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December 16, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Lao People's Democratic Republic - Recent Economic Developments

This paper provides background information to the staff report on the 1985 Article IV consultation discussions with Laos which was circulated as SM/85/321 on December 3, 1985.

It is proposed to bring this subject to the agenda for discussion on Friday, January 3, 1986.

Mr. Evers (ext. 7611) or Mr. Mendras (ext. 7368) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Recent Economic Developments

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Approved by the Asian Department

December 11, 1985

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LAO PEOPLE'S DEMOCRATIC REPUBLIC

Basic Data

Area and population

Area	236,800 square kilometers
Population (March 1985)	3.6 million
Annual rate of population increase	2.9 percent

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> <u>Est.</u>
<u>GDP</u> (at current prices: KN mn.)	8,281	14,373	22,836	32,516	62,966
<u>Output</u> (percentage change)					
Real GDP	6.8	3.8	1.2	12.5	6.2
Production of rice	9.6	-5.4	-8.3	31.9	8.1
Gross industrial production	-0.2	2.3	-8.2	-2.0	16.1
Of which: Manufacturing	(10.3)	(-19.5)	(-19.3)	(-36.7)	(95.7)
Electricity	(-5.5)	(7.6)	(-5.2)	(3.2)	(1.0)
<u>Prices</u> (percentage change)					
Consumer price index (end of period)	22.8	71.3	66.5	28.2	113.6 1/
Official prices	4.9	121.4	25.5	7.7	284.9 1/
Free market prices	37.2	40.3	106.5	40.3	30.4 1/
GDP deflator	39.7	67.2	57.0	26.6	82.3 1/
<u>Budget</u> (percentage change)					
Revenue	32.2	178.6	26.9	41.5	24.2 2/
Expenditures	10.1	179.9	22.3	25.2	24.9 2/
Current	--	119.7	30.4	38.7	31.8 2/
Capital	23.9	246.5	16.6	13.5	18.2 2/
<u>Monetary survey</u> (percentage change)					
Domestic credit	25.1	23.4	20.3	23.1	10.4 3/
Total liquidity	2.3	51.8	38.7	-0.2	7.5 3/
Cash in circulation	7.6	39.6	35.6	40.6	32.5 3/
<u>Balance of payments</u> (US\$\$ mn.)					
Exports	23.1	40.0	40.8	45.1	47.6
Convertible area	16.9	27.8	27.8	30.1	34.8
Of which: Electricity	(10.8)	(23.9)	(24.0)	(25.2)	(27.4)
Nonconvertible area	6.2	12.2	13.0	15.0	12.8
Imports	-109.5	-132.2	-149.4	-153.9	-163.3
Convertible area	-51.7	-73.7	-76.3	-51.3	-48.7
Nonconvertible area	-57.8	-58.5	-73.1	-102.6	-114.6
Trade balance	-86.4	-92.2	-108.6	-108.8	-115.7
Convertible area	-34.8	-45.9	-48.5	-21.2	-13.9
Nonconvertible area	-51.6	-46.3	-60.1	-87.6	-101.8
Current account	-69.2	-68.3	-95.7	-85.4	-95.3
Convertible area	-22.5	-19.5	-32.9	-8.2	0.8
Nonconvertible area	-46.7	-48.8	-62.8	-77.2	-95.8
Capital account (including errors and omissions)	64.6	64.0	107.6	32.6	99.0
Overall balance	-4.6	-4.3	11.9	-2.8	3.7

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Basic Data (concluded)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> <u>Est.</u>
<u>International reserves (US\$ mn.)</u>					
Gross international reserves	13.34	8.27	19.44	11.20	16.78 ^{4/}
(In weeks of imports)	(6.3)	(3.3)	(6.8)	(3.8)	(5.3) ^{4/}
Net international reserves	-1.72	-6.00	5.89	3.11	12.04 ^{4/}
<u>External debt operations (US\$ mn.)</u>					
External debt outstanding					
(disbursed)	312.4	342.5	379.1	412.6	...
Of which: Convertible area	(110.0)	(120.0)	(121.3)	(124.6)	(...)
External debt service payments	7.2	7.4	6.6	13.0	20.8
Of which: Convertible area	(7.1)	(5.8)	(6.0)	(11.2)	(18.4)
<u>Exchange rate (end of period; KN/US\$)</u>					
Commercial	30	35	35	35	35 ^{5/}
Inward remittances	--	--	108	108	270 ^{5/}
Free market	56	105	140	253	370 ^{5/}
<u>Selected ratios to GDP (percent)</u>					
Budget revenue	11.9	19.2	15.3	15.2	...
Budget expenditure	23.6	38.1	29.3	25.8	...
Overall budget deficit	-11.7	-18.9	-14.0	-10.6	...
Total liquidity	9.7	8.5	7.4	5.2	...
Cash in circulation	2.0	1.6	1.4	1.4	...
Merchandise exports	6.4	9.7	6.3	4.9	2.6
Merchandise imports	-30.4	-32.2	-22.9	-16.6	-9.1
Current account of balance					
of payments	-19.2	-16.6	-14.7	-9.2	-5.3
Overall balance of payments	-1.3	-1.0	1.8	-0.3	0.2
External debt outstanding					
(disbursed)	86.8	83.4	58.1	44.4	...
External debt servicing	2.0	1.8	1.0	1.4	1.2

1/ September 1985 over September 1984.

2/ Based on 1985 budget estimates.

3/ June 1985 over June 1984.

4/ Outstanding in June 1985.

5/ As of September 1985.



I. Introduction

The Lao People's Democratic Republic is a small landlocked country, with a population of 3.6 million. Agriculture is the dominant activity, but the country is also well endowed with substantial resources of timber, hydroelectricity and minerals, most of which are still unexplored. Development of the economy is constrained by a poor infrastructure, shortages of skilled labor, a low level of savings, and organizational weaknesses in government departments.

After a sluggish performance in 1982-83, the economy grew rapidly in 1984, primarily reflecting a marked recovery in agricultural production. Paddy production rose to a record level, due to favorable weather and the application of improved cultivation techniques. However, as in 1983, manufacturing output declined because of shortages of imported raw materials. Following a marked acceleration in previous years, inflation slowed in 1984, partly reflecting the good rice harvest. The economy remained buoyant in 1985, with growth in real GDP estimated at 6 percent. Paddy production is expected to reach the target of 1.4 million tons set under the First Five-Year Plan (1981-85), and industrial output rebounded from earlier setbacks as a result of an easing of supply constraints. However, the rate of inflation accelerated again as the result of continued monetary expansion and a significant adjustment of official retail prices.

The budget deficit rose from KN 3.2 billion in 1983 to KN 3.4 billion in 1984 but, as in previous years, the Government refrained from borrowing from the banking system; the overall deficit was financed entirely by external borrowing. Bank credit to public enterprises continued to be the main cause for the rapid monetary expansion. The growth of cash in circulation accelerated to 41 percent in 1984, reflecting a continued expansion in credit to public enterprises.

During the course of 1985, official retail prices were raised with a view to eliminating consumer subsidies and improving the financial position of public enterprises. After having remained more or less unchanged for a number of years, official retail prices were raised almost fourfold. The price adjustments were accompanied by a sizable increase in salaries of civil servants and public enterprise employees, and the abolition of the ration system. In addition, public enterprises were granted autonomy in the determination of investment, production, and employment, and greater emphasis was placed on profitability as a performance criterion. Public enterprises were also allowed to retain their depreciation funds and a larger share of their profits and foreign exchange earnings.

The deficit of the current account of the balance of payments is estimated to have risen from \$85 million in 1984 to \$95 million in 1985. Export earnings rose in both years, owing partly to a recovery in exports of wood and wood products. Imports from the convertible area

declined in 1984 and 1985, but these declines were more than offset by substantial increases in imports from the nonconvertible area. Consistent with a rise in foreign aid receipts, the overall balance of payments position is estimated to shift from a deficit of \$3 million in 1984 to a small surplus in 1985.

The commercial exchange rate, at which most transactions take place, remained unchanged at KN 35 per dollar, but the special rate for private inward remittances to Lao nationals was recently changed from KN 108 to KN 270 per dollar. The kip in the parallel market depreciated from KN 225 to KN 370 per dollar during the year ended September 1985.

II. Production

The Lao economy is dominated by agriculture, which is the mainstay of the economy. It provides the main livelihood to about 85 percent of the population and, together with forestry and animal husbandry, accounts for about 60 percent of GDP. Because of seasonal and geographical variations in the pattern of rainfall, there may be relatively large fluctuations in crop production. The industrial sector consists of a number of light industries, mainly in the Vientiane region, and a 150 megawatt hydroelectric facility on the Nam Ngum river, which exports most of its output to Thailand. Mostly reflecting sharp gains in agricultural output, real GDP is estimated to have grown by 12.5 percent in 1984 and by another 6.2 percent in 1985 (Table 1).

1. Agricultural production

Paddy accounts for about 80 percent of crop output and about 90 percent of the total cultivated area. Due to a favorable pattern of rainfall, paddy production increased by 32 percent to 1.3 million tons in 1984 (Chart 1 and Table 2). Weather conditions continued to be satisfactory during 1985, so that the target of 1.4 million tons of paddy production, which was set under the First Five-year Plan (1981-85) is expected to be met. In that case, per capita consumption of rice will amount to 191 kg., higher than in most other countries where rice is the basic staple food. ^{1/} In addition to favorable weather, the improvement in the average yield from 1.5 tons per hectare over 1980-83 to more than 2 tons per hectare in 1984 was due to increased use of natural fertilizer, better weed control, and denser planting. These techniques were promoted by a Government campaign, which included sending a large number of civil servants to the countryside to encourage farmers to adopt better methods. More remunerative procurement prices

^{1/} The figure of 191 kg. was obtained by deducting from total paddy output 35,000 kg. for seeds, 141,000 kg. for animal feeding, 97,000 kg. for losses, and 10,000 kg. for other uses; and by applying a rate of 0.60 for converting paddy into rice.

Table 1. Laos: Estimates of National Income and GDP, 1980-85 ^{1/}

(In millions of kip)

	1980	1981	1982	1983	1984	1985
Net material product at 1982 prices	9,313	10,056	10,430	10,444	12,091	12,935
Agriculture and forestry	7,432	8,091	7,940	7,622	9,131	9,806
Industry	559	557	569	523	512	583
Construction	265	240	420	580	620)	
Transport and communications	135	135	170	174	178)	2,546
Commerce	765	870	1,160	1,370	1,470)	
Other	157	163	170	175	180)	
Depreciation	579	602	626	651	677	704
Nonmaterial services	3,067	3,189	3,317	3,450	3,588	3,731
GDP at 1982 prices	12,959	13,847	14,373	14,545	16,356	17,370
(Percentage change)		(6.8)	(3.8)	(1.2)	(12.5)	(6.2)
GDP deflator	42.8	59.8	100.0	157.0	198.8	362.5
(Percentage change)		(39.7)	(67.2)	(57.0)	(26.6)	(82.3)
GDP at current prices	5,546	8,281	14,373	22,836	32,516	62,966

Source: Staff estimates based on data provided by the Lao authorities.

^{1/} The Lao People's Democratic Republic's national accounts are established according to the Material Product System (MPS), which differs from the United Nations' System of National Accounts (SNA). The basic difference between the two systems is that the MPS does not include the value of depreciation and nonmaterial services. Capital consumption by the "productive" branches recorded in the MPS (Agriculture and Forestry, Industry, Construction, Transport and Communications, Commerce) has been estimated at 6 percent of net value added in 1982. It has been assumed that the yearly rate of growth of capital consumption was 4 percent. The value added of nonmaterial services has been estimated at 30 percent of the value added by the productive sector of the economy (capital consumption included) in 1982. It has also been assumed that the value added of nonmaterial services grew at a yearly rate of 4 percent.

Table 2. Laos: Area, Yield, and Production of Major Agricultural Crops, 1980-85

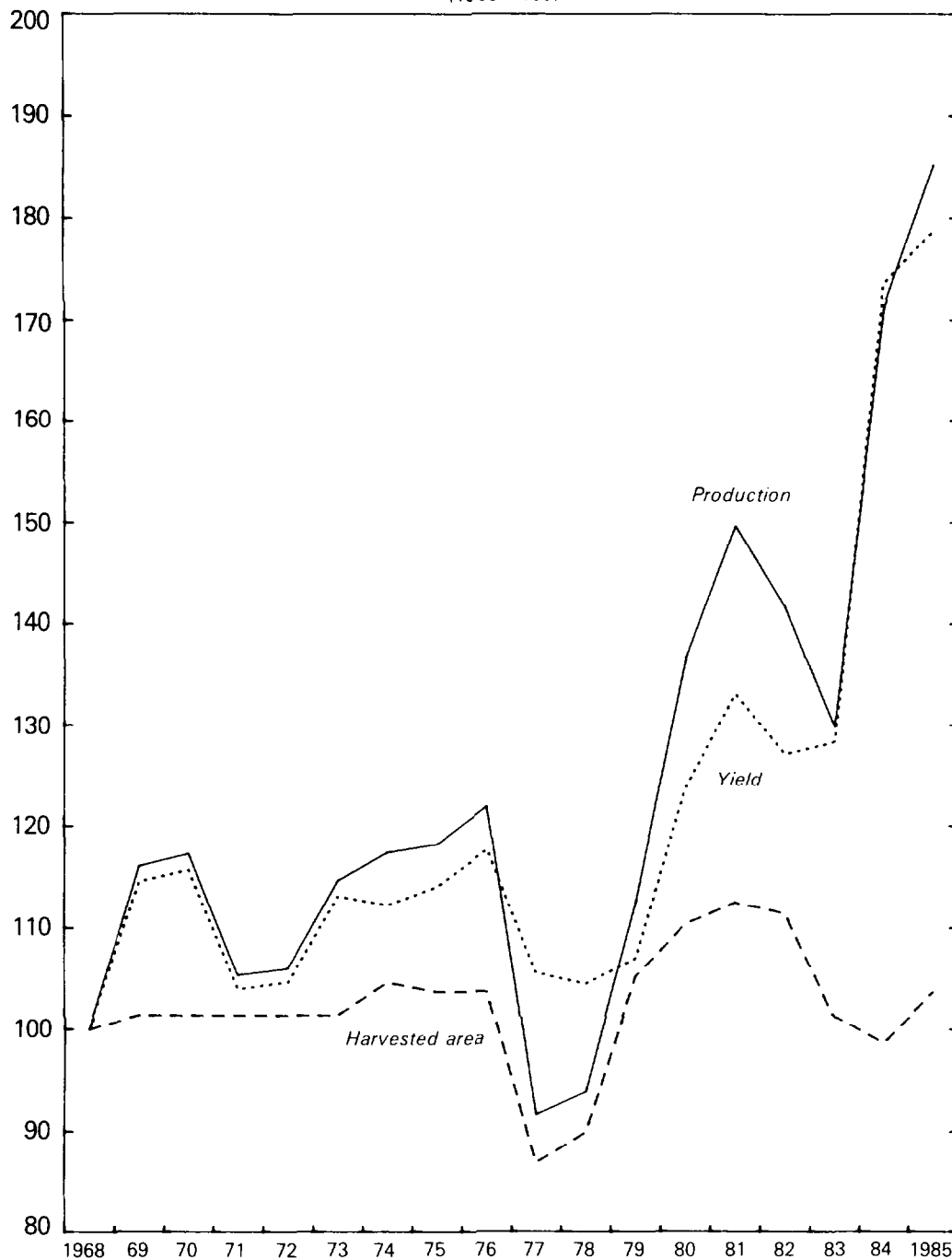
	1980	1981	1982	1983	1984	1985 Est.
Area ('000 hectares)						
Paddy	724.3	738.5	731.2	664.3	646.5	679.7
Rainfed lowland	426.9	433.2	435.0	399.3	360.0	396.2
Of which:						
Irrigated area ^{1/}	(7.7)	(6.5)	(5.6)	(6.0)	(8.5)	(10.1)
Upland	297.4	305.3	296.2	265.0	286.2	283.4
Vegetables	5.2	5.4	5.6	5.6	5.5	5.5
Maize	28.3	30.9	31.6	29.8	28.5	30.3
Cotton	7.0	7.1	7.2	7.2	7.2	7.4
Coffee	6.5	7.7	7.7	8.2	17.4	18.0
Tobacco	4.0	4.4	4.4	3.7	3.9	5.0
Root crops	9.1	11.0	12.0	11.7	11.9	12.3
Groundnuts	10.7	11.3	11.5	11.3	...	...
Mung beans	2.9	3.0	3.0	3.0	...	...
Soybeans	4.8	5.5	5.5	4.8	5.8	7.0
Tea	0.1	0.1	0.1	0.1	...	...
Sugarcane	0.9	0.9	0.9	1.1	1.9	3.0
Yield (ton/hectare)						
Paddy	1.45	1.56	1.49	1.51	2.04	2.10
Rainfed lowland	(1.65)	(1.81)	(1.67)	(1.75)	(2.25)	(2.57)
Irrigated area	(1.44)	(1.89)	(2.18)	(2.07)	(2.51)	(2.69)
Upland	(1.13)	(1.18)	(1.18)	(1.09)	(1.33)	(1.35)
Vegetables	8.1	8.1	8.1	8.1	8.1	8.2
Maize	1.0	1.1	1.1	1.1	1.1	1.1
Cotton	0.7	0.7	0.7	0.7	0.7	0.6
Coffee	0.7	0.7	0.7	0.6	0.5	0.5
Tobacco	4.2	4.3	4.5	4.2	4.2	4.3
Root crops	8.8	8.8	8.0	8.1	8.1	8.1
Groundnuts	0.7	0.8	0.8	0.8	...	...
Mung beans	0.6	0.6	0.6	0.6	...	...
Soybeans	0.7	0.7	0.7	0.7	0.7	0.8
Tea	0.4	0.4	0.4	0.4	0.4	0.4
Sugarcane	26.6	26.6	27.9	26.6	27.6	27.7
Production ('000 tons)						
Paddy	1,053.1	1,154.1	1,092.4	1,001.4	1,321.0	1,428.0
Rainfed lowland	705.5	782.2	730.5	700.1	919.2	1,091.4
Irrigated area	11.1	12.3	12.4	12.5	21.3	27.2
Upland	337.0	360.2	349.5	288.8	380.4	381.4
Vegetables	42.6	43.6	44.9	44.3	45.0	45.6
Maize	28.3	32.8	34.7	31.9	33.9	36.0
Cotton	4.9	5.0	5.2	5.0	5.1	4.7
Coffee	4.4	5.0	5.2	5.3	5.7	5.9
Tobacco	16.6	19.1	19.7	15.5	16.5	22.0
Root crops	80.3	97.1	95.8	95.7	96.6	100.0
Groundnuts	7.9	8.7	9.2	8.7	...	...
Mung beans	1.6	1.7	1.8	1.8	...	...
Soybeans	3.3	3.9	4.2	3.5	3.6	5.3
Tea	0.03	0.05 ^{2/}	0.05	0.06	0.06	0.07
Sugarcane	23.5	24.1	25.7	28.8	54.5	83.1

Source: Data provided by the Lao authorities.

^{1/} Area cultivated both during the rainy and dry seasons.

^{2/} The increase in the production figure for tea in 1981 is due to an improvement in statistical coverage.

CHART 1
LAOS
PRODUCTION, HARVESTED AREA, AND YIELD OF RICE,
1968-85
(1968=100)



Source: Data provided by the Lao authorities.

100

100

100

100

provided an important incentive to more intensive paddy cultivation; procurement prices for paddy were raised from KN 3.5 per kg. in 1982 to KN 12 per kg. in 1983-84 and to KN 14 per kg. in 1985 (Appendix Table 11). Cultivation on irrigated land accounted for only a small fraction of the increase of total paddy output in recent years; from 1 percent of the total in 1980 it rose to 2 percent in 1985.

The focus of rice production policy has been on (1) raising average yields, (2) increasing the area under cultivation, (3) promoting double cropping through expansion of irrigable land, and (4) limiting the extent of rice cultivation under slash-and-burn techniques in the uplands. With these techniques farmers burn down sometimes valuable tracts of forest to make room for the cultivation of rice and other food crops. Because of the rapidly deteriorating condition of the soil and erosion, these tracts of land are seldom cultivated for more than three years. The annual loss of forest land due to slash-and-burn techniques is estimated at about 250,000 hectares.

Cash crops (mainly coffee, tobacco, cotton, and sugar) contribute about 6 percent of crop output and account for about 4 percent of total cultivated area. Aided by good weather, output of cash crops generally registered an increase in 1984. Coffee production increased by 8 percent. Coffee is mainly cultivated on the Bolovens Plateau and official exports are mainly directed toward the nonconvertible area. Official procurement prices for coffee were raised in 1984 but remained well below the free market prices with the result that official procurement of coffee drastically declined in 1985. Tobacco production registered a moderate recovery from the drought-related setback of previous years. The Virginia varieties, which account for 40 percent of total tobacco production, are cultivated in the Vientiane area where two cigarette factories are located. Procurement prices for tobacco were raised from KN 3.6 per kg. in 1983 to KN 11 per kg. in 1985, but, as with coffee, the adjusted prices remained below those in the free market. There is considerable scope for increasing domestic production of tobacco; currently part of the tobacco used by the two cigarette factories is imported. Cotton production stagnated in recent years. Cotton is cultivated on small family parcels and is the base for handicraft activities. A foreign-assisted project aims at improving cotton cultivation in the Sayabouri province, northwest of Vientiane. The recent establishment of a sugar mill in the Vientiane region has led to an increase in sugarcane production from 29,000 tons in 1983 to 55,000 tons in 1984. Subsidiary food crops (roots and tubers, vegetables, maize, groundnuts, soybeans, etc.) account for about 14 percent of crop output. Production of subsidiary crops was generally stagnant during 1981-84. Maize is part of the farmers' diet in some regions, such as the Bolovens Plateau, and is also used for animal feed. Other subsidiary crops are cultivated on small family plots, mostly for self-consumption.

The total number of livestock has increased steadily in recent years (Appendix Table 13). However, output of the livestock sector has remained below potential, because of insufficient infrastructure, and because of the widespread incidence of diseases. Several livestock state farms have been set up with foreign assistance; however, their productivity is affected by the lack of technicians and well-trained managers, as well as erratic supply and deficient quality of feedstuffs.

Fish and other aquatic animals such as frogs, snails, and shrimp are a large source of protein for the population; per capita consumption is estimated at 7 kg. per year, which is high for a landlocked country. River fish catches have been declining during the past decade, because of excessive fishing of the rivers. However, this decline has been partially offset by increased catches in flooded rice fields and increased output from fish farms. With foreign assistance, some fish farms have been rehabilitated, and new ones have been set up in several provinces.

2. Forestry

Laos is endowed with abundant forest resources, comprising many species of considerable value. With feasible annual production estimated at about 2 million cubic meters, the forestry sector has a substantial potential for export earnings. However, the exploitation of forest resources has been hampered by a number of constraints, including severe transportation bottlenecks, the lack of trained workers and cutting equipment, and inadequate official procurement prices. In addition, forest resources are threatened by slash-and-burn techniques of rice cultivation. Production of logs and sawn wood increased relatively rapidly in 1983, but their levels remained well below both the Plan target and production capacity. In 1984, log production stagnated at about 170,000 cubic meters (Appendix Table 14). Sawn wood production increased by 12 percent to 37,000 cubic meters, but remained far below capacity. Logs are produced by state and provincial forestry enterprises, generally operating on the lower basins of the Mekong valley. The five state forestry enterprises, ^{1/} which benefit from foreign assistance, have been utilizing highly capital-intensive techniques for both felling trees and building access roads, with disappointing results. Other factors contributing to the weak performance of public forestry enterprises include severe transportation difficulties, the rapid deterioration of equipment, and low efficiency of workers, who are not paid enough to be work-committed and who are inadequately trained. Sawmills and plywood factories are not running at full capacity because of inadequate supplies of logs, the latter being

^{1/} Nine state enterprises were established in 1981, four of which have recently been transferred to the provinces.

discouraged by official procurement prices that are far below those in the free market.

In an effort to exploit forest resources more effectively, a number of measures have recently been taken. The procurement price for logs was raised by 80 percent on average in 1984, and by 33 percent in 1985. However, the current procurement price of KN 6,000 per cubic meter is substantially below the current free market prices of KN 35,000 per cubic meter. In February 1985, eight production units (two forestry enterprises, two sawmills, a plywood factory, a flooring factory, a rattan factory, and a furniture factory), as well as the timber trading corporation, were regrouped into the "Lao Wood Industry Corporation." This corporation has been granted substantial autonomy of management, among other things, in marketing timber products abroad and in importing raw materials and spare parts.

3. Industrial production

The industrial sector, which comprises manufacturing, mining, and energy, is characterized by a narrow production base, accounting for about 4 percent of GDP in recent years. After a minor recovery in 1982, gross industrial production declined by 10 percent during 1983-84, primarily as the result of shortages of imported raw materials (Appendix Table 17).

a. Manufacturing

The manufacturing sector, which consists of 275 factories and employs 19,000 workers, is located mainly in the Vientiane area, and its production is geared primarily to the local market. Some enterprises process local agricultural and forestry products, but the majority of them still rely heavily on imported inputs for their operations. Manufacturing productivity is generally low due to antiquated equipment and the lack of skilled labor. On average, capacity utilization probably does not exceed 50 percent. Shortages of foreign exchange worsened in recent years, causing sharp drops in the production of enterprises processing imported inputs, while the supply of those enterprises processing domestic inputs was often hampered by the low level of official procurement prices. Manufacturing output declined by 20 percent in 1982, 19 percent in 1983, and 37 percent in 1984. Preliminary estimates for 1985 indicate that manufacturing output will more or less recover from the decline experienced during the previous three years, due to a better allocation of scarce convertible foreign exchange and a sharp rise in imports from the nonconvertible area. Manufacturing output should also benefit from recent decentralization measures, the removal of some major price distortions, and the possibility of paying productivity bonuses to workers.

b. Mining

Following a steady increase during the previous years, the mining of tin ore expanded further by about 20 percent to 430 tons in 1984, reflecting the installation of new mining equipment with assistance from the Soviet Union (Appendix Table 18). Tin mining is estimated to have exceeded 600 tons in 1985 and is projected to reach 1,500 tons by 1990, a level achieved in the early 1970s. Gypsum output increased substantially to 70,000 tons in 1983, when a new mine came into operation and is estimated to reach 98,000 tons in 1985. The production of salt has oscillated between 5,000 tons and 8,000 tons since 1982. Both tin and gypsum are normally exported to the nonconvertible area. However, to increase foreign exchange earnings the mining company has recently been permitted to export a portion of its output to the convertible area, provided that its commitments under bilateral arrangements were fulfilled. In addition to tin and gypsum, the country is also endowed with significant deposits of unexploited mineral resources, particularly iron ore, limestone, coal, and potash. Iron ore deposits are estimated at 1 billion tons, the largest in Southeast Asia, and limestone deposits at about 50 billion tons.

c. Energy

The bulk of electricity is generated by a hydroelectric plant at Nam Ngum, north of Vientiane. With the third and final phase of the development of this facility completed in early March 1985, total installed capacity at Nam Ngum rose to 150 Mw per year. This generator will allow output to be maintained when repairs and regular maintenance operations are conducted on other generators. Eighty-five percent of electricity generated at Nam Ngum is presently exported to Thailand, and accounts for 55 percent of the country's hard currency earnings. However, electricity exports should decline in the future, because domestic consumption is expected to increase as a result of the grid extension in the Vientiane plain.

4. Transportation

Poor transportation has been a major constraint to the long-run development of the Lao economy, preventing the development of the domestic market and the expansion of exports. It has also contributed to local shortages, in particular of food. In recent years, the authorities have stepped up their efforts to improve transportation through a number of projects. During the First Five-Year Plan, about 28 percent of total investment is estimated to have been for transportation, primarily upgrading of roads, particularly Routes 8, 9, and 13. Routes 8 and 9 provide access to major ports on the Vietnamese coast, and Route 13 is the major North-South connection linking several urban areas. The upgrading of Routes 8 and 9 is expected to be completed by 1989 and will permit a substantial increase in exports and imports through Viet Nam. Trade through Thailand is constrained by heavy

transportation costs and restrictions on certain key imports, including iron, cement, and petroleum and petroleum products.

The Mekong river runs along or close to the Lao border with Thailand over 1,805 km., and links Laos' major cities and most populated areas. Its role in transport could be increased considerably. The volume of freight on the Mekong is estimated at about 50,000 tons in 1985, of which 30,000-40,000 tons were carried between Vientiane and Savannakhet. ^{1/} The authorities plan to double the volume of freight on the Mekong by 1990. At present, there are only 532 barges with a combined capacity of 8,648 tons and 345 motor boats with a combined capacity of 10,000 seats, but facilities for shipbuilding will be extended, in collaboration with Viet Nam. There are also plans for the expansion of the loading capacity at the Vientiane port from 20,000 tons at present to 50,000-100,000 tons by 1990. The expansion of other port facilities along the Mekong river is also being considered.

III. Distribution, Prices, and Salaries

1. The distribution system

Reflecting the authorities' goal of a fully socialized economy, the public distribution system has become increasingly dominant; private trading has been subject to strict controls and the system of rural cooperative networks has been expanded. At the retail level, the official distribution system consists of more than 950 state stores and cooperatives. In rural areas, about 60 percent of the public sector's procurement is made against coupons, which the farmers generally prefer because they can be exchanged for agricultural implements or consumer goods at the local state or cooperative stores. Most official retail outlets in rural areas are responsible to wholesale trading corporations at the provincial level, which in turn are supervised by the trading office of the provincial government. Other stores are directly supervised by the provincial trading office. Provincial trading offices are in charge of organizing the procurement and distribution operations in the provinces, and of determining procurement quotas, in accordance with the guidelines of the provincial planning committees. The provincial trading offices also set procurement prices (within ranges determined by the State) and official retail prices.

At the national level, the Lao Food Corporation (established in 1983) collects the agricultural tax, which is paid in kind, and the rice procured on its behalf by the provinces. It also distributes food and imported products, at the wholesale level. The Lao Trade Corporation is

^{1/} This figure excludes freight across the river to and from Thailand of about 120,000 tons per year, of which exports account for 30,000 tons and imports for 90,000 tons.

in charge of official external trade and of domestic wholesale trade not covered by the Lao Food Corporation.

2. Price developments

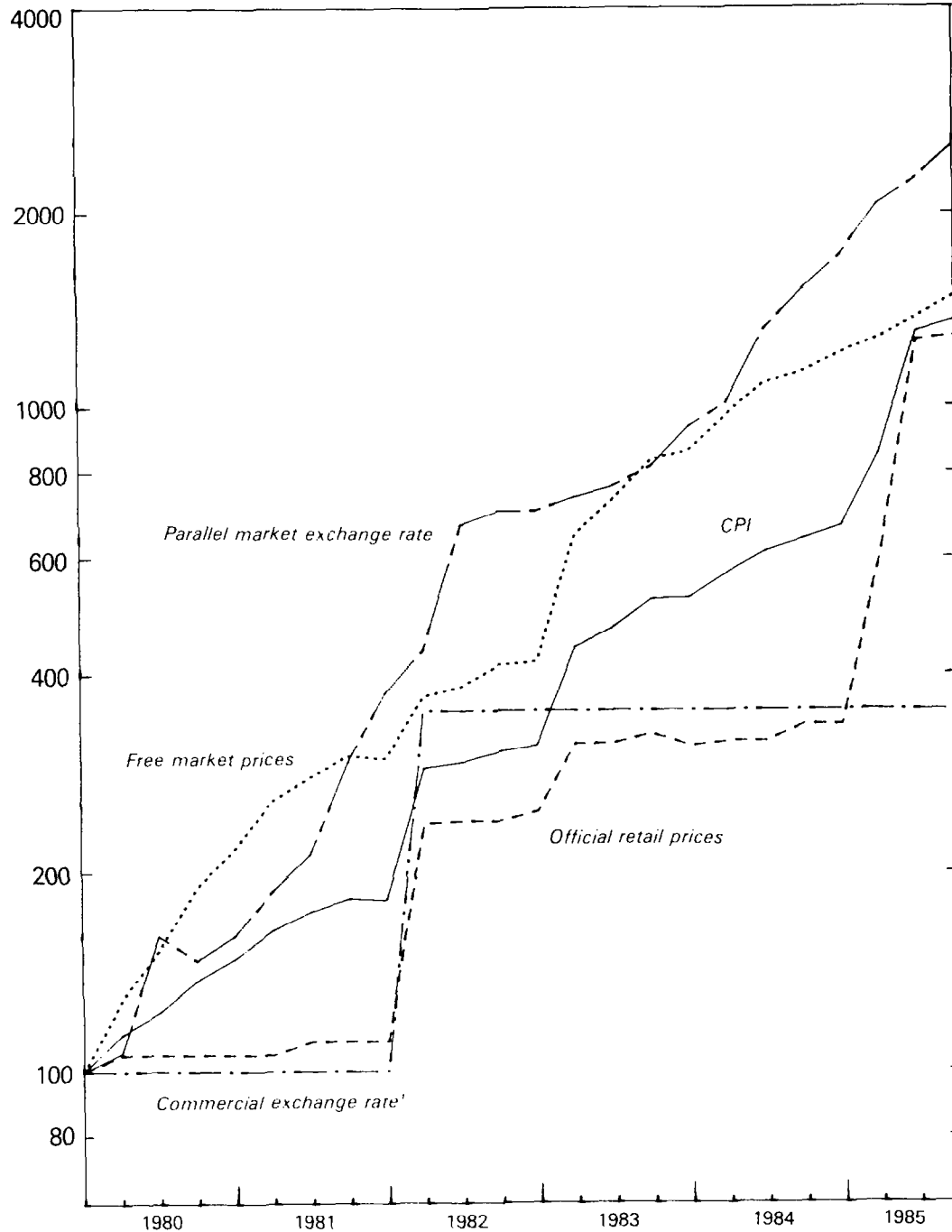
During 1983, inflationary pressures remained strong, with consumer prices in the Vientiane area increasing by 66 percent during the year (Chart 2 and Table 3). The rapid rise in prices primarily reflected a tightening of supplies caused by a decline in agricultural production and a moderate adjustment of official retail prices. The effect of production was compounded by difficulties in transportation which intensified local shortages, particularly in the Vientiane area. Rapid expansion in cash in circulation and a substantial depreciation of the kip in the parallel market contributed to inflationary pressures. Primarily reflecting the good rice harvest and the absence of adjustment of official retail prices, inflation moderated to 27 percent in 1984. However, in 1985 inflation accelerated again as the result of sizable adjustments of official retail prices and continued monetary expansion. During the 12 months ended September 1985, the consumer price index rose by 114 percent, compared with 23 percent during the previous 12 months.

a. Official prices

There are two kinds of administered domestic prices in the public sector: procurement prices and official retail prices. Since the end of 1982, procurement prices for major agricultural and forestry products have been set through negotiations between the provinces and the producers, to allow for changes in production costs and local market conditions. Although procurement prices were thus raised substantially, most official retail sales prices were kept unchanged so that substantial losses were experienced by the official distribution system. The cost of subsidies on rice distribution to civil servants, employees of public enterprises, and other recipients, net of profits on commercial sales, is estimated to have risen from KN 764 million in 1982 to KN 1,655 million in 1984 (Appendix Table 21).

During the course of 1985 official retail prices were raised to bring them more in line with free market prices. The official retail price for rice distributed to civil servants and workers in public enterprises was raised from KN 3-6 per kilo to KN 27 per kilo and the price of electricity was raised from KN 0.4 per kwh to KN 5 per kwh for civil servants and workers in public enterprises and to KN 7 per kwh for other consumers. The bus fare in Vientiane was raised from KN 8 to KN 30 (Appendix Table 23). On average, official retail prices increased 285 percent during the year ended September 1985. The price increases were accompanied by termination of the system whereby goods are made available to consumers up to predetermined quantities.

CHART 2
LAOS
PRICE DEVELOPMENTS, 1979-85
(Dec. 1979 = 100)



Source: Based on data provided by the Lao authorities.

¹The commercial exchange rate is the rate at which most official transactions take place.



Table 3. Laos: Consumer Prices, 1980-85 ^{1/}

(Percentage change over 12 months)

		CPI	Free Market Prices						Official
			Total	Food	Rice	Clothing	Energy	Other	Prices
Weights		1.000	0.500	0.239	0.068	0.027	0.047	0.187	0.500
1980	III	188.1	105.1	121.0	157.1	88.0	130.8	69.1	414.4
	IV	47.6	116.0	130.1	185.7	71.0	139.0	94.6	6.0
1981	I	42.1	99.3	95.3	75.0	35.2	150.0	112.4	--
	II	41.4	83.4	76.0	31.3	34.0	129.7	99.1	4.9
	III	32.4	57.8	47.5	44.4	17.7	48.3	102.3	4.9
	IV	22.8	37.2	28.9	25.0	6.1	41.8	62.6	4.9
1982	I	75.9	44.0	29.9	47.6	12.6	28.2	84.8	122.8
	II	67.7	37.3	22.1	71.4	37.9	22.4	70.9	114.0
	III	66.7	37.7	16.1	30.8	34.5	21.4	85.5	114.0
	IV	71.3	40.3	18.4	36.0	63.0	27.3	80.7	121.4
1983	I	52.9	75.0	46.6	35.5	82.7	27.5	126.6	32.0
	II	60.1	89.9	80.4	100.0	72.2	40.4	117.5	31.0
	III	69.8	102.3	102.8	205.9	70.2	37.0	120.2	35.6
	IV	66.5	106.5	80.5	76.5	62.4	26.2	164.7	25.5
1984	I	28.7	50.9	28.7	33.3	68.1	32.4	72.0	0.9
	II	29.5	49.7	21.0	-11.1	68.5	39.7	81.0	0.9
	III	22.9	35.5	4.4	-42.3	109.7	37.8	61.8	3.1
	IV	28.2	40.3	28.6	-13.3	105.8	63.5	40.6	7.7
1985	I	51.0	30.5	41.3	25.0	57.5	47.8	18.4	89.5
	II	114.6	25.8	34.8	25.0	58.3	39.2	13.8	300.9
	III	113.6	30.4	50.4	100.0	20.9	52.0	14.9	284.9

Source: Based on data provided by the Lao authorities.

^{1/} Price data apply to the Vientiane region only.

b. Free market prices

The increase in free market prices slowed from 107 percent in 1983 to 40 percent in 1984 and 26 percent during the year ended June 1985. The deceleration was mostly on account of food prices, in particular the price of rice which halved between September 1983 and December 1984 owing to an excellent harvest. However, rapid monetary expansion and supply bottlenecks caused by, among other things, inadequate transportation, continued to exert strong pressures on prices in the free market. The increase in free market prices accelerated to 30 percent during the year ended September 1985, mainly on account of higher food prices.

IV. Medium-Term Development Strategy

The objectives of the second Five-Year Plan (1986-90) are the same as those of its predecessor: consolidation of self-sufficiency in food and diversification of agricultural output; improvement of the infrastructure; exploitation of natural resources, especially timber, minerals, and electricity; and industrialization based on locally available raw materials. The tentative list of projects includes projects carried over from the previous Plan as well as projects for which financing from multilateral and bilateral donors is now being sought. The amount of foreign aid commitments required for carrying out the new projects is estimated at \$306 million, of which \$109 million (35 percent) would be devoted to rural development; \$103 million (34 percent) to transport, telecommunications and other infrastructure; \$74 million (24 percent) to industry, mining, and energy; and \$20 million (7 percent) to health and education.

In order to consolidate food self-sufficiency, the Government will aim at increasing rice production at a rate somewhat in excess of the population growth. This will permit reduction in the slash-and-burn method of rice cultivation, which each year destroys valuable tracts of the forests, and the establishment of a security stock of rice equal to six months' consumption by nonfarmers. Efforts to increase rice output will concentrate on yield-increasing techniques such as better weeding, the use of natural fertilizer, denser planting of rice plants, improvement of extension services, and double cropping on irrigable land.

Irrigation projects will continue to receive high priority. Foreign aid for irrigation projects during the Second Five-Year Plan is tentatively estimated at \$43 million, compared with \$53 million during 1976-84. Irrigable land is expected to increase from 28,000 ha. to 60,000 ha., which, if fully used with modern cultivation techniques, including the application of chemical fertilizer, could raise paddy production by 115,000 tons, or 8 percent of estimated total output of paddy in 1985. Continued expansion of cooperatives will receive high priority, as they are considered to be a key element in ensuring the

adoption of new techniques and the cultivation of irrigable land. Past experience with irrigated cultivation has not been good. Mainly because of reluctance of farmers to work the fields during a time that is traditionally reserved for other activities, which has manifested itself, among other things, in lack of maintenance of canals, dikes, and pumps, only about one third of the irrigable land has been used in recent years. In addition, because of shortages of fertilizer and other inputs, the average yield of irrigated rice has remained far below potential.

The objectives for the industrial sector include the rehabilitation of existing units in order to increase their rate of capacity utilization and the establishment of a number of new factories, mainly for the production of construction materials. The Second Five-Year Plan also envisages the exploitation of deposits containing potash and precious stones. There are plans for a 32 Mw hydroelectric facility at Xeset and a 1,200 Mw hydroelectric facility at Nam Theun. The facility at Nam Theun would be constructed in stages during the 1990s.

V. Public Finance

1. Structure of the public sector

The public sector comprises the central Government, 17 provincial governments (including the municipality of Vientiane), and more than 50 public enterprises. The budget of the central Government and provincial governments are consolidated in the general government budget, which is prepared on the basis of guidelines set by the Ministry of Finance in accordance with the Annual Plan and is reviewed by the Council of Ministers before ratification.

The provincial governments have been exercising an increasing degree of initiative within the broad guidelines set by the central Government. They have taxing powers but remain dependent upon the central Government for the financing of their investments. Provincial budgets account for approximately 20 percent of general government revenue and about 25 percent of expenditure.

Major public enterprises fall under Government controls, while those catering to local needs are generally supervised by the provincial governments. Prior to 1983, all investment capital and 50 percent of working capital of public enterprises was financed free of interest by the Government, but public enterprises were required to transfer to the Government 80-90 percent of their surpluses and their depreciation funds, which together have been the major source of budgetary revenue. In 1983, the share of surpluses transferred to the budget was reduced to 60-90 percent for certain enterprises, but all public enterprises were

also requested to rely on the banking system for at least part of their investment and all of their needs for working capital.

About two thirds of the Government's domestic revenue consists of transfers from public enterprises and about one third is derived from tax receipts. Due to improvements in the enforcement of the tax code, and higher agricultural and private sector taxes, tax receipts have grown more or less in line with nominal GDP since 1981 (Table 4). Transfers from public enterprises depend to a large extent on the Government's pricing policies; these transfers tend to decline in terms of GDP when official prices lag behind free market prices and to increase when official prices are brought in line with free market prices. The subsidy on rice distribution to civil servants, workers in public enterprises, the army, and school children, has been a particularly heavy burden on the Lao Food Corporation, which absorbs the bulk of the cost of the subsidy. Other factors that have affected the cash surpluses of public enterprises include variations in the depreciation schedules of capital equipment, increases in the price of electricity exported to Thailand, and the financing received by the Lao Trade Corporation under bilateral payments agreements. ^{1/} Government revenue excludes the receipt of foreign grants which are considered a financing item of the budget. About one third of foreign assistance is estimated to consist of grants. Like transfers from public enterprises, current expenditures are influenced by the Government's pricing policies. Capital expenditures are largely a function of aid disbursements from abroad and changes in their magnitude in relation to nominal GDP reflect, in part, changes or the absence of changes in the exchange rate. As a matter of policy, the Government refrains from borrowing from the banking system, except for seasonal requirements. Investment decisions are made only if adequate domestic and external financing is available.

2. The 1984 budget outturn

Domestic revenue grew by 42 percent in 1984, or at about the same rate as nominal GDP. Transfers from public enterprises lagged behind other revenue items largely because of official prices that were kept unchanged in the face of rising costs and a sharp reduction in manufacturing output. The effect of these developments on the finances of public enterprises was offset only in part by a sharp rise in credit which they received under bilateral payments agreements. Receipts from the profit tax and the turnover tax rose at a faster pace than nominal GDP. For the profit tax this was largely due to improvements in tax collection procedures; the turnover tax, which in the case of imports is levied by using the exchange rate in the parallel market for valuation, benefited from the rapid depreciation of that rate. Both import

^{1/} The price of electricity exported to Thailand was tripled in 1981 and since then has been increased annually by 9 percent. The accounts of bilateral payments agreements are held with the Lao Trade Corporation, except for the account of the agreement with Viet Nam.

Table 4. Laos: General Government Budget, 1981-85

	1981	1982	1983	1984	1985 ^{1/} Budget Estimate
(In millions of kip)					
Revenue	989	2,755	3,496	4,947	6,143
Nontax revenue	594	1,980	2,440	3,279	4,238
Transfers from public enterprises	(521)	(1,895)	(2,113)	(2,962)	(3,831)
Tax revenue	395	775	1,056	1,669	1,905
Expenditure	1,956	5,475	6,695	8,384	10,474
Current expenditure	1,028	2,259	2,945	4,126	5,439
Of which:					
Wages and salaries	(200)	(320)	(...)	(...)	(...)
Materials and supplies	(725)	(2,145)	(...)	(...)	(...)
Subsidies on consumption	(--)	(120)	(...)	(...)	(...)
Debt service	(45)	(100)	(117)	(117)	(400)
Capital expenditure	928	3,216	3,750	4,258	5,035
Overall deficit (-)	-967	-2,720	-3,199	-3,437	-4,331
Financing	967	2,720	3,199	3,437	4,331
Domestic borrowing	--	--	--	--	--
External borrowing and grants	967	2,720	3,199	3,437	4,331
Memorandum items:					
Cost of rice subsidy	310	764	1,550	1,655	1,550
Losses of food distribution system	253	626	1,255	1,441	1,234
Foregone revenue	57	138	295	214	316
Credit from bilateral clearing agreements ^{2/}	86	686	966	1,711	2,100
(As percentage of GDP)					
Revenue	11.9	19.2	15.3	15.2	9.8
Nontax revenue	(7.2)	(13.8)	(10.7)	(10.1)	(6.7)
Tax revenue	(4.8)	(5.4)	(4.6)	(5.1)	(3.0)
Expenditure	23.6	38.1	29.3	25.8	16.6
Current expenditure	(12.4)	(15.7)	(12.9)	(12.7)	(8.6)
Capital expenditure	(11.2)	(22.4)	(16.4)	(13.1)	(8.0)
Current surplus	-0.5	3.5	2.4	2.5	1.3
Overall deficit	-11.7	-18.9	-14.0	-10.6	-6.9
Cost of rice subsidy	3.7	5.3	6.8	5.1	2.5
Credit from bilateral clearing arrangements	1.0	4.8	4.2	5.2	3.0

Source: Data provided by the Lao authorities.

^{1/} The budget estimate for 1985 does not take into account the effect of price and salary measures taken during the course of 1985.

^{2/} Except for the one with Viet Nam, clearing accounts under bilateral payments agreements are held with the Lao Trade Corporation. The figures are staff estimates based on balance of payments data.

and export taxes continued to lag behind other revenue categories owing to the fact that the customs valuation rate remained unchanged at K 10 per U.S. dollar. Receipts from import duties were also affected by a shift toward imports from the nonconvertible area, which are exempt from import duties (Appendix Table 25).

In proportion to nominal GDP, expenditures fell in 1984. As in 1983, this was primarily due to the fact that most expenditures were made at stable prices, including the exchange rate, which grew increasingly out of line with free market prices. Capital outlays for industry, mining, and energy rose by two thirds, mainly as the result of the installation of the fifth generator at the Nam Ngum hydroelectric dam (Appendix Table 26). Capital expenditures for transportation and communications also rose sharply, but this represented mainly a reclassification of capital expenditures for public works. The agricultural and forestry sectors continued to command a large portion of total capital expenditures, reflecting continued emphasis on the development of irrigable land.

3. The 1985 budget estimate

In 1985, for the first time in several years, the budget projected current expenditures to grow at a substantially faster rate (32 percent) than domestic revenue (24 percent). These projections signified reversal of the trend since 1981, whereby the growth in current expenditures kept below that of domestic revenue and whereby the share of capital expenditures financed with domestic resources was correspondingly increased. During the course of 1985, the Government took a number of decisions that substantially altered the budget outlook. Foremost among these was the decision to eliminate all consumer subsidies and to bring official retail prices of other consumer goods in line with prices on the free market. Official retail prices rose by about 300 percent. Salaries of civil servants and workers in public enterprises were raised by a factor of 3-5, with the higher increases going to the more senior positions. With a view to strengthening the official distribution system and reducing pressure on free market prices, 90 percent of salaries of civil servants and workers in public enterprises will henceforth be paid in vouchers that can be spent only in state shops.

Another important decision permitted public enterprises to retain their depreciation funds, while the share of surplus funds to be transferred to the Government was reduced for most enterprises. Although precise estimates are not available, these measures will probably add more to current expenditure than to domestic revenue. However, the financial position of public enterprises will probably improve substantially and their need for bank financing will be correspondingly reduced.

4. Liberalization of public enterprise management

In recent years, official policy with respect to the management of public enterprises has allowed greater autonomy in economic decision making to improve efficiency and productivity. This policy, which also permitted somewhat greater freedom to set wages and to sell output in excess of quotas at prices somewhat below free market prices was initiated in 1982-83 on an experimental basis in a limited number of enterprises.

In 1985, the greater autonomy in decision making was extended to all public enterprises. Public enterprises were permitted to determine their investment, production, and employment targets, and, within limits set by the Government to set their prices. The Government intends to adjust the price limits according to trends in costs. At the same time, greater emphasis was placed on profitability as a criterion for enterprise performance and wages were permitted to reflect, in part, the performance of individual workers through bonus schemes. Public enterprises were also permitted to retain at least part of their foreign exchange earnings.

VI. Money and Credit

The Lao monetary system consists of the Lao National Bank (BNL) and the Bank of External Trade (BCEL). The BNL is empowered to issue the currency, extend credit in kip for domestic use, and keep the accounts of the central Government and the provincial authorities. The BCEL is the holder of the country's international reserves and handles Laos' international transactions. The Lao Trade Corporation is the major recipient of BCEL credit, although foreign trade financing is also granted to other public enterprises that are allowed to export and import.

Monetary policy has played only a passive role in regulating developments in liquidity and credit. It has been geared primarily to meeting credit requirements of public enterprises to help them achieve the annual production targets set by the Plan, and to accommodating official price and wage policies in the public sector. Administrative decision has been the principal instrument for credit allocation. Interest rate policy has not been used to allocate credit or to mobilize domestic financial resources. However, interest rates were increased in 1985 for the first time since 1979.

Financial intermediation in the country is still at an early stage of development. During 1982-84, gross financial assets, which comprise primarily currency and bank deposits, averaged about 7 percent of GDP. About 70 percent of gross financial assets consists of deposits held by public enterprises, and the bulk of the remainder of cash in circulation. A substantial amount of foreign notes (mainly U.S. dollars and

Thai baht) is in circulation. No precise estimate is available of this amount.

1. Recent monetary and credit developments

About 95 percent of deposits are held by public enterprises which use them in settling obligations among each other and with the Government. ^{1/} Public enterprises are not permitted to use their deposits at will as a considerable portion of them is earmarked for special purposes, such as investment, social benefits, and bonus payments. Currency is the principal money of households and the private sector, and the amount of cash in circulation is a major determinant of price developments in the free market. The granting of credit on the basis of sometimes overambitious Plan targets rather than according to need and creditworthiness has often led to accumulation of deposits in excess of requirements. As a consequence, when demand for credit exceeded their allotments, public enterprises found it easy to draw on their deposits to obtain cash for salaries and procurement. In recent years, the growth of cash in circulation has been consistent not only with continued credit expansion but also with a substantial decline in deposits. Cash in circulation, which had averaged about 20 percent of total liquidity during 1981-83, rose to 27 percent of total liquidity by the end of 1984 and to 30 percent by June 1985.

The growth in domestic credit accelerated from 20.3 percent in 1983 to 23.1 percent in 1984, largely because of increased financing requirements caused by the excellent harvest, the sharp increase in the procurement price for paddy, and a higher level of imports. A factor that also contributed to the rise in credit was the increased dependence of public enterprises on the banking system for investment financing. Credit to cooperatives constitutes the bulk of credit extended to the private sector. Reflecting the Government's policy of encouraging development of cooperatives, particularly in rural areas, credit to the private sector continued to grow rapidly. Enterprises that are not cooperatives have little access to credit from the banking system. Cash in circulation rose by 41 percent in 1984, compared with 36 percent in 1983. During the year ended June 1985, credit expansion slowed to 10.4 percent largely as the result of a large decline in net credit to the Government and the rate of growth in cash in circulation fell to 32 percent (Table 5).

2. Interest rates

Reflecting the general reliance on direct control as the basic means for resource allocation, interest rates have rarely been used to regulate the allocation or mobilization of financial resources in the past. During 1979-84, interest rates remained unchanged at low levels

^{1/} Most of the other deposits are held by cooperatives.

Table 5. Laos: Monetary Survey, 1981-85 ^{1/}

(In millions of kip; end of period)

	1981	1982	1983	1984	1983	1984	1985
		December				June	
Net foreign assets ^{2/}	-448	-363	-446	-527	-398	-472	33
Domestic credit	<u>1,125</u>	<u>1,388</u>	<u>1,670</u>	<u>2,056</u>	<u>1,503</u>	<u>1,971</u>	<u>2,175</u>
Government (net)	18	10	-13	-109	7	19	-235
Public enterprises	1,055	1,312	1,585	2,031	1,411	1,852	2,262
Private sector	52	66	98	134	85	100	148
Other assets (net)	128	197	471	163	290	94	-496
Total liquidity	<u>805</u>	<u>1,222</u>	<u>1,695</u>	<u>1,692</u>	<u>1,395</u>	<u>1,593</u>	<u>1,712</u>
Currency in circulation	169	236	320	450	275	385	510
Demand deposits	616	969	1,348	1,205	1,093	1,176	1,157
Public enterprises	(551)	(884)	(1,228)	(1,075)	(983)	(1,052)	(1,020)
Private sector	(65)	(85)	(120)	(130)	(110)	(124)	(137)
Saving deposits ^{3/}	20	17	27	37	27	32	45
Memorandum items:							
Currency/liquidity							
ratio (in percent)	21	19	19	27	20	24	30

Source: Data provided by the Lao authorities.

^{1/} Based on Appendix Table 26.

^{2/} Includes only assets and liabilities in convertible currencies and balances under bilateral payments agreements with Viet Nam. Bilateral balances under payments agreements with other CMEA countries are held with the State Treasury Corporation.

^{3/} Includes foreign currency deposits.

so that they were persistently negative in real terms. In 1985, however, interest rates on time and savings deposits were raised from 3.6-7.2 percent to 5.4-9.6 percent and two-year and three-year deposits were introduced as new financial savings instruments, carrying interest rates of 12 percent and 15 percent, respectively (Appendix Table 30). Public enterprises, which were previously not paid interest, were permitted to earn interest of 1-3 percent on their deposits. The range of lending rates was increased from 3-12 percent to 3-15 percent.

VII. Balance of Payments

During the last five years, the balance of payments has been characterized by a widening of the current account deficit that was more or less matched by larger surpluses in the capital account. Despite a tripling in the export price of electricity, which accounts for more than half of Laos' export earnings, the current account deficit rose from \$60 million in 1981 to \$96 million in 1983 (Table 6). The most important factor contributing to this development was the rapid rise in imports, particularly from the nonconvertible area. Merchandise exports remained sluggish as a rise in mineral exports was more or less offset by a decline in exports of wood and wood products. Owing to the low level of reserves and rising foreign debt servicing obligations, imports from the convertible area had to be reduced in both 1984 and 1985, but this reduction was more than compensated for by an increase in imports from the nonconvertible area. Reflecting these developments, the deficit on the current account of the balance of payments, after declining to \$85 million in 1984, is estimated to have risen to \$95 million in 1985, while the current account deficit with the convertible area was eliminated. The surplus on the capital account of the balance of payments rose from \$51 million in 1981 to an estimated \$99 million in 1985, largely because of a sharp rise in the financing obtained under bilateral clearing arrangements with countries in the nonconvertible area. The overall balance of payments incurred a deficit of \$2.8 million in 1984, but is expected to show a surplus of \$3.7 million in 1985.

1. Exports

In addition to rapidly rising domestic demand, the weakening balance of payments position of recent years reflects several constraints that have hampered export growth. These include Laos' isolation from world markets, the lack of sufficient price and other incentives to producers of traditional exports, organizational weaknesses in many government departments concerned with foreign trade, in particular the Lao Trade Corporation, and a lack of skilled workers. Other important factors that impede exports are the poor condition of the internal transportation system and the widening difference between the commercial exchange rate of KN 35 per dollar, at which most official transactions take place, and the free market exchange rate which stood at KN 370 per

Table 6. Laos: Balance of Payments, 1981-85

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985 Est.
Trade balance	-86.4	-92.2	-108.6	-108.8	-115.7
Convertible area	-34.8	-45.9	-48.5	-21.2	-13.9
Nonconvertible area	-51.6	-46.3	-60.1	-87.6	-101.8
Exports	23.1	40.0	40.8	45.1	47.6
Convertible area	16.9	27.8	27.8	30.1	34.8
Nonconvertible area	6.2	12.2	13.0	15.0	12.8
Imports	-109.5	-132.2	-149.4	-153.9	-163.3
Convertible area	-51.7	-73.7	-76.3	-51.3	-48.7
Nonconvertible area	-57.8	-58.5	-73.1	-102.6	-114.6
Services and transfers (net)	17.2	23.9	12.9	23.4	20.4
Services (net)	-6.3	-7.1	-12.5	-5.5	-7.6
Convertible area (net)	-6.3	-4.6	-9.8	-0.5	-2.6
Receipts	8.5	14.6	8.5	10.5	12.0
Payments	-14.8	-19.2	-18.3	-11.0	-14.6
Interest	(-2.8)	(-4.8)	(-4.6)	(-3.1)	(-4.6)
Technical assistance	(-9.5)	(-12.7)	(-10.4)	(-4.9)	(-5.0)
Other	(-2.5)	(-1.7)	(-3.3)	(-3.0)	(-5.0)
Nonconvertible area (net)	--	-2.5	-2.7	-5.0	-5.0
Private transfers ^{1/}	--	0.2	0.3	2.8	3.0
Official transfers	23.5	30.8	25.1	26.1	25.0
Convertible area	18.6	30.8	25.1	10.7	14.0
Nonconvertible area	4.9	--	--	15.4	11.0
Current account	-69.2	-68.3	-95.7	-85.4	-95.3
Convertible area	-22.5	-19.5	-32.9	-8.2	0.5
Nonconvertible area	-46.7	-48.8	-62.8	-77.2	-95.8
Capital account	51.4	60.2	76.5	89.6	99.0
Convertible area	4.7	11.4	13.7	12.4	3.2
Long-term loans	2.1	10.6	8.2	6.8	2.4
Drawings	(6.4)	(11.6)	(9.5)	(10.1)	(10.0)
Amortization	(-4.3)	(-1.0)	(-1.3)	(-3.3)	(-7.6)
Private import/financing	--	--	4.8	4.9	0.8
Other	2.6	0.8	0.7	0.7	--
Nonconvertible area	46.7	48.8	62.8	77.2	95.8
Long-term loans	39.0	29.2	35.2	28.3	35.4
Drawings	(39.1)	(30.8)	(35.8)	(30.2)	(37.8)
Amortization	(-0.1)	(-1.6)	(-0.6)	(-1.9)	(-2.4)
Bilateral clearing arrangements	7.7	19.6	27.6	48.9	60.4
Errors and omissions	13.2	3.8	31.1	-7.0	--
Overall balances	-4.6	-4.3	11.9	-2.8	3.7
Change in reserves (increase -)	4.6	4.3	-11.9	2.8	-1.7
Assets	0.5	5.1	-11.2	8.3	2.7
Liabilities	4.1	-0.8	-0.7	-5.5	-6.4

Source: Data provided by the Lao authorities; and staff estimates.

^{1/} Convertible area.

dollar in September 1985. Because of the large divergence between these two exchange rates, unofficial exports by the private sector and by provincial authorities are believed to have increased in recent years. Exports are also hampered by an irregular supply of inputs, due mainly to the generalized shortage of foreign exchange and, to a lesser extent, to certain restrictions on re-exports to Laos imposed by Thailand for security reasons. As the allocation of foreign exchange from the central level and the completion of other import procedures were often subject to undue delays, new regulations were issued during the course of 1985 permitting public enterprises to establish their own contacts with foreign trading partners, and to retain up to 100 percent of export earnings for the financing of imports of raw materials and spare parts.

From a level of \$23 million in 1981, Lao exports increased to \$40 million in 1982, but remained flat in 1983 (Table 7). Exports to the convertible area increased from \$17 million in 1981 to \$28 million annually in 1982-83, reflecting sharply higher electricity exports to Thailand following a tripling in the export price in October 1981. In 1984, total exports grew by 11 percent to \$45 million with exports to the convertible area accounting for 67 percent of the total. Total exports are projected to rise by 6 percent in 1985 to \$48 million, and the share of the convertible area is estimated to rise to 73 percent.

Laos' merchandise exports consist mainly of wood and wood products, coffee, tin, and gypsum. Wood and wood products have traditionally been exported to the convertible area but, with the improvement of roads to the Vietnamese ports of Vinh and Danang, increasing quantities of sawn wood and plywood are now being shipped to the nonconvertible area. Tin and gypsum deposits have been exploited with assistance from the Soviet Union and Viet Nam, respectively, and exports of these products are therefore mainly directed to these two countries. Coffee is exported mainly to the Soviet Union.

Exports of wood and wood products are currently far below past performance. For instance, between 1979 and 1983 exports of logs fell from 38,000 cubic meters to 4,000 cubic meters, and exports of sawn wood from 70,000 cubic meters to 5,000 cubic meters. To a large extent, the deteriorating export performance of wood and wood products has been the result of the Government's decision in 1980 to bar the private sector and provincial authorities from the production and trade in timber. Since then, the supply of logs for export and for domestic processing has been greatly affected by inadequate procurement prices, the lack of trained workers, inadequate extension and maintenance of access roads, and reluctance to use private transport facilities in the hauling of logs to processing plants and border crossing points. Frequent breakdowns of modern cutting and extraction equipment have contributed to the irregular supply of logs. Recent measures to improve the export performance of the timber sector have concentrated on the establishment of some forestry schools, the rehabilitation of a large timber processing plant near Vientiane, and the adoption of more flexible

Table 7. Laos: Composition of Official Exports, 1981-85

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985 Est.
Exports to the convertible area	<u>16.9</u>	<u>27.8</u>	<u>27.8</u>	<u>30.1</u>	<u>34.8</u>
Coffee	--	--	1.6	0.6	0.7
Hydroelectric power	10.8	23.9	24.0	25.2	27.4
Logs	4.2	3.2	1.4	3.3	3.8
Trunks	--	--	--	0.2	0.7
Sawn wood	0.5	0.3	0.1	0.1	0.5
Furniture	0.4	--	0.2	--	0.4
Wood flooring	--	--	--	0.1	0.2
Other exports	1.0	0.4	0.5	0.6	1.1
Exports to the nonconvertible area	<u>6.2</u>	<u>12.2</u>	<u>13.0</u>	<u>15.0</u>	<u>12.8</u>
Coffee	3.1	8.1	6.9	8.1	2.9
Wood products	--	0.5	1.3	1.3	3.0
Tin	0.8	1.0	1.1	1.6	1.9
Gypsum	0.8	1.0	1.7	1.9	2.3
Other exports	1.5	1.6	2.0	2.1	2.7
Total official exports	<u>23.1</u>	<u>40.0</u>	<u>40.8</u>	<u>45.1</u>	<u>47.6</u>

Source: Data provided by the Lao authorities; and staff estimates.

export prices. Although domestic procurement prices of timber have been raised at regular intervals, the official procurement price for the best quality hardwood at KN 6,000 per cubic meter is far below the corresponding price of KN 35,000 per cubic meter in the free market.

Since 1983, exports of wood and wood products have been increasing, albeit at a modest pace. Largely because of the adoption of more realistic pricing, exports of logs rose from \$1.4 million in 1983 to \$3.3 million in 1984, and they are estimated to have risen further to \$3.8 million in 1985. Reflecting the rehabilitation of the wood processing plant near Vientiane, exports of sawn wood to the convertible area are estimated to have increased from \$0.1 million in 1984 to \$0.5 million in 1985, and exports of sawn wood and plywood to the non-convertible area from \$1.3 million to \$2 million. Exports of tin and gypsum in 1985 continued their strong performance of earlier years, both rising by an estimated 20 percent in 1985. Official exports of coffee are estimated to have fallen from \$8.1 million in 1984 to \$2.9 million in 1985, largely because, with the rapidly depreciating exchange rate in the parallel market and low domestic procurement prices, coffee exports through unofficial channels to Thailand have become more attractive.

2. Imports

Total imports grew at an average rate of 17 percent during the 1981-83 period, rising from \$109.5 million to \$149.4 million (Table 8). Nonaid imports from the nonconvertible area increased threefold in value terms, or from 13 percent to 27 percent of total imports. Nonaid imports from the convertible area grew at an average compound rate of 20 percent, resulting in a small increase in their import share from 33 percent to 35 percent. Machinery and raw materials were the most important nonaid imports from the convertible area, followed by petroleum products. Imports under aid programs declined from \$59.5 million in 1981 to \$57.3 million in 1983, or from 54 percent to 38 percent of total imports.

Import growth slowed to 3 percent in 1984, mainly due to a 31 percent drop in imports from the convertible area. At \$35.9 million, these imports were lower in 1984 than in 1981, and their share in total imports fell to 23 percent. Nonaid imports from the nonconvertible area jumped by 55 percent to \$62.0 million (40 percent of the total).

Import growth is expected to recover to about 6 percent during 1985, bringing the level of total imports to an estimated \$163.3 million. The decline in imports from the convertible area is expected to continue in 1985, albeit at a more moderate rate. Nonaid imports from the nonconvertible area are expected to grow by 14 percent to \$70.8 million. Imports financed under aid programs are projected to show their first increase since 1981, rising by 11 percent to \$62.8 million; it is expected that 70 percent of imports under aid programs will originate in the nonconvertible area in 1985.

Table 8. Laos: Composition of Imports, 1981-85

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985 Est.
Nonaid imports from the convertible area	36.2	44.0	52.1	35.4	29.7
Rice and other food	2.0	5.6	6.3	4.0	1.0
Petroleum products	12.9	13.8	14.0	10.8	10.4
Machinery and raw materials	21.3	15.9	16.0	10.3	7.8
Other official imports		8.7	11.0	5.3	9.7
Private imports	--	--	4.8	4.9	0.8
Nonaid imports from the non-convertible area	13.8	30.2	40.2	62.0	70.8
Imports under aid programs	59.5	58.0	57.3	56.5	62.8
Convertible area	15.5	29.7	24.2	15.9	19.0
Nonconvertible area	44.0	28.3	33.1	40.6	43.8
Total imports	109.5	132.2	149.4	153.9	163.3
Convertible area	51.7	73.7	76.3	51.3	48.7
Nonconvertible area	57.8	58.5	73.1	102.6	114.6

Sources: Data provided by the Lao authorities; and staff estimates.

3. Services and transfers

In 1984, the inflow of net services and transfers grew by more than 80 percent to about \$23 million. The deficit on the services account fell by about \$7 million to about \$5.5 million after a sharp increase in 1983. This improvement mainly reflected a sharp reduction in payments for technical assistance and higher service receipts from overflight rights and from increased ticket sales by Lao Aviation. In 1985, the surplus on the services and transfers account is estimated to fall to about \$20 million, reflecting mainly higher interest and other service payments.

Private transfers increased from \$0.3 million in 1983 to about \$3 million in 1984, primarily in response to the introduction of a preferential exchange rate for private remittances of KN 108 per dollar. The special rate for inward remittances was adjusted to KN 270 per dollar in July 1985. Partly reflecting this measure, private transfers to official channels are estimated to increase further in 1985. However, the increase is likely to be relatively minor, because the special rate remained less attractive than the parallel market rate, which was KN 370 per dollar in September 1985. A large portion of private remittances continues to be channeled through the parallel market.

4. Capital account

Net capital inflows registered a steady increase in recent years, from \$51 million in 1981 to an estimated \$99 million in 1985. This was attributable mainly to a rapid expansion in the use of swing limits under bilateral clearing arrangements. Financing from this source increased from \$8 million in 1981 to an estimated \$60 million in 1985. Disbursements of loans from the convertible area have been rather steady at about \$10 million a year in recent years, but loan disbursements from the nonconvertible area have tended to fluctuate. They declined from \$35.8 million in 1983 to \$30.2 million in 1984 and are estimated to rise to \$37.8 million in 1985. As a result of the regulation requiring private importers to establish a joint cooperative venture with the municipality of Vientiane, private import financing, which had amounted to about \$5 million in 1983 and in 1984 is expected to fall to about \$0.8 million in 1985.

5. International reserves

Gross foreign exchange reserves rose from \$8.3 million at the end of 1982 to \$19.4 million at the end of 1983, but declined to \$11.2 million at the end of 1984. At this level, they were equivalent to about four weeks of total imports. Largely because of seasonal factors, gross reserves rose to \$16.8 million in June 1985 (Table 9). Official liabilities in convertible currencies consist entirely of liabilities to the Fund. They declined steadily from \$14 million at the end of 1983 to \$8 million at the end of 1984 and \$5 million at the end of June 1985.

Table 9. Laos: International Reserves, 1981-85

(In millions of U.S. dollars; end of period)

	1981	1982	1983	1984				1985	
				Mar.	June	Sept.	Dec.	Mar.	June
Gold	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Foreign exchange	12.09	7.62	18.70	17.90	19.90	10.52	10.58	20.02	16.15
SDRs	0.65	0.05	0.14	0.03	0.08	0.01	0.02	--	0.03
Reserve position in the Fund	--	--	--	--	--	--	--	--	--
Gross reserves (In weeks of total imports)	<u>13.34</u> (6.3)	<u>8.27</u> (3.3)	<u>19.44</u> (6.8)	<u>18.53</u> (6.3)	<u>20.58</u> (7.0)	<u>11.13</u> (3.8)	<u>11.20</u> (3.8)	<u>20.62</u> (6.6)	<u>16.78</u> (5.3)
External liquid liabilities	-15.06	-14.27	-13.55	-13.16	-11.72	-9.99	-8.09	-6.44	-4.74
Net official reserves	-1.72	-6.00	5.89	5.37	8.86	1.14	3.11	14.18	12.04

Source: Data provided by the Lao authorities; and IMF Treasurer's Department.

6. External public debt

External public and publicly guaranteed debt stood at \$413 million at the end of 1984, compared with \$379 million a year earlier (Table 10). Of the total, \$288 million represented indebtedness to the nonconvertible area, up from \$258 million at the end of 1983. Loans from the nonconvertible area generally carry interest of 2 percent and have a maturity of 30 years, including 10 years grace period. External debt to the convertible area totaled \$125 million at the end of 1984, of which \$67 million was owed to multilateral institutions. The International Development Association is the largest multilateral creditor, followed by the Asian Development Bank and the IMF Trust Fund. Bilateral loans from the convertible area totaled about \$54 million at the end of 1984, and suppliers' credits amounted to \$3 million. Disbursements of external debt totaled \$23 million during the first half of 1985, of which \$18 million was from the nonconvertible area. As in recent years, disbursements from the convertible area (about \$4 million) were made exclusively by multilateral institutions, because bilateral assistance was in the form of grants.

Despite long maturities and relatively low interest rates, debt service payments increased sharply in 1984 as the result of expiration of grace periods. Debt service payments, including those to the Fund, almost doubled to \$13 million in 1984, equivalent to 22 percent of current earnings (Appendix Table 31). In 1985, debt service payments are estimated to increase by 60 percent to about \$21 million, or 33 percent of current earnings. Of the total debt service payments in 1985, about \$10 million represents payments to the IMF.

7. Exchange and trade system

The currency of the Lao People's Democratic Republic is the kip (KN). The official exchange rate of the kip has been unchanged since January 1980, when it was depreciated from KN 4 per dollar to KN 10 per dollar (Appendix Table 32). However, the official exchange rate is now used only for customs valuation and certain other accounting purposes. The vast majority of officially sanctioned international transactions now take place at the commercial exchange rate, which is KN 35 per dollar. Since July 1983, a preferential exchange rate has been applied to private inward remittances, tourism, and sales of foreign exchange by resident individuals and organizations. The rate was initially set at KN 108 per dollar, but it was depreciated to KN 270 per dollar in July 1985 for private inward remittances of Lao nationals; purchases of foreign exchange from tourists and non-Lao residents continue to be at KN 108 per dollar. During the course of 1985, private importers were requested to reorganize their activities into a joint cooperative venture with the municipality of Vientiane. Foreign exchange is made available to this organization at a new exchange rate of KN 300 per dollar.

Table 10. Laos: External Public Debt, 1983-85

(In millions of U.S. dollars)

	Outstanding at 12/31/83		1984		Outstanding at 12/31/84		1985 January-June	
	Com- mitted	Dis- bursed	New Com- mitments	Disburse- ments	Com- mitted	Dis- bursed	New Com- mitments	Disburse- ments
Suppliers' credits	3.0	3.0	--	--	3.0	3.0	--	--
Bilateral loans	...	313.2	...	30.2	...	342.3	...	18.3
Convertible area	57.7	55.4	--	--	56.6	54.3	--	--
France	(7.8)	(6.6)	(--)	(--)	(7.8)	(6.6)	(--)	(--)
Fed. Rep. of Germany	(25.2)	(4.1)	(--)	(--)	(24.7)	(23.6)	(--)	(--)
United Kingdom	(0.1)	(0.1)	(--)	(--)	(0.1)	(0.1)	(--)	(--)
Indonesia	(1.0)	(0.1)	(--)	(--)	(1.0)	(1.0)	(--)	(--)
Japan	(23.6)	(23.6)	(--)	(--)	(23.0)	(23.0)	(--)	(--)
Nonconvertible area	...	257.8	...	30.2	...	288.0	...	18.3
Multilateral loans	131.6	62.9	10.1	10.1		67.3	8.0	4.3
AsDB	50.2	22.4	1.0	1.3	41.5	20.4	8.0	1.1
EC	2.7	0.7	--	--	2.7	0.7	--	--
IDA	47.0	18.5	5.2	7.1	52.3	25.9	--	2.7
IFAD	6.1	0.1	0.8	--	6.9	--	--	--
OPEC	12.3	7.9	3.1	1.7	14.7	8.9	--	0.5
Trust Fund	13.3	13.3	--	--	11.4	11.4	--	--
Total	...	379.1	...	40.3	...	412.6	...	22.6

Source: Data provided by the Lao authorities; and staff estimates.

Over the years, the value of the kip has weakened steadily in the parallel market. From KN 56 per dollar in December 1981, the parallel market rate slid to KN 140 per dollar in December 1983, KN 253 per dollar in December 1984, and KN 370 per dollar in September 1985. Factors contributing to the depreciation of the kip in the parallel market include rapid domestic inflation and a sharp curtailment of imports from the convertible area.

Laos' trade and payments system remains highly restrictive. ^{1/} Restrictions are in effect on current transfers and payments for services. Laos has bilateral payments agreements with Bulgaria, Czechoslovakia, the German Democratic Republic, the Soviet Union, and with two Fund members, Hungary and Viet Nam.

^{1/} A detailed description of the system is contained in IMF, Annual Report on Exchange Arrangements and Exchange Restrictions, 1985.

Table 11. Laos: Official Procurement Prices, 1981-85

(In kip per kilogram; end of period)

	1981	1982	1983	1984	1985
Paddy	2	3.5	12	12	14
Maize	2	3.5	8	12	14
Sweet potatoes	2	3.5	5	10	12
Vegetables	2	3.5	3.5	6	9
French beans	4.2	11	12	22	32
Fruits	2	3.5	5	8	12
Eggs	3.6	3.6	3.6	6	13
Pork	...	65	90	96	150
Soybeans	18	18	22	...	...
Groundnuts	10	12	25	30	35
Salt	0.5	0.5	4	9	9
Tobacco	4	4	3.6	8	11
Coffee (small grain)	21	36	36	36	75
Tea	...	...	...	100	150
Sugarcane	...	...	...	1.6	1.8
Cotton	6	9	13.8	20	27
Cardamom	12	12	300	350	350
Sticklac	16	16	200	60	70
Benzoin	72	72	500	800	800
Timber (hardwood per cubic meter)	950	2,250	2,500	4,500	6,000

Source: Data provided by the Lao authorities.

Table 12. Laos: Production, Availability, and
Distribution of Rice, 1981-85

(In thousands of tons, unless otherwise specified)

	1981	1982	1983	1984	1985 Est.
Production of paddy	1,154	1,092	1,001	1,321	1,428
Production of rice (net) <u>1/</u>	668	631	579	772	836
Population (mn.)	3.19	3.29	3.38	3.48	3.58
Per capita production (kg.)	<u>209</u>	<u>192</u>	<u>171</u>	<u>222</u>	<u>234</u>
Imports of rice	--	5	--	9	--
Total availability	668	636	579	781	836
Per capita availability (kg.)	<u>209</u>	<u>193</u>	<u>171</u>	<u>224</u>	<u>234</u>
Official rice procurement <u>2/</u>	49	61	55	70	80
Purchases	27	31	32	39	55
Agricultural tax	22	25	23	22	25
Imports	--	5	--	9	--
Official rice distribution <u>2/</u>	49	61	55	70	80
Public sector employees <u>3/</u>	32	32	32	32	32
School children <u>3/</u>	15	17	18	18	18
Other <u>3/</u>	2	12	5	20	30

Source: Based on data provided by the Lao authorities.

1/ Paddy production minus seed requirements, converted into rice at the rate of 0.6 kg. of rice per 1 kg. of paddy.

2/ Food Corporation only. The rice operations by the provinces are not included.

3/ Estimate.

Table 13. Laos: Livestock, 1969-85

(Thousands of heads)

	1969-71 Average	1977	1982	1983	1984	1985 Est.
Buffalo	...	677.1	897.2	916.0	936.7	974.4
Cattle	418.0	350.8	472.7	486.0	543.9	576.0
Pigs	1,100.0	819.3	1,223.0	1,300.0	1,359.7	1,433.0
Sheep and goats	...	34.5	56.2	60.0	62.9	66.6
Poultry	10,867.0	4,259.1	5,863.0	6,654.0	7,201.4	7,834.0

Sources: FAO, Production Yearbook; and data provided by the Lao authorities.

Table 14. Laos: Forestry Production, 1981-85

	1981	1982	1983	1984	1985 Est.
Logs ('000 cubic meters)	77	146	167	170	240
Of which:					
State forestry enterprises	28	56	79	62	...
Provincial forestry enterprises	49	90	88	108	...
Sawn wood ('000 cubic meters)	10	19	33	37	56
Charcoal (cubic meters)	...	...	...	...	...
Sticklac (tons)	718	...	...	...	...
Benzoin (tons)	16	...	...	...	...
Cardamom (tons)	42	...	15	...	...
Bamboo and rattan (cubic meters)	500	...	180	...	...
Animal skin and bones (tons)	98	...	...	...	...
Resin and others (tons)	102	...	...	...	...

Sources: Lao Government, Report on the Economic and Social Situation, Development Strategy, and Assistance Requirements, Geneva, May 1983; and data provided by the Lao authorities.

Table 15. Laos: Output Indices, 1978-85

(1982 = 100)

	1978	1979	1980	1981	1982	1983	1984	1985 Est.
Gross agricultural output	70.3	81.9	93.6	101.9	100.0	96.0	115.0	123.5
Of which: Rice output	66.2	79.3	96.4	105.7	100.0	91.7	120.9	130.7
Gross industrial output (excluding electricity)	...	...	96.5	111.5	100.0	83.2	67.3	120.7
Of which: Manufacturing	...	...	112.7	124.3	100.0	80.7	51.1	99.9
Mining	...	...	106.4	86.7	100.0	141.5	167.4	199.6
Electricity output	32.5	97.7	98.4	93.0	100.0	94.8	97.9	98.9
Gross industrial output (including electricity)	...	...	97.9	97.8	100.0	91.8	90.0	104.5

Sources: FAO, Production Yearbook; and staff estimates.

Table 16. Laos: Agricultural Output Index, 1980-85 ^{1/}
(1982 = 100)

	Weights	1980	1981	1982	1983	1984	1985 Est.
Gross agricultural output	<u>1.000</u>	<u>93.6</u> (14.3)	<u>101.9</u> (8.9)	<u>100.0</u> (-1.9)	<u>96.0</u> (-4)	<u>115.0</u> (19.8)	<u>123.5</u> (7.4)
Crops	<u>0.720</u>	<u>94.1</u> (16.0)	<u>103.9</u> (10.4)	<u>100.0</u> (-3.8)	<u>92.7</u> (-7.3)	<u>116.7</u> (25.9)	<u>125.9</u> (7.9)
Paddy	0.556	96.4 (21.5)	105.7 (9.6)	100.0 (-5.4)	91.7 (-8.3)	120.9 (31.9)	130.7 (8.1)
Maize	0.017	81.6 (2.5)	94.5 (15.9)	100.0 (5.8)	91.9 (-8.1)	97.7 (6.3)	103.7 (6.2)
Roots and tubers	0.048	83.8 (17.1)	101.4 (20.9)	100.0 (-1.3)	99.9 (-0.1)	100.8 (0.9)	104.4 (3.5)
Vegetables	0.023	94.9 (-0.2)	97.1 (2.3)	100.0 (3.0)	98.7 (-1.3)	100.2 (1.6)	101.6 (1.3)
French beans	0.003	88.9 (...)	94.4 (6.3)	100.0 (5.9)	100.0 (--)	...	...
Soybeans	0.006	78.6 (--)	92.9 (18.2)	100.0 (7.7)	83.3 (-16.7)	85.7 (2.9)	126.2 (47.2)
Groundnuts	0.016	85.9 (--)	94.6 (10.1)	100.0 (5.7)	94.6 (-5.4)	...	...
Tobacco leaves	0.014	84.3 (14.3)	97.0 (15.1)	100.0 (3.1)	78.7 (-21.3)	83.8 (6.5)	111.7 (33.3)
Cotton	0.007	94.2 (2.1)	96.2 (2.0)	100.0 (4.0)	96.2 (-3.8)	98.1 (2.0)	90.4 (-7.8)
Coffee	0.022	84.6 (25.7)	96.2 (13.6)	100.0 (4.0)	101.9 (1.9)	109.6 (7.5)	113.5 (3.5)
Fruits	0.008	95.6 (...)	98.1 (2.6)	100.0 (1.9)	100.6 (0.6)	...	...
Husbandry	<u>0.280</u>	<u>92.4</u> (10.1)	<u>96.9</u> (4.9)	<u>100.0</u> (3.2)	<u>104.0</u> (4.4)	<u>110.7</u> (6.0)	<u>117.2</u> (5.9)

Source: Based on data provided by the Lao authorities.

^{1/} Figures in parentheses are percentage changes.

Table 17. Laos: Industrial Output Index, 1980-85 ^{1/}
(1985 = 100)

	Weights	1980	1981	1982	1983	1984	1985 Est.
Gross industrial output (GIO)	<u>1.000</u>	<u>93.7</u>	<u>93.5</u> (-0.2)	<u>95.7</u> (2.3)	<u>87.9</u> (-8.2)	<u>86.1</u> (-2.0)	<u>100.0</u> (16.1)
Food and agro-industries ^{2/}	0.067	44.8	75.7 (69.0)	85.7 (13.2)	60.5 (-29.4)	63.6 (5.2)	100.0 (57.2)
Mining	0.043	53.3	43.4 (-18.5)	50.1 (15.4)	70.9 (41.5)	83.9 (18.3)	100.0 (19.2)
Energy	0.702	99.5	94.0 (-5.5)	101.1 (7.6)	95.9 (-5.2)	99.0 (3.2)	100.0 (1.0)
Manufacturing	0.162	112.7	124.3 (10.3)	100.1 (-19.5)	80.7 (-19.3)	51.1 (-36.7)	100.0 (95.7)
Construction	0.026	8.7	15.6 (78.3)	21.2 (36.6)	13.0 (-39.0)	17.8 (37.5)	100.0 ^{3/} (461.0)
GIO, excluding construction		<u>95.9</u>	<u>95.6</u> (-0.4)	<u>97.6</u> (2.2)	<u>89.8</u> (-8.0)	<u>87.9</u> (-2.1)	<u>100.0</u> (13.7)
GIO, excluding energy		<u>80.0</u>	<u>92.4</u> (15.5)	<u>82.9</u> (-10.3)	<u>69.0</u> (-15.6)	<u>55.8</u> (-19.1)	<u>100.0</u> (79.2)
GIO, excluding construction and energy		<u>86.7</u>	<u>99.6</u> (14.9)	<u>88.6</u> (-11.0)	<u>74.2</u> (-16.3)	<u>59.4</u> (-20.0)	<u>100.0</u> (68.5)

Source: Based on data provided by the Lao authorities.

^{1/} Figures in parentheses are percentage changes.

^{2/} Excluding rice milling and the processing of cash crops.

^{3/} The jump in the index in 1985 is due to the coming on stream of a cement factory.

Table 18. Laos: Mining Production and Exports, 1977-85

	1977	1980	1981	1982	1983	1984	1985 Est.
Tin							
Production (tons)	600.0	417.4	256.0	302.0	360.0	430.0	610
Export earnings (US\$ '000)	1,200	500	800	1,000	1,060	1,600	1,900
Gypsum							
Production ('000 tons)	--	30	40	40	70	82	98
Export earnings (US\$ '000)	--	720	800	960	1,675	1,915	2,300
Salt							
Production ('000 tons)	...	...	3.3	5.1	6.5	7.8	4.8

Source: Data provided by the Lao authorities.

Table 19. Laos: Production of Electricity and
Balance of Energy Trade, 1981-85

	1981	1982	1983	1984	1985 Est.
Production of electricity (mn. Kw/H)	846	910	863	891	900
Trade balance on energy (US\$'000)	-2,270	9,781	9,746	13,696	14,094
Exports (US\$'000)					
Electricity	10,829	23,844	24,063	25,160	27,430
Imports (US\$'000)	<u>13,099</u>	<u>14,063</u>	<u>14,317</u>	<u>11,464</u>	<u>13,336</u>
Electricity	199	253	317	394	436
Petroleum products	12,900	13,810	14,000	11,070	12,900

Sources: Data provided by the Lao authorities.

Table 20. Laos: Value and Volume of Production of Industrial Enterprises, 1982-85

	1982		1983		1984		1985	
	Value ('000 kip)	Quantity	Value ('000 kip)	Quantity	Value ('000 kip)	Quantity	Value ('000 kip)	Quantity
Cigarettes ('000 packs)	103,083	26,066	132,045	12,698	131,826	12,258	218,250	15,000
Zinc products ('000 sheets)	66,534	650.4	107,480	820.1	16,149	133	190,780	830
Beer and soft drinks (hundred liters)	54,323	25,312	49,856	25,314	50,404	21,275	54,720	23,000
Plywood (sheets)	...	...	77,388	500,000	39,859	112,000	80,621	800,000
Rattan (items)	...	...	3,514	143,983	1,327	54,387	2,684	110,000
Detergent (tons)	41,886	936	44,303	990	65,067	1,454	85,025	1,900
Wood furniture (Km. 10; items)	1,259	2,057	3,098	2,271	8,506	5,781	10,000	3,900
Plastics (tons)	12,500	188.6	11,592	168.5	11,259	85	28,130	190
Matches (mn. boxes)	--	--	4,720	1.88	--	--	...	2.00
Clothing (items)	6,800	55,300	4,340	21,864	5,639	21,878	17,367	60,000
Clothing cooperatives (items)	17,365	426,147	23,965	533,000	...	...	...	...
Agricultural implements (items)	3,244	64,120	2,340	23,471	2,938	11,507	10,744	61,000
Flooring/wood products (m2)	4,700	12,300	13,933	33,622	11,273	33,725	8,250	30,000
Wood furniture (Km. 7; items)	1,750	16,391	3,231	35,794	...	...	...	...
Wood furniture (Km. 9)	12,650	...	18,189	...	18,376	...	19,800	...
Tire recapping (items)	1,920	638	1,914	...	...	...	...	...
Insecticides (boxes)	409	17,000	1,536	63,984	1,569	65,357	1,440	60,000
Acetylene (bottles)	...	...	...	...	1,925	770	1,500	600
Oxygen (bottles)	2,100	3,024	3,385	4,836	3,441	4,915	3,500	5,000
Ceramics (items)	1,590	76,487	2,400	78,706	2,331	73,193	3,049	80,000
Livestock feed (tons)	...	6,006	20,984	2,933	28,549	3,815	185,580	8,000
Fish sauce (hl)	...	619	1,269	619	2,153	916	1,198	510
Fermented fish (tons)	...	101	4,150	166	4,875	150	4,875	150
Medicines	10,070	...	47,024	...	60,441	...	81,215	...
Cement (tons)	--	--	--	--	--	--	75,000	5,000
Salt (tons)	...	5,100	19,571	6,527	23,340	7,780	14,559	4,853
Bricks ('000 items)	...	5,600	6,764	3,382	7,680	3,840	12,064	6,032
Crushed rocks (tons)	...	...	5,156	29,098	17,939	46,940	17,843	76,000

Source: Data provided by the Lao authorities.

Table 21. Laos: Net Financial Result of Official Rice Operations, 1981-85 ^{1/}

	1981	1982	1983	1984	1985
Expenditures	429.9	884.3	2,057.8	2,087.2	2,856.8
Costs borne by the Food Corporation and the provinces	372.7	746.3	1,762.9	1,873.5	2,541.3
Procurement, minus change in inventories	299.3	567.2	1,565.2	1,594.5	2,191.8
Volume	(51.6)	(51.1)	(71.8)	(71.5)	(82.4)
Unit cost	(5.8)	(11.1)	(21.8)	(22.3)	(26.6)
Agricultural tax ^{2/}	73.4	145.1	197.7	279.0	349.5
Volume	(22.5)	(25.5)	(22.6)	(22.1)	(25.0)
Unit cost ^{3/}	(3.3)	(5.7)	(8.7)	(12.6)	(14.0)
Imports	--	34.0	--	--	--
Volume	(--)	(5.0)	(--)	(9.1)	(--)
Unit cost	(--)	(6.8)	(--)	(--)	(--)
Foregone revenue by the State ^{2/}	57.2	138.0	294.9	213.7	315.5
Volume of the agricultural tax	(22.5)	(25.5)	(22.6)	(22.1)	(25.0)
Procurement price minus valuation price	(2.5)	(5.4)	(13.1)	(9.7)	(12.6)
Receipts	120.0	120.0	507.9	432.0	1,307.0
Distribution to public sector employees	120.0	120.0	156.0	156.0	680.0
Volume	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Unit sale price	(3.0)	(3.0)	(3.9)	(3.9)	(17.0)
Commercial sales			351.9	276.0	627.0
Volume	(--)	(--)	(15.3)	(12.0)	(20.9)
Unit sale price			(23)	(23)	(30)
Distribution under other programs and losses ^{4/}	--	--	--	--	--
Volume	34.1	41.6	39.1	50.7	46.5
Unit sale price	--	--	--	--	--
Financial losses	309.9	764.3	1,549.9	1,655.2	1,549.8
(As percent of GDP)	(3.7)	(5.3)	(6.8)	(5.1)	(2.5)
Of which: Borne by the Food Corporation and the provinces	252.7	626.3	1,255.0	1,441.5	1,234.3
(As percent of GDP)	(3.0)	(4.3)	(5.5)	(4.4)	(2.0)
Of which: Foregone revenue by the State ^{2/}	57.2	138.0	294.9	213.7	315.5
(As percent of GDP)	(0.7)	(1.0)	(1.3)	(0.7)	(0.5)

Source: Fund estimates based on data provided by the Lao authorities.

^{1/} Volumes are in thousands of tons, unit values are in kip per kilo, and values are in millions of kip.

^{2/} The agricultural tax is levied in kind. The proceeds of the tax are made available to the Lao Trade Corporation and, since 1983, to the Food Corporation at prices below official procurement prices.

^{3/} Price at which the agricultural tax is valued in the budget, plus transportation and milling costs.

^{4/} Includes distribution to farmers affected by natural calamities, school children, armed forces, as well as distribution losses.

Table 22. Laos: Price Levels, 1980-85 ^{1/}
(1982 = 100)

	CPI	Free Market Prices						Official Prices
		Total	Food	Rice	Clothing	Energy	Other	
Weights	1.0000	0.500	0.239	0.068	0.027	0.047	0.187	0.500
1980 (average)	43.9	43.5	52.6	48.9	59.9	44.9	29.0	44.3
1981 (average)	58.7	71.6	82.4	68.9	73.0	80.1	55.4	45.9
1982 (average)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1983 (average)	162.5	194.0	177.9	205.9	170.9	132.4	233.1	131.0
1984 (average)	206.7	278.3	212.9	171.9	323.7	190.6	376.9	135.1
1985 ^{2/} (average)	391.7	346.9	293.1	266.7	428.6	258.3	425.5	436.5
1983 March	146.7	163.4	143.1	124.4	146.1	124.4	201.3	130.1
June	157.0	183.8	179.3	213.3	170.1	130.7	204.8	130.1
September	172.8	211.0	208.1	308.2	175.7	132.4	239.2	134.7
December	173.4	217.9	181.2	177.8	191.7	142.3	287.0	129.0
1984 March	188.9	246.5	184.2	165.9	245.6	164.7	346.2	131.3
June	203.2	275.2	217.0	189.6	286.6	182.6	370.7	131.3
September	212.4	285.9	217.3	177.8	368.3	182.6	387.1	138.9
December	222.2	305.6	233.0	154.1	394.5	232.7	403.4	138.9
1985 March	285.2	321.6	260.2	207.4	386.8	243.4	409.9	248.8
June	436.2	346.1	292.4	237.0	453.6	254.1	421.9	526.2
September	453.7	372.8	326.8	355.6	445.3	277.4	444.6	534.6

Source: Based on data provided by the Lao authorities.

^{1/} Price data apply to the Vientiane region only.

^{2/} Average of the first three quarters.

Table 23. Laos: Official Retail Prices, 1983-85

(In kip per unit)

	Unit	Monthly Rationed Volume Per Public Employee <u>1/</u>	1983		1984				1985		
			June	Dec.	Mar.	June	Sept.	Dec.	April	June	Sept.
Rice <u>2/</u>	kg										
Civil servants		20	3	3	3	3	3	3)			
Public enterprises								)	27	27	27
employees		20	6.2	6.2	6.2	6.2	6.2	6.2)			
Sugar <u>2/</u>	kg	1	8	8	8	8	8	8	...	...	...
Sugar <u>3/</u>	kg		60	90	110	110	110	110	160	160	160
Pork	kg	2	80	80	80	80	80	80	250	270	270
Beef	kg	1	120	120	120	120	120	120	250	270	270
Fish	kg	2	30	30	30	30	30	30	160	160	160
Condensed milk	can	3	55	45	50	50	50	50	126	126	126
Salt	kg	0.5	4	4	4	4	4	4	9	9	9
Eggs	item	15	3	4.5	4.5	4.5	4.5	4.5	13	13	13
Detergent <u>2/</u>	kg	0.5	16	16	16	16	16	16	...	...	...
Detergent <u>3/</u>	kg	70	70	70	90	90	90	90	152	152	152
Cloth <u>2/</u>	item	2 pants and 2 shirts a year	32.5	32.5	32.5	32.5	32.5	32.5	...	...	...
Cloth <u>3/</u>	item		32.5	32.5	140	140	135	135	135	135	135
Gasoline	liter	10 <u>4/</u>	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Electricity	kw		0.4	0.4	0.4	0.4	0.4	0.4	10	10	7
Bus tickets	item		3	3	3	3	8	8	8	8	30

Source: Data provided by the Lao authorities.

1/ The rations were abolished in April 1985.2/ Subsidized price.3/ Price of sales in excess of rations.4/ For motorcycle owners. Twenty liters are distributed to car owners.

Table 24. Laos: Free Market Prices in Vientiane, 1983-85

(In kip per unit)

		1983			1984				1985	
	Unit	June	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
Food and beverages										
Rice	kg	36	30	28	32	30	26	35	40	60
Pork	kg	161	200	220	250	250	300	280	320	350
Chicken	kg	250	270	250	250	250	300	450	500	600
Cooking oil	liter	130	130	160	160	160	130	130	130	130
Vegetables	kg	25	30	30	40	40	60	50	60	50
Sugar	kg	71	140	170	190	190	190	200	200	180
Condensed milk	can	75	80	85	130	160	170	200	190	180
Eggs	item	11	13	15	16	17	15	16	17	20
Fish	kg	250	250	280	280	280	300	300	400	400
Salt	kg	5	5	5	5	5	5	10	10	10
Beer	bottle	45	45	45	60	60	60	70	75	75
Clothing										
Shoes	pair	150	170	230	250	330	450	350	400	400
Pants	pair	360	...	...	...	...	...	...	...	...
Shirts	item	300	400	550	550	600	600	600	700	800
Skirts	item	330	350	400	520	650	700	750	800	800
Fabric	meter	180	180	230	300	450	450	450	580	550
Energy										
Gasoline	liter	40	40	45	45	45	60	60	60	70
Charcoal	kg	9	10	10	12	12	17	17	20	20
Batteries	item	50	65	90	110	110	120	140	140	150
Other										
Rent	month	1,000	1,500	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Bicycles	item	8,519	10,000	14,000	18,000	24,000	24,000	24,000	24,000	26,000
Cigarettes	pack	110	135	160	200	220	250	250	265	310
Pencils	item	8	15	15	15	15	15	20	20	20
Soap	item	50	65	80	90	100	120	150	150	170
Detergent	kg	90	110	140	160	110	130	130	250	250
Electric bulbs	item	70	70	90	100	110	110	140	140	150

Source: Data provided by the Lao authorities.

Table 25. Laos: General Government Revenue, 1981-85

(In millions of kip)

	1981	1982	1983	1984	1985 Budget
Tax revenue	<u>396</u>	<u>775</u>	<u>1,056</u>	<u>1,669</u>	<u>1,905</u>
Tax on industrial and commercial profits	31	60	125	250	260
Tax on wages and salaries	1	2	10	15	16
Agricultural tax	55	117	157	228	267
Business licenses	4	7	7	10	11
Turnover tax	195	383	565	960	1,113
Of which: Public enterprises	(119)	(223)	(232)	(453)	(600)
Tax on foreign trade	109	205	172	181	218
Import duties	84	143	152	150	170
Of which:					
Public enterprises	(55)	(84)	(82)	(70)	(90)
Export duties	25	62	20	30	48
Of which:					
Public enterprises	(21)	(53)	(14)	(24)	(40)
Other	0	1	20	25	20
Nontax revenue	<u>594</u>	<u>1,980</u>	<u>2,440</u>	<u>3,279</u>	<u>4,238</u>
Surpluses of public enterprises	421	1,595	1,684	2,489	3,268
Depreciation allowances transferred by public enterprises	100	300	428	473	563
Other	73	85	327	317	407
Total	<u>989</u>	<u>2,755</u>	<u>3,496</u>	<u>4,947</u>	<u>6,143</u>

Source: Data provided by the Lao authorities.

Table 26. Laos: Economic Classification of
General Government Expenditure, 1981-85

(In millions of kip)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1984</u>	<u>1985</u>
		Outturns			Budget	Estimates
Current expenditure	<u>1,028</u>	<u>2,259</u>	<u>2,945</u>	<u>4,126</u>	<u>3,935</u>	<u>5,439</u>
Wages and salaries	200	280	320	...	320	...
Materials and supplies	725	1,798	2,145	...	...	...
Subsidies to public enterprises	--	--	120	...	...	...
Scholarships	56	82	90	...	...	...
Pensions	3	3	20	...	...	...
Other subsidies and transfers	--	--	150	...	...	...
Debt service	45	96	100	117	200	400
Capital expenditure	<u>928</u>	<u>3,216</u>	<u>3,750</u>	<u>4,258</u>	<u>4,100</u>	<u>5,035</u>
Education	21	77	100	90	110	125
Health	66	254	280	170	180	273
Agriculture and forestry	283	955	980	1,010	1,050	827
Industry, mining and energy	149	573	820	1,366	1,010	784
Transportation and communications	) )	) )	100	551	210	2,074
Trade and cooperatives	) 373	) 1,237	100	171	150	269
Public works	) )	) )	1,150	706	1,200	215
Other	36	120	220	195	190	468
Total	<u>1,956</u>	<u>5,475</u>	<u>6,695</u>	<u>8,384</u>	<u>8,035</u>	<u>10,474</u>

Source: Data provided by the Lao authorities.

Table 27. Laos: Functional Classification of
General Government Expenditure, 1981-85

(In millions of kip)

	1981	1982	1983	1984	1984	1985
	Outturns				Budget	Estimates
General public services <u>1/2/</u>	<u>636</u>	<u>1,446</u>	<u>2,010</u>	<u>2,696</u>	<u>2,500</u>	<u>3,409</u>
Economic services <u>2/</u>	<u>982</u>	<u>3,152</u>	<u>3,625</u>	<u>4,448</u>	<u>4,231</u>	<u>5,013</u>
Agriculture	<u>378</u>	<u>1,159</u>	<u>1,180</u>	<u>1,293</u>	<u>1,320</u>	<u>1,195</u>
Forestry)))))))
Industry, mining and energy)	181)	647)	925)	1,509)	1,146)	971
Transport and com- munications)	423)	1,346)	200)	689)	340)	2,256
Cooperatives)))))))
Public works )	)	)	1,180	754	1,245	277
Other )	)	)	140	203	180	314
Social services <u>2/</u>	<u>293</u>	<u>781</u>	<u>960</u>	<u>1,123</u>	<u>1,104</u>	<u>1,651</u>
Education	<u>178</u>	<u>422</u>	<u>510</u>	<u>698</u>	<u>684</u>	<u>915</u>
Public health	<u>108</u>	<u>347</u>	<u>430</u>	<u>394</u>	<u>390</u>	<u>563</u>
Pensions	<u>3</u>	<u>3</u>	<u>5</u>	<u>10</u>	<u>10</u>	<u>14</u>
Housing	--	--	--	--	--	--
Other services	<u>5</u>	<u>9</u>	<u>15</u>	<u>21</u>	<u>20</u>	<u>159</u>
Public debt service	<u>45</u>	<u>96</u>	<u>100</u>	<u>117</u>	<u>200</u>	<u>400</u>
Total expenditure	<u>1,956</u>	<u>5,475</u>	<u>6,695</u>	<u>8,384</u>	<u>8,035</u>	<u>10,474</u>

Source: Data provided by the Lao authorities.

1/ Including general administration and national security.

2/ Current and capital expenditure combined.

Table 28. Laos: Consolidated Balance Sheet of the BNL
and BCEL, 1981-85

(In millions of kip; end of period)

	1981	1982	1983	1984	1983	1984	1985
	December				June		
Assets	<u>1,630</u>	<u>2,219</u>	<u>2,586</u>	<u>2,630</u>	<u>2,373</u>	<u>2,539</u>	<u>2,201</u>
Foreign assets	139	376	193	111	244	205	167
Domestic credit	1,297	1,578	1,883	2,285	1,696	2,202	2,410
Government	(190)	(200)	(200)	(120)	(200)	(250)	(--)
Public enterprises	(1,055)	(1,312)	(1,585)	(2,031)	(1,411)	(1,852)	(2,262)
Private sector ^{1/}	(52)	(66)	(98)	(134)	(85)	(100)	(148)
Other assets (net)	194	265	510	234	433	132	-376
Liabilities	<u>1,630</u>	<u>2,219</u>	<u>2,586</u>	<u>2,630</u>	<u>2,373</u>	<u>2,539</u>	<u>2,201</u>
Foreign liabilities	587	689	639	638	642	677	134
Short-term	(23)	(144)	(145)	(145)	(145)	(145)	(13)
Long-term	(97)	(97)	(77)	(77)	(77)	(77)	(77)
International organizations	(464)	(445)	(417)	(416)	(417)	(455)	(44)
Other	(3)	(3)	(--)	(--)	(3)	(--)	(--)
Letters of credit	66	118	39	71	143	38	120
Foreign currency deposits	10	8	10	5	15	7	5
Demand deposits	788	1,159	1,561	1,434	1,286	1,407	1,392
Government	(172)	(190)	(213)	(229)	(193)	(231)	(235)
Public enterprises	(551)	(884)	(1,228)	(1,075)	(983)	(1,052)	(1,020)
Private sector ^{1/}	(65)	(85)	(120)	(130)	(110)	(124)	(137)
Savings deposits	10	9	17	32	12	25	40
Currency in circulation	169	236	320	450	275	385	510

Source: Data provided by the Lao authorities.

^{1/} Mainly cooperatives.

Table 29. Laos: Composition of Credit Extended by the BNL, 1981-85

(In millions of kip)

	1981	1982	1983	1984	1983	1984	1985
	December				June		
Investment capital	--	90	135	207	117	172	236
Agriculture	--	20	40	50	35	40	54
Public enterprises	--	67	88	145	77	124	166
Government	--	--	--	--	--	--	--
Other sectors	--	3	7	12	5	8	16
Working capital	721	840	995	1,062	906	1,116	1,026
Agriculture	31	35	42	55	38	43	63
Public enterprises	480	597	744	870	661	814	943
Of which: Commerce	(350)	(416)	(472)	(538)	(445)	(512)	(580)
Government	190	200	200	120	200	250	--
Other sectors	20	8	9	17	7	9	20
Total	721	930	1,130	1,269	1,023	1,288	1,262

Source: Data provided by the Lao authorities.

Table 30. Laos: Interest Rates, 1979-85

	Prior to June 1979	June 1979	July 1985
Deposit rates			
Private sector			
Savings deposits	1.2	3.6	5.4
Time deposits			
Three-month	3.6	5.0	--
Six-month	3.6	4.0	7.8
One-year	3.6	7.2	9.6
Two-year	...	...	12.0
Three year	...	...	15.0
Public enterprises	--	--	1.0-3.0
Lending rates			
For agriculture, industry, and transportation			
Short-term	6.0	4.8	4.2-8.4
Long-term	3.0	3.0	3.0-4.2
For trade			
Private	...	12.0	15.0
Public	12.0	7.2	6.1-7.8

Source: Data provided by the Lao authorities.

Table 31. Laos: External Debt Service, 1981-85

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985 Est.
Debt service	7.15	7.41	6.56	13.04	20.77
Principal	4.36	2.64	1.94	9.98	16.23
Interest	2.79	4.77	4.62	3.06	4.54
Bilateral loans	3.16	3.05	1.86	3.77	4.35
Convertible area	3.10 ^{1/}	1.43	1.29	1.88	1.94
Principal	(2.14)	(0.64)	(0.59)	(1.23)	(1.30)
Interest	(0.96)	(0.79)	(0.70)	(0.65)	(0.64)
Nonconvertible area	0.06	1.62	0.57	1.89	2.41
Principal	(0.06)	(1.62)	(0.57)	(1.89)	(2.41)
Interest	(--)	(--)	(--)	(--)	(--)
Multilateral loans	3.99	4.36	4.70	9.27	16.42
Principal	2.16	0.38	0.78	6.86	12.52
Of which: IMF ^{2/}	(1.91)	(--)	(--)	(5.91)	(8.60)
Interest	1.83	3.98	3.92	2.41	3.90
Of which: IMF	(1.60)	(2.31)	(2.21)	(1.95)	(1.21)
Memorandum items:					
Debt service ratio ^{3/}	22.6	13.5	13.2	22.3	33.2
Convertible area	(27.9)	(13.6)	(16.4)	(25.9)	(36.9)
Nonconvertible area	(1.0)	(13.3)	(4.4)	(12.6)	(18.8)

Source: Data provided by the Lao authorities.

^{1/} Includes US\$0.19 million in amortization and US\$0.44 million in interest payments on suppliers' credits.

^{2/} Includes repurchases of purchases under compensatory financing facility and stand-by arrangements and repayments of Trust Fund loans.

^{3/} Percentage ratio to current earnings.

Table 32. Laos: Exchange Rates, 1981-85

(In kip per U.S. dollar)

	Official Exchange Rate	Commercial Exchange Rate	Rate for Private Remittances to Lao Nationals	Exchange Rate for Tourist Receipts and Inward Remit- tances to Non- Lao Nationals	Exchange Rate for Import Cooperative	Exchange Rate in the Parallel Market
1981						
December	10	30	...	...	...	56
1982						
December	10	35	...	...	...	105
1983						
December	10	35	108	108	...	140
1984						
December	10	35	108	108	...	253
1985						
January	10	35	108	108	...	262
February	10	35	108	108	...	291
March	10	35	108	108	...	302
April	10	35	108	108	...	313
May	10	35	108	108	...	316
June	10	35	108	108	...	330
July	10	35	270	108	300	334
August	10	35	270	108	300	331
September	10	35	270	108	300	370

Source: Data provided by the Lao authorities.

List of State Enterprises

1. Ministry of Industry, Handicrafts and Forestry

- a. Lao Electricity Company
- b. Mining Company
- c. Beer and Soft Drinks Company
- d. Cigarettes Company
- e. Plywood Company 1/
- f. Furniture Factory No. 1 1/
- g. Furniture Factory No. 2
- h. Flooring Factory 1/
- i. Rattan Factory 1/
- j. Agricultural Implements Factory
- k. Zinc Products Factory
- l. Oxygen-Acetylene Factory
- m. Lao Vieng Clothing Factory
- n. Plastics Factory
- o. Insecticides Factory
- p. Forestry enterprise No. 3 1/
- q. Forestry enterprise No. 9 1/
- r. Sawmill 1/

2. Ministry of Agriculture, Irrigation and Cooperatives

- a. State Farm
- b. State Farm Veune Kham
- c. Agricultural Equipment Station
- d. Projects Research Corporation
- e. Irrigation Company No. 1
- f. Irrigation Company No. 2
- g. Agricultural Equipment Supply Company
- h. Food Processing Company

3. Ministry of National Construction

- a. National Construction Corporation
- b. Pipeline Construction Corporation
- c. Construction Materials Company
- d. Rock-Crushing Company
- e. Nam Papa Company
- f. Projects Design Corporation
- g. Equipment and Transport Corporation

4. Ministry of Information and Culture

- a. Printing Company
- b. Movies Distribution Corporation

1/ Recently integrated into the Lao Wood Industry Corporation.

5. Ministry of Commerce

- a. Lao Trade Corporation
- b. Industrial Products Trading Corporation
- c. Lao Food Corporation
- d. Diplomatic Store

6. Ministry of Transport and Posts

- a. Posts and Telecommunication Corporation
- b. Transport Corporations 1,2,3,4,5
- c. Car Rental Corporation
- d. River Transport Corporation
- e. Repair Works Company
- f. Lao-Swedish Repair Works Corporation
- g. Public Works Corporation
- h. Projects Research Corporation
- i. Equipment and Technics Supply Corporation

7. Materials Ministry

- a. Petroleum Products Corporation

8. Lao Aviation

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