1999 Law on Water Resources. Since then, various regulatory and institutional frameworks for more effective service provision have been developed. To yield maximum benefits and necessary impacts, however, these laws and decrees must be fully implemented.

5. Despite assistance by ADB and other development partners to the Lao Government, a coherent urban sector strategy and investment plan is currently lacking, and is needed to provide an overall framework for urban sector investments. Furthermore, despite the large demand for urban infrastructure and services, the economic and social potentials have not been explored. For example, tourism in Champassak, Khammouane, Luang Namtha, and Luang Prabang provinces requires the development of tourist hubs and infrastructure; the Savannakhet Special Economic Zone in the east-west economic corridor requires industrial infrastructure; plans for Nam Theun II hydropower plant will have spatial and development implications for Thakek; increased activity in border towns of Houaxai, Pakxane, Savannakhet, and Thakek, will have further social and economic implications that need to be addressed. Smaller towns in the urban hierarchy are also playing larger roles in the marketing and exchange of agricultural products and as centers of distribution of goods and services within their regions. In anticipation of the opportunities and challenges that may arise, the Government must embark on a long-term strategic plan for urban development, along with a sector investment plan, which incorporates recent urban-related works by the Government, ADB, and other agencies and the preparation of a project design to develop basic urban services for selected small towns in the northern and central regions of the Lao PDR.

6. From implementation experience, some important issues and lessons have surfaced. First is the imperative to assess needs for countrywide investments and priorities in the urban sector to enable decisions with significant impacts. Second, resource and capacity constraints and mobilization for capital investments and operation and maintenance need to be addressed through policy, legal, and institutional means. The effectiveness of PNPs, UDAAAs, WASA, and other stakeholders involved has been constrained by the policy environment and limited capacity to provide adequate and sustainable urban services in Lao towns. Third are issues of interagency cooperation as a result of administrative reforms and changes in the institutional structure. Fourth is the importance of establishing a management framework that will systematically evaluate and monitor environmental, involuntary resettlement, and other social impacts to fully comply with safeguard policies. A summary initial poverty and social analysis is in Appendix 2.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

7. The TA aims to assist the Lao Government to reduce poverty and improve the quality of life of its urban population through public services and investments. The objectives are to (i) guide the future urban investments and development of public services; (ii) improve the capacity of local governments to provide and sustain quality services and enable broad-based support participation from civil society; and (iii) prepare a preliminary design to provide basic urban services to include water supply and sanitation, solid waste management, roads, and markets for selected project towns in the northern and central regions of the Lao PDR.

8. The TA will be a part of a series of activities leading to the forthcoming NCWUD loan project: (i) phase I of the Northern and Central Region Water Supply and Sanitation TA,<sup>8</sup> (ii) TA for the urban development component of the Northern and Central Region Water Supply and Urban Development (the TA), and (iii) phase II of the Northern and Central Region Water Supply TA. Phase I, completed in October 2003, produced survey results of shortlisted towns. The TA will focus on the urban development strategy and urban component of the NCWUD loan project. Phase II will combine outcomes from phase I and the TA, and proceed with a detailed project design for the ensuing NCWUD loan, which is expected to be implemented in 2005.

9. The first main project output will be an urban sector strategy for 2005–2020, which will provide assistance for long-term planning in the Lao urban sector for 2005–2020. It will include (i) an assessment of current sector conditions, issues, potentials, and constraints and recommendations on policy, institutional, and organizational changes for effective provision of public services, (ii) an assessment of monitoring indicators; and (iii) preparation of a procurement plan for the proposed project. Reference will be made to the Government's 2004 National Growth and Poverty Eradication Strategy; the Water Supply and Sanitation Sector Strategy and Water Sector Investment Plan; and ADB's Greater Mekong Subregion program, Northern Region Development Strategy, and other sectoral programs and policies. The second output will be an urban sector investment plan, which will provide indicative targets, prioritization of activities, amount of investments, and sequencing of activities required for various aspects of urban development. The third output will comprise selection of project towns for the proposed NCWUD Project and design of key activities and urban improvements based on assessment of needs, available resources, and commitments from Government and communities. The fourth output will comprise reports on the key issues and constraints facing the urban sector and recommendations for future action.

#### B. Methodology and Key Activities

10. The TA will be implemented in two phases. The first phase will entail an overall review of the Lao urban sector and assessment of existing service delivery, identification of key issues and challenges, and recommendations, to be encapsulated in an urban sector strategy and urban sector investment plan. The second phase will consist of a project design for the urban development component of the NCWUD Project in selected project towns. The methodological approach and key activities of the TA will include the following:

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<sup>8</sup> ADB. 2002. *Technical Assistance to Lao People's Democratic Republic for Northern and Central Region Water Supply and Sanitation Project*. Manila. (TA 3903-LAO, in the amount of \$700,000).

- (i) **Documentary review of the current situation in the Lao urban sector.** This will be obtained from Government, ADB, and other publications and reports. Will include, but not be limited to, identification of key issues and challenges facing the sector, and assessment of policy, institutional, and human and financial resource conditions and constraints.
- (ii) **Data collection from surveys, interviews, and focus group discussions.** This will assess potentials and service needs of towns in the urban hierarchy: Vientiane (capital city), secondary towns, provincial towns and small towns, and border towns; economic corridors; and rural-urban and subregional linkages. Respondents will be key personnel from local governments, community leaders, and potential beneficiaries.
- (iii) **Policy and institutional analysis.** This will include thorough assessments of (a) stakeholders, and the policy, legal, institutional, and organizational environments within which public services are formulated and delivered; and (b) human and financial resource constraints for effective delivery. In particular the analysis will address intra- and inter-organizational aspects of PNPs, UDAs, and WASA to include, but not be limited to, development of UDAs to function as municipalities, further development of WASA as a regulatory agency for the water supply sector, and strengthening of the institutional capacity of various agencies.
- (iv) **Recommendations and indicators.** Recommendations for strategic action, institutional arrangements, amount and phasing of urban investments, and overall framework for urban development will be presented. Monitoring indicators to determine performance will be developed.
- (v) **Design.** The design of basic urban infrastructure will include, but not be limited to, water supply, drainage, flood protection, roads and bridges, solid waste management, and market places. Selection of project towns will be based on poverty level, urgency, need, and willingness to participate. The design of the urban development component of the NCWUD Project will be identified in the TA.

11. A series of workshops will be funded under the TA. The first workshop, to be attended by policymakers and resource persons from, among others, CPC, DPACS, MCTPC, MFA, MOF, and other key government ministries and agencies, will provide guidance and ideas on what constitutes an “urban sector strategy.” A second workshop will discuss findings from the survey; a third workshop will discuss the findings of the consultants’ draft final report. Other, smaller workshops will be conducted with local decisionmakers to discuss and develop commitment on urban development and management. Workshops will produce and disseminate proceedings in the English and Lao languages.

12. The TA will fund activities that promote exchange of information within the Mekong region, such as comparative studies for policymakers and key personnel to be specified and agreed upon between the Government and ADB. Facilitation will be provided to participants to prepare the trips and accompany and debrief participants during and after the trips. Training on urban development-related skills within countries in the region will also be conducted. Participants will submit reports to project implementation unit for inclusion in the progress report.

### **C. Cost and Financing**

13. The total cost of the TA is estimated at \$236,000 equivalent, of which \$200,000 equivalent will be provided by ADB, covering the entire foreign exchange component of \$89,000 and the local currency cost of \$111,000. The TA will be financed on a grant basis by ADB's TA funding program and will cover costs of consulting services, surveys, reports and publications, workshops and training, and administration and support costs. The Lao Government will provide \$36,000 equivalent, in kind, to cover labor, office space and materials, counterpart staff, and other costs. A detailed cost estimate and financing plan is provided in Appendix 3. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project.

### **D. Implementation Arrangements**

14. A steering committee chaired by MCTPC with members consisting of CPC, DPACS, MFA, and MOF will convene every 2 months to monitor TA progress. The Executing Agency is the Department for Housing and Urban Planning of MCTPC, which established a project management unit (PMU) on 15 May 2004. The PMU is responsible for day-to-day coordination and monitoring of project activities, and will provide guidance to consultants; facilitate stakeholder workshops, training, and comparative studies; and supervise surveys. The PMU consists of a full-time project manager, an engineer, a social specialist, and an accountant, with close cooperation from the WASA project management.

15. The TA assignment will be undertaken by a team of international and domestic consultants, to be recruited on an individual basis under the *ADB Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. Two international consultants—an urban planner and team leader and an institutional development specialist—will be recruited for a total of 5 person-months. Three domestic consultants—two civil engineers and a social sector specialist—will be recruited for a total of 10 person-months. An additional three international consultants—a municipal engineer (2 person-months), an environment specialist (1 person-month) and a social development specialist (1 person-month)—will be recruited separately under another TA (footnote 8). Outline terms of reference for consultants are given in Appendix 4.

16. The TA will be implemented over a 7-month period, from 1 August 2004 to 1 April 2005. An inception report, which will propose the methodology for carrying out activities for the full TA duration is expected to be submitted to ADB within 2 weeks of consultant recruitment. An interim report, which will incorporate survey findings, will be submitted within 2 months of TA implementation. A draft final report, which presents the urban sector strategy, investment plan, and project design, will be submitted within 5 months of TA implementation. The final report will incorporate comments from the Government and ADB, and will be submitted at the end of TA implementation. Tripartite meetings will be held among the Government, ADB, and the consultant team during inception and completion of the TA. ADB approval for this TA does not commit ADB to financing an ensuing project.

## **IV. THE PRESIDENT'S DECISION**

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$200,000 on a grant basis to the Government of the Lao People's Democratic Republic for preparing the Northern and Central Region Water Supply and Urban Development Project, and hereby reports this action to the Board.

## PRELIMINARY PROJECT FRAMEWORK

Design Summary	Performance Targets	Project Monitoring Mechanisms	Risks/Assumptions
<p><b>Goal</b></p> <p>To improve the quality of life and reduce poverty in urban areas</p>	<ul style="list-style-type: none"> <li>• Improved urban environment, public health, and well-being</li> <li>• Decreased poverty incidence</li> <li>• Equitable access to urban services</li> </ul>	<ul style="list-style-type: none"> <li>• National indicators and statistics</li> <li>• Government and external funding agencies reports</li> </ul>	
<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• To develop and sustain accessible and affordable urban infrastructure and services, particularly for the poor</li> <li>• To facilitate broad-based participation and support from civil society to operate and maintain urban infrastructure investments</li> <li>• To improve the managerial, technical, and financial capacity of local governments to provide and sustain quality services</li> </ul>	<ul style="list-style-type: none"> <li>• Continued improvements of urban and environmental infrastructure and services</li> <li>• Adequate resources for operation and maintenance (O&amp;M)</li> <li>• Mechanisms to enable decision-making at local and community levels and propensity for communities to mobilize resources</li> <li>• Ability to generate resources for capital investments and O&amp;M, better equipped and responsive personnel for urban service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory of urban assets</li> <li>• Government reports</li> <li>• Funding agency or nongovernment organization (NGO) reports; interviews with communities/ community leaders</li> <li>• Government reports, funding agency or NGO reports</li> </ul>	<ul style="list-style-type: none"> <li>• Support from government agencies and provincial or local governments</li> <li>• An environment conducive for civic participation</li> <li>• Continued support for administrative reforms by government and civil society</li> </ul>
<p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>• Improved urban environment, infrastructure, and services</li> <li>• Improved local capacity to mobilize resources and plan, build, and maintain urban infrastructure</li> <li>• Increased civic awareness and participation</li> </ul>	<ul style="list-style-type: none"> <li>• Improved road access and road conditions</li> <li>• Improved environmental sanitation: drainage, solid waste, flood protection</li> <li>• Improved water supply systems</li> <li>• Ability of local government and communities to deliver and maintain essential urban infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory of urban assets</li> <li>• Funding agency, NGO, government reports</li> <li>• Funding agency or NGO reports; interviews with communities or community leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Proper selection of project sites and targeted beneficiaries</li> <li>• Sufficient and sustained political, institutional, and community support for urban reforms</li> </ul>

*Continued on next page.*

**PRELIMINARY PROJECT FRAMEWORK—Continued**

	<ul style="list-style-type: none"> <li>• Increased participation in community projects</li> <li>• Improved sanitary and health habits</li> <li>• Decreased incidence of health-related diseases</li> </ul>		
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Infrastructure improvements in selected towns to include some or all of the following: <ul style="list-style-type: none"> <li>• road surfacing,</li> <li>• bridge construction,</li> <li>• drainage,</li> <li>• water supply,</li> <li>• solid waste, and</li> <li>• flood protection</li> </ul> </li> <li>2. Public awareness campaigns <ul style="list-style-type: none"> <li>• public health</li> <li>• community participation</li> </ul> </li> <li>3. Administration support and capacity building</li> </ol>	<ol style="list-style-type: none"> <li>1. Infrastructure works in selected project towns <ul style="list-style-type: none"> <li>• length of road surfacing,</li> <li>• number of bridges,</li> <li>• length of drainage,</li> <li>• water supply coverage,</li> <li>• solid waste collected and disposed of, and</li> <li>• embankment and flood protection</li> </ul> </li> <li>2. Outreach to intended beneficiaries</li> <li>3. Greater awareness and participation</li> <li>4. Greater capacity of local government to design and implement projects</li> </ol>	<ul style="list-style-type: none"> <li>• Government inventory of urban assets</li> <li>• Interviews</li> <li>• Mission reports</li> </ul>	<ul style="list-style-type: none"> <li>• Support from various government agencies and provincial or local governments</li> <li>• Adequate consultations with and involvement of communities</li> </ul>
<p><b>Inputs</b></p> <ol style="list-style-type: none"> <li>1. Technical assistance (\$236,000 equivalent) <ul style="list-style-type: none"> <li>• international consulting services for 5 person-months; domestic consulting services for 10 person-months</li> <li>• additional consulting services for 7 person-months (shared)</li> </ul> </li> <li>2. Project assistance (\$10 million)</li> </ol>	<ul style="list-style-type: none"> <li>• Project design for the urban component of the Northern and Central Region Water Supply and Urban Development Project</li> <li>• Actual components to be determined following completion of the technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Project disbursements</li> <li>• Review mission reports</li> </ul>	Timely availability of inputs

## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
<p><b>Contribution of the sector or subsector to reduce poverty in Lao PDR:</b></p> <p>With a gross domestic product (GDP) per capita of \$324, the Lao People's Democratic Republic (Lao PDR) is one of the poorest countries in world. The urban population is currently 18% of the total population of 5 million and is growing at 4.7% per annum. However, urban development in the Lao PDR has long suffered from insufficient funds and weak institutional capacity. Furthermore, urban infrastructure and services are in poor condition, inadequate to meet the growing demand, and pose severe environmental and health problems, which inhibits social and economic development. The Asian Development Bank (ADB) country and strategy program (CSP) for Lao indicates that assistance will be directed to the poor in the northern region with emphasis on economic integration with neighboring economies, market-based development initiatives, human resource development, and sustainable social and environmental management. The development of urban-rural market linkages and connecting rural Lao PDR to subregional and international markets—which implies the need for investing in urban areas—is one of the thrusts of the CSP.</p> <p>The project will develop a long-term urban sector strategy and an investment plan, and will improve the urban services in selected towns in the north and central region that suffer from inadequate and poor services. The project will address the severe environmental and health problems facing the town residents by providing much needed solid waste, urban roads and drainage, as well as water supply and sanitation systems. With improved urban services, the project will strengthen urban areas as regional centers for growth and stimulate the economic development in the region. A demand-driven community awareness and pro-poor community development program will be designed to expand the services to poor and address their needs.</p>			

### B. Poverty Analysis

### Proposed Poverty Classification: Poverty Intervention

<p><b>What type of poverty analysis is needed?</b></p> <p>Approximately 38% of the Lao PDR population live below the poverty line. The northern region is one of the poorest in the Lao PDR with poverty incidence of 43.3% compared to Vientiane (16.7%) and the central and southern regions (27.7% and 35.9%, respectively). In terms of rural-urban disparities, although poverty incidence is higher in rural areas (41%) than in urban areas (27%), the rate of poverty reduction in urban areas is slower because of higher income inequalities in urban areas. The project intends to focus on small towns in the northern region with severe environmental and health problems, with the general population having lower living standards and higher poverty levels. The poor are the most vulnerable group due to inadequate environmental and sanitary conditions. A participatory poverty analysis is needed to identify target beneficiaries and subgroups in each project town, identify their needs, determine the type of intervention, and identify the potential for resource mobilization.</p>	<p>Category B</p>
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### C. Participation Process

<b>Is there a stakeholder analysis?</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Is there a participation strategy?</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**D. Gender Development****Strategy to maximize impacts on women:**

A gender strategy will be prepared to address the interest of women and maximize their benefits from the project. Particular attention should be given to increase their representation in decision-making through an awareness program, capacity building, and improved opportunities to participate in decision-making and planning activities. Women's interests can be at risk if they (i) miss out on technical and organizational innovations that come with the project; (ii) miss out on the benefits of the proposed project; or (iii) are left out in the decision-making process that affects their lives, including labor and assets. The project will entail efforts to ensure that women and men benefit equally from project, and that the project's process is used to enhance women's role in the development process in the Lao PDR.

Has an output been prepared?  Yes  No

**E. Social Safeguards and other Social Risks**

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Involuntary resettlement will be avoided or minimized if possible. A resettlement framework for the project and a short resettlement plan for each project town will be prepared in accordance with Lao regulations and ADB's <i>Policy on Involuntary Resettlement</i> to ensure the affected persons (APs) will enjoy a better off living standard after resettlement.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Short <input type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	A major obstacle to the affordability of basic services and environmental improvement is the high incidence of urban poverty in small towns. Urban poverty is primarily characterized by lack of permanent occupation, low and irregular incomes, and limited ability to mobilize local resources.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The project will generate new employment opportunities. The working conditions of female workers operating the project facilities are expected to be improved with the women's participation in decision-making and planning activities under the project.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	A social survey will be carried out to identify ethnic minorities in the project towns and assess the type and significance of the project impacts, e.g., land acquisition or in-migration. Ethnic minorities affected and relevant agencies will be consulted regarding their socioeconomic and cultural conditions, traditions, and preferences; potential project impacts and benefits; and possible mitigation and enhancement measures.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	None	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank (ADB) Financing<sup>a</sup></b>			
1. Consultants			
a. International			
i. Remuneration	75.0	0.0	75.0
ii. Per Diem	0.0	15.0	15.0
b. Domestic			
i. Remuneration	0.0	30.0	30.0
c. International Travel	9.0	0.0	9.0
d. Local Travel	0.0	7.0	7.0
2. Surveys, Reports, and Publication	0.0	12.0	12.0
3. Workshops and Training	0.0	30.0	30.0
4. Administration and Support Costs	0.0	10.0	10.0
5. Contingencies	5.0	7.0	12.0
<b>Subtotal (A)</b>	<b>89.0</b>	<b>111.0</b>	<b>200.0</b>
<b>B. Government Financing</b>			
1. Office Accommodations and Facilities	0.0	10.0	10.0
2. Counterpart Staff Remuneration	0.0	20.0	20.0
3. Workshop Facilities	0.0	6.0	6.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>36.0</b>	<b>36.0</b>
<b>Total</b>	<b>89.0</b>	<b>147.0</b>	<b>236.0</b>

<sup>a</sup> Financed by ADB's technical assistance funding program.  
Source: ADB estimates.

## **OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

### **A. Team Leader and International Urban Development Planner (3 person-months)**

1. The team leader will coordinate a team of international and domestic consultants to prepare an urban sector strategy and sector investment plan. He or she should possess an advanced degree in economics, public administration, or related fields; at least 5 years project experience in the Mekong region or similar environments; and familiarity with Asian Development Bank (ADB) procedures. The team leader will facilitate and assist Department of Housing and Urban Planning (DHUP) in organizing workshops and produce workshop proceedings.

2. The team leader will also do the following: (i) Review and analyze the present national and regional population distribution, poverty situation, urban migration and employment; location of industries, commercial activities, and foreign and domestic investments; national and regional economic growth; and level of development of human resources. (ii) Analyze the impacts of regional cooperation initiatives, i.e. east-west and north-south economic corridors on population distribution and urbanization. (iii) Review and assess economic and social functions of the urban areas in the Lao Peoples Democratic Republic (Lao PDR), with particular attention to (a) urban-rural and cross-border linkages; (b) macroeconomic, demographic, and socioeconomic trends; (c) poverty, employment, and migration patterns; and (d) institutional structure of local governments. (iv) Identify key issues, challenges, and constraints facing the urban sector, and analyze key issues and challenges facing providers and regulators of urban services. (v) Review relevant completed and ongoing studies and programs on urban development and water supply by ADB and other multilateral or bilateral agencies, to include, but not limited to, studies water tariff policies, the Water Supply Authority (WASA) charter, ADB's Water Supply and Sanitation Project, training programs for provincial nam papas (water supply authorities), ADB's Secondary Towns Urban Development Project, ADB's technical assistance for capacity building for Urban Development Administration Authority (UDAA). (vi) Prepare, in consultation with DHUP and ADB, an inception report, within 2 weeks of recruitment; an interim report containing survey findings, within 2 months of TA implementation; and a draft final report, within 4 months of TA implementation. (vii) Prepare, an urban sector strategy for 2005–2020. The strategy will contain a vision for the future, policy dialogue and institutional change, improvement of service delivery capacity, human resource development, resource mobilization, facilitation of broad-based participation, and ensuring of environmental sustainability, gender mainstreaming and social inclusion. The strategy will also contain an urban sector investment plan for 2005–2020, with types of investments needed for urban services, indicative investment needs, prioritization of investments, and time-bound sequencing of activities.

### **B. International Institutional Development Specialist (2 person-months)**

3. The specialist will do the following: (i) Review the outcomes of (a) phase I of the TA for Preparing the Northern and Central Regions Water Supply and Sanitation Project, which summarizes the institutional framework in the water supply sector, including the legal and policy environment, institutional responsibilities of key sector institutions, and the regulatory functions of WASA; (b) TA for Capacity Building for UDAA's, which summarizes the key issues and recommendations for the development of urban administration, TA for Establishing the Municipal Administration System and TA for Support for UDAA's; and (c) lessons learned from ADB loans in the urban and water supply sectors. (ii) Review and assess government policies, regulations, and programs pertaining to the urban sector to include, but not limited to Law on Local Administration, Presidential Decree No. 126/PR (Law on Water Resources); prime

ministerial decrees 37/PM (Management and Development of Water Supply Sector), 14/PM, and 177/PM (Establishment of UDAs); and Ministerial Decisions 1728/MCTPC (Organization and Activities of Water Supply Authority), 2711/MCTPC (Transfer of O&M Functions from DCTPCs to UDAs), and 2083/MOF (Revenue Raising by UDAs). (iii) Review the water tariff policy, WASA charter, water quality standards, water tariff determination guidelines and other policies, standards in the urban and water supply sectors. (iv) Collect and analyze information on local administration structures, personnel management, budget and staff for administration, service quality control including service standard and productivity norms, budget control system, procurement procedures, the decision-making process, and relations with the public, along with laws, decrees, policies and regulations that govern the functioning of local administrative units. Identify relevant stakeholders and their responsibilities and interrelationships. (v) Analyze the administrative and financial powers of provincial and local governments, as well as their technical and managerial capacity to deliver urban services. (vi) Identify legal and human resource constraints to efficient and responsive service provision at the local level. Recommend necessary policy, institutional, and organizational improvements in consultation with WASA, DHUP, Ministry of Communication, Transport, Post, and Construction, and ADB. (vii) Review and analyze the existing institutional and legal, human resource, planning and delivery, and financing frameworks for the provision of urban services. Recommend solutions for improving the services in consultation with the relevant government agencies and ADB. (viii) Identify areas where further capacity building and training is required, especially with respect to effective sector regulation, transfer of project implementation functions from WASA to other organization, and private sector participation. Prepare capacity building recommendations and develop a program for UDAA and WASA staff training. Review and summarize the existing training programs provided to the provincial nam papas and recommend improvement, if any. (ix) Assist the team leader to develop an urban sector strategy and investment plan for 2005–2020; (x) Provide drafts on institutional findings and recommendations for the inception, interim, draft final, and final reports.

### **C. International Municipal and Urban Engineer (2 person-months)**

4. The engineer<sup>9</sup> will do the following: (i) Review and assess the service levels, physical condition, and operation and maintenance of urban infrastructure systems in the Lao People's Democratic Republic (Lao PDR). (ii) Analyze the basic topographical landscape, natural drainage flows, layout of water supply systems, solid waste collection, riverbank protection works, and road patterns and networks. (iii) Review the water supply sector investment plan (SIP) and assess the design standards used in it, particularly the unit water consumption levels, water supply technologies recommended, and unit investment cost. Recommend appropriate design standards for updating the plan. (iv) Prepare the most likely maximum and minimum demand for urban infrastructure for the planning period 2005–2020 for Vientiane, all provincial towns, and small towns as agreed upon by DHUP and ADB. (v) For the water supply sector, develop a least-cost water supply sector development program up to 2020 based on the recommendations of the urban sector strategy and demand forecast, and update the sector investment plan. (vi) Based on population growth and distribution, economic development and urbanization trends, and revised unit consumption levels, recommend appropriate technologies for various urban service systems taking into consideration economic development status, urban scale, population density, affordability, standards, and other factors applicable to the Lao

<sup>9</sup> Cost for this consultancy requirement, and of the international municipal and urban engineer and the international environmental specialist, will be provided under ADB. 2002. *Technical Assistance to the Lao People's Democratic Republic for Northern and Central Region Water Supply and Sanitation Project*. Manila (TA 3903-LAO, approved on 20 August 2002 for \$700,000).

PDR. (vii) Prepare a preliminary design and costing for basic urban systems, prioritizing of activities, and time-bound sequencing of activities for water supply, drainage, roads, sewerage, riverbank protection, and other necessary infrastructure. Provide guidance to domestic engineers to collect necessary data and estimate costs for infrastructure and civil works. (viii) Review and assess the service levels, conditions, and operation and maintenance of urban service systems, to include, but not be limited to, water supply, environmental sanitation, transportation, power and communications, housing, health, and education in the Lao PDR. (ix) Based on population growth and distribution and economic development and urbanization trends, prepare the most likely maximum and minimum demand for urban infrastructure for the planning period, 2005–2020. (x) Assist the team leader to develop an urban sector strategy and investment plan for 2005–2020. Provide a report on civil and sanitary engineering findings and recommendations for inception, interim, draft final, and final reports.

#### **D. International Environmental Specialist (1 person-month)**

5. The specialist will do the following: (i) Assist the mission leader in discussions with the Government in all aspects relating to the environmental aspects of the Project and provide a write-up of findings and recommendations. Prepare the initial environmental examination and its summary. (ii) Assess the environmental situation in the project area, particularly in respect to natural resources, related government policies, and biodiversity conservation, including forest and protected species. Assess the environmental effects of the present natural resources use, and review the Government's plan to develop the resources and its environmental implications. (iii) Review environmental aspects of the Project; check whether they meet ADB's guidelines; and if they do not, prepare necessary information to comply with ADB's guidelines. (iv) Assess the environmental impacts of the urban development component of the proposed Project. Include, but do not be limited to, water supply, drainage, roads, sewerage, riverbank protection, and other necessary infrastructure works. Include direct and indirect impacts during construction and operation, and due to commercial exploitation of natural resources and induced economic activity within foreseeable future, and their cumulative impacts. Provide guidance to domestic civil engineers on how to conduct the necessary preparations and surveys in selected project towns. (v) Recommend mitigation measures and the monitoring program, including cost implications, and an institutional setup for undertaking the program. Recommend an agency for environmental monitoring during project implementation. (vi) Recommend measures to safeguard the environment before, during, and after implementation of the project.

#### **E. International Social Development Specialist (1 person-month)**

6. The specialist will do the following: (i) Identify and prepare socioeconomic profiles of the project-affected communities in the project areas, in terms of household sizes, demographic trends, income sources and levels, occupations, socioeconomic conditions, social service infrastructure, and social organizations, in accordance with relevant ADB guidelines and publications. Include the gender and local ethnic minority profiles. Carry out further surveys as necessary. (ii) Undertake social analysis as per ADB guidelines and ADB's *Policies on Involuntary Resettlement* (1995), and *Gender and Development* (1998) for core projects. Review and assess the impacts of land acquisition or loss of land use on affected people, including impacts caused by permanent or temporary acquisition. (iii) Determine the scope and magnitude of likely resettlement effects. List likely losses of (a) households, agricultural lands, business and income opportunities; and (b) affected communal assets and public buildings. Eligibility criteria and entitlements for compensation and other assistance according to the losses of the affected people must be established on the basis of this information. (iv) Determine, in coordination with the executing agency and provincial governments, the replacement

costs of all categories of structures (with no deduction for salvageable materials or depreciation), and the market value of all categories of land, trees and crops. These costs will form the basis of the budget to be included in the resettlement plan. Prepare an indicative budget for land acquisition and resettlement and rehabilitation costs with specific sourcing and approval process. (v) Prepare a grievance mechanism and appeal procedures, and mechanisms for disclosing the resettlement plan to affected people in a form and manner understood by them, prior to ADB's management review meeting. Prepare the disclosure of the plan on ADB's web site. (vi) Design a program to monitor implementation of mitigation measures for resettlement issues and their impact on affected people, including implementation arrangements and cost estimates. (vii) Assess the institutional capacity of responsible institutions at provincial and central levels to plan, manage, implement, finance, and monitor effective land acquisition, compensation, resettlement, and rehabilitation. If required, prepare ethnic minority development planning, implementation, and monitoring. Assess risks and identify capacity building measures to be included in the Project.

#### **F. Domestic Civil Engineers (2 engineers, total of 6 person-months)**

7. The engineers will do the following: (i) Conduct field surveys of provincial towns and small towns, as determined by DHUP and ADB, to assess the service levels, physical and environmental conditions, and operation and maintenance of urban infrastructure systems in the Lao PDR. Analyze the basic topographical landscape, natural drainage flows, layout of water supply systems, solid waste collection, riverbank protection works, and road patterns and networks. Prepare an inventory of various urban systems and networks. (ii) Interview officials from DCTPC, UDAA, and provincial governments regarding investment needs for urban services for selected towns and summarize the findings. Prepare, together with the municipal engineer, the most likely maximum and minimum demand for urban infrastructure for the planning period 2005–2020 for Vientiane, all provincial towns, and small towns, as agreed upon by DHUP and ADB. (iii) Prepare, together with the municipal engineer, a preliminary design and costing for basic urban systems, prioritizing of activities, and time-bound sequencing of activities: water supply, drainage, roads, sewerage, riverbank protection, and other necessary infrastructure. (iv) Prepare, together with the environmental specialist, an environmental assessments checklist and environmental impact assessment in the selected project towns.

#### **G. Domestic Social Specialist (4 person-months)**

8. The specialist will do the following: (i) Assist the international social development specialist to undertake social analysis as per ADB guidelines. (ii) Conduct field surveys of provincial towns and small towns as determined by DHUP and ADB, to assess the demographic and socioeconomic conditions of the population in the selected towns. Prepare an inventory of urban indicators relating to the well-being of the population. (ii) Conduct, individually or in conjunction with civil engineers, interviews with officials from DCTPC, UDAA, and provincial governments regarding investment needs for urban services for selected towns. Summarize the findings. (iii) Carry out focus group discussions to assess the level of awareness of the population with regard to issues regarding community participation, benefits of public interventions, and civic responsibility. (iv) Prepare the resettlement framework and resettlement plan in selected project towns. (v) Assess likely project impacts on ethnic minorities and design an ethnic minority development framework for the whole project and an ethnic development plan for one sample project component. (vi) Assess likely resettlement impacts on affected persons and prepare a resettlement framework and resettlement plan for each project component.