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The Chairman's Summing Up at the Conclusion  
of the 1982 Article IV Consultation with the  
Lao People's Democratic Republic  
Executive Board Meeting 82/158 - December 10, 1982

Directors observed that the move toward production-oriented policies in recent years, including the adoption of more flexible pricing and the removal of restrictions on internal trade, had contributed to high rates of growth and impressive progress toward self-sufficiency in food. However, despite the improved supply situation and a slowdown in monetary expansion, domestic prices had continued to rise rapidly and price distortions had continued.

Directors commended the authorities for their pragmatic approach toward the implementation of the Five-Year Plan and for the steady improvement in fiscal performance, but noted that the fiscal position remained weak. The subsidy on official rice distribution had recently increased sharply and nearly half of total budget expenditure remained foreign-financed. Additional revenue measures and expenditure restraint were therefore needed. A review of interest rate policy and the upward adjustment of rates were also regarded as important.

Directors observed that debt service payments in convertible currencies were expected to rise rapidly and that, under bilateral arrangements, exports had increasingly been directed toward the nonconvertible area. They stressed that, in view of the already sizable deficit on the current account and the uncertain aid prospects, there was an urgent need to develop exports, in particular those to the convertible area. Together with more remunerative domestic procurement prices, a more active exchange rate policy would be essential for the achievement of that objective.

The need for a continued high level of concessionary aid, in conjunction with the implementation of adjustment measures by the authorities, was also stressed.