

Table 1. Lao P.D.R.: Summary Macroeconomic Framework 1998–2004

	1998	1999	2000	2001	2002	2003	2004
	Projections						
Real GDP growth (percent change)	4.0	7.3	5.8	5.2	5.0	5.7	6.5
Inflation (percent change, annual average)	90.1	128.4	23.2	8.0	7.2	5.0	5.0
Merchandise exports (percent change)	6.4	1.5	8.3	0.3	3.2	8.5	6.9
Merchandise imports (percent change)	-14.7	0.3	12.9	-1.6	2.6	25.7	11.6
(percent change excluding NT2)						7.8	8.0
Official gross reserves (in months of prospective goods and services imports, excluding NT2)	2.2	1.9	2.3	2.4	2.4	2.9	3.3
Budget (fiscal year basis) 1/							
Revenue	9.8	10.4	13.2	13.5	13.9	14.1	14.7
Grants	5.3	5.9	3.7	3.2	3.3	3.1	2.9
Expenditure	23.6	20.2	21.4	21.7	21.9	22.3	22.5
Current	8.1	6.0	8.2	7.7	8.8	9.6	10.0
Capital and onlending	15.5	14.2	13.3	14.0	13.1	12.7	12.5
Current fiscal balance before grants	1.7	4.4	5.0	5.8	5.2	4.5	4.7
Overall fiscal balance after grants	-8.5	-3.9	-4.6	-5.0	-4.6	-5.1	-5.0
Domestic financing	2.5	-0.6	-1.2	1.7	0.4	0.3	0.4
Foreign financing	6.0	4.5	5.7	3.3	4.2	4.7	4.6
Real GDP growth (percent change) 1/	4.7	6.5	6.2	5.4	5.1	5.5	6.3
Increase in GDP deflator (percent change) 1/	71.2	120.4	35.6	8.4	7.8	5.2	5.0
Savings and investment balance 2/							
National savings	12.7	14.8	12.7	14.6	15.1	15.2	16.0
Private	11.0	10.4	7.7	8.9	9.9	10.7	11.3
Government	1.7	4.4	5.0	5.8	5.1	4.5	4.7
Investment	22.8	22.5	21.0	22.1	22.5	30.9	33.3
Private	7.3	8.3	7.1	7.4	8.6	18.2	20.8
<i>Of which</i> : Hydropower	1.4	1.9	0.2	0.0	0.0	8.1	9.9
Other	5.9	6.4	6.9	7.4	8.6	10.1	10.9
Government 3/	15.5	14.2	13.9	14.7	13.9	12.7	12.5
Foreign savings	10.1	7.7	8.3	7.5	7.5	15.7	17.2
Excluding Hydropower	8.7	5.8	8.1	7.5	7.5	7.4	7.1

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

1/ Fiscal year ending September.

2/ Estimates for private savings and investment are highly tentative as no firm national accounts have been established.

In particular, private savings reflect unrecorded imports.

3/ Comprises government investment and selected public enterprise investment.

Table 2. Lao P.D.R.: General Government Operations, 1999/00–2001/02

	1999/00	2000/01		2001/02		
	Est.	Budget	Prog.	Est.	Budget	Prog.
(In billions of kip)						
Revenue and grants	2,166	2,614	2,473	2,455	3,030	2,850
Revenue	1,691	2,194	2,053	1,979	2,481	2,301
Tax	1,367	1,742	1,687	1,592	2,043	1,863
Profit tax	187	316	301	204	362	332
Income tax	117	182	182	152	190	160
Turnover tax	290	379	359	315	452	427
Excise tax	226	336	316	371	362	337
Import duties	135	192	192	161	229	204
Timber royalty receipts	273	115	115	120	165	165
Other	140	222	222	268	283	238
Nontax	324	452	366	388	438	438
<i>Of which:</i> SOE dividends	42	212	127	67	89	89
Interest payments	79	40	40	100	42	42
Overflight revenues	123	125	125	114	153	153
Grants	475	420	420	476	549	549
Expenditure	2,754	3,382	3,204	3,187	3,614	3,614
Current	1,050	1,417	1,239	1,135	1,449	1,449
Wages and salaries	335	417	417	417	525	525
Materials and supplies	174	342	342	308	370	370
Interest payments	103	175	175	133	145	145
Timber royalty financed expenditure	242	115	15	0	0	0
Other recurrent	196	368	290	278	409	409
Capital and onlending	1,704	1,965	1,965	2,052	2,165	2,165
<i>Of which:</i> domestically financed	481	805	805	989	1,017	1,017
externally financed	1,302	1,200	1,200	1,200	1,256	1,256
Current balance	641	776	814	844	1,033	853
Overall balance	-588	-769	-731	-732	-583	-763
excluding grants	-1,063	-1,189	-1,151	-1,208	-1,132	-1,312
Financing	588	769	731	732	583	763
Domestic financing	-148	213	175	255	33	71
Bank financing 1/	-104	0	0	246	13	50
Nonbank financing	-44	213	175	9	20	21
Foreign financing (net)	736	556	556	478	550	692
Project loans	827	780	780	724	826	826
Program loans	96	0	0	0	0	143
Amortization	187	224	224	247	276	276
(In percent of GDP)						
Revenue and grants	16.9	17.7	16.8	16.7	18.4	17.3
Revenue	13.2	14.9	13.9	13.5	15.0	13.9
Tax	10.6	11.8	11.4	10.8	12.4	11.3
Nontax	2.5	3.1	2.5	2.6	2.7	2.7
Grants	3.7	2.8	2.8	3.2	3.3	3.3
Expenditure	21.4	22.9	21.7	21.7	21.9	21.9
Current	8.2	9.6	8.4	7.7	8.8	8.8
Capital and onlending	13.3	13.3	13.3	14.0	13.1	13.1
Current balance, excluding grants	5.0	5.3	5.5	5.8	6.3	5.2
Overall balance	-4.6	-5.2	-5.0	-5.0	-3.5	-4.6
excluding grants	-8.3	-8.1	-7.8	-8.2	-6.9	-7.9
Financing	4.6	5.2	5.0	5.0	3.5	4.6
Domestic financing (net)	-1.2	1.4	1.2	1.7	0.2	0.4
Bank	-0.8	0.0	0.0	1.7	0.1	0.3
Nonbank	-0.3	1.4	1.2	0.1	0.1	0.1
Foreign financing (net)	5.7	3.8	3.8	3.3	3.3	4.2
Memorandum items:						
Nominal GDP, fiscal year (in billions of kip)	12,848	14,755	14,755	14,671	16,614	16,614
Exchange rate (kip per US dollar, average)	7,670	8,000	8,400	8,600	9,500	9,500

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

1/ 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 3. Lao P.D.R.: Balance Sheet of Bank of Lao P.D.R., 2000–02

	2000	2001							2002			
		June		Sept			Dec		Mar	June	Sept	
		Prog.	Est.	Prog.	Est.	Rev. prog. new base 1/	Prog.	Rev. prog.	Est.	Prog.	Prog.	Prog.
(In billions of kip; end of period)												
Bank of Lao P.D.R.												
Net foreign assets 2/	799	794	782	775	757	880	880	836	908	929	942	935
Foreign assets	1,147	1,148	1,138	1,117	1,099	1,273	1,246	1,254	1,268	1,321	1,361	1,332
Foreign liabilities	-347	-355	-356	-342	-343	-393	-366	-418	-361	-392	-419	-398
Net domestic assets 3/	-33	-130	-84	-100	-43	-130	-194	-96	-85	-100	-149	-134
Domestic credit	588	485	649	506	731	828	386	847	890	872	810	816
Net credit to government 2/	-347	-327	-144	-315	-65	-76	-438	-51	-96	-67	-101	-76
Credit to the economy	489	537	523	556	534	618	574	618	639	639	639	639
Credit to state enterprises	346	394	385	412	403	467	431	467	489	488	488	488
Credit to private sector	143	143	138	143	130	151	143	151	151	151	151	151
Credit to banks	446	276	270	266	262	285	250	280	348	300	272	253
BoL securities	-159	-98	-144	-71	-201	-201	-26	-188	-200	-196	-183	-175
Other items, net 2/	-461	-517	-589	-536	-573	-757	-554	-755	-776	-776	-776	-776
<i>Of which</i> : medium-term foreign liabilities	-211	-267	-264	-286	-283	-328	-304	-328	-347	-347	-347	-347
Reserve money 3/	767	663	698	675	714	750	686	740	823	829	793	801
(In millions of U.S. dollars; end of period)												
Net foreign assets 2/	97.3	96.8	95.4	94.5	92.3	92.7	107.3	88.0	95.6	97.8	99.2	98.4
Gross international reserves 2/	126.5	140.1	126.7	136.3	134.1	134.0	151.9	132.0	133.5	139.0	143.3	140.2
(in months of imports)	2.3	2.5	2.3	2.4	2.4	2.4	2.7	2.3	2.4	2.4	2.4	2.3
Required reserves on foreign currency deposits	27.3	30.3	28.3	31.6	27.5	27.5	32.9	28.7	29.0	30.0	31.3	32.3
(Annual percentage change)												
Reserve money 3/	59.1	18.1	24.3	1.7	7.6	13.0	11.2	20.0	33.4	24.9	11.6	6.9
Memorandum items:												
BoL financing of the budget (in billions of kip) 4/	-73	-58	125	-46	204	...	-123	25	-21	9	-25	0
Disbursement of program loans (millions of U.S. dollar)4/	...	0	0	0	0	0	15	0	0	5	15	15
Exchange rate, end of period (kip per U.S. dollar)	8,218	8,200	8,200	8,200	8,200	9,500	8,200	9,500	9,500	9,500	9,500	9,500

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

1/ This column shows the revised program figures based on the new program exchange rate (US \$1=KN 9,500).

2/ The Japanese grant of Y 1.5 billion is excluded from the estimates of gross international reserves for Dec. 2000 and June 2001. From Sept. 2001 the proceeds in yen from the Japanese grant are recorded in other items (net) and excluded from gross foreign assets and government deposits.

3/ From January 2001 reserve money and NDA of the BOL have been reduced by KN 150 billion due to the netting of BOL deposits at banks and banks' deposits at BOL.

4/ Cumulative from the start of the fiscal year (which runs from October to September).

Table 4. Lao P.D.R.: Monetary Survey, 2000–02

	2000	2001								2002		
		June		Sept			Dec			Mar	June	Sept
		Prog.	Est.	Prog.	Est.	Rev. prog. new base 1/	Prog.	Rev. prog.	Est.	Prog.	Prog.	Prog.
(In billions of kip; end of period)												
Monetary Survey												
Net foreign assets 2/	1,528	1,379	1,426	1,361	1,242	1,443	1,465	1,550	1,428	1,606	1,651	1,631
of which: SCBs	483	529	412	551	289	335	574	464	283	470	479	510
Net domestic assets	721	1,096	892	1,227	1,084	1,156	1,235	1,181	1,246	1,252	1,336	1,458
<i>Of which</i> : SCBs (exc. net credit to gov.)	1,193	1,265	1,227	1,302	1,325	1,501	1,340	1,415	1,536	1,460	1,502	1,537
Domestic credit	1,439	1,646	1,807	1,744	2,083	2,341	1,702	2,327	2,450	2,427	2,498	2,611
of which: SCBs	815	907	920	950	1,066	1,194	988	1,124	1,297	1,194	1,261	1,311
Net claims on government 2/	-420	-386	-236	-368	-122	-141	-491	-116	-118	-112	-126	-91
Claims on the economy	1,859	2,032	2,043	2,112	2,205	2,482	2,192	2,443	2,567	2,539	2,624	2,702
<i>Of which</i> : SCBs	882	959	997	996	1,118	1,253	1,034	1,183	1,318	1,233	1,280	1,320
of which: in foreign currency	1,491	1,526	1,612	1,542	1,745	2,022	1,557	1,960	2,075	2,039	2,079	2,129
Credit to state enterprises	606	701	768	725	857	982	748	892	1,028	928	948	960
Credit to private sector	1,253	1,331	1,275	1,387	1,348	1,500	1,444	1,551	1,539	1,611	1,676	1,742
Other items (net) 2/	-718	-550	-915	-517	-999	-1,185	-466	-1,146	-1,203	-1,175	-1,162	-1,152
Broad money	2,249	2,476	2,318	2,588	2,327	2,599	2,701	2,731	2,675	2,859	2,987	3,090
Domestic currency (cash and deposits)	536	594	624	621	611	611	647	631	681	665	698	727
Foreign currency deposits	1,713	1,882	1,694	1,968	1,716	1,988	2,054	2,100	1,993	2,194	2,289	2,363
(In millions of U.S. dollars; end of period)												
Net foreign assets 2/	185.9	168.2	173.9	166.0	151.5	151.9	178.7	163.1	150.4	169.1	173.7	171.7
<i>Of which</i> : SCBs	58.8	64.5	50.2	67.2	35.3	35.3	70.0	48.9	29.8	49.5	50.5	53.6
Foreign currency credit to the economy	181.5	186.1	196.5	188.0	212.8	212.8	189.9	206.3	218.4	214.6	218.8	224.1
<i>Of which</i> : SCBs	80.4	87.7	90.1	91.1	104.1	104.1	94.6	95.0	108.3	98.2	103.2	106.7
Foreign currency deposits	208.5	229.5	206.6	239.9	209.2	209.2	250.5	221.1	209.8	231.0	240.9	248.7
(Annual percentage change)												
Broad money	45.7	20.9	13.2	22.6	10.2	23.1	20.0	21.4	18.9	24.1	23.8	19.0
Net domestic asset of SCBs (increase from start of program) 3/	...	6.0	2.8	9.1	2.8	16.2	12.3	2.1	-1.6	5.3	8.3	10.8
Credit to the economy 3/	41.1	29.3	30.0	24.2	23.9	39.2	17.8	31.4	28.9	25.4	23.1	14.2
<i>Of which</i> : commercial banks 3/	44.1	31.8	34.1	27.5	28.9	43.4	18.0	33.2	28.3	28.1	25.7	18.0
SCBs 3/	58.6	39.3	44.8	28.5	31.4	46.9	17.3	34.2	30.0	26.6	23.2	16.0
Credit to state enterprises 3/	36.1	21.1	32.7	15.6	21.1	38.5	16.5	47.1	41.4	22.0	17.7	10.8
Credit to the private sector	43.7	34.1	28.5	29.2	25.5	39.7	18.5	23.8	22.9	27.4	26.4	16.2
Memorandum items:												
Bank financing of the budget (in billions of kip) 4/	-46	-18	131	0	246	...	-123	25	23	29	15	50
Money multiplier	2.9	3.7	3.3	3.8	3.3	3.5	3.9	3.7	3.3	3.4	3.8	3.9
Exchange rate, end of period (kip per U.S. dollar)	8,218	8,200	8,200	8,200	8,200	9,500	8,200	9,500	9,500	9,500	9,500	9,500

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

1/ This column shows the revised program figures based on the new program exchange rate (US \$1=KN 9,500).

2/ From September 2001, the yen proceeds from the Japanese grant are recorded in other items (net) and excluded from gross foreign assets and government deposits.

3/ Excluding Lao Brewery.

4/ Cumulative from the start of the fiscal year (which runs from October to September).

Table 5. Lao P.D.R.: Quantitative Performance Criteria and Benchmarks, March 2001–September 2002

	2000		2001									2002			
	Stock at end-Dec	March		June 1/		Sept			Dec			Mar 1/ Prog.	June Prog.	Sept 1/ Prog.	
		Prog.	Est.	Prog.	Est.	Prog.	Est.	Rev. prog. new base 2/	Prog.	Rev. prog.	Est.				
	(In billions of kip)														
Net domestic assets of the Bank of Lao P.D.R. (BOL) 3/ 4/	-33	-143	-44	-130	-84	-100	-43	-130	-194	-96	-85	-100	-149	-134	
Net credit to the government from the banking system 4/	-420	-403	-291	-386	-236	-368	-122	-141	-491	-116	-118	-112	-126	-91	
Net domestic assets of the state commercial banks (excluding net claims on government) 5/	1,188	1,227	1,212	1,265	1,227	1,302	1,325	1,501	1,340	1,415	1,536	1,460	1,502	1,537	
	(In millions of U.S.dollars)														
Net official international reserves 4/ 6/	57	68	46	67	55	63	65	65	74	59	67	68	68	66	
Publicly contracted or guaranteed nonconcessional external debt 7/															
- up to one-year maturity		0	0	0	0	0	0	0	0	0	0	0	0	0	
- maturity of more than 1 year 7/		0	0	0	0	0	0	0	0	0	0	0	0	0	
of which: 1-5 years' maturity		0	0	0	0	0	0	0	0	0	0	0	0	0	
External payments arrears 8/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Memorandum items:															
Nonproject budget support (cumulative flows from start of year)	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	0.0	0.0	5.0	15.0	15.0	
External debt service payments (cumulative from start of year)	...	6.9	8.5	13.2	14.1	...	22.7	22.7	...	28.6	28.6	8.7	14.6	24.0	
Program exchange rate (kip per dollar)	8,218	8,200	8,200	8,200	8,200	8,200	8,200	9,500	8,200	9,500	9,500	9,500	9,500	9,500	
Foreign currency component of required reserves	27	29	28	30	28	32	28	28	33	29	29	30	31	32	

Sources: Data provided by the Lao P.D.R. authorities. The full definition of terms is contained in the technical memorandum of program monitoring.

1/ Performance criteria.

2/ This column shows the revised program figures based on the new program exchange rate (US\$1=KN 9,500).

3/ Net domestic assets of the BOL are defined as reserve money minus net foreign assets (NFA) of the BOL adjusted for the valuation changes arising from the difference between the program and actual exchange rates. The 2001 levels have been reduced from the end of December 2000 level to take account of the netting of KN 150 billion of banks reserves with BOL credit to banks.

4/ For purposes of verifying compliance with the program, the ceiling for net domestic assets of the BOL, net bank credit to the government will be adjusted upward (downward), while the floor on net official international reserves will be adjusted downward (upward) by any shortfall (excess) in external nonproject budget support, and any excess (shortfall) in debt-service payments.

5/ Comprising Banque du Commerce Exterieur Lao, Lao May Bank, and Lane Xang Bank. Net domestic assets of the SOCBs are defined as total deposits of these banks, less net foreign assets, net claims at the BOL, and net claims on government, all calculated at the program exchange rate.

6/ Net official reserves are calculated as net international reserves on a BOP basis less foreign currency component of required reserves. The Japanese grant is not included in the definition of net official reserves except in all of the original program targets. This resulted in a downward revision of the March and June estimates by \$12 million compared to the series originally envisaged under the program.

7/ Ceiling applies to debts contracted or guaranteed by the government, public enterprises, or the BOL on nonconcessional terms. Ceilings are flows from the start of the program, September 2001. Excludes normal import-related credit, any borrowing associated with debt rescheduling, and the loan from Exim Bank of China for ETL, for a maximum amount equivalent to US\$38 million (with a 15-year repayment schedule, 2-year grace period and an interest rate of 2 percent) expected to be contracted in 2002, with a grant element of 34.4 percent. This performance criterion applies to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274- (00/85), August 24, 2000).

8/ Continuous performance criterion.

Table 6: Lao P.D.R.: Prior Actions for the Completion of the First Review of the PRGF-Supported Program

Action	Status
Banking reform	
Transmit audit of BOL by National Audit Office to the IMF.	Done.
Formulate individual SCB restructuring plans in support of banking reform, consistent with the Memorandum on Economic and Financial Policies, and prepared with assistance from the AsDB and the World Bank.	Done. Plans received end Dec 2001.
Fiscal reforms	
Meet fiscal targets as specified in the September 2001 Aide Memoire.	Done.
Implement nationwide network of Taxation and Customs Departments.	Done.
Complete quick tax audits for 100 of the largest taxpayers, starting July 1, 2001, and collect identified tax obligations, to be verified by providing a list of taxpayers audited and the total revenue collected.	Done.
Publish tables for 2001/02 budget with expenditure classified by central government ministry and province, and outturn for 2000/01.	Expected by February 11.
Complete the sale of the Lao Brewery shares bought by the government to bring the credit program back on track.	Done. Sale agreed at end January, 2002

Table 7. Lao P.D.R.: Structural Policy Actions Under the
First Annual PRGF-Supported Program

Policy Action	Conditionality
Banking reform	
Strictly implement BOL Regulation 98, including on loan classification (Article 2.0–2.4) and cease making new loans to defaulting borrowers (Article 6.0); to be monitored by quarterly reporting of the 30 largest borrowers from SCBs.	Structural benchmark, September 2001 and March 2002.
Implement banking supervision measures to ensure that SCBs: cease accrual of interest on all nonperforming loans, set up full provisions on nonperforming loans approved after 1/1/2000, and reflect these in their income statement and balance sheet for 2001	Structural performance criterion, April 2002.
Formulate key elements of the individual SCB business plans, especially qualitative and quantitative targets, and timetable for actions consistent with MoUR with assistance from the AsDB and World Bank.	Structural benchmark, May 2002.
SOE reform	
Complete studies on electricity and airline tariffs, with technical assistance from the World Bank, and implement new tariff structures to achieve cost recovery and/or targeted subsidies.	Structural performance criterion, October 2002.
Review development of a program of SOE commercialization and restructuring, in consultation with the World Bank.	Subject of second review.
Fiscal and public resource reforms	
Agree on an action plan for improving public expenditure management, including controls on commitments, management of bank accounts, expanding budget nomenclature and improving the quality of fiscal data.	Structural benchmark, April 2002.
Implement tax reform measures, including: reduce exemptions, prepare for VAT, broaden the tax base, and strengthen the large taxpayer units.	Subject of first and second reviews.
Review macroeconomically significant issues of forestry sector policies, mainly an assessment of related revenues and their transfer into the budget, in consultation with the World Bank.	Subject of second review.
Complete a high-level review of the internal financial controls of the BOL as recommended in the audit by the National Audit Office.	Structural benchmark, May 2002.