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

Statement of the H.E. Somdy Douangdy

Minister of Finance, Governor for Lao People's Democratic Republic to the
World Bank

Annual Meetings in Washington, D. C., October 10-12, 2010

It's my honor and a great pleasure to represent the Government of Lao People's Democratic Republic at the 2010 Annual Meetings of the Board of Governors of the International Monetary Fund and the World Bank. 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 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 of all regions in the world during the recovering of world economy

Mr. Chairman,

In Laos, fiscal year 2009-10 is the final year of implementing the 6th 5-year social economic development plan. The Lao government has been making every effort to achieve the objectives of the plan, particularly to sustain the economic growth during the global financial crisis. Currently the Lao economy is relatively insulated from the global financial system and its exposure to global trade is relatively limited. Therefore the financial system has suffered little impact from the global financial crisis, while on the other hand the economy is benefited from a sustained demand for exports (minerals from China, garments from Europe, electricity from Thailand), for tourism services, and from lower energy (fuel) prices. In addition, in 2009, the government has implemented a significant fiscal stimulus package through increasing the budget and bank lending to sustain economic growth and to compensate for the decline in direct foreign investment. As a result, real GDP growth in 2009 reached 7.8 percent and is projected to be higher than 8 percent this 2010. The overall macroeconomic situation remains stable and robust. The exchange rate appreciated slightly against the US dollar, the inflation has risen, but stay at one digit. The Government is determined to maintain a coherent set of fiscal and monetary policies that will continue to promote macroeconomic stability. In particular, we maintain the budget deficit and credit growth at levels consistent with macroeconomic stability, improvements in tax revenue collection, ensuring that budget allocations to social sectors are adequate to meet the sectoral policy objectives, and accelerate banking sector reform.

Mr. Chairman, during 2009-2010, the Government has adopted and implemented many reforms. On fiscal front, the Government has continued the implementation of a comprehensive medium-term Public Financial Management Strengthening Programs (PFMSP) aims to build the capacity of the Ministry of Finance and Provincial Finance Departments to improve the effectiveness, transparency and accountability in managing public money. We are working in enhancing the fiscal planning, budget allocation, consolidated all national treasury accounts, budget execution report and final account audit annually. One of the key success is the completion of the treasury, customs and tax administration centralization and developed a new fiscal transfer system, establishing greater control of public finance resources, and aligning budget to the policies , as well as The implementation of the VAT since 1 January 2010 .

On the financial sector, Government will further 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 2010 the aim of the monetary policy is to maintain 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 27.2 percent of GDP, and deposit mobilization is set to achieve 28.4 percent of GDP. Subject to targets set above, the BOL will wisely conduct its monetary policy in the tight direction in order to control money supply as set out. In the meantime, BOL will continue to conduct the exchange rate policy based on market-oriented force by keeping close watch on the movements of the value of Kip against major currencies in line with international currency movements. In addition, in early 2011 the Lao PDR sets a stage to officially launch the Lao Stock Market aims to open more investment's channel for investor and start to develop a capital market in the country.

Mr. Chairman,

The Government of Lao PDR appreciates the support provided by the World Bank through IDA in a number of sectors that has contributed to achieving significant development outcomes. Over the years, the support has also led to significant building of capacity in the country. More 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 Typhoon Ketsana last year.

Lao PDR aims to exit from least developed country status by 2020. To achieve this we need to grow our economy 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 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 short, on behalf of Government of Lao PDR, I would like to express my sincere appreciation to the managements and staffs of the Fund and the Bank, and the fellow member countries for supporting the Lao PDR. I wish the meetings a great success.

Thank you.