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Statement by the Hon. **CHANSY PHOSIKHAM**,
Governor of the Bank for **THE LAO PEOPLE'S DEMOCRATIC REPUBLIC**,
at the Joint Annual Discussion

**Statement of H. E. Chansy Phosikham
Governor of the Lao PDR to the Bank
during the 2006 annual meeting of
the World Bank and IMF in Singapore**

It is an honor and a great pleasure for me to represent the Government of the Lao People's Democratic Republic (Lao PDR) at the 2006 Annual Meeting of the Board of Governors of the International Monetary Fund and the World Bank.

Let me join my fellow Governors in congratulating the Chair, the President of World Bank, Managing Director of the IMF and the Government and people of Singapore for the excellent arrangements made for this important meeting and for the very warm hospitality extended to our delegation.

I am also pleased to have the opportunity to visit this very beautiful country of Singapore, one of the most advanced country in Asia, a country with rich in culture and harmonized society.

Mr. Chairman,

I would like to take this opportunity to inform the meeting on the Lao PDR's current economic situation. In the first ten months of the fiscal year 2005 - 2006, The macro – economic situation continued to be stable, the economic growth rate was 7.5%, the inflations was at a single digit level, and the limited fluctuate of the exchange rate.

The Government continues to emphasize on strengthening the public revenue and expenditure management by revising the existing legislations such as the budget laws, the decree on the National treasuries, The Thrifty measures, and the decree on the management of the public expenditures. In addition, the Government will put more efforts in educating the officials, the business entities and public to have better understanding on these legislations.

The payment for the public servants' remuneration is the highest priority on the expenditure list of the Government, and in the first 10 months of the fiscal year, the Government was able to make up to 78.62 percent of the year 's target.

Both domestic and foreign investment have been significantly increase and likely to growth in the future, The main factors contributing to this growth were the adoption of the single window process for approving foreign direct investment (FDI), which has further facilitated and streamlined FDI; the start of the construction of the Nam Theun 2 hydropower project; and the start of a copper mining project. These two big projects have helped to increase foreign investors' confidence in the Lao PDR.

The start of fiscal year 2005-2006 is also the start of the sixth 5-year social and economic development plan (2006-2010). The main economic targets for 2006 are an economic growth rate of 7.5% to 8%, and a GDP per capita of US\$529. The Government will also continue to support export-oriented policies in order to achieve export growth of 15%, compared with the previous year.

In addition, the Government will continue to pursue appropriate fiscal policies, with the aim of increasing revenue collection and strengthening expenditure controls in order to maintain the stability of the economy as well as preparing for the implementation of the Nam Theun 2 revenue management mechanism by working closely with the World Bank in preparing this mechanism in order to ensure the revenue will be used transparently and toward poverty reductions and environment protections. These actions are important Government's priority stated in the National Growth and Poverty Eradication Strategies.

The maintaining of one single digit inflations rates and stable exchange rates are considered to be very importance by the Government in order to promote the investment and economic growth. For the promotion of the investment, the Government give the priorities to the investment that will provide the technologies transfer to the Lao PDR, while also ensure the environment protections are well in placed. Further more, the Government will mobilized all of its efforts to achieve the social-economic developments goals for 2006 – 2007 as adopted by the National Assembly.

Mr. Chairman,

As everyone may be informed, the Avian Influenza outbreaks has recurred in the middle of 2006, for the Lao PDR, the Government has exercised the cautions measures long before the recurrence of the outbreak by setting up the National Committees on the Avian Influenza diseases control and prevention. On July 2006, the Avian Influenza cased has been spotted in Laos, and the Government has taken the prompt actions to limit the outbreak. The Government is continuing the public educations on the Avian Influenza, and urge the public not to consume the poultry in risks, as well as banning the importation of poultry into Laos.

In implementing these surveillance and cautions measures, the Government has received the significant technical and financial assistance from the World Bank, Government of Japan, the UNDP, and the European Union.

From 2005, the World Bank has changed the forms of assistance from credit to the grant aids in order to support the development of the Lao PDR, starting from the capital investment of the Lao PDR in the Nam Theun 2 hydroelectric project, the Poverty Reductions Support Operations, Health Services Improvement. The Lao Environment and Social Programs and other projects. Although the annual support of the World Bank to Laos was reduced to around 20 – 40 million US Dollar. We understand that this reduction was the result of the performance based allocations, however, we concerned that this mechanism may have the negative implications on the social-economic of the Lao PDR, therefore, I urge the World Bank to reconsider this issue again.

I again, on behalf of the Lao PDR, would like to take this opportunity to express our sincere thanks to the World Bank for being a good development partners with the Lao PDR, I would also like to thank you other International Finance Institute, bi-lateral and multi-lateral donors in supporting the development of Lao PDR. This assistance are very importance in contributing to the social-economic development of the Lao PDR, and to transform Laos from being a ‘Land-Lock’ to be a ‘Land-Link’ country.

In additions, we also highly praise the efforts of different donors in aligning their assistance strategies and to be in line with the social – economic development plan of the Government. These efforts will help to streamline the assistance as well as increasing its effectiveness and better assist the Lao government in achieving its development goals.

Finally, I would like to wish this meeting to be very successful.

Thank you