Regional Conference/Forum for Logistics Service Provider
Jakarta, Indonesia, 23 June 2016

Formulating Transport Logistics Policy for Sustainable Development in Lao PDR

Sengsavang PHANDANOUVONG
Senior Advisor (sphandanouvong@yahoo.com)
Lao International Freight Forwarders Association (LIFFA) & Lao Logistics Group (LLG)
Contents:

I. Introduction
II. Current Transport Situation in Lao PDR
III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR
IV. National Logistics Development Policy
V. Conclusion and Recommendations
I. Introduction

• Background
  – Lao PDR as a sole landlocked and least developed country (LLDC) in both ASEAN & GMS with its population about 7 million (Geographical Constraint, no direct territorial access to the sea and remoteness)
  – Isolation from Global Markets; cumbersome transit procedures and inadequate transport infrastructure and high logistics connectivity costs
  – Weak logistics related coordination mechanism
  – Limited available logistics related statistics data
  – Lack of officials with required logistics knowledge
  – Available primary raw materials, limited domestic market and a very limited number of commodities for export earnings
  – Poorly integrated regional logistics
  – Logistics as a key role supporting both national and regional economic development
II. Current Transport and Logistics Situation in Lao PDR

- Regional/Subregional Cooperation
  - Association Southeast Asia Nation (ASEAN)
    - Greater Mekong Subregion (GMS)
- Connectivity and Integration
  - Asian High Way (AH), Trans-Asian Railway (TAR) and Dry Ports
  - Intergovernment Transport Agreements and International Conventions
- Linking LLDC with Transit Countries and the rest of the World

<table>
<thead>
<tr>
<th>Country</th>
<th>overall LPI rank</th>
<th>overall LPI score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>International shipments</th>
<th>Logistics quality and competence</th>
<th>Tracking and tracing</th>
<th>Timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>28</td>
<td>3.53</td>
<td>3.21</td>
<td>3.67</td>
<td>3.50</td>
<td>3.46</td>
<td>3.50</td>
<td>3.87</td>
</tr>
<tr>
<td>Thailand</td>
<td>35</td>
<td>3.43</td>
<td>3.21</td>
<td>3.40</td>
<td>3.30</td>
<td>3.29</td>
<td>3.45</td>
<td>3.96</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>48</td>
<td>3.15</td>
<td>2.81</td>
<td>3.11</td>
<td>3.22</td>
<td>3.09</td>
<td>3.19</td>
<td>3.49</td>
</tr>
<tr>
<td>Cambodia</td>
<td>83</td>
<td>2.74</td>
<td>2.67</td>
<td>2.58</td>
<td>2.83</td>
<td>2.67</td>
<td>2.92</td>
<td>2.75</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>134</td>
<td>2.39</td>
<td>2.45</td>
<td>2.21</td>
<td>2.50</td>
<td>2.31</td>
<td>2.20</td>
<td>2.65</td>
</tr>
<tr>
<td>Myanmar</td>
<td>145</td>
<td>2.25</td>
<td>1.97</td>
<td>2.14</td>
<td>2.14</td>
<td>2.07</td>
<td>2.36</td>
<td>2.83</td>
</tr>
</tbody>
</table>
III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR

- Lao PDR as the Least and Locked Developed Country in ASEAN and GMS.

DryPort (LAOS):
- Thanaleng, Vientiane
- Houyxi, Bokeo
- Laksao, Borikhamxai
- Luangprabang, Luangprabang
- Nateuy, Luangnamtha
- Oudomsai, Muangxai
- Pakse, Champasack
- Seno, Savanakhet
- Thakhek, Khammouane

Lao PDR is both landlocked developing and least develop country in ASEAN and GMS

10 ASEAN

6 GMS

LLD
III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR

- **Special Needs:**
  - Infrastructure and Facilities/ICT
  - Technical Assitances (TA)
  - Technology Transfer;
  - Capacity Building;
  - Financial Support

- Integration of Border Management
- Regional Facilitation Corridors/Land bridges
III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR

- Effective Integration into Regional and Global Economy/FTA
- Commitment Arrangement and Competition
- Development Gaps between LLDC and its Transit Neighbors
- Transport Infrastructure and Logistics Facilities/Enhancing Intermodal and Multimodal Transport Infrastructure and Investment
- Institution and Coordination Mechanism of Transport Services
- National Data Tools/ICT
- High Transportation Costs/ unimode (Road)
- Poorly Integrated Regional Logistics
- Green Logistics/Reverse Logistics
### III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR (Cont.)

#### Challenges of Transport Services in Integration and Competition

GMS Infrastructure Characteristics; compiled from industry survey data

<table>
<thead>
<tr>
<th></th>
<th>Road</th>
<th>Port</th>
<th>IWT</th>
<th>Airport</th>
<th>Railway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangxi, China</td>
<td>Fair/Good</td>
<td>Fair</td>
<td>Fair</td>
<td>Good/Fair</td>
<td>Good/Fair</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Fair/Poor</td>
<td>Fair</td>
<td></td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>Fair/Poor</td>
<td>Poor</td>
<td>Poor</td>
<td>Poor</td>
<td>Poor</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Poor</td>
<td>Poor</td>
<td>Fair</td>
<td>Poor</td>
<td>Fair</td>
</tr>
<tr>
<td>Thailand</td>
<td>Good</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair/Good</td>
<td>Fair</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Fair/Good</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair</td>
</tr>
<tr>
<td>Yunnan, China</td>
<td>Fair/Good</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair/Good</td>
<td>Fair/Good</td>
</tr>
</tbody>
</table>
### III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR (Cont.)

- Challenges of Transport Services in Integration and Competition

<table>
<thead>
<tr>
<th>GMS LSP Issues Reflected in LPoA</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Myanmar</th>
<th>Guangxi, China</th>
<th>Thailand</th>
<th>Viet Nam</th>
<th>Yunnan, China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited capacity of local LSPs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Weak professional organisation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Limited information technology usage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Low Logistics Service Quality level</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Weak international and GMS coverage</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

#### Consolidated GMS LSPs’ Issues
- Limited intra-GMS logistics service coverage
- Limited levels of logistics service quality (LSQ)
### III. Special Needs and Challenges for Transport and Logistics Development in Lao PDR (Cont.)

- **ASEAN Transport and Logistics Services Commitments**

<table>
<thead>
<tr>
<th>No</th>
<th>Subsectors</th>
<th>CPC</th>
<th>Relevant Transport Agreements</th>
<th>Relevant Policies</th>
</tr>
</thead>
</table>
| 1. | Packaging services                     | 876 | • AMS AFAS  
• AFFAGIT  
• AFFAFIT  
• AFAMT  
• GMS CBTA/MOU                                                                 | • ATM  
• STOM  
• TWG:  
  - Land  
  - Maritime  
  - Aviation  
  - Transport Facilitation |
| 2. | Courier services                       | 7512|                                                                                                  | • LTSSWG                        |
| 3. | Maritime Freight transportation        | 7212| • Bilateral Agreement (BA) on Road Transport:                                                   | • P.R. China  
  - Cambodia  
  - Thailand  
  - Viet Nam |
| 4. | Rail Freight transportation            | 7112|                                                                                                  | (AFFA/FIATA)                    |
| 5. | Road Freight transportation            | 7123|                                                                                                  |                                 |
| 6. | Cargo handling services                | 741 |                                                                                                  |                                 |
| 7. | Storage and warehouse services         | 742 |                                                                                                  |                                 |
| 8. | Freight transport agency services      | 748 |                                                                                                  |                                 |
| 9. | Other auxiliary services*              | 749 |                                                                                                  |                                 |

*Include the following activities: bill auditing; freight brokerage services; freight inspection, weighing and sampling services; freight receiving and acceptance services; transportation document preparation services. These services are provided on behalf of cargo owners.*
III. Transport Connectivity Development (Cont.)

Key Problems on Transport Services in Laos

- Empty return haulage
- Higher logistics cost
- Limited transport volume
- Limited business opportunities in small market
- Difficulty in re-investing due to financial limitations of transport and logistics companies
- Aged Fleet
- Lack of Transport and Logistics Hub/Dry port
- Inadequate resources for infrastructure investment and maintenance
- Lack of institutional operation mechanism/segmented section
IV. National Logistics Development Policy

- Logistics Development Strategy in Lao PDR
- Implementation Plan
  - Strengthening of Domestic Logistics Business:
    - To assist LIFFA to set up Guarantee Scheme; and Strengthen its Function
IV. Conclusion and Recommendations

- Lao PDR as the Landlocked and Least Developed Countries in ASEAN and GMS continues to be less developed than their transit neighbors that border the sea.
- Poorer/Lower economic performance (LPI) of Landlocked and Least Developed Country (LLDC) attributed to geographical distance from the cost, the transport services become more complicated.
- Inadequate physical infrastructure development; and lack of private participation
- Strengthening Domestic Transport and Logistics Business-Building Sub/Regional (GMS/ASEAN) logistics HRD and Capacities
- Development of GMS/ASEAN Common Core Curriculum for Logistics Management
- Technical Assistance and Financial Support needed (Design insurance system; and financial supports / funding or guarantee )
- Advice to LIFFA on set up of guarantee organisation ; and reliability support
- LIFFA strengthening program, including development of training program and implementation
- Enhancing multimodal transport infrastructure and investment
- Consolidated GMS logistics system:
  - Infrastructure
  - Institutional framework
  - Traders/manufacturers; and
  - Service providers
Thank you
For your kind attention