



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**SOUKANH MAHALATH, Governor**

It is an honor and great pleasure for me to represent the Government of the Lao People's Democratic Republic (Lao PDR) at the Thirty-Fifth Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). Allow me to join my fellow governors to congratulate you, Mr. Chairman, and thank the Government and the people of the People's Republic of China, for the excellent arrangements made for this important meeting and for a very warm hospitality extended to our delegation. I would like to welcome Portugal as a new member of ADB, and welcome the Governor of Afghanistan.

I would like to take this opportunity to inform the meeting on the current economic situation of the Lao PDR. In 2001, our economic performance improved markedly from the previous years. Inflation was reduced from a three-digit level in 1999 to single digit in 2001. The exchange rate showed a modest depreciation compared to previous years. Despite the stable macroeconomic environment, gross domestic product growth initially estimated at 6.4% was revised downward to 5.7% to reflect the impact of the regional slowdown in foreign investment and trade.

Contributing to this relatively high growth was the strong growth of 9.7% in the industry sector, and 5.7% in the service sector, while agriculture grew at 3.8% as a result of flooding during the year. Due to less favorable external economic conditions, our exports and imports showed a moderate growth of 1 to 2%.

Contributing to this good performance was mainly the strong stabilization efforts of the Government. During 2001 the Government continued to maintain tight monetary and fiscal policies adopted at the end of the 1999–2000 fiscal year to address hyperinflation.

For 2002, the Lao economy is expected to grow at a faster rate of at least 6%, and inflation to reduce to about 5%. Such an optimistic outlook results from the continuing stabilization efforts, accompanied by necessary reforms in the financial and enterprise sectors. The regional recovery is another factor contributing to this high growth. We are confident that this optimistic outlook will be realized as the Government is committed to the macroeconomic stabilization and structural reform programs

supported by international financial institutions, including the financial sector program with ADB assistance.

We highly value the continued assistance from the international community, including bilateral and multilateral organizations, international financial institutions, in particular ADB, as well as nongovernment organizations. We consider such assistance as an important factor contributing to the socioeconomic development of our country. As in previous years, in 2001, ADB has contributed to the development of the Lao economy by extending \$65 million in loans to the education sector, urban infrastructure and service development, as well as environmental and social programs. In addition, 13 technical assistance letters of agreement were signed, totaling \$5.5 million. On behalf of the Government of the Lao PDR, I would like to thank ADB for its valuable assistance, and thank other international financial institutions, bilateral donors, and nongovernment organizations for the support provided to our country.

The Lao PDR welcomes the recent reorganization of ADB. We are particularly delighted to see the establishment of the Mekong Department, which demonstrates a greater client-focus of ADB's operations. We strongly believe that with the new department in place it will better facilitate the development of the Mekong subregion. The Lao PDR will actively play its role in subregional cooperation.

Despite the impact of the regional and global economic slowdown, we believe that the Lao PDR economy could sustain the growth momentum. Our Government continues to be committed to the medium- and long-term stabilization and structural reform programs as part of the new economic mechanism introduced in the second half of the 1980s. We need to maintain an environment conducive for sustained high growth and macroeconomic stability, in order to achieve the goal of exiting from the least-developed country status by 2020, and bring the fruits of regional and world integration to improve the livelihood of our people. With continuing assistance from the multilateral financial institutions and the bilateral donors in support of our development efforts, we trust that our set goals will be achievable, and our economy will become more self-reliant as the environment of open trade and investment improves among countries in our region and throughout the world.