

**IMMEDIATE
ATTENTION**

EBD/10/45

July 2, 2010

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Lao People's Democratic Republic—Acceptance of Obligations of Article VIII, Sections 2, 3, and 4**

Attached for consideration by the Executive Directors is a paper on the Lao People's Democratic Republic's acceptance of the obligations of Article VIII, Sections 2, 3, and 4.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Monday, July 12, 2010**. In the absence of such a request, the draft decision that appears on page 1 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Almekinders, APD (ext. 34281) and Mr. Eastman, LEG (ext. 36884).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Acceptance of the Obligations of Article VIII, Section 2, 3 and 4

Prepared by the Asia and Pacific, Legal and Monetary and Capital Markets Departments

Approved by Jan Brockmeijer, Ross Leckow, and Anoop Singh

July 1, 2010

1. By the attached letter dated May 28, 2010, the authorities of Lao People's Democratic Republic (Lao P.D.R) have notified the Managing Director that Lao P.D.R has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the Fund's Articles of Agreement, effective from the same date.
2. Fund staff has reviewed Lao P.D.R 's exchange system on a number of occasions, including a staff mission for this purpose in August 2004. At that time, Fund staff found that although Lao P.D.R no longer maintained restrictions on the making of payments and transfers for current international transactions under the transitional arrangements of Article XIV, Section 2, it did maintain a restriction subject to Fund approval under Article VIII, Section 2(a) arising from a requirement for tax payments certificates to be obtained for some transactions. Following further discussions, the authorities amended the relevant law and implementing regulations effective April 2010 to eliminate this requirement. The authorities have also notified the Fund, pursuant to Executive Board Decision No. 144-(52/51), of exchange restrictions imposed for security reasons. Fund staff is not aware of the introduction, since August 2004, of any new measures that would give rise to exchange restrictions or multiple currency practices imposed by Lao P.D.R inconsistently with the Articles of Agreement. Thus, Lao P.D.R now maintains an exchange system free from restrictions on the making of payments and transfers for current international transactions.
3. The staff welcomes Lao P.D.R's decision to accept the obligations of Article VIII, Section 2, 3 and 4. Accordingly, the following draft decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

Proposed Decision

The Fund notes with satisfaction that Lao P.D.R has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the Articles of Agreement.



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

BANK OF THE LAO P D R

No 46 /BOI

Vientiane, 28 May

The Hon. Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington DC

Dear Mr. Strauss-Kahn,

I am pleased to inform you that, pursuant to Article XIV, Section 1 of the Fund's Articles of Agreement, the Lao People's Democratic Republic accepts the obligations of Article VIII, Sections 2(a), 3 and 4, with effect from 28 May 2010.

With my warmest regards,

Yours Sincerely,

GOVERNOR

BANK OF THE LAO PDR



Phouphet KHAMPHOUNVONG