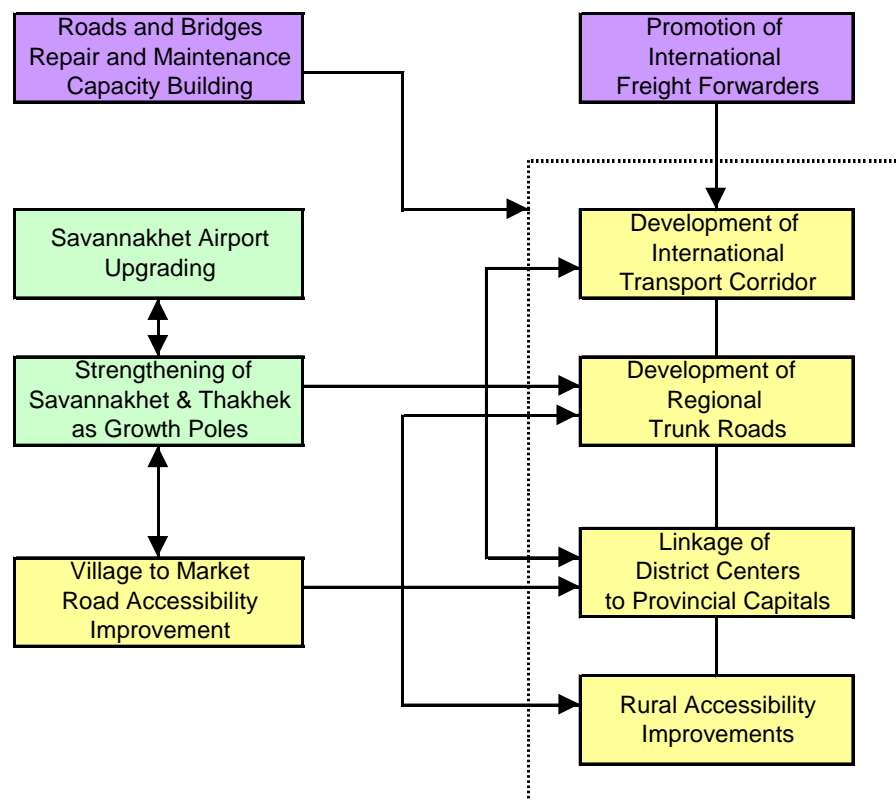


VI-1.4 Projects/Programs for Regional Transport Development

In order to realize the above-mentioned development objectives and policies, following projects/programs are proposed to be implemented in SKR during the plan period up to the year 2020. The inter-relationship among those projects/programs for transport improvements in SKR is as indicated in the Figure below. All projects/programs are closely inter-linked each other.



Legend

- Road Improvement-Related Projects/Programs
- Urban Transport Systems Upgrading Projects/Programs
- Transport Sector Institution Building Projects/Programs

Figure VI1-7 Relationship of Transport Improvement Projects/Program

1) Trunk Road Network Development Program

Outline

Recently, the National Roads and bridges in the SKR have been improved and upgraded by the assistance from bilateral and international aid agencies. Many other road construction/upgrading/improvement projects and bridge construction projects are underway. However, there are still remaining and untouched sections of National Roads and, except for paved NR. 13S of Bolikhamxai/Khammouan border to NR. 9B/13 junction, the road condition in SKR is unsatisfactory in general. Since the National Roads constitute the backbone of regional development, further and staged improvements and upgrading of National Road network in SKR as is listed in the following development program would have the highest priority in the road sector programs.

The program is to continue the current effort of improvement and upgrading of National Roads and bridges in SKR. Since the available financial resources are limited, staged development and gradual implementation of program according to priorities of development based on traffic volumes are employed.

Program Component

Trunk road network development program in SKR consists of the following on-going, committed, and planned projects:

(Road paving and all-weather road construction up to 2005)

- NR.13 (Savannakhet-Pakse) road paving and bridge construction (ongoing; works to be completed by 2002)
- New Mekong Bridge construction (committed; works to be implemented during the period 2001-2004)
- NR.9 (Seno-Vietnam Border) road construction (ongoing; works to be completed by 2004)
- NR.12 (NR.13 Junction-Gnommalat Junction) road paving and bridge construction (planned; work to be completed by 2003)
- NR.12 (Gnommalat Junction -Vietnam Border) road rehabilitation and bridge construction (ongoing; work to be completed by 2005)
- NR.1E Paving and bridge construction (committed; to be implemented during the period 2001-2003)
- NR.1F (Mahaxai Junction-Xaibouathong) road rehabilitation and bridge construction (to be implemented during the period 2001-2005)

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(Road paving and all-weather road construction up to 2010)

- NR.1 (1G) road rehabilitation and bridge construction (planned; to be implemented during the period 2006-2010)
- NR.1 F(Mahaxai Junction-Xaibouathong) road paving (planned; to be implemented during the period 2006-2010)
- NR.1 F(Xaibouathong-NR.9 Junction) gravel road construction (planned; to be implemented during the period 2006-2010)

(Road paving and all-weather road construction up to 2020)

- NR. 1G paving and bridge construction (planned; to be implemented during the period 2011-2020)
- Thakhek-Nakhon Panom bridge construction (planned; to be constructed by 2015-2020, depends on traffic demand/feasibility)

Justification

National Road networks in SKR constitutes the backbone of the region's land communication and transportation systems. The road network is expected to act as the all-weather links from/to provincial capitals and district centers for administrative, economic and social integration.

Currently, vigorous efforts are made for improving the network receiving international financial cooperation through mainly JICA, ADB and other aid agencies. The current conditions of the National Road network in SKR may be said to be better than the national average. But certain area in both Provinces and its National Road network is still far from meeting the above-mentioned requirement. The network lacks bridges and road pavement is insufficient. It is difficult to have stable communication, particularly in rainy season. Therefore, it is required to establish all-weather links between Provincial Capitals and District Centers in both Provinces as soon as possible.

Location

The location of each trunk route development project is shown in Figures VI-10~12, which indicate the road networks in SKR in the years 2005, 2010 and 2020 including projects/programs of District Centers – Provincial Capitals Connection (see following Section 2)) and Village-to- Market Roads (see Section 3)).

Implementation Schedule

The order of development is as in the following:

- 1st : - Road and Bridges Construction of National Road 13S (1998-2001)
- 2nd : - Road and Bridges Construction of National Road 9 (2000-2004)
- Road and Bridges Construction of National Road 12 (2000-2003)
- Road and Bridges Construction of National Road 8 (2001-2004)
- Road and Bridges Construction of National Road 1E (2000-2002)
- Savannakhet - Mukdahan Bridge Construction (2001-2004)
- 3rd : - Road Improvement and Bridge Construction of National Road No.1F (2001-2005)
- Road Improvement and Bridge Construction of National Road No.1G (2001-2005)
- 4th : - Paving of National Road No.1F (2006-2010)
- Paving of National Road No.1G (2006-2010)
- 5th : - Thakhek - Nakhon Panom Bridge Construction (2015-2020)

By the year 2005, major sections of National Roads in SKR are to be paved except NR. 1F (M.Xaibouathong – NR.9/1F Junction) and NR.1G (M.Phin – Saravane border), the pavement of which will be completed by the year 2010).

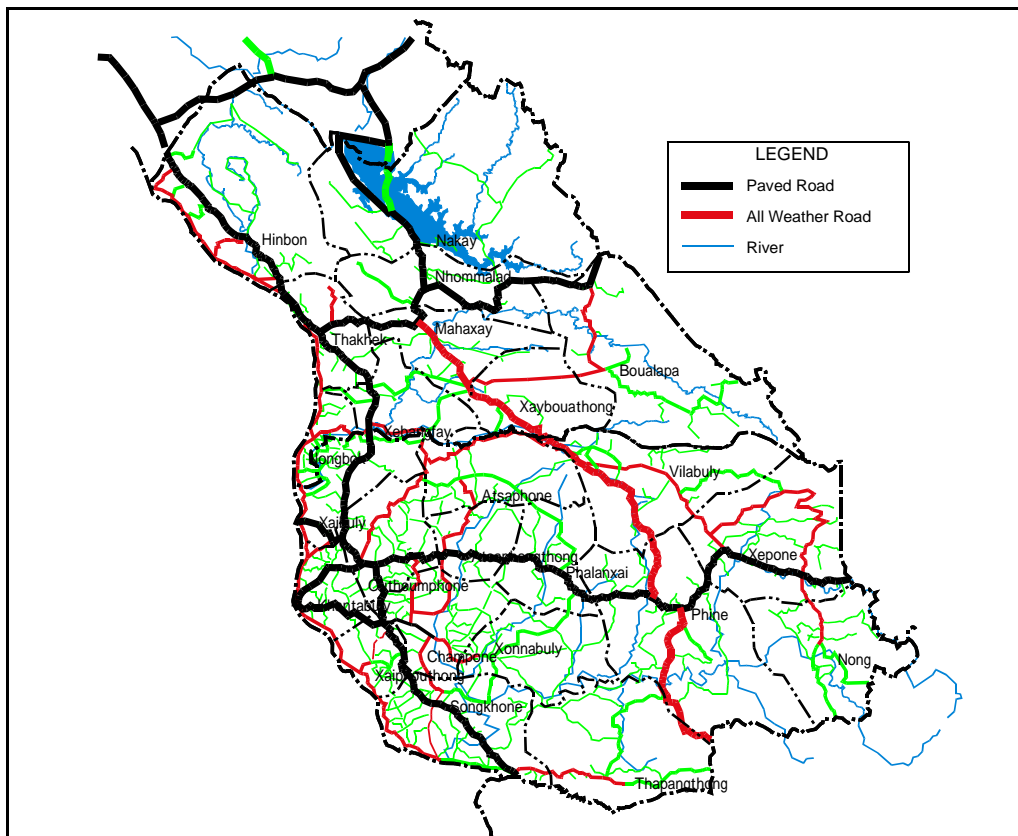


Figure VI1-8 Road Network in 2005

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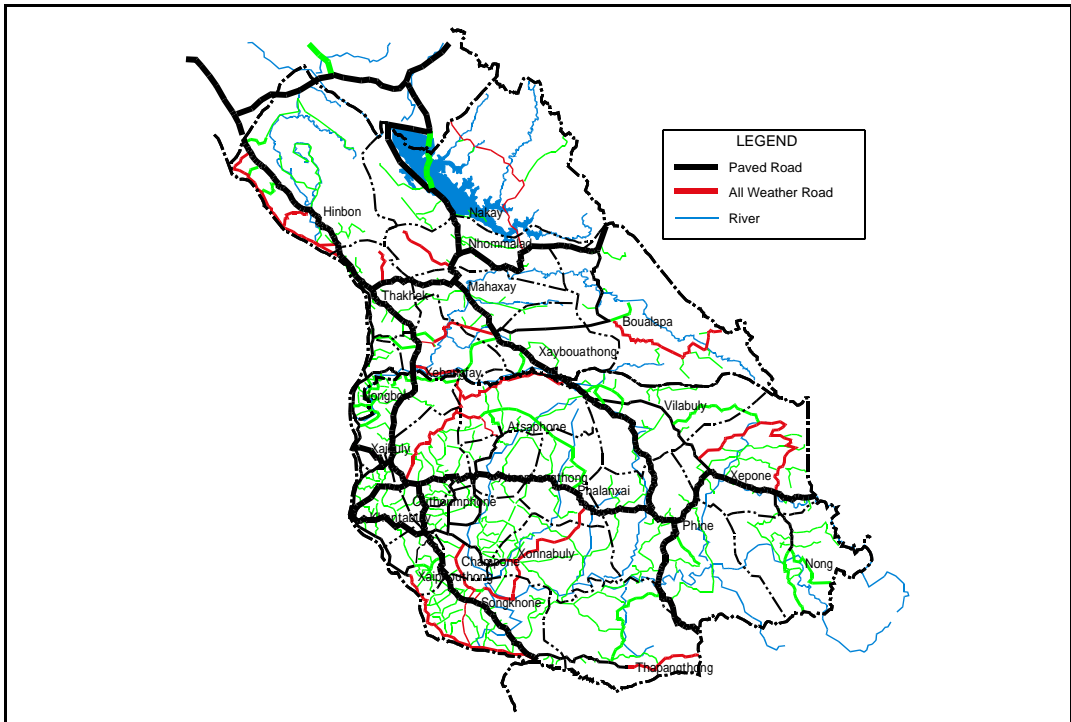


Figure VI1-9 Road Network in 2010

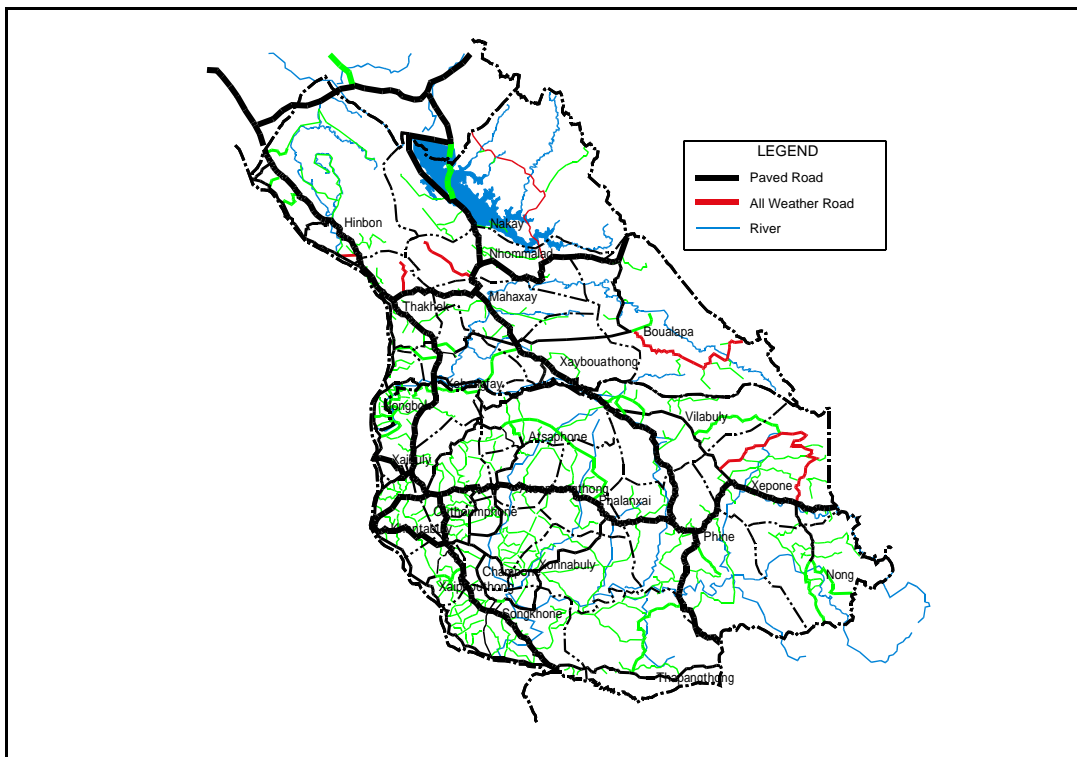


Figure VI1-10 Road Network in 2020

2) District Centers Road Networking Program

Outline

The proposed program is to connect district centers in SKR with provincial capitals by all-weather roads of mainly classified as provincial roads. In order to secure the welfare minimum of local people in SKR, all-weather access would be secured by 2005 and paved access by 2010.

Program Component

Provincial roads including bridge construction to secure all-weather access from provincial capital (NRs) to district centers, including following sections:

<SKR as a whole>

- SKR Feeder Road Network Study (Development Survey)

(Provincial capital /NRs- District Centers Connection by 2005)

<Savannakhet Province>

- M. Vilabouri – B. Nabo (on NR.9)
- M. Vilabouri – B. Mai (on NR.1F)
- M. Nong – B. Dong (on NR.9)
- M. Sonbouri – M. Champhon (linked to NR.13)

<Khammouan Province>

- Thakhek – M. Nongbok
- M. Boualapha – B. Langkhang (on NR.12)
- M. Boualapha – B. Panam (on NR.1F)

(Provincial capital /NRs- District Centers Connection by 2010)

<Savannakhet Province>

In addition to the upgrading of above roads to paved road, following roads are to be paved:

- Sav annakhet – M. Xaiphouthong
- M. Thapangthong – B. Xebangnouan (on NR.13S)
- M. Atsaphong – B. Donghen (on NR. 9)

<Khammouan Province>

The above roads in the Khammouan Province are upgraded and to be paved.

Justification

The Provinces of Savannakhet and Khammouan are administratively subdivided into 14 and 9 Districts, respectively. The functions of district center are to provide

administrative, economic, educational and welfare services to all rural communities within the district. In order to achieve those functions of district center, all-weather road links from/to district centers to/from provincial capitals of Savannakhet and Thakhek would be secured. However, current conditions of roads linking district centers to provincial capitals are in poor conditions. Many district centers in SKR have not yet established the all-weather road links. From the administrative and welfare needs, all-weather road links between district centers and provincial capitals are to be established as soon as possible.

Location

The location of roads connecting district centers to/from provincial capitals of both Province are shown in Figure below.

Implementation Schedule

The implementation schedule is as indicated in the above Project Component. All-weather links between District Centers and Provincial Capitals of both Province are to be completed by the year 2005 and all paved access between them are to be completed by the year 2010.

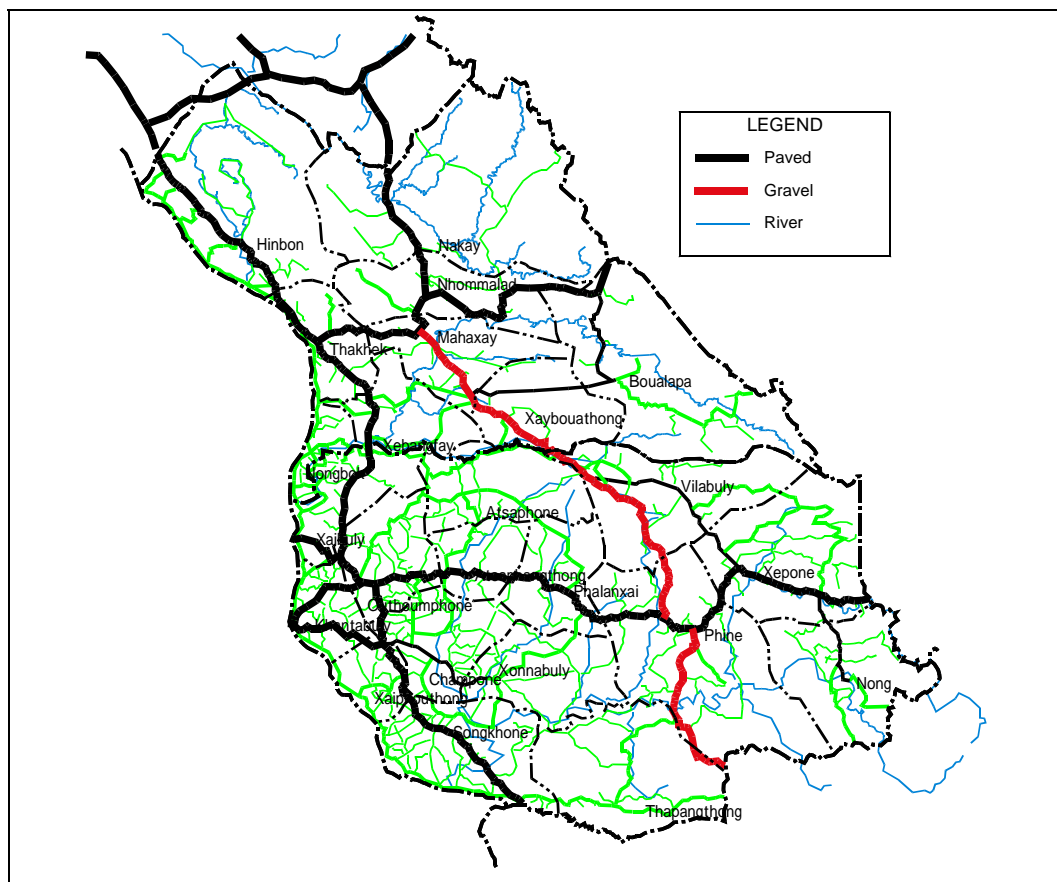


Figure VI1-11 Road Connecting District Centers to National Roads

3) Village-to-Market Road Development Program

Outline

In order to upgrade the income level of local people, the program is to connect markets along the upgraded national roads with local communities by the all-weather roads. They are mostly provincial and local roads. By the all-weather links between markets and villages near to the improved roads, local people are able to bring their products to markets and sell their products, which enable local people to raise their income level. The program is to be implemented in line with the schedule of improvements and upgrading of national roads.

Program Component

Development of markets depends on two factors, namely (1) the accessibility from the hinterland area to market town, and (2) local people's initiatives to sell their products at markets. The following are examples of road which have potentials of encouraging market development, but not sure whether rural people in the hinterland and along the road have marketing initiatives of their products. Therefore, continual monitoring of development for potential market and needs of rural communities in the hinterland is required. Priority of improvement for Village-to-Market road would be determined based on actual trend of market development.

- Village-to-Market road network to NR.13S (2001-2010)
 - M. Xaibouri – Beungthaley
 - M. Songkhon – B. Thapasoum
 - B. Donesat – B. Thapasoum
 - M. Xaiphouthong – B. Thapasoum
 - B. Xay – B. Nekhe
 - M. Xebangfai – B. Nekhe
 - M. Xebangfai – M. Nongbok
 - M. Hinboun – B. Hath
 - B. Ghout2 – B. Hath

- Village-to-Market road network to NR.9 (2004-2010)
 - B. Donemee – Champhone Junction
 - B. Donghen – B. Dong Donemai
 - M. Phin – B. Thounkham
 - B. Phonhai – B. Kadou
 - B. Dong – B. Kadou

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- Village-to-Market road network to NR.12 (2006-2010)
 - B. Nakhaxang – Tranphachanh
 - B. Phid – B. Phonbok
 - Nam Kathang Bridge at Gnommalat

Justification

In order to reduce the poverty prevailing in the rural communities of SKR, improvements of market accessibility to the upgraded trunk roads must not be overlooked. The all-weather road links to markets for local communities will stimulate and encourage the production of marketable products for local people, which would enable to reduce the poverty prevailing in SKR.

Location

The potential location of markets and village-to-market roads is shown in Figure below.

Implementation Schedule

Once the development of major roads would be completed, markets start to develop at junctions of main roads. Therefore, the dates of completion of major roads are the start of improving village-to-market roads.

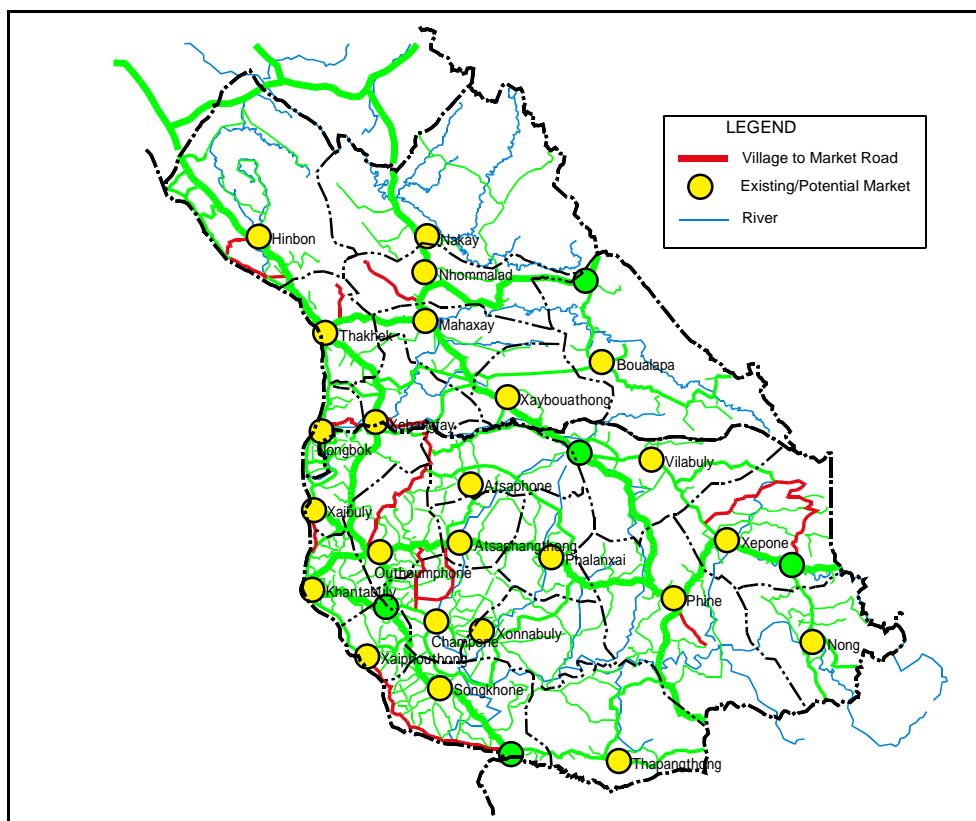


Figure VI1-12 Location of Market and Village-to-Market Roads

4) Rural Accessibility Improvement Program

Outline

The Program is to improve the rural accessibility in SKR extending the current IRAP road improvement initiatives by SIDA. The IRAP program is expected to continue up to the year 2005. The rural road improvement initiative at the year, however, is just the start and far from the completion. Even the initiative will yet to be institutionalized to the rural communities in SKR.

Since the IRAP initiative is pointing the right direction under the current and foreseeable financial difficulties in the road development budget, the initiative will be supported under the current program. The local initiatives of improving and maintaining rural roads are encouraged, supported and shared by:

- NCTPC through providing road construction equipment such as dump trucks, forklifts, graders, etc.,
- DCTPC through supplying materials for road improvements such as cement, timber, etc., and
- Local communities through providing manpower for road development works.

The core of the current program is the work sharing of road development works by the above three parties, particularly the participation by local people. However, local people do not know how to construct and maintain roads the basic techniques of road construction and maintenance and, therefore, it will be transferred at the regional training center, where the young leaders of local communities are trained to learn the basic skills for road construction and maintenance.

Program Component

- Road construction and improvement - IRAP Extension-1 (2006-2010)
- Road construction and improvement - IRAP Extension-2 (2011-2015)
- Road construction and improvement - IRAP Extension-3 (2016-2020)

Justification

Since the available financial resources for construction and maintenance of rural roads are limited and the substantial improvement of this situation in a foreseeable future would not be conceivable, the utilization of IRAP experience and the burden sharing by concerned authorities and beneficiaries (local communities) seem to be practical and reasonable measures to overcome the financial constraints.

Location

The location of road sections to be implemented in each five years period is determined by the PCTPCs

Implementation Schedule

The schedule of implementation is determined by the following factors:

- Availability of road construction equipment
- Availability of road construction/improvement materials, such as cement, sand and stones, timbers, etc.
- Schedule of agricultural works in the rural communities

5) Strengthening Savannakhet and Thakhek as Growth Poles

Outline

In order to improve the current poor urban infrastructure in both provincial capitals as growth poles of SKR which are expected to contribute to the integrated development of SKR, the transportation infrastructure and services for long distance, regional, and local transportation are to be upgraded in a programmed manner.

Program component

- Savannakhet and Thakhek urban road network rehabilitation (to be handled as “Urban Infrastructure Sector”)
- Savannakhet cargo terminal construction
- Thakhek cargo terminal construction
- Development of bus/tuktuk transport network connecting district centers in Savannakhet and Khammouan Provinces
- Savannakhet bus terminal construction
- Thakhek bus terminal construction

Justification of the Program

Savannakhet and Thakhek are provincial capitals and expected to function as growth poles of SKR. These cities are to be centers of international and domestic trades, of supportive services for agriculture in whole SKR, of higher education, and of services industries and financing. They also require to function as bases for tourism activities in both provinces and, therefore, require to improve service levels and facilities of hotels, restaurants and other amenities. In order to meet these requirements, the upgrading of transport infrastructure in both cities as regional growth centers would be justified.

Location

Within the city boundaries of Savannakhet and Thakhek

Implementation Schedule

The above project in the program would be implemented and completed by 2010.

6) Savannakhet Airport Upgrading Project

Outline

The Project is to extend the runway of Savannakhet Airport up to 2,200m for the service of medium-range aircraft and to develop measures of cross-border access to the airport for people of Mukdahan area in Thailand.

At present, the demand of passenger and freight transportation is also limited, since the possible passengers are from relatively low income 100,000 population in Savannakhet town and its surrounding area. The freight from agriculture-based and land transport oriented economic activities have also limited the possibility of upgrading the airport for regional services so far.

A major project of constructing Savannakhet-Mukdahan Bridge linking both banks of Mekon River is now under way and will be complete by the year 2004. Another project is to set up the Special Economic Zones (SEZ) near to the Second Mekon Bridge and at the area near to the junction of National Roads No. 13S and 9. Those projects may completely change the needs and the demand prospect of the Airport.

Currently, Savannakhet has an airport, which serves for domestic flight connected to/from Vientiane and Pakse, while Mukdahan do not have any airport. To build another airport in Mukdahan is not economical and, therefore, one of possible alternatives will be to use Savannakhet airport by residents of both Savannakhet and Mukdahan. Since Mukdahan does not have any airport, Savannakhet Airport may expect the use by Thai people of approximately 330,000 population in Mukdahan area if the arrangements for free or easy cross-border access to the airport will be made for passenger from/to Mukdahan area.

Once the Second Mekong Bridge at Savannakhet-Mukdahan would be completed, It would be appropriate to take into account that special airport commuting buses would be directly operated between Mukdahan airport bus terminal and Savannakhet airport without any border control procedures (or minor border control) at the border of both countries. It requires a study looking at appropriate terms of physical and institutional settings, in which the immigration laws, rules and regulations of border controls of both countries would be studied.

The establishment of SEZ will also change the current situation of the air transportation in Savannakhet. It will open up the new air transportation potentials.

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Most of investors to the SEZ would like to have close and convenient links with major regional centers such as Bangkok, Hanoi, Ho Chi Minh City, Da Nang, Kunming, Hong Kong and Singapore. In order to link Savannakhet with those cities directly, the medium-range aircraft such as Boeing 737 will be required. Otherwise, the possibility of attracting international investors to Savannakhet SEZ will be very much limited. For the future development of Special Economic Zone in Savannakhet and its development potentials to become a commercial center of the region, development of an airport of sub-regional standard is indispensable.

After current improvement works will be completed, the physical facilities of Savannakhet Airport will be as following:

- | | | | |
|--------------------------------|---|--|----------------------------|
| A. Runway | : | 1. Runway length | 1,633m |
| | | 2. Stopway | 200m RWY22 and 250m RWY 04 |
| | | 3. Runway width: | 38m |
| | | 4. Pavement of RWY | concrete |
| | | 5. Bearing capacity | PCN 31/R/B/W/T |
| | | 6. RWY identification | 04/22 |
| | | 7. RWY elevation | 155m |
| B. Taxiway to Apron | : | 1. With of pavement | 15m |
| | | 2. Pavement | concrete |
| C. Apron | : | 1. Surface | double asphalt seal |
| | | 2. area | 85 x 65m |
| D. Lighting system | : | 1. Runway edge lighting (high intensity) | |
| | | 2. Runway threshold/runway end lighting (high intensity) | |
| | | 3. Taxiway edge lighting | |
| | | 4. Apron edge lighting | |
| E. Navigational aids | : | 1. Simple approaches lighting RWY 22 | |
| | | 2. PAPI for approach on RWY 22 and 04 | |
| | | 3. NDB, CVOR/DME | |
| F. Meteorological Information: | | 1. Wind speed and direction sensor | |
| | | 2. Electronic pressure sensor | |
| | | 3. Electronic temperature and humidity sensor | |
| G. Airport building | | 1. Passenger terminal building | 2,736 m ² |
| | | 2. Control tower | |
| | | 3. Power house | 234 m ² |
| | | 4. Civil aviation administration building | |

Project Component

The main component of the proposed project includes:

- (a) Extension of runway from existing 1,633 meters to 2,200 meters (see Figure below)
- (b) Minor diversion of existing city road (Rd A1)
- (c) Device of measures for cross-border access/egress to/from the airport for people of Mukdahan area in Thailand

Justification

The provision of sub-regional air transportation service, which directly connects Savannakhet with such sub-regional major cities as Bangkok, Hanoi, Ho Chi Minh City, Da Nang, Kunming, Hong Kong and Singapore, is a prerequisite for attracting international investors to the planned Special Economic Zone at Savannakhet. Since the current Airport has nearly completed its improvement works of building a passenger terminal, other facilities and infrastructures as is mentioned above, the remaining major upgrading works will be to extend its runway from current 1,633m to 2,200m in order for services of B737 or Air Bus.

Current air traffic demand in Savannakhet area is small and it will not be feasible even minor upgrading works are envisaged, if only the population of Savannakhet area of lao side is counted as potential air traffic demand. However, once following conditions are met:

- (a) Savannakhet Airport would be upgraded to the sub-regional airport standard of receiving medium-range aircraft, i.e. the same standard with Vientiane, Luangprabang and Pakse, and will be connected to sub-regional major cities,
- (b) the construction works of Savannakhet-Mukdahan Bridge will be completed, and
- (c) Legal arrangements for the easier cross-border access to the Airport.

It is justifiably expected the use of the Airport by residents in Mukdahan area of Thai side for traveling to/from Bangkok and other Thai cities, since the nearest access to the North-Eastern Thai airport of Ubon Rachathani takes 2 hours to reach.

Other possible use of the Airport would be cargo transportation. The detailed scope of the planned Savannakhet SEZ is not yet known on such issues as the list of expected investors, their kinds and volume of products, methods of transportation for their products and materials, etc. Yjere is another possibility of using the airport for cargo transportation. In Sepone District of Savannakhet

Province, a copper mine with gold content was found and to be developed within 2-3 years, which is expected to produce 120,000 oz./year of pure gold. The transportation of the gold will be by surface mode of transport from the mine in Sepone to Savannakhet and then by air to markets of the produce.

Location

Existing site of airport, 1 km south of central area of Savannakhet Municipality. Although new site for the airport is available near to Seno, which was a site of the former military airbase and is not used now. However, the use of existing airport is economical and sufficient for the provision of required services as a sub-regional airport.

Implementation Schedule

Since the construction of Savannakhet-Mukdahan Bridge will be completed and Savannakhet SEZ will be established by the year 2004, The Savannakhet Airport Upgrading Project would be completed by that period, ie.2004, which require the start of the feasibility/design study by the year 2002.

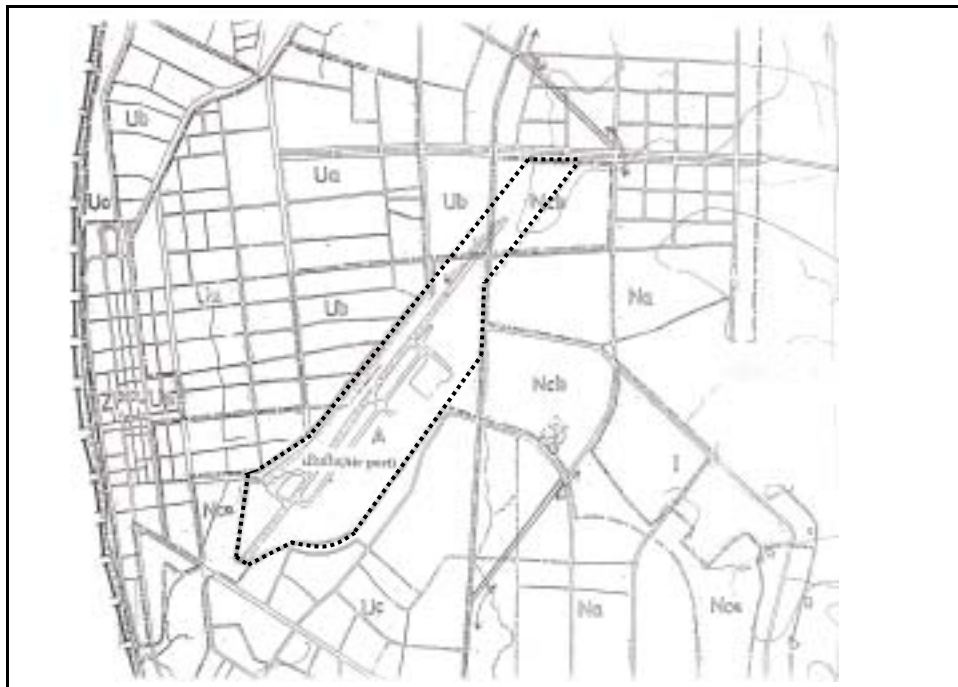


Figure VI1-13 Savannakhet Airport Runway Extension Project

A plan for the Savannakhet Airport Upgrading Project is further elaborated and presented in the Cross-Border Region Study Report.

7) Repair and Maintenance Capacity Building

Outline

Since the middle 1990s there have been significant road and bridge infrastructures construction projects in Laos, especially along the National Road No.13 that runs from the Lao-Chinese border in the north of the country to the Lao-Cambodian border in the south. After completion of this North-South link, the several routes of the East-West link are now under construction and improvement. In SKR, NR. Nos. 8, 9 and 12 and the second Mekon Bridge between Savannakhet-Mukdahhan have started its construction and upgrading works. Within 3-4 years time, the basic road infrastructures as the backbone of regional development will be ready in SKR.

However, the priority was on the expansion of network and there has not been paid a great attention for the repair and maintenance of the road network. Many of existing road asset require the need of urgent repair. In addition, some of recently constructed roads are indicating the symptoms of wearing caused by insufficient maintenance and lack of urgent repair on the damaged section of the road network. If the current trend will go on, the degradation of existing road asset will accelerate and may lead to the destruction of the basic structure of road network.

Program Component

- Law enforcement for regulating over-weight vehicles (to be implemented urgently under the Road Traffic Law)
- Establishment of Highway Patrol Unit for law enforcement
- Establishment of technical/vocational training course in road/bridge construction and maintenance in the Savannakhet Technical School
- Introduction of toll road system on newly constructed national roads
- Community participation in rural road construction and maintenance

Justification

Unless the road repair and maintenance works are promoted, it will cause the following:

- Significant reduction of the national road asset value;
- High costs for the road users caused by bad road conditions; and
- Urgent and unexpected utilization of funds which could otherwise be utilized for the development in other sectors.

The overall result will hamper the socio-economic development of the country. In order to avoid such disastrous situations, minimal funding requirements will have to be earmarked. In this context establishment of the Road Maintenance Fund (RMF) promoted by the Government and the World Bank will be effective to

ensure the minimum repair and maintenance of the road works. It is expected that the part of RMF be allocated to capacity building at the training course to be set up in Savannakhet Technical School.

Location

The proposed course for education/vocational training of road and bridges construction and maintenance will be set up in Savannakhet Technical School. The planned location for setting weigh bridges are indicated in the following Figure.

Implementation Schedule

The training course is to be established and to start operation in 2003.

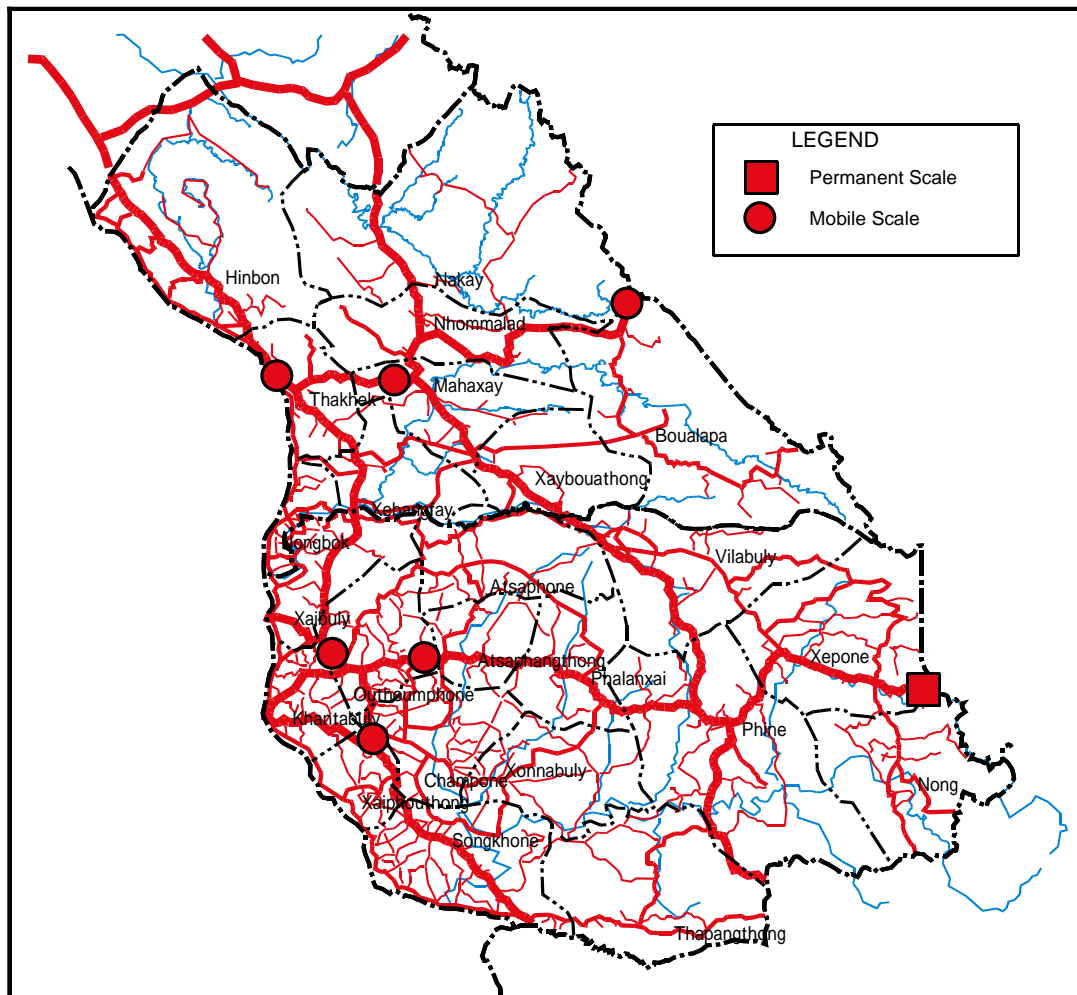


Figure VII-14 Location of Setting Weight bridges

A system for maintenance of NR9 (the East-West Corridor) is further studied as a cross-border issue, and it is presented in the Cross-Border Region Study Report.

8) Local Freight Forwarding Enterprise Promotion Program

Outline

Since the middle 1990s there have been significant road and bridge infrastructures construction projects in Laos, especially along the National Road No.13 that runs from the Lao-Chinese border in the north of the country to the Lao-Cambodian border in the south. The construction of the first bridge over the Mekon River by the grant of Australia linking Thanaleng (Laos) and Nongkhai (Thailand) helped the smooth connection between Lao PDR and Thailand.

Lao PDR is the landlocked country in Indochina. Main access routes to link Laos with the outside world are through Bangkok and Laem Chabang ports in Thailand, Da Nang port in Vietnam and Port Kelang in Malaysia. Currently, the route through Thai ports, which are connected to Singapore with daily feeder connections, are mainly utilized for transportation of Lao import and export cargoes.

Traditional route for Lao international trade was through Da Nang port; i.e. Savannakhet – Lao NR. No.9 – Lao Bao (border crossing) – Vietnam NR. No.9 – Dong Ha – NR. No.1 – Da Nang port. The container transport cost through this route is approximately US\$ 3,400/TEU and is not competitive compared with routes through Thai ports, which cost US\$ 2,500/TEU. In addition to inferior cost competitiveness, procedures of documents for goods in transit through Vietnam is more complicated and time consuming. Lao freight forwarder requires a transit permit issued by Vietnamese Ministry of Trade in Hanoi, which is applied through Lao Ministry of Commerce in Vientiane. The issued permit is then transferred to Vietnamese Customs in Da Nang. Although actual transit from Vientiane/Savannakhet to Da nang is not more than 3-4 days, all these routings of documents take a few weeks. The number of scheduled feeder container ships from Singapore is limited and is currently calling at Da Nang port at the rate of four ships per week. In addition current road condition along Lao NR. NO.9 of Savannakhet – Lao Bao is in very poor condition and tend to suffer the cargo damage on the route, although this condition will completely change after the completion of rehabilitation on this route within a few years time.

Another new route, which has been in operation since August 1999, is through Malaysian port, Port Klang, using the rail link between Thailand and Malaysia. This rail transport is seen as quite reliable with at least one arrival and one departure block train per day and is operated by private concessionaires.

The freight forwarding industry in Laos has existed for more than thirty years in Laos. There are more than ten forwarding companies of different scales in the

country. However, the national association of freight forwarders has not yet been established.

Lao PDR has not yet acceded to the most of international conventions related to trade, transit facilitation and harmonization. Concerning the agreement for the transport and trade in the Greater Mekon Sub-region, Lao PDR has signed the following agreements:

- Bilateral agreements with China, Vietnam, Thailand and Cambodia
- Trilateral agreement for cross-border transport of goods and people among Lao PDR, Thailand and Vietnam (signed 26th Nov 1999)
- Agreement on commercial navigation on Lancang-Mekong River among Lao PDR, China, Myanmar and Thailand (signed 20th Apr 2000)
- ASEAN Framework Agreement on the facilitation of transit (16th Dec 1998)
- Agreement on the recognition of commercial vehicles inspection certificates for goods vehicles and public service vehicles issued by ASEAN member countries (10th Sep 1999)

The development of freight forwarding industry in Lao PDR is hampered by many constraints including:

- Road, air, inland waterway and telecommunication infrastructures are inadequate (because of lack of funds for the development of infrastructures and the difficulty of infrastructure works by the danger of unexploded bomb during the war);
- Lao PDR has not yet acceded to the majority of international conventions on trade, transit facilitation and harmonization;
- Documentation procedures require 2-3 weeks for import documents processing and 1-2 weeks for export; and
- Shortage of qualified personnel and human resources in the industry.

The proposed program for Local Freight Forwarding Enterprise Promotion is to establish Lao freight forwarding enterprise to participate in the international forwarding business through East-West Corridor.

Program Component

In order to promote the Lao freight forwarding enterprise, following measures are important to implement.

- Establishment of international freight forwarding enterprise (to be established by 2003)
- Setting up of Lao Freight Forwarding Association (to be established as soon as possible)

The latter is now proceeded by the MCTPC and the former would be promoted by the initiative of private freight forwarders in Laos.

Justification

International freight forwarders organize the movement of goods in international trade. They are expected to be familiar with transactions relating to documentary credit and give advises to their customers on the conditions of the credit whether they can be complied, or whether shipment is effected in time within the deadline set in the credit. Since Lao PDR has not yet acceded to the most of international conventions related to trade, transit facilitation and harmonization, it is necessary to promote international freight forwarders who are familiar with them.

If Lao freight forwarders are not promoted to the level which are competitive enough to foreign forwarders, all cross-border freight forwarding will be operated by foreign forwarders, especially by Thai and Vietnamese forwarders, and the role of Lao PDR is to maintain roads and bridges for trucks of other countries.

The current competitiveness of Lao freight forwarders in the international freight forwarding business is weak with only limited experience in the international freight forwarding business. It is necessary to strengthen by the assistance from the government of Lao PDR in order to engage in the transportation along East-West Corridor, which will be established in line with the completion of infrastructures for Savannakhet-Mukdahan bridge and the rehabilitation of NR. No. 9, and the effect of agreement on the cross-border transport of goods and people among Lao PDR, Thailand and Vietnam.

Location

The expected new freight forwarding enterprise(s) could be set up in the Savannakhet SEZ incentives, as they will be mainly engaged in cross-border routes of the East-West Corridor and the international freight forwarding business in the Greater Mekon Sub-region.

Implementation Schedule

The new international freight forwarder(s) would be established by the year of 2004, in which the Savannakhet-Mukdahan bridge and the rehabilitation works of NR. 9 from Seno to the Lao-Vietnam border will be completed.

Alternatives for promotion of international transportation business along the East-West Corridor are further studied and presented in the Cross-Border Region Study Report.