

Lao People's Democratic Republic Country Overview



This Country Overview document was prepared by Government of Lao PDR ahead of the SWA 2020 Virtual Regional Finance Ministers' Meeting. This is a snapshot of the country's current state in terms of water, sanitation and hygiene, and future targets.

1. Country Context

The geography and demography of the Lao People's Democratic Republic (Lao PDR) plays an important role in its development. With a population of 7 million in 2017¹, Lao PDR is predominantly a rural country with 67% of population living in rural areas. In addition, 70% of the country's area is mountainous, with many remote and inaccessible communities. The country also faces frequent exposure to extreme weather events and disasters such as floods and typhoons, which makes it more vulnerable to climate related fiscal shocks and impacts the safety of its water and sanitation infrastructure. The impact of flood related events generates large costs for government, businesses, households, with estimated losses for Lao PDR ranging from 2.8% to 3.6% of GDP².

Lao PDR, like many other countries across the globe is going through a challenging time with the onset of COVID-19 in 2020 responding to the health and cross-sectoral socio-economic issues that the pandemic has presented. While the number of confirmed COVID-19

cases has been low compared with neighboring countries, the impact of the pandemic goes significantly beyond the numbers of cases, with the full extent of the socio-economic impact still evolving.

The 9th National Socio-Economic Development Plan of Lao PDR (NSED³) outlines the country's direction until 2025 and emphasizes on economic restructuring to attain a higher level of quality, green and sustainable growth. It also lays a strong foundation to graduate from the Least Developed Country

LAO PDR COUNTRY CONTEXT

3-tier administrative system; 18 provinces, sub-divided into 148 districts and 8,421 villages

67% of the population live in rural areas.

Only 2 in 7 of the poorest households use a basic sanitation facility, leaving them even more vulnerable to climate related challenges

Sanitation coverage in rich households (99%) is four times that of the poor (23%).

Estimated losses due to climate and flood related disasters range from 2.8-3.6% of GDP.²

Source: Lao Statistics Bureau (LSB), 2019; Lao Social Indicator Survey, 2017

¹ Lao Statistics Bureau, 2017. The last census produced a population of 6.492 million (Lao Statistics Bureau, 2015).

² Based on analysis using historical loss data from the Emergency Events Database (EM-DAT). World Bank, Advancing Disaster Risk Financing and Insurance in ASEAN Member States: Framework and Options for Implementation, vol. 1, main report (Washington, DC: WB).

³ 9th National Socio-Economic Development Plan of Lao PDR (Draft)

status and realize Sustainable Development Goals by 2030. With the 9th NSEDP, Lao PDR has set a target of safe water utilization rate to reach 95% and household level toilet utilization rate to reach 85% by 2025. It also aims to implement more inclusive and better-quality healthcare services with a primary focus on hygiene, disease prevention, and health promotion. To achieve these targets, Lao PDR will require financing estimated USD 247 million in cash and kind up to 2030, an estimated USD 92 million for the next two years to remain on track to reasonable SDG achievement, or USD 46 million annually, to develop sanitation and manage water services and resources for the future.⁴ An improved sanitation and hygiene status is critical to the intent of the Government to tackle the high level of malnutrition, with CU5 stunting still at 33% in 2017 (LSIS 2017).

Access Areas	Progress till Date (as per 8 th NSEDP)	Target till 2025 (as per 9 th NSEDP)
Basic Sanitation	75% (2019)	85%
Basic Water	85% (2019)	95%

The overall economic costs of poor sanitation in Lao PDR were last estimated to be US\$193 million per year, which is equivalent to about 5.6% of the GDP⁵. While household financing accounted for more than half of total expenditure on domestic sanitation, the cost of building an improved latrine remains high, making it unaffordable for most low-income households. Poor sanitation and hygiene cause at least 3 million disease episodes and 6,000 premature deaths annually in Lao PDR⁶. Furthermore, nationwide deprivation overlap between Nutrition, Water and Sanitation is among the highest for children aged 0-17 in Lao PDR⁷. Hence, a single dollar invested in WASH can give manifold returns in health and nutrition sector.

In accordance with the national planning process and continued SWA engagement, interventions in five key areas are required to be continued for a sustained sector progress:

1. Resource mobilization and allocation: Channel adequate public and private investment for rural sanitation and hygiene, and water supply, and mainstream climate change and DRR strategies into development programs
2. Scale-up strategies in Social Behavior Change Communication (SBCC) and sanitation marketing to eliminate open defecation in rural areas and improve access to basic sanitation level.
3. Strengthen coordination within government and multi-sectoral coordination with partners at national and sub-national level, while improving sector wide capacity for better WASH service delivery.
4. Identify and better target resources to improve WASH coverage for the poorest and vulnerable groups, schools and health facilities through collaboration and convergence with partners' programmes.
5. Increase regulatory oversight and monitoring of KPIs in water supply and improve quality in order to achieve and sustain the new standards for safely managed services while enabling utilities to become attractive for additional financing.

4 National Strategy for Rural Water Supply, Sanitation and Hygiene for Lao PDR 2019-2030

5 Hutton et al. (2009) Economics of Sanitation Initiative: The Economic Cost of Poor Sanitation in Lao PDR. World Bank. Available [here](#)

6 Findings from Hygiene and Sanitation Financing Study in Lao PDR. World Bank 2012. Available [here](#).

7 Provincial Profile on Child Wellbeing in Lao PDR. UNICEF 2019.

In addition, establishing a fit for purpose monitoring system which provides suitable information for data informed decision making and disaggregation of associated SDG criteria is needed to better assess gaps, inequities, priorities and progress as the country moves forward with the 9th NSEDP targets.


2. WASH Sector Overview

Despite the ongoing challenges in 2020, the country made progressive strides in sanitation by declaring Borikhamxay the first open defecation free province. Lao PDR has also continued to make progress in coverage of basic drinking water services and basic sanitation and hygiene services, but challenges remain.

The proportion of households accessing a basic water supply has increased from 69% in 2011 to 78% in 2017. However, disparities and water quality issues persist, with 6 out of every 7 households drinking water contaminated with faeces and the poorest households seeing almost no progress in access to basic water supplies from 2011 (56%) to 2017 (57%). In terms of sanitation, 7 in 10 households now have access to a basic sanitation facility (coverage increased from 57% in 2012 to 71% in 2017)⁸. The prevalence of open defecation also fell from 38% in 2011/12 to 24% in 2017. Progress is roughly on track to achieve universal coverage by 2030 in all schools, with about 4 in 5 schools having water (78%) and sanitation (80%) facilities. In addition, 72% women and girls in Lao PDR have appropriate menstrual materials and a private place to change with water. However, concerns remain with only 29% of women and girls in poorest households having access to materials and changing facilities.

9 in 10 households in Lao PDR have a handwashing facility, but with only 1 in 2 households using soap, the benefits of high handwashing rates are not fully realized⁸. Although COVID-19 presented opportunities for strengthening of handwashing behavior and systems across the country, reliable data on handwashing facilities and practices in healthcare facilities and schools is required to ascertain the improvements achieved. In response to this, Lao PDR recently approved national policies, strategies and guidelines with a strong focus on handwashing. Additionally, handwashing is a key focus of the National Health and Education Five Year Sectoral Plan currently under development.

Figure 1: Sanitation Coverage Estimates

Lao PDR Sanitation Ladder	National (%)		Urban (%)		Rural (%)	
	2000	2017	2000	2017	2000	2017
 At least Basic	28	74	67	95	17	64
Limited Shared	1	3	4	3	<1	3
Unimproved	9	2	8	<1	9	3
Open Defecation	62	21	21	1	73	31

Source: Progress on household drinking water, sanitation and hygiene 2000-2017. Special focus on inequalities. New York: United Nations Children's Fund (UNICEF) and World Health Organization (WHO), 2019.

⁸ Lao Social Indicator Survey; LSIS II 2017

Enabling Environment: The country has approved a National WASH Policy and a Rural WASH Strategy. The 2019–2030 Strategic Framework for Rural Water Supply, Sanitation and Hygiene for Lao PDR sets out the policy and planning framework up to 2030. The Strategic Framework prioritizes providing WASH services to households, communities, schools, health centres and health-care facilities in the rural areas and to public facilities, such as temples and markets. The Framework emphasizes the need for support in terms of human resources development, capacity strengthening, good governance and financing, and the establishment of a dependable sector planning, monitoring and evaluation system capable of monitoring service-level status.

In addition, the 2019 National Policy on Water Supply, Sanitation and Hygiene provides the principles, guidelines and roles for all actors. It sets out 16 policy statements (Box1) and clarifies institutional roles and responsibilities. The Policy emphasizes that the capability of local stakeholders is vital in decision-making and implementation. It is in accordance with the Sam Sang framework of 3 Builds⁹, and both the national policy and strategy are being disseminated widely across all levels.

The country has also adopted and formalized a National Disaster Management Law in 2020 to strengthen disaster preparedness and response, which will facilitate strengthened resilient WASH programming. Furthermore, a Climate Change and Health Adaptation Strategy (2018-2025) and Action Plan (2018-2020) was also developed and approved by Ministry of Health, Lao PDR to support convergence between cross-cutting issues related to WASH, Health and Climate Change. Water Quality Standards; 2014, Basic Environmental Health Standards in HCFs; 2018 and Health Care Waste Management Regulation; 2017 were also developed to support the regulatory framework in the country.

Building Back Better: Lao Government is demonstrating commitment by ensuring that the National Communication Taskforce provides key hygiene messages related to COVID into all villages through mass media campaigns. Funding is also being channeled into providing handwashing facilities in schools and providing soap for all school children with the support of GPE¹⁰ program. Lao PDR has recognized that COVID presents opportunities as well as a threat. Government has issued a national directive on handwashing as part of the new normal. This is being complemented by the introduction of WASHFIT programming in Health Care Facilities with support of WHO. Furthermore, handwashing indicators are also being included in national health and education monitoring to better assess national progress.

Scaling ODF provinces in Lao PDR: Post the success achieved with Borikhamxay Province, heightened support is being provided to other provinces to replicate the District Wide Approach for attaining open defecation free provinces. Provincial departments are being supported through knowledge exchange visits to Borikhamxay and learn more from their experience and success. Furthermore, Vice Governors from the 18 provinces in Lao PDR have signed commitments to ensure that each province will reduce by at least one-third the percentage of children who are multidimensionally deprived by 2030. This will require prioritized and sustained investments to help Lao children achieve their full potential by 2030.

⁹ The government decentralization policy through the 3 Builds policy of: strengthening provinces, supporting districts and making villages as development units.

¹⁰ Global Partnership for Education; COVID-19 Accelerated Funding

3. Socio Economic Impact of COVID on SDG 6 Progress

COVID-19 will have an unprecedented impact on the SDG progress made so far. Although Lao PDR has managed the pandemic well, the indirect impact of the slowing global and regional economies will also be felt on WASH sector in the country. The World Bank simulations show that under the more favorable scenario, the economy will contract by 1 percent and under the downside scenario by 1.8 percent in 2020. In either case, 2020 will see the slowest growth rate since 1990. With the resources being diverted for addressing the immediate impact of the pandemic, the resource envelope for the SDGs and for funding the 9th NSEDP, under formulation, are likely to be impacted as well. Impact assessments by UN organizations and independent bodies are emerging and a consolidated view on the impact is being taken up by a Multi-Stakeholder Taskforce.

4. Sector Financing and Economic Opportunities

WASH sector in Lao PDR remains highly dependent on external financial sources for investment. Most of the external funding, mainly loans, are provided to urban water supply creating concerns for long-term planning and human resource development requirements for the sector. Public spending for rural WASH has improved in the last few years. However, a dedicated budget line for WASH is required in the national budget. The UN-Water Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) 2019 report provided an updated estimate of the required annual funding to reach Lao PDR's national targets (100 per cent coverage by basic services) as US\$185 million¹¹. The financing for the sector is expected to come mainly from households, in addition to government, external support agencies and repayable financing.

Sector Potential: Adequate, reliable and equitable financing needs to be secured for both urban and rural water supply, sanitation, and hygiene. For urban services, tariff reform needs to be coupled with mechanisms to protect the poor. Improved financial policies including adequate cost recovery plans, public resource allocation, budgeting for WASH across sectors and leveraging of development finance can further support SMART investment options for WASH sector in Lao PDR. By leveraging sources of additional finance allocated through GCF and GEF¹², opportunities to scale climate resilient WASH infrastructure also exist, since WASH services in the country remain consistently vulnerable and exposed to natural disasters. Given the fiscal constraints likely to be evident following COVID-19, there is also an even greater need for focus on cost-effective mechanisms. Government investments may focus on public benefits such as sanitation technology options, behavior change programming, strengthening of supply chains, and support mechanisms to access financing e.g. revolving funds for poor households or guarantee supplier schemes etc. Equitable cost-recovery mechanisms may enable greater outcomes from urban and rural water investment. There also exists an appetite for leveraging public private partnerships (PPP) in the country, given that half the population in the country (48%) relies on bottled water as their source of drinking water.¹³

11 National WASH budget in 2018 was US\$ 1.5 million

12 Global Environment Facility and Green Climate Fund

13 Lao Social Indicator Survey; LSIS II 2017

5. Country priorities and commitments

Commitment No. 1: By 2025, all Lao citizens will live in an Open Defecation Free Environment in the country.

- External support agency commitments:
 - UNICEF's commitment: Support to develop Sanitation Roadmap; Support to sub-national sanitation planning.
 - WHO's¹⁴ and World Bank's¹⁵ commitment: Support in strengthening WASH in Health Care Facilities service delivery and monitoring.
 - Development Partners: Align funding and priorities, targeting resources to the most deprived districts.
 - CSO commitments: Identify and implement targeted pro-poor approaches that will improve sanitation in poorest and hardest to reach areas
 - Academia and Training Institutes' (Research and Learning) commitments: Develop training package on sanitation and Hygiene Promotion and provide training to produce sanitation cadres.
 - Private sector commitments: Engagement with government partners and all stakeholders to support universal access and use through private sector actors.

Commitment No. 2: By 2021, a National WASH Committee is established to provide guidance on WASH policy implementation

- External support agency commitments: Technical support for N-WASHCOM Secretariat including dedicated capacity development activities based on a training needs assessment.
- Represent Private Sectors (Chamber of Commerce etc.) and contribute as member representative to National WASHCOM.

Commitment No. 3: By 2022, establish a National WASH Trust Fund to finance for sustainable WASH Service delivery. (External support agency commitments: Support to develop Guidelines and Standard Operating Procedure for management of National WASH Trust Fund.

- DP: Align funding for WASH Sector financing to achieve national target; provide budgetary support for trust fund (pool of fund); Develop business proposal for private sectors
- CSO/NFA: Mobilize communities (WASHCOM) to raise fund for operation and maintenance
- Academia and Training Institutes' (Research and Learning) commitments: Research and business case development for WASH Innovative Financing
- Private sector commitments: Develop WASH schemes under Build Operate and transfer (BOT) model

14 MoH in collaboration with WHO will implement WASH FIT, combining it with a comprehensive package of interventions for "Safe, Clean and Climate Resilient Green" healthcare facilities (SCCRG) in 3 central, 4 provincial and 55 district hospitals by end of 2021.

15 MoH in collaboration with WB will expand the Safe, Clean and Climate Resilient Green HCF initiative in 34 Health Centers by end of 2022.

Box1: The 16 Principles of the 2019 National Policy on Water Supply, Sanitation and Hygiene

1. Promote and protect the right of all people living in Lao PDR to access safe and sufficient water services, both for use and consumption equally at affordable and fair tariffs, and to safe sanitation and hygiene facilities, meeting defined standards.
2. Protect water resources from all kinds of contamination which have negative impacts on water resources.
3. Support decentralization for local planning using bottom up approach. Increase implementation at local levels to achieve tangible results as per “3 Builds”.
4. Identify priority targets, focusing on locations and sectors as follows:
 - a. **Rural settings:** those who live on mountains, rural remote areas, poor and ethnic groups, and those affected by development projects and natural disasters;
 - b. **Urban settings:** those who live in suburbs (countryside) and earn minimum wages and those who resettle from mountainous areas to the lowlands, including poor communities in densely populated areas;
 - c. **Health:** ensure health care facilities have safe and sufficient water supply and sanitation facilities, and have appropriate measures for garbage and wastewater management; and
 - d. **Education and sports:** ensure all educational institutions have sufficient water and sanitation facilities. Special attention is paid to early childhood education and primary schools in rural areas.
5. Build capacity for development and overall management of water supply, sanitation and hygiene services through scheduling regular training at all levels and institutions, including for the private sector, with particular focus on increasing women’s involvement in the water supply, sanitation and hygiene sectors.
6. Ensure water for both use and consumption is fully managed, mobilized and sustainable with community ownership and engagement of civil societies.
7. Raise awareness on hygiene and sanitation with focus on behaviour change. Coordinate with relevant sectors and local authorities to increase community ownership and engagement of civil societies in these areas.
8. Implement water safety plans and focus on water quality surveillance to ensure MoH water standards are met, including establishment of water-quality laboratories.
9. Regulate and collect tariffs of drinking water and water supply to ensure consumers receive fair tariffs and reasonable prices. This includes wastewater service charges.
10. Establish effective and sustained mechanisms for monitoring and evaluation by involving relevant sectors in the monitoring of WASH sector implementation.
11. Promote the use of water for production if water is sufficient in terms of quality and quantity.
12. Manage the disposal of faecal sludge from septic tanks and safe disposal of related waste products.
13. Manage and control all pollutants which affect rivers, streams, lakes, ponds, groundwater, and other sources.
14. Promote use of renewable energy and reuse of resources as much as possible.
15. Enhance water security and climate change resilience with the aim to sustainably protect water resources; prevent environmental accumulations, droughts; promote clean environments; prevent pollutants and adverse effect to humans, flora and fauna, and water resources. Ensure sufficient water is provided both in quality and quantity.
16. Provide sufficient budgets to implement policies, strategies and the five-year programme of each related sector, with contribution and the engagement of Government, international partners, private sector, and communities.

One Page Snapshot/ Ministerial Briefing

Progress

- Despite the ongoing challenges in 2020, the country made progressive strides in sanitation by achieving the first open defecation free province in Borikhamxay
- The proportion of households accessing a basic water supply has increased from 69% in 2012 to 78% in 2017.
- 7 in 10 households now have access to a basic sanitation facility (coverage increased from 57% in 2012 to 71% in 2017); open defecation also fell from 38% in 2011/12 to 24% in 2017.
- Progress is roughly on track to achieve universal coverage by 2030 in all schools, with about 4 in 5 schools having water (78%) and sanitation facilities (80%).
- The country has approved a National Policy on Water Supply, Sanitation and Hygiene, 2019 and a Strategic Framework for Rural Water Supply, Sanitation and Hygiene, 2019–2030. A Climate Change and Health Adaptation Strategy (2018-2025) and action plan (2018-2020) was also developed and approved. National Disaster Management Law was also adopted in 2020.

Challenges

- The country faces frequent exposure to extreme weather events and disasters, which makes it more vulnerable to climate related fiscal shocks and impacts the safety of WASH infrastructure; Estimated losses from flood related events for Lao PDR ranging from 2.8% to 3.6% of GDP
- Only 2 in 7 of the poorest households use a basic sanitation facility, leaving them even more vulnerable to climate related challenges; Sanitation coverage is four times better among the rich.
- 6 out of every 7 households drinking water contaminated with faeces and the poorest quintile households still lacking access; 9 in 10 households have a handwashing facility, but only 1 in 2 use soap, thus the benefits of high handwashing rates are not fully realized.
- Overall economic costs of poor sanitation in Lao PDR estimated to be US\$193 million per year; Equivalent to about 5.6% of the GDP; Cost of building an improved latrine remains high, making it unaffordable for most low-income households
- Need for a fit for purpose monitoring system which provides suitable information for data informed decision making and disaggregated SDG criteria.
- Although Lao PDR has managed the pandemic well, the indirect impact of the slowing global and regional economies will also be felt on WASH sector in the country.

Potential

- Poor sanitation and hygiene cause at least 3 million disease episodes and 6,000 premature deaths annually in Lao PDR. Children aged 0-17 also face overlapping deprivations between Nutrition and WASH. Hence, a single dollar invested in WASH can give manifold returns in health and nutrition sector.
- Improved financial policies including adequate cost recovery plans, public resource allocation, budgeting for WASH across sectors and leveraging of development finance can further support SMART investment options for WASH sector in Lao PDR.
- Opportunities to scale climate resilient WASH infrastructure also exist by leveraging sources of additional finance through Green Climate Fund and Global Environment Facility,
- Government investments may focus on cost-effective public benefits such as sanitation technology options, behavior change programmes, equitable cost-recovery mechanisms, strengthening of supply chains, and support mechanisms to access financing e.g. revolving funds for poor households or guarantee supplier schemes etc.
- Potential for leveraging public private partnerships (PPP) in the country also exist, given that half the population in the country (48%) relies on bottled water as their drinking water source.