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

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Governor of the Bank for the Lao People's Democratic Republic,
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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 2007 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 Zoelick 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,

I would like to take this opportunity to inform the meeting on the Lao PDR's economic performance for the fiscal year 2006–07; our macroeconomic situation was stable, inflation has been reduced to historical low about 4 percent, the exchange rate was stable, and there has also been an increase in private domestic and foreign investment from US\$1,249 million in 2005 to an estimated US\$ 2,600 million in 2006. The economic growth for 2006-07 is estimated to be about 7.6 percent; this growth will be partly contributed by the expansions of hydro-power and mining sectors.

The Government has continued to conduct the prudent fiscal policies with the aim of increasing domestic revenue and strengthening expenditure controls in order to maintain the budget deficit at target level. As the result, in last two fiscal years the domestic revenue has exceeded the target by 6 to 8 percent and the budget deficit has maintained below 3 percent. The monetary policy continues to be carried out in a caution manner. The external position has significantly improved. A surge in mining export, strong tourism receipts and high flow in foreign direct investment has boosted the foreign earning.

In order to fulfill the socio-economic development plans setting for the coming years, the Government of Lao PDR has initiated major reforms, including the continued focus of effort on stronger improvement of business environment, more enhancement of investment efficiency, higher progress in public financial management reform

particularly centralization of revenue administration and treasury and redesign the inter-government fiscal relationship, accelerating the banking sector form. On the economic integration into the world, the government has continued to reduce the tariff under AFTA commitment and push up the preparation for WTO accession.

Mr. Chairman,

We highly value the support from the international community including the bi-lateral and multi-lateral organizations, the international financial institutions. The Fund and the Bank have continued to provide vigorous support and assistant to the Lao PDR in term of policy advice, infrastructure and economic projects and programs, and technical assistances. This support has played an important role in helping Lao PDR in recovering from the crisis and achieving the high economic growth and stable macroeconomic condition in recent year. The Poverty Reduction Support Operations (PRSO) which lead by the World Bank has remarkably support the structural reform to more market-oriented economy, particularly the improvement in the legal framework which will form a fundament for sound and efficient development in the key sector.

We would like to take this opportunity to urge the World Bank Group to put more afford in supporting the socio-economic development and poverty reduction of the poor countries of our region as the Bank does with other regions of the world. Official Development Assistance is an important factor in supporting the poor countries of this region to achieve their poverty reduction agenda and Millennium Development Goals.

Ladies and Gentlemen:

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