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Statement by the Hon. **SOMDY DOUANGDY**,
Governor of the Bank for **THE LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**Statement of H.E. Mr. Somdy Douangdy,
Deputy Prime Minister, Minister of Finance,
The Governor of the World Bank Group for
Lao People's Democratic Republic**

2016 Annual Meetings, Washington D.C., USA, October 7-9, 2016

Mr. Chairman,

Distinguished Delegates,

Ladies and Gentlemen,

It is my honor to represent Government of the Lao People's Democratic Republic at the 2016 Annual Meeting of the Board of Governors of the World Bank Group and International Monetary Fund. First of all, please allow me to express my sincere gratitude to Mr. Chairman, the President of the World Bank Group, the Managing Director of IMF, and the management at all level for their immense effort, the warm hospitality and the excellent arrangements for these meaningful meeting at the splendid city of Washington D.C.

Mr. Chairman,

Global growth continues to disappoint in 2016. Substantial downside risks to growth remain, including weak demand, tighter financial markets, softening trade, persistently low oil and commodity prices, and volatile capital flows. Disappointing data for the fourth quarter of 2015 has prompted further downward revisions to growth forecasts in most major economies. Global GDP growth is projected to remain at 3% in 2016 – the slowest pace in five years and well below long-run averages – with a slight improvement to 3.3% projected for 2017. The upturn in advanced economies remains insufficient to fuel the global recovery, and the prolonged slowdown in many emerging economies persists.

Nonetheless, it is encouraging to note that a number of Asian economies have achieved good performance by constantly undertaking structural policy reforms, and overcoming the obstacles posed by unfavorable external environment. They also have benefited from lower oil prices and improved global financial conditions. However, a full recovery process in the advanced economies will have a positive impact on Asia through creating an improved opportunity for external trade and investment. Therefore, there is a need to implement a prudent monetary policy and fiscal adjustment to supporting both the recovery and long-term growth.

Ladies and gentlemen,

GDP growth is estimated to be moderated at 6.9-7% for the FY2015-2016 resulted mainly from number of measures taken in fiscal consolidation and declining in global commodity price. Service sector continues to be main driver in Lao economic growth, contributing 40% of GDP with the

growth of 8.5%. Inflation in 2016 will face upward pressure due to the slight increase in oil price but remains relatively slow. On the monetary front, the Bank of Lao PDR (BOL) will continue to employ indirect policy instruments while targeting money supply growth at 20% per annum. Looking forward, the BOL will continue implement caps on deposit rate and maintain spread between deposit and weighted-average lending rate at 4% in order to promote the financial access to SMEs. Continuous efforts shall be made to build up international reserves at the same level covering more than five months of imports. In addition, banking sector continues to expand in tandem with authorities' efforts to strengthen supervisory framework and enforcement of prudential norms. In this context, the process of adopting Basel II standards has been in good progress with technical support from multilateral and bilateral counterparts.

On fiscal front, the Government had continuously to make a good progress in conducting reforms in various areas. The Government has introduced a series of policies and measures to smooth the fiscal tension, to ensure the sustainability of the macroeconomic situation and prudent public finance management. Moreover, the Government has implemented the mechanism to enhance the domestic revenue collection, strengthened the coordination among the central and local government, among Government and private sectors, introduced modern IT program to enhance tax collection. The government also disseminated and enforced the implementation of the relevant laws and regulations, intensified effort to conduct monitoring process and inspection, and strengthened public debt management.

Mr. Chairman,

In the process of economic development, it is particularly important moment for Lao PDR as we recently just completed our 7th Five-Year National Socio-Economic Development Plan (NSEDP). As we reviewed the outcome of the past implementation of development achievements and unfinished agenda, there is a need to continue implementation in the next 8th Five-Year NSEDP to bring the country to the next stage of development and progress. Under the new plan, the efforts to formulate development policy to promote sustainable and inclusive economic growth with sound economic and financial environment continues to be the key priority of Lao PDR, aiming at creating necessary macroeconomic conditions conducive to graduating from the status of Least Developed Country by 2020.

In recognizing the great importance of maintaining a sound macroeconomic conditions favorable for the implementation of the 8th Five-Year NSEDP in the coming years with recognition of risks and uncertainties of the external environment that will have some implications in Lao PDR's economy, therefore, the government of Lao PDR will continue to pursue prudent fiscal and monetary policies to achieve macroeconomic stability, with GDP growth of more than 7 percent, low inflation rate and stable exchange rate. Fiscal policy will target in particular for fiscal consolidation, including improvement in tax administration, restraints on public wage increase, rationalizing capital spending (including off-budget investment) and limit on the growth of administrative spending.

Mr. Chairman,

Lao PDR and the World Bank /the IMF have established long and excellent relations. Over 50 years, the World Bank/IMF have continued to play an important role in providing financial and technical assistance and economic policy advice to support of the implementation of National Socio-Economic Development Plan that aims to develop and assist the transition of the country for the development programs with the stated goal of reducing poverty. With valuable support provided, the livelihood of the people has been improved. People have enjoyed better basic service delivery, including access to electricity in rural areas, improvements in education and health, and so forth. Since the establishment of relationship, the World Bank has particularly provided enormous financing support to Lao PDR in active ongoing support to programs. The Government will continue to seek cooperation and support from the Bank for accelerating the socio-economic development to achieve the new SDGs and to graduate from LDCs by 2020 as well as to facilitate the integration to the regional and global level.

Taking this opportunity, I would like to extend my profound thanks to the Bank and the Fund for their significant engagement in Lao PDR to provide valuable financial and technical assistance for socio-economic development and especially Madame Christine Lagarde, IMF Managing Director for her official visit to Lao PDR for the second time in a year. Her historic visits demonstrated IMF's determination to strengthen partnership with Lao PDR and this region and to underline the IMF's strong relationship with ASEAN member countries. The visits provided an opportunity for Lao's top officers to deepen policy dialogues with the Managing Director in order to safeguard macroeconomic stability during the transition period in graduating from low-income country status by 2020.

We also highly value IMF's engagement in important areas of capacity building focused on strengthening macroeconomic management. Particularly, at the end of this year, the Bank of Lao PDR and the IMF will jointly organize the high-level seminar covering number of key macroeconomic topics that are useful to policymaking process for ministerial-officers.

In conclusion, on behalf of the Government of Lao PDR, I would like to express our sincere appreciation to the Management and staff of the Bank and the Fund, for the assistance given to the Lao PDR and contribution to promoting the socioeconomic progress and development and macroeconomic stability in Lao PDR. Let me conclude by wishing this meeting a great success.

Thank you.