Statement by Myles Wickstead  
Date of Meeting: April 20, 1999

**Lao PDR: Country Assistance Strategy**

We welcome the opportunity to discuss this Country Assistance Strategy at a particularly critical time in the economic development of Lao PDR.

We can only agree with the diagnosis in the paper that if the Government does not move rapidly to strengthen fiscal and monetary policy, this will further undermine the prospects for medium term economic stability and private sector investment. In this regard we hope it will prove possible to reach an agreed programme of action which will enable the IMF to resume Enhanced Structural Adjustment Facility support.

The prospects for further advances in poverty reduction are clearly contingent upon this economic stabilisation. We are concerned at the low levels of public investment in education and health, which over time will seriously damage the country's ability to attract inward investment and compete in global markets. It is very disappointing that more progress has not been made on this issue and on prioritising the public sector investment programme.

Forestry: We note that logging targets are apparently being set beyond a sustainable extraction level. It will be important to ensure that any future investments in forest industries focus on improving processing efficiency by reducing waste and ensuring that overall processing capacity is matched with the sustainable production level of the forests.

Hydropower: We have read with interest the Bank's paper on a Power Trade Strategy for the Greater Mekong Delta. This paper refers to several other significant power projects which have already started or are about to start in Lao PDR. These projects will increase generating capacity by nearly 1000 MW. Given the continuing impact of the regional crisis on Thailand, we wonder what the effects will be on the demand for power from Laos and the timing of new investments.
CAS strategy: While we are prepared to endorse the lending scenarios we would expect to see a much more significant advance in key areas of policy over the next three years for these interventions to be sustainable in the longer term. We are pleased that IDA will devote more resources to portfolio management and building in-country capacity and we wish the Government and people of Lao PDR every success in meeting the challenges ahead.