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Statement by the Hon. **SANTIPHAB PHOMVIHANE**,
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Statement of H.E. Santiphab Phomvihane
Vice Minister of Finance, Governor for Lao People's Democratic Republic to the
World Bank Group for the 2012 Annual Meetings

It is my honor to represent Government of the Lao People's Democratic Republic at the 2012 Annual Meetings of the Board of Governors of the World Bank Group and International Monetary Fund. Let me join my fellow Governors in congratulating Mr. Chairman, the President of the World Bank Group, the Managing Director of the IMF, and the Government and people of Japan for the excellent arrangements made for these important meetings.

I would also like to take this opportunity to praise the Japanese People and Government for their strong determination in bringing the country back to economic growth path just within one year after the severe natural and nuclear disaster resulted from the tsunami in March 2011. The strong consolidation of the Japanese people in time of crisis is an inspirational story for other countries, including Lao PDR.

In this regard, please also allow me to congratulate President Jim Yong Kim for being elected as the new President of the World Bank Group. We strongly believe that with his long experiences in working with the least developed countries, his pro-poor visions and enthusiasm, the World Bank's role in supporting poverty reduction for the least developed countries would be further enhanced.

Mr. Chairman,

The global economy has encountered with various challenges and uncertainties due to severe debt crisis in European area, volatility of fuel and commodity price triggered by frequent natural calamities. Given these all challenges, the World Bank has played a significant role in providing comprehensive support to crisis-hit countries and helping global economy overcome this difficult situation.

In Lao PDR, the fiscal year 2011-2012 is the second year on the implementing of the 7th five-year National Social and Economic Development Plan 2011-2015 (7th NSEDP) which is crucial and decisive movement for the country in striving to achieve Millennium Development Goals (MDG) by 2015 and to graduate from the status of the Least Developed Countries by 2020. The overall macroeconomic situation has remained robust and stable; the year-to-year inflation increased but remained under single digit at 7.58 percent in December 2011 and the first nine months of 2012 averaged 5.5 percent. The nominal exchange rate of kip has remained stable against US dollar and other currencies. The balance of payments has remained stable as foreign direct investment continues to expand.

In 2012, Lao PDR's real GDP growth will remain strong with projected growth of 8 percent equaled to the growth in 2011, although 0.3 percent less than earlier projection. This growth is derived from natural resources, manufacturing and service sectors partly benefited from preparation for Asia-Europe Meeting (ASEM). Agriculture and forestry sector is expected to rebound after the adverse impacts of the 2011 flood. The Government recognizes that challenges have remained in diversifying the sources of growth and in enhancing the capacity for a more prudent public financial management to ensure the sufficient fund availability for priority health and education services.

In spite of uncertainty of the external environment, the economy is projected to continue to grow over the 7th NSEDP, with real GDP growth targeted at 8%. To achieve the socio-economic development targets and Millennium Development Goals by 2015, the Government will continue to reform and to focus on stronger improvement of business environment, enhancement of investment efficiency, continuing reform of public financial management, particularly centralization of revenue administration and treasury and redesign the inter-government fiscal relationship, accelerating the banking sector reform. On the economic integration into the world, the government has continued to reduce the tariff under Asian Free Trade Area (AFTA)'s commitment and has completed WTO accession negotiations last month.

Mr. Chairman,

During 2011-2012, the Government has continuously reformed in various areas. On public finance front, the outstanding reforms have been witnessed by revising and approving the general tax law and customs law in 2011. In addition, the treasury zero-balance accounts reform has moved forward. Also, the customs revenue management is expected to benefit from the full deployment of the Automated System for Customs Data (ASYCUDA) which was supported by the World Bank. Furthermore, the government continues to implement a comprehensive medium-term Public Financial Management Strengthening Programs (PFMSP) that aims to strengthening the capacity of the Ministry of Finance and Provincial Finance Departments to improve the effectiveness, transparency and accountability in managing the budget. In addition, with the technical assistance from the IMF for the improvement of the accounting system, the natural resources taxation will further help the public financial management reform in Laos.

For financial sector, the Government will continue to 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 2012, the aim of monetary policy is to continue maintaining a sound monetary stability, stable exchange rate, ensure international reserve to cover more than 6 months of import, improve balance of payment and control money supply in line with Lao economy conditions. To meet the said targets, the Bank of Lao PDR (BOL) will further conduct a combined monetary policy framework; continue to create favorable conditions, necessary rules and regulations to facilitate the operation of Lao Stock Exchange, which has increasingly drawn lots of interests from both local and foreign investors since officially launched in 2011.

Mr. Chairman,

The Government of Lao PDR appreciates the support of the World Bank to many sectors that has contributed to achieving significant development outcomes. Lao PDR will continue to support IDA16's overarching theme on "Development Results". 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 natural disasters.

Lao PDR aims to lift the country out of the status of the least developed country by 2020. To achieve this, economy needs to grow 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 through education, health and poverty reduction, and protecting the environment.

The Government of Lao PDR looks forward to the continuing support the role of the World Bank and the IMF 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 developed countries could fulfill the aspirations of their people for better lives.

Ladies and gentlemen,

In conclusion, on behalf of Government of Lao PDR, I would like to express my sincere gratitude to the World Bank's staff and our colleagues from line agencies of Japan for their enthusiastic contribution to the organization of the annual meetings, and the fellow member countries for supporting the Lao PDR. I wish the meetings a great success.

Thank you.