



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

COUNTRY REPORT
ON THE IMPLEMENTATION OF
THE ALMATY PROGRAMME OF ACTION

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1. Introduction

The Lao People's Democratic Republic (Lao PDR) is categorized as a landlocked and least developed country located in the heart of mainland Southeast Asia. It is surrounded by 5 countries namely China to the North, Viet Nam to the East, Cambodia to the South, Thailand to the West and Myanmar to the Northwest. With the total population of approximately 6.5 million people (2012), the country has the total land area of 236,800 km², about two-third of which is mountainous, especially the areas in northern and eastern parts of the country adjacent with China and Viet Nam. About three quarters of the population live in rural areas and preoccupied with subsistent agriculture, forestry, and fishing. The country is sparsely populated of about 26 persons per square kilometer, which is relatively low compared to Asian Countries. The country is classified as a least developed country with a per capita income of USD 1,349 (2011-2012 from NSEDP annual report, MPI). The poverty headcount ratio is about 22% of the total population in FY 2011-2012. The incidence of poverty is higher in rural areas than in urban areas and mostly among population living in remote and mountainous areas. Because of mountainous terrain, low population density, and long distances between villages, access to education, health centers, markets, and other public services is very limited, if available it is in a very poor state. Many villages are several days walk to reach public services. Most of the remote villages are cut off from the outside world during the rainy season.

As well as being landlocked much of the topography of Lao PDR also inhibits the easy movement of people and goods. The country is largely mountainous, with highlands and mountain plateaus originating in the Xizang (Tibet) and Yunnan regions of southwest China and terminating in the Mekong River Delta north of Ho Chi Minh City. For centuries the Annamite Mountains, which make up the border of Laos and Vietnam, have therefore “not only rendered transport between Laos and Vietnam difficult but also formed an effective natural barrier for the containment of the people living in the Mekong basin.” On the west side of Laos there is Mekong River, which is 4,220 kilometers in length and is listed as one of the 12 great rivers of the world. It forms part of the boundary between Laos and Myanmar as well as much of the border between Laos and Thailand.

Due to the fact that Lao PDR has mountainous topography, innavigable rivers and lack of capital for development, Lao PDR has few reliable transportation routes. Even though the Mekong River flow a total of 1865 kilometers through Laos, it is far from being a stable source of navigation and exchange. From August to September river levels begin rising and they fall rapidly in the dry season sometime in April. There are also series of rapids along Lao part of the Mekong River that make navigation difficult or impossible at any time of the year such as Khemmarat, Kon Phapeng and others rapids. These rapids limit the size and dangerous for craft to navigate a long the Mekong River, as a result Mekong River is unsuitable for international transportation other than cross-river trips between Laos and Thailand and Laos and Myanmar. Moreover, a rudimentary network of roads, begun under French colonial rule and continued from the 1950s, has provided an important means of inter-village communication and movement of local market goods, but the road system is not extensive and is insufficient for large-scale trade.

The main transport system in the country is by road with limited railway link, water transport system can be operated mainly during the rainy season and access to seaports has become a major challenge. Nevertheless, through existing cooperation with its neighboring countries, access to deep sea ports has depended mainly through transit routes via Thailand (Klongteuy and Laemsabang seaports). In addition, sharing a long border with Thailand largely divided by the Mekong River, which has long been as important waterway for river transport. River transport, although makes a small share in the total volume of National Transport, it plays an important part since it links small communities along its tributaries and the Mekong with the economic centers, markets and service centers of the country. Importantly, this river enables the waterway connection with China, Thailand and Myanmar, and domestically from north to south. Moreover, the two neighboring countries Laos and Thailand have strived to develop land linkages through the construction of bridges crossing the Mekong. Taking into account the geographical distance, the nearest access to deep seaport is Danang, Vietnam. Nevertheless, poor road condition connecting the two countries, in-land transport has remained a major challenge and not commercially viable. Access to sea ports in Cambodia and Myanmar has been even more difficult with no road connection. All this has added-up the already high transit transportation costs. Moreover, other impediments are resulted by cumbersome service at border checkpoints and poor harmonized custom system with transit countries, among others, which have made goods produced in Lao PDR uncompetitive in the world market.

2. The national development planning process, assessment of key economic, social and environmental development transit

After the adoption of APoA, the Lao People's Democratic Republic (Lao PDR) has incorporated the APoA into the government policy to improve infrastructure, trade regulations within the country and trade facilities with transit neighbors. The Lao government adopted and introduced a new policy which aims at turning the Lao PDR from a "landlocked" state into a "land-linked" country. This idea rests on the belief that, since the Lao PDR borders five transit countries in which they are separated from one another by Lao PDR, the country can become a inland transit route for countries in the region to use as a trade and communications link among them. In its endeavor for transformation from a landlocked nation into a land-linked country, the Lao Government has developed several programs and policies for infrastructure development as outlined in the following sections

2.1 National policy on Infrastructure development

The development of an efficient transport system is of paramount importance for regional integration and socio-economic development of the Lao PDR. Therefore, the national policy for infrastructure development on the transport is introduced aiming at providing better transport network throughout the country with safety, the most efficient and the cheapest transport cost to support the Government's efforts in achieving the MDGs by 2015 and graduating from the LDC status by 2020. It is including:

- Providing efficient and reliable transport infrastructure and facilities, particularly for transit transport routes;
- Developing a competitive transport industry with multi-modal transport options; and;
- Facilitating the cross-border transport of goods and people between and among neighboring countries.

2.1.1 Implementing national policy for infrastructure development

In order to bring about the most efficient and successful results of the national policy for improving infrastructure, the Lao Government has focused on specific areas such as:

- Recurrent works in transport infrastructure: road maintenance and asset management;
- Capital investment in the transport infrastructure: reconstruct or rehabilitate, or construct new roads – rural, provincial, national and regional roads;
- Capacity development: regulatory framework, capacity building, development of a sustainable transport infrastructure management system, development of a national transport safety strategy;
- Private sector development:(encouraging the participation of the private sector in transport services and transport related activities, local consulting services and local construction; maintenance industries have to be supported and promoted;
- Transit facilitation: integration of the national economy into the region, access to seaports and world markets, transit in road, rail and air).

2.1.2 Policy on road network

The importance of the road network has been recognized by the Lao Government as the spearhead of national social economic development. Ultimately, the main objective for the transport infrastructure development is to ensure that an efficient transport system creates favorable conditions for sustainable growth and poverty reduction as well as regional integration with the purpose to:

- provide access for the people to public services such as schools, health centers, and domestic and global markets for their products;
- integrate the national economy with the region and creates a conducive environment for trade, investment and tourism;
- provide national security and unity, bonding our people close together;
- facilitate connectivity in terms of all modes and multimodal transport, including and not limited to, the transit traffic of goods and people, and it provides access to seaports for imports and exports.

2.2 Progress on infrastructure development

2.2.1 Status of the Lao transport infrastructure

The transport infrastructure in the Lao PDR consists of roads, railways, rivers and air. Road transport is the dominant mode of transportation. It is believed that in the foreseeable future, road transport will still continue to dominate both freight and

passenger traffic. Major transport routes follow the north-south pattern in accordance with the distribution of the population, and with major East-West links to neighboring countries such as Vietnam, Thailand and Myanmar. Road transport carries 90% of passenger traffic (passenger-kilometer) and 61% of freight traffic (ton- kilometer). The Mekong River and its tributaries carry the remaining share of freight (39%) along with 8% share of passenger traffic (representing a doubling in share since 1990). Although the volume of airfreight is negligible (0.22%), domestic passenger air transport has reached 2% of the demand and plays a crucial role in linking urban areas and otherwise inaccessible parts of the country. A 3.5 km rail link, extending from Nongkai, Thailand to Thanaleng, Vientiane Capital, was opened to traffic in March 2009. Even though it is a very small rail link, it connects with the Thai Railway Network, enabling Lao rail transportation to deep-water seaports in Thailand and beyond.

2.2.2 Road transport

Road transport in the Lao PDR carries 90% of passenger traffic (passenger-km) and 70% of freight traffic (ton-kilometer), the remainder is shared by waterways and civil aviation. The 37,321 km road network has a very low road density, at about 156 meters per square kilometer, and with only 15% paved. Road traffic on the entire road network is light due to the low economic activities and brings about low transport volume. The general demands on the transport infrastructure are low since traffic levels on the national network (except near Vientiane and Savannakhet) are below 1,000 average annual daily traffic and below 500 average annual daily traffic on most other networks. However, demand has been increasing over the years at an annual rate of 5%–8% for goods and 8%–10% for passengers, indicating a rise in line with economic growth.

In the past decade, the government placed high priority, the largest share of its public investment, towards the development of Lao PDR's road network. As a result, more than 3,000 km of roads have been rehabilitated or substantially improved. The road network has increased by 78% over the last decade from 20,000 km in 1997 to 35,558 km in 2009

The road network, with an approximate total length of 37,321 km, is currently comprised of the following:

- National roads: 7,153 km
- Provincial roads: 7,214 km
- Urban roads: 1,855 km
- District roads: 4,985 km
- Rural roads: 15,411 km
- Special roads: 703 km

• Road Transport Industry

The transport industry in the Lao PDR is lagging behind its neighbors. This represents a real risk to the domestic road haulage industry once the GMS-Cross-Border Transport Agreement (CBTA) is implemented. The CBTA deregulates the transport

sector and liberalizes movement of vehicles, particularly along the Economic Corridors. Consequently, the Lao transport sector will be exposed to fierce competition from better-organized and more efficient operators in neighboring countries. For this reason, there is an urgent need to upgrade and modernize the fleet of vehicles and adopt advanced technology. In addition, there is a need to improve the managerial and entrepreneurship skills of local transport operators e.g. through joint-ventures.

With the exception of urban public passenger transport, the commercial passenger and freight transport industries are in private hands. Associations of freight and passengers operators at the national and provincial level have been formed to provide a channel for dialogue between the Government and industry. In addition, the Lao International Freight Forwarders Association (LIFFA) has been set up and operated in collaboration with TIFFA of Thailand and VIFFA of Vietnam with regard to land transport cooperation. LIFFA and VIFFA are also members to the GMS Freight Transport Association (GMS-FRETA) that represent the views of the freight transport industry on the sub-regional level.

- **Road Maintenance and Rehabilitation**

To address the low level and uncertainty in maintenance funding, the Lao government established the Road Maintenance Fund and Road Fund Advisory Board in April 2001. The Road Maintenance Fund was established with a Ministerial Decree on Communication, Transport, Post and Construction stipulating the activities of the road fund. It aims at creating an enhanced and sustained source for financing the maintenance of existing National Road network including routine maintenance, emergency and periodic maintenance works, administration-renewal works, road safety projects, and other administrative costs. Its revenues are mainly derived from a fuel levy, bridge tolls, heavy vehicle surcharges, overweight fines, and international transit fees. To effectively implement road maintenance and rehabilitation, the Ministry has assigned road maintenance and rehabilitation work to local contractors for certain prioritized roads on a three year rolling basis.

2.2.3 Rail transport

During the past years, poor infrastructure and the absence of necessary transport system with neighboring countries serve as a critical problem for regional integration as well as socio-economic development of the country. Thus, railway was recognized as an effective transport system that will enhance regional economic integration and the country will benefit from greater and easier access to regional market.

- **Laos-Thailand railway**

The first railway line Nongkhai-Thanalaeng has been completely constructed and connected to the Lao-Thai Friendship Bridge in March 2009. The construction of railway (3.5 km) from the middle of the bridge to Thanaleng was already agreed upon by the Lao and Thai governments to be funded by the Thai government with a total amount of US\$4.9 million (197 million Baht). The funding of the 3.5 km railway has two portions, namely, 30 percent grant (US\$1.5 million) and 70 percent soft loan (US\$3.4 million) (Dr.

Onnavong Bounta, 2006). The project will be further developed from Thanaleng to Sökkham consisting of about 9 kilometers and supposed to be funded by France Development Agency (EU150,000). This small tract of railway is a portion of the Singapore Kunming Rail Link (SKRL) from the Vietnam Railway network which passes through Vientiane Capital and connects with the Thai railway network at Nongkhai. Even though it is short in length, it is a big step for Lao railway transport since Lao goods are able to reach the deep-water seaports of Bangkok and Laem Chabang in Thailand. In addition, Lao railway transport will be able to reach Malaysia and Singapore. Very recently, Thailand has generously provided additional funding through NEDA for the improvement of railway transportation activities at Thanalaeng, among others, the improvement of railway signaling, construction of a container yard and stacking area for goods, extension of the railway line and road to connect the container yard and stacking area.

- **Laos-Vietnam railway**

An agreement for the construction of the new twin-track electrified line was signed on November 5th, 2012 with the Malaysian company called Giant Consolidated Limited. The company invests approximately 5 billion USD into the project over the period of 10 years and the construction is scheduled to start in 2013 and expected for completion in June 2017. **Savannakhet province** is located on the East-West Corridor linking Thailand, Laos and Vietnam via the second Lao-Thai Friendship Bridge across the Mekong. This 220-kilometre-long double track line will not just connect Savanakhet with Lao Bao on Vietnamese boarder but also realize the ASEAN Connectivity by 2015 and contributing to the country's economic development. According to the terms of the agreement, the company will hold 90 per cent stake while the remaining 10 per cent will be held by the Laos government and when the concession expires, the line will be transferred to the Laos government.

- **The Laos-China Railway Cooperation Project**

The project connects Boten (Lao-China Border) with Vientiane Capital over a total length of 419 km. It will be implemented soon after the detailed design is completed. This 7 billion USD loan from the Exim bank of China Project will form a new branch of the proposed Southeast Asia network through which Laos aims to link up with its neighbors and China. The rail route requires the construction of 76 tunnels and 154 bridges, including the two Friendship Bridge over the Mekong River. The tunnels and bridge covers more than 60% of the total area of the project since the most terrain of northern Laos is filled with high mountains.

The project will consist of 31 stations, however, only 20 stations will be operated during the first phase and the rest will gradually open up. There will be seven main stations which two of them will be located in Vientiane. The planned line will link the Lao capital Vientiane to the country's Luang Namtha province along the border with China, with the network linked further to Yunnan's capital of Kunming.

- **Railway bridge adjacent to the First Friendship Bridge**

The Governments of Lao PDR and Thailand have agreed to build a railway bridge across the Mekong adjacent to the First Friendship Bridge. The Lao side has requested assistance from Thailand to undertake the feasibility study and detailed design.

Nevertheless, under the ASEAN initiative in 1995 that was aimed to develop a regional railway linkage between the ASEAN and Kunming of China, the so-called “**Singapore-Kunming Rail Link**” (SKRL) was introduced. According to the SKRL feasibility study team, several rail routes have been introduced as potential areas for the railway development in Lao PDR. These SKRL routes, as seen in Map 1, are as follows:

- **Route 1:** Bangkok-Aranyaprathet-Poipet-Sisophon-Phnom Penh-Loc Niinh-Ho Chi Minh City-Hanoi-Lao Cai-Hekou-Kunming with a spur line to the port town Vung Anh from Tan Ap and another one to Vientiane via Mu Dia and Thakhek or from Dong Ha to Savannakhet via Lao Bao.
- **Route 2A:** Bangkok-Nam Tok-Three Pagoda-Pass-Thanbyuzayat-Yangon-Lashio-Muse-Rueli-Dali-Kunming
- **Route 3A:** Bangkok-Nong Khai-Vientiane-Thakhek-Mu Dia-Tan Ap-(Vung Anh)-Hanoi-Lao Cai-Hekou-Kunming
- **Route 3B:** Bangkok-Nong Kai-Vientiane-Boten-Xiangyun-Kunming
- **Route 3C:** Bangkok-Ubon Ratchathani-Chong Mek-Pakse-Savannakhet-Lao Bao-Dong Ha-Lao Cai-Hekou-Kunming
- **Route 3D:** Bangkok-Bua Yai-Mukdahan-Savannakhet-Lao Bao-Dong Ha-Hanoi-Lao Cai-Hekou-Kunming

2.2.4 Inland water ways River transport

Traditionally, the Mekong River had been the main means of transportation of the Lao People living along the Mekong River valley. It connects South China with Cambodia passing through Lao territory for a total length of about 1,850 km. The river also marks the border line with Thailand and Myanmar and provides access of communities along the river from Yunnan Province of China, Thailand, and Myanmar, and domestically from Bokeo Province in the North and Champassak in the South. River transport constitutes 6.2% of total freight ton-km and 2.1% of total passenger-km. The Mekong River is restricted for commercial use as an international transit route from China through Lao PDR to Cambodia and Vietnam to the South China Sea because of the dangerous rapids near the Chinese border, between Savannakhet and Pakse (Khemmarath rapids), and between the borders of Lao PDR and Cambodia (Khone Falls). The most economical navigable section is between Vientiane and Savannakhet, a distance of about 400 km. The four countries China, Myanmar, Thailand and Lao PDR are parties to the Quadrilateral Commercial Navigation Agreement along the Upper Mekong and Lancang rivers. With assistance from China, channel improvement had been carried out, with careful attention to the environment, for safe navigation. River traffic along that section is increasing, mostly from China to Thailand.

- **Upper Lancang-Mekong River**

Water transport on the Upper Lancang-Mekong River is increasing progressively. To facilitate the movement of goods and people along this portion of the river, there is a need to upgrade two important river ports namely Xieng Kok port in Luangnamtha Province and Ban Mom port in Bokeo Province. These two ports do not yet meet the minimum standards for CIQ checking. Funding for the improvement of these river ports is being requested from China.

2.2.5 Air transport

At the present, Lao Airlines is a national carrier operating both domestically and internationally. In parallel, a Lao private airline company, Lao Central Air and a few airline companies from neighboring countries provides air transport services for international 173 routes to and from Lao PDR, including Thai Airways International which provides two flights a day to and from Bangkok and Vientiane, and Chiang Mai and Louang Prabang. Viet Nam Airline offers flight services to and from Hanoi – Vientiane – Phnom Penh – Ho Chi Min while China (Yunnan) Airlines has flights to and from Vientiane – Kunming – Vientiane.

Domestic services are operated exclusively by Lao Airlines and recently also by Lao Air although there is a privately owned and operated chartered helicopter service used mainly for aerial work and passenger transport to remote areas. There are few domestic flights mainly between Vientiane and some provinces in the Northern region, including Loungprabang, Xayabury, Xamneu, Phongsaly, Loungnamtha and Xiengkhouang. There is only one round-trip flight daily to and from Vientiane and Pakse after the flight to and from Savannakhet had been cancelled due to the improvement of National Road 13 South. In sum, there are about ten recognized minor airports located in the provincial capitals and thirty-nine other airports with unpaved runways. However, only Vientiane International Airport and Loung Prabang Airport handle international traffic and provide basic customs, immigration and quarantine services. Pakse Airport is being planned to become a regional airport in the near future as it currently services the Vientiane – Pakse – Siam Reap (Cambodia) route daily and is expected to provide similar services later on. For the Savannakhet Airport, meanwhile, whose operation has been closed for some time now, it is expected that it will resume business soon in cooperation with Thailand.

After the adoption of AoPA, the government undertook significant reforms in air transport sector, including privatization in airport and airlines operation, the Lao Airline business has gradually improved with significant benefits seen over the recent years.

2.3 Regional Cooperation on Infrastructure

2.3.1 Asian Highway

2.3.1.1 Highway 3 (North-South Corridor) Issues

The North-South Corridor Project has been part of the Asian Development Bank's (ADB) agenda since 1993 and aimed to improved the connected economies of China, Myanmar, Laos, Vietnam, Thailand and Cambodia. The portion of the North-South Corridor known as Highway 3, which runs through northwestern Laos and

connects China and Thailand, was expected to cost US\$95.8 million and was being financed with a loan from the ADB, along with funds from the Chinese, Thai and Lao governments.

The completed sections of the road have gone from being little more than dirt roads a few years ago to two-lane routes with concrete shoulders, drainage and concrete bridges. The journey from the Lao border town of Huai Xai to the southwestern Chinese border village of Boten situated in southwestern Yunnan province took as long as two days on the old mostly dirt road depending on weather conditions. The new roadway shortened that trip to five to six hours.

The route was expected to be completed in 2007, but damage to the road from floods during the 2006 rainy season pushed the completion date into 2008. While the road was now made passable all year.

2.3.1.2 Highway 3 (North-South Corridor) missing link

The forth Lao-Thai friendship bridge between Chiang Khong and Houei-Sai will form the remaining crucial link of the Asian Highway 3, connecting Bangkok to Kunming, a project highly anticipated in the Greater Mekong Subregion's (GMS) development. Unlike the previous bridges between Thailand and Laos, this bridge not only serves two towns but incorporates three countries, with China coming into the picture by funding half the cost of the bridge. The bridge is expected to be completed between late 2012 to mid-2013. The bridge is part of the Greater Mekong Sub-Region North-South Economic Corridor, and will link Chiang Rai province with Kunming in China via Road R3 in Laos.

2.3.2 Transport infrastructure development under East-west economic corridor

Spot improvement and upgrading of Road No. 9 is on-going as the road was seriously damaged by heavy storms and typhoons. Japan (through JICA) kindly provided assistance with funding for the improvement and upgrade of the road. To facilitate and enhance transportation along this corridor a roadside station has been established at Muong Phine. Another road-side station will be built at Seno, at the junction of NR9 and NR13S. Funds to build the roadside stations were obtained from the ASEAN-Japan Fund.

2.3.3 Transport infrastructure development under North-South Economic Corridor

- **Road R3-A.** The completion of the R3 and its opening to traffic in 2008 was an important showcase for cooperation among GMS member countries. The road connects Thailand, Lao PDR and Southern China and the cost of the road was shared among the three countries with Thailand contributing to 85 km, Laos 74 km, and China 69 km.
- **The Third International Mekong Bridge** Khammouane(Lao PDR) - Nakhon Phanom(Thailand) was completed and inaugurated on 11 November 2011, Currently, working hours from 6 am to 6 pm everyday. Both sides have considered to extend the opening hours from 6:00 am to 10:00 pm.

- **The Fourth International Mekong Bridge.** The Mekong Bridge between Houei-Sai (Lao side) and Chiang Khong (Thai side) still remains the missing link of the NSEC for at least another year. To date, the overall progress of the bridge project is at about 70% and completion is anticipated for June 2013.

2.3.4 Other transport infrastructure development under GMS

- **National Road 18**

NR 18A, section from Attapeu to Vietnam, assisted by a special soft loan from Vietnam was completed in mid-2006. This road provides access for the Lao Southern Provinces such as Champassak, Saravane, Sekong, and Attapeu to the seaports of Vietnam and supports economic activities in the Development Triangle (Lao PDR, Cambodia, and Vietnam).

NR 18B, from Phiafay at the junction of NR 13S of Champassak to Attapeu, is now under construction. The civil works are scheduled to be completed in three years.

- **National Road 2**

The section of NR2 from Muong Ngeun to Pakbeng was completed, funded by NEDA, with an amount of approximately USD 20 million. The Mekong Bridge at Pakbeng is currently under construction with soft-loan funding from the Chinese Exim-Bank. The section from Pakbeng to Muong Khoa, has been rehabilitated using the World Bank Fund. The section from Muong Khoa to Taichang is now completed. The hand-over ceremony is planned to be held before 23 February 2013.

Note: In summary, once the whole stretch of NR 2 is completed, it will facilitate land transportation between the Northern part of Thailand to the Northern part of Vietnam, in particular between Dien Bien Phou and Hanoi, as well as linking with Myanmar via Luang Namtha to Xiengkok to Kaeng Lap and Meitila inside the Republic of the Union of Myanmar, which will open up tremendous opportunities for the countries concerned and expanded potential for yet further regional integration.

- **Mekong Bridge between Xiengkok (Lao PDR) and KaingLap (Myanmar)**

The Lao and the Union of Myanmar Governments have agreed to construct a bridge across the Mekong River between Xiengkok (Lao side) and KaingLap (Myanmar side). Funding will be secured from the national budget of both countries in a 50-50 configuration. After completion the bridge will be jointly operated and managed.

- **Mekong Bridge between Paksan (Lao PDR) and Bung Kane (Thailand)**

The governments of the Kingdom of Thailand and Lao PDR have agreed to construct a Mekong Bridge between Bolikhamxay Province at Paksan and Changwat Bung Kane at Amphoe Muong Changwat Bung Kane. The Lao side has requested the Thai side for assistance to undertake the feasibility study and detailed design.

3. Fundamental transit policy

In order to effectively and efficiently control and regulate both the domestic and international road transport operations and road traffic, the Lao Government has enacted

the Transport Law, Road Law and Traffic Law, Post and Telecom Law, and Civil Aviation Law. In addition, many decrees, rules, and regulations have been issued for the sector's efficient management and control. To date, Lao PDR has concluded, except with Myanmar, bilateral transport agreements with all of its neighbors:

- Agreement on Road Transport with China, signed in 1994.
- Agreement on Cargo and Passenger Transport on Lanxang-Mekong River with China, signed in 1994.
- Agreement on Road Transport with Vietnam, signed in 1996
- Agreement on Road Transport with Thailand, signed in 1999.
- Agreement on Road Transport with Cambodia, signed in 1999.
- Agreement on Facilitation of Cross Border Transport of Goods and People with Thailand and Vietnam, signed in 1999.

3.1 Greater Mekong Sub-region Cross-Border Transport Agreement (GMS-CBTA)

With support and assistance from ADB, Lao PDR is party to the Cross-Border Transport Agreement among the Governments of the GMS Countries. The CBTA, signed in 1999, consists of 3 Protocols and 17 Annexes which cover all aspects of cross-border movement of goods, vehicles and people, all of which have been ratified by Lao PDR. The GMS-CBTA makes reference and is in conformity with key international conventions such as the Conventions on Road Traffic, Road Signs and Signals, the TIR, the Temporary Importation of Commercial Road Vehicles, Containers and the Harmonization of Frontier Control of Goods.

3.2 Multilateral Water Transport Agreements

The Quadrilateral Agreement (China, Laos, Myanmar, Thailand) on Commercial Navigation on Lanxang-Mekong rivers was signed on 20 April 2000. This agreement supports and provides facilitation for the water transportation along the Upper Mekong River and the Lanxang River in the Southern part of the Yunnan Province of China

3.3 ASEAN Framework Agreements on Transport

Laos is a party to the following ASEAN Transport Agreements

- ASEAN Framework Agreement on Transit Transport and its Protocols
- ASEAN Framework Agreement on Inter-State Transport
- ASEAN Framework Agreement on Multi-Modal Transport
- ASEAN Agreement on Recognition of Inspection Certificate of Commercial Vehicles issued by ASEAN member countries.
- ASEAN Agreement on the Recognition of the Domestic Driving License
- ASEAN Framework Agreement on the Facilitation of Goods in Transit
- Ministerial Understanding on the Development of the ASEAN Highway Networks Project.
- ASEAN Multilateral Agreement on Air Services and its Protocols
- ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services and its Protocols

3.4 Multilateral Agreements on Air Service

Lao PDR has concluded Air Service Agreements (ASA) with all its neighbouring countries. Under the CLMV scheme, Lao PDR has opened its sky for Air Transport. In

addition, Lao PDR is considering liberalizing air transport for all ASEAN Member countries.

3.5 Harmonization and promulgation of New Laws

In order to support the implementation of the above mentioned GMS-CBTA and ASEAN Framework Agreements as well as the arrangement for AEC in 2015, Lao PDR had recently completed the improvement of the Road Transport Law, Road Traffic Law, and the Law on Multimodal Transport, which had been approved by Parliament at the end of last year. This recent legal improvement has shown Lao PDR's strong commitment toward its long-term connectivity with its neighbours and beyond.

4. INFRASTRUCTURE DEVELOPMENT AND MAINTENANCE

As being the central of the Greater Mekong Sub-region (GMS) and being as member of ASEAN, Lao government has gradually transformed the country from Landlocked to Land linked by heavily concentrating on the following priority tasks in order to provide overall services, to encourage and promote international trade, and to attract the foreign investment and tourism:

4.1 Road Transport Network:

The Ministry of Public Works and Transport which is one of government agencies responsible for road, rail, air and river transport planning has heavily invested in the improvement of its Transport Infrastructure and Transport Services. Each year, the government spends more than 40% of its national budget to upgrade and maintain the road networks mostly concentrating on the reconstruction and rehabilitation of the international links as well as the designated routes for ASEAN and GMS

The transport system in Lao PDR depends heavily on the road network. There are currently a total of 39,645 km in the public road network:

- National roads: 7,233 km
- Provincial roads: 7,923 km
- Urban roads: 1,915 km
- District roads: 5,130 km
- Rural roads: 16,439 km
- Special roads: 904 km

The Lao PDR major national roads are: Routes No. 2, 3, 7, 8, 9, 12, 13 (North & south) and 18B. Route 13 serves as the spine of the national road system linking the very north of the country (Chinese-Lao border) to the very south (Lao-Cambodian border).

4.1.1. International linkages

There are 8 routes that Lao PDR has selected as ASEAN Highway (AH) Routes for regional integration and cooperation, as follows:

- Route AH-3 (NR3): Houeixay (Lao-Thai border) to Boten (Lao-Chinese border) with total length of 251 km;
- Route AH-12 (NR13North): Natrey (J.R. AH-3-Oudomxay-Luang Prabang-Vientiane- Thanaleng (Lao-Thai border) with total length of 682 km;
- Route AH-13 (NR2): Muang Ngeun-Oudomxay-Taichang (Lao-Vietnamese border) with total length of 391 km;
- Route AH-11(NR13South): Vientiane (J.R. AH-4)-Ban Lao-Thakhek-Savannakhet-Pakse- Veunkham (Lao-Cambodian border) with total length of 861 km;
- Route AH-15(NR8): Ban Lao to Nam Phao (Lao-Vietnam border) with total length of 236 km;
- Route AH-131(NR12): Thakhek (Lao-Thailand border) to Mugia (Lao-Vietnamese border) with total length of 149 km;
- Route AH-132(NR18B): Vang Tao(Lao-Thailand border) to Ban Het (Lao-Vietnamese border) with total length of 309 km;
- Route AH-120(NR9): Savannakhet (Lao-Thailand border) to Densavanh (Lao-Vietnamese border) with total length of 240 km.

Of which five routes such as AH-3, AH-15, AH-120, AH-12 and AH-11 has also been designated as Asian Highway route and ASEAN Highway routes under the Intergovernmental Agreement on the Asian Highways and under Protocol 1 of ASEAN Framework Agreement on the Facilitation of Goods in Transit respectively.

4.1.2. The new upgrading and Development of Road Linking with Neighboring Countries for period 2011-2015 are as followings:

- To improve and upgrade the road No. 4 from Xieng Ngeun-Thadeua-Xayabouly-PaklayKenthao border crossing point including the construction of Thadeua-Pakkhone Mekong bridge to be completed by 2012 as projected;
- To improve upgrading the road No. 13N from Nateuy to Oudom Xay to be completed by 2012 as planned;
- To encourage starting survey for detailed design upgrading the road No. 13N section from Oudomxay-Pakmong to be completed by 2015;
- To encourage starting the construction of Mekong River bridge at Houei Sai to be completed by 2012;
- To improve and upgrade road No. 2E from Muong Khoa-Taychang with the length of 69 kms to be completed by 2012 as planned;
- To commence the construction of the road No. 6A from Hang Long-Sop Bau-Ban Dan with the length of 122 kms expected to be complete by 2014;
- To start construction of road No. 6B from Sop Bau-Pahang with the length of 24 kms expected to complete by 2014;
- To continue coordinating with Japan relating funds for the construction of road No. 16 from Xekong-Dak Chung with total length of 95 kms and encourage to construct Road No. 16 section from Dak Chung-Viet Nam border with the length of 21 kms;

- To coordinate with Thailand on the construction of the Fourth Mekong River bridge between Thakhek-Nakhone Phnomb expected to be completed by 2012;
- To complete and open the use of road No. 2W from Muoang Ngeun-Pakbeng with the length of 53 kms;
- To continue coordinating with Japan for funding provision to support the Triangle Development area for construction of the road No. 1J from Attapeu-Cambodian border; and
- To continue mobilization of the funds for construction of road No. 15B from Saravan to Vietnam border with the distance of 147 kms.

4.2 Railway

- The construction of the rail link project between Vientiane-Nongkai of 3.5 km to connect the Thai Railway Network had been completed and opened for traffic since March 2009.
- The feasibility study of railway project from Thanaleng station to Vientiane station and the detailed design made by TEAM Engineering Consultant Co. were completed since Jun 2010 and the construction will be commencing as soon as the financial support has been approved by Thai Government.
- Ministry of Public Works and Transport of Lao PDR has signed MOU with Ministry of Railway of China in Beijing on April 2010 for the railway development in Lao PDR with focusing on railway line from Lao-China border to Vientiane Capital and extend from Vientiane Capital-Thakhaek-Muya to connect to Vietnam Railway Network which was completed its feasibility study and awaiting funds for the detailed design and construction. Now, Ministry of Public Works and Transport is in process of negotiating draft Concession 6 Agreement and Joint Venture Agreement. with Ministry of Railway of China. The survey for the construction has been carrying out. It is expected that the construction will be commenced upon completion of signing the above mentioned Agreements and be completed in 2015 as projected.

4.3. Road Maintenance and Rehabilitation

A Road Maintenance Fund has been established by a Prime Ministerial Decree on 15 January 2001. While on 7 January 2002, a Ministerial Decree of Communication, Transport, Post and Construction stipulated the Activities of the Road Fund.

The Road Maintenance Fund is used for maintaining the road networks and its revenues derive from the following sources: fuel fee, service charges on weighing trucks and passing roads and bridges, fines on excessive loading, transit transport vehicles' fee, annual fee for tractors and other fines, and of course, the funds from public-private participation and foreign donors including international financial institutions. To effectively implement the road maintenance and rehabilitation, the Ministry has assigned to the entrepreneurs the maintenance and rehabilitation works at certain routes in two or three years terms basis.

5. International trade and trade facilitation

5.1 Overview of latest developments in international trade

Lao PDR's economy has been growing rapidly in the past decade, largely driven by huge investment in natural resource sectors, namely hydroelectric power and minerals as well as by increasing regional economic integration. Real GDP grew at an average of 7.1 percent during 2001-2010 and is expected to increase to 7.5 - 8 percent during 2011-2015. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from the Least Developed Country (LDC) status by 2020.

Lao PDR depends on its immediate neighbors for regional and international integration as an engine for future growth. Exports have been growing rapidly in recent years and surpassed USD 2 billion in 2010 following growth of more than 30 percent over the previous year. They are projected to continue growing strongly driven largely by electric power and copper exports. Imports, mostly capital and consumer goods, have also been growing but at a relatively slower pace of about 11 percent in 2010. Lao PDR continues to integrate more closely into the rapidly growing regional economy through implementation of commitments within the Association of Southeast Asian Nations (ASEAN), the maintenance of relatively low tariffs, and through improved physical infrastructure and connectivity with neighbors. This has resulted in strong growth in cross-border flows of goods, services and investment.

There is a growing evidence that export competitiveness in the non-natural resource sectors is being eroded as the natural resources boom gets underway. Lao export flows in non-natural resource based sectors tend to be short-lived and rarely in sub-sectors offering scope for significant value addition. Similarly, exporting firms demonstrate substantially lower productivity compared to firms serving the domestic market. A not insignificant share of non-natural resource based exports is dependent on trade preferences associated with Lao PDR's least developed country status.

5.2 Trade policy and strategy

Trade policy in Lao PDR is largely shaped by its bilateral and regional trade agreements, especially AFTA, its commitments towards the ASEAN Economic Community in 2015 and its efforts to accede to the WTO. The country's trade regime is relatively open and since 2000s the country's most-favored nation (MFN) applied simple average tariff has not changed much, and remains at 9.7 percent, slightly higher than the East Asia Pacific regional average (9.3 percent).

Lao PDR has made tremendous efforts to reform key legislations, bringing Lao PDR in line with international and WTO requirements. These legislations include the new Customs Law, a new Intellectual Property Law, new regulations on the Import and Export of Goods, the establishment of sanitary, phytosanitary (SPS) and TBT Enquiry Points and a number of key implementing regulations relating to sanitary, phytosanitary and technical standards. Since 2 February 2013, Lao PDR has officially become the 158th member of WTO.

WTO accession of Lao PDR presents a great opportunity to enhance regional integration as well as further strengthen and improve trade policy institutions and coordination although WTO membership requires Lao PDR to comply with WTO rules

and commitments. The accession represents an anchor for policymakers to resist protectionist pressures from domestic vested interests and thereby stimulating internal reform and benefiting the overall economy. Impact on accessing new markets, on the other hand, is expected to be moderate as Lao PDR enjoyed prior MFN status to major markets (except the US) and benefits from the GSP.

5.3 Import and Export Volume

Although the economy is growing fast, it is becoming less diverse. Mining and electric power exports accounted for some 56 per cent of total exports in 2008, a share which is expected to rise to 67 per cent in 2015 and 77 per cent in 2020. Mining and hydropower now account for more than 80 per cent of total incoming foreign direct investment (FDI), which in turn affects the composition of export growth. The trade in goods is concentrated not only by product but by destination, with Thailand accounting for around half of exports from 2005- 10, followed by Vietnam, Australia and China. Thailand is the source of three quarters of imports, followed by China, Vietnam and Japan. Services, however, now comprise over a quarter of GDP. As a result of rapid expansion in tourism, services exports have grown about twice as fast as goods exports since 1990.

Table 1. Balance of Trade (2007-2012)

Year/Items	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Exports FOB	1,307,4	1,124.4	2,025.16	2,027.14	1,696.44
Imports CIF	1,364.8	1,065.8	1,881.39	2,360.60	2,549.43
Trade Balance	-57.4	58.6	143.77	-333.46	-852.99

Source: Ministry of Industry and Commerce

5.4 Bilateral Trade

Lao PDR has signed bilateral trade agreements with 15 countries: Argentina, Belarus, Cambodia, China, India, DPR Korea, Kuwait, Malaysia, Mongolia, Myanmar, the Russian Federation, Thailand, Turkey, Vietnam and the United States. In addition, Lao PDR has signed economic cooperation agreements with the European Union (EU), Indonesia and the Philippines. Three draft Trade and Economic agreements and one Agreement on Economic and Technical Cooperation are under consideration including with Lebanon, Pakistan, Ukraine and the Seychelles. The most important bilateral agreements with respect to current trade are those with Lao PDR's neighbours – Vietnam,

China and Thailand. These are important, particularly with regard to agreements on commodity and border trade.

Table 2. Trade Partners on Export

EXPORT		2009-2010	2010-2011	2011-2012
		US\$ m	US\$ m	US\$ m
ASEAN		1,096.25	1,096.25	1,116.74
Brunei			0.005	0.02
Cambodia		3.25	3.25	080
Indonesia		0.16	0.16	1.46
Malaysia		1.77	1.78	2.19
Myanmar		2.08	2.08	0.59
Philippines		0.30	0.31	0.01
Singapore		1.73	1.73	0.02
Thailand		933.62	933.62	936.76
Vietnam		153.32	153.32	174.90
EUROPE		250.47	250.47	130.44
AMERICA		55.17	55.17	5.59
ASIA & OCEANIA		622.52	622.52	443.29
Other countries		0.75	2.73	0.38
GRAND TOTAL		2,025.16	2,027.14	1,696.44

Source: Ministry of Industry and Commerce

Table 3. Trade Partners on Import

IMPORT	2009-2010	2010-2011	2011-2012
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	US\$ m	US\$ m	US\$ m
ASEAN	1,494.11	1,702.79	1,643.65
Brunei	0.001	0.20	0.03
Cambodia	0.043	0.001	1.22
Indonesia	27.04	2.20	2.52
Malaysia	2.447	6.37	4.99
Myanmar	0.035	0.01	-
Philippines	0.248	1.36	0.19
Singapore	29.908	13.79	14.02
Thailand	1,326.42	1,496.39	1,308.97
Vietnam	107.69	182.47	311.72
EUROPE	69.92	173.19	247.25
AMERICA	6.34	9.64	25.36
ASIA & OCEANIA	271.31	473.89	629.74
Other countries	39.71	1.10	3.43
GRAND TOTAL	1,881.39	2,360.60	2,549.43

Source: Ministry of Industry and Commerce

In order to monitor and facilitate trade and economic cooperation, Lao PDR has set up a Joint Commission with key trading partners. Currently, there are 16 joint commissions, five of which are active. With some trading partners, a subcommittee at the ministerial and provincial level has been set up. In addition, Lao PDR and its neighbours, Thailand, Vietnam and China, have been promoting border trade at the local level. Lao PDR and Vietnam hold regular annual meetings to discuss issues related to border trade, and Lao PDR and Thailand are actively promoting cross-border contract farming and are currently developing the necessary legal framework. China has unilaterally liberalized its market for Lao products and is actively promoting border trade under the Chinese New Economic Development Agenda on “vitalizing border areas, building a well-off society, benefiting the nation and bringing stability to the country.” Currently, there are two forms of border trade: Goods exchanged by border residents: refers to trade involving goods that are below the government-designated market’s amount or quantity for residents

residing within 20 kilometres of the boundary line. Border trade in small amounts: refers to trade activity between enterprises or trading organizations along the borders of neighbouring countries. For instance, Chinese enterprises that are granted operational rights to trade in small amounts in the administrative areas of open border counties or towns along the boundary line.

Various bilateral discussions to further enhance cross-border trade and transport are already concluded or are still ongoing, i.e.

- 1) Lao PDR has just signed an MOU with Thailand and Vietnam on Joint Cooperation for Maximizing the Utilization of the Friendship Bridge II (Savannakhet-Mukdahan) and the Transport Infrastructure along the East-West Economic Corridors (EWEC)
- 2) Lao PDR has no Bilateral Customs Cooperation Agreements with its neighboring countries. However, the Customs Departments of Lao PDR and Vietnam meet and exchange views with each other each year.
- 3) Lao PDR concluded bilateral Trade Agreements with Cambodia (1998), China (1997), Myanmar (1995), Thailand (1991) and Vietnam (1998).

5.5 Aid for Trade

Since 2006, the Lao Government has enhanced the ownership and effectiveness of trade program. To date, the Lao Government, particularly Ministry of Industry and Commerce, has been in charge of the diagnostic and programmatic planning requirements within the Enhanced Integrated Framework (EIF), and is proceeding with a nationally-led Diagnostic Trade Integration Study. The approach taken has been gradual, with a focus on the involvement of all key partners to build a common country ownership, including Government, the private sector and Development Partners.

Development partners have also worked closely with Government in increasing harmonization and simplification in various projects, allowing more time to be spent on implementation. In particular, the implementation of the last DTIS has been greatly facilitated by the establishment of a Multi-Donor Trust Fund, the Trade Development Facility (or TDF) which completely harmonizes various Donor interventions from the perspective of the Government. Through the investment of these projects in the capacity of the National Implementation Unit (NIU) and overall Governance structure it has also meant that other projects such as the UN Trade Cluster project can be more easily coordinated through the NIU, have all been aligned to the Government Financial Year, and are now based on government procedures for nationally implemented activities.

Lastly, Ministry of Industry and Commerce has also harmonized the steering committees for the TDF, the EIF and the UN Trade Cluster project into a combined program steering committee, called Program Executive Committee. This means that various projects can be aligned more closely with the government priorities as well as working in conjunction with each other as the engines of trade program. It is expected that over time this Committee will include more Development Partners within the context of Government's new Trade and Private sector working group.

5.7 Trade Facilitation

Lao PDR views itself as a “Land-linked” country, and not just a “Land-locked” country. Trade Facilitation is of paramount importance. The country recognizes that it needs to reduce the costs of trading in order to ensure the competitiveness of its exporters as well as the overall economy. Efforts are being made to introduce automated information systems for customs clearance, along with more modern risk management techniques at the border to reduce clearance times and improve the efficiency of revenue collection. However, non-customs agencies have lagged behind and the costs of a land-locked supply chain taxes competitiveness. Encouraging steps have been taken to improve inter-agency border coordination through a National Trade Facilitation Secretariat which was established under Prime Minister Decree in 2010, in parallel with the National Transport Committee, and aims at being the reference point for coordinating and trade with a focus on simplifying administrative procedures and easing trade barriers to support and promote the expansion of trade.

In 2011, efforts to improve trade facilitation progressed. After the establishment of an inter-agency coordinating body namely the National Trade Facilitation Secretariat for trade facilitation in October 2010, the government approved a National Trade Facilitation Strategy and Action Plan in July 2011. The strategy and action plan identifies an agenda for improving trade facilitation and cooperation among border agencies with a proposed implementation structure and clear responsibilities for lead agencies, as well as pre-defined performance indicators. This National Trade Facilitation Strategy and Action Plan also aims at ensuring harmonization, increasing import-export competitiveness through simplification of trade procedures so that they are easy, transparent, speedy, and standardized. Import-export permits procedures that directly and indirectly affect business operation shall be reduced.

To facilitate accession to the WTO, The Government of Lao PDR was established in July 2012. The development of the Lao PDR Trade Portal is one of these key initiatives, under the umbrella of the Trade Development Facility (a multi-donor trust fund), aimed at facilitating trade by increasing the transparency of regulatory trade related information. The development of the LTP has allowed Lao PDR to comply with ASEAN Trade Repository Article X of GATT (which requires for all trade information to be published transparently) and with future Doha Round commitments which specifically require for such information to be published on the Internet.

As well as providing for greater transparency, the Government of Lao PDR believes that the LTP will result in tangible cost savings for the trade as they are now able to obtain all the information they need to be compliant without having to pay personal visits to each ministry. Also, this should result in fewer errors or omissions in the procedures which should reduce the time and cost of clearing goods

Lao PDR is moving forward with the implementation of the ASYCUDA world system. Live operations of ASYCUDA is now taking place at Thanaleng/Friendship Bridge 1 border crossing in Vientiane Capital and Friendship Bridge 2 border crossing in Savannakhet. A fully functioning prototype of ASYCUDA World, configured to Lao PDR’s requirements, was first developed. The national roll-out of ASYCUDA commenced in April 2012 and progressed throughout the remainder of 2012. Parallel

reforms to the legal framework governing import and export transactions are also in progress, aiming at simplifying the customs processing path and modernize operations by taking into account risk management, electronic transactions, advance rulings and post clearance audit. As of February 2012, the share of import transactions processed at Thanaleng and subject to physical inspection (red channeled) has been reduced to approximately 55 percent (with the remainder channeled through green, yellow or blue), down from 100 percent under the previous manual system. Similarly, reference or minimum prices have been abolished for all imports, except for fuel and motor vehicles, as part of an effort to become compliant with WTO requirements. Lao PDR is gradually moving towards full compliance with the WTO Valuation Agreement.

Since the reduction of organizations/agencies at the border crossing points from 14 agencies to the remaining 3 agencies namely Customs, Immigration, and Quarantine (CIQ) through the implementation of the Prime Minister Office notification No. 1705/GS, dated 14/3/2007 and the elimination of the import and export permit for ordinary transit goods, except for prohibited goods such as lumber, timbers, gold, copper, weapons and so on, cumbersome formalities and procedures have now been resolved and cross-border time at the border between Lao and Vietnam and Lao and Thailand has been reduced from 240 minutes to 40 minutes. The Customs Department has now ordered the purchase scanners to be set up at some main border checkpoints and these are expected to be installed within this year.

Presently, evidence suggests that Laos' current logistics performance is primarily due to a combination of domestic and regional factors. While Laos has seen gradual improvements in cross-country measures of logistics performance, it falls well behind regional peers. The 2012 World Bank Logistics Performance Index points to some improvement in Laos overall logistics performance. However, performance is still relatively limited in terms of the quality of trade-related infrastructure, the efficiency of border processes and in the quality of logistics services available in the country. More importantly, while Lao PDR compares favorably with other land-locked low-income countries, the country lags behind regional competitors.

Going forward, the country's efforts will focus primarily on improving inter-agency coordination and supporting the adoption of modern risk-based approaches to managing regulatory compliance in non-customs agencies, including reform of non-tariff measures. More specifically, with support from the second phase of the Multi Donor Trust Fund (TDF 2), additional support will be provided to enhance the operation of the Trade Facilitation Secretariat; build capacity for middle to senior officials in all participating trade related ministries and agencies focused on developing a cadre of officials that understand and are able to apply modern risk-based approaches to regulatory compliance and effectively plan and guide ongoing trade facilitation reform efforts; and, to ensure effective maintenance and timely updating of the Trade Portal and its expansion in scope to meet commitments under GATT Article X and ASEAN commitments in respect to the posting of all NTMs on a National Trade Repository and its eventual connection to the ASEAN Trade Repository.

6. International support measures

Although the primary responsibility of implementing the APoA rests with the LLDCs, the Programme acknowledges the role of development partners in providing assistance. The mandate of the international community is to work together in specific areas relating to fundamental transit, transport infrastructure and facilitation, and international trade and trade facilitation.

Between 2005 and 2012, the main supporters of the Lao PDR's maintenance activities have been ADB, Nordic Development Fund, Swedish International Development Cooperation Agency (Sida), the World Bank, AUSAID, JICA, IDA, KFW, EDCF, OPEC, HIB Belgium, UNCRD, UN HAITAT, NORAD and the Government of China, Thailand, Japan, Vietnam and Belgium. They have provided assistance in the development areas of infrastructure and the road construction and maintenance Program. The program supported the establishment of a road fund financed from gradually increasing road user charges, in particular a surcharge on fuel.

During 2005-2010 ODAs were granted and soft loan covering:

- The Road Network 13 projects: ODA 191.457.080 USD and soft loan 225.568.936 USD
- City-Plan 20 projects: ODA 38.699.435 USD and soft loan 25.000.000 USD
- Civil Aviation 3 projects: ODA 4.000.000 USD and soft loan 96.424.614 USD
- Transportation 5 projects: ODA 7.412.000 USD
- Inland waterways 2 projects: ODA 370.000 USD and soft loan 37.200.000 USD

The total of ODA: 241.938.515 USD

The total of soft loan: 384.193.550 USD

There are 38 projects are being implementation in 2011-2012, which ODA 427.169.285 USD and soft loan 54.811.875 UDS.

7. Monitoring of implementation and review

Main Transit Transport Constraints

The transit Transport system in the sub-region is still seriously constrained by a range of none physical barriers which impacts directly the operational efficiency and the improvement of management.

Although, Lao government has made repeated efforts to implement its policy to transform the country from landlocked to land linked, Lao PDR is still faced with the following constraints/ obstacles:

- The customs formalities, procedures and border crossing regulations in both Laos and its transit countries are still major obstacles and remain unchanged;
- Some imported cargoes to the Laos are still examined by the customs of transit countries;

- Lack of simplification and harmonization of rules, laws, regulations, procedures and transport and trade related documents;
- The amendments of the provisions of the existing laws, rules, and regulations to conformity with ASEAN Framework Agreements, GMS Cross-border Transport Facilitation Agreement and the International Conventions and Agreements relating Transit Transport Issues has been retarded;
- Lao PDR and most of the neighboring countries are not party to the international Agreements and conventions on transit transport issues;
- Cross border facilities including roads, Logistics facilities do not meet international standard and inadequate;
- Lao trucks drivers so far are unable to drive into the territory of transit countries due to lack of driving competence, not familiar with traffic signs and signals and trucks are aging and substandard;
- Most of transit transport routes can accommodate no more than 9 tons per axle load; and
- Lack of qualified staff on Trade and Transport Facilitation issues
- Currently, there is one railway line connected from Thailand to Lao PDR (Thanaleng) for 3.5 km but only for passenger transport;
- Road capacity – below neighboring countries (load bearing capacity and speed);
- Imbalance of transport volume (import vs export) which resulted to empty return haulage; higher logistics costs; limited business opportunities in small market; difficulty in re-investing due to financial limitations of logistics companies;

8. Emerging issues

The transit transport system in the sub-region is still seriously constrained by a range of non-physical barriers which impacts directly operational efficiency and improvement of management. Despite significant efforts by the Lao government to transform from a landlocked to a land-linked country, some challenges and obstacles remain such as

- Custom procedures and border crossing regulations in both Laos and its transit countries;
- Some imported cargoes to Laos are still examined by the Customs of transit countries;
- Limited use of computerized systems such as EDI, ASYCUDA, ACSIS to help simplify and harmonize Customs procedures;
- Simplification and harmonization of rules, laws, regulations, procedures and transport related documents is needed;
- Lack of staff qualified in Trade and Transport Facilitation issues;
- Transit neighboring countries are not party to international agreements and conventions on transit transport, particularly the Barcelona Convention.

9. The way forward

As a least developed, landlocked country, Lao PDR has limited capacity to provide efficient transit services to neighboring countries and promote multimodal

transport operation and mitigate the negative impacts caused by the geographical location of the country. Therefore, international financial institutions and donor countries are requested to continue to make significant contributions to these efforts particularly in the following fields:

- Modernize cross-border management by furnishing necessary equipment and facilities for Customs clearance at the border crossing points to support Single Stop–Single Window Inspections;
- Provide assistance in transferring best practice and disseminating relevant ASEAN & GMS Agreements, its Annexes and Protocols, and MOU to all parties concerned at all levels as soon as possible the for effective and efficient implementation;
- Assist to accede to international conventions and introduce modern information technology;
- Assistance with the urgent extension and upgrading of the transit transport network and its feeder roads;
- Introduce a system for trade and transport data collection, storing, processing and analysis of business entities;
- Strengthen capacity building of the NTFC for better implementing and monitoring of ASEAN, GMS and bilateral agreements;
- Provide assistance in the alignment of trade and transport documentation and harmonization including concerned their rules, laws, regulations and procedures
- Provide soft loans for improvement of transit transport services, and the establishment of FDCs and ICDs is needed to reduce transit transport costs;
- Technical assistance in the introduction of modern telecommunication technology such as TradeNet, EDI, EDIFACT, ASYCUDA is urgently required;
