

Table 1. Lao P.D.R.: Summary Macroeconomic Framework 1998–2003

(In percent of GDP; unless indicated otherwise)

	1998	1999	2000	2001	2002	2003
Real GDP growth (percent change)	4.0	7.3	5.7	5.7	6.5	7.0
Inflation (percent change, annual average)	90.1	128.4	23.3	9.0	7.5	5.7
Merchandise exports (percent change)	6.4	7.7	8.3	7.4	8.6	9.0
Merchandise imports (percent change)	-14.7	0.3	6.6	10.6	23.8	10.6
(percent change, excluding NT2)					10.0	8.4
Official gross reserves (in months of prospective goods and services imports, excluding NT2)	2.2	2.0	2.4	2.5	2.7	3.0
Budget (fiscal year basis) 1/						
Revenue	9.8	10.6	12.7	13.9	14.5	15.0
Grants	5.3	6.0	3.2	2.8	3.1	3.1
Expenditure	23.6	20.6	20.9	21.7	22.4	22.8
Current	8.1	6.1	8.1	8.4	9.4	10.3
Capital and onlending	15.5	14.4	12.8	13.3	13.0	12.5
Current fiscal balance before grants	1.7	4.4	4.6	5.5	5.1	4.7
Overall fiscal balance after grants	-8.5	-4.0	-5.0	-5.0	-4.8	-4.7
Domestic financing	2.5	-0.6	-0.7	1.2	0.3	0.3
Foreign financing	6.0	4.6	5.8	3.8	4.4	4.4
Real GDP growth (percent change) 1/	4.5	6.5	6.1	5.7	6.3	7.0
Increase in GDP deflator (percent change) 1/	71.2	120.4	36.1	10.0	8.0	6.0
Savings and investment balance 2/						
National savings	12.7	16.4	14.6	14.8	15.5	15.6
Private	11.0	11.9	10.0	9.3	10.4	10.9
Government	1.7	4.5	4.6	5.5	5.1	4.7
Investment	22.8	22.7	20.4	21.6	28.6	29.5
Private	7.3	8.3	6.9	7.5	14.9	17.0
<i>Of which:</i> Hydropower	1.4	1.9	0.0	0.0	6.4	7.7
Other	5.9	6.4	6.9	7.5	8.5	9.3
Government 3/	15.5	14.4	13.5	14.1	13.7	12.5
Foreign savings	10.1	6.3	5.8	6.8	13.1	13.9
Excluding Hydropower	8.7	4.4	5.8	6.8	6.0	5.5

Sources: 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, IMF Presentation, 1998/99–2000/01

	1998/99	1999/00		2000/01	
		Budget	Est.	Budget	IMF
(In billions of kip)					
Revenue and Grants	1,461	2,160	2,018	2,614	2,471
Revenue	929	1,620	1,615	2,194	2,051
Tax	745	1,376	1,323	1,742	1,687
o/w: Profit tax	80	170	172	316	301
Turnover tax	160	264	252	379	359
Excise tax	157	225	211	336	316
Import duties	99	173	138	192	192
Timber royalty receipts	89	270	288	115	115
Nontax	184	244	293	452	364
Grants	532	540	403	420	420
Expenditure	1,809	2,819	2,655	3,382	3,204
Current	539	1,052	1,031	1,417	1,239
Wages and salaries	181	348	348	417	417
Materials and supplies	132	137	197	342	342
Interest payments	59	133	103	175	175
External	53	118	82	120	120
Domestic	5	15	21	55	55
Timber royalty-financed expenditure	89	270	184	115	15
Other recurrent	78	164	199	368	290
Capital and onlending 1/	1,270	1,768	1,623	1,965	1,965
Current balance	390	568	584	776	812
Overall balance	-348	-659	-637	-769	-733
excluding grants	-879	-1,199	-1,040	-1,189	-1,153
Financing	348	659	637	769	733
Domestic financing	-52	7	-94	213	177
Bank financing 2/	-39	0	-104	0	0
Nonbank financing	-13	7	10	213	177
Foreign financing (net)	400	652	731	556	556
(In percent of GDP)					
Revenue and Grants	16.6	17.0	15.9	17.7	16.7
Revenue	10.6	12.8	12.7	14.9	13.9
Tax	8.5	10.8	10.4	11.8	11.4
Nontax	2.1	1.9	2.3	3.1	2.5
Grants	6.0	4.3	3.2	2.8	2.8
Expenditure	20.6	22.2	20.9	22.9	21.7
Current	6.1	8.3	8.1	9.6	8.4
Wages and salaries	2.1	2.7	2.7	2.8	
Capital and onlending	14.4	13.9	12.8	13.3	13.3
Current balance, excluding grants	4.4	4.5	4.6	5.3	5.5
Overall balance	-4.0	-5.2	-5.0	-5.2	-5.0
excluding grants	-10.0	-9.5	-8.2	-8.1	-7.8
Financing	4.0	5.2	5.0	5.2	5.0
Domestic financing (net)	-0.6	0.1	-0.7	1.4	1.2
Bank	-0.4	0.0	-0.8	0.0	0.0
Nonbank	-0.1	0.1	0.1	1.4	1.2
Foreign financing (net)	4.6	5.1	5.8	3.8	3.8
Project loans	5.4	6.5	6.2	5.3	5.3
Program loans	0.0	0.0	0.8	0.0	0.0
Amortization	-0.9	-1.4	-1.2	-1.5	-1.5
Memorandum items:					
Nominal GDP, fiscal year (in billions of kip)	8,788	12,691	12,691	14,755	14,755

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

1/ Compared to previously used fiscal data, 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 78bn) in 1999/00.

Table 3. Lao P.D.R.: General Government Operations, GOL Presentation, 1999/00–2000/01

	1999/00		2000/01		Proj.
	Budget	Est.	-----Budget-----		
(In billions of kip)					
Total revenue	1,677	1,702	2,280	2,280	2,101
Revenue	1,368	1,299	1,732	1,732	1,677
Tax department	845	798	1,319	1,319	1,264
Customs department	241	206	285	285	285
Cadastre	12	7	13	13	13
Timber royalties	270	288	115	115	115
Nontax revenue	309	403	547	547	424
Debt service	117	157	80	80	80
Overflight fees	98	122	125	125	125
SOE profit	25	43	212	212	125
Public assets	55	72	119	119	83
Others	14	9	11	11	11
Expenditure	3,044	2,888	3,646	3,646	3,468
Current expenditure	1,194	1,157	1,641	1,641	1,463
Wages and salaries	351	351	422	422	422
Administrative costs	102	155	342	342	342
Timber royalty-financed expenditure 1/	270	184	115	115	15
Other	112	154	233	233	200
Debt service	359	314	529	529	484
External debt	290	239	344	344	344
Internal debt	69	75	185	185	140
Interest	15	21	55	55	55
Other	54	54	130	130	85
Capital expenditure	1,820	1,701	2,005	2,005	2,005
Foreign finance	1,364	1,195	1,200	1,200	1,200
Local finance	456	506	805	805	805
Projects	386	426	304	304	304
New construction	30	40	153	153	153
Investment debt	0	0	242	242	242
Other	40	40	106	106	106
Other expenditure	30	30	0	0	0
Balance	-1,366	-1,186	-1,367	-1,367	-1,367
Financing	1,366	1,186	1,367	1,367	1,367
Foreign finance	1,364	1,291	1,200	1,200	1,200
Domestic finance	2	-104	167	167	167
(In percent of GDP)					
			Original	Prel. Est.	
			GDP		
Revenue	13.2	13.4	13.6	15.4	14.2
Tax	10.8	10.2	10.3	11.7	11.4
Nontax	2.4	3.2	3.3	3.7	2.9
Expenditure	24.0	22.8	21.8	24.7	23.5
Current	9.4	9.1	9.8	11.1	9.9
Capital	14.3	13.4	12.0	13.6	13.6
Balance	-10.8	-9.3	-8.2	-9.3	-9.3
Memorandum items:					
Nominal GDP (in billions of kip)	12,691	12,691	16,757	14,755	14,755

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

1/ Differs from the GOL presentation by the inclusion of timber royalty-financed expenditures.

Table 4. Lao PDR: Monetary Developments, 1999–2001 ^{1/}

	1999	2000				2001 Program			
		Mar.	June	Sept.	Dec.	Mar	June	Sept.	Dec.
(In billions of kip; end-of-period)									
Monetary survey									
Net foreign assets	1,266	1,352	1,470	1,477	1,526	1,382	1,379	1,361	1,465
Net domestic assets	278	408	578	634	725	981	1,097	1,228	1,235
Domestic credit	1,045	1,127	1,243	1,333	1,441	1,549	1,646	1,744	1,702
Net claims on government	-272	-331	-328	-368	-420	-403	-386	-368	-491
Claims on the economy	1,317	1,458	1,571	1,701	1,861	1,951	2,032	2,112	2,192
Credit to state enterprises	445	502	579	627	643	677	701	725	748
Credit to private sector	872	956	993	1,074	1,218	1,275	1,331	1,387	1,444
Other items (net)	-767	-719	-666	-699	-716	-568	-550	-517	-466
Broad money	1,545	1,758	2,048	2,111	2,251	2,363	2,476	2,588	2,701
Domestic currency (cash and deposits)	317	364	437	462	539	566	593	620	647
Foreign currency deposits	1,227	1,395	1,611	1,649	1,712	1,797	1,883	1,968	2,054
Bank of Lao P.D.R.									
Net foreign assets	405	389	515	758	799	796	794	775	880
Foreign assets	807	772	887	1,119	1,147	1,130	1,148	1,117	1,246
Foreign liabilities	-401	-383	-372	-361	-347	-334	-355	-342	-366
Net domestic assets ^{3/}	76	160	197	56	-33	-143	-130	-100	-194
Domestic credit	632	715	700	632	588	467	485	506	386
Net credit to government	-36	-52	-212	-269	-347	-337	-327	-315	-438
Credit to the economy	367	405	438	480	489	518	537	556	574
Credit to state enterprises	224	262	296	339	346	375	394	412	431
Credit to private sector	143	143	142	141	143	143	143	143	143
Credit to banks	302	362	475	421	446	286	276	266	250
BoL securities	-142	-166	-167	-160	-159	-112	-98	-71	-26
Other items, net	-415	-389	-337	-416	-461	-498	-517	-536	-554
Reserve money ^{3/}	482	547	712	814	767	652	663	675	686
Memorandum items:									
Bank financing of the budget ^{2/}	-39	-166	-76	-104	-46	-35	-18	0	-123
<i>Of which</i> : BoL financing of the budget ^{2/}	46	-92	-168	-216	-73	-68	-58	-46	-123
(In millions of U.S. dollars; end-of-period)									
Net foreign assets	166.6	178.8	187.6	182.7	185.7	168.6	168.2	165.9	178.7
<i>Of which</i> : BoL	53.4	51.4	65.7	93.7	97.3	97.0	96.8	94.5	107.3
Foreign currency credit to the economy	95.4	104.8	107.4	111.2	122.1	119.0	123.9	128.8	133.7
Foreign currency deposits	161.5	184.5	205.6	204.0	208.3	219.2	229.6	240.0	250.5
(Annual percent change)									
Broad money	78.4	58.2	7.9	49.8	45.7	34.4	20.9	22.6	20.0
Credit to the economy	74.2	44.8	-3.8	35.2	41.3	33.8	29.3	24.2	17.8
Credit to state enterprises	99.2	70.4	11.2	58.0	44.3	34.9	21.1	15.6	16.5
Credit to the private sector	63.6	34.3	-10.9	24.7	39.7	33.3	34.1	29.2	18.5
Reserve money	71.0	59.1	40.9	75.2	59.1	19.3	-6.8	-17.1	-10.5
Money multiplier	3.2	3.2	2.9	2.6	2.9	3.6	3.7	3.8	3.9
Velocity (ratio)	7.4	...	...	...	6.8	...	...	...	6.4
Exchange rate, end-of-period (kip per U.S. dollar)	7,600	7,560	7,815	8,085	8,218	8,200	8,200	8,200	8,200

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

^{1/} Compared to previously used monetary data, the reclassification of credit to farmers and state enterprises for irrigation projects as credit to the government has been discontinued, to be consistent with the sector of the debtors and in line with the authorities' presentation.

^{2/} Cumulative from the start of the fiscal year (which runs from October to September). Annual data are on a fiscal year basis. In 1999/2000 excludes that of the costs of printing money (KN 78 billion).

^{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 bank at BOL. The December 2001 level of NDA of the BOL includes the external disbursement of US\$15 million (KN 123 billion). Excluding these two adjustments the end 2001 stock would have been KN 64 billion, an increase of KN 97 billion from end 2000.

Table 5. Lao PDR: State-Owned Commercial Banks, 1999–2001

	1999	2000				2001 Program			
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
(In billions of kip; end-of-period)									
Net foreign assets	639	740	742	515	482	507	529	551	574
Foreign assets	769	864	918	695	674				
Foreign liabilities	131	124	176	180	193				
Net reserves 1/	30	35	45	190	102	143	184	225	272
Reserves	278	340	458	561	494	375	406	437	468
Credit from monetary authorities	249	305	413	371	392	232	222	212	196
Net credit to government	-203	-252	-107	-89	-66	-59	-52	-46	-46
Net credit in Kip	-150	-192	-33	-36	-13				
Net credit in foreign currency	-53	-59	-74	-53	-53				
Net domestic assets									
(excluding net credit to government)	682	802	892	1,023	1,189	1,227	1,265	1,302	1,340
Credit to the economy	556	640	689	775	884	921	959	996	1,034
<i>Of which:</i> Foreign currency	431	491	526	586	657				
Credit to state enterprises	197	213	235	242	253				
Credit to private sector	359	427	454	534	630				
Other items, net	126	163	203	247	306	306	306	306	306
Deposits	1,139	1,320	1,570	1,640	1,711	1,818	1,925	2,032	2,139
Deposits in Kip	197	239	305	329	372	429	486	542	599
Deposits in foreign currency	942	1,081	1,266	1,310	1,339	1,390	1,440	1,490	1,540
(In millions of U.S. dollars; end-of-period)									
Net foreign assets	84	98	95	64	59	62	65	67	70
Foreign currency credit to the economy	57	65	67	73	80				
Month-on-month percentage change	2.0	5.3	0.2	2.2	2.0				
Foreign currency net credit to government	-7	-8	-10	-7	-6				
Foreign currency deposits	124	143	162	162	163	169	176	182	188
(Annual percentage increase)									
Domestic credit	43	...	37	106	132	122	56	38	21
Credit to the economy	80	...	1	49	59	44	39	28	17
<i>Of which:</i> Foreign currency	...	...	2	53	53				
Deposits	91	...	14	59	50	38	23	24	25
Memorandum items:									
NFA coverage of FC deposits	68	68	59	39	36	37	37	37	37
Reserves-to-deposits ratio	0.24	0.26	0.29	0.34	0.29	0.29	0.29	0.29	0.29
Exchange rate, end-of-period (kip per U.S. dollar)	7,600	7,560	7,835	8,085	8,218	8,200	8,200	8,200	8,200

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

1/ Program for 2001 reflects the netting of BOL deposits at banks and banks' deposits at the BOL of KN 150 billion in January 2001.

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

Policy Action	Policy Monitoring
Banking reform	
Agree on the main elements of the restructuring of state-owned commercial banks (SOCBs) to be defined, in consultation with the AsDB and World Bank.	Prior action (Done, Appendix I.)
Initiate the external audits based on international standards of the three SOCBs for 1999 and 2000.	Prior action (Done.)
Formulate individual SOCB restructuring plans in support of comprehensive banking reform, consistent with the principles in the Memorandum on Economic and Financial Policies, and prepared with assistance from the AsDB and World Bank.	Structural performance criterion, September 2001
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 SOCBs.	Structural benchmark, September 2001 and March 2002
Identify key targets in SOCB restructuring to be used as performance criteria for March 2002.	Subject of first review
SOE reform	
Continue to adjust petroleum prices to avoid losses of oil companies, and agree with the World Bank on a timetable for future adjustments of electricity tariffs.	Prior action (Done.)
Provide balance sheets and income statements for 1997, 1998 and 1999 for electricity, water, fuel, and airline companies.	Prior action (Done.)
Comply with agreed timetable for adjustment of electricity prices (MEFP paragraph 20) and adjust Lao Aviation fares to ensure cost recovery.	Structural performance criterion, March 2002
Review development of a program of SOE commercialization and privatization in consultation with the World Bank.	Subject of second review
Fiscal and public resource reforms	
Use current market exchange rates on tax assessments.	Prior action (Done.)
Publish summary tables for 2000/01 budget and outturn for 1999/00.	Prior action.
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
External sector measures	
Begin operation of external debt monitoring unit that records the contracting and disbursing of all public and publicly-guaranteed debt.	Prior action.
Introduce automatic licensing for exports, except forestry and mining products.	Prior action (Done.)
Issue regulation to apply the removal of quantitative restrictions on items liberalized under AFTA on a multilateral basis, except for a few specified products.	Structural benchmark, September 2001