

**LAO PEOPLE'S DEMOCRATIC REPUBLIC****CHANSY PHOSIKHAM, Governor**

It is an honor and a great pleasure for me to represent the Government of the Lao People's Democratic Republic at the 38th Annual Meetings of the Boards of Governors of the Asian Development Bank.

Let me join my fellow Governors in congratulating Mr. Chairman, the President of the Asian Development Bank, and the Government and people of the Republic of Turkey for the excellent arrangements made for this important meeting and for the very warm hospitality extended to our delegation.

I would also like to take this opportunity to express my congratulation to President Kuroda for being elected as a new president of the Asian Development Bank. With Mr. President's strong background on International Finance and Development, I strongly believe that the Bank under Mr. President's leadership will further enhance its roles in supporting the poverty reduction and regional integration in Asia.

I would like to take this opportunity to inform the meeting on the Lao PDR's current economic situation. In 2004, our macro-economic was very stable, the inflation has been reduced from 12.6% at the end of 2003 to 8.6 % at the end of 2004, the exchange rate was stable, and there is also an increase in private domestic and foreign investment. The economic growth for the first 6 months was at 6.1%, Growth in the Agriculture sector was at 2.8% or about 45.5% of GDP, the industrial sector was at 11.5% or 27.9% of GDP, while growth in the service sectors was at 7.2% or about 26.7 %, of GDP. The high rate of growth and stable macro economic was partly due to the increase of export and the improved economic performance of the countries in the region.

The Government will continue to pursue the appropriate fiscal policies with the aim to increase the revenue collection and strengthening the 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 to be more favorable for ensuring the economic growth to achieve the target of around 6.5 – 7%. In realizing these goals, The Government will intensify its efforts in achieving all the targets as outlined in the budget of fiscal 04 – 05, which has been approved by the National Assembly, and we will also emphasize on the improving of the tax and customs laws, arbitration law, and anti-corruption law. In addition, the Government will engage in the improving of the tax and customs collection mechanism, particularly from the large tax payers as well as strengthening the public expenditure management.

We highly value the support from the International community including the bi-lateral and multi lateral organization, the International Financial Institutions, particularly to the Asian Development Bank. These supports are very important for the social-economic development of our country. In 2004, the Asian Development Bank had extended the strong support to the development in the Lao PDR including the 2 credit projects for the amount of 29.9 million for the rural access roads and rural development projects. In addition, we also receive 11

Technical Assistance projects for the amount of 6 million US dollars. According to the Country Assistance Strategies between the Lao PDR and ADB for 2005 – 2007, the credit amount has been reduced from 50 million to 35 million a year, this was due the adoption of the performance base allocation mechanism by ADB. In this regard, I greatly concerned over its impact for the long-term social economic development of the Lao PDR, and I strongly urge the ADB to review this mechanism.

This year, the Lao PDR has completed its preparation work for the Nam Theun 2 Hydro Power project, which was concluded by the signing of loans and grants agreement with the International Financial Institution on 26 of April. This success was contributed by the strong support of ADB. We strongly believe that the Nam Theun 2 Hydro Power Project will be good model for the environment protection, regional cooperation and the close cooperation between the public and private sector.

On behalf of the Government of the Lao PDR, I would like to express my sincere thanks to the Asian Development for the support and being an excellent partner for development. I would also like to extend my appreciation to other International Finance Institution, the bilateral donors and other aids agencies for the strong support giving to the Lao PDR.

In conclusion, I wish this meeting a great success.

Thank you.