

LAO PEOPLE'S DEMOCRATIC REPUBLIC

CHANSY PHOSIKHAM, Governor

It is an honour and great pleasure for me to represent the Government of the Lao People's Democratic Republic (Lao PDR) at the Thirty-Seventh Annual Meeting of the Board of Governors of the Asian Development Bank (ADB).

Let me join my fellow Governors to congratulate Mr. Chairman, the President of ADB, and to thank the Government and people of the Republic of Korea for the excellent arrangements made for this important meeting and for the very warm hospitality extended to our delegation.

I would also like to congratulate and welcome the Governors of Luxembourg and Palau as new members of ADB.

I would like to take this opportunity to inform the meeting of the current economic situation of the Lao PDR. In 2003, our economic growth was at 5.9%, showing an increase of 0.2% compared with the previous year. Growth in the industrial sector was at 11.5%, while growth in the service sector and agriculture sector was 5.8% and 2.2%, respectively. The high rate of growth in the industry sector was partly due to the export of the gold ore of \$60 million from the Sepone Gold Mine, one of the foreign direct investment projects in the country. Overall, there was also an increase in the country's exports, resulting from the improved economic performance of the countries in the region.

Although the economic growth rate was considerably high, attributable to the large volume of exports by foreign investment projects, which helped stabilize the exchange rate, however, inflation still remained high, averaging at 15.5% for 2003.

One of the main factors contributing to the high inflation rate is the rise of the world petroleum price, which resulted in higher import prices and an increase in prices of domestic commodities and foods. The shortage of some commodities, particularly construction materials, also contributed to the high inflation in the country. This high inflation made the life of the Lao people more difficult and also discouraged investment because of the high interest rate.

Policies of the Government for 2004, which are in the fourth year of the fifth social economic development plan (2001–2005), focus on maintaining macroeconomic stability, reducing the inflation rate to a single digit, and ensuring exchange rate stability, in order to encourage investments and obtain the economic growth target of 6.2 percent. To achieve this target, the Government has centered its efforts on the implementation of the budget for fiscal year 2003–2004 as approved by the National Assembly. The Government has put emphasis on tax and customs reforms, particularly tax collection from large taxpayer units, as well as strengthening fiscal discipline in the area of public expenditure management.

We are confident in the success of the Government's efforts in creating a stable macroeconomic environment and engaging in structural reforms in order to facilitate the participation of all sectors in the social economic development of the country with the aim to gradually reduce poverty and enable the Lao PDR to exit from least-developed country status by 2020. Our confidence in the success of these efforts is based on the policy of increasing external relations and cooperation, and integrating the Lao PDR economy with that of the region and the world. This will enable the Lao PDR to attract outside support in the form of technology and capital needed for the exploitation of our abundant natural resources and the development of our human resources to increase their knowledge and skills to a similar level with the countries in the region.

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 2003, ADB has contributed to the development of the Lao PDR economy by extending loans for eight projects, in the amount of \$132.9 million to the agriculture sector, industrial sector, urban infrastructure and service development, banking reform, as well as the tourism development. In addition, a number of Technical Assistance Letters of Agreement have been signed. 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 their support provided to our country.

I would also like to praise the donor shareholders for their pledge to the Asian Development Fund (ADF) IX replenishment as well as for their contribution to ADB's technical assistance special fund.

The Lao PDR is delighted and highly honored by the trust of ADB's Management in a Lao PDR citizen, who was selected for a post of Vice-President of ADB. This selection has proved that ADB has given greater importance to the least-developed member countries, enabling them to have more opportunities to contribute to decision making in ADB management with regard to the support to the least-developed and developing member countries.

In conclusion, I wish a great success to the meeting.