

## PROJECT/TA CONCEPT PROFILE

<b>1. Project Name:</b> Wood Processing in Lao Bao.
<b>2. Loan or TA:</b> Loan
<b>3. Project Location:</b> Lao PDR-Viet Nam border in Lao Bao (and throughout Savannakhet, Quang Tri).
<b>4. Country(ies) Involved:</b> Lao PDR and Viet Nam.
<b>5. Sector/Subsector:</b> Agriculture & Natural Resources/Agriculture production, agro-processing & agri-business
<b>6. Background and Rationale:</b> At present Savannakhet exports (by local trucks put on ferries) a large volume of round logs (from forest areas) or only very minimally processed wood (sawn timber, planks) to Viet Nam. This either goes directly for export (e.g., to Japan; Republic of Korea; Hong Kong, China) or for further processing at a considerable distance (in Hue, Da Nang etc.). There are increasing areas of plantation woods in Viet Nam from recent plantings which will be available for processing in a few years time, and the same is likely to be true in Savannakhet. The opportunity exists to combine these supplies for primary processing in Lao Bao (into planks, knock-down furniture components, flooring and paneling products, etc.) thus reducing current raw material transport costs, and prior to either export or further processing elsewhere in Viet Nam.
<b>7. Objectives:</b> The objective of the project is to develop value adding to wood processing, and accessing raw materials from Viet Nam and the Lao PDR.
<b>8. Scope:</b> The project would involve the establishment of wood-processing facilities on the proposed industrial estate in Lao Bao. The factory would purchase plantation woods from the Lao PDR and Viet Nam (e.g., eucalyptus, acacia—for knock-down furniture, wood chips, and construction materials). Turning, finishing, varnishing of products, and furniture assembly would be undertaken to the extent possible (using other local forest products such as gums and resins if possible) and the factory would be linked in a value chain to other enterprises in Viet Nam for further processing of its outputs into high-value products for domestic consumption and for export. (The factory may combine the complementary skills of Thai processors in furniture component manufacture with Vietnamese expertise in carving, inlaying, and lacquering). The factory should be established with multiple processing lines each of relatively small capacity to allow it to be built up over time, and would employ guards and protection equipment over saws. In the long term, given the availability of sufficient volumes of plantation woods (primarily from the Lao PDR but also the western part of Quang Tri), there would be the possibility for the establishment of a second phase investment based on the production of hardboard, particleboard, chipboard, and medium-density fiberboard.
<b>9. Estimated Cost:</b> Suitable for relatively large investor—total investment costs around \$1 million–\$2 million for first phase, around \$5 million (plus) for second phase. The investment format could be a Lao PDR-Viet Nam joint venture, using the Lao PDR partner to purchase the wood and import into Viet Nam under AICO provisions (i.e., fast-tracked final CEPT rates applied) for further processing and within AIA framework.
<b>10. Financing Plan and Financing Arrangement (Public/Private):</b> The investment format could be a Lao PDR-Viet Nam joint venture.
<b>11. Financing Status:</b> Proposed for financing.
<b>12. Proposed Implementation Period/Schedule:</b> The project could be implemented in the medium term (hardboard, chipboard, medium-density fiberboard, etc., in the long term).
<b>13. Executing/Implementation Agency and Contact Persons:</b> Local government.
<b>ADB Contact Division/Person:</b> Southeast Asia Department, Agriculture, Environment, and Natural Resources Division Email: gms@adb.org
<b>14. Estimated Benefits and Beneficiaries:</b> Value added of at least several million dollars a year. The supply of plantation woods would come largely from smallholder-owned and cultivated areas, so impact on poverty in Savannakhet and Quang Tri should be significant. There would be employment of several hundred workers at the factory. The factory should

have strong local linkage effects within Quang Tri for basic construction and operations needs in the short term.
<b>15. Social and Environmental Issues:</b> Skills training for Vietnamese workers; employment of women at the factory. Impacts on the environment are positive through reduction in accidents, air pollution from dust, and water pollution from chemicals used at current sites in the Lao PDR and elsewhere.
<b>16. Priority of Project/TA (H/M/L):</b> Medium
<b>17. Project Status (Proposed/Ongoing/Completed):</b> Proposed
<b>18. Status of Project/TA preparation:</b> Proposed
<b>19. Pre-feasibility Study (Completed/Required):</b> Required
<b>20. Follow-up Actions Required:</b> Identification of plantation areas by species in the Lao PDR and Viet Nam.
<b>21. Issues/Constraints:</b> Supply of plantation wood in Savannakhet (see similar project for Wood Processing in Savannakhet) and Viet Nam (at present some concern about increasing areas of monoculture tree areas in Viet Nam). Progress with construction of industrial estate and competition from Wood Processing in Savan-Seno Industrial Zone.

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<i>Sector</i>	<i>Agriculture &amp; Natural Resources</i>
<i>Subsector</i>	<i>Agriculture production, agro-processing &amp; agri-business</i>
<i>Themes</i>	<i>Private Sector Development</i>
<i>GMS Theme</i>	<i>Competitiveness</i>