

**LAO PEOPLES DEMOCRATIC REPUBLIC
POVERTY REDUCTION STRATEGY PAPER AND
JOINT IDA-IMF STAFF ADVISORY NOTE**

CHAIR'S SUMMING UP*

Meeting of Board of Executive Directors of IDA

January 12, 2012

The Executive Directors discussed the Poverty Reduction Strategy Paper, prepared by the Government of Lao PDR, and the Joint IDA-IMF Staff Advisory Note on the PRSP (IDA/SecM2011-0693). Directors agreed that the PRSP appropriately targets the challenging issues related to macroeconomic stability, inclusive and sustainable private sector led growth, regional integration, public financial management, international and regional cooperation, and human development. They considered the government's targets to be ambitious but achievable, and encouraged prioritized, concrete interventions to achieve them.

Directors commended Lao PDR for their development progress including an important decline in poverty in the country. Directors noted the remaining challenges related to achieving the Millennium Development Goals by 2015, and welcomed the authorities' enhanced focus on the MDG agenda. A number of Directors applauded the focus on rural development, given the lingering disparities in poverty levels between rural and urban populations. The importance of disaster risk management and longer-term food security was also emphasized.

Directors noted the implementation capacity constraints that Lao PDR faces, and encouraged the Bank to assist the country in strengthening its oversight and monitoring capacity through technical assistance and advisory services. Directors also noted the importance of strong country ownership and leadership to Lao PDR's development effectiveness. The importance of consultation with civil society and a strong dissemination strategy of the PRSP was also highlighted.

Given the uncertain global economic outlook, Directors encouraged the authorities to monitor macroeconomic conditions and the financial system more proactively, and to develop appropriate contingency plans. Greater diversification of economic growth was also encouraged. In addition, the development of a medium-term financing strategy to support implementation of the National Socio-Economic Development Plan (NSED) was encouraged. Directors also emphasized strengthened debt management and public financial management, particularly to enhance the quality and efficiency of public spending, and to increase non-mining revenues.

Regarding natural resources, some directors highlighted the need to align the pace of natural resource extraction with the capacity to manage it effectively. Moreover, they encouraged the government to consider becoming members of the Extractive Industries Transparency Initiative. That said, the importance of developing the resource sector, given the limited availability of concessional financial resources, was noted.

Directors highlighted a number of areas where further elaboration in the upcoming Country Partnership Strategy is warranted. These include diversification; pro-poor growth, with attention paid to gender issues; inclusive development; fiscal policy; skills and private sector development; resettlement; and management of natural resources.

*This summary is not an approved record.