

Chapter III

Water Supply Business Operation

Section 1 Water Supply Business

Article 23 Types of Investments

Investments in water supply business operation consist of three types as follows:

1. State investment;
2. Joint venture investment between State and private sectors, domestic or foreign;
3. Private investment, domestic or foreign.

Article 24 Establishment of Enterprises

Individuals or organizations, domestic or foreign, wishing to establish the water supply enterprises shall apply for business running as provided for in the Law on Investment Promotion.

Individuals or organizations having an intention to establish the water supply enterprises shall have the following conditions:

1. Have experiences or technicians relating to business operation;
2. Have technicians with technical capacity on water supply and other technicians concerned in a certain number suitable to the size of activities, such as: analysts, electrical technicians, managing technicians, accounting technicians and others;
3. Have enough and appropriate funds, vehicles, machinery and equipments for construction and installation water supply infrastructure and for provision for service in their own service areas;
4. Have service areas officially agreed and approved by water supply management authorities;
5. Have water sources agreed by water resources and environment authorities.

Article 25 Investment in Water Supply Business

Investment in water supply business is investment in construction, maintenance, improvement and development of water supply infrastructure to supply the water for widely use to people in towns, intensive development areas and rural areas.

Investment may be done by:

- Build, operate and transfer;
- Build, operate, own and transfer;
- Build, own and operate;
- Other forms.

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Article 26 Technical Approval on Water Supply Infrastructure Construction

Technical approval on water supply infrastructure construction is divided into two levels as follows:

1. Water supply infrastructure serving from and less than 20,000 persons shall be approved by Provincial, City Divisions of Public Works and Transport;
2. Water supply infrastructure serving more than 20,000 persons shall be technically approved by Ministry of Public Works and Transport.

Article 27 Concession

Legal entities wishing to request for water supply concession shall apply for with the planning and investment sectors as provided for in the Law on investment promotion.

Article 28 Conditions for concessionaires

Concessionaires of water supply business shall have the following conditions:

1. Have a good and reliable business background;
2. Have financial and technical capacities.

Article 29 Rights of Concessionaires

Water supply concessionaires have the main rights as follows:

1. Use the land for water supply infrastructure construction;
2. Operate water supply business in accordance with concessionary license;
3. Own water supply infrastructure constructed by oneself during the concession period;
4. Enjoy benefits from concession;
5. Receive legal protection, mainly, receive compensation of damages resulting from any installation removal made by other constructed activities projects which are not related to water supply infrastructure;
6. Receive technical and technological recommendations and others relating to water supply activities;
7. Submit the request for extension of concession duration;
8. Lease, transfer water supply business for the concession remaining period of time to other persons in accordance with the laws and regulations.

Article 30 Obligations of Concessionaires

Water supply concessionaires have the main obligations as follows:

1. Run water supply business in conformity with concession agreement, economic and technical feasibility study and socio-environmental impacts assessment;
2. Have capital for registration which shall be complied with the Law on investment promotion;
3. Pay duties, taxes and others obligations to the State and discharge debts of oneself completely and on time;
4. Protect water resources and environment, pay compensation for losses in case of causing damages to life, health or to properties of the people;
5. Train, technical capacity building and ensure social welfare of officers, technicians and workers;

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6. Maintain, repair machinery and water supply equipments, including water supply infrastructure, to keep them in good conditions in terms of duration and technical principles;
7. Repair vehicles and machinery to be in working condition before the hand over of water supply business to the Government;
8. Hand over the project together with the economic and technical feasibility study and other project documents to the State without any compensation at the end of concession term or in case of non continuation of water supply business running by the concessionaires;
9. Coordinate and cooperate in taking part in socio-economic development of localities in which the project is located;

Article 31 Concession Duration

The maximum duration of concession shall not over thirty years from the date of receiving the concession license. At the end of the concession duration the concessionaires shall transfer all business of themselves to the State in working condition without any compensation, except in case of investment in the form of Build, Own and Operate.

The concession duration may be extended, but not more than ten years according to competent authorities. The request for extension of concession shall be made five years before the termination of the concession.

Article 32 Termination of the Concession

The concession shall be terminated in the following cases:

1. Termination of the concession duration;
2. Cessation of concession before term on the proposition of concessionaires and on the consent of the State;
3. Withdrawal of concession rights due to severe violation of laws and regulations and non-performance of obligations as provided for in the concession agreement or non-compliance with the laws and regulations;
4. Damaged concession project cannot be repaired or rehabilitated;
5. Cancellation of concession agreement.

**Section 2
Investment Promotion**

Article 33 Policy on profits Taxes

Investment in water supply business shall be classified among activities of first promoted level and received such policies as provided for in Article..... of the Law on investment promotion.

Article 34 Policy on Duties and Others Taxes

Apart of policy on profits taxes, investors shall receive policies on duties and other taxes as provided for in Article..... of the Law on investment promotion.

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Article 35 Policy on Access to Sources of Funds

Domestic and foreign investors running water supply business may access to the sources of funds by loans from the business banks and other financial institutions in the Lao PDR and in abroad in accordance with the laws and regulations.

Article 36 Specific Promoting Policy

Investment in water supply business shall receive policy on exemption of fees payment on State land lease or concession as provided for in Article..... of the Law on investment promotion.

**Section 3
Business Regulation and
Water Supply Tariffs Determination**

Article 37 Objectives of Water Supply Business

Water supply business regulation has the purpose to create an environment that encourages and facilitates water supply business operators to run business with high efficiency and also to ensure that the service users to receive sufficient and qualified water at reasonable and payable tariffs.

Article 38 Water Supply Business Regulation

Water supply business has two aspects:

- Technical regulation that business operators shall complied with the specifications, technical standards and activities achievements indicators with the view to ensure the production and service of water supply, and at the same time to ensure that the service users shall consume qualified, clean, safe and sufficient water supply;
- Economic regulation that business operators shall complied with service and tariffs specifications to enable the investors to run smooth, effective and sustainable business, and at the same time to ensure that the service users shall enjoy water supply at reasonable and payable tariffs and pay for water supply in according with the real volume consumed on due time.

The Government determines water supply regulation system in line with the socio-economic situations of each period on the proposition of the Ministry of Public Works and Transport.

Article 39 Policy on Water Supply Tariffs

The Government approves the policies of water supply for each region, locality, and target of uses and category of users for each period on the proposition of the Ministry of Public Works and Transport.

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Article 40 Determination of Water Supply Tariffs

Determination of water supply tariffs shall be in line with National Socio-economic Development Plan in each period.

Water supply tariffs shall be stable and shall ensure the State policy implementation for consumption targets and user categories, and shall support the mechanism of market economy with the State regulation.

Water supply tariffs shall be determined accordingly to the following structures: expenditures for energy, chemical substances, depreciations, administration, interests, proceeds of loans, specific profits, turnover taxes, targets of uses, user incomes and other matters concerned.

Ministry of Public Works and Transport in collaboration with other sectors and local authorities concerned studies and determines the structure of water supply for each target of uses and category of users and then, submit to the Government for consideration.

Article 41 Water Supply Review and Adjustment

To rationalize the water supply tariffs for each period of socio-economic development, the Divisions of Public Works and Transport in collaboration with other sectors and local authorities concerned studies and reviews the water supply tariffs proposed by the business operators in each period and then, submits such tariffs review for technical consideration to Ministry of Public Works and Transport in order to enable the users, particularly poor people, can pay for, and the water supply business operators can effectively run their business.

Water supply tariffs in rural areas shall be determined referring to the proposition of investors on the basis of the approval of local authorities concerned. In case of reasonable deficiency of investors, State shall appropriately compensate for such.

Article 42 Tariffs authorization

The governors of provinces and capitals issue the Decision on authorization for water supply for each period on the basis of policies and water supply structure approved by the Government on the proposition of the provincial, capital Divisions of Public Works and Transport after receiving the approval from the Water Supply Business Regulation Committee.

Water supply activities management authorities of each level shall disseminate such Decision, together with water supply tariffs calculation, and notify the service providers, service users and the public for implementation.

Section 4
Rights and Obligations of
Service Providers, Service Users and Firemen

Article 43 Rights of Service Providers

Water supply service providers have the following rights:

1. Receive authorization to inter into residential areas, State and private offices and agencies and other premises for construction, maintenance, repairs and replacement of water supply equipments, pipes, meters and record the volume of consumed water;

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2. Collect water supply fees accordingly to water consumed volume and to laws and regulations;
3. Warn the service users who violate water supply service regulation and suspend the supply of water in case of severe violation, such as:
 - Do not pay the service charge regularly after three times of warnings
 - Modify water meters to make the figure of the consumed water volume reduced less than the actual consumed water volume.
4. Share opinions to water supply development plans in their own service areas;
5. Receive compensation for losses of water supply infrastructure caused by individuals or organization accordingly to the laws and regulations.

Article 44 Obligations of Service Providers

Water supply service providers have the following obligations:

1. Provide regularly services of qualified, clean and safe water supply to service users accurately, duly, fairly and on time;
2. Provide recommendation on principles of water supply utilization to service users;
3. Ensure the safety and social welfare of water supply officers;
4. Hold the accounting as provided for in the law on accounting, regularly report on data, statistics and achievements of their own business to water supply management authorities and to other sectors concerned;
5. Pay customs duties, taxes and various fees in accordance with the laws and regulations;
6. Compensate for losses in compliance with the laws and regulations in case of causing damages to life, health and property of the people, public and environment;
7. Monitor, supervise and resolve water leakage along the pipelines, buildings and in various public places, including resolution of any problem proposed by the service users in reasonable manner;
8. Improve, upgrade and modernize the technology of water supply production step by step;
9. Notify on suspension of provision of water supply in case on construction and reparation;
10. Construct and install sanitation infrastructure by using appropriate technology.

Article 45 Rights of Service Users

Service users have the following rights:

1. Receive sufficiently, speedily, accurately, duly and fairly service of qualified, safe and clean water supply;
2. Request the service providers to supervise and correct the technical mistakes, and to remedy unclear and incorrect service charges;
3. Submit the proposition to water supply management authorities in case of receiving inaccurate, non-speedy, undue and unfair services of insufficient, unqualified, unsafe and unclear water supply;
4. Receive data and information on water supply activities;
5. Receive compensation for losses resulting from water supply services accordingly to the laws and regulations.

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Article 46 Obligations of Service Users

Service users have the following obligations:

1. Follow technical recommendations and regulations on water supply equipment utilization and on water supply;
2. Give favorable conditions to service providers in construction, installation and repairs of water supply infrastructure, in supervision and records the volume of consumed water supply;
3. Pay the water supply fees regularly, completely, accurately and on time;
4. Assist in water supply infrastructure protection, such as: reservoirs, pipelines, distribution pipelines, water meters and other water supply-related equipments to be in good conditions. If damages or water leakage and abnormalities occurred, service providers shall be notified for prompt repairs;
5. Do not create contamination and pollution to water sources;
6. Pay compensation for losses caused by themselves to the service providers and organizations or individuals concerned in accordance with the laws and regulations.

Article 47 Rights and Obligations of Firemen

Firemen have the rights to pump the water supply from the fire hydrants installed in various points during twenty four hours and have the obligations to report to the relevant water supply activities management authorities and service providers on the details on date, time and volume of water supply pumped for fire extinguishment.

Chapter IV

Prohibitions

Article 48 General prohibitions

Individual or organization is prohibited to perform the following acts:

1. Impede, not facilitate or cooperate unreasonably water supply activities, mainly, laying water pipes through their land by the project which have been legally approved after the officers concerned have already explained;
2. Destroy or damage the water supply infrastructure, such as: water reservoirs, transmission pipelines, distribution pipelines, water meters and other water supply-related equipments;
3. Invade water sources for water supply production, discharge toxic substances and create contamination to water sources and water supply;
4. Steal water supply, get water by connecting the transmission or distribution pipelines directly without passing through water meters;
5. Destroy forests in natural water sources areas and those areas determined by local authorities to ensure water supply production.

Article 49 Prohibitions for Service Providers

Service providers are prohibited to perform the following acts:

1. Lease or transfer the enterprise registration certificate or concession registration certificate on water supply to other persons without any permission;
2. Impede the audit and supervision performance of water supply activities;

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3. Conceal, falsify data and information on technical, accounting, financial, business, water quality performances;
4. Provide water supply which is not in conformity with water quality standards determined by the Ministry of Public Health;
5. Lack responsibility in their own duties, mainly technical aspects, such as: monitoring, maintenance and repairs of water supply infrastructure, accurate record consumed water volume and on time, put the surface in its original situation after digging down the ways to lay the pipes and take necessary measures safety of the vehicles and ways users.

Article 50 Prohibitions for Service Users

Service users are prohibited to perform the following acts:

1. Alter or destroy water meters;
2. Steal water by connecting the pipes without passing through water meters;
3. Install pumping machines by direct connection to transmission or distribution pipelines system;
4. Contaminate water supply in transmission or distribution pipelines system;
5. Lay down the pipes on the surface of ways obstructing the traffic;
6. Unreasonably impede or no to cooperate the service providers in performing their duties.

Article 51 Prohibitions for Firemen

Firemen are prohibited to pump water supply out from the fire hydrants to use for other purposes as prescribed for in Article 47 of this Law.

Chapter V

Disputes Resolution

Article 52 Forms of Disputes Resolution

Dispute Resolution may be undertaken by the following forms:

1. Mediation or conciliation;
2. Administrative resolution;
3. Arbitration;
4. Resolution by court;
5. International character resolution

Article 53 Mediation or Conciliation

In case of water supply business disputes occurrence, the parties may enter into negotiation, mediation and conciliation between themselves.

Article 54 Administrative Resolution

In case of failure to resolve the disputes by means of mediation or conciliation, the parties have the rights to address the case for resolution to the sectors where authorization was granted.

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Article 55 Arbitration

In case of that the sectors concerned failed to mediate and resolve the disputes, the parties have to rights to address the case for resolution to arbitrational economic disputes resolution panel accordingly to the laws and regulations.

Article 56 Resolution by Court

In case of failure to resolve the arising disputes resulting from water supply business running by means of mediation or conciliation, or administration, or arbitration; any of the parties has the rights to address such disputes to the people courts for judgment in accordance with the laws and regulations.

Article 57 International Character Resolution

The disputes on water supply business operation between the domestic investors and foreign investors, or between foreign investors in the Lao PDR, or between foreign investors and the State, shall be resolved by domestic, foreign or international arbitrations as agreed by the parties.

Chapter VI

Water Supply Activities Management and Supervision

Section 1 Water Supply Activities Management

Article 58 Water Supply Management Authorities

The Government manages water supply throughout the country by assigning public works and transport sector is the direct and principal manager in coordination with other sectors concerned, such as: planning and investment sector, industry and commerce sector, water resources and environment sector, public health sector, financial sector and local authorities concerned.

Water supply management authorities are comprised of:

1. Ministry of Public Works and Transport;
2. Provincial, capital Divisions of Public Works and Transport;
3. District, municipality Offices of Public Works and Transport.

Article 59 Rights and Duties of Ministry of Public Works and Transport

To manage water supply activities the Ministry of Public Works and Transport has the main rights and duties as follows:

1. Study and research policies, strategic plans, laws and regulations on water supply and sanitation to submit the Government for consideration;
2. Disseminate and publish policies, strategic plans, laws and regulations on water supply and sanitation throughout the country;
3. Direct and monitor the implementation of policies, strategic plans, laws and regulations on water supply and sanitation, investment plans, development, water supply and sanitation infrastructure expansion;

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4. Develop policies, strategic plans, government decisions on water supply and sanitation into detailed plans, programs and projects of the own sector;
5. Study, determine specification, activities achievement indicators, standards; study and select appropriate technology together with instruction of implementation;
6. Study, share opinions on investment, expansion, suspension and cancellation water supply activities;
7. Build, train and enhance the levels of water supply personnel;
8. Coordinate other sectors and local authorities concerned relating to water supply activities performance;
9. Enter in external, regional and international relations and cooperation on water supply and sanitation activities;
10. Summary and regularly submit the report on achievements of water supply activities organization and implementation to the Government.

Article 60 Rights and Duties of Provincial, Capital Divisions of Public Works and Transport

To manage water supply activities the provincial, capital Divisions of Public Works and Transport has the main rights and duties as follows:

1. Develop policies, strategic plans and water supply infrastructure and sanitation development plans issued by the Ministry of Public Works and Transport;
2. Disseminate and publish policies, strategic plans, laws and regulations on water supply and sanitation within their own provinces, capitals;
3. Direct and monitor the implementation of water supply activities and sanitation within their own localities;
4. Survey, data and information and statistics on water supply, sanitation and water sources which shall be protected for water supply production;
5. Study, share opinions on investment, expansion, suspension and cancellation water supply activities within their own provinces and capitals;
6. Collaborate with other sectors concerned in studying water supply tariffs within provinces, capital to submit to Ministry of Public Works and Transport for technical consideration before proposition to the governors of provinces and capitals for authorization;
7. Resolve the disputes between service providers and service users within their own provinces, capitals;
8. Enter in external, regional and international relations and cooperation on water supply and sanitation activities as assigned by the higher ranking authorities;
9. Summary and regularly submit the report on achievements of water supply activities organization and implementation to the Ministry of Public Works and Transport and to provincial, capital authorities.

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Article 61 Rights and Duties of District, municipality Offices of Public Works and Transport

To manage water supply activities the District, municipality Offices of Public Works and Transport has the main rights and duties as follows:

1. Organize and implement plans, projects, regulations and instructions of provincial, capital Divisions of Public Works and Transport on water supply and sanitation activities;
2. Disseminate laws and regulations on water supply and sanitation activities within their own districts, municipalities;
3. Study and share opinions on water supply and sanitation infrastructure in intensive development areas and in rural areas to submit for consideration to provincial, capital Divisions of Public Works and Transport;
4. Collaborate with other sectors concerned in water supply and sanitation activities management and resolve the disputes arising between service providers and service users within their own districts, municipalities;
5. Summary and regularly submit the report on achievements of water supply and sanitation activities organization and implementation to the Ministry of Public Works and Transport and to provincial, capital authorities.

Article 62 Rights and Duties of Other Sectors Concerned

Other water supply activities-related sectors concerned, such as local authorities, public health sectors, water resources and environment sectors, have the rights and duties to participate in water supply activities accordingly to their own roles.

Village authorities have the main rights and duties as follows:

1. Disseminate and implement laws and regulations on water supply and sanitation activities within their own villages;
2. Organize and implement plans, projects, regulations and instructions of public works and transport sectors on water supply, sanitation activities and water sources and environment protection;
3. Facilitate service providers together with mobilize the people to participate in planning, construction and protection of water supply and sanitation infrastructure within their own villages;
4. Submit the report to the district offices of public works and transport and service providers on water supply activities, creation of damages to water supply and sanitation infrastructure, water sources and environment within their own villages;
5. Submit suggestions to service providers and organizations concerned on services, improvement and water supply and sanitation infrastructures within their own villages.

Section 2

Water Supply Activities Supervision

Article 63 Supervision Authorities

Water supply activities supervision authorities are comprised of two types as follows:

- Internal supervision authorities which are the same as of water supply activities management authorities as specified in Article 58 of this Law;
- External supervision authorities.

Article 64 Rights and Duties of Internal Supervision Authorities

While performing water supply activities the supervision authorities at each level have the rights and duties to comply with the contents and forms of supervision as specified in Article 65 and Article 66 of this Law.

Article 65 Contents of Supervision

Contents of supervision activities are as follows:

1. Supervision of organization and implementation of strategic plans, policies, laws and regulations, investment plans, development, water supply and sanitation infrastructure expansion;
2. Supervision of progress and implementation of water supply activities implementation technical standards, including construction and installation equipments of water supply and sanitation infrastructures;
3. Supervision of implementation of safety standards and social welfare of workers in water supply business operation;
4. Supervision of management and protection of water sources for water supply production and environment;
5. Supervision of water quality standards;
6. Supervision of the use of impact prevention and remedies measures, and compensation for harmful effects to life, health and properties of the people, public and environment whilst water supply business operation;
7. Supervision of implementation of plans and finance of water supply business;
8. Supervision of bidding, contracts on water supply and sanitation infrastructure construction and installation, implementation of various contracts.

Article 66 Forms of supervision

Water supply supervision consists of three forms as below:

1. Regular supervision which is a supervision undertaking systematically in accordance with the plans and has a fixed period.
2. Prior notification supervision which is a supervision undertaking out of plans when necessary with notification in advance to persons to be supervised.
3. Emergency supervision which is a supervision undertaking in case of urgency without any prior notification to persons to be supervised.

During the supervision of water supply activities process, the officers of supervision authorities shall comply strictly with the laws and regulations.

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Article 67 External Supervision

External supervision has the purpose to supervise the performance of duties of the water supply activities management and supervision authorities to be strengthen, transparent, fair and effective.

External supervision consists of as follows:

1. Supervision of the National Assembly as prescribed in the Law on supervision of the National Assembly;
2. Supervision of State inspection authorities as prescribed in the Law on State Inspection;
3. Audit of the State auditing authorities as prescribed in the Law on State Audit;
4. Supervision with the participation of National Construction Front, Mass Organizations, people and Mass Media.

Chapter VII

Awards and Sanctions

Article 68 Awards

Individuals or organizations having an excellent achievement in implementing this Law, such as in construction, improvement, development, expansion, production, operation, maintenance and service of water supply with effectiveness and quality, shall be awarded and benefited other policies as appropriate.

Article 69 Measures against Violators

Individuals or organizations breaching this Law shall be educated, disciplined, fined, compensated for damages or punished according to minor or severe cases.

Article 70 Educational Measures

Individuals or organizations violating the laws and regulations on water supply or sanitation activities, mainly, prohibitions of character which are not criminal offences, shall be educated or warned.

Article 71 Discipline Measures

Water supply officers or personnel violating the laws and regulations on water supply or sanitation, mainly, prohibitions of minor character which are not criminal offences, causing no severe damages and not honestly reporting on their own acts, evading their own wrong acts, shall be disciplined accordingly to the regulations, such as: warn on wrong acts, upgrade suspension or remove from job.

Article 72 Fining Measures

Individuals or organizations violating the laws and regulations on water supply or sanitation activities, causing damages which have not constituted elements of criminal offences, shall be fined due to the main acts as follows:

1. Operate water supply business without permission;

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2. Construct and install water supply equipments and accessories for business without permission;
3. Connect water supply to houses without permission;
4. Let other persons connect water supply from their own houses without permission;
5. Alter water meters;
6. Do not comply with water supply technical standards and safety standards;
7. Render service and consume water supply without compliance with environment protection standards;
8. Do not pay duties, taxes and other obligations on water supply and sanitation in accordance with the laws and regulations.

Tariff of fines shall be determined in specific regulation.

Article 73 Civil Measures

Individuals or organizations violating the laws and regulations on water supply or sanitation activities and causing damages to others shall compensate for losses occurred.

Article 74 Penal Measures

Individuals or organizations violating the laws and regulations on water supply or sanitation activities which constituted a criminal offence shall be subject to criminal proceedings accordingly to criminal laws.

Chapter VIII

Final Provisions

Article 75 Uniform, Sign and Seal

Water supply service providers have uniforms, signs and seals to be use in their activities performance and determined by Ministry of Public Works and Transport.

Article 76 Implementation

Government of the Lao PDR is in charge of implementing this Law.

Article 77 Effectiveness


This Law comes into effects after one hundred and twenty days from the date upon which the President of the Lao people's Democratic Republic issue the Decree on promulgation of this Law.

Any provisions in contradiction with this Law shall be abrogated.

Vientiane Capital, 10 July 2009
President of National Assembly

1.7 Decree on Compensation and Resettlement of People Affected by Development Projects

Source: WREA

 <p>Lao People's Democratic Republic Peace Independence Democracy Unity Prosperity</p> <p>Prime Minister's Office</p>	<p>PART I GENERAL PROVISIONS</p> <p>Article 1 Objectives</p> <p>This decree defines principles, rules, and measures to mitigate adverse social impacts and to compensate damages that result from involuntary acquisition or repossession of land and fixed or movable assets, including change in land use, restriction of access to community or natural resources affecting community livelihood and income sources. This decree aims to ensure that project affected people are compensated and assisted to improve or maintain their pre-project incomes and living standards, and are not worse off than they would have been without the project.</p> <p>Article 2 Scope of Application</p> <p>This decree applies to all development projects including government and domestic private or foreign development projects that require acquisition of land or land use rights or rights to possess fixed or immovable assets, change in land use or restriction of the use of resources that affect the livelihood or income of the people.</p> <p>Article 3 Definitions</p> <p>(a) Project owners mean individuals, entities or organizations that have approvals to undertake study, survey, design, construct or operate development projects. Project owners could be public or private sector or joint venture between the</p>	<p>DECREE on the Compensation and Resettlement of the Development Project</p> <p>Pursuant to the provisions of the law on the government of the Lao People's Democratic Republic number 02/NA dated 6th May 2003.</p> <p>Pursuant to the proposal of the Minister to the Prime Minister's Office, President of the Science Technology and Environmental Agency number 1116/STEA-PMO dated June 2, 2005,</p> <p>The Prime Minister issues the decree as follows:</p>	<p>2</p>
<p>1</p>			<p>2</p>

government and private sector.

(b) **Compensation** means payment in cash or in kind for an asset to be acquired or affected by projects at replacement cost.

(c) **Replacement Cost** is the amount in cash or in kind needed to replace lands, houses, infrastructure or assets on the lands (crops, trees) and other assets (income) affected by the development projects.

(d) **Project commencement date** means the date when project owners undertake a census to identify affected people within the project boundaries, and when the project owners inform the project affected people 30 days prior to the registration as affected people. People who are not registered as affected people shall not be entitled to compensation or other rights.

(e) **Project Affected People** includes any person or entity or organization affected by a project, who in the context of acquisition of assets or change in land use before the project commencement date, would have their:

- i) Standard of living adversely affected;
- ii) Right, title or interest in all or any part of a house, land (including residential, commercial, agricultural, plantations, forest and grazing land) water resources or any other moveable or fixed assets acquired or possessed, in full or in part, permanently or temporarily adversely affected;
- iii) Business, occupation, place of work or residence

3

areas adversely affected with or without displacement; or

- iv) Community resources adversely affected.

(f) **Rehabilitation** means assistance provided to seriously affected people due to the loss of productive assets, incomes, employment or sources of living that require to be compensated in order to improve, or at least achieve full restoration of living standards to pre-project level.

(g) **Resettlement** refers to all measures taken by the Project owner to mitigate adverse social impacts of a project, fully or partially, on the APs, including compensation for lost assets and incomes and the provision of other entitlements, income restoration assistance, and relocation, as needed.

(h) **Social Impact Assessment (SIA)**. SIA is a framework for incorporating social analysis and participatory process in project design and implementation.

(i) **Vulnerable group**. These are distinct groups of people who might suffer disproportionately from the loss of fixed and movable assets, other assets and production base or face the risk of being marginalized from the effects of resettlement and specifically include:

- (i) divorced or widowed female headed households with dependents and low income,
- (ii) households with disabled or invalid persons,
- (iii) households with persons falling under the generally accepted indicator for poverty as

4

- defined by the Ministry of Labor and Social Welfare, or the landless;
- (iv) elderly households with no means of support.

Article 4 Obligations of Project Owners to Address Adverse Social Impacts

When development projects have potential to cause adverse socio-economic impacts, project owners have the responsibility as follows:

- (a) In collaboration with the concerned local governmental authorities and concerned organizations, carry out necessary surveys and field investigations, identify affected communities, prepare inventory of impacts by types and degree, determine entitlement to mitigation measures including compensation for affected assets. Project owners must provide appropriate funding to assist, support, relocate APs and to implement income rehabilitation measures and to prepare necessary plans in an efficient and timely manner and approved by the concerned agencies to ensure the improvement of their socio-economic situation;
- (b) Make every attempt so that displacement and other direct adverse impacts on peoples's assets and income are avoided or, if unavoidable, minimized by examining all design options available to the project;
- (c) Be responsible for the timely provision of adequate budget for all aspects of planning, implementing,

5

monitoring and evaluating all resettlement and compensation activities;

- (c) Pay particular attention to the needs of the poorest affected people, and vulnerable groups that may be at high risk of impoverishment. Appropriate assistance must be provided to help them improve their socio-economic status; and
- (e) Ensure that the resettlement process is carried out through a meaningful involvement of project-affected communities, and their existing social and cultural institutions are supported to the greatest extent feasible.

PART II ELIGIBILITY

Article 5 Eligibility for Compensation, Resettlement and Rehabilitation Assistance

1. All individuals and entities residing or making a living within the area to be acquired for a project as of the formally recognized cut-off date would be considered as project affected persons (APs) for purposes of entitlements to compensation, resettlement and rehabilitation assistance.
2. People who are not living within the project areas, but have land and buildings in the project areas, are also entitled to compensation, resettlement and rehabilitation assistance.

6

5. Tenants, who have leased a house / structures for any purpose and are affected by the project, shall be compensated for their lost assets in the amount equivalent to three months rental allowance, and shall be assisted in finding alternative rental accommodation.
6. APs who are living in rural or remote areas, who do not have any legal Land Use Certificate or any other acceptable proof indicating land use right to the affected land and assets they occupy shall be compensated for their lost rights to use land and for their other assets at replacement cost and provided additional assistance to ensure that they are not worse-off due to the project. APs in urban areas, who do not have any legal Land Use Certificate or any other acceptable proof indicating land use right to the affected land and assets they occupy and who have no land at other places will be compensated for their lost rights to use land and for their other assets at replacement cost and other additional assistance to ensure they are not worse off due to the project.
7. All APs, regardless of land use right, will be entitled to compensation for lost assets (structures, crops, trees) at replacement cost, and provided with other assistance during the transition period, and economic rehabilitation assistance to ensure that they are not worse off due to the project.
8. All previous claims and unresolved issues related to tenure status and ownership of land and other assets affected by the sub-project or components shall be resolved prior to initiating any new land acquisition

8

PART III COMPENSATION

Article 6 Compensation Principles

1. Project owners shall compensate project affected people for their lost rights to use land and for their lost assets (structures, crops, trees and other fixed assets) affected in full or in part, at replacement cost.
2. Where significantly large or entire land holding is affected by a project namely agriculture, residential or commercial land, the compensation shall be through provision of "land for land" arrangements of equivalent size and productivity and be acceptable to APs and project owners.
3. If the house or structure is only partially affected by the Project and the remaining structure is unviable for continued use or the remaining area is less than the minimum house size, the AP shall be entitled to be compensated for the entire structure at replacement cost without depreciation or deduction for salvaged materials. In case the remaining structure is viable for continued use, project owners shall provide compensation for the lost portion and assistance in cash or material for restoration of the remaining structure.
4. APs whose land or assets are temporarily taken by the works under the project shall be fully compensated for their net loss of income, damaged assets, crops and trees, as the case may be. The project owners shall also ensure that the land or assets are returned in its pre-project state.

7

Article 8 Economic Rehabilitation

1. All APs severely affected by the project due to loss of 20% or more of productive income generating assets (loss of agricultural, industrial or commercial land), means of livelihood, employment or business and access to community resources shall be entitled to sustainable income restoration measures in addition to their entitlement for compensation and other allowances enabling them to attain at a minimum pre-project livelihood levels.
2. For displaced persons whose land-based livelihoods are affected due to the project, preference shall be given to land-based resettlement strategies, or where land is not available, options built around opportunities for employment or self-employment.
3. For displaced persons whose businesses are affected due to the project, in addition to compensation for lost land, structures, and income, assistance shall be given to finding replacement sites for business as appropriate.
4. These rehabilitation measures shall specifically focus on vulnerable groups. Adequate assistance, in addition to compensation for affected assets and other allowances, shall be provided to enable such APs to achieve household income targets set above the national poverty line.

10

measures on the respective sub-project or component.

9. Before provision of compensation, project owners shall establish a joint committee, with representatives from all stakeholders, to assess the loss to APs.
10. Prior to the commencement of project construction, APs shall be fully compensated and resettled and rehabilitations measures shall be in place, although not necessarily completed yet.

Article 7 Assistance during Relocation and Transition Period

APs displaced and/or affected due to the loss of income and livelihood shall be provided with the following assistance until their income levels and living conditions can be stabilized:

- (a) Transport allowance or assistance in kind to transfer to the resettlement site or their choice of relocation;
- (b) Food allowance, in cash or in kind to compensate for income lost, during the transition period;
- (c) Suitable development assistance after displacement during the transition period until they are able to restore their incomes and living standards or reach the targeted level of household incomes on a sustainable basis.

9

Article 9 Restoration and Repair

1. Project owners shall restore or repair community facilities and infrastructure that are damaged due to the project, at no cost to the community.
2. Any impact or restriction on access to resources managed by affected community as a common property shall be mitigated by arrangements ensuring access to improved or at least equivalent resources on a continuing basis. Attention shall also be paid to directly APs if their benefits are affected due to the loss of access to common property resources.

Article 10 Resettlement Site Development

1. All persons relocating to group resettlement sites shall be provided with suitable housing or developed housing lots, shop lots if businesses are affected, agricultural sites of equivalent size, with productive potential and locational advantages better or at least equivalent to the old site. Replacement land, house/business plot shall be as close as possible to the land that was lost and/or acceptable to the APs. Group resettlement sites shall be developed with water supply, sanitation, drainage, with internal and access roads, and access to electricity. When it is necessary they may be provided other form of assistance from project owners such as public health and education.
2. All replacement land for agriculture, residential and businesses shall be provided with secured land titles and certificates and without any additional cost, sales taxes,

11

fee, and surcharge to the APs at the time of transfer. Construction lands shall be allocated in accordance to regulations and standard procedures in urban planning.

3. Project owners shall take responsibility to develop resettlement sites in order to avoid or mitigate adverse social and environmental impacts to the surrounding areas.
4. Where relocation to a group resettlement site is considered necessary, project owners shall mitigate the adverse impacts on host community and shall provide appropriate compensation (to damaged assets) and assistance to host community similar to the project affected persons.

PART IV FUNDAMENTAL COMPONENTS OF COMPENSATION AND RESETTLEMENT

Article 11 Local Culture & Practices

1. During planning, construction and operation periods, project owners shall consider local cultural and religious properties, practices and beliefs.
2. Where local communities or individuals elect to make voluntary contribution of affected land without compensation, this shall be acceptable only if the impacts on their assets are marginal (affecting less than 20% of

12

productive income generating assets) and do not result in displacement; incomes, employment and businesses are not affected; such communities or individuals are fully aware of their entitlements.

3. Project owners shall define mitigation measures and socio-economic benefits to improve status of ethnic communities and shall be in harmony with their cultural preferences and shall be decided in consultation with affected communities.

Article 12 Public Participation and Consultation

1. The project owners shall implement the resettlement program in a participatory manner ensuring that APs, local authorities and other stakeholder are fully informed and consulted and their concerns are taken into account at all stages of the project cycle, particularly during the planning and implementation phases of the land acquisition, valuation and resettlement process.
2. Project owners shall make concerted efforts for an effective public dissemination of information about the objectives of the project, the compensatory package that is part of the resettlement process, through the mass media such as newspapers, radio, TV or public meeting and other means to inform local authorities at provincial, district and village levels and mass organizations, APs and other concerned people as necessary.

13

Article 13 Grievance Redress Mechanism

1. Project owners shall establish an effective mechanism for hearing and grievance redress during the resettlement planning and implementation in a project.
2. Project owners in consultation with concerned government authorities, shall establish a Grievance Redress Committee to address complaints and grievances pertaining to land acquisition, compensation and resettlement due to the project.
3. Grievances related to any aspect of the project or sub-project shall be handled through consultations conducted in a transparent manner and aimed at resolving matters through consensus at the project level before complainants forward these to higher level and ultimately to the court of law. The responsible agency shall record the complaints (or put in written form the oral report) by the APs;

4. APs will be exempted from all administrative and legal fees incurred pursuant to the grievance redress procedures. In case the complaints are forwarded to the court of law, all costs for pursuing such cases in the court of law must be borne by the project.

Article 14 Resettlement Cost and Budget

1. Project owners shall prepare the Resettlement Plan with detailed cost estimates for compensation and other

14

resettlement entitlements and relocation of APs. The cost estimates shall be provided with a breakdown by category of APs by type and degree of impacts. The cost estimates will also include the cost of monitoring and evaluation; management and administration; and other cost related to the project impacts; and adequate provisions for contingencies.

2. Total estimated cost of RPs shall be included in the cost of the project. In the case of cost overruns due to unforeseen circumstances or delays, the project authorities/owners shall allocate additional funds as may be necessary.

Article 15 Reporting and Documentation

1. The project owners shall provide reports and documents to responsible government authorities to consider. Those reports and documents should have description of the project and shall include:

- (a) Name of project owners
- (b) Project type;
- (c) Project scale and location;
- (d) Project objectives;
- (e) Number and sources of labor that will be used during construction and operation period;
- (f) Estimate number of people will be affected by the project and types of impacts;
- (g) Estimate social costs and benefits of the project;

15

- (h) Impact mitigation measures.

2. The project owner shall implement correctly the recommendations made by responsible government authorities. After screening of the project reports and documents and it seems that the project will cause adverse social impacts, the project owners shall carry out necessary studies and field investigations including census, inventory of lost assets and socio-economic baseline surveys, and prepare the following reports and documents on social impacts and submit to concerned government authorities for approval:

- (a) Initial Social Assessment (ISA) / Land and assets Acquisition Assessment
- (b) Social (Impact) Assessment
- (c) Land Acquisition and Compensation Report
- (d) Resettlement Plan (RP)
- (e) Ethnic Minority Development Plan (EMDP)

3. The procedure and methodology on social impact assessment will be defined in detailed regulations and guidelines on compensation and resettlement.

4. In submitting the reports and documents, project owners shall:

- (a) When the project is a government-financed project, the project owners shall present the document to the Science, Technology and Environment Agency at central level for review and approval;

16

(b) When the project is domestic or foreign privately owned or joint venture between the government and private sector, the documents shall be sent first to the concerned ministry and local authority to consider and then the ministry shall forward the documents to the Science, Technology and Environment Agency for final review and approval.

Article 16 Monitoring

1. Project owners shall make adequate arrangements for monitoring of the implementation of the compensation, resettlement and rehabilitation measures.
2. In projects with major resettlement component where the impacts are severe, the project owners shall contract an experienced and independent monitoring agency for monitoring and evaluation of the implementation of the compensation, resettlement and rehabilitation measures.
3. The project owners shall make provisions for post-evaluation six months to one year after completion of the implementation of resettlement and rehabilitation measures, to check whether the economic rehabilitation and the livelihood objectives of the resettlement plan have been achieved.
4. If the evaluation indicates that the APs have not been able to achieve the stated objectives and income targets, project owners shall make arrangements for provision of additional assistance to meet the stated objectives.

17

PART V REWARDS AND SANCTIONS

Article 17 Rewards and Sanctions

Ministries and government agencies concerned have responsibilities to consider appropriate rewards to those who have high achievement in the implementation of compensation, resettlement, and rehabilitation programs, or to impose sanctions like warning, fine, and punishment on those who do not comply with this decree and concerned regulations.

PART VI FINAL PROVISIONS

Article 18 Implementation

1. Ministries, ministerial equivalent agencies, and the Science Technology and Environment Agency have mandate to issue decisions, order, instructions, or notification on the implementation of this decree;
2. Ministries, ministerial equivalent agencies, and local authorities who have responsibility for the supervision of development projects shall recognize and strictly comply with this Decree in accordance with their roles and mandate;

18

3. The Science, Technology and Environment Agency is assigned to provide guidance and coordinate with concerned sectors and local authority in the implementation of this decree.

Article 19 Effectiveness

This Decree is effective from the date of signature and any previously issued regulations, guidelines, etc., which are in contradiction with this Decree are hereby annulled.

Signed and Sealed

Prime Minister of Lao PDR

Bounnhang Vorachith