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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

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It is an honor and a great pleasure for me to represent the Government of the Lao People's Democratic Republic at the 2005 Annual Meetings of the Boards of Governors of the World Bank and 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 congratulations to President Wolfowitz for being elected as a new President of the World Bank Group. I believe that the Bank under Mr. President's leadership will further enhance its role in supporting the poverty reduction of all regions in the world.

Mr. Chairman,

The people and the Government of the Lao PDR are delighted and proud to see the successful conclusion of the financial close of The Nam Theun 2 Hydroelectric Project, one of the highest priority projects in the Lao PDR. This project has received strong and close support of the World Bank from a very early stage. The World Bank has also provided a grant of US\$20 million for the project's equity investment of the Government as well as the partial risk guaranty for the project.

The Nam Theun 2 Hydroelectric Power Project will play an important role in supporting the poverty reduction, improving the country's development indexes as well as other development goals of the Lao PDR. This project has been thoroughly planned, through which we have learned a great deal on the capacity building for project planning, project management, conducting the consultation, and encouraging the participation of all stakeholders in the preparation process as well as enhancing coordination with the donors.

The Nam Theun 2 Hydroelectric Project will be a first-class model in environmental protection, cross-border cooperation, and cooperation between the public and private sector. In addition, the project has also contributed to the Government's efforts in poverty reduction, capacity building, and the effective use of natural resources.

Mr. Chairman,

I would like to take this opportunity to inform the meeting on the Lao PDR's economic performance for the first six months of the fiscal year 2004–2005; our macroeconomic was stable, inflation has been reduced to an average of 6.5 percent, the exchange rate was stable, and there has also been an increase in private domestic and foreign investment from US\$533 million in 2004 to an estimated US\$1.249 million in 2005. The economic growth for 2005 is estimated to be about 7.4 percent, this growth will be partly contributed by the start of the construction of the Nam Theun 2 Hydroelectric Project.

The Government will continue to pursue the appropriate fiscal policies with the aim of increasing revenue collection and strengthening expenditure controls in order to maintain the stability of the Lao economy. We also aim to limit the inflation rate to a single digit, stabilizing the exchange rate in order to make the investment climate more favorable for ensuring that economic growth achieves its target of a higher rate than previous year. In realizing these goals, the Government will intensify its efforts to achieve all the targets outlined in the revised budget of fiscal 04–05, as approved by the National Assembly.

In addition, we have revised tax and customs laws, arbitration law, and anti-corruption law. The Government has engaged in improving the tax and customs collection mechanism, particularly from large tax payers, as well as strengthening the public expenditure management. We are currently working closely with the World Bank, the International Monetary Fund, and other international financial institutions on the Public Expenditure Management Strengthening Program, the Public Expenditure Review, and the implementation of the actions under the Poverty Reduction Support Credit.

Mr. Chairman,

We highly value the support from the international community including the bi-lateral and multi-lateral organizations, the international financial institutions, including the World Bank and the IMF. This support is very important for the socio-economic development of our country. In 2005, the World Bank has adjusted its policy on Laos from extending credit to giving grant aid in support of the development of the Lao PDR. The support for this year has included three Grant Aid projects in the amount of US\$29.5 million, and there are also a number of projects in the preparation and negotiation stages.

We would like to take this opportunity to urge the World Bank Group to continue giving the same importance and support to the socio-economic development and poverty reduction efforts of the poor countries of our region as the Bank does with other regions of the world. The continued same level of support will be an important factor in assisting the poor countries of this region to achieve their Millennium Development Goals.

Mr. Chairman,

In conclusion, in the name of the Government of Lao PDR, I would like to express my sincere appreciation to the managements and staffs of the Bank and the Fund, and fellow member countries for the support given to the Lao PDR. I wish the meetings a great success.

Thank you