MINISTRY OF EDUCATION AND TRAINING OF VIETNAM
NATIONAL ECONOMICS UNIVERSITY

BOUNCHANH SINTHAVONG

DEVELOPMENT OF URBAN SERVICE SECTORS IN VIENTIANE CAPITAL CITY

A dissertation Submitted to the National Economic University in fulfilment of requirements for the degree of Doctor of Philosophy in Urban Service Management

HANOI, 2012

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Major: Economic management (Economics of tourism)
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Supervisor: Assoc. Prof. Dr. Pham Hong Chuong

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DECLARATION

I certify that this thesis is my own research. The data and research findings are true and have specific and explicit sources. The result of the thesis has not been published in any research papers.

The author of the thesis

Bounchanh SINTHAVONG

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LIST OF ABBREVIATION

AFTA	Asian Free Trade Agreement
ASEAN	Association of South East Asia Nation
BOL	Bank of Laos
CPC	Central Product Classification
EU	European
FC	Foreign Currency
FCD	Foreign Currency Deposited
HK	Hongkong
JICA	Japanese International Cooperation Agency
KM	Kilometer
M2	Money Supply
MPWT	Ministry of Public Work and Transport
NGPES	National Growth and Poverty Eradication Strategy
NSEDP	National Social Economic Development Plan
GDP	Gross Domestic Production
GHG	Green House Gas
GMS	Great Mekong Subregion
GOL	Government of Lao
GOJ	Government of Japan
GRDP	Gross Region Domestic Production
GSP	General Special Reference
OMOs	Open Market Operations
PDR	People Democratic Republic
SOWT	Strong Opportunity Weakness Threat
TDM	Trade Demand Management

USD	United States Dollar
UK	United Kingdom
UNDP	United Nation Development Program
VCSBE	Vientiane Capital State Bus Enterprise
VLP	Vientiane Logistic Park
VND	Vietnam Dong
VUDAA	Vientiane Urban Development and Administration Authority
WB	World Bank
WTO	World Trade Organization

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INTRODUCTION

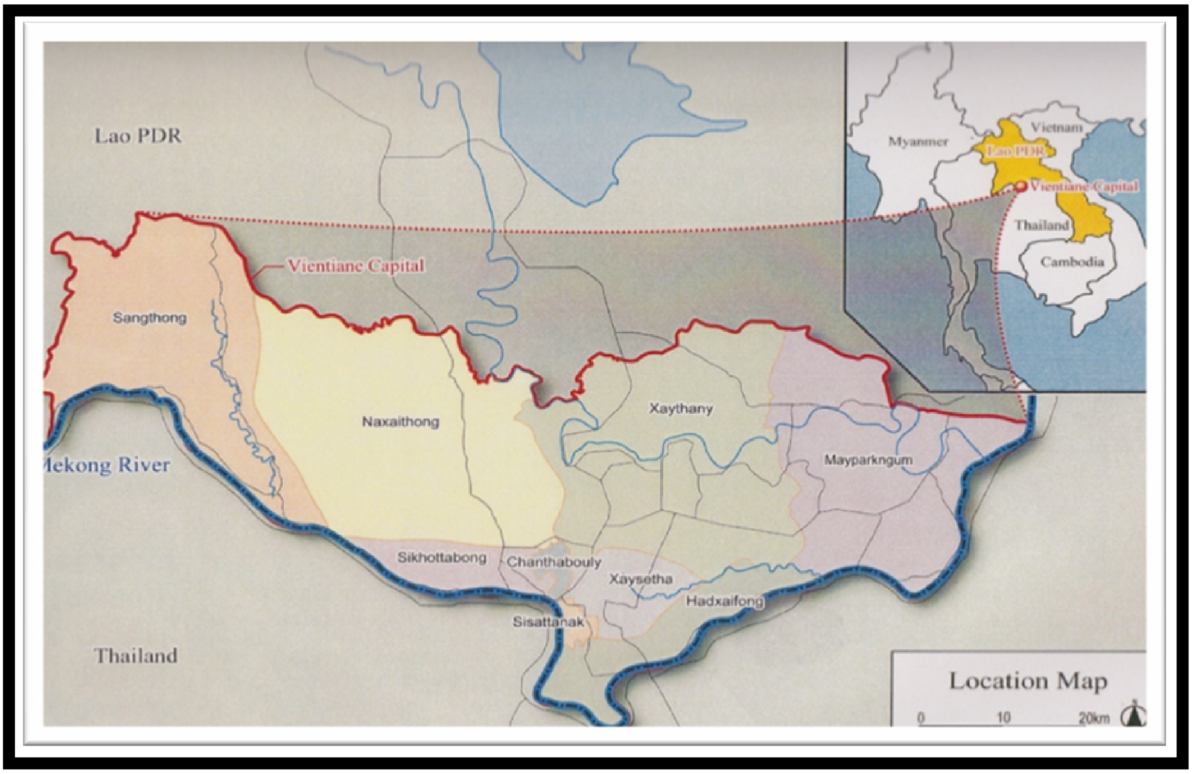
1. Rationales of the research

The services sector has gained increasing importance over the last decade, contributing a growing share to gross domestic product (GDP) and employment in all countries. Services have become a fundamental economic activity and play a key role in infrastructure building, competitiveness, poverty alleviation, employment creation and trade facilitation. While the services sector has matured in developed countries, it is the new frontier for the expansion of trade, productivity and competitiveness, and for the provision of essential services and universal access in developing countries. The sector represents about 50 per cent of GDP and 36 per cent of employment in developing countries, and the shares of developing countries in world services exports has been relatively modest and increased only steadily from 23 per cent in 2000 to 26 per cent in 2010. Therefore, while there are existing huge potential for these countries to develop their services sector, they face a variety of challenges to build viable services sector and services trade to foster inclusive and sustainable development (UNCTAD, 2012).

The potential of the services sector to induce growth in developing countries is great, but underutilized, often adversely affected by lacking regulation. While in the developed world this sector powers more than 70% of the economy and creates more than half of all jobs, in the developing countries its contribution tends to be substantially lower (UNCTAD, 2012). In Lao PDR, the services sector has grown at a slower rate than the industry sector; its annual growth rate averaged at 8.4% during 2006-2010. Development of the services sector is critical for socio-economic development. During this period (average for 2006-2010), the contribution of the services sector was 37.2% to GDP. Its major components are wholesale, retail trade and repairing business, constituting 51%; public services 17.3%; and transport, warehousing, post and telecommunication 12.5%. The rest of its constituents are financial services, rental services and public services, including social and private services, hotels and restaurants, and others.

Vientiane City is the capital of Lao P.D.R. and centre of administration and economic activities in the nation is located at the centre of Lao P.D.R. It shared a border with NongKai province of Thailand along Mekong River. The total area is 3,920 km^2 and designated for urban is approximately 210 km^2 altitude of the ground surface range 160 m to 180 m above sea level, rainy season fall from May to September and dry season occurs from November to March. The population was recorded at 692,000 in 2005. Vientiane city is a centre of economic activities and also plays an important role in agriculture.

Figure 1.1: Location map of Vientiane City



Source: Urban Development Master Plan study in Vientiane Capital (JICA March, 2011).

Vientiane has posed great potential for service sector development. During the period of 2006 – 2009, along with fast economic growth of the Capital city, its service sector has also achieved accelerated pace with remarkable annual growth rate of almost 7%. There are many new modern service sectors that have gained importance and growth such as banking, logistics, transportation and tourism which in turn contributed significantly into economic booming of Vientiane. Despite of this success, the development of Vientiane service sector is still lot behind its potentiality and requirements of globalization. The overall contribution of the service sector is about 37.5% in 2010 and only second to industry sector. Revenue of some key service sectors is limited.

2. Research questions

This research aims to answer the following questions:

- What is the role of urban service sector? Its development conditions? What are the lessons that can be drawn from international experiences for service sector development of Vientiane?

- What is the current status of service sector development in Vientiane? What are the key achievements and limitations?

- What is the situation in Vientiane main service sectors including transportation, logistic, tourism and banking?

- What are appropriate policies and measures to develop service sector in Vientiane Capital City.

3. Scopes of the research

Due to time and capacity constraints, the research has the following scope:

- Time: the research will focus on the period from 2000 – 2010. This time frame will provide sufficient data and analysis of service sector development in Vientiane.

- Besides overall service sector analysis, this research will study in detail 4 selected service sectors including transportation, logistics, tourism and banking. These are the most dynamic and have great potential for Vientiane. They are also among the largest service sectors.

- Geographical boundary: mainly Vientiane Capital City

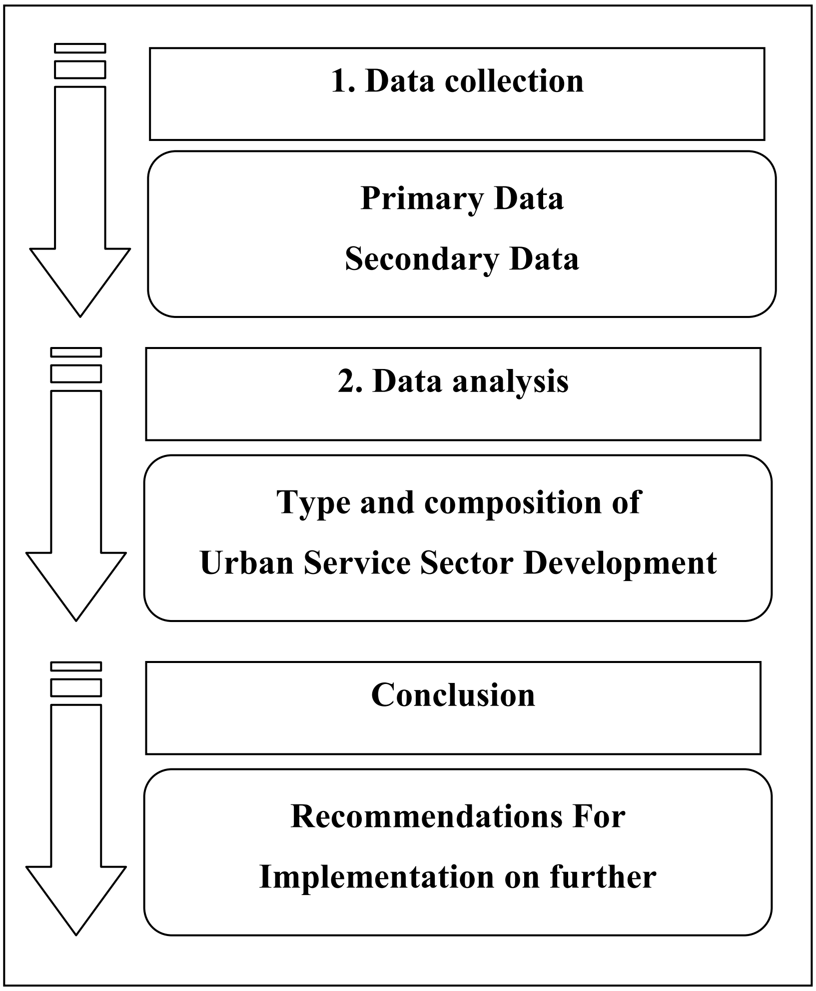
- Others limitations: numerous deep interviews with the leaders, managers in related organizations have been taken. Due to some limitations, econometrics modeling is not applied.

This research was conducted in Vientiane Capital City and collected data from internal and external government and private organization. With above scope, this research is able to answer above mentioned questions

4. Research methodology

Three major processes were systematically developed which consist of data collection, data analysis, conclusion and recommendation which the detail of each process are illustrated in the following sections. To achieve the objective of this research, not only primary data but also secondary data had to be collected in order to use such data for analysis and comparison. The consequent details were proposed to explain the methods used in each type of data. Figure 1 shows the comprehensive process of data collection.

Figure 1.2: Overview of methodology



Primary Data collection; In this study, urban services Sector Development were sampled from selected information from the different parts of the Vientiane Capital City. The samples from each point were taken from different sector of service. The author had deep personal interview with different managers and leaders of related organizations in Vientiane and Lao PDR.

Secondary Data Collection; The data in this research was obtained from different sources, but was mainly obtained from the research work done by various people in Vientiane Capital City. All, information related to the urban Service Sector Development.

5. Literature overview

Along with the development of economies in all over the world, the trend in developing service sectors has also increased remarkably, and contribution of these sectors in GDP have gradually improved. Service sectors have been formed and developed for a long time, deriving from reality demand of economies. Therefore, studies on service sectors to fulfil and enhance them for the economy of each country have been carried out extensively.

In the project for *"Vientiane Capital Urban Development Master Plan"* by Public Works and Transport Institute (PTI) & JICA, March 2011, the researched team implemented in the whole area of Vientiane Capital and showed that it has been required to strengthen its urban economy and improving living standards under rapid population growth. Vientiane Capital needs to improve its urban economic functions, particularly, in commercial and business, industry and logistics, and improve living standards at the same time. A concept of "Multi-core structure" is proposed in consideration of location and size of necessary functions to accommodate them. In this sense, three determinants are taken into account: Centralized pattern or decentralized pattern; location of required urban function; conservation of natural environment and higher productive agricultural land.

Dr. Aruna Shekar, in her research *"An Innovative Model of Service Development: A process guide for service managers"* (The Innovation Journal: The Public Sector Innovation journal, Volume 12 (1), article 4) has presented the results into the early stages of developing new services for a local government body. She based on four case studies with the local council in a city in New Zealand. The purpose of this research was to develop a framework for the process of MSD and test it out empirically in order to create a new model for the first stage of service development, which incorporates the participation of users and service staff. Ms. Shekar also emphasized that a service development framework incorporating the participation of users and service staff in the development process was created based on the literature and the characteristics of services. The model provides a systematic process guide to service managers and providers, for developing and improving services systematically. This research highlighted that the participation of users as well as service staff are beneficial in the first stage of development, as each group brings requirements for the new service from their perspective. In general, the modification to the user techniques used in service development should focus on providing tangible stimuli where appropriate (especially at the idea generation stage) and enhance the participation of users and service staff.

Nguyen Van Manh and Do Thi Hong Cam, in their study regarding *"To develop unshakably tourism in Laos PDR",* (The International Conference in Vientiane, 2011) have shown some important issues on strengths, weaknesses, opportunities and threats (SWOT analysis) in developing steadily tourism in Laos. Strengths included: transportation facilities; locating nearby countries which have a lot of cultural heritages admitted by UNESCO; diverse human culture in creating tourism products; rich labour force. Weaknesses: Laos has not any railway network and sea route, therefore they might not be able to improve two kinds of this product in Laos; strategies, policies and plans developing tourism have not been completed; quality and competitive capacity have been low. Opportunities: potential visitors' markets; rapidly increasing tourism demand; developing infrastructure; locating on east-west and the north-south economic corridors. Threats: competitiveness in looking for cultural tourists; low quality of tourism service... Based on SWOT analysis, the authors have recommended some of key solutions: to evaluate timely steady level in developing tourism in Laos in order to adjust policies as well as mechanism of tourism sector management; to boost simultaneously tourism market; to enhance administrative tourism knowledge of enterprises and to be aware of the role of tourism with the Laos people class...

Nguyen Ke Tuan, *"Transferring structure of economic sectors during economic innovation process of Laos PDR"* (The International Conference, 2011), has expressed his opinions regarding process of shifting economic sectors in Laos.

He emphasized that service sectors have gradually played an important role in the socio - economic development of Laos. Laos has been starting to prepare prerequisites to modernize and industrialize its economy. Service sectors expanded remarkably by 38.7 percent of GDP in 2009 compared with 24.1 percent of GDP in 1995. This improvement has been contributing to boost the economic development as well as to expand trading transaction among areas of this country and international economic relationship. Therefore, the author showed his main conclusions on economic structure of Laos PDR. Firstly, the movement of economic structure is completely suitable with tending objective. Secondly, the process of transference has been implemented based on exploring advantages of Laos to meet the needs of socio - economic development. He has also given main directions in transferring economic structure and developing economic sectors, including enhancing service sectors. As for him, Laos should continue to improve trading activities being related to develop domestic markets and boost export; focus on developing some potential service sectors to bring into play its advantages and competitive capacity, such as: tourism, transhipment facilities, finance, banking.

Briefly, studies at the time being have merely mentioned some particular aspects of all service sectors in Laos PDR. Most results used in those researches have based on the data of the whole country given by some of the largest international organizations such as World Bank (WB), International Monetary Fund (IMF), Asian Development Bank (ADB) and others. There have not been studies implemented intensively regarding the development of service sectors in Vientiane Capital City. Therefore, a dissertation on "**Urban Service Sector Development in Vientiane Capital City"** has been chosen to become a useful research.

CHAPTER 1: THEORETICAL BACKGROUND ON URBAN SERVICE SECTOR DEVELOPMENT

1.1 Service sector development concept

1.1.1. Service sector definition

Although the common awareness of service is relatively identical, the concept of service is completely unclear. Every concept originating from recognition of service in a different aspect has a certain discrepancy.

Traditionally, a service is “an intangible product produced to meet some customer demand to make profit on purpose”. Previously, according to economists’ opinion, the wealth of society were created by manufacturing sectors such as agriculture, industry and construction …, while service sector is not considered to create a new value and its product were considered to be intangible.

At present, another more common recognized definition is that: ***Service is an activity which changes condition and quality of an entity by effect of another entity in order to satisfy that entity’s need.*** Thereby, the service will not occur if there’s no separation between a consumer and a supplier. For instance, an enterprise itself performs a closed production stage. In this case, service does not appear. On the contrary, that enterprise hires another one to perform a certain step among the manufacturing process such as distributions, design and auditing … and therefore the service appears. Together with development and high specialization of the social, separation between steps in a manufacturing process creates new services. Sometimes, it’s difficult to distinguish between a commodity product and a service product because of their mutual interlacement. All in all, from management view, countries accept to list a category of service products instead of purely originating from the concept, for example Central Product Classification (CPC) System of the United Nations.

From above definitions, we can see that service has main features as follows:

First, the service is intangible and difficult to define: the manufacturing process creates tangible product with mechanical, physical and chemical properties. Surely, it has technical specifications and therefore it can be produced according to standardization. Unlike commodity, the services do not appear in the material form as a specific products, which can be touched and it is hard to directly define quality of the service according to quantified technical specifications. Thus, quantification, statistics, evaluation of quality and scope of service supply of a company, considering in the macroscopic range, become much more difficult than ones of tangible commodity.

Second, the manufacturing process (supply) of a service and consumption of a service take place concurrently. In the commodity economic, commodity production separates from circulation to consumption. Thus, commodity can be stored, reserved and transported to another area following the market demand. On Contrary to commodity, the supply process of a service requires directly contact between a supplier and a consumer.

Third, the service can't be stored. Since production and consumption of a service happen at same time, then it is impossible for mass production, storage and then put in consumption. As that understanding, the service is product which cannot be stored and there is no concept of storage and reservation to the supply of service.

Forth, the service can't be damaged because they are immediately consumed.

The basic features mentioned above aim at distinguishing between intangible service products and tangible commodity products. However, it is realized that there will be no existence of an absolute distinction. For example, some type of services once complete the supply process; will create products in the form of materials as photocopy. The telephone auto-answered system service not requires direct contact between the service supplier and consumer. To some aspects, it can be considered as "stored" product. The supply service almost appears as tangible products to be an additional factor. Also, the sale and delivery of any intangible commodity always need supplemental services. It is believed that the mutual link and dependence among economy sectors become more difficulty. Which also explain the distinction between service and commodity is just relative. The service and commodity have close relationship. The wider and deeper the establishment and development of labour allocation are, the more diversified establishment and development of services are. Mention to economy, two key fields: industry and agriculture previous mentioned but nowadays the service is a field to be more concerned and take a biggest apart in GDP.

1.1.2. Types of service sectors

In the world, services are now classified into many different ones subject to various purposes. The criteria of classifying the services are below:

Based on the profit seeking nature, services are divided into profit and non-profit service:

Profit (or commercial) service; is supplied to obtain the profits and aim at business, for example, advertisement to sale and broker agency …

Non-profit (or non- commercial) service; is supplied not aiming at neither business nor profitable purpose. These services include public services supplied by association, social organizations and non-profit organizations or State agencies when those agencies implement their functions and duties.

This way of classification helps to define goals, subjects and scope of services. Not all services can be delivered and sold. Many services are non-trade, such as public services. Only when the services become a real "commodity" (intangible commodity), to be sold and delivered (supplied) to the market in comply with laws of supply and demand as same as other tangible commodities then that service become an object to trade services.

Based on the industry, services are divided into 12 following groups:

1. Business services.
2. Communication services.
3. Construction and related engineering services.
4. Distribution services.
5. Educational services.
6. Environmental services.
7. Financial services.
8. Health-related and social services.
9. Tourism and travel-related services.
10. Recreational, cultural, and sporting services.
11. Transport services.
12. Other services not included elsewhere.

GAATS and international trade in services

Trade in services is a concept referring to trade transaction in services or using to emphasis on trade in services. In other words, trade in services is transaction of services between individuals and organizations for the purpose on profitable business. Hence, trade in services is different from commodity trade since the transaction object to commodity trade is only commodities – tangible products while the transaction object to trade in services is services – intangible products. Naturally, trade in services refers to sale and delivery of services in which the buyer satisfies with that requested service while the seller (supplier) give out the services that need to be consumed and can obtain the profits.

International trade in services is defined by 4 supply modes in WTO/GATT as follows:

Mode 1: (Cross border trades) is defined to delivery service from a territory into a territory of other country through information and telecommunicate systems: service of technical consultancy, design, legal consultancy and international call …

Mode 2: (Consumption abroad) covers supply service of one country to consumer service of any other country. This event requires the consumer of one country to use services of other country. For example, a country A consumer travels to country B as a tourist or for the purpose of medical examination and treatment.

Mode 3: (Commercial presence) refers to a supplier service of one country where had set up the companies, branches in any area in another country in order to provide services for the customers at that area. For example, Company A invests into country B to provide services for country B consumers.

Mode 4: (Presence of Personal service) covers provided services by a personal of country through the presence of that person in any area at other country. For example, a doctor in country A travels to country B to provide medical services for country B customer or a doctor of country A travels to a hospital of country B to provide services for consumers in that country.

To domestic supply services, like production commodity, the services are delivered to consumers by the service provider by systems. By this system, service will be directly delivered to the consumer or indirectly through agents, representative offices, personnel or other particular technique means such as Internet, communication network etc.

This recognition of trade in services has presently been changed. The dynamic role of service in the process of economic development has been realized. The booming technology provides many opportunities for service sector to develop drastically, especially creating conditions for transaction and circulation of services to expand beyond the national border and become valuable products on the international market such as computer software and internet … Thanks to impact of technology, the service sector has become a part of the fastest economic growth in developing countries. For instance, services in US created 80% jobs, 75% GDP and 30% export. The goal of the developed countries is to commercialize services in general and products of services in particular. These countries established a regulatory system on trade in services to facilitate development of trade in services.

But the developing countries, especially the countries changing economy, have gradually been recognizing commercialization of services. Services such as health, housing, education, finance and banking … are regarded as a part of national development strategy with infrastructure for other economic activities and trade. Together with development of trade in general and commodity trading in particular, commercial services are linked with tangible commodity trading.

The other classification can be done based on:

- *Labor intensiveness:* High labor intensive Vs. Low labor intensive
- *Professional level:* Professional Vs. non - Professional
- *Customer contact degree:* High Vs. Low

In general, there are many types of services and they are also so divert in term of purposes, goal, method of production and delivery, etc. Besides i*n this research, we will focus on service that rooted in the urban areas which will limit out of scope of services sectors related to rural and agricultural activities.* These urban services are some key service sectors that based on industry classification such as banking and finance, transportation, tourism and logistics.

1.1.3. Roles of service sectors

Service sector is a component and plays an important role in the country economy. What is it happen if an economy without transaction of commodities? The traders will use means of commodity transporting from the provider to the consumption place, looking for customers; make directly conduct transactions and payment. In such economy, the volume of transacted goods is small, the rate circulation of commodity is slow and also efficiency of commodity transaction is low. Together with development of products and commodity circulation and transaction, the process of labour allocation takes place. Some steps in that process of distribution are separated by establishing the traders who serve commodity transport from one place to the other place by dedicated means of transport; or the traders who act as brokers between the seller and the buyer … In order to promote business efficiency, the business firms have a trend to change to use outside services provided by the professional service suppliers. The types of services are come out and developed in such process.

At the time being, the service sector plays a particularly important role and contributes about 60% of value to GDP in the world. However, the recent analysed results show that contributions of the service sector vary in the different economies. One of the factors closed related and direct relation with this rate is income of that country. The service sector contributes about 38% to GDP in the low income economies, 56% in the middle-income economies and 65% in the high income economies.

Under the analysis and evaluation by World Bank (WB), the contributed rate of the services has a direct, closed link with the national income rate. In comparison with increase in spending on commodity products, the higher the people's income is, the more spending on service types they want. The common growth of services remarkably contributes to modern industries because products of these industries are highly complicate and require close combination with other professional services (such as design, research & development, marketing, distribution and insurance …) to the purpose of production and consumption. The higher-income economies will have more conditions to invest both facilities and human resources for further developing and expanding the services than other countries. Presently, the countries making high service contribution to GDP are US (78%), France (71%) and Japan (75%) … Some countries in Southeast Asia make rather high contribution of the service sector to GDP such as Thailand (52%) and Malaysia (45%)... This has been shown in Table 1.1.

Table 1.1: GDP of selected countries by three sectors in 2011

No	Country	Nominal GDP	In %			Nominal value		
			Agri.	Indus.	Serv.	Agri.	Indus.	Serv.
	World	**69,659,626**	**6.1%**	**31.1%**	**62.9%**	**4,249,237**	**21,664,144**	**43,815,905**
1	United States	15,094,025	1.2%	22.1%	76.7%	181,128	3,335,780	11,577,117
2	China	7,298,147	10.1%	46.8%	43.1%	737,113	3,415,533	3,145,501
3	Japan	5,869,471	1.4%	24%	74.6%	82,173	1,408,673	4,378,625
4	Germany	3,577,031	0.8%	28.1%	71%	28,616	1,005,146	2,539,692
5	Brazil	2,492,908	5.8%	26.9%	67.3%	144,589	670,592	1,677,727
6	Russia	1,850,401	4.2%	37%	58.9%	77,717	684,648	1,089,886
7	India	1,676,143	18.1%	26.3%	55.6%	303,382	440,826	931,936
8	Indonesia	845,680	14.9%	46%	39.1%	126,006	389,013	330,661
9	Thailand	345,649	13.3%	34%	52.7%	45,971	117,521	182,157

Sources: WTO

The service sectors assist to speed up production, circulation, distribution of commodities and promote development of commodity trading on a national and international scale.

The service sector is a bridge between input factors and output factors to the process of commodity production and product consumption. International transaction, especially commodity transaction, can conduct without transport service and payment service. The appearance and development of the services have helped to overcome geographic obstacles, hasten the rate of commodity circulation, impulse needs of commodity transaction from one country to the other country and from one geographic region to another geographic region. In the process of transport or circulation, commodities are always threatened by risks; so the insurance service makes international trade become safer and less loss. The banking services also allow payment to be done effectively and help the exporter and importer achieve goals in transaction. The information and telecoms services also play supplemental role of trade operations in stimulating demand and shortening time of the consumer's decision to purchase commodities. The supply - consumption services such as agent service, wholesale and retail services play an intermediate role to link the producer with the consumer, at the same time accelerate the process of commodity consumption, shorten the time of commodity circulation and help the producers promptly recover capital for reproduction investment. Thus, the service has strong influence on commodity trading activities. Services in transport, insurance and international payment are one of the important factors affecting commodity circulation and transaction on an international scale.

The service sector becomes an important factor in the production process.

Demand of service originates from the producers when they realize that it is necessary to use more services into production to reduce the price and improve the quality so that they can be going on and develop in the fierce competitiveness from the domestic and foreign markets. Services in market research and development, design, marketing and distribution … penetrate deep into the commodity production and make remarkable contribution to create the value adds to commodity products. Nowadays, the limit between the commodity product and the service product is relatively meaningful. The commodity products have been attached with high service. The services play an important role to assist development of other economic sectors. For instance, the foreign experts estimated that to deliver a product of USD 100 to a consumer, the producer must spent USD 10 on transport service, USD 10 on telecoms service, USD 10 on advertisement service, USD 30 on other services related to production, only USD 20 on materials and other expenses such as salary, management. Hence, service value of a product makes up 60% of commodity value and this rate tends to increase together with development of technical technology and appearance of new business modes.

The service sector has positive effect on social labour allocation.

Trade establishment and development are linked with social labour allocation. On other words, the social labour allocation is a premise of the birth and development of trade. On the contrary, trade development also contributes to labour allocation, especially at the time the production has been increasingly specialized. The producers have taken advantage of the scope by specializing in a concrete production field and effectively using trade services provided by the service suppliers. The more the economy develops the more various and diversified the trade in services are. Development of the service sector reflects economic growth of each country. The higher the economic growth of a country is, the greater the density of services in that country's economic structure is. Once the trade in services develops, it will push up social labour allocation and specialization and facilitate other production fields to expand. Growth of the trade in services is momentum of economic development.

The roles of service reflect most distinctly in the number of labourers working in the service sector and its density in GDP. The service sector in US annually provides 80% jobs and its service export accounts for 30% of total export turnover. Foreign direct investment into service sector in the developed countries makes up 40% of total investment value.

Trade in services contributes to balance of trade. From the role of service in the economy in general, the service gradually plays an important role in the balance of trade and noticeably contributes to the balance of trade, especially for developing countries. Table 2.1 shows the growth rate of trade in service and merchandize in the world from 2005 – 2010. Export of service has achieved faster growth than manufacturing goods. Also, it is more stable than its counterpart.

Table 1.2: World merchandise trade and trade in commercial services by selected economy, 2005-2010

Export				Import		
2005-10	2009	2010		2005-10	2009	2010
Merchandise						
8	**-23**	**22**	**World**	**7**	**-23**	**21**
7	-18	21	United States	3	-26	23
11	-23	32	Brazil	20	-27	43
5	-22	12	European Union (27)	5	-25	13
10	**-36**	**32**	**Russian Federation**	**15**	**-34**	**30**
16	-16	31	China	16	-11	39
5	-26	33	Japan	6	-28	26
Commercial services						
8	**-12**	**9**	**World**	**8**	**-11**	**9**
8	-7	9	United States	6	-8	7
15	-9	15	Brazil	22	-1	36
6	-15	3	European Union (27)	6	-13	2
12	-19	7	Russian Federation	13	-20	19
18	-12	32	China	18	0	22
6	-14	10	Japan	5	-12	6

Sources: WTO

Creates a great number of jobs

The service sector creates a very large number of jobs for the labourers. The rate of labour force in the service sectors has not only highly increased but also accounted for a greater density than other economic sectors[1]. In the countries with

[1] Lao People Revolution Party congress IX (L.P.R. PC) and National Strategy Social-Economic Development 2011-2012

high level of development, the rate of labour force in this sector accounts for 70-80% of total labour force of the economy. In the developing countries, a number of labourers have not yet predominated as in the developed ones. However, the trend of accelerating the density of labour force in the service sector is evident - about 20-30% of the labour force working in the service sector. And this figure has been changing promptly.

Assists development of the other economic sectors

The service is participating in almost economic sectors but its role to the economic sectors is different from awareness to each stage. In some periods, the service was considered as a supportive economic sector and played secondary role in production. Up to now, the economies in the world have not only recognized the important role of the service sector in assisting development of other economic sectors, but also realized the importance of the services as an independent economic sector which creates income and jobs for the countries.

Attracting the foreign and domestic investors

High profit margin in service sector has been always attractiveness to the investors. Rapid penetration to the market with minimum entrance barrier created favourable conditions to the potential investors. Moreover, service sector provide necessary conditions for investors in the whole economy. Hospitality and logistics are just a few examples of these. Without sufficient services, simply investors cannot fulfil their ambitious to invest in the economy.

In summary, service sector play an extremely important role and trend to increase in the process of socio-economic development and the international economic integration. Thus, in the short and long term, it needs to properly concern and invest in expanding activities, providing jobs for the labourers and contributing to speed up the process of industrialization and modernization in coming years.

1.2 Urban service sector development conditions

In order to develop service sector, there are certain conditions that the economy and its governance has to meet.

In recent studies (*Barry Eichengreen, 2011)* show that *service growth has strong positive correlation with level of GDP per capita*. Using annual data for real growth rate of different services over the period 1980 - 2007 where the service activities included are trade, hotels and restaurant, transport and storage, communication, banking and insurance, business services, public administration and defence, and education and health, the results confirm that the growth of value added in services increases with per capita income. Consistent with the above hypothesis, the growth rate is higher for services relative to their share in the advanced countries. For every one percentage point of GDP, its growth is about 0.40 per cent higher. Service sector in developing countries has relatively lower share than that in OECD economies. On the other hand, it grows faster than other 02 sectors leading to increasing contribution of service to GDP.

Other studies also verified that *services that have been liberalized have also grown significantly faster*. This change has been quantitatively important as well: where essentially all services were heavily regulated in 1970, the majority have since been partially or wholly deregulated. The services segments which were both liberalized and tradable grew 7-8 percentage points higher than the control group (non-tradable/ non liberalized services). All this implies that free trade and appropriate regulations can play very important role in service sector development. Services ranging from transportation, communication, financial, business services to education, health care and retail trade need to mobilize ability of producers to meet international and domestic demand.

The third determinant of service growth is *sufficient human resources*. In overall, there is negative employment elasticity for unskilled labour hours, a positive but modest elasticity for medium skilled labour, and a large elasticity for skilled labour. Thus, the skill requirement of services sectors is increasing over time. It is shown that modern services employ only highly-skilled labour. Developing countries are abundant of labour forces but mostly unskilled while they are lacking of high skilled employees. In order to achieve long term growth, the education and training must be in focus.

Besides above mentioned three factors on macro level, the service sector development in a city is heavily correlated with *urban management and governance*. This research focuses only in some key aspects that have crucial impact on service sectors. **Urban development planning** aims at expanding the potential and capacity of each area, reflecting the strengths and opportunities of each location. This has the objective of increasing the production potential of each area to meet the demand of internal and external markets while gradually raising the quality of life of people. The urban master plan is an important basis for urban development and management aiming at ensuring the balance between socio-economic development and environmental protection. This master plan however needs to fit with national and regional development planning. **Urban land management** is usually managed centrally and in unity by the Government across the country and the land right is given to the individual, family and organization for use, rent or franchise. The law on land determined different types of land including agriculture land, forestry land, construction land, industry land, communication land, culture land, national protection land and wetland. The construction land is divided further into several types such as construction lands for public utilities, housing, factories and offices. The construction land arrangement shall be implemented based on the urban master plan and shall be determined the ratio of construction land of each type. The state reserves the construction land to be used for public benefit. The construction of any building shall receive the permission from the urban planning authority, shall be implemented strictly based on the urban planning regulation and shall receive the permission from the authoritative authority that has relevant duties and shall ensure completely the technical standards together with the environmental protection. **Urban infrastructure development** is to provide necessary conditions for services. Through the implementation of infrastructure construction projects, the city has been constructed urban centres, towns and new urban areas. The urbanization trend can be accelerated with improvement of transportation system including road and roadside drain. The development and improvement of roads shall be focused in economic zones, highly populated areas, and the arterial roads to markets, schools, hospitals, public places and government establishments. Energy and street lighting are also important. **Urban environmental management** is an important issue. The Government has to invest in the rehabilitation and construction of drainage and sewerage systems in urban areas. These have included the construction of roadside drains, manholes and natural stabilization ponds in the city, secondary towns, provincial towns and some small towns. For a city, there must be centralized waste water treatment plant. The maintenance and the cleaning of drainage and sewerage systems have to be carried out regularly. Campaigns for raising public awareness on participation, contribution of funds for the construction, maintenance and cleaning of drainage and sewerage systems shall be in place. The city governance has also to give a high priority to solid waste collection and disposal. It has to construct solid waste disposal sites, supplied collection trucks and heavy equipment for transportation and disposal of municipal solid wastes. To be sustainable, the appropriate fee for solid waste collection must be implemented. In addition, all kind of practice unhygienic methods of solid waste disposal such as open burning in backyards and along the roads, and littering onto road surfaces, into drainage canals, streams, ponds, swamps, and rivers need to be banned and heavy penalty shall be applied. The City also have to deal with **rural - urban migration** as people move extensively to larger urban areas where higher standards of infrastructure and services offer migrants the prospect of a better quality of life, and in which there are perceived to be better employment prospects.

1.3 International experiences in urban service sector development

1.3.1. Beijing transportation services

In the policy of socio-economic development, the Government of China considered the main services as the supplemental sectors for industrial development. Through development of the economic zones in the coastal regions, China has become one of the world biggest consumption product assemblers. China ***attached importance to development of the infrastructural services*** as the role to assist the growth of the industrial sectors such as transport, communication and financial service. The share of service has increased from 40% in 2007 up to 43% in 2011[2]. The average growth rate of the key services such as transport, communication, finance and insurance is very high resulted in annually average growth rate of the whole sector is 10.3% for the period between 2000 – 2011.

To achieve such results, one of the important causes was that the Government of China attached very importance to the policy planning mechanisms so that the functional sectors and divisions had coordinated synchronously and implemented the development strategies of the service sector. In addition, China's economy has a lot of advantages to develop services such as transport, telecoms, finance and business service. China has a giant domestic market to assist development of the service sector. China's service market was strongly protected in 1986 - 1996, the period of a highly diversified economy of China.

It can be indicated that difference in the share of service in GDP between Laos and China is significant. The service sector of Laos only contributed at moderate rate of about 25% to GDP in 2001 - 2005, while this criterion in China was about 40%. In addition to large share in GDP, the growth of the service groups in China was very fast. The average growth in 2001 - 2005 maintained at the rate of 10% in China and 6.6% in Laos.

[2] Lao People Revolution Party congress IX (L.P.R. PC) and National Strategy Social-Economic Development 2011-2012

Beijing, the capital of the People's Republic of china, is experiencing high speed economy growth, population expansion and a dramatic rise in vehicle registration. In line with ever-growing population and household consumption, vehicle registration is continually increasing and this is leading to serious social problem such as traffic congestion, energy consumption and greenhouse gas (GHG) emission. By the end of 2011, the permanent population of Beijing had surpassed 20.18 million vehicle registration broke through the 5 million mark in February, 2012 and is expected to reach 6 million by 2016.

Faced with the contradictory challenges of a growing demand for transport as well as a shortage in supply of public transport, series of transport improvement plans and transport demand management measures have been released with a specific focus on easing traffic congestion. Since the end of the 1990s, Beijing has been experiencing a rapid urbanization process and the economy of region accelerated very quickly. This development subsequently led to the motorization of the city. The average trip distance increased and vehicle usage gradually started to decline. According to statistical data, the share of usage of cars rose from 5% to 29.8% between 1986 and 2005, while the usage share of public buses declined from 26.5 % to 24.1% during the same time period. The usage of bicycle dropped significantly from 62.7% to 30. 3%.

The driving force for the changes can be summarized as the following:

- Ongoing urbanization and separation of living space and commercial areas;
- Economic growth, an emerging middle class and the desire to own a car;
- Further expansion of the road network and building of more and more urban highway.

Table 1.3: Beijing Bus statistics

Year	Number of buses	Number of lines	Length Of the network (in Km)	Passenger volume (10 thousand)
2000	1,671	692	74,937	348,716
2001	19,221	712	76,360	395,190
2002	21,049	739	160,844	436,652
2003	22,696	776	162,340	376,151
2004	24,153	750	162,809	436,016
2005	24,091	773	132,513	441,871
2006	25,409	800	132,731	389,183
2007	25,368	823	146,617	409,689
2008	28,071	861	156,199	458,081
2009	27,963	882	170,214	503,725

Source: Work in progress TDM Beijing 2011

For the period between 2000 and 2009, the number of bus lines has increased by 27%, but the length of the lines increased almost 230% leading to the passenger volume growth more than 44%. The total transportation volume (passenger 1km) would be much higher.

1.3.2. Tourism development in Bangkok

The service sector makes up over 45.7% GDP of Thailand in 2005 and 52.7% in 2011. The key services such as retail trade, hotel and restaurant services, and services related to education, medical and healthcare, etc. account for the relatively high contribution to GDP.

Thailand has been focusing ***on tourism services*** for many decades**.** Thailand is one of the countries in the world succeeding in development of tourism services as a key industry. This success is due to support from the Government of Thailand in planning and implementing policies fostering the growth of the service sector in general and the tourism sector in particular. Tourism development as a national strength creates conditions for a series of services involving in development, for example operations of the hotels and restaurants; healthcare and medical services because of the increasing trend of combining between tourism and medical examination and treatment; procurement and banking services for payment, currency change … Success in tourism and services has been proved by its high rate of contribution to GDP during past time.

The city of Bangkok (Thailand) is one of the world’s leading destinations. Thai tourism market is involved in several determinations both for domestic and international. The government economic stimulating measure plays an important role in promoting this market. Bangkok has remained the primary destination among international tourism as its being the centre hub of travelling to neighbouring and some remote destination, despite of the increasing in the new direct fright promoted to many popular destination in the region. Thai tourism chose the northern region, especially Chiang Mai, as their primary choice, followed by southern region such as Phuket, Hatyai, Nakhon si Thammarat, Surathani, and also eastern region at Pathaya.

Ministry of Tourism and sport to enhance the establishing of domestic tour’s data system to be complete, continuously and accurately, supporting the tourism council of Thailand and educational institute to consistency develop the “Tourist Forecast” developing data system to signal the entrepreneurs so that they can make the right decision on investment such as studying on demand and supply of hotel, tour operator and spa industry on behalf of the Ministry of Tourism an sport and the Tourism Council of Thailand.

Table 1.4: The number of international tourist arrive to Bangkok 2011 and 2012

No.	Nationality	2012		2011	
		Number	% share	Number	% share
1.	East Asia	976,453	60.90	894,915	60.18
2.	European	281,156	17.3	248,555	16.74
3.	The American	77,821	4.79	71,674	4.43
4.	South Asia	124,310	7.65	116,326	7.83
5.	Oceania	83,394	5.15	78,163	5.26
6.	Middle East	68,047	4.19	63,787	4.30
7.	Africa	13,678	0.84	11,288	0.76
Grand Total		**1,624,859**	**100**	**1,484,708**	**100**

Source: Immigration Bureau Service Police Department in Bangkok December, 2012

1.3.3. Logistics services in Vietnam (Hochiminh City)

In past years, the service sector has gained number one component in Vietnam's GDP with over 40%. The growth of the service sector is rather even in conformity with the target of economic structure shift as proposed in the period of renovation in Vietnam. The leading force of this growth is private sector. According to the statistical yearbook, the number of state owned enterprises reduced dramatically from 55.4% of to 8.5% in 2002[3].

Since Vietnam joined WTO, there is a positive change in logistic service market in Hochiminh City with the number of enterprise operating in the logistics sector is growing rapidly. Logistic services market in Hochiminh City has great potentials. Logistic services are including transportation, warehouse, customs procedures and documentations, packaging and delivery and other late services to sending and receiving goods.

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[3] *World Bank's Statistics*

Domestic logistic enterprises operated in Hochiminh City meet only 25% of the market demand. This fact is due to domestic logistic enterprises in Hochiminh City are mainly small and medium enterprises, the size and capacity is limited. In addition to that the cooperation among the firms is rather weak. Through survey data of the Institute of Economic Research and Development, NEU in 2011 showed that 69.28% are lack of inter-enterprise cooperation, 54.7% lack of professional staff and up to 80.26% of the workforce has got only on job training.

This is why domestic logistics firms are far behind foreign competitors and become only as “satellite” for the later. In the context of import and export activities of Vietnam’s growing, domestic demand for logistic service is increasing, this problem needs special attention, to exploit tremendous resource for the country and also accelerate innovation and restructure the economy.

Hochiminh City has great potential to become integrated logistics center not only for the country but also the region. Logistics infrastructure development such as developing deep-water seaport, international airport, the trains-Asia railway system, warehouses would build up competitive strengths of the City. Currently, small-scale logistic enterprise, fragmentations and lack of operation expertise, shortage of logistics manpower, inadequate legal environment, the differences in legal system, customs clearance and other administrative procedure are the challenges for the City to expanding integrated logistics network. In Hochiminh city there are 03 important sea ports which are Tan Cang and Sai gon and Ben Nghe. They are counted for more than 55% of total workload of all ports in Vietnam.

To achieve the target, Hochiminh City performed multiple simultaneous solutions both at the macro and micro level including development of institutional framework and macro management system for logistics market, improve quality and competitiveness of products and service, training and education programs in logistic fields. Hochiminh City has developed one of the most modern warehouse system in the country with total of 28.000 m2. The city also place focus on implementation of information technology in development of logistics system. This help the logistic enterprises enhance their productivity and competitiveness.

1.3.4. Lessons learned

In order to develop service sector, the first principle is to recognize the *importance the services* as accelerator to the growth of the industrial and also agricultural sectors. In another hand, service sector itself is important component of the whole economy as its share in GDP has always increased. The average growth rate of the key services such as transport, communication, finance and insurance is often above the growth rate of the whole economy.

To achieve fast grow of the service sectors, it is required to have the *policy planning mechanisms* so that all of the functional sectors and divisions in different ministries and the City municipals had coordinated synchronously and implemented the development strategies of the service sector. Related stakeholders have to contribute to the master plan of the city service sector development.

International experiences have shown that the *support from the Government to implementing policies fostering the growth* of the service sector in general and one particular sector is crucial. Without the government effective support, the service sectors is to face many difficulties along development road. To achieve the target, it is in need to perform multiple simultaneous solutions both at the macro and micro level including development of institutional framework and macro management system for the market, improve quality and competitiveness of products and service, training and education programs in service sectors.

CHAPTER 2: CURRENT STATUS OF SERVICE SECTOR DEVELOPMENT IN VIENTIANE

2.1 Introduction to Lao PDR social – economic 2001 – 2010

Laos is squeezed between vastly larger neighbors. First created as an entity in 1353, when warlord Fa Ngum declared himself the king of **Lane Xang** ("Million Elephants"), the kingdom was initially a Khmer vassal state. After a succession dispute, the kingdom split in three in 1694 and was eventually devoured piece by piece by the Siamese, the last fragments agreeing to Siamese protection in 1885.

The area east of the Mekong, however, was soon wrenched back from Siam by the French, who wanted a buffer state to protect Vietnam, and set up Laos as a unified territory in 1907. Briefly occupied by Japan in 1945, a three-decade-long conflict was triggered when France wanted to retake its colony. Granted full independence in 1953, the war continued between a bewildering variety of factions, with the Communist and North Vietnam-allied **Pathet Lao** struggling to overthrow the French-leaning monarchy. During the Vietnam War (1964-1973) the United States dropped 1.9 million tons of bombs on Laos, mostly in the northeast: for comparison 2.2 million tons of bombs were dropped by all sides in World War II.

In 1975, after the fall of Saigon, the Communist Pathet Lao took control of Vientiane and ended a six-century-old monarchy. Initial closer ties to Vietnam and socialization were replaced with a gradual return to private enterprise, an easing of foreign investment laws, and admission into ASEAN in 1997.

Despite being just one hour by air from the hustle and bustle of Bangkok, life in Laos has continued in much the same way it has for hundreds of years, although things are now slowly beginning to change. In the mid-90s the government reversed its stance on tourism, and then declared 1998 "Visit Laos Year" - but despite their efforts and all Laos has to offer, monks still outnumbered tourists throughout the country. This is now rapidly changing, with tourist numbers rising every year. Indeed, Vientiane is a laid-back, yet charmingly cosmopolitan village.

Lao People's Democratic Republic has population of 5.6 million people (in 2005). It is one of the 3 countries in Indochina peninsula.

Geographical site: Lao People's Democratic Republic deeply lies in the mainland territory of the Indochinese Peninsula with total area of 236,800km2; total population of 5.6 million people; and average population density of 23 people/km2. The whole country has 16 provinces and 1 Vientiane Capital City, 142 districts, over 10,000 villages and nearly 1,000,000 households. Laos borders Vietnam to the east (2,067km), Thailand to the west (1,635km), China to the north (391km), Cambodia to the south (404km) and Myanmar to the northwest (228km). This is a relatively convenient site because of its center of transaction and cooperation with the neighboring countries.

Climate: In Lao, there are two separated seasons: dry and rainy season. The rainy season occurs from May to October and the dry season occurs from November to April. There is heavy rain and flood without storm. The average temperature ranges from 25^0C to 37^0C in the rainy season and from 20^0C to 25^0C in the dry season.

Natural resources: Lao is crisscrossed by a lot of streams and rivers on the whole country and there is a plentiful source of surface water. This is great resources for hydroelectricity and tourism … The biggest main river in Laos is Mekong River with total length of 4,200km running through 6 countries (China, Myanmar, Lao, Thailand, Cambodia and Vietnam). The section of Mekong River in Laos is 1,865km long from north to south, stretching from Chinese border through Vientiane City to Cambodian border. Mekong River brings great potentiality of transport service by waterway, hydroelectricity and tourism. There are many forests in Laos with total area of about 6 million hectares and wood reserves of more than 300 million m3. However, hundreds of thousands of hectares of the forests is annually burned and destroyed for the purpose of cultivation. This leads to serious threat of land, water and air resources.

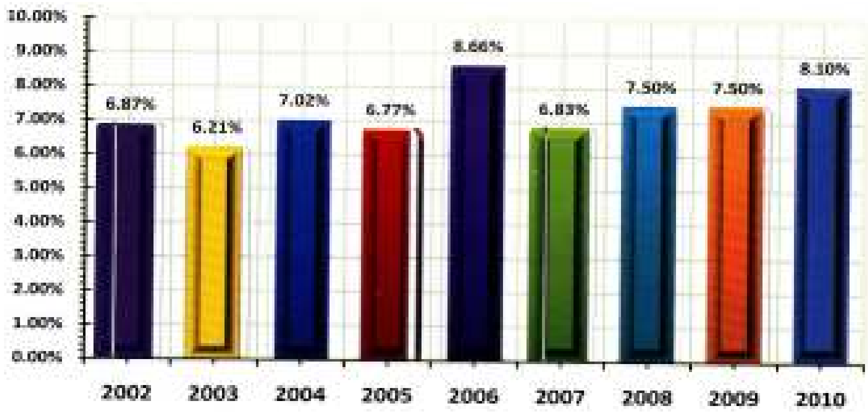
2.1.1 Economic growth

Economic development of Lao People's Democratic Republic experiences many ups and downs of the country's history. After preserving the independence of the country and establishing Lao People's Democratic Republic in 1975, Laos developed in the socialist orientation. In early years, the centrally planned economy contributed to restore and develop the country after war. However, due to not taking account of objective requirements of the market law, Laos' economy exposed limitations and weaknesses, leading to crisis and waste of resources unused effectively. From 1989, Laos' economy has transferred to the commodity economy in the mechanism of market opening and integration. Nevertheless, the rate of growth is uneven; the rate of inflation is high and the balance of trade is unbalanced. Average GDP in 2005 obtained about USD 460 per capita.

Lao Economic Performance

In 2010, Lao economy continued to show a steady growth with GDP growth rate of 8.1 percent, slightly increased from 7.5 percent of year 2009.The total value of GDP expressed in current price stood at 52,940.27 billion Kip (see figure) which resulted in GDP per capita income reached 8,99 million kip or equal to 1,069 US Dollars. Despite the Lao economy was encountered with some challenges from global economic environment, the GDP growth rate of Lao PDR was relatively higher compared to the economic performance of neighboring countries and in the region. The key factors support the expansion of GDP growth were mainly driven by industrial sector such as: electricity, mining and quarrying (copper) and manufacturing as well as agriculture – forestry and service sector.

Figure 2.1: GDP Growth Rate of Lao P.D.R

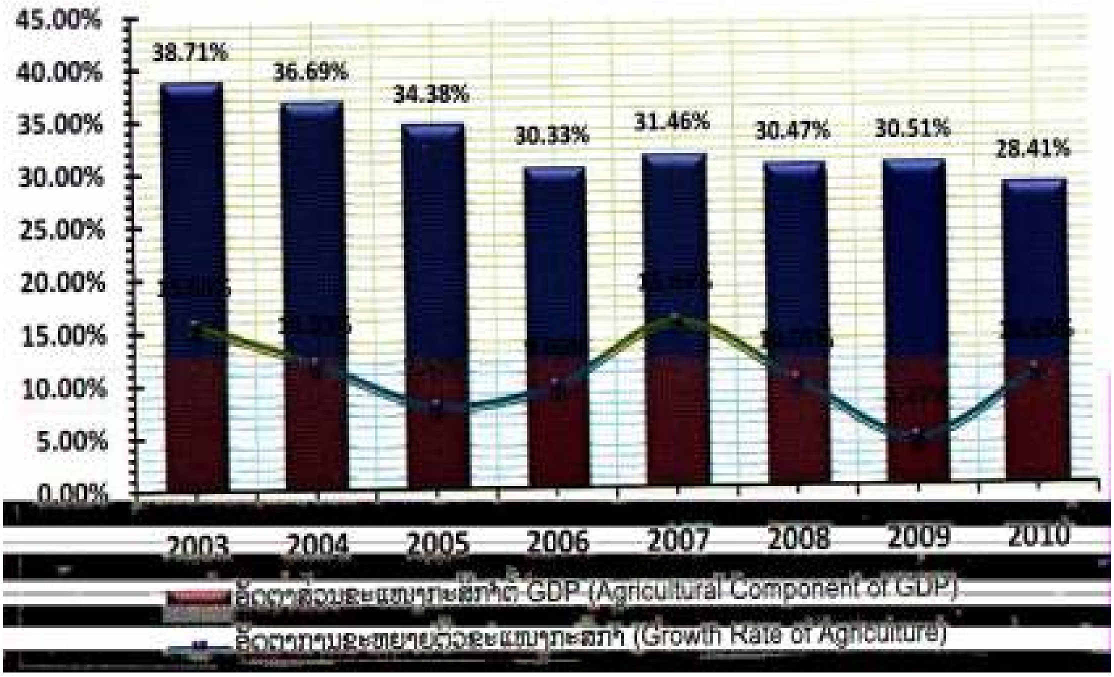


Source: Annual Economic Report 2010 (Bank Of Lao P.D.R.)

In addition, increase public and private investments, including the rising of commercial bank's loans to the real sector, infrastructure construction project for the celebration of 2 history events namely the 450th anniversary of Vientiane Capital and 3th anniversary of National Day.

Agriculture: the situation of agricultural production is rather good with rice yield of 2.2 million tons, irrigation system and food security ensured, and reserves and export of rice and other agricultural products. Compared to 2009, agricultural sector increased from 4.47 percent in 2009 to 10.65 percent in 2010 with the total value of 16,056.03 billion kip and represented 28.41 percent of GDP (see figure 2.1). The highest increase in the sector were agriculture – livestock, which rose by 11.96 percent and accounted for 22.24 percent of GDP, fishery increased by 11.63 percent and accounted for 3.24 percent of GDP. While forestry expanded merely by 0.02 percent and accounted for 2.74 percent of GDP. A minor growth of forestry sector was due to the government policy to protect and reserve forest coverage and reduce wood export.

Figure 2.2: Growth Rate of Agriculture

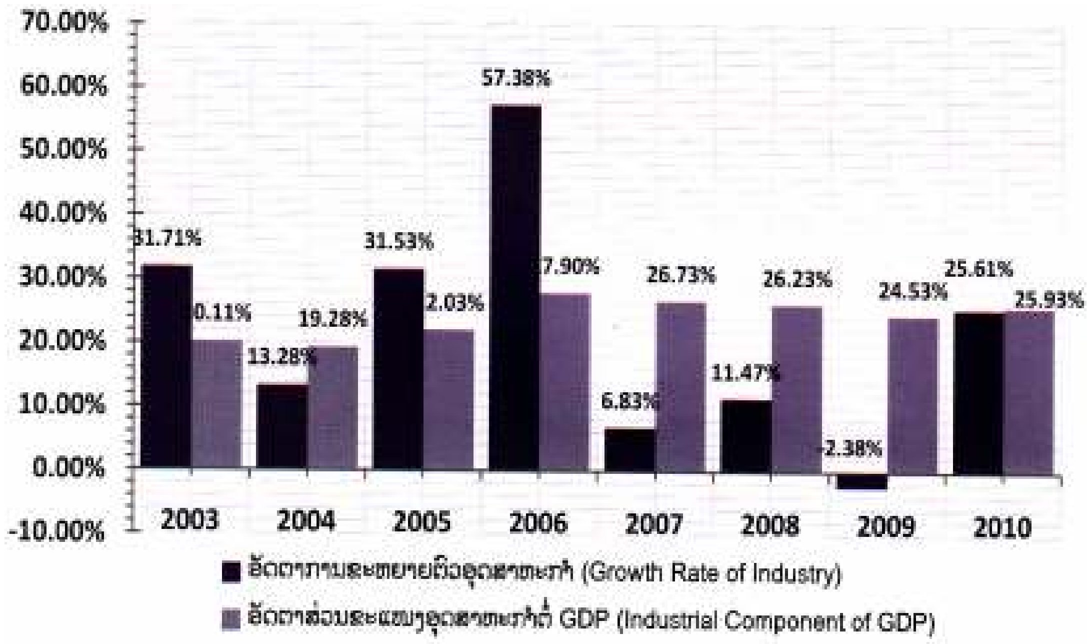


Source: Annual Economic Report 2010 (Bank Of Lao P.D.R.)

Industry: The industry has developed remarkably, especially energy industry. The State's new hydroelectricity projects were accomplished and came into effective operations. Total output of electricity in the whole country in 2002 was 3,500 million KWh, an increase of 15 times compared with one in 1976.

Industrial sector expanded by 25.61 percent in 2010 compared with 2009 and represented 25.93 percent of GDP, which was amounted to 14,657.23 billion kip (see figure 2.3), of which, electricity and water supply sector rose by 74.79 percent or accounted for 3.96 of GDP, construction rose by 28.60 percent and covered 5.15 percent of GDP, manufacturing up by 8.24 percent and represented 9.26 percent of GDP, mining and quarrying up by 29.91 percent or represented 7.56 percent of GDP.

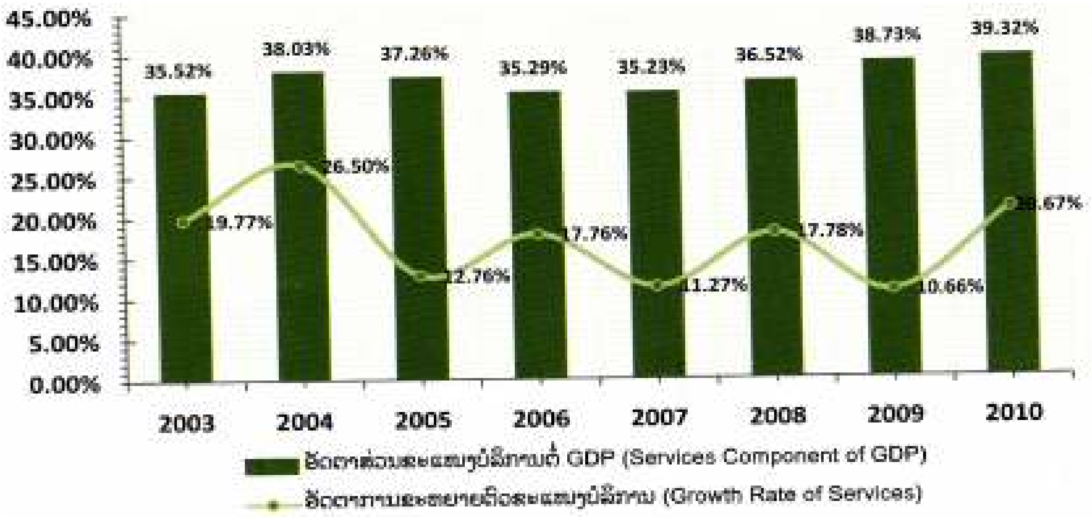
Figure 2.3: Growth Rate of Industry



Source: Annual Economic Report 2010 (Bank Of Lao P.D.R.)

Service: compared to 2009, service sector expanded by 20.67 percent in 2010 with the total value of 22.227.02 billion Kip and accounted for 39.32 percent of GDP (see figure 2.4). The highest growth was financial but only covered 3.61 percent of GDP, then followed by wholesale, retail trade and repairs which was up by 23.06 percent and covered 20.23 percent of GDP, transport, warehouse, post and communication rose by 18.64 percent and represented 7.29 percent of GDP, community social and personal services up by 11.56 percent and accounted for 1.61 percent of GDP, financial leasing and business service rose by 8.68 percent and represented 2.87 percent of percent of GDP, hotels and restaurants up by 22.59 percent and represented 0.72 percent of GDP.

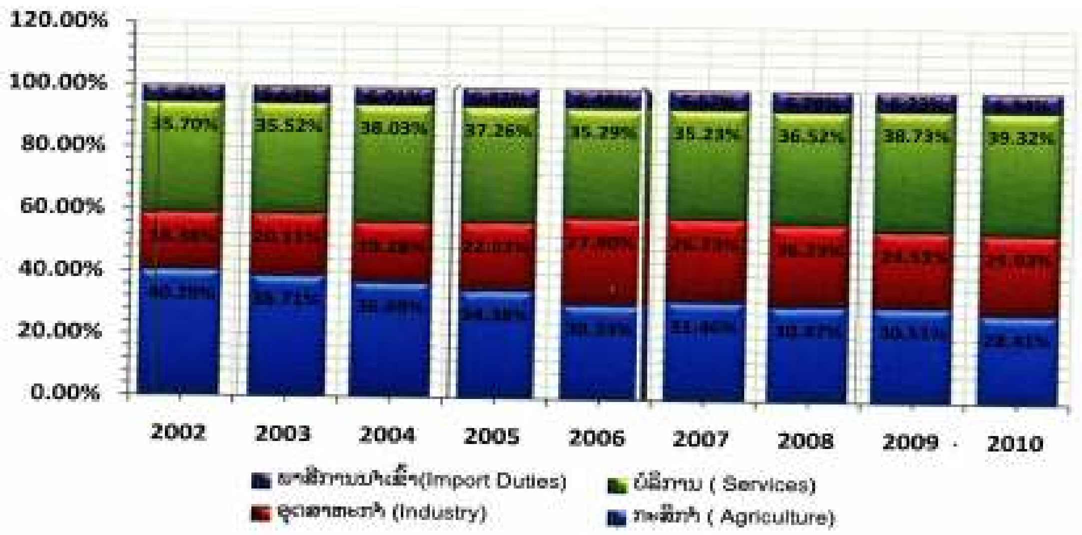
Figure 2.4: Growth Rate of Service



Source: Annual Economic Report 2010 (Bank of Lao P.D.R.)

Changes in GDP structure: The GDP's component in 2010, the service sector remained a major share, accounting for 39.32 percent of GDP, up by 0.60 percent from 38.73 percent in 2009 and followed by agriculture with a share of 28.41 percent of GDP and dropped by 2.10 percent from 30.51 percent in 2009, industrial sector rose by 1.40 percent and covered 25.93 percent of GDP from 24.53 percent in 2009 and duties - tax, production and net import duties accounted for 6.34 percent of GDP.

Figure 2.5: Change in GDP structure



Source: Annual Economic Report 2010 (Bank of Lao P.D.R.)

During 2009 - 2010, Lao economic structure have gradually changed from agricultural - based economy towards industrialization (figure 2.5) in the line with government's economic development strategy, of which agriculture dropped by 1.4 percent while the proportions of industry and service sectors rose by 0.6 percent and 0.8 percent respectively.

2.1.2 Current limitations

Despite signs of economic to recovery in many countries; the global financial and economic crisis continues to slow economic growth of many countries worldwide. Furthermore, those countries which lead economically continue to sue their economic strength to influence international regulation; they aggressively interfere, and impose unequal conditions on the least developed countries to their advantage. Competition in international trade is becoming stiffer. As a result, economic cooperation in terms of regional and international economic linkages is emerging. Additionally ,free trade zones, joint-marketing and economic communities such as the ASEAN free trade, the plan to set up ASEAN free trade+1 in 2012, joint market plans and ASEAN Community in 2015 are also being envisaged. Finally, climate change and disasters appears to affect the world economy, with the economy of Lao PDR being no exception.

In that context, economy of Lao PDR largely relies on natural resources, semi-processed activities and agriculture. Production for exchange is still nascent, and a majority of it takes place in independent private small units. Small units are vulnerable to external changes since their capacity to absorb the shocks of a market economy is low. This draws attention to the gap between rural and urban areas. Poverty, the status of being a least developed country, limitation in the working system, and scarcity human resource combine to make it difficult for the country to establish linkages with the global economy. The international link (openness rate = (import + export)/GDP) was about 83% in 2008, which is low when the compared with Vietnam for the example, where it exceeds 100%. There are many requirements which must be met before linkages at the regional and global levels are established; for example the quality and quantity of human resources, the availability of capital, and strong institution. The high debt rate and very limited capacity to compete at the global level are also constraining factors. There are limitations on the party, state, civil service and society as well. For example, natural resources are exploited callously without adequate analysis or monitoring/control systems, bringing about unpredicted impacts, such as environmental impacts. The frequency and intensity of droughts, floods typhoons and diseases has been rising in recent years. Investment in social sectors and basic infrastructure to create supporting conditions for young people to have quality social services; for instance, education, health care, capacity development, and skills improvement, are necessary for those groups to participate in the country's socio-economic development. Therefore, creation of a suitable environment for attracting investment in both basic infrastructure and social sectors is essential, especially, for creating jobs for the youth.

2.2 Overview on Vientiane social economic development

Vientiane City belongs to the special urbanization of Vientiane. Vientiane Capital City is in Vientiane province, however, in 1989, it was divided into two parts: Vientiane province and Vientiane municipality (Vientiane Capital city). Vientiane Capital City is located in the north-west of Laos, on a branch of the Mekong River, and it is the border between Laos and Thailand.

Population; The population of Lao PDR had doubled from 2.9 million in 1976 to 5.6 million in 2005, which shows a growth rate higher than the average in the East Asia and Pacific region. However, the growth rate is gradually getting lower, from 2.5% per year in the decade between 1976 and 1985 . According to the Statistical Yearbook 2009, population passed the 6.1 million mark in 2009. The Vientiane urbanization with a population of 200 thousand people and area: 210 km2, the total population of Vientiane Capital city is about 730 thousand and area: 3920 km2 kilometers. The population growth of Lao PDR was 2.2% per year during 1985 and

2005; while the growth rate of Vientiane Capital recorded 3.1 % per year in the same period. As a result, share of population in Vientiane Capital to Lao PDR has increased 2,65% per year during the same period.

Population Density; Considering the population density in 1995, 2005 and 2009, it is possible to classify the districts into 4 groups. The first group consists of Chanthabouly District and Sisattanak District with the population density of more than 2,500 persons/ km^2 in 2009. Sikhottabong District and Xaysetha District constitutes the second group which had the population density of 750 to 800 persons/ km^2 in 2009. The third group is Hadxaifong and Xaythany with the population density of 150 to 350 persons/ km', and the fourth and the final group is Mayparkngum, Naxaithong and Sangthong which had the population density of less than 100 persons/ km^2.

Table 2.1: Change of Population Density by Districts

District	Population (Persons)			Area	Population Density (Persons/km^2)		
	1995	**2005**	**2009**	(km^2)	**1995**	**2005**	**2009**
Chanthabouly	58,855	68,858	78,407	29	2,029.5	2,374.4	2,703.7
Sikhottabong	74,251	99,908	113,763	140	530.4	713.6	812.6
Xaysetha	75,255	97,514	111,037	147	511.9	663.4	755.4
Sisattanak	58,178	68,686	78,211	31	1,876.7	2,215.7	2,522.9
Naxaithong	44,104	58,368	66,462	1,131	39.0	51.6	58.8
Xaythany	97,829	150,793	171,705	916	106.8	164.6	187.5
Hadxaifong	64,962	78,338	89,202	258	251.8	303.6	345.7
Sangthong	16,728	24,215	27,573	622	26.9	38.9	44.3
parkngurm	33,945	45,041	51,287	646	52.5	69.7	79.4

Source: Results of Census in 1995 and 2005; Basic Statistics Data on Socio-Economic Development 2008/2009 of Vientiane Capital

Labor Force: According to Census 2005 Report, 49.1 % of the total population of Vientiane Capital was classified as "Economically Active Population" in which people can work and are willing to work. Out of the remaining 50.9%, 17.3% were children under 10 years old, 20.5% were students, 7.4% were engaged in household duties and 5.1 % were either retired or suffering with diseases or were old persons.

Farming Population; At the national level, in 2005, the percentage of farming population was 78.5%. However, the percentage was quite low in Vientiane Capital and was 35.3% only.

GDP Growth; Out of 7.6% growth, the sum of service and the mining and quarrying occupied 5.9% in 2008. Contribution of agriculture, manufacturing and construction is around 0.5% to 1.0% during the period. In 2010, large contribution of electricity, gas and water is expected due to the starting of operation of Nam Then 2 Dam.

Economic Development; The annual average growth rate of Gross Regional Domestic Products (GRDP) from 2001 to 2005 was 9.8%. Composition share of industry in 2005 was 23% from the primary, 52% from the secondary and 25% from the tertiary sector. GRDP of Vientiane Capital in 2008 accounted for LAK 10.5 trillion and occupied 23% of national GDP (LAK 46.2 trillion). GRDP per capita in Vientiane Capital was equivalent to USD 1,585, which is 1.7 times higher than the average of Lao PDR in the same year. According to the on-going socioeconomic development plan, 2006 to 2010, the estimated population of Vientiane Capital was 838,000 persons in 2010 with an estimated increase of 136,000 persons in 5 years. The target GRDP for the year 2010 was LAK 11,130 billion.

Since, the transformation of economic management mechanism, especially after 90^{th} decade of the twentieth century, Vientiane economy has always achieved and maintained at a rate of 8, 2%, higher than the national average of 6.6%.

Therefore, in this period, meanwhile the economic growth in Vientiane City holds the average 8.2%, the service growth is 13.6%. This is in accordance with the situation of the service sector in the global economy, which always has the higher growth index compared with the other sectors of global GDP.

Table 2.2: The economic growth rate of Vientiane Capital City in the period between 2006 – 2009 (price level in 2005)

Unit: Percent

Year	2006	2007	2008	2009	Average
GDP	6.9	7.7	8.6	9.6	8.2
Agriculture	4.0	2.2	3.5	2.5	3.0
Industry	10.1	11.5	12.6	16.0	12.5
Service	11	12.2	13.5	17.0	13.6

Source: Asian Development Bank (ADB)

Table 2.3: Economic structure in Vientiane City (in current prices)

Year	2006	2007	2008	2009	2010
GDP	100	100	100	100	100
Agriculture	30.5	28.3	26.9	25.7	25.2
Industry	37.6	37.9	38.1	38.3	38.5
Service	32.9	33.8	35.0	36.0	36.3

Source: Asian Development Bank (ADB)

As a result, the growth of the service sector contributes a significant part in the whole overall economic growth of Vientiane Capital City. Meanwhile, according to statistics from 2006 to 2010, the service sectors contribute about 37-38% to the economic structure of Vientiane city. And contribution level tends to increase during this period.

2.3 Vientiane service sector development potentials

Vientiane City plays important role to the growth of Laos. It's the cultural, commercial and administrative center of Laos. Vientiane Capital City is the largest economic center of Laos. Most of the industrial manufacturing activities are concentrated in Vientiane including food technology, textile and silk, cotton spinning, tanning, wood play, arts and crafts.

However, Vientiane has posed as great center for the service sector. Its main lines are commercial, tourism, transportation and communication, financial and banking, etc. In the past, before performing renovation in 1986, service sectors in Vientiane Capital City were considered as non-manufacturing activities because it didn't create added value and non-commercial. Service sectors namely transportation and delivery can be primarily seen as supporting activities for agriculture, mining or industrial production. Legal framework for services hasn't been focused yet; there aren't detailed policies and targets for the service development. After 1986, the economy of Laos in general and Vientiane Capital City in particular has actually entered a new phase of economic reform. Renewal mechanism of economic management has brought new spirit to the economic development including services. Service area includes all branches of non-agricultural and industrial sector in economic sub-sector system.

Commercial sector is the largest and fastest growing component. It contributed more than 40% of the total service sector. Transportation and communication stands next to the commercial with about 25% share. With rapid development of infrastructure of the City, transportation and communication will be booming in the near future.

Table 2.4: Service sector structure of Vientiane City during 2006 - 2009

Service groups	**2006**	**2007**	**2008**	**2009**
Commercial services	38.6	39.4	40.3	40.7
Transportation and communication services	23.8	24.5	24.8	25.1
Financial services	3.3	1.7	1.8	1.2
Public services	13.3	14.1	14.5	14.1
Other services	20.0	20.4	18.8	18.8
Total	**100**	**100**	**100**	**100**

Source: Asian Development Bank (ADB)

Other services here including mainly tourism and hospitality (restaurants, hotels) are growing with accelerated path. The financial service sector contributes at least to the income of the service sector, only 1.2% (2005). With the pace of economic growth in Vientiane always steadily develops, future of the service sector growth is full of enormous opportunities because of good conditions as the followings:

General: The real task comes after the formulation of the urban master plan - that is the enforcement and implementation of the urban master plan, namely the urban development management program.

Good Governance: Good governance is considered to be an indispensable element in UDMP, and it is also important in Lao PDR. The concept of good governance in urban planning generally relates to the democratic process and transparency in plan formulation, decision and enforcement.

Stakeholder Involvement: An urban master plan pertains to a city inhabited by people there, and thus in the first place, it should reflect opinions and perceptions of the people about their city. Stakeholder involvement shall provide the urban master plan the strength it needs to implement in sustainable manner over a long period of time.

Public and Private Cooperation: In general, a large part of the city is built for and by the private sector with the private funding. It is always impossible for the public sector to build a city alone, but rather require extensive collaboration and/or cooperation with the private sector.

Sustainability: The effects of urban master planning are gradual and cumulative. This is why the implementation of urban development master plan has to be sustainable in the sense that the effects of the plan continues to take place over the long period of time.

2.4 Service sector contribution to the Vientiane economy

Besides almost 40% contribution to GDP, service sector significantly contributes to create jobs for laborers. Owning to many different causes, agriculture in Vientiane Capital City remained largest labor force. However, the share of employment in the agricultural sector (including agriculture, forestry and fisheries) are decreasing, the proportions of employees in the industry sector (including production, construction, processing…) and service sector (including the aforementioned group) is increasing as shown in table 2.5.

Table 2.5: Percentage of employees in the economic sectors in Vientiane in the period 2008-2010

Sector	2008	2009	2010
Agriculture	82.7	82.4	82.2
Industry	8.7	9.0	9.3
Service	8.6	8.6	8.6

Source: Asian Development Bank (ADB).

The number of enterprises under private ownership dramatically increases; Among the service sectors, commercial services (including wholesale, retail, dealer, commercial brokers…) is the most crowded. The policy for the development market economy leads to the significant increase of non-state owned businesses. Though most of them have small scale, in term of both the number of employees as well as financial capacity, currently, the service sectors have been extensively privatized. Only education and training are remained mostly under state ownership.

It is important to note that service in Vientiane capital city fulfills not only demand of its citizens but also the whole country in a lot of cases for instance banking and finance, transportation, communication, education and healthcare. The concentration of these modern important services in Vientiane capital city not only to exploit the economics of scales but also it is the only feasible way to develop service sector under current status of economic development of Laos P.D.R.

2.5 Some important issues in Vientiane Capital service sector development

As analysis above, despite of having great potential, service sector in Vientiane has not well exploited. There are many outstanding issues as the followings:

First of all, urban development has not been very well strategically coordinated with the development of districts, provinces and regions. In many places urban development has not followed the approved urban master plan, and master plans have largely not been accepted as the overriding guide for urban development.

Secondly, control of earth excavation, soil filling, and building construction in general has been very poor, resulting in non-harmonious developments that are harmful to the urban environment and appearance of the towns. The construction of basic infrastructure and improvement of the urban environment in urban areas is not complete. In addition roads and public places are not clean as they should be, and some people continue solid waste littering. The rehabilitation and expansion of the road network has not yet been fully coordinated across the network. Traffic in the bigger towns is becoming congested and the number of road accidents has increased.

Finally, foreign investment in the service area is relatively low. According to the average statistics in the world, 60% of investment capital was put into service sectors. However, this figure is much lower in Vientiane. Foreign investment in the service sector only accounts for about 22.3% of the projects, 30.7% of total foreign investment capital at this stage respectively. The service sectors attracting more foreign investment includes tourism, hotel, telecommunications, transportation, business supporting services.

There are many reason caused above mentioned limitations, the main are of bellows:

The first reason is weak coordination among national and its sub agencies including regional, provinces and districts authorities to carry out policies and strategies for urban development. The legislation and necessary technical standards are not complete yet. The respective roles and responsibilities for urban planning and management between different organizations and different levels of administration are not clear and there are frequent overlaps. The number of professionally competent staff is limited. The approval of urban master plans and establishment of land use regulations was done at different times in different towns and is not consistent. The administration of building regulations has not been applied strictly. The working methods of the construction management authorities have been weak, not transparent, and without ownership.

The second reason is shortage of the budget, does not meet the needs of urban development and management. The use of funds is not efficiently coordinated and some funded construction projects do not follow the goals of urban development. Budgets for maintenance are not adequate.

CHAPTER 3: ANALYSIS OF SELECTED SERVICE SECTORS IN VIENTIANE

3.1 Banking and finance sector

Financial services aim to support and create flexibility in the financial activities of the economy as well as businesses. All activities of financial intermediaries provide services to consumers as financial service. World Trade Organization defines “financial services are any services based on the financial nature and provided by a financial service provider are known as financial services. All financial services including insurance services and services relating to insurance consist of life insurance, non-life insurance, reinsurance, insurance intermediaries and other support services for insurance. Banking and financial services such as bank deposits and lending credit in all forms including consumer credit, mortgage credit, consumption and trade finance services, financial purchase hire, all the services of money transfer and payment, guarantee, commitment and business of services on the currency markets, asset management, payment services and payment for the main property, supply and transfer of financial information and primary data processing, consultancy services and other assistance.

Financial sector plays an important role in national economy. Efficient provision of financial services is a prerequisite for sustainable economic development in the context of trade liberalization. The role of financial services is even greater when the economy is deeply globalized. Financial services are rapidly evolving in two, three recent decades thanks to the development of new technologies, especially telecommunications and the increase of direct investment flows from abroad. All developing countries need capital and solid financial infrastructure for economic development. Financial services strongly develop to attract a large number of employees in this sector, from the 70s until now; the growth rate of labor in this sector is around 50%. Financial services help to increase the turnover of the capital flow and the stability of the financial system. Financial resources are one of the prerequisites of the production process and social reproduction. Without the financial services, there is no effective movement from production to consumption places. The development of financial services means creating favorable conditions for the capital turnover flows to meet the diverse needs of the economy, banking and other financial services.

Savings and deposit; These services are traditional in nature, it's the form which has made the most important and indispensable capital for the credit institutions in Laos in general and in Vientiane in particular. Raising capital from other savings accounts forms for over 80% of mobilized resources by credit institutions. In recent years, the credit institutions have diversified and developed some new savings services, therefore, amount of mobilized money at the credit institutions has rapidly increased. From 1997 to 2003, raising capital to GDP has sharply increased: from 15% to 35%.

Credit services; These services are provided by banks, other credit institutions including lending, leasing and guarantee services. Meanwhile lending and guarantee services occupy high proportion, while leasing service is low. Outstanding loans of the banking system continue to increase. Despite rising debt, overdue debts, bad debt still take account of large proportion and the rate of scheduled recovery capital is low.

Payment services; From the 90s, besides other forms of non-cash payment, some commercial banks have provided the services of payment by domestic and international card for customers. Payment technology has been rapidly modernizing, 10 banks provide currently payment card including foreign banks.

The development of the Lao banking system is associated with the renovation of the country's economy. Experiencing initial difficulties when the economy entered the transition period, until now, the bank management mechanisms was stable and some operational and management mechanisms under the market mechanism have progressively formed. Bank is one of the important sectors to be promoted to the reform. In the international general trends and in accordance with the movement of the market mechanism, monetary policy has become a means of positive macroeconomic management rather than excessively relying on fiscal policy as first year. Lao state banks mainly use the indirect management measures through base rate method, rediscount and open market instruments, which gradually replace administrative and direct measures as before. In addition, a number of important measures are monitoring mechanisms and standards' systems ensure system stability, which are enhanced. State Bank widely applies international standards for the common financial system such as CAMELS, BASEL. The banking and credit institution monitoring system, are also innovative in both form and content such as remote monitoring systems, independent or internal auditor mechanisms are also enhanced to promptly detect violations in the administration or the risks for the State Bank's timely and positive intervention. The bank of the Lao P.D.R. (BOL) has wisely implemented the monetary policy to ensure the growth of money supply that meets the country economic development requirements.

The banking industry in Laos is concentrated in Vientiane. All of the headquarters of the banks are located in Vientiane. Besides BOL as national central bank, there are 04 types of commercial banks:

- State owned commercial banks
- Joint venture banks
- Private Lao banks
- 100% foreign banks

The banking sector in the Lao PDR accounts for some 98% of total financial sector assets and is dominated by a small number of SOCBs, which together account for some two-thirds of sector assets. At the early 1990s, much of the lending by these institutions was policy-based, directed lending: decisions to allocate credit based not on commercial criteria but rather on political or social considerations. These practices were a holdover from the earlier non-blank system, where the state used the banking system to allocate credit. More than 60% of the loans made by the Banquet pour le Commerce Extérieur Lao (BCEL), for example, were to state enterprises.

The dominant role of the SOCBs in the financial sector and their directed credit lending largely undermined the sector’s essential function of promoting economic growth by allocating resources to their most productive uses. Lending by SOCBs for political and social purposes and to SOEs also served to crowd out private sector access to credit, impeding job creation among other things. These practices, combined with weaknesses in general management, credit assessment, and risk management capacity, contributed to the accumulation of a large and growing stock of NPLs. The weak governance structure at the Bank of the Lao PDR (BOL) made matters worse.

The BOL lacked independence and adequate supervisory capacity, and further faced issues in effectively conducting prudential supervision due to the conflict of interest inherent in its role as both owner and regulator of SOCBs. The fiscal burden imposed by large and recurring losses in the SOCBs threatened to undermine macroeconomic stability as well as investment in other sectors vital to the country’s development, such as health and education.

To allow the economy to achieve its growth potential and help meet the government poverty reduction goals anchored in its National Socio-Economic Development Plan (2001– 2005), a sound and stable financial sector had to be established and resource allocation improved. To this end, it was imperative that the SOCBs be restructured and recapitalized, and their lending put on a commercial basis. Decentralization begins with the appearance of Joint venture, foreign and private banks as shown in the table 3.1 - 3.4.

In total there are 04 SOCBs, 02 joint ventures, 8 private and 11 foreign banks operate in Laos with 86 units, 236 branches and 6,435 employees the banking sector Laos in general and in Vientiane in particular continuously play crucial role in economic development. It would mobile all of the financial resources and allocate to the most productive users of the country.

Table 3.1: State owned Commercial Banks and Special Banks

No.	Name of Bank	Establishment	Number of branches	Number of service units	Number of employees
1.	Bank pourle commerce Exterieur	18 Jan 1989	18	32	1,022
2.	Lao Development Bank	18 Dec 2002	18	47	1,211
3.	Agriculture Promotion Bank	19 Jun 1993	17	65	1,091
4.	Nayoby Bank	15 Sep 2006	7	46	575
Total			**60**	**190**	**3,899**

Source: Lao Monetary Statistic Q1-2/2011 (Bank of Lao P.D.R.).

Table 3.2: Joint Venture Banks

No.	Name of Bank	Establishment	Number of branches	Number of service units	Number of employees
1.	Lao - Viet Bank	31 March 2009	04	2	319
2.	Bank Franco - Lao	16 Jul 2010	00	2	61
Total				**4**	**380**

Source: Lao Monetary Statistic Q1-2/2011 (Bank of Lao P.D.R.).

Table 3.3: Foreign Banks

No.	Name of Bank	Establishment	Number of branches	Number of service units	Number of employees
1.	Siam Commercial Bank	23 Dec 1993	0	0	10
2.	Thai Military Bank	9 Jul 1992	0	0	12
3.	Bangkok Bank	25 Feb 1993	0	0	12
4.	KrungThai Bank	25 Feb 1993	0	0	2
5.	Ayuthaya Bank	18 Apr 1994	0	0	12
6.	Ayuthaya Bank Savanknakhet Branch	24 Jun 2009	0	0	9
7.	Public Bank	1Oct 1995	0	0	71
8.	Public Sikia Branch	25 Feb 2008	0	0	14
9.	Public Savanhnakhet Bank	25 Feb 2008	0	0	14
10.	Sacom Bank	12 Sept 2008	0	0	0
11.	Marytery Commercial Bank	22 Dec 2010	0	0	26
Total			**0**	**0**	**180**

Source: Lao Monetary Statistic Q1-2/2011 (Bank of Lao P.D.R.).

The LPDR Government and the Vientiane leaders have put extensive efforts to restructure and develop the banking sector. With the help from ADB, they designed and implemented Banking Sector Reform program (BSRP). The BSRP's full scope covered a wide range of reforms, some of which extended beyond the immediate exigencies of the crisis and took a significantly longer time to implement than anticipated under the program. In all, the BSRP entailed 42 policy actions distributed over three tranches and eight implementing agencies. This mix of core objectives with longer-term goals that were important but less integral to addressing the crisis, in retrospect, appear to have diluted the focus and priorities of the program, and overstretched the resources available for what was an already complex, urgent, and resource-intensive crisis operation.

The core of this program is restructuring the banking sector. This component involved: (i) strengthening the legal framework for commercial banking and creating a level playing field for SOCBs and private banks, (ii) improving governance in the main SOCBs through governance agreements, and (iii) resolving NPLs in the main SOCBs and assisting in their recapitalization; strengthening of enabling legal environment and judicial oversight. The measures under this component were intended to strengthen the commercial legal environment by establishing a commercial chamber in the People's Supreme Court, building the capacity of commercial judges, and establishing an anti-money laundering regime, (iv) facilitating private sector access to finance. The measures under this component sought to develop the regulatory and institutional framework for secured transactions and lease financing to improve access to finance, especially for small and medium-sized enterprises (SMEs), (v) Promoting rural finance and microfinance. This component supported the restructuring of the Agriculture Promotion Bank (APB) and its policy environment, including the removal of policy loans from the bank's mandate and the lifting of interest rate ceilings on loans.

To facilitate further contribution of the banking sector to Vientiane economy, besides BSRP, the City leaders has to provide more favorable operating environment. Infrastructure improvement including communication system, transportation, etc… would make Vientiane more attractive to financial investors over the world.

3.2 Transportations

Public transit systems are essential parts of the modern urban life. In some countries such as Lao PDR where such mode of transport is relatively vital and people can easily avail private vehicles, it is quite essential to operate public transportation service efficiently and effectively to make this mode choice more favorable to private vehicles.

Functional Road Classification: The road classification in Vientiane Capital is mainly based on the administrative responsibility rather than on functional use. At the moment, six types of roads exist; namely, the national road, provincial road, district road, urban road, rural road and special road. The national road is under the control of MPWT, and the provincial, district, urban and rural roads are managed by DPWT of each province except the roads in the urban area of Vientiane Capital that are controlled by VUDAA. A newly defined scheme is proposed that consists of the primary arterial road, arterial road, and collector road. The main characteristics of each functional class are summarized in Table 3.4.

Table 3.4: Functional Road Classification

Classification	Application	Intent
Primary Arterial Road	- Entire province - Link to primary after roads in other provinces	- Form structure of province - Link to international road - Content major attractions – accommodate longer trips and freight trips - Introduce BRT lanes
Arterial Road	- Between districts - Link to primary arterial road	- Link to primary arterial roads - Accommodate travel demand between cities and villages - Provide bus services
Collector Road	- Between neighboring cities and villages - Link to primary arterial road and arterial road	- Provide access to major roads - Accommodate local demand for circulation - Can be used for public transport and feeder services

Source: JST

Road Network Master Plan: In order to cope with the increasing road traffic, road development should be accelerated to expand a capacity of road section.

Transportation system in Vientiane is one of the crucial areas that the City government has been continuously paid attention. In this chapter, we focus on 02 key components: city buses and Air services.

City buses:

Public bus services should operate efficiently and effectively, from both demand and supply perspectives. Although the general terminologies of "efficiency" and "effectiveness" may seem to be closely related, these two measures are required to be considered separately in public transit system. As for effectiveness, people should feel that buses are available to meet their daily travel demand with lower cost. As such, effectiveness can be measured by service utilization (ridership), service quality, and accessibility to the service. As for efficiency, the service authority typically aims at minimizing the operational cost without hampering the daily travel demand of the people. As such, efficiency measures describe the relationship between resource inputs and produced output and includes indicators of overall cost efficiency, labor utilization, and vehicle utilization. Both efficiency and effectiveness were used as measures within this context. In fact, much of the reported literature has used the two measure types to evaluate transit system performance within the Laos context.

It is important to seek optimum solutions to operation parameters (e.g., schedules, frequencies) without jeopardizing the necessities of operation (meeting demands while achieving the highest levels of customer satisfaction). Balancing both sides of demand and supply issues is not an easy task and usually entails reduction of service quality to attain more reasonable levels of expenditures. That is, minimizing operation and maintenance costs (input) usually comes at the expense of a reduction in ridership. Similarly, maximizing throughput (ridership) is usually associated with higher operational cost.

Commonly, the goal of transit system authorities is to provide as much efficient and effective service to users regardless of the operating costs, especially during the first few years of operation until the systems are mature enough and are well reputed to attract traditionally private car users. This is commonly coupled with continuous assessment of performance, and even setting benchmarks and to improve service. In economics, performance assessment or efficiency are measured by comparing levels of output.

Because of the important role mentioned above, Laos's government has been building and developing a relatively sufficient transport system. Major public transportation of Vientiane Capital is the public buses operated by Vientiane Capital State Bus Enterprise (VCSBE). VCSBE is a state owned company established under Vientiane Capital administration. VCSBE provides the bus services of urban routes as well as inter - cities and international routes. There are eight routes in urban area, together with 18 routes in inter – cities and international bus services. VCSBE has been using the fleets granted by Japanese government since 1988. In 2010, the number of all registered vehicles in VCSBE is 127 including 5 Vehicles for management and maintenance; there are 122 buses that can be used for the public transportation. However, the Survey found that 77 buses were operational, 26 buses under repair and 19 buses already disposed. In 2008, VCSBE allocated 56 buses whereas there were only 42 buses in operation on the urban routes in the project target area. In 2010, the number of allocated buses was reduced at 49 whereas there were only 36 buses in operation and in 2012. The new 42 buses granted by Japanese Government.

VCSBE operates the buses, most of which have been provided by the past Japan aid, by repair and maintenance. Most of these small and big buses exceed the running distance of 400.000 Km and 1.200.000 Km, respectively, thereby seriously damaging engine parts, worsening its transport safety and reducing its operation rate. The buses exceed significantly their service life should cause traffic accidents in operation. The reduction of bus operation rate is a substantial negative factor against smooth and reliable bus services, hence reducing the number of bus users by year. For the bus passengers' safety and smooth transportation, bus replacement is urgently recently required. However, it is obvious that VCSBE has not sufficient management and financial capacity to procure new buses by itself without external assistance. Commonly, the goal of transit system authorities is to provide as much efficient and effective service to users regardless of the operating costs, especially during the first few years of operation until the systems are mature enough and are well reputed to attract traditionally private car users. This is commonly coupled with continuous assessment of performance, and even setting benchmarks and to improve service. In economics, performance assessment or efficiency are measured by comparing levels of output to input. The assessment normally starts with identifying the important operation characteristics (inputs) and the targeted outputs. In public transit systems, multiple outputs are produced by multiple inputs, and it is difficult to aggregate all input and output variables into a single scale to measure the performance levels.

Reviewing bus service situation in the City, in 2012, Government of LPDR (GOL) has built Project for Improvement of Transportation Capacity of Public Bus in Vientiane Capital (hereinafter referred to as "project") and requested for help from Government of Japan (hereinafter referred to as "GOJ"). One of the first step is to conduct a *"Basic Data Collection and Confirmation Survey"* for the project in order to confirm the VCSBE maintenance capacity.

To achieve at improvement of transportation capacity of public bus, the project aims to replace the old buses currently operated for urban routes and owned by Vientiane Capital State Bus Enterprise (VCSBE). Thus, the project expects to increase the public bus transport capacity from 2.1 million to 5.2 million passengers per year, and to improve the operation ratio of buses from 75 % to 86%. Thus, the project components will be procurement of 42 large size buses and repair equipment for bus maintenance. Current condition of buses allocated to the urban routes. 49 buses are allocated out of the 103 buses that VCSBE owns at present. At 13 buses among 49 buses are under periodical inspection or repairing, the operation rate is less than 75%.

Small scale of city buses in Vientiane (49 buses and 269 employees) is partly due to low level of demand and also its capacity to meet increasing requirements to bus services. As indicated in the city buses service, better supply will increase demand dramatically. This will be one of the focuses of the Vientiane management.

Table 3.5: Current Condition Number of Buses for the Urban Routes

	No. of buses used in the urban routes	
	Upper: Buses in maintenance **Lower: Operating buses**	**Total**
Mitsubishi	9 14	23
Hyundai	1 2	3
Nissan	3 20	23
Isuzu	42	42
Total	**13** **36**	**91**

Source: VCSBE Data Compiled by JICA study February, 2011.

Table 3.6: The Number of employees of VCSBE

No.	**Description**	**Permanent Staffs**		**Non-Permanent Staffs**		**Total**
		Male	**Female**	**Male**	**Female**	
1.	Director and Deputy Director	4	-	-	-	4
2.	Mechanics	52	-	-	-	52
3.	Driver	152	-	5	-	157
4.	Accounting	15	11	-	-	26
5.	Administration	3	3	22	1	29
Total		**226**	**14**	**27**	**1**	**268**

Source: Vientiane State Bus Enterprise (1 Jun, 2011).

Table 3.7: Income and Expenditure per Year (kip)

No	Description	Year	
		2009	2010
1.	Income	29,973,258,390	28,311,697,900
2.	Expenditure	27,822,098,982	30,414,649,892

Source: Vientiane State Bus Enterprise (1 Jun, 2011)

Air transport services:

The international airports at Vientiane and Luang Prabang are served by national carrier Lao Airlines and a few others, including Thai Airways, Bangkok Airways (Luang Prabang only) and Vietnam Airlines. Some seats on flights of Vietnam Airlines are reserved for Lao Airlines (code sharing / better price). Laos used to be off-limits to low-cost carriers; however Air Asia now flies to Vientiane from Kuala Lumpur three times a week. Another cheap option for getting to Vientiane is to fly to Udon Thani in Thailand with discount airlines Nok Air or Air Asia and connect to Nong Khai and the Friendship Bridge via shuttle service directly from the airport.

Outstanding advantage of air transport compared to other transport modes is fast, convenient, less dependent on the terrain conditions. In fact, air transport has greatly contributed to the development of tourism, especially international tourism. Serving the Lao PDR since 1976, founded in 1976 as the national carrier of the newly established Lao PDR, Lao Airlines was originally known as the Civil Aviation Company and was formed from the merger of existing airlines Royal Air Lao and Lao Air Lines. The company became Lao Aviation in 1979 and has operated under that identity right up to present. The Lao national carrier initially started life with a mixed fleet of Western aircraft, including the Douglas DC-3 and DC-4, operating on international and domestic routes, as well as a fleet of helicopters enabling access to the more remote regions. Reflecting the country's closer links with its Eastern neighbors, a re-equipment exercise was undertaken in the 1980s, with the fleet then primarily composed of aircraft from China and the Soviet Union. For international services to Bangkok, Hanoi and Phnom Penh these included the AntonovAn-24. The decision to upgrade to the newer generation of European turboprop aircraft being produced by ATR (Avions de Transport Regional) in France was taken in 1994, when the first 50-seat ATR42 entered service with the airline which is removed from the service on 1995 and immediately replacing by a first 70-seat ATR72 aircraft and the second on 1999, with both ATR's forming the backbone of the carrier's fleet for international and major domestic services up to today. These highly reliable aircraft are complemented on routes to remote areas within the country by the Y-7 and Y-12, seating 50 and 17 passengers respectively. With the arrival of the A320, Lao Airlines is moving into a new phase of its development, offering passengers a faster, more comfortable link to the world. The aircraft will fly primarily on international services to Bangkok, Hanoi, Phnom Penh, Siem Reap and Kunming.

Today the Lao Airlines network extends to six international destinations and six locations within the Lao PDR. New routes are planned for the future, including within the CLMV economic zone of Cambodia, Lao PDR, Myanmar and Vietnam, China as well as to Hong Kong and Singapore.

Witty Airport is an airport of international standards in Vientiane. Aviation service sector of Laos in general and Vientiane Capital City in particular is very young. For over a decade, the air transport industry has grown up, material and technical base are strengthened, which create preconditions for stronger growth in the next phase: The flight control system is equipped with modern and advanced technology. The socio-economic developments have opened up many opportunities in developing markets and create a favorable environment for aviation services. As shown in the table 3.8 to 3.10, the number of aircrafts are 10 with 505 staffs operating over the network consist of 7 domestic and 12 international routes. In the year of 2011, Lao Airlines has carried more than 50,000 passengers. These achievements are resulted by the efforts of LPDR government as well as Vientiane leaders.

Table 3.8: Number of Aircraft of Lao Airline

No.	Type of Airline	Number of Airline
1.	MA 60	04
2.	ATR 72	04
3.	A 320	02
Total		**10**

Source: Lao Airline State Enterprise (March, 2011).

Table 3.9: Number of Staffs of Lao Airline

No.	Description	Number of Branch	Permit Staff		Non Permit Staff		Total
1.	Head Quarter Office	1	203	92	24	5	324
2.	International Office	7	73	40	22	9	114
3.	International Branch Office	7	5	6	8	10	29
4.	Crew	-	56	-	-	-	56
Total		**15**	**289**	**138**	**54**	**24**	**505**

Source: Lao Airline State Enterprise (1 March, 2011).

Table 3.10: Flight network

Domestic Routes	*International Routes*
1. Vientiane – Houeixay Province 2. Vientiane – Luangnamtha Province 3. Vientiane – Oudomxay Province 4. Vientiane – Xiangkhuang Province 5. Vientiane – Luangphabang Province 6. Vientaie – Savanhnakhet Province 7. Vientiane – Pakse Province	1. Vientiane – Bangkok (Thailand) 2. Vientiane – Chaigmai (Thailand) 3. Vientiane – Jinghong (China) Via Luangprabang 4. Vientiane – Kunming (China) 5. Vientiane – Hanoi (Vietnam) 6. Vientiane – Singapore 7. Vientiane – Hochiminh (Vietnam) 8. Vientiane – Phnompenh (Cambodia) 9. Luangprabang – Bangkok (Thailand) 10. Luangprabang – Siemreap (Cambodia) 11. Luangprabang – Hanoi (Vietnam) 12. Luangprabang – Chaigmai (Thailand)

Source: Lao Airline State Enterprise (March, 2011).

Destinations of Import/Export Cargo in Vientiane

The customers who would use the VLP are discussed next. Table 3.11 shows the volumes of import and export cargo crossing the Friendship Bridge based on the result of the roadside interview survey conducted by the Study Team. It indicates that around 2/3 of the cargo is generated 'from or transferred to individual factories while the major destination for cargo to be handled at VLP will be factories and industrial parks in/around Vientiane Capital.

Table 3.11: Trucks observed at Friendship Bridge and Thanaleng Warehouse

Facility Type	**Freight (tons/day)**	**Composition**
Factory / Industrial Park	1,264	68%
Market / Wholesale market /	2	0%
Mining Place	192	10%
Seaport / River Port	115	6%
Truck Terminal	21	1%
Warehouse/ Silo / Store place	259	14%
Total	**1,853**	**100%**

Source: JICA Study Team.

The question as to which customers would use the VLP can also be answerable by classifying types of vehicles carrying cargo at the customs. Table 3.12, prepared from the results of roadside interview survey and freight generation survey by the Study Team, shows the number of truck per day observed at Friendship Bridge and Thanaleng Warehouse. Comparing the composition of truck type (excluding light trucks and tankers), the trucks observed at the Thanaleng Warehouse tend to be smaller than those at Friendship Bridge. For instance, the share of trailers, carrying container cargo in general, at Thanaleng Warehouse is half of that at Friendship Bridge. It can be concluded that smaller factories/warehouses tend to use the existing Thanaleng Warehouse while larger factories/warehouses are provided customs service separately.

Table 3.12: Trucks observed at Friendship Bridge and Thanaleng Warehouse

Vehicle Type	All trucks observed at Friendship Bridge (trucks /day)			Trucks observed at Thanaleng Warehouse (trucks/ day)		
(1) 2 Axles Truck	371	36.6%	-	6	3.0%	-
(2) 2 Axles Truck	69	6.8%	13%	30	15.0%	16%
(3) 3 Axles Truck	84	8.3%	16%	73	36.5%	38%
(4) 4 Axles Truck	20	2.0%	4%	18	9.0%	9%
(5) Dump Truck	4	0.4%	1%	0	0.0%	0%
(6) Articulated	114	11.2%	22%	26	13.0%	13%
(7) Tanker	121	11.9%	-	1	0.5%	-
(8) Trailer	231	22.8%	44%	46	23.0%	24%
Total	**1014**	**100.0%**	**100.0%**	**200**	**100.0%**	**100.0%**

Source: JICA Study Team.

Increase of Traffic Volume; The growth of traffic volume counted at the National Road No.1 0, No.13 North and 13 South generally ranges from 2.2 and 2.3 times (2007-2010), which is equivalent to about 30% of an annual increase. This value indicates that the traffic growth has been much higher than the growth of population in Vientiane Capital.

Motorization; The total number of passenger vehicles such as sedans, pickups and vans is 140 thousand in the whole country and more than half of the passenger vehicles, or 79 thousand vehicles, are registered in Vientiane Capital. The registered passenger vehicles in Vientiane Capital increased about four times from the year 2000 to 2009. This growth is about 17 % annually.

Carriageway; Some road sections of national road are composed with four lanes or more. Other parts of national road are composed with two lanes in the both directions even though there are enough width available or 4 lanes in the right of way (ROW). In the urban area, most roads are two lanes for the both directions with a narrow lane for slow speed vehicles. The district roads in rural area are mainly two lanes road without having sidewalk. A sidewalk is basically provided in the urban area but the width of the sidewalk varies according to road side conditions.

Road Surface Condition; In Vientiane Capital, asphalt concrete surface , National roads are bituminous surface treatment, in suburban area are bituminous surface treatment and cement concrete.

However, in the last period, the growth of the aviation service sector is not strong; the efficiency of competition is still low: the technical infrastructure and civil aviation technology are still outdated in the region and the world, the number of aircraft is small, the percentage of aircraft owned by the state is low. Due to lack of synchronization equipment, transport scale is small, the aviation infrastructure, especially all the airports, and the airport is not in danger of backward development with the development requirements of air transport, thereby reducing growth as well as limiting the competitiveness of the aviation service sector. Currently, in Vientiane Capital City, the aviation service does not have such a prominent role as in countries with the developed economies.

In order to promote further development of the air transportation service in Vientiane, one critical measure is to promote tourism business in Vientiane and in Laos in particular.

With the turbulence of the world economic situation, in order to attract more international tourists and in turn more demand for aviation services, Laos/ Vientiane has to focus on providing good service quality at competitive rates on both land and air services.

3.3 Logistics

The previous section reveals current features of the trade in the GMS countries and indicates that trade in Lao PDR is heavily dominated by trade-relationship between Thailand and Lao PDR Also, it indicates that there are two major customs facilities in Vientiane Capital: Thanaleng Warehouse and Friendship

Bridge customs (It should be noted that at Lao-Thai Friendship Bridge (Friendship Bridge I) customs, physical inspection for customs clearance is done at individual factories/warehouses). The following discussion details the current trade relationship between Thailand and Lao PDR and identifies the potential users and cargo of the proposed VLP.

Commodity-wise Import/Export Cargo at Vientiane Customs

First of all, the kind of commodities to be handled at the VLP is discussed. Table 3.13 compares the volumes of cargo imported at the Friendship Bridge and Thanaleng Warehouse: it indicates that there is no significant difference in terms of proportions of the commodities handled at both facilities. This means that the VLP will, by large and small, handle all kinds of commodities. Looking at the cargo imported at Thanaleng Warehouse, the table also indicates that major commodities to be handled at the VLP include construction materials, industrial materials and manufactured goods, when the existing warehouse is converted into the VLP. Petroleum can also become a major commodity at the VLP, since petroleum will be transported by the new railway, directly connecting to the VLP. It should be noted that the remaining import cargo through the Friendship Bridge, of which the customs procedures is not done at the Thanaleng Warehouse, are directly transported to the individual warehouse/factory/company by clearing the import procedures at the Friendship Bridge.

As discussed before, the volume of export cargo from Vientiane is relatively small, compared to that of import cargo (see the details in Table 3.13). Only heavy bulk cargo such as minerals and wood are major export cargo. Besides, existing Thanaleng Warehouse does not handle any export cargo and customs procedures for all the export cargo are currently done at individual factories/warehouses, when necessary (for instance, container cargo requires to be sealed). However, the new VLP will also handle export cargo since heavy bulk cargo will be transported by the new railway through the VLP.

Table 3.13: 2007/08 Import Volumes through Friendship Bridge and Thanaleng Warehouse

Commodity Type	All imports through Friendship Bridge			Imports cleared at Thanaleng (tons/year)	
		including Petrol	excluding Petrol		
1) Rice & Cereals	39	4.3%	6.1%	5	2.2%
2) Animal Products	41	4.5%	6.4%	5	2.4%
3) Sugar & Sugar Confectionary	17	1.8%	2.6%	13	6.1%
4) Fruits & Vegetables	10	1.1%	1.6%	0	0,1%
5) Animal Feed & Fertilizers	28	3.1%	4.4%	21	10.0%
6) Mineral & Construction	152	16.6%	23.5%	59	27.9%
7) Chemical & Plastic &	172	18.8%	26.7%	45	21.4%
8) Manufactured Goods	169	18.5%	26,2%	55	25.7%
9) Petroleum	271	29.6%	-	0	0.1%
10) Woods Products	16	1.8%	2.5%	9	4.2%
Total	**917**	**100.0%**	**100.0%**	**213**	**100.0%**

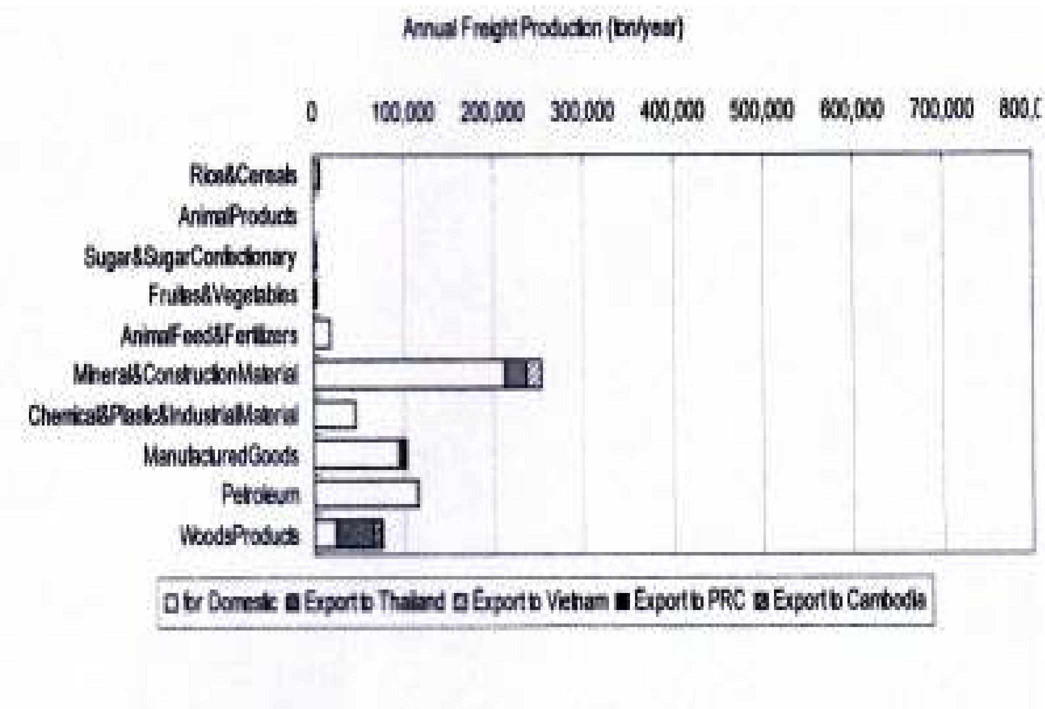
Source: JICA Study Team.

In Vientiane Capital current freight attraction volumes which consist of import and Trans - shipment from other provinces in Lao P.D.R. was estimated to be about 623,000 tons per year. Current freight productions, which consist of exports and tarns- shipment to other provinces, were about 1,597,000 tons per year. Transit freight relevant to Vientiane capital is less than 5,000 tons per year and is dominated by manufactured goods, vegetable and fruit from Thailand.

Major commodities of freight attraction by weight are mineral and construction material, petrol, various industrial and manufactured goods as shown in Figure 3.1, Mineral and construction materials include cement and article of cement, asphalt, tiles etc.., manufactured goods include vehicle.

Major freight product in Vientiane Capital city include mineral such as copper ores for export construction material such as cement product and structural steel for domestic use, petrol and manufactured goods such as foodstuffs leverages. The major trading partner of Vientiane city is Thailand which contributes to 90%import and 70% of export.

Figure 3.1: Current Freight General Volume



Source: JICA study team January 2011

As more than 80% freight volume from Vientiane Capital city is domestic freight mainly transported to other provinces in Lao P.D.R. On the other hand, freight from other provinces in Lao P.D.R. to Vientiane is only 56% of total freight attraction volume in Vientiane capital and 40% from Thailand. The shores of freight attraction from Thailand, i.e. imports from Thailand are expected to increase in the future. Logistics development strategy: As proposed in logistics development in Lao P.D.R. can be achieved by the following 3 key strategies:

1) Integration of cargo flow
2) Business stimulation
3) Market expansion

To realize these strategies Vientiane is expected to become a core of logistic system in Lao P.D.R. providing up to date logistic park in the heart of Lao P.D.R. to combine and integrate cargo flow to generate scale merit for Lao P.D.R. by utilizing geographic and economic advantage of Lao P.D.R. At the early stage in the short term, it is important to establish cargo flow between Thailand and Vientiane. Vientiane Logistic Park (VLP) is a key facility in handing transit cargo, import / export cargo with Thailand and domestic cargo as a center of domestic distribution and distributive processing such as labeling and packaging of consumer products in Lao P.D.R.

Logistic facility development strategy in Vientiane; as describe above, Vientiane is required to perform as a center of trans-shipment and distributive processing. The activities are expected to be concentrated in one place to attain higher efficiency and convenience of operations. Tax incentive will be provided by designating special economic zone. In this regard, it is necessary to develop the international logistic parks. VLP is also an international interface facility in logistic in Lao P.D.R. Vientiane is also expected to develop special logistic hubs for specific park. These specific products in Vientiane include petroleum products, mainly delivered from Thailand and distributed to central and northern Lao P.D.R.

Vientiane Logistic Park; There are several alternative project sites of Vientiane Capital City Logistics Park. The following criteria shall be applied for the project site location:

- Less urbanized and less populated
- Easy access to the trunk road and railway
- The freight vehicles have less adverse impact on urban activities and urban transport
- No future development plan
- Infrastructure can be easily developed

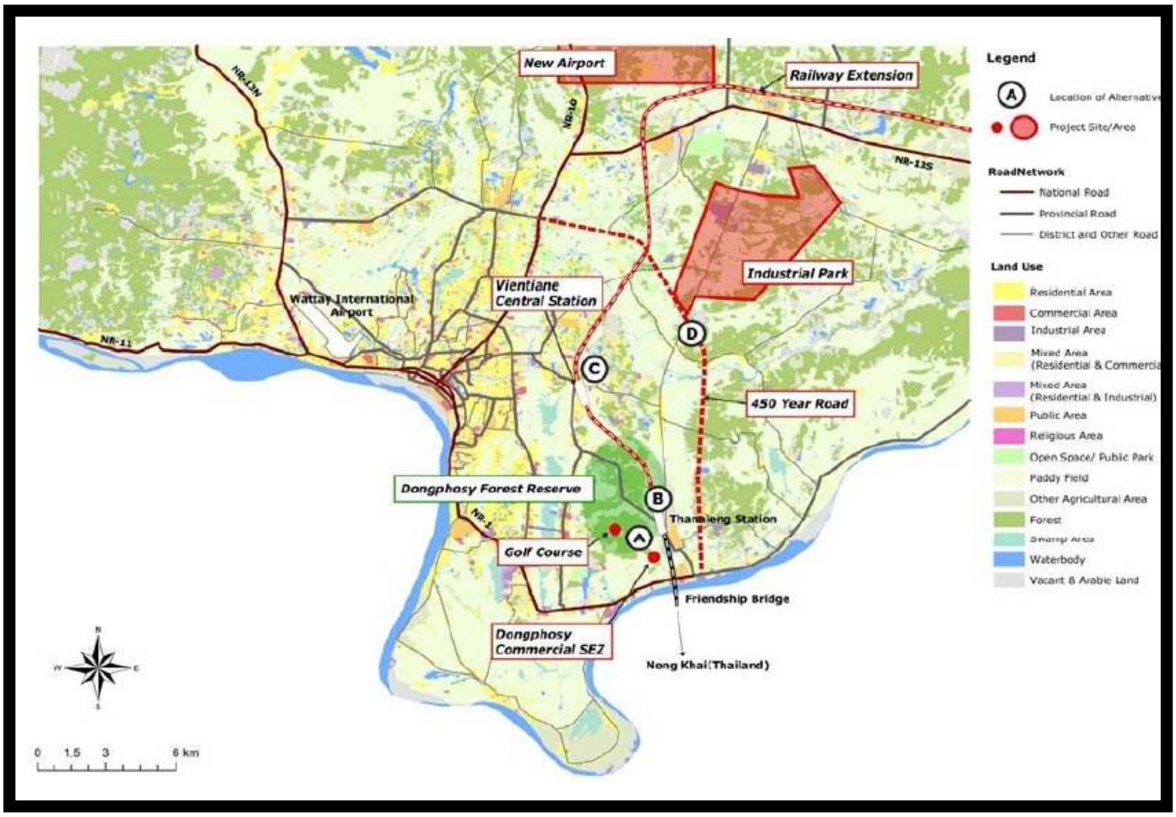
- Less environmental adverse impact.

According, the following 4 alternative project site were identified:

- Alternative A: South West side of Thanaleng station
- Alternative B: Around Thanaleng station
- Alternative C: Vientiane station
- Alternative D: Inside planned industrial park

As above 4 alternative sites were tested and the optimum solution for development of the logistic park was proposed, considering several engineering and environment factor, topography, land use accessibility to the transport network, consistency with the urban development plan, flexibility for future the urban development, social and natural environment impacts and cost. Alternative B was selected as the most optimum solution among the 4 alternative options.

Figure 3.2: Alternative Options for Development of VLP



Source: JICA Study Team (January, 2011).

3.4 Tourism

3.4.1 Introduction to tourism Lao LPDR

Tourism was the second largest contributor, after mining, to Laos's GDP. Laos expects tourism to be the top contributor to its economic growth and is focusing on promoting eco-tourism to international markets. The government has made tourism development, with the focus on ecotourism, one of 11 priority sectors to help improve standards of living - a way of generating income for local people, raising awareness about environmental conservation, encouraging local production and protecting Lao's multiethnic culture and traditions.

In general, the number of tourist arrivals to Laos increased constantly from 1990-2009 with an average growth rate of 20.53%. However, the number of visitor arrivals decreased slightly from 737,208 in 2000 to 673,823 in 2001, and declined from 735,662 in 2002 to 636,361 in 2003.The main factors which influenced the decrease were the terrorist attacks on September 11, 2001 in the United States and the spread of the SARS epidemic in Asia in the first quarter of 2003. Nevertheless, tourism recovered again in 2004 to 2008. In addition the number of tourist arrivals to Laos continued increasing in 2009 which reach for the first time over 2,000,000 tourist arrivals and generating total of revenue of 268 million US dollars, despite of the instability of political situation in some countries in the region and the world economic turmoil that affected the whole region. Of the total number of tourist arrivals to Laos in 2009 (2,008,363), tourists from Asia and Pacific which represented the largest portion of visitors with 91% of the total tourist arrivals, increased 23% over 2008. In 2009, tourists from Thailand (1,274,064), Japan (28,081) and Australia (24,209) brought the largest amount of revenue into Laos. As a result, the priority markets for tourism in Laos from Asia and Pacific are Thailand, Japan, Australia and Vietnam. In 2009, the number of tourist arrivals from Europe slumped considerably (-23%), the market share for Europe also dropped from 10% in 2008 to about only 6% in 2009. It is interesting to notice that all nationalities from European market showed the decrease with Sweden being the most (-39%) followed by Germany (-30%) while Spain was the least with -5%. The situations of American market were similar to those of European, even worse with the decrease of 29%. The market share also dropped from 4% in 2008 to a little bit over 2% in 2009. The most important markets from this region were the United States which went down 28% and Canada (-25%). This down turn was mostly due to economic crisis both in North Americas and Europe. In recent years, it has been growing rapidly and becomes now as the fastest growing rates in Asia Pacific (about 26% per years).

Laos, a land lock country, is now becoming a land-link among the countries of the main-land Southeast Asia and a bridge between ASEAN Countries and China by the development of East - West and North - South corridors communication and transportation network. To take advantage of this new situation, by implementing its reform and open-door policy, the Lao government has carried out the policy for the development and promotion of the cultural, natural and historical tourism aiming at contributing to the social - economic development, especial to alleviate and eradicate the poverty in the country.

According to statistic intelligence of Lao National Tourism Administration (2004), the statistic revealed that 56% of visitors are interested in cultural attractions and 54% in nature, 81.59% are regional visitors with the stay average of 1-3 day and 18.41% are long - haul tourists with the length of stay between 6-7 days. Most of tourist came to Laos by land (87%) whilst the rest opted to come to the country by air (13%).

Tourist are mainly visiting Lao because of the country's rich culture and natural resource such as the ancient city of Luang Prabang (World Heritage Site), Wat phou Champasak (World Heritage Site), the plan of jars in Xiengkhoung Provinces (World Heritage Site), 15 national cultural site, 20 national parks, the Mekong River and its tributaries, especial the great waterfall of Khonphapheng and

Liphi which have the length of 10.8 km, the longest and biggest waterfalls of Asia. With this chain of waterfalls, Laos has enjoyed the name of “Jewel of Mekong River”. Another attractive thing for tourism to visit Laos is the special character of warm welcome and generous hospitality of the Lao people toward the guests which is becoming a brand image of the country.

Laos has now facilities for accommodation such as hotels and guests houses which have a total of about 19,142 rooms. The government has encouraged more domestic and foreign investments for the development of facilities and attractions. The country has now 162 travel agencies and tour companies. The government has opened 14 international border check-points with all neighboring countries allowing visa on arrivals. Three international airports in Vientiane, Luangphrabang and Pakse, are on operation for welcoming in outbound visitors. There are now 18 international immigration points, 13 of which offer visa-on-arrival. 8 ASEAN member countries have granted visa exemption as well as Japan and Russia. The use of border passes for citizens of neighboring countries has been expanded from one to three provinces and validity of border-passes has been increase from 3-7 days. The exemption of visa is the pilot program and will be extended to all ASEAN members countries according to ASEAN Tourism Agreement in near future. And after that new international target markets will be considered in order to attract more international arrivals to region.

Currently, LPDR has carried out tourism development strategy toward 2020. The strategy has been developed after wide consultation with public and private sectors. As a national strategy, its main focus is on national issues affecting tourism development in Lao P.D.R. These include sound governance, a transparent legislative framework and the availability of training to build a skilled workforce. By addressing national issues, the Government of Lao will provide a consistent and stable environment for every tourism-related activity, regardless of the village or districts where it is located.

Five objectives are identified for developing tourism in Laos. They cover:

- Governance, planning and research
- Service quality, education and training
- Product diversification based on Lao's unique cultural and natural attractions
- Equity considerations in tourism development, including devising ways of spreading the benefits to remote and minority communities.
- Using tourism to promote Laos and Lao products in the global marketplace

List of activities and action have been identified for developing in Lao's tourism industry. The priority issues are:

- Establish sound governance by clarifying the role and activities of the National Tourism Administration (LNTA), and ensuring that it has adequate funding to fulfill its objectives
- Developing a legislative framework for tourism
- Developing and implementing training courses to meet the demand for a skilled workforce.

These three issues are critical to the long-term development of tourism in Laos and are considered prerequisites for sustainable industry. A number of other actions are recommended to strengthen the planning framework. These include the development of sub region, provincial and local plans and special interest strategies for ecotourism, promoting and ensuring opportunities for women, heritage and the involvement of ethnic minorities.

Due to its geographic location and abundant natural resources, the Lao government is implementing policies that support the development of historic, nature and culture-based tourism. LPDR is also positioning the country to become the "land-link" and crossroad of commerce, economic cooperation and tourism in the GMS. In order to develop tourism in line with the above policies, the Government has made improvement and upgraded the Lao National Tourism Administration and establishes Provincial Tourism Department. In addition, a tourism law and tourism related regulations have been enacted and made more and more efforts to improve human resources in the tourism sector are being made. Tourist destinations are being expanded, existing attraction improved, Visit Lao Year had been promoted and participation in region and global trade shows and exhibition were regularly undertaken. Tourism related businesses have been improved, 100% foreign ownership is permitted in hotels and restaurants and 30% to 70% foreign ownership is now permitted in tour companies.

Tourism in Lao is also stimulating expansion across a wide variety of sector. For example, there are now wider markets for local agricultural products and handicraft, new job opportunities, revitalization of arts and traditions, more awareness about the conversation of natural and cultural heritages and newfound opportunities for friendship, understanding and cooperation with the international community.

3.4.2 Tourism development in Vientiane

Vientiane is the heart of the country and the biggest hub for tourist arrivals to the country. Vientiane always gained above 50% of the total tourist arrivals to Laos as shown in the table 3.11. In 2011, there were 1,126,702 tourists arrivals to Vientiane generating total of revenue of 114,258,774 US dollar. The biggest motor of the growth is Asia Pacific market with an increase of almost 25% annually (table 3.12). There was some concern over Americas market where the growth was really slow.

Tourism service sector in Vientiane is supported by the wide range of tourist attractions as shown in table 3.13. Thanks to its variety and rich cultural value, clean environment and beauty of the nature, Vientiane is considered as a dream land for visitors who looking for cultural exploration while enjoyed pleasant landscape and friendly Laos's people.

Most of the hotels in Laos are located in Vientiane (table 3.14). Hotels and rooms are not sufficient to requirement of the tourism development both quantity and quality. There are few hotels that are truly exploring the advantage of the culture and nature in Laos. Vientiane is in shortage of high quality hotels.

Table 3.14: Tourist arrival to and its revenue generated in Vientiane Capital

Year	**Number of Tourist Arrival**	**Change**	**Revenue from Tourism (US Dollar)**
1993	78,055		
1994	129,081	+ 65.37%	
1995	249,255	+ 93.09	11,544,768
1996	245,259	- 1.161	24,392,315
1997	277,292	+ 13.06	30,233,510
1998	292,648	+ 5.54	35,858,537
1999	431,962	47.60	40,320,143
2000	486,613	12.66	42,370,535
2001	429,420	- 11.55	39,199,269
2002	506,677	+ 17.99	47,700,938
2003	437,059	-13.34	38,133,691
2004	544,253	+ 24.53	42,320,328
2005	653,212	+ 20.00	57,353,258
2006	729,272	+ 11.64	68,525,566
2007	869,642	+ 19.25	74,868,097
2008	878,507	+ 1.02	76,511,579
2009	807,455	-8.09	60,016,048
2010	995,150	+ 23.25	92,491,592
2011	1,126,272	13.21	114,258,774
Growth Rate per year		**13.34 %**	

Source: Info, Culture and Tourism Department of Vientiane Capital City.

Table 3.15: Number of International Tourist arrivals by Region

Region	Year	2010	2011
Asia & Pacific	Number	763,859	980,911
	Annual change	27.92 %	28.41%
	Share	85.31%	87.06%
Europe	Number	88,343	97,857
	Annual change	115.20%	10.77%
	Share	9.87%	8.69%
The America	Number	38,961	43,823
	Annual change	60.54%	12.48%
	Share	4.35%	3.89%
Africa & Middle East	Number	4,240	4,111
	Annual change	166.16%	-3.04%
	Share	0.47	0.36%
Total	**Number**	**895,403**	**1,126,702**
	Annual change	**34.84%**	**25.83%**
	Share	**100%**	**100%**

Source: Info, Culture and Tourism Department of Vientiane Capital City.

Table 3.16: Tourist attraction in Vientiane Capital

No	Tourist Category	2007	2008	2009	2010	2011
1.	Culture	10	10	10	10	10
2.	History	14	14	14	14	14
3.	Nature	13	12	12	12	12
4.	Shopping & Souvenir Shop	43	48	52	54	55

Source: Info, Culture and Tourism Department of Vientiane Capital City.

Table 3.17: Number of Hotels and rooms in Vientiane Capital

Accommodation \ Year			2009	2010	2011	Change % 2011/2010
1.	Hotel	Hotels	143	144	158	9.72
		Rooms	5,016	5,384	5,842	8.51
2.	Guest House	Guest houses	184	187	191	2.14
		Rooms	2,715	2,755	2,943	6.82
3.	Motel	Motels	1	1	1	0.00
		Rooms	16	16	16	0.00
4.	Total	Establishment	328	332	350	5.42
	Accommodation	Rooms	7,747	8,155	8,801	7.92

Source: Info, Culture and Tourism Department of Vientiane Capital City.

In this direction, Laos/ Vientiane government mobilizes capital from various sources for renovate investment and new construction of infrastructure for tourism such as hotels, motels, restaurants, attractions, entertainment... Besides raising capital investment in the country, Laos is also calling for foreign investment. Thanks to these efforts, some companies from France, Thailand, and Malaysia have invested into the renovation of several hotels in Vientiane City and several other places including Luangphrabang, Champasak. Malaysia and venture in building new resorts Nam-Ngum-PhouKhao Khoai with a total capital of 230 million dollars. Vietnamese investors also heavily invested into hotel business in Vientiane.

Besides the lack of hotel, there is also weak encouragement for foreign-invested enterprises in travel business (tour operators and travel agents). None of joint venture in this field is existed yet. There are no researches to study the competitiveness of the tourism industry when starting integration. Therefore, it is difficult to assess competitive capacity of the enterprises. Local operators have an advantage is that the cost of labor force is low; however, their language level and communicative skills are limited.

Vientiane tourism has placed strong intention on eco-tourism development. Presently, the Lao government also considered eco-tourism high on its development agenda, and through the Lao National Tourism Administration, is working hard to establish a sustainable eco-tourism industry that can help to alleviate poverty and protect the natural and cultural resources that make Laos such a special place. There were more than 20 brand-new tour programs set up over the past few years by the Mekong Tourism Development Project, SNV, the Netherlands Development Organization, UNESCO, DED, the EU and GTZ. A number of innovative new community-based eco-tourism products are now available in the provinces of Luang Namtha, Luang Phabang, Oudomsay, Borlikhamsay, Khammouane, Savanakhet and Chanpasack. Although every tour is different, ranging from 4 days trekking expedition in the mountains of Luang Numtha to leisurely boat and elephant rides in Champasack's Mekong valley, all of the tours operate according to similar principle- to use ec-tourism as a tool to boost local employment, raise funding and awareness for biodiversity conservation, promote the use of local products, build human resources, support the preservation of indigenous knowledge and to inform local hosts and visitors about the significance of the places they visit. To support this agenda, government officials, host communities and tour operators are receiving ongoing skills and awareness straining to lay the foundation for Lao's up and coming eco-tourism industry.

The policy of supporting community-based eco-tourism started with implementation of Nam Ha Ecotourism Project in Luang Namtha's Nam Ha National Protected Area that now receives about 5,000 visitors each year. Laos Government considers this type of tourism as one way to generate income for local people and raise awareness about environmental conservation, reduce widen agriculture and encourage local production and help to conserve and protect the culture and traditions of the multi-ethnic Lao people. In 2001, the Nam Ha eco-tourism project was awarded the UN Development Award for its contribution to poverty alleviation in the Lao P.D.R. and in 2002 it was the recipient of a British Airways Tourism for Tomorrow Award.

Laos has a wealth of outstanding cultural and natural attractions that in combination with Lao people's warm hospitality make it a great place for eco-tourism activities. Laos is in a good position to become one of the world's premier eco-tourism destinations, and will continue to promote investment in the human and material resources to fully realize this potential. Tourist often comments that while in Laos, they feel lucky to be in a place where the environment and culture has not been ruined by inappropriate developments. Balancing the country's need for socio-economic development and protection of the environment and culture is one of the Government's top priorities and is an overriding theme in the country's National Eco-tourism Strategy and Action Plan.

Tourism development is also under way to cope with the North-South Economic Corridor (NSEC) and East West Economic Corridor (EWEC). NSEC links Yunnan province in People's Republic of China (PRC) to Lao PDR and Thailand. EWEC is to link Vietnam and Lao PDR. It is important to note that Vientiane is a hub for both of these corridors. To encourage tourists who travel along these corridor to stay longer and pay more, Laos tourism authority currently undertaking the following plan:

- Upgrading of tourist facilities at the two main borders on the North-South Highway at Boten in Luang Namtha province opposite Moban in Xishuangbana Prefecture in Yunnan Province, China; and at Houei Xai in Bokeo Province opposite Chiang Khong in Chiang Rai province, Thailand.

- Develop five tourist attraction sites located along the North South Economic Corridor (route3): (i) the Nam Ha National protected Area Interpretation Center and Concession Area at Chalensouk Village, (ii) Nam Eng Cave Complex and picnic Area, (iii) Vat Mahaphot and Associated Ancient Historic Sites Interpretative Trail, (iv) Bor Kung Nature Park and (v) Nam Phae Village Scenic Viewpoint.

To accelerate the speed of these project and improve the effectiveness, the following measures are implemented: (i) preparation of tourism development and management plans for individual sites and for each economic corridors; (ii) construction of tourism-related infrastructure along the corridors, including access roads, parking lots, ticket booths, information centers, walking trails, markets, interpretation and sanitary facilities; (iii) a community awareness and livelihood support program; (iv) tourism management training for site managers and local tour-guide training program;(v) a marketing and promotion program; (vi) a gender and ethnic minorities development program; (vii) a public awareness program for HIV and AIDS, human trafficking and drug abuse and other tourism-related awareness activities; (viii) a joint manual on procedures and practices to develop GMS tourism corridors; (ix) a monitoring and evaluation program. The output will result in the development of GMS tourism corridors. It will provide models for the development of a sub-regional approach to transform GMS transport corridors into sub regional tourism corridors.

Tourism development by this schedule will create economic opportunities for local communities located along the corridor; lengthen the time tourists spend in participating countries; create jobs, especially for women and ethnic groups/minorities; protect the integrity of the natural and cultural heritage at the sites by installing appropriate infrastructure and management systems; and develop interpretative materials and display to add value, understanding, and appreciation of the selected sites.

Lao P.D.R recognizes externalities of tourism development and is trying to minimize challenges that arose from tourism’s negative impacts on culture, community’s way of life and land environment. To ensure that tourism development is genuinely sustainable; the Government will continue to implement its tourism support policies in tandem with improving the effectiveness of tourism management.

CHAPTER 4: PROPOSED DIRECTIONS AND MEASURES TO IMPROVE VIENTIANE SERVICE SECTORS DEVELOPMENT

4.1 Lao DPR economic trends toward 2020

Laos has the social - economic stability favorable for the development that experienced the positive achievements in the past years. All of the sectors in the economy have experiencing exploitation of their economic development potential by implementing proper strategy. From agricultural, industrial, commercial to other services sectors, continuously contribute to the significant growth of the GDP, facilitated social sustainability. Most of the development projects are improved and prepared for further international integration that leading to the expansion of service sectors such as: telecommunication, communication industry, aviation, tourism and construction.

The changes in economic management mechanism have pushed forward the creation and expansion the market economy. In which the state economy not only plays the leading role, but also changed their form from sole state owned enterprises into partnership or stock (public) companies. Laos DPR aims to improve structure of manufacturing as well as services business, encouraging the participation of all kind of ownership including the private, family, the communities, promoting the commodities production for domestic and export markets, welcoming the foreign direct investment, targeting to the high effectiveness and strengthening the country economic infrastructure, enhancing Lao peoples living standards both materially and spiritually, increasing the individual incomes, by minimizing the rate of unemployment, developing the skills of Lao workers, strengthening the technical and vocational education for the Lao labor forces, to be appropriate to the employment needs.

In the years to come, with dynamic economic infrastructure evolution of Laos DPR and the preparation to regional and global integration, it is expected a jump in economic growth. In the international economic arena, Laos has participated in most of the key international economic organizations such as: Asian Free Trade Agreement (AFTA), Great Mekong Sub – regional (GMS) etc... The Lao DPR plan aims to ensure a GDP growth rate of at least at 8% per year. The agriculture and forestry sector is slated to growth at 3.5% annually, to form 23% of GDP by 2015; the industrial sector to growth at 15% annually, to form 39% of the GDP. It is estimated that by 2015, the GDP per capital will be about USD 1,700 at current prices (exchange rate at 8, 500 kip / 1USD). Maintain the inflation rate lower than the growth rate and keep the exchange rates table; the fluctuation of kip value against major currencies will be at a maximum level of 5% per annum. Increase average export value by 18% and increase import by 5% annum; manufacturing industry and handicraft sector to have growth rates of maximum 13% per annum and to account for 15% of GDP; establish house hold economic cooperation units to cover 50% of total economic forces; and strive to increase the foreign currency reserve for meeting import requirements for at least 6 months. The economic structure moves toward the modernized direction. It is estimated that private consumption expenditure will be about 75% of the GDP, public expenditure (consumption) 8%, investment (state and private, combined) 32%, import 50% and export 35% of the GDP by 2015. The plan also aims to achieve rational a balance of payment (BOP) and current account balance ; control inflation to keep it at less than the economic growth rate; and maintain an exchange rate (currency) stability.

Development Visions: A development vision is an ideal future images of a city to be materialized based on the citizens' needs and foresight of the stakeholders and experts regarding urban planning. Therefore, all the actors can able to share their concepts and ideas about the future urban development policy. The development visions are formulated through discussions in the meetings. And the "Strengths" and the "Opportunities" in the SWOT analysis relate to positive resources for Vientiane Capital, and are the basis for the future development visions.

Three (3) visions: The future vision for Vientiane Capital are formulated with three pillars; namely 1) a regional hub in Greater Mekong Sub-Region, 2) center for Nation, and 3) comfortably-livable and beloved hometown for all. Three (3) development visions are related to each other, and for their realization, three viewpoints are also needed and should be considered, which are "Economy", "Ecology" and "Efficiency".

Figure 4.1: Development Visions for Vientiane Capital

Source: 1ST

Key Planning Issues; Key planning issues are embodied based on the "Weaknesses" and the "Threats" of the SWOT analysis so that appropriate measures can be taken by the stakeholders to accomplish the development visions for 2030. The key issues that need to be overcome are described below.

(a) Build and Expand Industrial Infrastructure to be a Host of Active Economy and Trade

Vientiane Capital is located on a GMS economic corridor which is called "the Central Corridor, and is expected to develop as a regional gateway of Lao PDR. At present there is no industrial park or logistic center, which is placing a limitation to the industrial promotion in the country. In this context, to accomplish "Vision I:

Regional Hub in the GMS", it is important to develop an industrial park and a logistics center at an earliest timing, which are now being planned as JICA studies.

(b) Strengthening one of the Main Urban Functions: "Center of Qualified Human Resources"

Apart from the infrastructure mentioned above, it is necessary to strengthen the function of "center of qualified human resources". Human resources will be the key factor for many of the foreign and domestic investors to make decision to establish its business function. There are some basic needs to fulfill to be qualified human resources, not only in the foreign investors' business world or scientific world but also at the domestic governmental administration level to support economic activities. In this context, to accomplish "Vision 2: Center of the Nation", it is recommended to enhance the education and the vocational training in Vientiane Capital as well as in Lao PDR as a whole. Students or trainees from other provinces should also be able to study or master skills in Vientiane Capital.

(c) Environmental Protection and Well-Controlled Urban Development

Nowadays, new types of urban problems are recognized in Vientiane Capital: traffic congestion/ accidents, housing shortage, disappearance of historically valuable buildings, degradation of natural and living environment, etc. In this context, to accomplish "Vision 3: Comfortably Livable and Beloved Hometown", it is important to have considerations for environmental protection along with controlling and regulating urban development.

Vientiane Capital is inhabited mostly by Lao people and visited by a number of foreigners from all over the world. In other words, the capital should be attractive enough to meet different needs from different types of people. Vientiane Capital is expected to be beautiful, comfortable, and convenient to travel, do business and to live in. In this context, to accomplish three (3) development visions, it is essential to create a visually attractive and comfortable city for both Laotians and foreign visitors, by means of improving the urban development management system. In other words, a drastic change of mindset might be needed in the government of Lao PDR, in private sector participants in urban development and in the ordinary citizens so as to create a restored new Vientiane Capital.

(d) Creating a Visually and Substantially Attractive City for Both Laotians and Foreigners by Improving the Urban Development Management System.

By 2015, the budget revenue target (including grant) is estimate to be at least 19 – 21 % of the GDP, domestic revenue about 16-18%, and the budget deficit aims to not exceed 3-5% of the GDP per annum. The target is to increase money deposit by 25.6% annually, or 39.5% of the GDP. Construction and expand road to link regionally to achieve 100% of the plan target. The followings are some key economic targets of Lao DPR.

- The growth of GDP≥ 8 % per year and year 2020 will be increased 8.5 %
- Inflation Rate less than (≤) : 5 % per yeas
- International arrivals to the country to 2015 by average 2.8 million people per year
- Air Transportation increased 8 – 10 % per year
- Land transportation increased 9 % per years
- Water Supply in urbanization covered 70 % of urban households
- The number of road in communication service will be reached 90 % compared with whole country
- The number of population will be increased 2 – 2,6 % per year, and year 2020, the number of population will be 7.6 million people
- Gross Domestic production per person (GDP) 3,253 USD/person.

Table 4.1 show GDP growth of Lao PDR breakdown by sectors.

Table 4.1: The growth of Laos GDP by sectors for the period between 2011 – 2020

Sectors	2011 – 2015		2016 - 2020	
	Growth rate	Share of GDP	Growth rate	Share of GDP
Agriculture and forestry	3.5 %	23 %	3.3 %	18 %
Industry	15 %	39 %	15 %	45.4 %
Service	6.5 %	38 %	6.5 %	32 %

Source: - Lao people Revolution Party Congress IX (L.P.R. pc).
- National strategy social – Economic Development 2011 – 2020.

Economic development achievements of Laos are remarkable but not fully conformed to the national potentiality and not enough to graduate from the list of least developed countries. There are several difficulties that become the main barriers to economic growth. In the near future, Lao DPR has to deal with these obstacles to solve the "bottleneck" of the economy.

The labor force and infrastructure's expansion are not catching up with the new economic mechanism development demands ; the low skills level of Lao labor force; the technical and vocational training are not suitable to employment demands ; number of graduated from universities and high technical education are so limited. Most of the labor force are without any skills that cannot satisfy the labor demands for the large scale high tech projects ; the production equipment are old fashioned – out of date. Even if some of them are replaced by a new one, but not enough, to improve the productivity, to produce the new and up to date products with a low cost, to compete in the market economy.

Research and development (R&D) always play an important role to boost the production expansion. But in the past years, the R&D is not effective. Most of the companies focuses on the immediate needs, not foresee the long term targets. So in general the R&D of Laos is very limited and not enough to satisfy the swift expansion as expected. Therefore, the Laos's economic level is still low, comparing to the medium level of the world and lower than many countries in the region. The saving incomes and the purchasing power within the country are very low. The improvement of economic infrastructure in the direction to the industrialization and modernization relating to an economy market production are very limited and slow. The investment mechanism still has some unsuitable issues, with a high protectionist aspect, which hinders the provision to the world economic integration. Changing process in the state enterprises management is rather slow. The collective economy is not developed. Many others economic sectors still not fairly extended as it should be. The macro management organizations and the distribution policy are not suitable for promoting the investment, productivity, income earning, the gap between the rich and the poor enlarged too quickly. Business environment including public services for investors are limited, shortage of supportive conditions for the economic and business sectors' growth is large. The quality of construction of key infrastructure project is not matching with required standards. The social system of the public health, education, culture, communication, and sports are very limited and not yet became for the real benefits of the society.

4.2 Vientiane economic trends toward 2020

The vision and objectives of the social economic development of Vientiane Capital City are accelerated economic growth by improvement of the infrastructure; enhance the productivity and the competitiveness of the local products of the private sectors, to supply the domestic market and for export; enhance the development quality of the human resource and appropriately use the natural resource to support the industrialization and modernization program, moving labor forces from agricultural to other sectors, reduce the labor force at the agricultural sector to 15%.

The directives for Vientiane Capital City Development from now are:

- Extend the trade activity; enhance the production capacity and the quality to enlarge the market within the capital and the relation with abroad; establish the commodities distribution centers; ensure the supply the population demands; facilitate the goods circulation.

- Enhance the goods transportation quality, both for the passengers and the merchandises, in particular public transportation.

- Continue to extend a modern technique of information technology for a wide range communication and advertisement. Increase the telephone numbers and the internet connection at the urban cities at the medium standards.

- Actively develop the tourist sector to be the main economic factors; enhance the tourist services according to the potentiality on historic, cultural, natural sites and link to international tourist network. When the tourist is well developed the other services provision e.g. hotels- guesthouses, restaurants, department stores, banking, taxis, souvenirs shops, bus stations, transportation network inter-provincial and international, will be expanded accordingly.

- Along with the development of the tourist activities, the service on the public health and hospitals should be improved to take cared the health of not only Lao inhabitants but also the foreign tourists and visitors. The private health care ownership business will alleviate the government burden as well.

- Promote the financial, foreign currency exchange, card credits, insurance, accounting audit, the real estate management within Vientiane Capital to be updated and upgraded at the neighboring countries level.

- Increase the logistic service, the technical equipment, the raw and semi-materials provision, for the domestic production, to boost the living standard and lift from the poverty.

In general, Table 4.2 shows the planned growth and structure of Vientiane economic sectors during 2011 – 2020.

Table 4.2: Economic structure (as % of GDP) of Vientiane by sectors for the period between 2011 – 2020

	Sectors	2011	2015	2020
1.	Agriculture	19.72	16.00	14,00
2.	Industry	43.38	47.00	47,50
3.	Service	36.90	37.00	38.50

Source: Vientiane Party Congress V (11-12 February, 2011).

Gross Domestic Product per person (GDP) reached 1,268 USD in 2010, which was higher 2.3 times than GDP per person of the country and it will approximate 2,750 USD in 2020, which will be higher 2.7 times than GDP per person of the country. The value of GDP was reached 8,415 billion Kip and equivalents 1060 million USD (Compare with year 2000 was increased 2.3 times) and it will approximate 21,640 billion Kip and equivalents 3170 million USD (Compare with year 2010 was increased 2.4 times). Annually, the rate growth of GDP was 8.75 % during 2001 to 2010 and it will be 9.91% during 2011 to 2020 which will be higher 1.8 times of the rate growth of GDP of the country. In 2010, the GDP of Industry sector was reached 4,646 billion Kip and in 2020, it will be reached 11,129 billion Kip. The rate growth of GDP in industry sector annually was 7.5% during 2001 to 2010 and it will be 9.1% annually during 2011 to 2020. In 2010, the GDP of Agriculture and Forestry sector was reached 1,593 billion Kip and in 2020, it will be 3,512 billion Kip. The rate growth of GDP in Agriculture and Forestry sector annually 8.36% during 2001 to 2020 and it will be 8.22% during 2011 to 2020.

4.3 Vientiane service sector SWOT analysis

Service sectors in Vientiane Capital City have great development potential. They have gained some remarkable achievements since Lao economic mechanism changed in 1990; Vientiane's service industry makes a big contribution to the city economic development. It attracts foreign investment which brings local people jobs, impulse the development of other industries and enterprises, and enhances local people's living standard. This creates a foundation for the city service development in particular and Lao economy in general. Implementing SWOT analysis can be useful for designing/ revising development strategies of the whole service sector as well as selected ones. Due to limitation, this part would focus on the weakness and threats to the service sector.

Vientiane's service development is not yet worthy of its potentiality. The service growth rate in Vientiane City is less than the GDP growth index. In the period of 2000-2005, it is even less than in other previous stages, especially business support sector and communication sector which play an important role in the economic development and business environment to business operation in the city. Clearly, this reality is against the market tendency of service industry where the growth rate of service industry is always higher than the GDP. The main reason is that its key sectors such as post –telecommunication, transport, finance and education are on the first stage of the development so they cannot play as driving force in the economic development in the city. Most of enterprises in the city are small with a lack of capital and skilled human resources. Large number of private enterprises established but their power and scale are limited. State owned enterprises still play an important role in the economy. Besides, foreign investment fund flow into the service is quite low.

Legal environment for service changes quickly but incomplete. Legal environment for service came later than the one for commodity trade. Legal environment in Lao in general and regulations applied in the city in particular have not yet created good conditions for the service development. This is caused by the incompletion of legal documents, the lack in documents on required execution instruction, and the differences of classification criteria and definitions, and legal documents for solution to some issues.

Procedures of business permit and operation certificate permit for some key service sectors are not transparence. Additionally, there is no transparency in defining preferences or encouragements for suppliers with required features and operation scope. Policy environment for service in Vientiane City is quite complex because of so many regulations and documents introduced by Ministries and agencies and local government. Regulations in legal documents are not specified so understanding, explanation and execution is casual. Transaction costs are high because of complex procedures. This impacts the service development in Vientiane City negatively. Legal environment is not only the barrier to the service development but also the legal validity for service performance and supervision. It is invisibility of service that prevents sanctions in service more than in commodity trade. These results into that the ownership is not guaranteed, and business risks and costs increase.

Existing inequality between States owned enterprises and private companies; Private companies gradually play an important role in the local economic development in general and the service development in particular. The number of State owned enterprises quickly go down meanwhile private enterprises are more and more dynamic and developed. However, the position of State enterprises in service is still leading because these enterprises are considered to hold the decided role to the economy and to be given a lot of preferences in taxes and investment. For example, while State enterprises hold the monopoly position in many sectors such as water supply, airlines, electricity then private enterprises and foreign investors do not have operation permit. Thus, private enterprises and foreign enterprises have many difficulties in approaching the market of these sectors.

Existing inequality between State enterprises, private enterprises and foreign enterprises is one of the reasons to make the poor service development in Vientiane City. Private enterprises still get lots of obstacles in approaching investment fund, land for leasing or lease office or making procedures. Without competitive of private enterprises leads the monopoly of State enterprises in some sectors mentioned above still happen and lack of pressure to State enterprises to make the investment into research and development, enhancement of service quality and business effectiveness. Price of some basic service in Vientiane City is quite high.

Regulations on foreign investment still restricted in some areas. For example, in telecommunications sector, private investors or foreign investors are only allowed to invest into basic telecommunication networks via contract – cooperation – business. In which, foreign enterprises just supply capital and share profits without being allowed to take part into management. That affects the service industry in Vientiane City. The reasons is that it decreases competitiveness, one of important factors to push up the economic development in the market mechanism, and restricted the process of technological transfer (mainly management technology), which means that it will limit the potentiality on development of each enterprise in service.

Many agencies manage and take charge of service development in the city while cooperation between them is weak. There are so many Ministries and Departments in charge of service management. Each of these Ministries or Departments plays a certain role in service management or policy establishment to service. Therefore, the service development depends so much on the cooperation between these Ministries and Departments. The unclear in their responsibilities as well as unclosed coordination is one of the reasons why the service development is limited.

4.4 Key visions and directions to develop service sectors in Vientiane

In the next decade, service sectors will focus on building capacity, improving effectiveness and enhancing competitiveness in order to:

(i) Create the input resource that could bring added value necessary to the industrialization, modernization and exports ;

(ii) Modernize service structure to encounter the competition which increase every day;

(iii) Create a favorable environment to attract the foreign direct investment;

(iv) Support the sustainable growth and advance to an economy of knowledge

(v) Contribute to the labor force development to meet the employment demands in the long terms.

Overall objectives from now to 2015 is to growth rate of 8 – 10% per year to contribute to Vientiane Capital's GDP at 50 – 60% by 2015 and employ of about 60 – 70% of the labor force. It is also increase level of value added in this sector.

Selected services development targets from 2011 to 2015 are as follow:

- Tourist sector: attempt to host at least 3 million foreign visitors in 2015, at a growth rate of 10% per year ;
- Finance sector: improve the service provision to meet the international standards, extend the stock exchange and finance market, enhance the financial management system ;
- Banking: from 2011 – 2015, increase the transaction up to 15 – 20%, promote the deposits to grow by 20 – 25%, credit increase up to 16 – 20% ;
- Telecommunication: to growth more than 1.5 to 2 folds of the economic growth, extend the telephone number to reach 10 – 15 units / per 100 people, upgrade internet system to the education institutes and universities.

Road Development Program

(a) Road Development Program between 2010 and 2020

Existing resource must be used efficiently. Two important ring roads i.e. 450 Year road and Dongdock -13N Road should be completed by 2015. In addition, inner ring road connecting National Road 13 North with National Road 10 and by passing central area of the City should also be constructed by 2020. In the eastern area, a new radial road should be developed.

(b) Road Development Policy between 2020 and 2030

A new ring road should be constructed between the inner and outer ring roads. Two new important radial roads should also be constructed. Two arterial roads; one north of Dongdock and the other west of Phonsavat area, also need to be constructed.

Public Transport Network: On the basis of forecasted traffic demand, the public transport network has been proposed. In short-term, the bus network should be improved based on current 8 bus routes.

Reasonable Modal Share: The average VCR on the entire network will be 0.86, which is worse than the existing, 0.77. This means that congestion will worsens as compared to the existing condition even after the development of road network as suggested in Master Plan. Thus to avoid such situation and mitigate the congestion, modal shift from private vehicle use to public transport will be necessary.

In long-term, the road sections of the arterial roads with higher demand should provide trunk bus route serving BRT (Bus Rapid Transit), with bus priority lanes or bus exclusive lanes. BRT lines should be introduced in three radial corridors and the inner ring road. It is proposed to provide local buses in the rest of arterial roads such as the outer ring road, the middle ring road, national roads, and two radial roads which are proposed as new construction. Para transit modes; *Tuk-tuk* and *Sonteo* will play a role of a feeder service and will provide access to the trunk bus routes and local bus routes to the bus users.

4.5 Proposed measure to improve service sectors in Vientiane

Vientiane Capital has actively developed its services sectors, to overcome barriers presented in above sections, the following measures are proposed.

4.5.1. Create more favorable legislative environment relating to the service sector

Endorse more rights and better environment to the services business activities. Basically, the service sector's role and rights are well considered and are suitable for the current requirement. But to boost the industrialization and the modernization accomplishment, the service sector needs wider rights and facilities. Improve the rules, regulation, standards, economic technique indicators, to adequately manage and monitor the service sector's activities, and the obligations to link with international organizations concerned, by focusing to:

- Review and improve the rules and procedures regarding the establishment, the registration and the license for service business units, to be more uniform for all. So it will facilitate for both the service business units and the relative administration as well, avoiding the misapplication and the difference on rights and favor among the service business units themselves.

- Improve the tax laws to facilitate and promote the service sector activities.

- Create the control and audit mechanism to monitor and evaluate the service sector operations, aiming to effectively and equally in accordance with the rules of service sectors operations.

- Improve effectiveness of the legal system by giving serious measures to service business units which violate laws and regulation on service provision. Intensify and periodically control and inspect the assessment of the services business units

- Encourage and intensify the utilization the science and information technology on administration and management the services business activities.

The government management system is one of the keys tools to supervise, control and audit the activities and outcomes of all economic sectors and particularly for the service sector. Setup definition, inspection regulation after license issued. Advise business units to operate under the regulation and related laws. Government has to monitor, analyze business operation. Amend; improve in timely manner on business management policy for business units. Resolve the cases according to the laws to the dishonest business units, in order to make the operation of the business units transparent

4.5.2. Enhance competitiveness of service sector

The top priority is to enhance service quality align with development of multi services product strategy to fulfill comprehensive demand on service sector in Vientiane capital. Encourage usage of advanced modern technology in service business operation is also necessary.

Improvement marketing capacity is essential in order to upgrade service standards. Both government and business have to design and implement appropriate business policy for the target customer in each market region, undertake promotion activities for service sector through communication, advertisement, trade fair, exhibition…

Provide financial support to the of service trade boosting. Government through the local authority must ensure the budget stability in order to let the organizations support the service trade, extend the operation including serving the group of companies such as: small and medium companies to have the ability to extend their service sales. Fee exemption subsidized by the government budget should focus on serving government supported targets. Supply of budget to the organizations to promote service trade in Vientiane capital should rely on detailed operation of the project, which is to focus on the implementation of the promotion on the trading of services in the feasible sector such as: tourism, communication, finance, especially is the trading promotion operation which cannot be done or ineffective action by both business unit and state authority.

Nurturing labor forces in service sectors are the key to success. Vientiane Government has to create plan for shortcut in the future to have technical staffs obtained and maintained technical skill to manage world's modern communication technology. Make the national campaign to invest in human resource development. Service sector promotes and makes policy to support on propagate information, knowledge about the service operation to the society, create condition and environment to attract quality human resource especially Lao people studying abroad to contribute their knowledge, technology, fund into service sector developing process in Vientiane capital. Staffs should have on the job training based on basic human resource development strategy. It is require to have suitable policy aimed at building young talents; attract top national and international experts to join the service sector extending project in Vientiane capital. Sending young people to international organizations to learn the advanced technology and management method in these organizations to serve the service sector development.

Promoting participation of different stakeholders. The government as well as Vientiane capital authority has implemented policies and measures aiming to promote the participation of all kind of ownership through legal improvement. Betake into productively compact management mechanism, continue to implement important management mechanism and facilitate the promote environment for the business owners, urging for every development force.

Rapid increase on number, pushing onto setting up of the credit guarantee treasury for the small and medium business enterprises. Commercial banks should wide-open credit to the small and medium business, specially medium and long term loan with appropriate interest rate to stimulate and support wide-opened size investment of enterprise, extend the size and enhance business quality of the enterprise units.

In current situation, business units take leadership and decision in opening wide the size, and their scope of operation. In order to wide-opened and enhance business operation quality as well as the environment legal factor defined by state, business units must be well implement as below:

- For state enterprises, urgently turn to join venture, to change the management, business service structure, push on extension of enterprise's operations, enhance laborers' income.
- For business units under other economic sectors. Business units under private economic sectors for instance. Must increase the extension for business service sectors which is not against the laws.
- Define policy and business development master plan according to requirements in new phrase of the socio-economic development in the same direction with an anti-monopoly policy.
- Cooperate with business units under other economic sectors, extend service trade operation, in order to create reasonable business structure in the market between business line and transaction.
- Increase investment, using advance new technology; enhance products quality and supplying service.
- Coincide with projects on logo creation and development, service business units must emphasis in influence to customer's friend.

To enhance growth to business units some tasks have to be carried out: define business operation strategy, focus on enhancing effectiveness and competitiveness for the products, services, emphasis on labor comforting, enhance business people factor, create culture in business, logo, credit to customer.

4.5.3. Create linkages among service sectors

It is important to promote business units to join service sector association and contribute in association development in Vientiane capital, upon that foundation extend to other area in the region steadily.

Lao government and Vientiane authority to steady improve equality condition and environment between enterprises under every economic sector as well as foreign country. It should be important step for the world economic linkage process, facilitate necessary condition for enterprise operation in the urban area and responsible for linkage situation.

Service trade development strategy has the role to define basic development direction for long term service operation, contents of the strategy consist of defining targets, direction of the service types, marketing for each services, attitude and basic principle aimed at promoting service trade development ; core measures aimed at achieving service trade development strategy. Service trade development strategy must be suitable with national socio-economic strategy and should be amended, improved time to time.

It is needed to implement assessment task on the condition of human resource, factors affect in the near future to set quality and effective service trade strategy, avoid uncontrolled action in town. Set targets and define measurement to ensure the effective implementation of the new target.

Set up service sector development master plan in Vientiane capital area. In next few years, setting up and implementation of the service sector master plan in Vientiane capital should to contain forecast on the trends in service in Vientiane as well as region and the world. Clarify the roles and duties between related sectors: this master plan must be approved by authorized organization and appoint monitoring units. Transferring the master plan into details with development plans for service sector in short and long term through work scheme and projects

Improving information system on service sector in Vientiane capital by setup income monitoring system to accumulate, analyze, statistic data such as: announce the use of statistic report periodically and random, increase inspection according to the form with appropriate sample selection, organize, propagate and search information from websites; setup statistical communication task in the business unit to support expectation on enterprises' business management.

Improving financial accounting standards in service business in Vientiane area; assess business's financial standard, economic regularly, implement auditing periodically, off hand on documents and on site auditing. Analyze, assess management system, inspect, and monitor the business. After that, should be able to tackle unwanted behaviors.

4.5.4. Concrete measurement for selected service sectors

Besides above proposed measures that would have impact on all if the sectors, in this part, it will focus on measures that specially designed for each selected sector.

Financial and Banking service;

- Develop and use banking technology.

- Develop resources in the bank through the increasing of rebuilding old staffs, allocate and recruit new staffs with high technical knowledge. Besides, calculate on administrative reduction plan and terminate unskilled labor.

- Research and modify statistic system, international banking contact network to make clear about the size of each service operation type.

- Eradicate all policy on giving the priority to state commercial bank, reinforce serious marketing operation from every bank.

- Improve and enhance legal frame and monitoring banks' operation in detail such as: strengthening regulation on independence inspection and international inspection as a basic in order to build the habit of using international auditing principles, create detail regulation to facilitate the banks' operation such as: mortgage, pawn policies, policy to enhance the operational limit for foreign bank organization, policies on financial leasing company.

- Eradicate the regulation which is intend to relate to defining technical rule, deciding on business matter and regulations on rights limitation to staff management, financial management, salaries and promotion system as well as financial system aimed at enhancing effectiveness and international competitiveness of the state commercial banks.

- To make the commercial bank's financial status strong enough for debt restructuring, to be transparent on balance sheet and to use preventive measure to bad debt through the reducing of bad debt of the commercial bank. State authority should support directly to the resolving of overdue debt of debtor bank under government supervision.

- Wide open the attendance of foreign banks and credit organizations especially in the loan, financial leasing operation. Enhance new type of service such as: credit card… steadily loosen the discrimination regulation.

- Fully split between business operation according to marketing principle and credit operation according to government policy or called loan operation by government policy and loan by commercial policy. Facilitate for state commercial bank to operate true credit-cash business and operate according to marketing principle.

- Double check on system security regulation, consist of definition on rules, qualification of management staff of commercial banks, financial reporting system, auditing, monitoring schedule, loan guarantee as well as other definition, establish assessment system, classify banks by standard.

Telecommunication service;

Enhance the potential of the economic sectors to develop and establish basic technical communication system with large scale, high speed and cover in all of Vientiane area and nearby area operate with effectiveness, safety, reliable. Admit policy to gather telecommunication and technology, ICT, publicity to be the foundation for development and usage of communication technology, e-commerce… Make Vientiane capital as the important center for international communication, which is build and developed on the foundation of modern technology such as: IP, ATM… Authorize the searching for communication service pattern in the wide area.

Strongly support the construction of technical based infrastructure, enhance widely usage of telephone number on the overall view such as: enhancing the usage of fiber optic cable, television, communication satellite.

Tourism sector;

Make infrastructure development policy for focused tourism sites, tourism areas, and potential tourism sites in Vientiane capital. Define policy to attract investment from business unit in economic sector, approve special rights to the international tourism business, and promote the exporting. Authority should give priority to the tourism investment; make policy to facilitate the investment such as: taxation priority, fees, land usage fees, loan, and guarantee giving…For the projects in the occupational area under special right list for investment. Exporting, importing policy and custom point: Carry out to facilitate the incoming documentations for person and tourist stuffs and make them fit to the local management ability and international regulation. About custom: Make import-export tax to be promotional for hotels equipment, tourism sites, tourism equipment which is not made in the country. Tax exemption and reduction, lower income tax, give priority to loans for invest in master plan area of tourist development.

Transport Service;

Create corresponding law and policy mechanism: Law system and policy mechanism to transport business operation must be improved in timely manner, facilitate the service business to according to demand in Vientiane area.

- Four major institutions are involved from policy making to monitoring stage

- Policy making and planning are undertaken by the center government while implementation is mainly done by the local government.

- While clear demarcation is stipulated in the law and by law, close coordination information sharing mechanism is essential for reality functional administration.

Establish specific document system, law, regulation for transport section, hereby includes railway, land and sea transport.

- Law and regulation, setting new systems guile for facilitating greening in public pace
- Establishing responsible institution.
- Strengthening for enforcement of law and policies
- Sustainable implementation of urban development management
- Revision of law and decrees
- Formulation of new system for urban development management
- Human resources development for urban development management.

Enhance transport service management: cooperate with specific local management organization in information supplying on business operation, official document preparation, on inspection, solve every action.

- Shortage of official
- Insufficient technical personnel to follow the construction
- Lack of technical manual or guideline on urban planning and management.
- Imbalance of professional field (short in transport planning, short in law etc.)

For the business reorganization: Transport enterprises must be compact and voluntary choose appropriate business sector, urging partnership for state company on service business. Promote the investment in transport service area aimed at the satisfaction result in the enhancement of service quality in Vientiane capital.

- Utilizing present facilities as well as developing facilities in phasing manner should be adopted to secure suitability.
- Appropriate data base need to be developed
- Awareness of citizen should be raised
- Increase waste water collection rate 25% in 2010, to 100% by2030.
- The city conceptually enclosed by greenery and water
- Building buried in greenery and water
- A linkage and distribution policy of greenery and water.

4.6 Conclusion and recommendation

At present, service sector increase their important roles in the development of the world as well as each country economic. With the economic expansion, the service trade expansion results in changing of economic structure in the positive trend. Vientiane, as the name of the economic center, is the investment Laos development process, have regulated the growing of the service sector as the basic factor to strongly boost modern industrial orientation, in which the roles has been assessed and the important location of the service sector such as: tourism, telecommunication, banking and finance, transport… in national development. Until now, service sector in Vientiane area is being growing. Even though, they are not yet comparable to their potential. The result of this research identifies the growing of service sector in Vientiane capital with many advantages, but still facing difficulties and challenges. Usage of measures mentioned in this report could found advantages and resolve difficulties or limitation which limits the growing of service sector in Vientiane capital.

- Vientiane is the capital city of Lao P.D.R. and is endowed with high potential for economic development in the future as well as gateway to the Great Mekong Sub-Region (GMS).

- In the last 10 years, Vientiane Capital City has seen rapid urbanization in and around the city, and consequently the city‘s rich farm land has been sacrificed to make room for urbanization, and the areas on the fringe of the existing urban area has been urbanized quickly.

- Consequently the future vision for Vientiane Capital City were formulated with three pillars; namely1) a regional hub in Great Mekong Sub-Region, 2) center for Nation, and 3) comfortably-livable and beloved hometown for all.

- In order to accommodate the increasing population and growing urban economy, spatial structure of Vientiane Capital City was scrutinized with two scenarios; single-core structure and multi-core structure, and the multi-core structure was adopted as desirable, in which the growth of central city will be regulated and sub-centers in the suburbs will be developed as new urban centers to absorb growing population and economy.

- According to the socio-economic projection, the population of Vientiane Capital City will become 1.4 million in 2030, and during the same period GRDP of Vientiane Capital City will grow at an annual average growth rate of 8% - 12 %.

- The land use plan for 2030 was proposed in consultations with PTI and Vientiane Capital as a result of round of revisions and modifications and the adopted spatial structure. The land use zoning plan has to be considered by Laotian side for approval and should be announced for implementation without delay with proper legal power for enforcement.

- In all, five planning zones are proposed following the specific characters of Vientiane Capital city; namely 1) Historic Conservation Zone, 2) Inner Urban Zone, 3) Outer Urban Zone, 4) sub-center Zones, and 5) Urban cluster Zone.

Recommendation for Urban Master Plan;

With regard to the infrastructure development in with the urban master plan the following are recommendable:

- For road and transport, two important ring roads, namely the inner and outer ring roads, must be completed by 2030, together with on more ring roads and two important radial roads.

- For water supply the service ratio is set at 97% of total population in 2015 and 100% in 2020, and the capacity development for sustainable implementation is essential.

- For sewerage, wastewater treatment system should be provided in the long term to prevent deterioration of water environment and preparation for this has to start by Vientiane Capital City.

- For drainage, retarding pond such as marches and river channels should be protected as much as possible and appropriate gate and pumps shall be provided as necessary for efficient discharge of rain water.

- For solid waste the generation is projected to increase rapidly and waste collection rate will be increased to 100% by 2030 and community awareness program for solid waste collection and promotion of 3R (Reduce, Reuse and recycle) is necessary;

- For effective implementation of Urban Development Management (UDM) program, four important principles are proposed to be respected namely 1) Good Governance, 2) Stakeholder involvement, 3) Public Private Partnership and 4) sustainable.

- In order to achieve the overall goal and vision of the urban development master plan, 3 to 5 sub-programs are proposed for each of five planning zone reflecting the issues and prospects of each planning zone, which constitute the body the UDM to be implemented based on the proposed Master Plan of Vientiane Capital City.

- For implementation UDM for Vientiane Capital City, there are basically four organizations, namely PTI, DHUP, DPWT and VUDAA, which should share the mandate for various phases of implementation, including 1) policy making, 2) planning and research, 3) implementation and 4) monitoring.

- As the deities and role of each of the four organization related to UDM are fairly well demarcated, the current issue of lack or insufficiency in coordination amongst the concerned organizations has to be rectified in collaborative efforts of the concerned organizations.

- With regard to legal framework, the following tasks should be given immediate focus for improvement;

Law on Urban Plan shall need to be amended in part in line with the results of this study, such as the implementation organization at respective levels of urban planning

Law on Urban Plan shall need to newly add stipulation on the development permission system to secure the zoning of the city planning area, to encourage the formation of favorable and safe urban areas, and to prevent unregulated urbanization.

The development Guideline shall need to be prepared to clarity the responsibility of developers of large scale development in maintaining good living environment and provision of public facilities.

The outstanding Building Standard shall need to be consolidated with relevant articles and necessary revision of parameters such as maximum height, coverage ratio and plat rations shall be done to scope with the proposed urban development master plan.

- There are essentially four main issues identified with regard to the human resources development, namely; 1) shortage of officials, 2) insufficient technical personnel to follow the construction, 3) lack of technical manual/or guideline on urban planning management and 4) imbalance of professional field.

- Capacity Development Plan (CDP) is thus proposed for effective and sustainable implementation and management of UPD, and the targets of CDP are 1) PTI 2) DHUP, 3) DPWT-OPWT, and VUDAA.

- The proposed plan and activities of CDP is composed of 6 step; 1) initial working committee among organizations, 2) working committee for legal framework, 3) recruiting and tanning plan of new graduates and mid carriers in related organizations, 4) training system for OPWT and VUDAA technical officials, 5) new division of new criteria, and 6) working group of human resource development and management in private sector.

- For the commencement of the implementation of the MP and UDM, four priority Project (PP) were proposed, namely; PP1: Urban Development Management, PP-2: Urban Infrastructure Development, PP3: Historic Area Conservation and Revitalization, and PP4: Sub-center Development for immediate action over the next 5 years or more.

- Master Plan is not a fixed plan over a long period of time, and need to be minified regularly in consideration of various internal and external condition of the city and this regular modification and updating shall be the main task of the Laotian side.

- New project such as Trans Laos Railway Project or Nong Ping Urban Development project need to respect the Development Vision and the Structure Plan of Vientiane Capital City, and be harmonized as much as possible with the specific stipulation of the Master Plan. The Master Plan on the other hand will need to be adjusted as necessary in the future to adapt to evolving situation.

- The Laotian side, particularly Vientiane Capital and PTI must lead the sustainable and unyielding implementation of the MP and UDP in collaboration with related organization and agencies and the capacity development is considered to be and aspect for facilitation.

Recommendation for urban transport Master Plan;

Authorizations for Master Plan:

- This Urban Transport Master Plan has been prepared incorporating future development plans and forecasted socio-economic growth of Vientiane Capital City is expected to support sound urban development of Vientiane Capital City and healthy and comfortable lives of the citizen

- The Master plan proposes various projects for achieving the objective of Master Plan. These projects are technically and economically feasible.

- Also, these projects can be financed by the Government ‘own fund and/or foreign assistance which can be amortized in the near future.

- In View of rapidly growing worldwide concern on global warming and soaring of fuel price, the Master Plan increases its significance

- However, because of large-scale investment and necessity for change of social paradigm, The Master Plan needs political commitment if it is to be implemented.

- Therefore, it is strongly recommended that the Master Plan be authorized by being incorporate into the national environment policy and/or development plan of Vientiane Capital City.

- Above others, the target of “shifting 40% of trips using motorcycle and private car to public transport” should be adopted in the national policy on environment and transport.

Urgent Action:

- The current traffic congestion in Vientiane is not severe compared with those in the capital cities of other ASEAN countries.

- Therefore, it is recommended that the Government take agent actions to secure right of way for future widening of the road/streets.

- For securing future right of way in a manner with minimum negative social impact, it is recommended that the government designates the future right of way and regulate building of new house within the designated right of way.

- The current VSBC is considered to possess sufficient capacity/experience for operation of bus service. However, there is no well recognized future business plan.

- It is recommended that a coordination committee for urban transport be established.

- It is recommended that the Government implement the projects for which case study and pre-feasibility study were conducted. If necessary, the Government should seek financial and or technical assistance of multi-lateral and/or bilateral donors.

Annex 1

Question used in deep personal interview

1. What is your assessment on the current status of the (transportation/ tourism / etc.) sector in Vientiane (and in Lao LDP)?
2. What are the most difficulties (barriers/ obstacles) in the (transportation/ tourism / etc.) sector development in Vientiane (and in Lao LDP)?
3. What are the international lessons that can be implemented in the (transportation/ tourism / etc.) sector development in Vientiane (and in Lao LDP)?
4. What are the future development trends of (transportation/ tourism / etc?) in Vientiane (and in Lao LDP)?
5. What are the measures to accelerate the growth of (transportation/tourism/ etc.) in Vientiane (and in Lao LDP)?

Annex 2

List of interviewers

1. Mr. Viengsavath SIPHANDONE, Director General, Department of Transport (DOT), Ministry of Public Works and Transport (MPWT).
2. Dr. Bounta ONNAVONG Director, Division of Planning and Budgeting, DOT, MPWT.
3. Mr. Detsongkham THAMMAVONG Director, Department of Public Works and Transport of Vientiane Capital (DPWT).
4. Mr. Ounneua SILAVONG Deputy Director, DPWT VTC.
5. Mr. Khamphoune TEMERATH Director, Vientiane Capital State Bus Enterprise.
6. Ms. Chitpasong LIDANONG, Director - Vientiane Northern Bus Terminal and Chitpasong Nyotninyom Transportation.
7. Mr. Prachith SAYAVONG, Managing Director, Societe Mixte de Transport (SMT); President of Lao International Freight Forwarders Association (LIFFA).
8. Mr. Khanthavong DALAVONG, Secretary General, Lao National Chamber of Commerce and Industry (LNCCI).
9. Mr. Toshinori TODA, JICA Study Team Leader on Vientiane Urban Transport Master Plan.
10. Mr. Atsushi SAITO, JICA Study Team Leader on the Lao National Logistics Master Plan.
11. Mr Somphone PHASAVATH, Director General Lao Freight Forwarder Co., Ltd. Tel.: (020) 55515332.
12. Mr. Viengphet KIHTTIYASO, Director General, Vientiane Shipping Co., Ltd. Tel : (020) 55511193
13. Mr. keovanpone VONETHIVONGSI, Director General, State Land River Transport Enterprise. Tel.: (020) 22212529.

14. Mr Thongsamouth SILIOUDOM, Director General Lao Airlines Co., Ltd. Tel.: (020) 55816489
15. Mr. Chivone OUDOM, Director General, Thanaleng Express Forwarder Co., Ltd. Tel.: (020) 5556254
16. Mr Khampha THAMMAVONGSA Director General Transport Company No. 1. Tel.: (020) 22235756
17. Mr. Intong Oudom, Director General, Sene Oudom Transport International Co., Ltd. Tel.: (020) 22213272
18. Mr Phouvong KORASACK, Director General, Lao Samay Group Co., Ltd. Tel: (020) 55511342
19. Mr. Boundeht SIPHANDONE, Director General, DHL Lao Co., Ltd. Tel.: (020) 22202464.
20. Mr. Soon Manivong, Director General Department of Developmental Tourism, Ministry of Information, Culture and Tourism. Tel.: (020) 55290101.
21. Mr. Ounthoung Kaophanh, Director General Department of Monitoring Tourism, Ministry of Information, Culture and Tourism. Tel.: (020) 55402426.
22. Khampadith Kemmanith, Deputy Director General Department of Information, Culture and Tourism, Vientiane Capital, Tel.: (021) 242763, (020) 22413459.
23. Mr. Intee Deunsavanh, Director of Green Discovery tourism Company Ltd., Tel.: (020) 55521447.
24. Mr. Bounthong Nanhthavong, Director of Viengchanpa tourism Company Ltd. Tel.: (020) 55511862.
25. Mr. Vanhkham Voravong, Managing Director General Banque Pour Le Commerce Exterieur Lao (BCEL). Tel.: (020) 55503789
26. Mr. Onkeo Damlongboun, Deputy Managing Director General Banque Pour Le Commerce Exterieur Lao (BCEL). Tel.: (020) 22221203.
27. Mr. Boualien Phommavongsa Acting Managing Director General Lao Development Bank (LDB). Tel:. (020) 22340089.

28. Mr. Sengphet Manivong, Deputy Managing Director General, Lao Development Bank (LDB). Tel.: (020) 22220005.
29. Mr. Donsathien Bounmyaphai, Deputy Managing Director General, Agricultural Promotion Bank (APB). Tel.: (020) 22324794.
30. Mr. Khamphouang Phaobouavong, Head of Cabinet Office, Agricultural Promotion Bank (APB). Tel.: (020) 22220210.

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