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Statement by the Hon. **PHOUPHET KHAMPHOUNVONG**,
Governor of the Bank for the **LAO PEOPLE'S DEMOCRATIC REPUBLIC**

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Governor of the Bank for the Lao People's Democratic Republic**

It's my honor to represent the Government of Lao People's Democratic Republic at the 2011 Annual Meetings of the Board of Governors of the World Bank Group and the International Monetary Fund. Let me join my fellow Governors in congratulating Mr. Chairman, the President of the World Bank, the Managing Director of the IMF, and the Government and people of the United States of America for the excellent arrangements made for this important meeting. I would also like to take this opportunity to express my congratulation to President Zoellick for keeping fruitful works in enhancing the World Bank's role in supporting poverty reduction for the least developed countries despite of the recent global financial crisis.

Mr. Chairman,

The global economy has encountered with various challenges - an increase in food and fuel price, impacts of natural disaster, combined with the impacts of the global economic crisis on job markets and the post-crisis difficulties in high-income countries, and prolonged debt and economic crisis in Europe - have impeded the economic recovery and social stability across the world. In order to respond to the global financial crisis as well as to restructure the post-crisis world, the World Bank has played a significant role in providing multidimensional support to the crisis-hit countries.

In Lao PDR, Fiscal Year 2010-2011 marks the beginning of the 7th five-year National Social and Economic Development Plan 2011-2015 (NSED), which continues to further the outcomes of the 6th five-year NSED 2006-2010. During the previous five-year plan, Lao economy has grown with an average growth rate of 7.9 percent. The overall macroeconomic situation has remained robust and stable, the year-to-year inflation increased but has remained under single digit at 5.76 percent as of December 2010. The nominal exchange rate of kip has remained strong against US dollar. The balance of payments has improved as foreign direct investment has continued to expand.

In 2011, Lao PDR's real GDP growth will remain robust with projected growth of 8.6 percent compared to 8.4 percent in 2010. This growth has outstandingly derived from natural resources and manufacturing sectors. Agriculture is expected to benefit from the recent increase in regional demand and high food prices. The Consumer Price Index (CPI) has risen in recent months due to high commodity prices. The capital account surplus is projected to increase from 9.9 percent of GDP in 2010 to 12.1 percent in 2011 with a corresponding surge of new investment, especially in the hydropower sector. The credit growth decelerated about 46 percent in December 2010 due to significant slowdown in lending to State-Owned Enterprises. While the pressure from the food and fuel prices increases, the Government recognizes the importance of diversifying the

sources of growth and in enhancing prudent public financial management to ensure sufficient funding for priority health and education services.

Despite uncertainty of the external environment, the economy is projected to continue to grow over the 7th five-year NSEDP, with real GDP growth targeted at 8%. To achieve the socio-economic development targets and Millennium Development Goals by 2015, the Government will continue its reform agendas, by focusing on improvement of business environment, enhancement of investment efficiency, strengthening public financial management, particularly centralization of revenue administration and treasury as well as redesigning the inter-government fiscal relationship, accelerating the banking sector reform. On the economic integration into the world, the government has continued to reduce the tariff under AFTA's commitments and push up the preparation for WTO accession.

Mr. Chairman,

During 2010-2011, the Government has continuously reformed in various areas. On fiscal front, the Government has implemented a comprehensive medium-term Public Financial Management Strengthening Programs (PFMSP) that aims to strengthening the capacity of the Ministry of Finance and Provincial Finance Departments to improve the effectiveness, transparency and accountability in managing the budget. We are working on enhancing the fiscal planning, budget allocation, implementation of the treasury single accounts, budget execution and reporting. Key achievements are the completion of the treasury, customs and tax administration centralization, developing new fiscal transfer system and aligning budget to the policies, as well as the implementation of the VAT since 1 January 2010. In order to fully implement the PFMSP, the Government will require sufficient capacity enhancement and technical assistance.

For financial sector, the Government will need to develop the sound and robust financial and capital markets in the wake of international financial integration, enable to provide financial resource for long-term economic development. In 2011, the aim of the monetary policy is to continue maintaining a sound monetary stability, stable exchange rate, ensure international reserve to cover more than 6 months of imports, extend amount of credits to economy equal to 27.2 percent of GDP, and deposit mobilization is set to achieve 28.4 percent of GDP. Subject to targets set above, the Bank of the Lao PDR (BOL) will wisely conduct its monetary policy in the tight direction to control money supply as set out. In the meantime, BOL will continue to conduct the exchange rate policy based on market-oriented force. In addition, in early 2011 the Lao PDR officially launched the Lao Stock Market aims to open more investment's channel for investors and to start developing a capital market in the country.

Mr. Chairman,

The Government of Lao PDR appreciates the support of the World Bank to many sectors that has contributed to achieving significant development outcomes. Lao PDR also

supports IDA16's overarching theme on "Development Results" which focuses on crisis response, fragile and conflict-affected countries, gender, and climate change. Recently, the country has also taken advantage of the IDA's Crisis Response Window (CRW) to address impacts of global financial crisis and the devastating damages caused by tropical storm Haima struck central and northern Laos in June and Nock-Ten hit central and southern areas in July of this year.

Lao PDR aims to lift the country out of the ranks of the least developed country by 2020. To achieve this, economy needs to grow by 8% annually over the next decade. This is an ambitious undertaking, and we are committed to achieving it by further reforming our policies and institutions to strengthen governance, expanding private sector's role in the economy, improving people's social welfare by better targeting of programs in education, health and poverty reduction, and protecting the environment.

The Government of Lao PDR looks forward to the continuing support of IDA and role of World Bank in achieving the 2020 vision through policy advice, investment support and technical assistance. Despite the challenging times for many developed economies, we urge development partners to contribute to the ongoing replenishment of IDA led by the World Bank so that Lao PDR and other least developing countries could fulfill the aspirations of their people for better lives.

Ladies and gentlemen,

In conclusion, on behalf of Government of Lao PDR, I would like to express my sincere appreciation to the World Bank's member staff and our colleagues from line agencies of the United States of America for their enthusiastic contribution to the organization of the annual meetings, and the fellow member countries for supporting the Lao PDR.

May I also express my deepest gratitude to President Zoellick for his excellent leadership to lead World Bank to continue its active and successful role in supporting the development of all regions. I wish the meetings a great success.

Thank you.