

Chapter 4-2

Flowchart Approach to Industrial Cluster Policy in Vientiane and Savannakhet

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FLOWCHART APPROACH TO INDUSTRIAL CLUSTER POLICY IN VIETIANE AND SAVANNAKHET

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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

Table 1: Results of the industrial cluster policy survey in Vientiane (Flowchart Approach)

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

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).

(2) Savannakhet

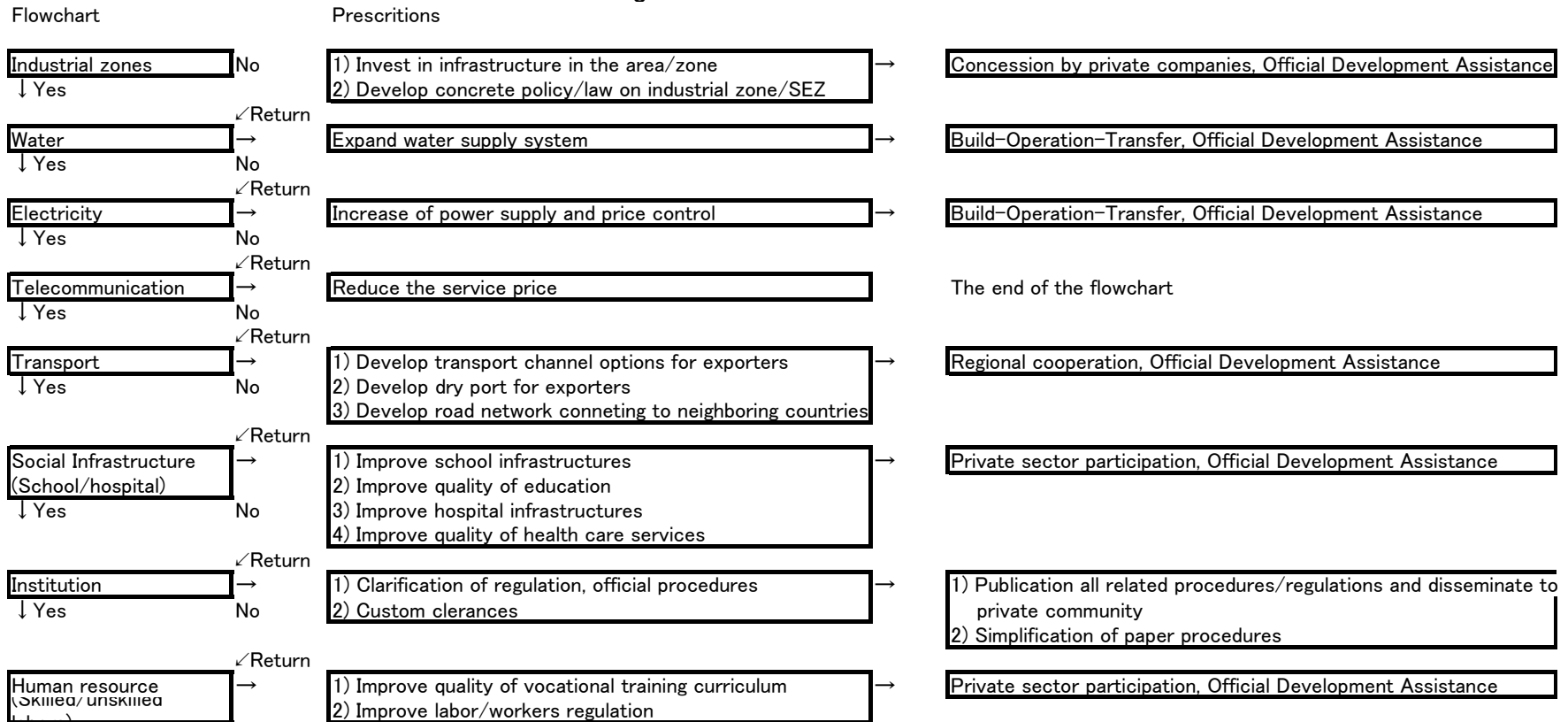
Table 2: Results of industrial cluster policy survey in Savannakhet

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

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

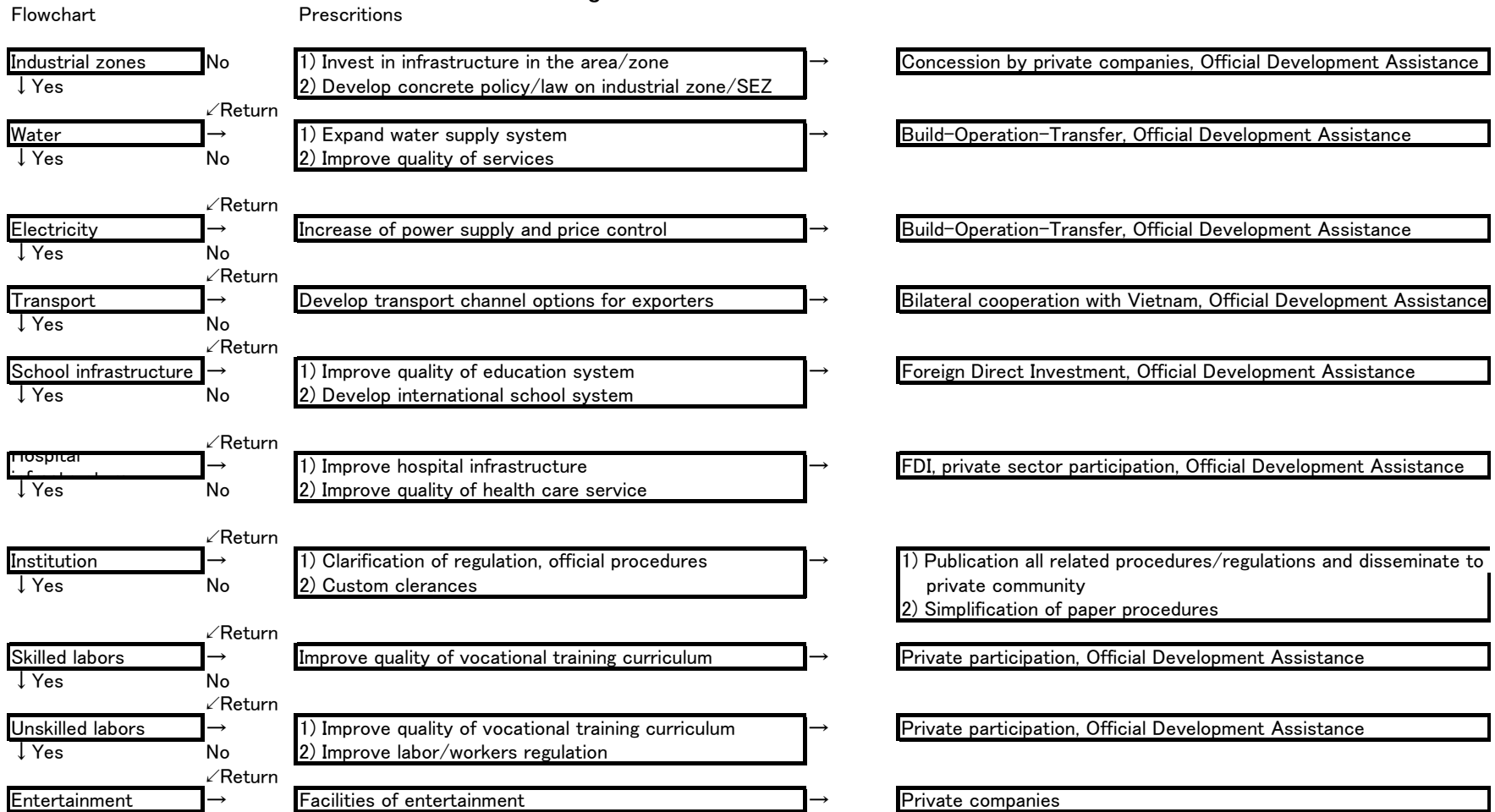
Just like for Vientiane, Savannakhet's respondents seem to be only satisfied with their telecommunications and electricity sectors and see some constraints in the other infrastructure. Therefore, the investment environment of Laos, especially in Savannakhet, covers infrastructure, including transport, 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.

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.

