

Flowchart Approach to Industrial Cluster Policy in Vientiane and Savannakhet

Syviengxay Oraboune National Economic Research Institute, Lao PDR

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Chapter 4-2

FLOWCHART APPROACH TO INDUSTRIAL CLUSTER POLICY IN VIETIANE AND SAVANNAKHET

Syviengxay Oraboune

Abstract

In Vientiane and Savannakhet, water supply and transportation infrastructures are bottlenecks to do business. Electricity and telecommunication are relatively better than them.

Based on the results of the flowchart approach survey, we can summarize some critical issues for both Vientiane and Savannakhet as follows:

(1) Vientiane

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	1	2	3	4	5	6	7	8	9	10	Results	Problems
1. Do industrial zones exist sufficiently?	Х	Х	Х	0	Х	Х	0	Х	0	Х	3	Х
Capacity building:												
2. Does water supply exist sufficiently?	х	0	Х	Х	Х	Х	0	Х	Х	0	3	Х
3. Does electricity infrastructure exist sufficiently?	0	0	Х	Х	0	Х	Х	0	Х	0	5	Х
4. Does telecommunication infrastructure exist sufficiently?		0	Х	Х	0	Х	0	0	0	Х	6	Х
5. Does transport infrastructure exist sufficiently?	Х	0	Х	Х	Х	0	Х	Х	х	0	3	Х
6. Does social infrastructure (schools, hospitals) exist sufficiently?	Х	Х	Х	Х	Х	Х	0	Х	0	Х	2	Х
7. Does institution/lecal system exist sufficiently?	Х	0	Х	Х	Х	0	0	Х	Х	0	4	Х
Human resources												
8. Does human resource exist sufficenty?	Х	Х	х	Х	Х	Х	Х	х	0	Х	1	Х
Living conditions												
9. Are living condition sufficient?	0	0	0	0	Х	0	0	0	Х	0	8	
Anchor firms												
10. What companies are the target of anchor firms?	0	0	0	0	0	0	0	0	0	0	10	

Table 1: Results of the industrial of	lust	er p	olicy	sur	vey	in V	ienti	iane	(Fle	owc	hart	Ap	prao	ch)
					_	-	_	-	-		_	· ·		

Source: S. Oraboune, C. Ampayvanh, V. Souliya (interviews in Vientiane on Dec. 08-13, 2008.)

Table 1 indicates that respondents were only satisfied with their living conditions and

gave a mid-range score on infrastructure such as electricity and telecommunications. Other infrastructure, including water supply, transportation, schools, hospital as well as human resources still pose some constraints. Therefore, according to the survey, the investment environment of Vientiane consists of its transportation, electricity, water supply, regulations, and unskilled labor. Building these mentioned infrastructure as well as putting in place those factors that can create a conducive business environment such as those on regulations, living conditions, etc., determine the success of an industrial estate in Vientiane. Funding these requires the involvement of relevant stakeholders, as mentioned in the flowchart below (Figure 1).

Table 2: Results of industrial cluster policy survey in Savannakhet												
	1	2	3	4	5	6	7	8	9	10	Results	Problem
1. Do industrial zones exist sufficiently?	Х	0	Х	Х	Х	0	Х	0	Х	Х	3	Х
Capacity building:												
2. Does water supply exist sufficiently?	Х	Х	Х	Х	Х	Х	Х	0	0	Х	2	Х
3. Does electricity infrastructure exist sufficiently?	Х	0	Х	0	0	0	х	0	0	0	7	
4. Does telecommunication infrastructure exist sufficiently?	0	0	0	0	Х	0	0	0	0	0	9	
Does transport infrastructure exist sufficiently?	0	х	0	Х	Х	Х	х	0	х	Х	3	х
6. Does school infrastructure exist sufficiently?	0	х	Х	0	Х	Х	х	Х	х	0	3	х
7. Does hospital infrastructure exist sufficiently?	0	х	х	Х	Х	х	х	Х	х	Х	1	х
8. Does institution/lecal system exist sufficiently?	0	0	Х	Х	Х	0	х	0	х	Х	4	х
Human resources												
9. Does skilled labour exist sufficenty?	Х	Х	Х	Х	Х	Х	Х	Х	Х	Х	0	Х
10. Does unskilled labour exist sufficenty?	Х	Х	Х	Х	Х	Х	Х	Х	Х	0	1	Х
Living conditions												
11. Are living condition sufficient?	Х	Х	Х	Х	Х	0	Х	0	0	0	4	Х
Anchor firms												
12. What companies are the target of anchor firms?	х	0	0	0	х	0	0	х	х	0	6	х

(2) Savannakhet

Table 2: Results of industrial cluster policy survey in Savannakhet

Source: S. Oraboune, (interviews in Savannakhet on Jan. 14-16, 2009.)

Just like for Vientiane, Savannakhet's respondents seem to be only satisfied with their telecommunications and electricity sectors and see some constraints in the other infrastructure. Therefore, the investment environment of Laos, especially in Savannakhet, covers infrastructure, including transport, water supply, social infrastructure (schools, hospital) as well as regulations, and skilled and unskilled labour (base on the flowchart survey under ERIA Research Project 2008). Again, the establishment of SSEZ requires the development of infrastructure as well as other areas that can make the business environment more conducive such as those on regulations,

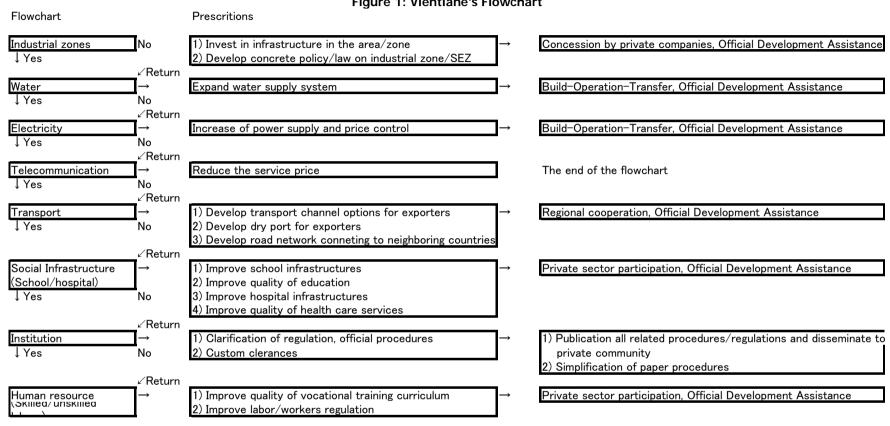


Figure 1: Vientiane's Flowchart

Source: Author.

Flowchart		Prescritions	et's Flow	cnart
Industrial zones ↓ Yes	No	 Invest in infrastructure in the area/zone Develop concrete policy/law on industrial zone/SEZ 	\rightarrow	Concession by private companies, Official Development Assistance
Water ↓Yes	∠ Return → No	 Expand water supply system Improve quality of services 	\rightarrow	Build-Operation-Transfer, Official Development Assistance
Electricity ↓ Yes	∠Return → No	Increase of power supply and price control	→	Build-Operation-Transfer, Official Development Assistance
Transport ↓Yes	∠Return → No	Develop transport channel options for exporters	→	Bilateral cooperation with Vietnam, Official Development Assistance
School infrastructu ↓ Yes	⊻Return ure → No	 Improve quality of education system Develop international school system 	\rightarrow	Foreign Direct Investment, Official Development Assistance
riospitai · ↓Yes	∠Return → No	 Improve hospital infrastructure Improve quality of health care service 	→	FDI, private sector participation, Official Development Assistance
Institution ↓ Yes	∠Return → No	 Clarification of regulation, official procedures Custom clerances]→	 Publication all related procedures/regulations and disseminate to private community Simplification of paper procedures
Skilled labors ↓ Yes	∠Return → No	Improve quality of vocational training curriculum	→	Private participation, Official Development Assistance
Unskilled labors ↓ Yes	∠Return → No	 Improve quality of vocational training curriculum Improve labor/workers regulation 	\rightarrow	Private participation, Official Development Assistance
Entertainment	l∡ Return →	Facilities of entertainment	→	Private companies

Figure 2: Savannakhet's Flowchart

Source: Author.

labour, and living condition. Figure 2 below shows how stakeholders can get involved in funding the development activities in the SSEZ in Savannakhet. Both flowcharts above show the many issues that still need to be addressed as far as the industrial estate in Vientiane and special economic zone in Savannakhet are concerned.

In sum, both surveys suggest that the development of Vientiane's industrial estate and Savannakhet's special economic zone---or of Lao PDR as a whole---is still at its very early stage. Since funding is the most crucial concern here, any development activities have to first be preceded by an appropriate fund mobilization policy, especially from external sources in terms of official development assistance and foreign direct investment, etc.