

Lao People's Democratic Republic: Selected Issues and Statistical Appendix

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INTERNATIONAL MONETARY FUND
LAO PEOPLE'S DEMOCRATIC REPUBLIC

Selected Issues and Statistical Appendix

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I. DOLLARIZATION IN THE LAO P.D.R.¹

A. Introduction

1. **The domestic use of foreign currencies (“dollarization”)² has increased remarkably over the recent period in the Lao P.D.R.** Foreign currencies now account for the largest component of the domestic money supply. This situation, while encouraging intermediation in a country with poorly developed financial institutions, poses several challenges for the authorities (see Box). In particular, dollarization strengthens the inflationary impact of an excessive expansion of the supply of reserve money, thus increasing the need for a restrained fiscal policy and for the central bank to focus on containing inflation. After discussing the main causes for the surge in dollarization in the Lao P.D.R., this paper explores various strategies that may be adopted to maintain low inflation and thus, indirectly, encourage the use of the national currency.

2. **The use of foreign currencies is not a new phenomenon** in the Lao P.D.R., a country with porous borders set along major trading routes between relatively large countries. The use of the dollar was prompted by a massive foreign presence in the 1960s and early 1970s, and the cash balances thus acquired were later (illegally) retained by some households as a precautionary store of value.³ With the liberalization of the economy in the late 1980s, residents were allowed to keep deposits denominated in foreign currency, which encouraged the repatriation of balances kept in foreign banks (mainly in Thailand), and of workers’ remittances. By 1995, the amount of foreign currency deposits accounted for about one third of the total stock of broad money. Since 1995, the rate of dollarization (defined here as the ratio of foreign currency deposits to the total stock of broad money) has increased or remained stable, declining only slightly after June 1999 (see attached table and chart below). The sharpest increase occurred between June 1997 and June 1999, when the rate rose

¹ Prepared by Marco Pani (APD).

² The word “dollarization” is used to describe the domestic use of foreign currencies—not necessarily the U.S. dollar—both as a store of value (“asset substitution”) and for transaction purposes (“currency substitution”). For a discussion of the different nature and economic implications of these two phenomena, see Baliño *et al.* (1999). In particular, the authors note that, unlike with currency substitution, with asset substitution the amount of domestic foreign currency deposits “is unlikely to be [...] related to domestic demand” (p. 34), and the relevant definition of money thus only includes assets denominated in the local currency. In the Lao P.D.R., however, “there is ample anecdotal evidence of currency substitution” (*ibid.*), although foreign currencies are also used for speculative purposes (“asset substitution”).

³ See Quintyn and Wade (1997).

Box 1. Lao P.D.R.: Effects of Dollarization

Dollarization induces fiscal discipline, contains capital flight, increases bank intermediation, and, in an undermonetized economy, encourages the use of money rather than barter. It also contains the unfair redistribution of resources induced by inflation. However, dollarization reduces the authorities' control on monetary policy, increases the risk of banking crises, and involves higher "menu" costs (Baliño *et al.*, 1999).

Currency substitution encourages **fiscal discipline** by raising the inflation rate that is required to collect a given amount of seigniorage. With currency substitution, the demand for real money balances in domestic currency declines, and the amount of seigniorage that can be collected at a given inflation rate thus becomes lower. Indeed, dollarization even reduces the maximum sustainable amount of seigniorage that can be raised, as currency substitution strengthens the "Laffer effect" of an increase in inflation (Calvo and Végh, 1992; Siklar, 1998).¹ Monetizing the fiscal deficit thus becomes more costly in terms of inflation, and the authorities have a stronger incentive to maintain the deficit on a sustainable path.

Capital flight is contained (and the repatriation of funds is encouraged) as residents have the opportunity of holding dollar-denominated assets in domestic banks rather than in foreign accounts. These funds, in turn, can be lent to finance domestic projects, thus **increasing bank intermediation**. In an undermonetized country, dollarization **encourages the use of money**, by providing a monetary asset whose purchasing power is more stable and reliable than that of the domestic currency—thus facilitating transactions, expanding trade, and encouraging a more efficient allocation of resources.

In a country affected by high inflation rates, dollarization **reduces the unfair redistribution effects of inflation**, by providing a monetary asset whose purchasing power is relatively unaffected by domestic price increases. It must be remarked, however, that often residents have unequal access to foreign currency, and thus have different opportunities of protecting themselves from the costs of inflation.

Dollarization reduces control over monetary policy. **Money supply becomes endogenous** as under a fixed exchange rate regime, and **money demand becomes unstable**, responding to changes in the exchange rate and in the currency composition of the demand for money balances (domestic and foreign currency are not perfect substitutes—each is generally used for a particular type of transactions—but their domains of circulation overlap and change over time, altering total money demand). Money demand instability is further increased by the possibility of shifting balances between domestic and foreign bank deposits in foreign currency. Changes in the currency composition of money demand render the **transmission of monetary impulses** to prices and output more unstable and unpredictable.

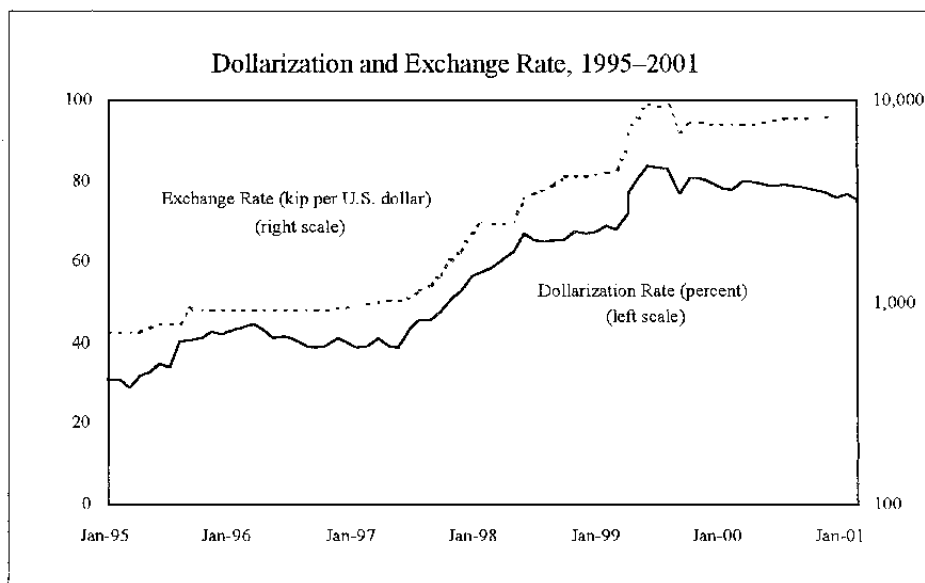
The **risk of banking crises** increases, as commercial banks are induced to become exposed in foreign currencies, while the central bank loses its capability of acting as lender of last resort. Banks tend to get exposed to exchange risk, by accepting liabilities in foreign currency and extending loans that are (directly or indirectly) exposed to currency risk. The central bank cannot act as lender of last resort, unless it has access to sufficiently large credit facilities from foreign banks or international institutions.² Dollarization also increases **menu costs**, as prices need to be quoted in more than one currency, and adjusted in accordance with changes in the exchange rate.

¹ Note, however, that the domestic authorities can recover part of this seigniorage by investing nonremunerated required and excess reserves of banks denominated in foreign currency, into interest-bearing foreign financial assets. This is currently occurring in the Lao P.D.R.

² When the domestic credit sector is highly integrated with the international credit sector, the role of lender of last resort can be effectively played by foreign banks (as occurs in Panama: see Moreno-Villalaz, 1999).

from 40 to more than 80 percent. Since then, the rate of dollarization has always remained above 75 percent.⁴

⁴ The exact stock of foreign currency held by residents in the Lao P.D.R. is not known, as it includes an unmeasured amount of foreign cash. In February 2001, foreign currency deposits (continued...)



B. Causes of Dollarization in the Lao P.D.R.

3. Aside from the historical factors mentioned above, **the use of foreign currencies in the Lao P.D.R. has been encouraged by the close trade links with Thailand (formal and informal) and by the past stability of the baht, and by large inflows of remittances** sent by expatriates. These remittances were previously kept in banks in Thailand and informally brought into the country in the form of cash, but more recently have been deposited directly in foreign-currency accounts held at banks in the Lao P.D.R.⁵

4. The currency composition of this stock of foreign currency is not available. However, **the Thai baht is widely used for transactions in major urban centers and in areas close to the border with Thailand**, while currencies of neighboring countries (mostly Vietnamese dong and Chinese renminbi) are used in areas close to those borders. **The U.S. dollar is also widely used, both to settle major transactions** (such as the purchase of vehicles or real estate property) in urban areas, **and as a store of value** throughout the country. In rural areas

amounted to 84.5 percent of total deposits held in Lao banks, and to 75 percent of “broad money,” (defined, in the Lao P.D.R., as the sum of bank deposits and the stock of domestic cash circulating outside banks).

⁵ Melvin and Peiris (1996) underline that dollarization in some Latin American countries has also been encouraged by the illegal drug trade.

far from the border, however, the only currency used is the domestic kip, replaced sometimes, as a store of value, by gold, or livestock.⁶

5. **The main cause of the recent surge in dollarization has been, however, the instability of the domestic currency.** In particular, two episodes of sharp devaluation, in 1995 and in 1997-99, have induced residents to reduce their demand for balances in the local currency and increase their demand for foreign currency. The second episode was particularly dramatic. As the exchange rate depreciated from 962 kip to the dollar in January 1997 to 9,430 kip to the dollar in June 1999, and inflation rose from 12 percent to 124 percent, year-on-year, during the same period (peaking at 168 percent in March 1999), the rate of dollarization increased from about 40 percent to more than 80 percent. The process was only slightly reversed when inflation rates fell and the kip stabilized in late 1999—a typical case of hysteresis normally observed in countries affected by dollarization.⁷

6. **The problem was aggravated by the inflexibility of nominal interest rates.** Despite the large actual and expected devaluation, nominal interest rates remained broadly constant, spurring a flight of funds from the domestic currency. Alternative investment opportunities are virtually nonexistent with the financial market still at an early stage of development, and so foreign currencies are a much more attractive stores of value.

C. Implications for Monetary Policy

7. **Given the high degree of dollarization, monetary policy should be aimed primarily at preserving the value of the currency by maintaining a low rate of inflation.** Owing to the small size of the domestic monetary base, a monetary policy aimed at output stabilization is likely to be highly ineffective, and even a moderate amount of seigniorage may involve high costs in terms of inflation, capital flight, and of a further increase in dollarization. A policy specifically aimed at reducing dollarization to increase the domestic monetary base, through regulations and legal restrictions, is likely to be largely ineffective, inducing capital flight and underground transactions. Instead, encouraging the use of the kip—in the form of incentives rather than regulations—should be pursued through stabilization.

8. **Some alternatives for the operation of monetary/exchange rate policy are: “hard” or “soft” exchange rate pegs; inflation targets; monetary targets; and controls**

⁶ The Lao economy is poorly monetized, and barter trade and in-kind payments are still quite common in rural areas. Even credit is often awarded in kind, with complex conventions regulating the repayment of principal and “interest.” Bank branches are rare in rural areas—apart from those of the state-owned Agricultural Development Bank—and intermediation is very low. Financial markets are also scarcely developed, and a secondary market for Treasury bills has not yet been established.

⁷ See Guidotti and Rodriguez (1992), and Uribe (1997).

on the amount of domestic credit extended by the central bank. All these options involve advantages and disadvantages.⁸

9. **“Hard” pegs, such as full dollarization or a currency board, are most effective at reducing inflation,** as they involve legal provisions that are difficult to reverse, and provide additional guarantees for credibility. By reducing or removing currency risk, a hard peg encourages foreign investment and facilitates trade and financial integration with the rest of the world. A hard currency peg however involves a complete loss of control on monetary policy, removing an important instrument to adjust to asymmetric shocks. Moreover, under a hard peg the currency is anchored to (or replaced by) a single foreign currency,⁹ exposing the country to external shocks deriving from movement in the relative exchange rates of its trading partners. This risk can be particularly relevant in the Lao P.D.R., owing to the diversified pattern of its foreign trade.¹⁰ The choice of the appropriate currency for a hard peg may also be problematic, since both the dollar and the Thai baht are widely used in the Lao P.D.R. and would thus be candidates for adoption.¹¹

10. **A “soft” peg allows more scope for flexibility,** allowing the possibility of a devaluation of the parity, **and can contain the risk of external shocks** (by anchoring to a basket of currencies reflecting the composition of foreign trade),¹² **but is less credible and may not be trusted by the public,** particularly at an early stage, when the monetary authorities have not yet established a reputation for credibility. In the Lao P.D.R., owing to the memory of large and rapid depreciation, the risk of a lack of confidence inducing speculative attacks may be particularly high. Under these conditions a soft peg may even result in an increase in dollarization, and expectations of a devaluation (or even of an abandonment of the peg) may turn out to be self-fulfilling. A soft currency peg may be more

⁸ For a more detailed discussion of the advantages and drawbacks of various targets of monetary policy see Mishkin and Savastano (2000).

⁹ In principle, a currency board could be designed in a way that removes the risk of external shocks by pegging to multiple currencies (Oppers, 2000) or to a currency basket. At present, however, such arrangements are mere academic hypotheses.

¹⁰ While about 70 percent of Lao imports come from Thailand, some of these imports originate in third countries; Lao exports, in turn, are purchased by a variety of countries belonging to different currency areas.

¹¹ For a discussion of the “pros and cons” of full dollarization see Berg and Borensztein (2000).

¹² Since the trade pattern changes over time, the currency basket would need to be periodically adjusted.

easily enforced at a later stage in the stabilization process, when the monetary authorities have acquired the trust of the public.¹³

11. **By targeting inflation, the authorities make explicit their aim of stabilizing the value of the currency, undertaking a commitment that is easily understood and verified by the public.** At the same time, the authorities maintain control on monetary policy and thus the possibility of reacting to unforeseen or asymmetric shocks. The disadvantages of inflation targeting derive from the fact that inflation is not directly controlled by the authorities. Targeting inflation thus requires an accurate understanding of the relation between the instruments at the disposal of the monetary authorities (credit, interest rates, money supply) and inflation; in addition, it requires prompt and reliable information and forecasts of the relevant variables, and efficient financial institutions that allow an accurate transmission of monetary impulses on prices.¹⁴ In the Lao P.D.R., owing to the scarce development of financial institutions, and to the instability of money demand (deriving, in turn, from dollarization), neither of these requirements might be satisfied under present conditions.

12. **Monetary targets are more directly controlled by the authorities and thus allow them to acquire more quickly the confidence of the public,** reducing actual inflation by inducing favorable expectations. Monetary targeting, however, requires a stable—and known—money demand function. In a highly dollarized country, money demand is unstable, owing to the high elasticity of substitution between domestic and foreign currency,¹⁵ and to the possibility of large movements of funds between foreign currency deposits held at domestic and foreign banks, and (unrecorded) foreign cash holdings. Such shifts may occur even with minor variations in the relevant parameters, and thus hamper the capacity to accurately estimate a money demand function. Owing to the high degree of dollarization, moreover, money supply in the Lao P.D.R. may be largely endogenous and thus escape the control of the authorities.

13. **Controlling the amount of domestic credit of the central bank would tackle the root of inflationary money expansion—the monetization of the deficit of the government and of state-owned enterprises—laying the ground for an effective stabilization of the currency.** Domestic credit is directly controlled by the authorities even in the absence of developed financial institutions. The disadvantage of this type of policy is that domestic credit

¹³ In order to be effective, an exchange rate peg needs to be transparent. When a peg is adopted, the authorities should thus take care at informing the public about the composition of the currency basket, the criteria used for its periodic revision, and the technical details of the pegging rule that is adopted.

¹⁴ See Masson *et al.* (1997).

¹⁵ See Boyer and Kingston (1987) and Girton and Roper (1981).

is only indirectly linked with inflation. However, with a ceiling on domestic credit, a sustained expansion of broad money could only derive from an inflow of foreign currency, that would be demand-driven and thus have a lower impact on inflation. While not allowing for a fine-tuned control on the actual inflation rate, a monetary policy focused on domestic credit would allow an effective reduction of inflation over time.

D. Conclusions

14. **The domestic use of foreign currency in the Lao P.D.R. has increased remarkably over the past few years, and now accounts for about three-quarters of broad money.** The main cause of the recent surge in the degree of dollarization appears to be the recent severe nominal devaluation of the currency and very high inflation.

15. **Aside from positive effects, such as enhancing fiscal discipline and encouraging bank intermediation, this phenomenon poses several challenges to monetary policy,** reducing the authorities' capacity to control money supply and increasing the vulnerability of the banking system. It also reduces the government's capacity to raise seigniorage, and may induce an unfair redistribution of resources in favor of those residents who have better access to foreign currency.

16. **The high degree of dollarization increases the need to stabilize the value of the currency.** A policy aimed at stabilizing output may be ineffective and highly costly in terms of inflation. At the same time, measures directly aimed at encouraging a wider use of the domestic currency should only be used as a complement to a wider stabilization strategy, and should be based on incentives and confidence rather than legal restrictions.

17. **Among various policy options that may be used to increase the stability of the currency, containing the amount of domestic credit extended by the central bank has important advantages.** A ceiling on the expansion of domestic credit would directly address the main cause of instability, namely, the monetization of the deficit of the public sector, and, being under the direct control of the monetary authorities and thus easily achievable, would allow the central bank to establish a reputation for credibility that would facilitate the subsequent maintenance of stable economic conditions.

Rate of Dollarization				
Quarter Ending	Dollarization ^{1/}	Exchange rate ^{2/}	Devaluation ^{3/} (percent)	Inflation ^{4/} (percent)
Dec-94	35.6	719	...	...
Mar-95	29.2	764	6.3	6.2
Jun-95	34.7	842	10.2	10.3
Sep-95	40.8	929	10.3	10.3
Dec-95	42.2	925	-0.4	-0.4
Mar-96	44.9	938	1.4	5.7
Jun-96	42.0	948	1.1	4.1
Sep-96	38.9	957	0.9	3.5
Dec-96	40.5	954	-0.3	-1.0
Mar-97	41.1	1,006	5.5	5.3
Jun-97	43.8	1,038	3.2	7.3
Sep-97	48.0	1,344	29.5	14.1
Dec-97	56.6	2,152	60.1	-1.9
Mar-98	60.3	2,431	13.0	21.1
Jun-98	65.6	3,430	41.1	48.6
Sep-98	65.4	4,155	21.1	16.8
Dec-98	67.1	4,274	2.9	15.1
Mar-99	71.8	5,365	25.5	33.7
Jun-99	83.7	9,430	75.8	25.1
Sep-99	76.7	6,810	-27.8	15.7
Dec-99	79.5	7,600	11.6	-3.5
Mar-00	79.3	7,560	-0.5	4.2
Jun-00	78.7	7,835	3.6	4.4
Sep-00	78.1	8,085	3.2	4.4
Dec-00	76.0	8,217	1.6	-2.8

Source: Data provided by the Lao P.D.R. authorities.

1/ Foreign currency deposits on broad money, in percent, end-of-period.
2/ Kip per U.S. dollar, official rate, end-of-period.
3/ Quarter-on-quarter change of the end-of-period nominal exchange rate, in percent.
4/ Quarter-on-quarter change in the end-of-period CPI, in percent.

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II. RECENT DEVELOPMENTS IN THE BANKING SECTOR¹⁶

1. **The Lao banking sector mainly consists of three state commercial banks (SOCBs), of which the largest by far is the Banque pour le Commerce Extérieur (BCEL).** The state-owned Agriculture Promotion Bank serves mainly rural households, providing agricultural loans (some of which are subsidized), and administers donor-funded microenterprise credit schemes through its extensive branch network. As of end 1999, the SOCBs accounted for 70 percent of total assets of the banking sector. In addition, seven branches of foreign banks (all but one from Thailand) and one representative office, accounted for 21 percent of total assets, and joint-venture banks accounted for the remaining 9 percent.
2. **Efforts to improve the operations of SOCBs have been ongoing since the mid 1990s.** The SOCBs were recapitalized in 1994 when 77 percent of SOCB bad loans, amounting to 1 percent of GDP, were removed from their balance sheets. About 70 percent was written off and the other 30 percent was transferred to the BOL to be collected. In a second step to the earlier process, the smaller SOCBs were consolidated in 1999 as the six smaller provincial state-owned banks were merged into two (Lao May Bank and Lane Xang Bank). At the same time new operation manuals and business plans were prepared and new Boards of Directors were appointed. Technical assistance from the Asian Development Bank also facilitated the introduction of new credit and risk grading classifications, and the setting up of internal debt-workout units in the three SOCBs.
3. **Paralleling these efforts were measures to improve the regulatory framework.** Over the past three years, the prudential regulations which encompass capital adequacy, lending to large borrowers, foreign currency exposure, and other issues have been improved. Although not fully at international standards, they are relatively simple and are a major improvement from previous versions. However, the enforcement of prudential supervision has been very weak and resulted in regulatory forbearance. In particular, due to the high level of nonperforming loans most of the prudential regulations were not complied with, including the accrual of interest on nonperforming loans.
4. **Similarly, although efforts have been made to develop supporting institutions, they have not been effective.** Credit information bureau and deposit insurance regulations have been issued but they have not yet been implemented. A government-owned company was established to manage a deposit insurance fund in January 2000. The BOL Decree Law required all commercial banks to contribute 0.5 percent of total deposits of the previous year to the fund, but implementation of this scheme is effectively on hold due to lack of sufficient resources, compared to the large potential liability. Furthermore, a BOL-run credit

¹⁶ Prepared by Inwon Song (MAE) and Mazen M. Soueid (APD).

information bureau (CIB), authorized to compile and share information on defaulting borrowers and their payment record, has not yet started operation. The BOL also established a Banking Supervision Department in 1999 but a lack of sufficient resources has hampered the conduct of rigorous on- and off-site inspections.

5. **The underlying weakness of SOCB management and operations was exacerbated by macroeconomic instability and state-owned enterprise (SOE) distress.** In particular, the steep kip depreciation between 1997 and 1999 aggravated already weak balance sheets and significantly increased the ratio of NPLs to about 70 percent. Open currency positions in the banks, which took dollar deposits and extended kip loans, and also borrowers, who took loans in dollars but earned kip revenues, both wiped out significant capital from SOCBs' balance sheets. SOCB problems were also closely linked to the financial distress of the SOEs, especially the large ones. Although the government is attempting to stop directed lending, pressure remains to roll-over existing bad loans or extend new loans to SOEs on noncommercial terms or for economically unjustifiable projects.

6. **Through much of 2000, credit developments have been particularly worrisome.** After attracting large amounts of foreign currency deposits in 2000, banks started to expand lending rapidly and in dollar terms, SOCB credit grew by 40 percent over the year¹⁷. Most of the credit was in foreign currency, which was coupled with a sharp decline in their net foreign assets. The net foreign assets coverage of foreign currency deposits stood at an all time low of 36 percent in December 2000 down from 68 percent at end-March 2000. With an already high NPL ratio, the recent credit expansion threatens a further deterioration in portfolio quality, and suggests the closer monitoring of credit by the BOL is needed.

7. **The state owned banks need to be restructured in order to create robust banking institutions.** The main elements of restructuring should include resolving the NPL problem, implementing phased and conditional recapitalization, improving governance, and enhancing the environment for sound banking. While the long term objective would be to create a healthy banking system, interim measures are needed to stop the deterioration of the SOCBs balance sheets. These include implementing proper loan classification, undertaking international standard audits, and closely monitoring credit growth.

¹⁷ The large swings in the exchange rate in 1999 affect the pattern of year on year credit growth over the course of 2000.

III. THE TRADE SYSTEM AND TRADE POLICY COMMITMENTS¹⁸

1. **Since the launching of the New Economic Mechanism (NEM) in 1986, there has been a substantial liberalization of trade.** Prior to this, most trade relations took place in nonconvertible currencies with COMECON member countries, principally the Soviet Union and Vietnam, and were centrally controlled by government. In the decade from 1987 to 1997, with the opening up of the economy under the NEM, the trade system was progressively liberalized, and trade in convertible currencies expanded steadily, most notably with Thailand, China, Japan, Vietnam, and several European countries. Though the tariff structure was simplified and rates were reduced in the mid-1990s, the trade regime remains nontransparent with a plethora of nontariff barriers, including quantitative restrictions (QRs). Offsetting this, however, are the long and porous borders, and the significant informal sector. Over the last year some nontariff barriers, which were raised in response to the Asia crisis, have been relaxed and several steps were taken to simplify and liberalize the trade regime. Looking ahead, a further substantial reduction in tariffs and nontariff barriers will result from trade policy commitments under the Association of South East Asian Nations (ASEAN) Free Trade Area (AFTA), which accounts for a very large volume of trade, and accession to the WTO.

A. The Trade System

Tariffs

2. **From the mid-1980s, in line with the NEM, the government began to liberalize the trade system, including through rationalization of the tariff structure and some reductions in widespread nontariff barriers.** By the mid-1990s, the tariff system was partly simplified with 12 tariff rates, ranging from 5–30 percent on agricultural and fishery goods, 5–80 percent on manufacturing items, 20–80 percent on luxury food imports, and 10–100 percent on luxury nonfood products. A system of discretionary reference prices continued to be used to assess tariff charges, while tariff exemptions remained significant.

3. **In 1995, in line with IMF recommendations, the maximum import tariff was reduced from 150 percent to 40 percent.** Today, the tariff structure comprises six ad valorem rates (5, 10, 15, 20, 30, and 40 percent). The lowest rates apply to imports of raw materials, including agricultural inputs, capital equipment, and certain essential consumer goods (including food items). The highest rates apply to luxury consumer goods, including motor vehicles, certain beverages, tobacco, and perfume (Table 1). Some import-substitution activities, such as beer production and motorcycle assembly, receive substantial protection. Also, inputs imported for the production of exports enter duty free, while imports financed by

¹⁸ Prepared by Eric Sidgwick. Based on the Lao P.D.R. *Memorandum of Foreign Trade Regime*, March 2001, submitted to the WTO, and Ministry of Finance, Lao P.D.R., *The C.E.P.T. Product Lists for the year 2001*, December 2000.

foreign direct investment pay only 1 percent. The median tariff is 5 percent; the simple average tariff is 9.5 percent; and the import-weighted average tariff is 14.7 percent, reflecting the high share of imports of “nonessential” consumer goods.

Import Tariff Rates by Sector and Product Category			
<i>(As at end 2000)</i>			
Sector	Product	Rate (in percent)	
Agriculture	Seeds	5	
	Fertilizer	5	
	Other	5–40	
Livestock	Feed	5	
	Other	5–30	
Manufacturing	Raw materials	5–10	
	Packaging	10–20	
	Energy	5–20	
	Machinery and equipment	5–20	
	Trucks	5–30	
	Cars	40	
	Beer and alcohol	30–40	
	Other	10–20	
	Consumer goods	Luxury—Food	10–30
		Luxury—Nonfood	10–40

Source: Ministry of Finance, Customs Department.

4. **On the export side, export duties are levied on selected products.** Specific rates are applied to exports of logs and sawn wood, while ad valorem rates range from 2 percent on ferrous metals, 3 percent on plywood, 5 percent on livestock and coffee, to 20 percent on electricity and 30 percent on semi-finished wood products.

Nontariff barriers

5. **In the second half of the 1980s, the government also began to decentralize some of its responsibilities for trading in strategic goods to national and provincial trading companies and introduced a national trade balance plan.** Under this system, these trading companies were allowed to transact in specified products free of all applicable taxes and charges in return for individually negotiated tax payments. Although private traders were permitted to trade in all commodities not on the strategic or restricted lists, they were required to submit their trading plans to the State Committee for Foreign Economic Relations and Trade. The State Committee would use these plans to formulate a national “import-export equilibration plan,” within the framework of the five-year National Socio-Economic Development Plan (NSED), with a view to limiting the trade deficit.

6. **In the last decade, the trade system has been simplified and liberalized, both on the import and export side, but a national “import-export equilibration plan” is still in**

operation, and nontariff barriers remain the biggest obstacle to trade. Some of these nontariff barriers were temporarily made more restrictive during the recent economic crisis.

7. **Imports: Most imports, including inputs for domestic production and re-export, and medicinal imports are not subject to restrictions, and licenses are issued automatically.** Importers of ordinary consumer goods are required to submit an annual business plan to the provincial trade office, and imports are permitted to the extent that, at an aggregate level, imports are consistent with the annual "import-export equilibration plan". In practice, this means that importers must demonstrate that at least an equivalent amount of foreign exchange can be generated or saved through exports, domestic production, or domestic investment. Most "luxury" consumer goods, including alcohol, cigarettes, and perfumes, are also subject to a variety of explicit and implicit controls. Some goods are banned on national security, public health, and cultural socio-economic and environmental grounds.¹⁹ Others, including petroleum products, construction steel, cement, rice, vehicles, electricity, minerals, tobacco, and timber products, remain controlled by the state.²⁰ Certain imports are subject to "special" control for health, safety, and security reasons, including food products, live animals and plants, fertilizers, cultural goods, communication products, medicines, chemicals, minerals, sporting guns, and sport products.

8. **Since this system is cumbersome to operate, in practice it was administered liberally.** However, with the outbreak of the Asian crisis and the sharp decline in exports and capital inflows, the authorities tightened the administrative operation of the system. The return of macroeconomic stability has enabled some of these controls to be relaxed.

9. **QRs are applied to imports of fuel and lubricants, fertilizer, construction steel, cement, motor vehicles, including motorcycles, and most quota levels were raised over the last year.**²¹ Restraints on the imports of motor vehicles and motorcycles are applied for environmental reasons. Prior authorization for the importation of each individual private motor vehicle has been abolished, and the government is considering replacing the quota on motor vehicles with a fiscal measure. The quantity of fuel is determined bi-annually. Imports of cement and steel bars for construction are not subject to formal quotas, but reasonable amounts are decided by the Ministry of Industry and Handicrafts. Finally, although no quotas

¹⁹Weapons, right-hand drive vehicles, animal parts, addictive drugs, certain medicines, cultural items, specified agricultural products and dangerous goods. See Notification No. 870/MCT; September 19, 1996.

²⁰Imports of gold and silver require authorization from the Bank of the Lao P.D.R.

²¹Regulation No. 462/MCT; December 8, 1993. Controls on imports of motorcycles over 250cc are set out in Notification No. 1552/MCTPC (Ministry of Communication, Transport, Post, and Construction).

have been applied in recent years, the right to apply quotas on rice is reserved to support the minimum farm-gate price set by government.

10. **Exports: Registration requirements for exports have been substantially liberalized.** Previously the requirements were the same as applied to imports. Exports were assessed against the objectives of the NSEDP, and licenses issued by the municipal and provincial trade offices of the MCT, in consultation with the line Ministry. Over time, the monopoly of state and provincial enterprises on the export of “strategic” goods in fulfillment of national trade agreements with the nonconvertible currency area was ended.²² Also, the licensing requirement was abolished and documentary requirements simplified for the export of garments and products on the AFTA inclusion list (see below). Since March 2001, licenses are issued automatically for all exports of companies registered under the Business Law, except for mining products, timber, and semi-processed wood.

11. **Certain exports are banned for national security, health, and safety reasons, including guns, archaeological and cultural artifacts, drugs and related products, and wild animals.** The right to control rice exports is reserved for food security purposes, and exports of logs are banned on conservation grounds, ostensibly to encourage the domestic wood-processing sector.

B. Trade Policy Commitments

12. **The Lao P.D.R. was admitted to ASEAN on July 23, 1997.** As a member, the Lao P.D.R. has committed to implement all ASEAN Agreements and Protocols, including the Agreement on a Common Effective Preferential Tariff (CEPT), and the establishment of the ASEAN Free Trade Area (AFTA). Under these agreements Lao P.D.R. is committed—over a ten-year period which began January 1, 1998—to a gradual reduction of customs tariffs on imports from other ASEAN member countries to a range of 0–5 percent, and the elimination of nontariff barriers. The implementation of AFTA will mark a very significant change in the trade regime as 70 percent of the country's formal imports originate from ASEAN members.

Reduction in tariffs

13. Under the CEPT scheme to gradually reduce tariffs, the structure of the whole Lao tariff schedule, comprising 3,551 items, was classified into the following four product lists:

- a. **Inclusion List (IL):** The IL comprises all items on which tariffs are to be reduced to the CEPT range of 0–5 percent by 2008. Tariffs above 20 percent will be reduced to 20 percent within 5 years, and subsequently to the 0–5 percent range in the

²²Coffee, rice, tobacco, logs, wood products (such as timber, sawn wood, pressed wood, rattan), other forestry products (such as benzoin and sticklac), and minerals, for which the state had an export monopoly.

remaining 5 years. Tariffs of 20 percent and under will be reduced to the 0–5 percent range within 7 years. At the start of 2001, the IL comprised 1,673 items not explicitly included in the three exclusion lists below, including 426 items just transferred, totaling 47 percent of tariff lines and roughly 30 percent of total import value. By the start of 2005, all the goods on the temporary exclusion list will be transferred to the IL and the maximum tariff on these items will be 20 percent and 87 percent of the IL will have tariffs of 0–5 percent.

b. *Temporary Exclusion List (TEL)*: The TEL comprises items, which are to be gradually moved to the IL. As explained above, at the start of 2001, 426 items were moved out of the TEL to the IL so that the TEL comprised 1,716 items. According to the schedule issued in late 2000 under which all remaining items will be moved to the IL in equal annual installments, in the four years to the start of 2005, after which the TEL will become redundant.

c. *General Exception List (GEL)*: The GEL comprises all goods that are excluded from reductions in tariffs and elimination of nontariff barriers for cultural, security, health, or environmental reasons. The GEL includes alcoholic beverages and motor vehicles. The number of items in the GEL was reduced to 74 items at the start of 2001, from 90 at end-2000, and the 16 items were transferred to the TEL.

d. *Sensitive List (SL)*: The SL comprises 88 items, primarily unprocessed agricultural products, including rice, and tobacco products. Though the number of items on the SL is to remain unchanged through 2018, tariffs on items in the SL will be gradually reduced to the 0–5 percent range between 2005–15. There are no items on the highly sensitive list.

Elimination of QRs and other nontariff barriers

14. **In addition to tariff reductions, the Government is committed to eliminate QRs.** For imports: (i) with an ASEAN content of at least 40 percent; (ii) with an AFTA tariff of 20 percent or less; and (iii) on the IL of both source and designator country, QRs must be removed at the time the item is transferred to the IL²³. Thus QRs would be removed for all items on the IL by the start of 2005. The authorities have undertaken to extend this QR removal on AFTA imports to a multilateral basis from mid 2001. Other nontariff barriers on such products need to be removed within five years from when the above three conditions are met.

²³Under AFTA, QRs are formally defined as quotas, licenses, or other measures with equivalent effect, including administrative measures and requirements, which restrict trade.

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. <u>Taxes on income and profits</u>			
1.1 Tax on enterprise profits (profit tax)	Annual levy on profits derived in the Lao P.D.R. by enterprises from business operations (production, trade, and service), payable in advance on a quarterly basis.	<p>a. Expenses normally incurred in producing income with limits for gifts (0.15 percent) and travel costs (0.20 percent for each trip) of annual income.</p> <p>b. Asset amortization of each asset permitted, using fixed line or declining balance methods and using the following four annual rates: <u>50 percent</u>: business formation; <u>20 percent</u>: land transportation, machines and other equipment; <u>10 percent</u>: sea transport equipment, office improvement, supplies and temporary trade premises; <u>5 percent</u>: industrial, permanent trade premises and air transport. Unallowed residue is deducted from the sale price to compute the profit or loss.</p> <p>c. Carry-forward of losses available for up to 3 years.</p> <p>d. Three computational regimes. <u>Full real regime</u>: based on extended accounting system for foreign investors, import-export traders and businessmen with annual turnover greater than KN 240 million; <u>partial real regime</u>: based on ordinary or common accounting system, for other businessmen with annual turnover between 24 million and 240 million kip; <u>contract regime</u>: for those with primary accounting system, based on agreed estimation for turnover less than 24 million kip with progressive rates for production, construction, and transport (1–7 percent), trade (2–8 percent), and services, drinking bars (3–9 percent).</p>	<p><u>Tax Rate</u> (In percent)</p> <p>General rate 35</p> <p>Foreign investors 20</p> <p>Discount rates: For enterprises in designated areas/city 20 For enterprises in rural and lowland areas 15 For enterprises in mountain and remote areas. 10</p>

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates																			
		e. Amounts appropriated to savings or recapitalization accounts, bonuses, meeting allowances or received from capital reduction, enterprise merging, share transfer, bankruptcy or debt liquidation.																				
		f. <u>Reliefs</u> : Case-by-case tax relief given to new and rehabilitated domestic enterprises (1–5 years) under Decree 47/SNA of June 1989 and to foreign and jointly owned enterprises (2–4 years), under Law 1/94 of March 1994.																				
1.2 Minimum profit tax (<u>Impôt minimum fiscal</u>)	Applicable to gross turnover of the previous year of those enterprises subject to the extended or ordinary accounting system. Payment on an annual basis. Creditable against final profit tax liability but no reimbursement of over payment.	Foreign and local investors who are in a system of annual profit tax exemption.		1.0 percent																		
1.3 Tax on social/religious/cultural organizations and associations	Incomes from immovable property leasing and non-business activities.	None		10 percent																		
1.4 Tax on personal income from employment	Levied on wages, salaries, bonuses, and other emoluments derived from employment in Lao P.D.R. or, when deputed to international organizations, by Lao citizens receiving emoluments abroad on which they are not taxed. Withheld at source by the employer on a monthly basis.	All persons with monthly wages or salaries below KN 30,000. Exemptions are granted to a selected list (12) of incomes, including income from agricultural production by peasants themselves, from cultural events, etc.	<table border="1"> <thead> <tr> <th data-bbox="1409 995 1665 1060"><u>Monthly Wage or Salary</u> (In kip)</th> <th data-bbox="1724 995 1843 1060"><u>Tax Rate</u> (In percent)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1440 1068 1633 1092">30,001–125,000</td> <td data-bbox="1766 1068 1787 1092">5</td> </tr> <tr> <td data-bbox="1440 1109 1633 1133">125,001–250,000</td> <td data-bbox="1766 1109 1787 1133">10</td> </tr> <tr> <td data-bbox="1440 1149 1633 1174">250,001–500,000</td> <td data-bbox="1766 1149 1787 1174">15</td> </tr> <tr> <td data-bbox="1440 1190 1644 1214">500,001–1,000,000</td> <td data-bbox="1766 1190 1787 1214">20</td> </tr> <tr> <td data-bbox="1419 1230 1644 1255">1,000,001–2,000,000</td> <td data-bbox="1766 1230 1787 1255">25</td> </tr> <tr> <td data-bbox="1419 1271 1644 1295">2,000,001–3,000,000</td> <td data-bbox="1766 1271 1787 1295">30</td> </tr> <tr> <td data-bbox="1419 1312 1644 1336">3,000,001–5,000,000</td> <td data-bbox="1766 1312 1787 1336">35</td> </tr> <tr> <td data-bbox="1419 1352 1644 1377">5,000,001 and above</td> <td data-bbox="1766 1352 1787 1377">40</td> </tr> </tbody> </table>	<u>Monthly Wage or Salary</u> (In kip)	<u>Tax Rate</u> (In percent)	30,001–125,000	5	125,001–250,000	10	250,001–500,000	15	500,001–1,000,000	20	1,000,001–2,000,000	25	2,000,001–3,000,000	30	3,000,001–5,000,000	35	5,000,001 and above	40	
<u>Monthly Wage or Salary</u> (In kip)	<u>Tax Rate</u> (In percent)																					
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Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.5 Tax on personal incomes of persons in self-employment	Levied on net profits made by individuals from business operations, and immovable property leasing. Payment on an advance quarterly basis.	First KN 360,000 is exempt.	<u>General activities</u>	<u>Tax Rate</u>
			(In kip)	(In percent)
			360,001–1,500,000	10
			1,500,001–3,000,000	15
			3,000,001–6,000,000	20
			6,000,001–12,000,000	25
			12,000,001–24,000,000	30
			24,000,001–36,000,000	35
			36,000,001–60,000,000	40
			60,000,000 and above	45
1.6 Tax on personal incomes from immovable property leasing	Levied on incomes received by individuals from immovable property leasing.	House with domestic lease holder: Permanent house–30 percent of rent price Half permanent (wooden) house–25 percent of the rent price		
		House with foreign leaseholder: If rent paid exceeds US\$2,000/month House with 2 floor or building– US\$2.0 /M ² /Month House with 1 floor– US\$1.7/M ² /Month Block house with 2 floor or more– US\$1.2 /M ² /Month Block house with 1 floor– US\$1.0 /M ² /Month		
		If rent paid lower than US\$2,000/month– 30 percent of rent paid		
		Incomes from leasing land and other property		25 percent

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.7 Tax on investment income	Levied on incomes of entities and individuals from gross market-based rents, dividends, lending interest rates, and guarantee fees on a global basis, where appropriate.	Interest on bank deposits	10 percent
1.8 Tax on property rights	Licenses and other intellectual property rights.	None	5 percent
12. <u>Taxes on land and property</u>			<u>Tax Rate</u> (In percent)
2.1 Transfer taxes	Applied to the market value of real estate property transferred between private persons through inheritance, sale, or gift.	None	Transfers between: <ul style="list-style-type: none"> • Direct descendants 0.5 • Second-degree relatives 1 • Third-degree relatives 2 • Other land and houses 3 • Undeveloped land 4
2.2 Land tax	Annual tax levied on land area. Tax is collected from January to end-April. Taxable land is divided in three categories: <ul style="list-style-type: none"> • Occupied land (i.e., land occupied by buildings and factories) • Agricultural land • Other 	<ul style="list-style-type: none"> • Land occupied by temples, public welfare buildings, embassies, and housing for disabled persons (for extensions of less than 5,000 sq km). • Agricultural land, not exceeding two hectares per family, occupied by disabled military personnel and civilians. • Agricultural land situated in mountainous areas yielding less than 150 kg rice per person per year. • Agricultural land affected by natural disaster or other damages in accordance to the damage. • Newly cleared rice fields in mountainous (5 years) and flat land (3 years). • Industrial orchards (2-3 years). 	1. <u>Occupied land:</u> Rates vary from KN 0.5 to KN 30 per square meter per year in accordance with the use (housing, production factories, business or service and unused open land) and location. 2. <u>Agricultural land:</u> Rates vary from KN 500 to KN 6,000 per hectare per year in accordance with: (i) land use (rice land, garden land, and farm land); (ii) location (level field and mountainous areas); and (iii) type of production (for rice, number of crops per year and for garden, type of trees). 3. <u>Other land:</u> KN 1,000-6,000 per hectare per year

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates																																		
3. <u>Taxes on goods and services</u>			<u>Tax Rate</u> (In percent)																																		
3.1 Turnover tax	<p>The tax is collected from imports of goods to the Lao P.D.R, <u>first time sale of imported goods or domestically produced products</u>, and general services</p> <p>Importers, producers or servers who operate sales or services inside the Lao P.D.R. and have paid the initial tax (e.g., at customs checkpoints) shall have the right to get a deduction of initially paid turnover tax. Deductions are not allowed for service charges, purchases of transport vehicles, including accessories and spare parts which are not used directly by the companies, and purchases of consumer goods for personal utilization by the company.</p> <p>All imports, not exempt from import duties, are subject to turnover tax and the base of taxation is customs value, <u>plus</u> customs duty, <u>plus</u> excise duty, if any. In case of the first time sale of goods imported or manufactured inside the country, that tax shall be calculated during its selling or delivery by importers or domestic manufacturers. The calculation shall be based on the actual sales amounts without turnover tax.</p>	<p>The following activities are exempt from turnover tax:</p> <ul style="list-style-type: none"> • Import of crop seeds, animal breeds and insecticides. • Import of materials, instruments and chemical components for research purposes. • Import of gold for the notes issuing institution. • Import of bank notes or coins. • Import or activity relating to tax or post stamps. • Import of planes and instruments for international air transportation. • Import of goods or accessories for components of international air transportation. • Import of goods for selling to diplomats and international organizations in the Lao P.D.R. according to permissions of Ministry of Foreign Affairs. • Import of goods with tax exemption or temporary import. • Import and sales of animal treating medicines. • Sales of self-produced agricultural products by peasants. • Forestation activities, industrial trees and fruits planting. • Sales of agricultural and handicraft products by government employees or cooperative members on family basis or limit. • Export of goods and services. • Sales of allowed text books, newspaper and magazines. 	<p>The turnover tax is levied at 5 percent and 10 percent.</p> <p><u>Illustrations of items subject to these rates follow:</u></p> <p><u>Category</u></p> <table border="0"> <tr> <td>Agricultural products, fertilizers, and insecticide</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Chemicals and mineral products</td> <td style="text-align: right;">5</td> </tr> <tr> <td>All foodstuff</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Medical services</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Agricultural services</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Goods and services not specifically mentioned in 10 percent rates</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Electricity and fuel</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Consumer durables</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Furniture, clothes, tea and coffee</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Capital equipment, raw materials, and spare parts</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Construction and land development</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Soft drinks and non-alcoholic drinks</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Transportation</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Motorcycle, trucks, minibus, bus and their spare parts</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Imports and sales of TV, radio and other electronic equipment</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Passenger car, jeep, pickup, plane ship, motorboat for recreation</td> <td style="text-align: right;">10</td> </tr> </table>	Agricultural products, fertilizers, and insecticide	5	Chemicals and mineral products	5	All foodstuff	5	Machinery and equipment	5	Medical services	5	Agricultural services	5	Goods and services not specifically mentioned in 10 percent rates	5	Electricity and fuel	5	Consumer durables	5	Furniture, clothes, tea and coffee	5	Capital equipment, raw materials, and spare parts	5	Construction and land development	10	Soft drinks and non-alcoholic drinks	10	Transportation	10	Motorcycle, trucks, minibus, bus and their spare parts	10	Imports and sales of TV, radio and other electronic equipment	10	Passenger car, jeep, pickup, plane ship, motorboat for recreation	10
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Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.1 Turnover tax (Continued)	<p>The tax on services shall be calculated after completion of the work. The calculation shall be based on the actual service charges without turnover tax.</p> <p>Turnover tax declarations must be submitted monthly and turnover tax collected must be paid monthly (turnover tax on imports is collected at custom checkpoints). All purchase and sales must be substantiated by tax invoices.</p>	<ul style="list-style-type: none"> • International transportation and relevant services (international transportation-transportation of passengers or cargoes from abroad or to abroad by land, air and sea/river). • Transport by people, animals and boats without engines. • Provision of leasing immovable properties, such as land, houses and others by persons who do not have business activities. • Export services. • Independent job-occupation by one's own labor. • Educational activities: child schools, primary schools, secondary and high schools, universities and technical schools. • Activities for public benefits held by government authorities and international organizations; and banking and insurance activities. • Rice. • Fertilizer. • Wheelchairs. • Fire trucks. 	<p>Precious metals and jewelry 10</p> <p>Hotels and tourism 10</p> <p>Telecommunication services 10</p> <p>Alcoholic drinks and cigarettes 10</p> <p>Games 10</p> <p>Entertainment activities 10</p>
3.2 Excise duties	<p>Levied equally on imports and domestic supplies of petroleum products and selected consumer goods. Imported items are subject to tax on customs duty-inclusive values while domestic suppliers are subject to tax on ex-factory costs.</p>	<p>The following are exempt:</p> <ul style="list-style-type: none"> • Purchases by embassies and international organizations. • Kerosene. • Alcohol (90) for medical purposes. • Purchases of petroleum products for externally-funded projects. • Exports of excisable goods. 	<p>The ad valorem excise duties are as follows:</p> <p style="text-align: center;"><u>Item</u></p> <p>Petroleum products:</p> <p>Premium gasoline 23</p> <p>Regular gasoline 24</p> <p>Diesel 12</p> <p>Kerosene 5</p> <p>Hydraulic, brake, lubricating, and grease oil</p>

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates	
3.2 Excise duties (continued)			<u>Item</u>	
			Alcohol:	
			All types with 15 proof and more	60
			All types with less than 15 proof	50
			Soft drinks	30
			Cigarettes and cigars	50
			Cosmetics and perfumes	20
			Play cards, and the like	70
			Vehicles—Cars	
			Pick up two doors	25
			Pick up four doors	30
			All types of vans	20
			Bus	15
			All types of freight hauling vehicles	15
			Jeep	30
			Cars hp less than 1000cc	60
			1000-1500cc	62
			1500-3000cc	72
			more than 3000cc	104
		Motorcycles	50	
		Miscellaneous items:		
		Electrical appliances (freezer, heater, a.c. unit, washing machine, vacuum, color TV, camera, VCR, VCR camera)	12	
		Entertainment tools and services, hunting guns	10	

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 Excise duties (continued)			There is an additional excise duty on:
			Premium gasoline 30kip/ltr Regular gasoline 20kip/ltr Gasoline 20kip/ltr
			Alcohol
			All types with 15 proof or more
			Domestic 500kip/ltr Imported 5,000kip/ltr
			All types with less than 15 proof
			Domestic 300kip/ltr Imported 3,000kip/ltr
			Beers
			Domestic 900kip/ltr Imported 2,000kip/ltr
			Other drinks:
			Carbonated drinks
			Domestic 300kip/ltr Imported 600kip/ltr
			Soda water
			Domestic 300kip/ltr Imported 600kip/ltr
			Other imported drinks:
			Invigorating drinks 700kip/ltr Mineral water 2,000kip/ltr Mixed drinks in cans 1,000kip/ltr (e.g., coffee, fruit juice, etc.)
			Cigarettes
			Domestic 800kip/pck Imported 1,500kip/pck

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates	
3.3 Business and professional license	Levied annually on registered industrial and commercial enterprises, based on turnover and on import-export enterprises, based on capital. Payable during the first three months of the year on a current basis.	None	Different rates apply to enterprises producing for the local market and import-export enterprises.	
			<u>Turnover</u>	<u>Rates applicable to local enterprises</u>
			(In million of kips)	(In kip)
			0-1	0,0
			1-5	6,000
			5-10	10,000
			10-20	20,000
			20-50	40,000
			50-100	70,000
			100-200	100,000
			200 and above	150,000
			<u>Capital</u>	<u>Rates applicable to import-export</u>
			(In million of kips)	(In kip)
			10-50	100,000
			50-100	200,000
			100-150	300,000
			150-200	400,000
			200 and above	500,000
3.4 Road tax	Levied annually on all motor vehicles (motorcycles, cars, trucks, etc.)	<p>The following are exempt:</p> <ul style="list-style-type: none"> • Government cars. • Cars of the diplomatic corps, international organizations, and foreign experts. • 50 percent reduction for government staff, soldiers, policemen, students for one vehicle. • 60 percent reduction for pensioners. 	<p>Fees vary according to size of engine (for cars and motorcycles), weight (for trucks), and number of seats (for buses).</p> <p style="text-align: right;">KN 2,000 to KN 360,000</p>	

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.5 Air travel fees	Levied annually for: (i) Civil aviation registration	None	Fees vary according to weight. KN 7,000 KN 70,000
	(ii) Examination issuance and renewal of permits		KN 5,000 KN 40,000
3.6 Airspace overflight fees	Levied on all aircraft without regard to nationality overflying the territory of the Lao P.D.R.	<ul style="list-style-type: none"> • VIP special aircraft. • Hospital aircraft carrying patients. 	US\$160–\$250 per overflight
3.7 River transport fees	Levied annually	None	Fees vary according to size of boats KN 200– KN 20,000
3.8 Border entry and exit fees		<ul style="list-style-type: none"> • Diplomatic personnel and relatives. • Foreign experts and relatives. 	Lao nationals: KN 500 Foreigners \$5
	Persons Vehicles		Land and water vehicles KN 1,500– KN 11,000
3.9 Fees for extended residence in Lao P.D.R.		<ul style="list-style-type: none"> • Diplomatic corps, foreign experts, and their relatives. 	Fees vary according to length of stay KN 6,000– KN 12,000
3.10 Fee for temporary border passes		None	KN 2,000– KN 3,000
3.11 Fees on delivery of passports, visas, and laissez-passer documents		None	Fees vary according to nature of document and applicant: Foreigners: US\$10–80 Lao nationals: KN 300– KN 10,000
3.12 Consular fees overseas	Levied every five years	None	Fees vary in accordance with the location of the consular office and type of document US\$2–32
3.13 Fees on possession of personal arms	Levied annually	None	KN 3,000– KN 4,000
3.14 Television and audio use fees		None	Television sets: KN 500– Video cassette recorders: KN 1,000

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. <u>Taxes on international trade</u>			
4.1 Import duties	<p>Until recently, imposed on values fixed in U.S. dollar terms. Such values were fixed for most items, jointly by the Ministry of Trade and the Customs Department. The main exceptions are motor vehicles and selected computer equipment, for which invoice values are accepted. The U.S. dollar values are converted into local currency at the market rate. As of November 2000, customs duties and taxes on all imports and exports are calculated on the basis of an exchange rate of \$1=kip 8,000.</p>	<p>Imports of diplomats and army/police are exempt. Goods imported by the Government for use in externally-financed development projects are also exempt; the Government otherwise pays duties on its other imports. Imports of fuel by Lao Aviation for international transport is exempt. Also exempt are imports under bilateral grants and externally-funded humanitarian imports.</p> <p>Imported inputs (raw materials, machinery and equipment, building materials) for approved foreign-financed private sector and joint venture investment projects are subject to an import fee of 1 percent.</p>	<p>Six rates ranging from 5 to 40 percent. The kinds of goods subject to these rates are as follows:</p> <p>Raw materials, chemicals (including fertilizers), packaging materials, some machinery (incl. tractors and tools for agriculture), and essential consumer goods (rice, wheat flour, salt, baby foods, medicines, books and printed materials), cameras</p> <p style="text-align: right;"><u>Tax Rate</u> (In percent)</p> <p style="text-align: right;">5</p>

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates	
4.1 Import duties (continued)		Raw materials and intermediate components imported for the purpose of processing and then re-exported are fully exempt from import duties. In highly exceptional cases and by specific decision of the Government, foreign investors may also be exempt from the 1 percent duty rate because of the large size of their investments and the significant positive impact which those investments are expected to have upon the socio-economic development of the country.	Other machinery and spare parts, and less essential goods (sugar, cheese, butter, chocolate, cooking oils, footwear, garments, photographic films, refrigerators, dishwashers, household electrical appliances, stereo systems, carpets, pearls and diamonds).	10
		There are no discretionary exemptions. The Minister of Finance does not have the power to grant duty exemptions.	Selected luxury consumer goods (premium petrol, cosmetics and toiletries, TVs and VCRs, radio cassette players, table games and funfair articles, buses, minibuses, a.c. units).	20
		Currently, there is no drawback scheme for import duties paid on inputs for exports.	Other luxury consumer goods (prepared meats and fish, cereals and prepared foods, white chocolate confectionery, toilet soaps and deodorants, perfumes, wines, and spirits), pick up trucks.	30
			Soft drinks, liquors, beer, tobacco, detergents, processed wood, jeeps, cars, motorbikes, cigarettes, cigars.	40

Lao P.D.R.: Summary of Tax System as of December 31, 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2 Export duties		All exported finished products produced from raw materials and intermediate components imported free of import duty under Article 17 of the Law on the Promotion and Management of Foreign Investment in the Lao P.D.R. are exempt.	Electricity: 20 percent of invoice value; coffee: 5 percent of FOB value; livestock: 5 percent of FOB value; logs: specific rates; saw wood: specific rates; semifinished wood products (lumber, parquet): 30 percent of FOB value; finished wood products (plywood): 3 percent of FOB value.
4.3 Transit tax	Imposed on "transit" vehicles shipping traded commodities between Thailand, Vietnam, and China via the Lao P.D.R.		
5. <u>Taxes on timber and other natural resources</u>			
5.1 Timber royalties	Levied as a fixed dollar amount per cubic meter of timber sold, both for domestic consumption and export. Timber royalties incorporate other taxes previously levied on timber products, i.e., the <u>reforestation tax</u> , the <u>resource tax</u> levied on the timber production rate, and the <u>export duties</u> , levied by the Customs department on exported timber.	None	Royalties established by the Ministry of Commerce and the Forestry Department of the Ministry of Agriculture. Since February 1995, royalties average about US\$15,650 per cubic meter, depending on the timber quality.
5.2 Taxes on natural resources	Levied in the form of specific duties on volume of mineral extraction, or ad valorem duties on sale price of mineral products.		<ul style="list-style-type: none"> • Ferrous metals 2 percent of sale value • Non-ferrous metals 2-5 percent • Coal 2-3 percent • Construction materials KN 50 per 100m³

Source: Ministry of Finance.

This summary incorporates the revised tax rates and revisions in other aspects of the tax system which are part of the new tax law, adopted by the National Assembly at the end of 2000.

Table 1. Lao P.D.R.: Selected Economic and Financial Indicators, 1997–2000

Nominal GDP (1998):	\$1,286 million			
Population (1998):	5.0 million			
GDP per capita (1998):	\$257			
Fund quota:	SDR 52.9 million			
	1997	1998	1999	<u>Est.</u> 2000
Nominal GDP (in billions of kip)	2,201	4,240	10,304	13,483
Real GDP growth (percent change) 1/	7.0	4.0	7.3	5.7
Prices (percent change)				
Consumer prices				
(12-month rate; end-of-period)	26.6	141.9	86.7	10.6
(monthly; end-of-period) 2/	-0.6	4.9	-1.1	-0.9
GDP deflator (annual average)	19.3	85.2	126.5	23.8
Government budget (percent of GDP) 3/				
Revenue	11.3	9.8	10.6	12.7
Grants	3.4	5.3	6.0	3.2
Expenditure	21.9	23.6	20.6	20.9
Current account balance (excluding grants)	0.2	1.7	4.4	4.6
Overall balance (including grants)	-7.2	-8.5	-4.0	-5.0
<i>Of which</i> : Bank financing	-1.6	0.8	-0.4	-0.8
Money and credit (percent change; end-of-period)				
Broad money	65.8	113.3	78.4	45.7
Bank credit to the economy	110.8	86.3	74.2	41.3
Credit to SOEs	226.1	85.6	99.2	44.3
Credit to the private sector	83.4	86.6	63.6	39.7
Interest rates (in percent; end-of-period)				
On one-year deposits	19	23	24	24
On short-term loans	20–27	31–34	22–30	16–24
External trade				
Trade balance (US\$ millions)	-331	-216	-191	-198
Exports (percent change in US\$ value)	-1.4	6.4	7.7	8.3
Imports (percent change in US\$ value)	-6.0	-14.7	0.3	6.6
Balance of payments (percent of GDP)				
Current account balance (including official transfers)	-10.7	-4.4	-1.5	-1.6
Overall balance (US\$ millions)	-53	-18	3	44
Gross official reserves (US\$ millions)	136	112	106	140
(in months of prospective goods and service imports)	2.7	2.2	2	2.4
Net official reserves (US\$ millions)	70	50	53	97
External debt (in percent)				
Ratio of debt-to-GDP 4/	60.9	95.2	89.4	73.4
Debt-service ratio 5/	7.3	9.7	10.4	9.2
Exchange rate				
Kip per U.S. dollar (end-of-period)				
Commercial bank rate	2,135	4,274	7,600	8,140
Parallel market rate	2,205	4,750	7,575	8,170
Real effective exchange rate (percent change, annual average)	4.5	-23.1	5.0	10.8

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates and projections.

1/ Staff estimate for 1999 real GDP growth is 5.0 percent; the lower estimate of Fund staff is due to their lower estimate of agricultural sector output, in line with observations of relevant international agencies.

2/ Moving average of latest 3 monthly observations.

3/ Fiscal data are on a fiscal year basis (October–September).

4/ Excludes debt in nonconvertible currencies; includes debt to the Fund (SAF and ESAF).

5/ As a ratio of exports of goods and services.

Table 2. Lao P.D.R.: Real GDP Growth, 1995–2000

	1995	1996	1997	1998	1999	2000
	(In percent)					
Agriculture	3.1	2.2	7.5	3.1	8.2	5.0
Crops	-2.5	0.9	16.2	6.4	13.5	12.9
Livestock and fishery	3.7	4.0	1.2	2.5	2.3	2.9
Forestry	28.2	1.7	-5.2	-9.7	2.3	-33.6
Industry	13.1	17.3	8.1	9.2	8.0	7.6
Mining and quarrying	-3.7	41.2	50.0	12.7	33.5	17.1
Manufacturing	17.7	19.0	8.5	9.6	7.1	7.8
Construction	6.8	8.7	8.3	-13.9	-0.6	-10.5
Electricity, gas, and water	-8.8	15.2	-2.3	62.8	21.6	24.3
Services	10.2	8.7	7.3	5.5	6.7	6.0
Transportation, storage and communication	18.2	15.1	5.4	6.6	5.8	6.2
Wholesale and retail trade	9.3	10.0	12.1	9.7	7.2	5.3
Banking, insurance, and real estate	42.0	-0.8	7.6	1.6	3.0	3.0
Ownership of dwellings	3.4	4.2	4.4	2.5	2.5	2.5
Public wage bill	-4.5	0.0	1.4	4.3	6.7	0.7
Nonprofit institutions	2.4	11.1	-4.5	-20.0	-4.8	8.0
Hotels and restaurants	35.0	14.5	16.2	8.2	21.6	19.8
Other	15.4	23.1	-6.3	5.0	19.6	31.0
GDP at factor cost	6.7	6.7	7.6	5.0	7.8	5.8
Import duties	24.8	8.7	-15.0	-45.3	-38.8	-3.4
GDP at market prices	7.1	6.8	7.0	4.0	7.3	5.7

Source: Data provided by the Lao P.D.R. authorities.

Table 3. Lao P.D.R.: Real GDP by Industrial Origin, 1995–2000

	1995	1996	1997	1998	1999	2000
(In billions of kip, at 1990 constant market prices)						
Agriculture	454	464	499	514	556	584
Crops	216	218	253	270	306	346
Livestock and fishery	179	186	188	193	197	203
Forestry	59	60	57	51	53	35
Industry	157	184	199	217	234	252
Mining and quarrying	2	2	4	4	5	6
Manufacturing	116	138	150	164	176	190
Construction	28	30	33	28	28	25
Electricity, gas, and water	11	13	13	21	25	31
Services	204	222	238	252	268	284
Transportation, storage, and communication	44	50	53	56	60	63
Wholesale and retail trade	69	76	85	93	100	106
Banking, insurance, and real estate	12	12	13	13	13	14
Ownership of dwellings	28	30	31	32	32	33
Public wage bill	28	28	28	29	31	31
Nonprofit institutions	10	11	11	8	8	9
Hotels and restaurants	12	14	17	18	22	26
Other	1	2	2	2	2	2
GDP at factor cost	815	870	936	983	1059	1120
Import duties	21	23	19	11	6	6
GDP at market prices	836	892	955	993	1065	1127

Source: Data provided by the Lao P.D.R. authorities.

Table 4. Lao P.D.R.: Nominal GDP by Industrial Origin, 1997–2000

	1997	1998	1999	2000
	(In billions of kip)			
Agriculture	1,139	2,227	5,508	7,129
Crops	579	1,168	3,031	4,221
Livestock and fishery	430	836	1,956	2,481
Forestry	130	223	521	426
Industry	454	940	2,321	3,079
Mining and quarrying	8	18	54	77
Manufacturing	342	712	1,744	2,318
Construction	74	122	276	304
Electricity, gas, and water	29	89	247	378
Services	564	1,011	2,401	3,189
Transportation, storage and communication	121	244	591	773
Wholesale and retail trade	194	405	992	1,288
Banking, insurance, and real estate	29	7	57	96
Ownership of dwellings	70	137	321	406
Public wage bill	95	123	195	264
Nonprofit institutions	14	11	11	12
Hotels and restaurants	38	77	215	317
Other	3	7	19	30
Import duties	44	62	75	84
GDP at market prices	2,201	4,240	10,304	13,483

Source: Data provided by the Lao P.D.R. authorities.

Table 5. Lao P.D.R.: Output of Major Commodities, 1995–2000

Item	Unit	1995	1996	1997	1998	1999	2000
Agriculture							
Paddy	'000 tons	1,418	1,414	1,660	1,674	2,100	2,200
Corn	'000 tons	48	76	78	109	96	117
Sweet potatoes and cassava	'000 tons	99	92	94	107	81	118
Coffee	'000 tons	9	10	12	17	18	24
Tobacco	'000 tons	27	26	28	26	23	33
Livestock							
Buffalo	'000 tons	46	47	47	48	49	50
Cattle	'000 tons	38	39	40	42	43	44
Pigs	'000 tons	81	83	85	87	89	91
Poultry	'000 tons	16	16	17	17	18	19
Forestry							
Logs	'000 m3	819	659	560	500	568	378
Industry							
Tin	tons	636	736	665	785	691	477
Gypsum	'000 tons	124	113	151	131	165	200
Manufacturing							
Hydropower	million khw	1,085	1,248	1,219	1,996	2,436	3,036
Beer	'000 hectoliter	151	240	286	332	356	399
Soft drinks	'000 hectoliter	105	108	122	125	123	117
Cigarettes	million packs	43	49	50	55	38	41
Agricultural tools	'000 units	4	3	3	4	4	4
Corrugated iron sheet	million sheets	1	2	2	2	...	...
Detergent	tons	877	913	870	912	879	800
Nails	tons	61	544	750	624	691	825
Oxygen	'000 bottles	17.3	24	24	21	21	20
Electric cord	'000 m	2,192	2,441	3,100	2,250	3,570	2,700
Plastic products	tons	500	2,940	3,568	3,225	3,900	4,225
Salt	'000 tons	11	14	16	16	18	19
Wood furniture	million kip	6,622	7,210	7,800	7,155	12,725	13,800
Rattan furniture	million kip	133	175	148	...	...	...
Garments	million pieces	18	19	21	23	...	...
Sugar	tons	147	189	400	...	...	...
Tobacco	tons	813	1,219	1,560	1,000	757	1,190
Plywood	mill. sheets	2	2	2	...	2,086	2,125
Cement	1,000 tons	59	78	84	...	...	...
Bricks	million pieces	56	57	69	53	...	...
Wood	1,000 meters	289	231	255	...	...	...
Ventilators	1,000 units	202	543	420	...	...	...

Source: Data provided by the Lao P.D.R. authorities.

Table 6. Lao P.D.R.: Consumer Price Indices, 1997–2000

	1997	1998	1999	2000
(NSC Index; December 1995=100)				
January	113.0	148.3	372.0	654.5
February	115.4	167.3	419.0	665.9
March	118.8	172.9	461.7	672.0
April	120.7	196.1	508.4	686.2
May	127.3	207.3	529.4	694.4
June	127.5	257.0	577.5	701.8
July	133.0	271.1	639.0	707.3
August	139.9	279.1	670.4	715.6
September	145.5	300.1	668.0	733.0
October	142.8	303.3	670.7	727.4
November	139.9	330.5	642.3	713.8
December	142.8	345.4	644.7	712.8
(Twelve-month percentage change)				
January	11.4	31.3	150.8	75.9
February	11.7	45.0	150.5	58.9
March	12.4	45.6	167.1	45.6
April	12.3	62.4	159.3	35.0
May	16.2	62.8	155.4	31.2
June	15.9	101.6	124.7	21.5
July	19.6	103.8	135.7	10.7
August	25.7	99.5	140.2	6.7
September	27.7	106.3	122.6	9.7
October	26.9	112.5	121.1	8.5
November	25.7	136.3	94.3	11.1
December	26.6	141.9	86.7	10.6
Period average	19.3	87.4	134.0	27.1

Source: Data provided by the Lao P.D.R. authorities.

Table 7: Lao P.D.R.: General Government Operations, 1996/97–2000/01

	1996/97	1997/98	1998/99	Budget	Est.	Budget
				1999/00		2000/01
(In billions of kip)						
Revenue and grants	298	567	1,461	2,160	2,018	2,614
Revenue	228	367	929	1,620	1,615	2,194
Tax	190	290	745	1,376	1,323	1,742
<i>Of which:</i>						
Profit tax	23	33	80	170	172	316
Turnover tax	40	63	160	264	252	379
Excise tax	18	51	157	225	211	336
Import duties	47	50	99	173	138	192
Timber royalty receipts	32	37	89	270	288	115
Nontax	39	77	184	244	293	452
Grants	70	200	532	540	403	420
Expenditure	444	883	1,809	2,819	2,655	3,382
Current	224	304	539	1,052	1,031	1,417
Wages and salaries	92	117	181	348	348	417
Materials and supplies	57	63	132	137	197	342
Interest payments	16	39	59	133	103	175
Timber royalty financed expenditure	32	37	89	270	184	115
Other recurrent	27	49	78	164	199	368
Capital and onlending 1/	220	579	1,270	1,768	1,623	1,965
Current balance	4	63	390	568	584	776
Overall balance	-146	-317	-348	-659	-637	-769
excluding grants	-216	-516	-879	-1,199	-1,040	-1,189
Financing	146	317	348	659	637	769
Domestic financing	33	93	-52	7	-94	213
Bank financing 2/	-32	30	-39	0	-104	0
Nonbank financing	64	63	-13	7	10	213
Foreign financing (net)	114	223	400	652	731	556
Project loans	110	249	478	824	792	780
Program loans	12	0	0	0	96	0
Amortization	8	26	77	172	157	224
(In percent of GDP)						
Revenue and grants	14.7	15.1	16.6	17.0	15.9	17.7
Revenue	11.3	9.8	10.6	12.8	12.7	14.9
Tax	9.3	7.8	8.5	10.8	10.4	11.8
Nontax	1.9	2.0	2.1	1.9	2.3	3.1
Grants	3.4	5.3	6.0	4.3	3.2	2.8
Expenditure	21.9	23.6	20.6	22.2	20.9	22.9
Current	11.1	8.1	6.1	8.3	8.1	9.6
Wages and salaries	4.5	3.1	2.1	2.7	2.7	2.8
Capital and onlending	10.8	15.5	14.4	13.9	12.8	13.3
Current balance, excluding grants	0.2	1.7	4.4	4.5	4.6	5.3
Overall balance	-7.2	-8.5	-4.0	0.0	-5.0	-5.2
excluding grants	-10.6	-13.8	-10.0	-5.2	-8.2	-8.1
Financing	7.2	8.5	4.0	5.2	5.0	5.2
Domestic financing (net)	1.6	2.5	-0.6	0.1	-0.7	1.4
Bank	-1.6	0.8	-0.4	0.0	-0.8	0.0
Nonbank	3.2	1.7	-0.1	0.1	0.1	1.4
Foreign financing (net)	5.6	6.0	4.6	5.1	5.8	3.8
Memorandum item:						
Nominal GDP, fiscal year (in billions of kip)	2029	3745	8,788	12,691	12,691	14,755

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

1/ Compared to previously used fiscal data, the budget capital expenditures have been revised to exclude irrigation projects financed through bank credit to farmers and state enterprises, mainly in 1997/98.

2/ Bank financing excludes the valuation adjustments on the stock of government foreign currency deposits and credit in all years, as well as reclassification of printing costs by the BOL (KN 78 billion) in 1999/00.

Table 8. Lao P.D.R.: General Government Revenue, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00		2000/01
				Budget	Est.	Budget
(In billions of kip)						
Tax revenue	190	290	745	1,376	1,323	1,742
Profit tax	23	33	80	170	172	316
Income tax	12	19	70	96	116	182
Agriculture/land tax	3	3	5	8	7	13
Business licenses	0	0	0	2	1	3
Turnover tax	40	63	160	264	252	379
Excise tax	18	51	157	225	211	336
Import duties	47	50	99	173	138	192
Export duties	6	8	24	43	44	62
Registration	2	2	5	6	12	9
Other fees	7	19	33	99	46	104
Natural resource tax	0	0	5	7	14	11
Timber royalties	32	37	89	270	288	115
Hydropower royalties	0	4	17	14	22	21
Nontax revenue	39	77	184	244	293	452
Leasing	5	10	11	21	15	20
Concession	0	0	1	1	2	3
Fines	6	11	9	15	12	22
Administrative fees	0	0	11	4	10	19
Depreciation/dividends	9	8	22	25	43	212
Interest	8	15	89	65	80	40
Overflight	10	33	40	98	122	125
Irrigation, etc.	0	0	0	14	9	11
Total revenue	228	367	929	1,620	1,615	2,194

Source: Data provided the Lao P.D.R. authorities.

Table 9: Lao P.D.R.: General Government Expenditure, 1996/97–2000/01

	1996/97	1997/98	1998/99	1999/00		2000/01
				Budget	Proj.	Budget
(In billions of kip)						
Current expenditure	224	304	539	1,052	1,031	1,417
Wages and salaries	92	117	182	348	348	419
Base wage	80	81	148	223	200	289
Benefits	12	13	25	81	82	70
Functions	...	...	6	11	10	3
Teacher	...	...	5	7	6	4
Medical personnel	...	...	1	2	1	1
Length of service	...	...	6	8	8	8
Other	...	...	7	53	46	55
Cost of living	0	24	10	44	44	59
Transfers	26	30	58	107	142	269
Spouse	...	...	3	5	...	16
Children	...	...	21	28	...	57
Scholarship	...	...	12	12	...	54
Pensions	...	...	6	11	...	29
Emergency	...	...	4	7	...	12
Medicine	...	...	4	8	...	18
Other	...	...	5	36	...	84
Restructuring of SOEs	0	18	19	0	0	0
Materials and supplies	57	63	132	137	197	306
Interest	16	39	68	133	103	196
External	7	32	53	118	82	141
Domestic	9	7	15	15	21	55
Timber royalty-financed expenditure	32	37	89	270	184	115
Severance payments	1	1	1	3	3	4
Other	0	0	0	0	54	130
Capital expenditure and net onlending	220	579	1,270	1,768	1,623	1,965
Local	56	154	297	456	506	805
Loan-funded projects	110	249	478	824	792	780
Grant-funded projects	63	187	519	540	403	420
Onlending (net)	-9	-10	-24	-52	-78	-40
Amortization (External debt)	8	27	77	172	157	224

Source: Data provided by the Lao P.D.R. authorities.

Table 10. Lao P.D.R.: Monetary Survey, 1997–2000

	1997	1998	1999	2000			
				March	June	Sept.	Dec.
(In billions of kip; end-of-period)							
Net foreign assets	250	498	1,266	1,352	1,470	1,505	1,526
Net domestic assets	156	368	278	408	578	577	725
Domestic credit	362	704	1,045	1,127	1,243	1,266	1,441
Net credit to government	-44	-52	-272	-331	-328	-366	-420
Credit to nongovernment sector	406	756	1,317	1,458	1,571	1,632	1,861
Public enterprises	120	224	445	502	579	593	643
Private sector	286	533	872	956	993	1,039	1,218
Other items (net)	-207	-337	-767	-719	-666	-688	-716
Broad money	406	866	1,545	1,758	2,048	2,083	2,251
Narrow money	80	169	219	232	253	264	339
Currency outside banks	53	63	78	75	52	48	67
Demand deposits	27	106	141	157	201	216	272
Quasi-money	326	697	1,326	1,526	1,795	1,819	1,911
Time and savings deposits	96	116	98	132	184	185	200
Foreign currency deposits	230	581	1,227	1,395	1,611	1,634	1,712
(Annual percentage increase)							
Domestic credit	142	94	48	31	5	16	38
Credit to nongovernment sector	111	86	74	45	12	30	41
Broad money	66	113	78	58	27	48	46
Memorandum items:							
Reserve money (in billions of kip)	150	282	482	547	712	804	767
Money multiplier 1/	2.7	3.1	3.2	3.2	2.9	2.6	2.9

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

1/ Broad money divided by reserve money.

Table 11: Lao P.D.R.: Sources of Broad Money Growth, 1998–2000

	<u>1998</u>	<u>1999</u>				<u>2000</u>				
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	
	(Increase as percent of previous period broad money)									
Broad money	20.0	28.3	70.7	-25.7	9.6	13.8	16.5	3.1	6.6	
Narrow money	7.7	4.2	-2.0	0.4	2.0	0.8	1.2	0.7	3.4	
Time and savings deposits	-2.8	-1.0	1.7	0.5	-2.7	2.2	2.9	0.5	1.1	
Foreign currency deposits	15.0	25.1	71.0	-26.6	10.3	10.8	12.3	1.9	2.3	
Contributions										
Net foreign assets	11.2	21.0	73.8	-25.1	17.2	5.5	6.7	0.3	2.3	
Net credit to government	3.3	-11.2	-18.0	9.8	-7.7	-3.8	0.2	-1.9	-2.5	
Credit to nongovernment sector	6.8	28.9	56.4	-19.8	4.2	9.1	6.4	6.3	7.6	
Other items (net)	-1.3	-10.4	-41.5	9.5	-4.2	3.1	3.0	-1.6	-0.8	

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

Table 12. Lao P.D.R.: Balance Sheet of the Bank of the Lao P.D.R., 1997-2000

	1997	1998	1999	2000			
				March	June	Sept.	Dec.
(In billions of kip; end-of-period)							
Net foreign assets	147	216	405	389	515	758	799
Foreign assets	290	480	807	772	887	1,119	1,147
Foreign liabilities	-143	-264	-401	-383	-372	-361	-347
Net claims on government	-48	14	-36	-52	-212	-269	-347
Claims on government	5	91	199	209	149	156	159
Government deposits	-53	-78	-235	-260	-361	-425	-506
Claims on state-owned enterprises	60	113	224	262	296	339	346
Claims on private sector	38	72	143	143	142	141	143
Claims on other banking institutions	58	80	302	362	475	421	446
BOL securities	-29	-43	-142	-166	-167	-160	-159
Other items (net)	-132	-170	-415	-389	-337	-416	-461
Reserve money	150	282	482	547	712	814	767
Memorandum items:							
Broad money (in billions of kip)	406	866	1,545	1,758	2,048	2,083	2,251
Net foreign assets (in millions of U.S. dollars)	68	50	53	51	66	94	97

Source: Data provided by the Lao P.D.R. authorities.

Table 13. Lao P.D.R.: All Commercial Banks, 1998–2000

	1998	1999	2000			
			Mar.	June	Sept.	Dec.
(In billions of kip; end-of-period)						
Net foreign assets	283	861	963	955	720	726
Foreign assets	452	1,143	1,240	1,278	1,063	1,076
Foreign liabilities	169	282	276	323	344	349
Net reserves	131	88	137	155	326	199
Reserves	212	403	505	655	768	689
Credit from monetary authorities	82	314	368	501	442	490
Net credit to government	-66	-236	-280	-115	-99	-72
Net credit in kip	11	-183	-220	-40	-45	-18
Net credit in foreign currency	-77	-53	-59	-75	-53	-54
Net domestic assets (excluding net credit to government)						
Credit to the economy	572	950	1,053	1,134	1,223	1,371
<i>Of which:</i> Foreign currency	429	725	792	841	899	868
Credit to state enterprises	111	222	240	283	288	297
Credit to private sector	461	729	814	850	935	1,075
Other items, net	-117	-197	-190	-133	-103	-41
Deposits	803	1,467	1,684	1,995	2,067	2,183
Deposits in kip	222	239	289	384	417	472
Deposits in foreign currency	581	1,227	1,395	1,611	1,649	1,712
(In millions of U.S. dollars; end-of-period)						
Net foreign assets	66	113	127	122	89	88
Foreign currency credit to the economy	100	95	105	107	111	106
Foreign currency net credit to government	18	7	8	10	7	7
Foreign currency deposits	136	161	184	206	204	208
(Annual percentage increase)						
Domestic credit	...	41	22	9	57	-100
Credit to the economy	...	66	37	-7	33	44
Deposits	...	83	62	10	55	49
Memorandum items:						
NFA coverage of FC deposits	49	70	69	59	44	42
Reserves to deposits ratio	0.3	0.3	0.3	0.3	0.4	0.3
Exchange rate, end-of-period (kip per U.S. dollar)	4,274	7,600	7,560	7,835	8,085	8,218

Source: Data provided by the Lao P.D.R. authorities.

Table 14. Lao P.D.R.: State Commercial Banks, 1998–2000 1/

	1998	1999	2000			
			Mar.	June	Sept.	Dec.
(In billions of kip; end of period)						
Net foreign assets	223	639	740	742	515	482
Foreign assets	293	769	864	918	695	674
Foreign liabilities	70	131	124	176	180	193
Net reserves	90	30	35	45	190	102
Reserves	137	278	340	458	561	494
Credit from monetary authorities	46	249	305	413	371	392
Net credit to government	-63	-203	-252	-107	-89	-66
Net credit in kip	-63	-150	-192	-33	-36	-13
Net credit in foreign currency	0	-53	-59	-74	-53	-53
Net domestic assets (exc. Net credit to gov.)	351	682	802	892	1,023	1,189
Credit to the economy	309	556	640	689	775	884
<i>of which</i> in foreign currency	...	431	491	526	586	657
Credit to state enterprises	100	197	213	235	242	253
Credit to private sector	209	359	427	454	534	630
Other items, net	41	126	163	203	247	306
Deposits	596	1,139	1,320	1,570	1,640	1,711
Deposits in kip	188	197	239	305	329	372
Deposits in foreign currency	408	942	1,081	1,266	1,310	1,339
(In millions of U.S. dollars; end of period)						
Net Foreign Assets	52	84	98	95	64	59
Foreign currency credit to the economy	...	57	65	67	73	80
Foreign currency net credit to government	0	-7	-8	-10	-7	-6
Foreign currency deposits	95	124	143	162	162	163
(Annual percentage increase)						
Domestic credit	...	43	...	37	106	132
Credit to the economy	...	80	...	1	49	59
<i>of which</i> in foreign currency	...	...	...	2	53	53
Deposits	...	91	...	14	59	50
Memorandum items:						
NFA coverage of FC deposits	55	68	68	59	39	36
Reserves to deposits ratio	0.2	0.24	0.26	0.29	0.34	0.29
Exchange rate, eop (kip per U.S. dollar)	4,274	7,600	7,560	7,835	8,085	8,218

Source: Data provided by the Lao P.D.R. authorities.

1/ Comprises BCEL, LMB and LXB.

Table 15. Lao P.D.R.: Interest Rates, 1998–2001

(In percent; end-of-period)

	1998	1999	2000	<u>2001</u> Feb.
Local Banks (representative rates)				
Deposit rates				
Savings (U.S. dollar accounts)	5.0	3.0	3.0	2.0
Fixed (U.S. dollar accounts)				
3 months	5.5	4.5	4.0	2.5
6 months	6.0	4.8	5.0	3.0
12 months	8.0	5.0	6.0	3.5
Savings (Kip accounts)	22.0	6.0	12.0	8.0
Fixed (Kip accounts)				
3 months	22.0	15.0	15.0	12.0
6 months	22.0	20.0	20.0	14.0
12 months	23.0	24.0	24.0	16.0
Lending rates				
Overdraft				
Kip	36.0	36.0	30.0	24.0
Baht	22.0	18.0	12.0	10.0
U.S. dollar	18.0	14.0	11.0	11.0
Foreign Banks (representative rates)				
Deposit Rates				
Savings (U.S. dollar accounts)	5.0	1.0	1.0	1.0
Fixed (U.S. dollar accounts)				
3 months	5.0	2.0	1.0	1.0
6 months	5.0	2.0	1.5	1.5
12 months	5.0	2.0	3.0	3.0
Lending Rates				
Overdraft				
Kip	33.5	23.0	23.0	23.0
Baht	21.5	17.0	17.0	17.0
U.S. dollar	15.5	13.0	13.0	13.0

Source: Data provided by the Lao P.D.R. authorities.

Table 16: Lao P.D.R.: Summary of Open Market Instruments 2000–2001

Type of Bill	Volume (billions of kip)	Sale Date	Interest Rate (percent)	Stock Outstanding (billions of kip)						
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
BOL bills				27.1	26.8	26.8	26.8	26.6	26.6	26.4
	20	Sept. 96	24	1.8	1.8	1.7	1.7	1.7	1.7	1.7
	15	Jan. 98	26	4.7	4.5	4.5	4.5	4.5	4.5	4.5
	20	Nov. 98	30	8.1	8.1	8.1	8.1	8.0	7.9	7.8
	50	Apr. 99	60	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Treasury bills				26.3	26.3	26.3	26.3	26.3	26.3	26.3
	13	Oct. 96	22–24	1.2	1.2	1.2	1.2	1.2	1.2	1.2
	by auctions			0.0	0.0	0.0	0.0	0.0	0.0	0.0
	55	Jan. 99	30	25.1	25.1	25.1	25.1	25.1	25.1	25.1

Source: The Bank of the Lao P.D.R.

Table 17: Lao P.D.R.: Balance of Payments, 1996–2000

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Current account	-226	-185	-56	-22	-28
(excluding official transfers)	-307	-282	-130	-92	-98
Merchandise trade balance	-368	-331	-216	-191	-198
Exports, f.o.b.	321	317	337	363	393
(in percent change)	(2.6)	(-1.4)	(6.4)	(7.7)	(8.3)
Imports, c.i.f.	690	648	553	554	591
(in percent change)	(17.1)	(-6.0)	(-14.7)	(0.3)	(6.6)
Services (net)	25	28	71	98	105
Factor income (net)	-7	-22	-34	-28	-37
<i>Of which</i> : interest payments 1/	6	-19	-26	-19	-19
Of which: public debt	...	...	-9	-8	-10
Transfers (net)	125	140	123	99	101
Private	43	43	49	30	30
Official	82	97	74	70	71
Of which: technical assistance	14	19	17	14	16
Capital account	295	155	38	25	72
Long-term loans	139	161	86	62	96
Disbursements	155	179	98	91	120
Amortization	16	-18	-12	-29	-24
Of which: public debt			-7	-17	-12
Foreign investment (including external loans)	176	104	56	79	30
Of which: hydropower investment	...	60	18	27	17
Net foreign assets of commercial banks (increase -)	-7	14	-17	-47	25
Errors and omissions	91	-125	-86	-68	-79
Overall balance	-13	-30	-18	3	44
Financing	-69	30	18	-3	-44
Central bank net foreign assets	-69	30	18	-3	-44
Assets (increase -)	-74	31	23	6	-33
Liabilities (reduction -)	5	-1	-5	-9	-10
Memorandum items:					
Current account (in percent of GDP)	-12.2	-10.7	-4.4	-1.5	-1.6
(excluding official transfers)	-16.6	-16.3	-10.1	-6.3	-5.8

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates and projections.

1/ Includes debt service to official creditors and estimates for debt service to commercial creditors, but does not include obligations to the Russian Federation which are being clarified in the context of bilateral negotiations.

Table 18: Lao P.D.R.: Composition of Exports, 1996–2000

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Custom data	195.3	142.3	181.9	157.1	158.7
Wood products	124.6	89.7	115.4	105.6	119.9
Logs	34.3	16.7	10.5	n/a	69.0
Timber	78.7	67.4	87.4	n/a	41.3
Other	11.6	5.6	17.5	n/a	9.6
Coffee	25.0	19.2	48.0	15.2	15.1
Agricultural/forest products	17.8	18.1	8.4	8.3	12.7
Manufactures	27.9	15.3	10.1	27.9	11.0
Garments	64.1	90.5	70.2	72.0	76.9
Motorcycles	12.5	17.1	17.8	38.4	41.0
Car reexports	0.0	0.0	0.0	0.0	0.0
Electricity	29.7	20.8	66.5	90.5	111.6
Gold reexports	15.2	41.5	0.0	0.0	0.0
Fuel purchases by foreign carriers	0.4	0.5	0.4	0.8	0.9
Adjustment for Russian debt	4.2	4.2	4.0	4.0	4.0
Total exports	321.4	316.9	337.0	362.8	393.0
Memorandum items:					
Total exports/GDP (in percent)	17.4	18.3	26.2	24.7	22.9
Growth rate exports	2.6	-1.4	6.4	7.7	8.3

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

Table 19: Lao P.D.R.: Composition of Imports, 1996–2000

	1996	1997	1998	1999	2000
(In millions of U.S. dollars)					
Customs data (c.i.f.)	690	648	461	437	379
Investment goods	277	227	227	184	153
Machinery and equipment	71	52	44	21	9
Vehicles 1/	72	54	39	36	14
Fuel 1/	33	38	62	37	79
Construction/electrical equipment	101	83	81	91	51
Consumption goods	308	268	234	253	226
Materials for garments industry	70	74	67	67	67
Motorcycles parts for assembly	12	25	17	38	42
Cara for re-exports	0	0	0	0	0
Gold and silver 2/	19	50	1	2	0
Electricity	3	3	6	9	9
Fuel purchased abroad by Lao carriers	1	1	2	2	2
Unrecorded imports 3/	...	...	...	...	91
Total imports (c.i.f.)	690	648	553	554	591
(percentage change)	-17.1	-6.0	-14.7	0.3	6.6

Source: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

1/ Estimates based on the assumption that 50 percent of total are consumption goods.

2/ Includes gold for re-export.

3/ Estimate included for unrecorded imports in 2000 due to weaknesses in customs data.

Table 20: Lao P.D.R.: Composition of Factor Income, 1996–2000

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Receipts	8.9	11.5	6.9	10.5	15.9
Payments to Lao workers by embassies	0.5	0.5	0.6	0.6	0.7
Interest on Bank of Lao reserve assets	4.5	7.3	4.2	4.8	6.3
Interest on commercial banks nostro accounts	4.0	3.7	2.1	5.1	6.8
Income from royalty	0.0	0.0	0.0	0.0	2.2
Payments	15.8	33.1	40.9	38.9	52.6
Payments to foreign workers in Lao embassies	0.4	0.4	0.4	0.4	0.5
Income from direct investment in Laos	7.1	11.9	13.5	13.0	27.5
Interest on official borrowing	5.9	19.0	8.3	8.1	9.1
Interest on Bank of Lao foreign liabilities	0.4	0.4	0.4	0.3	0.5
Interest on commercial banks foreign liabilities	2.0	1.4	0.5	7.0	5.9
Interest payable on other private debt	0.0	0.0	17.8	10.1	9.1
Net factor income	-6.8	-21.6	-34.0	-28.4	-36.7

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

Table 21: Lao P.D.R.: Composition of Nonfactor Services, 1996–2000

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Receipts	104.3	100.4	129.7	145.5	150.7
Transportation	16.0	17.7	18.8	18.1	19.0
Overflight	9.9	10.5	11.8	9.3	...
Freight to Lao carriers (exports)	3.3	3.7	2.9	2.8	...
International fares to Lao carriers	1.4	2.5	2.2	3.9	...
Lao port charges	1.5	1.0	1.9	2.1	...
Travel	62.3	54.0	80.0	97.3	102.2
Communications	0.4	0.6	0.7	0.6	0.7
Insurance	0.4	0.5	0.8	0.8	0.8
Embassies (nonsalary)	25.2	27.6	29.4	28.7	28.0
Payments	79.3	72.9	59.1	47.3	45.2
Transportation	7.1	6.3	5.4	5.2	5.4
International fares to foreign carriers	6.3	5.4	4.6	4.4	...
Foreign port charges	0.8	0.9	0.8	0.8	...
Travel	22.2	21.0	17.2	11.8	13.0
Communications	0.6	0.7	0.8	0.7	1.5
Construction	36.1	35.4	26.1	20.5	15.0
Hydropower	16.9	12.0	3.6	5.7	...
Other Projects	19.2	23.5	22.5	14.8	...
Technical assistance (50 percent of inflow)	9.9	5.9	6.3	6.0	7.0
Lao embassies abroad (nonsalary)	3.4	3.6	3.3	3.1	3.3
Services (net)	25.0	27.5	70.6	98.2	105.5

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

Table 22: Lao P.D.R.: External Aid and Loan Disbursements, 1996–2000

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Grants 1/	81.7	97.5	73.7	69.7	70.5
Bilateral	73.2	77.8	58.1	59.7	70.5
Program grants	11.1	10.4	8.5	37.0	0.0
Project grants	62.1	67.4	49.6	22.7	70.5
<i>Of which</i> : Technical assistance			12.6	11.9	15.5
Multilateral	8.5	19.6	15.6	10.0	0.0
UN agencies	2.3	9.4	10.7	0.0	0.0
AsDB	0.2	1.5	2.3	0.0	0.0
Other (including NGOs)	6.0	8.7	2.6	10.0	0.0
Loan disbursements	154.9	179.0	98.0	90.9	119.7
Program loans	23.1	8.9	0.0	0.0	11.5
IDA	19.6	0.0	0.0	0.0	0.0
AsDB	3.5	8.9	0.0	0.0	11.5
Project loans	131.8	170.1	98.0	90.9	108.2
AsDB	63.8	89.0	71.8	58.5	49.0
IDA	40.2	42.0	17.5	20.2	19.0
IFAD	2.3	1.6	1.4	1.9	1.5
OPEC	0.0	0.5	2.6	4.4	3.2
Nordic Fund	4.6	3.6	2.1	4.7	2.3
OECF	0.0	12.0	2.7	1.2	19.0
Other 2/	21.0	21.4	0.0	0.0	11.3
Memorandum item:					
Technical assistance	14.0	19.5	16.7	13.9	15.5

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

1/ Includes project related and general technical assistance.

2/ Includes borrowing for Theun Hinboun and Huay Ho hydropower-projects from bilateral creditors.

Table 23: Lao P.D.R.: International Reserves, 1996–2000

	1996	1997	1998	1999	2000
(In millions of U.S. dollars)					
Net foreign assets of the banking system	163.2	118.2	116.6	166.6	185.7
Foreign assets	279.3	220.3	218.0	256.6	271.6
Foreign liabilities	116.1	102.1	101.4	89.9	85.9
Central bank net foreign assets	99.6	69.2	50.4	53.4	97.2
Foreign assets	166.6	135.5	112.2	106.2	139.6
Foreign liabilities	67.0	66.4	61.8	52.8	42.3
Commercial banks net foreign assets	63.6	49.1	66.1	113.3	88.5
Foreign assets	112.7	84.8	105.8	150.4	132.0
Foreign liabilities	49.2	35.7	39.6	37.1	43.5

Sources: Data provided by the Lao P.D.R. authorities; and Fund staff estimates.

Table 24: Lao P.D.R.: Debt Stock and Debt Service 1996–2000 1/

	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)				
Total debt stock 2/	2,177.6	2,322.1	2,560.8	2,617.1	2,557.8
Bilateral	1,421.2	1,433.5	1,470.8	1,456.1	1,391.9
<i>Of which:</i>					
Russian Federation 3/	1,350.3	1,343.5	1,336.6	1,303.2	1,297.5
Multilateral	756.4	888.5	971.4	1,036.0	1,042.2
<i>Of which:</i>					
AsDB	342.7	429.8	500.0	540.4	541.5
IDA	307.1	347.6	363.1	380.7	393.6
IMF 4/	67.5	67.4	59.5	55.2	48.1
Commercial 5/			118.6	125.0	123.7
Total debt service 2/	15.5	30.3	45.1	52.8	50.1
Amortization	9.6	11.3	18.7	34.2	31.4
Bilateral	4.4	2.1	1.7	3.8	3.4
<i>Of which:</i>					
Russian Federation 3/	6.7	6.7	6.7	0.0	0.0
Multilateral	5.2	9.2	11.2	18.5	16.1
<i>Of which: IMF 4/</i>	3.0	4.8	6.3	4.4	7.8
Commercial 5/			5.8	11.9	11.9
Interest payments	5.9	19.0	26.4	18.5	18.7
Bilateral	0.7	11.9	0.3	0.5	0.7
<i>Of which:</i>					
Russian Federation 3/	...	...	...	0.0	0.0
Multilateral	5.2	6.8	8.4	7.9	9.0
<i>Of which:</i>					
IMF 4/	0.6	0.4	0.4	0.3	0.5
Commercial 5/			17.8	10.1	9.1
Memorandum items:					
New disbursements			98.0	90.9	119.7
<i>Of which: Project financing</i>			98.0	90.9	108.2
Ratios in percent of GDP					
Total debt service 6/	0.8	1.7	3.5	3.6	2.9
Total debt stock	117.9	133.8	199.2	178.1	149.1
excluding Russian Federation debt	44.8	56.4	95.2	89.4	73.4
Total debt stock (NPV)	...	...	97.8	87.4	73.1
Central government debt service in percent of revenue	...	...	7.8	6.3	4.7
Ratios in percent of exports of goods and services					
Total debt service 6/	3.6	7.3	9.7	10.4	9.2
Total debt stock 7/	511.5	556.5	548.7	514.9	505.3
Total debt stock (NPV) 7/	...	...	269.3	252.7	248.0

Sources: Data provided by the Lao authorities; and Fund staff estimates.

1/ Debt service is calculated on the basis of existing debt. It includes all public and publicly-guaranteed debt.

2/ Excluding private debtors.

3/ Debt under negotiation.

4/ Including the new arrangement.

5/ Publicly-guaranteed public enterprise debt.

6/ Excluding the debt service to the Russian Federation which is under negotiation.

7/ Three-year average of exports of goods and services.

Table 25. Lao P.D.R.: Approved Foreign Investments by Value and Sector, 1996–2000

	1996	1997	1998	1999	2000 1/
	(In million of U.S. dollars)				
By investment value					
Less than \$100,000					
Number of projects	9	7	7		
Total value	0.5	0.4	0.4		
\$100,000–\$999,000					
Number of projects	42	43	46		
Total value	15.6	20	17.9		
More than \$1,000,000					
Number of projects	12	16	15		
Total value	1,276.50	122.30	104.10		
Total investments					
Number of projects	63	66	68		
Total value	1,292.60	142.40	122.50		
By economic sector					
Agriculture					
Number of projects	6	11	8	9	5
Total value	1.9	6.3	7.9	44.7	4.3
Garments/textiles					
Number of projects	4	4	7	1	3
Total value	2.7	2.6	5	0.2	3.6
Wood-based industries					
Number of projects	2	2	1	--	--
Total value	12	2.1	2.5	--	--
Other manufacturing					
Number of projects	14	13	--	--	--
Total value	320.1	13.4	--	--	--
Mining/petroleum					
Number of projects	0	2	3	--	--
Total value	0	14	8.3	--	--
Trade					
Number of projects	11	8	5	11	1
Total value	7.9	5	1	3.9	0.2
Hotels/tourism					
Number of projects	3	2	4	4	3
Total value	211.7	0.5	1.8	1.1	0.6
Electric power					
Number of projects	1	0	0	--	--
Total value	231.8	0	0	--	--
Other					
Number of projects	22	24	30	32	27
Total value	504.4	18.5	96	35.1	11.3
Total investments					
Number of projects	63	66	68	53	36
Total value	1,292.60	142.40	122.50	83.90	19.40

Source: Data provided by the Lao P.D.R. authorities.

1/ First nine months.

Table 26. Lao P.D.R.: Approved Foreign Investments by Country Source, 1996–2000

	1996	1997	1998	1999	2000 1/
	(In millions of U.S. dollars)				
Thailand	17	15	15	7	3
Value	761.5	9.5	65.6	2.4	2.0
United States	4	4	2	5	...
Value	6.7	0.9	1.2	0.9	...
Taiwan Province of China	1	2	3	2	...
Value	0.5	0.3	1.3	0.3	...
France	8	5	11	7	4
Value	1.0	1.0	2.3	1.1	1.9
China	6	4	6	6	7
Value	3.2	3.5	6.5	24.4	3.5
Malaysia	2	5	2	2	3
Value	211.2	73.2	3	2.5	3.0
United Kingdom	3	1	2	2	...
Value	17.9	0.2	0.3	0.7	...
Australia	0	6	3	1	2
Value	0.0	5.6	1.5	1.5	0.2
South Korea	6	3	5	4	3
Value	276.8	6.9	6.6	0.8	2.9
Singapore	1	3	2	2	1
Value	10.0	2.2	0.4	0.3	0.4
Japan	4	8	5	...	5
Value	2.8	4.3	2	...	2.1
Germany	0	1	1	...	1
Value	0.0	0.1	0.4	...	0.2
Canada	0	1	1	...	...
Value	0.0	0.2	0.7	...	...
Other	11	15	10	...	...
Value	1.1	5.8	30.7	81.5	8.4
Total licensed investments 2/	63	72	68	34	26
(Total value in millions of U.S. dollars) 3/	1,292.6	113.8	122.5	116.4	24.6

Source: Data provided by the Lao P.D.R. authorities.

1/ First 9 months.

2/ Some investments have multiple foreign partners.

3/ The total aggregate value of overall investments excludes the proposed capital contributions of domestic Lao investors as well as some energy-related investments.