

**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

**Background and Evolution of the Bank of Lao PDR**  
**Since its establishment to date.**

**On the occasion of**  
**the Bank festive 35<sup>th</sup> founding anniversary**  
**07/10/1968 - 07/10/2003**

**I. Our country during the feudal reign or prior to the establishment of a banking system (before 1893)**

As we are all aware that material production is a decisive factor for the existence and development of a society. In its early history, the principalities of Lao originated from production bases, in particular, agricultural, handicraft and marketing. At that time Laos was called as “Lahd” like other countries over the Indochinese peninsular. Its early economic power was confined to the hands of tribal chiefs who, through economic relations, were unified into certain ethnic group with their heads, bearing a title of “Khoon”, led the administration in the principalities namely: Sipsongpanna, Shipsongchuthai, Xiengthong, Luangprabang. They had a honorary rank as Chao Phaya (meaning “Prince, he who upholds”). Chao Khun and Chao Phaya possessed not only economic power, but administrative as well. There were army, court and jail. A normal citizen was called as Phaimuong (a civilian of the municipality) who owned a piece of land for cultivation. Major production was in agriculture, for instance, lowland paddy cultivation, upland paddy farming, animal husbandry comprised of cattle, buffalo, duck, chicken, goose and pig raising while elephant were considered as strategic warfares.

Handicraft was developed steadily such as: silver and goldsmith, pottery, weaving and looming, carving and other which reflected the 1,500 - 2,000 year old history and culture, at least the VI - VIII th century. During the reign of King FaNgum and Phaya Samsenthai, economic matters gained emphasis mainly on agricultural development such as cropping and animal husbandry, secondly it was on handicraft and barter exchange till the end of the XV th century (1393 - 1473). In regard to economic development, particularly, animal husbandry followed its traditional way of keeping that meant at least 3 types of animals being raised in each family like: pigs, ducks, and chicken.

Trade retained its conservative way, consisted of two parts: the first part was called common treasury, which manages on the wealth of the King. It was accumulated through the collection of tribute from within and outside the treasury. He could sell those to anyone. By that time, goods that foreign traders looked for were : rice, salt, elephant tusks, sap of styrax, sticklac, cardamom, animal skin, horn, deer, gold, silver and non wood forest products for herbal medicines. A normal citizen of the principality did not have the right to trade on the aforesaid goods with foreign trader. If any civilian had those goods in possession, he/she would sell to officials at low price and if anyone wished to buy any of those he/she could buy at higher price. The common treasury was then considered as a major source of revenue generation. The second part was trade among normal civilians effected within the country or along the border which appeared as barter or money exchange. Entering a neighboring country's border or territory was then without passport as it was free to go anywhere, goods that the people took for exchange were mainly: rice, beans, sesame, salt, textile and household consumers goods, agricultural tools for fishing and hunting.

As far as currency is concerned, the currency at that time considered “baht” as a unit, the lesser was masok, larm and the least was bia while the highest was Hoy. Currency had orders of weighted unit measured as Hoy, baht, masok, larm and bia as follows:

+ 12 bai = 1 larm (later called as Pheuang)  
+ 2 larm = 1 masok or 24 bai = 1 masok  
+ 5 masok = 1 baht  
+ 10 baht = 1 hoy

Silver was forged into bar comprised of various shapes such as: Hang, Tu, Hoy and Lahd silver bars.

The economic situation during the Lao Kingdom of a million elephants was prosperous and the Kingdom was able to suppress foreign invaders (1481 - 1600). Its major revenue derived from agriculture: cropping (of which rice was a main product), animal raising, hunting. Handicraft was characterized by traditional and natural backward type of household economy. In addition some revenue was from the collection of tribute, exchange of goods and sale of goods from the common treasury. As stipulated in the rule and order, the ruler collected tax from the citizens and traders in the form of silver, gold and valuables. Gave order to various principalities to donate thrice per annum. The donation from each principality composed of silver, gold, silver and golden flowers, rhinoceros tusks, elephant tusks, textile, elephants, horses, animal skin and other valuables which were found in the surrounding. Moreover, there were rice, beans, sesame, fruits. As the Kingdom of a million elephants established relations with neighboring kingdoms, the exchange played increasing role, a number of ethnic groups and tribes exchanged their visits along the border which caused the exchange of goods to happen incessantly. The majority of goods exchanged were agricultural, handicraft and non-wood forest products which were dealt on private basis. The ruler established customs check points at major principalities, bought goods to the treasury at obligatory price. The exchange was conducted mainly among neighboring kingdoms, suppressed the expansion of foreign feudal influence. And at the same time our people started to gradually acquire new culture from external kingdoms. The economic situation, especially trade and treasury of the kingdom of a million elephants continue to advance (1481 - 1540). In parallel with agricultural and handicraft development, trade was a significant factor enhancing the production to develop, generate income to the households and the common treasury of the country not only in the past but presently as well. Therefore, during the reign of King Suriyavongsa Thammikrahd, trade and exchange kept up with progress along with other sectoral activities. The peasants and gardeners enjoyed their freedom and had an opportunity to develop their trade. Besides the common feudal trade, under the management of the monarch private trading (normal civilian) was based on the principal of buying selling goods, during the exchange there were foodstuff, handicraft and non-wood forest products. The authority then established a common treasury service called as Rajakod. The service had the duty of overseeing and managing all assets of the Kingdom. The revenue derived from the deduction fee called as "Nguad" in cash or in kind, from fee of cargo vessels accosting the port. Tham fee, for instance, a roll of textile sold at 10,000 gold, Tham fee collection was 1,000 or if a roll of textile sold 1,000 gold, the Tham fee deduction would amount to 100 gold that meant 10 percent only. In addition, revenue derived also from cropping land rent, tribute collection and fine collected from offenders. Besides, there was a common treasury spending service which assumed the responsibility for spending the common assets in both cash and kind according to the order given by the Tham department. The situation kept going on and on through a number of centuries. The Kingdom of a million elephant, thus, undergone changes over time, till the XIII - XIX th century when the French invaded, many transparent changes occurred as follows:

## **II. The French colonial period or otherwise the period of our people's struggling against the old colonialists, the period of no Lao Kip currency (1893 - 1945)**

In order to retain feudalism as a tool of an old colonialist for invasion, the French imperialist invaded the country and reign Laos with the aim to take it as their colony. They praised a throne and the King of Laos to live up with the French yoke and used it as a mask hiding their invasion. The French colonialist printed out Indochinese paper money and metal currency such as: Kiphuanam (spiny head) Kip coins and Bee coins to release and circulate in Laos. Since 1893 Indochinese Kip currency had been used in 3 countries namely: Laos, Vietnam and Cambodia so as to facilitate the furnishing of their army and administration. The economy developed slightly during this period of time, there was an exchange between producers and consumers, and the budget revenue derived mainly from duty and tax collection with some figures as follows:

- 1896	: 142,770 kip
- 1897	: 182,348 kip
- 1898	: 189,522 kip
- 1899	: 201,409 kip
- 1900	: 256,457 kip

Of which, the opium sale shared about 30 - 40 % of the total revenue. In brief, till this period of time our country did not have bank, there was only a treasury.

### **III. The period that our country and people uprose against the invasion of the old and neo-colonialist, the American imperialist and its elements (1945 - 1947), the establishment of National Bank of the Kingdom of Laos took shape:**

**1. The period (1945 - 1947):** After the declaration of independence from France on 12 October 1945, the Ministry of Economics and Finance printed out Lao Kip currency called as Katay (Rabbit) currency in 1945 - 1946 in 50 and 20 Kip paper bills for temporary use as a tool for the Lao Monarch till December 1951 according to the agreement of the Currency Printing Institution of the 3 Indochinese nations, the currency board was established. There was a royal order of the Kingdom of Laos on 25 December 1954 to change the name of currency board to the Lao National Bank (after the country gained independence from being French colony) having a headquarter located in Vientiane capital city and had Mr. Phoui Panya as its Governor. Following the Geneva Agreement on Laos, the French imperialist withdrew from Laos, acknowledged independence of the 3 Indochinese nations namely Laos, Vietnam and Cambodia. After that, the patriotic force were associated in the two provinces: Xamneua and Phongsaly, not long since, the American imperialist and its elements launched a fierce open assault into the two provinces of Pathet Lao side, violated the 1954 Geneva Agreement on Laos. The purpose of organizing the Lao National Bank was to use it as a tool serving the evasion of the old and neo-colonialist and their elements, aiming to put an end to the patriotic force or the Pathet Lao side, to gain more assistance from the imperialists and foreign capitalists, furnished their puppet administration to resist the patriotic movement of the Lao people of all ethnics. At that time, the USA dumped an assistance in foodstuff, money, gold, warfare and dispatched military advisors to Laos enormously to assist France with an amount of US \$ 945 millions in resisting the revolution. Meanwhile, the administration in other 10 provinces ruling by the French imperialists awaited mainly the US assistance to help stabilize the Lao Kip currency, the Governor of the Lao National Bank was called Mr. Udong Souvannavong. Whereas the Pathet Lao force in the two provinces used the same Kip currency as in the opposite side and got assistance from some socialist countries regarding foodstuff such as: consumers' goods and warfare for the fight.

#### **2. The period from 1957 - 1959**

This was the period of implementing cease fire agreement and also the period of national reconciliation and then was the first coalition. During this time the Banking affairs developed slightly. There was treasury in some provinces to control budget expenditures at nation wide, in particular, in the provinces having major cities.

#### **3. The period from 1959 - 1961**

This was the period that our army and people changed the strategy to fight with armed forces against American imperialist and their elements such as Katai and Phoui Sananikone who violated the Geneva agreement on Laos. During this time, Banking system was maintained to previous status, there was only one currency throughout the country.

#### **4. The period from 1962 - 1964**

This was the period of implementing cease fire agreement and also the period of national reconciliation and was the second coalition, where a coalition government comprised of 3 sides such as: Patriotic Lao Front, Neutral Patriotic side and the Kingdom of Laos. During this time our country started to divide clearly into 2 administrative zones: a zone was controlled by Vientiane side and the other one was controlled by neutral patriotic side and patriotic Lao front side. The central headquarter of Vientiane side located in Vientiane where the Lao National Bank already existed. While the Neutral Patriotic side and the Patriotic Lao Front had their centers located in Khangkhai, Xiengkhuang provinces. During this time there were two types of currency in circulation namely Vientiane Kip currency which was printed earlier and Khangkhai Kip currency which was the currency of the coalition government of the three sides. The majority of this currency was circulate in the zone controlled by the patriotic forces (Liberated zone) in parallel with Vientiane Kip currency. There was no Bank in the liberated zone, there was only a treasury, established in 1961 in Khangkhai. Mr. Sisavath Sisane was nominated by Prime Minister Prince Souvannaphouma as Director General of this treasury department. The coalition Government's treasury was founded

after printing Khangkhai Kip currency at 50 Kip bills in an amount of 750 million kip to be circulated in the liberated zone and at the service of the Patriotic Lao Front and Neutral Patriotic forces.

## 5. The period from 1964 - 1973

This was the period that the American imperialist and their elements breached to Lao agreement on reunification and reconciliation, increased special war in Laos to a high level. The more the fight was the more the victory yielded by the Patriotic forces, 2/3 of the country's territory was liberated and the liberated zone was chained consecutively from North to South. More than a half of the country's total population was liberated. During this time our country divided into two zones: a zone controlled by Vientiane side or the Kingdom of Laos and the other zone was the liberated zone of the Patriotic forces. The banking affairs undergone changes as follows:

a. In the zone controlled by the Kingdom of Laos or Vientiane side: the Lao National Bank continued with its operation and used Vientiane Kip money as the currency circulated within the zone. Aid provided by the United States was to support the Vientiane kip currency and ensured the expenditure. At this time the Lao National Bank kept up with steady development. Branches were established in some provinces such as in Pakse, Champasak province and Luangprabang. Provincial treasuries were operated in the remaining provinces. Beside the Lao National Bank there were some local and foreign private bank such as:

- + Indochinese bank,
- + Tokyo bank,
- + Lao commercial development bank,
- + Development bank of the Kingdom of Laos,
- + Laovieng bank.

All these banks were situated in Vientiane capital city without any branch in the provinces. There was some organizational aspect, in particular, the recruitment of staff. The Lao National Bank alone had over 100 staff whose majority was qualified and had multi-sector skills and a complete set of regulations prevailed. The provision with vehicles and equipment was considerably sufficient for the bank's operation. It can be said that relative to that epoch, things complied with standardized banking system. Technical aspects of the banks were also abundant and colorful, there were calculations on initial capital funds, profits, funds mobilization, utilization of funds according to business mechanism, except the Lao National Bank only which did not undertake business calculations like private commercial banks.

b. In the liberated zone of the Patriotic forces (the bank of the liberated zone)

In order to meet the requirement of the cause of struggling for national liberation and acquire complete victory, fulfill the national democratic revolution at a nation wide, the third plenary session of the Lao people central Party committee of the first legislature adopted a resolution in March 1966 on founding the liberated as an independent state and became autonomous in all sphere on gradual and firm basis, likewise, the financial policy of the liberated zone was adopted also. To implement the side goal and objectives, the central committee of the Patriotic Lao Front made arrangements to establish a treasury in the liberated zone. Through long preparation, till 07/10/1968, the standing committee of the central Patriotic Lao Front endorsed an agreement to establish a central treasury in a cave where the cabinet office for economics and finance located in a revolutionary base in Viengxai district, Hauphanh province. In order to inaugurate the printing of the liberated kip currency as well as to exert performances to welcome the 23<sup>rd</sup> anniversary of the independence day on 12 October (12/10/1945 - 12/10/1968), it was called at the beginning as Central Treasury comprised of 2 parts: special treasury and central treasury which were under the supervision of the standing committee of the Central Patriotic Lao Front and the committee members of the cabinet office for economics and finance. During the early stage of printing the liberated Kip currency, there were Vientiane and Khangkhai Kip currencies in circulation alike. The goal and objectives of the establishment of the treasury or the Bank were to make it as a tool serving the struggle for national independence of our people as well as to improve the living conditions of staff, army, policeman and people of all ethnics throughout the liberated zone of the patriotic forces, enhance the economic development in the liberated zone gradually and

firmly based on the spirit of self - autonomy and self - strenght. After seeing that the release of liberated kip had many positive effects, the central Patriotic Lao Front agreed to expand the treasury throughout the liberated zone of the Patriotic forces in a systemic manner in December, 1968. There emerged treasuries in Huaphanh, Xiengkhuang, Luang Prabang, Udomxai, Namtha, Phongsaly, Bolikhamxai or former.

Associated 90 (Bolikhamxai presently). In addition, there were treasuries in Khammuane and Savannakhet provinces, while in the southern zone the establishment was done later due to the difficult communication. And after establishment of treasuries in various provinces the liberated kip currency was printed for circulation throughout the liberated zone in parallel with the existence of Khangkhai and Vientiane kip currencies. Until 1969, the central Patriotic Lao Front decided to fight on currency arena with the enemy by completely eliminating Vientiane and Khangkhai kip currencies from the whole liberated zone. There was the only independent liberated kip currency in circulation. The administrators were, Mr. Thongchanh Upalavanh, head of the Cabinet office, became the Governor of the central bank with the assistants as follows: Mr. Sisavath Sisane as Vice governor of the central bank and Mr. Udorn Pholsena as Governor of special bank. The establishment of a treasury in the liberated zone was difficult in many aspects because during war time against the Americans and their elements both on air and on the ground, the treasuries must be kept in the forest, deep caves, thick woods for the sake of safety of life and assets. The initial staff recruitment was about 10 persons at the central treasury and stayed together in the same cave with the services of finance, planning, trade and communication. While staff working in the provinces were about 7-8 persons each, of which only 3-4 persons were qualified as technical staff pertinent to the subject matters who were studying in Vietnam (low level). The bank staff of the liberated zone did not work only in their offices, but carried out self - sufficient production activities as well as took part in the fighting against enemy who entered the liberated zone such as: did the transportation to the front battle, grabbed guns to shoot the enemy and protected their treasury, some of them were wounded from the fight, for instance, during the KuKiet battle, a bank staff of Xiengkhuang province was wounded while protecting the treasury and ensuring that the money cases did not fall into the hands of the enemy and some passed away while on their duty and being shot dead by the enemy and from other causes. All this reflected the spirit of patriotism, loving the fatherland, irritating and never giving up to the invaded enemy, contribute to gain victory to the revolution in general and to the banking sector in particular.

- The provision of material - technical base was nearly nothing, if available of course at a backward stage, human labor was used mainly such as: money receipt and release for spending, calculation, handling and storing money, there were only normal metal cases available. Treasury warehouses were mainly built by the staff themselves, no vehicles were available for the transportation of money. It needed to request help in borrowing the collective vehicle of the economic groups or the provincial transport agency or vehicle of the army. The communication between central and the provincial treasuries in terms of order for payment was difficult. That was done mainly through the system of secret code communication which was a center for communication because a number of secrets must be kept strictly.

- There was not much to do in regard to technical subjects, mobilization of funds did not exist, very little development was in the use of funds, the activity was mainly giving a loan to the trade service to buy aid stuff and warfare. Finance was characterized by centrally planned administrative and subsidized manner, lacking proper calculation. Main revenue in cash deposited to the bank was merely cash from selling goods of some state and collective shops. The main function of the treasury and bank were initially to serve the disbursement of administrative budget for the battle front and the back up front. Till the time when the third reunification of Laos was signed in an agreement reached on 21 February, 1973 - 1974, the air raid of the United States over the liberated zone came to a halt. During this time the treasury undergone through subtle development, the central Patriotic Lao Front changed the name from Treasury in to the Bank of Laos comprising the central bank, special bank, provincial bank and various sectors including the bank were removed from the forest, deep caves to settle in the open air. During this time the banking activities were more convenient, the bank had its own facility, separated its work place clearly from other sectors. The scope of functioning was broader, the mobilization of savings deposit and credit released for various production activities emerged, caused changes and built gradual strength to the face of the liberated zone. The Bank of Laos expanded its branches in the 5 southern provinces such

as: Saravane, The eastern provinces of Attapeu and Siphandone provinces and the number of staff recruitment increased, starting to have more middle level staff who graduated from Vietnam.

### **7. The implementation of cease fire agreement. Establishment of national reconciliation and the 3 rd reunification (1973 - 1975):**

Pursuant to essence of the agreement and protocol on cease fire and establishment of national reconciliation reached on 21 February 1973 in Vientiane, a coalition government and a national political coalition committee were formed in order to make arrangements seizing administrative power at nation wide. To do so, the patriotic force comprised of the army and police forces including high and medium ranking staff as well as a number of civilians entered the two neutral cities namely: Vientiane and Luangprabang so as to partake in the reunification with the Vientiane side, protect the coalition government and the national political coalition committee. Apart from the political staff and soldiers, there were also some economic staff. During this time the banking systems in the zones were normally in operation. Within the zone controlled by Vientiane side in the two neutral cities, Vientiane Kip currency circulation prevailed, whereas in the liberated zone of the patriotic forces the liberated Kip currency was in circulation as usual.

### **8. The period from 1975 - 1976**

This is the year in which all party, army and people arose to seize the administrative power, eradicate the monarch and proclaimed the Lao People's Democratic Republic on 2 December, 1975. Since then, the Party and Government confiscated and transferred the former Lao National Bank as well as some private banks of the trading capitalists such as: Indochinese bank, Development bank of the Kingdom of Laos, Laoviang bank to the state ownership. The rest was returned to their owners. After seizing the banks, at the outset, Vientiane Kip currency was still in use in the newly liberated zone. The Government decided to replace the Vientiane Kip currency in June 1976 and released liberated Kip currency. To circulation throughout the newly liberated zone, which was an eradication of a currency tool of the extreme right reactionary administration which made the opposite side fall to the corner and was defeated painfully in the battlefield of currencies. Hence, the scope of the liberated Kip currency circulation was heightened and widened largely. Since then, our country has had only one type of currency circulation and in 1975 - 1976 the Central bank in Viengxai district and various provincial banks of the liberated zone moved to townships to settle down and continue with their duties. The Viengxai Central Bank was unified with the Lao National Bank under the revolutionary Government and became one bank called as the National Bank, which had the headquarter office located in Vientiane and had 19 branches at the beginning and equivalent including some newly established branches after the liberation, the number of bank staff increased rapidly, in particular, the National Bank had 278 staff and the figure of that at nation wide would amount to 1,000 persons relative to the total bank staff number of 130 persons in the liberated zone. Of which only 40 were qualified as technical staff.

- All aspects of organization improved, there were a complete set of apparatus namey department, divisions, work units.

- The provision of technical material base to the banks in general was more progressive, vehicles were available for operation to certain level which was much better than the war period.

- The technical aspects of the bank became more extensive, profound and all round, in particular, in areas of funds mobilization. The use of funds was in line with the regulation provided by the bank step by step. International relations were mainly with some socialist countries such as: Vietnam, Cambodia, Soviet union, Germany and others...

- During the period of economic rehabilitation after gaining national independence (1976 - 1980), the bank played the role of being a tool to serve the administrative authorities of the proletarian class represented by the Lao People's Revolutionary party,. The Bank had the duty of managing the printing and circulation of currencies, ensuring stability. Made efforts, as peace returned, to mobilize funds serving the economic rehabilitation and remedying war wounds through giving loan to support mainly agricultural and industrial production as well as domestic goods circulation. At the same time, it assumed the responsibility for disbursement of salary and other administrative budget in order to uplift the livelihood of the staff, army, policeman and people of all

ethnics, hence, the government removed the liberated Kip currency and replaced by the Bank's Kip currency at nation wide uptill now.

## **8. The period of adjustment and building socialism (1980 - 1985)**

In 1980, the Supreme People's Assembly promulgated a law on monopoly right over banking affairs No. 001/SPA, dated on 21 August, 1981. During this time, the bank changed the name from National Bank into State Bank and changed the calling of administrators from Managing Director in to Chairman of the state Bank together with Deputy Chairmen. Hence, the bank played the role according to the centrally planned administrative and subsidized mechanism as a unified Bank in terms of management from central to local levels. The Bank's organization apparatus developed extensively, comprised of provincial and district banks, district's money receipt office and credit cooperatives. District banks were established nearly in all districts at nation wide, based on administrative units. During this time there were some Vietnamese experts helping in the central and provincial banks. In addition, at the Central Bank, there were also experts from the Soviet Union and Germany who helped in international cooperation as it started to widen.

- The all round management from the central level to local levels: The Central Bank was responsible for organization, staff recruitment, finance and budgeting, the implementation of the policy for salary and other expenditures.

- In regard to technical subjects, the bank did not have many sources of funds, it was leaned mainly on the planned printing for release as approved centrally and annually. In addition, there was some grantaid and savings deposit, generally speaking, the funds was at its stage of infancy, being short and scattered.

- The use of funds was to serve the policy of adjustment and building socialism such as: loan was given to factories and agricultural state farms. In addition, it was released to state and collective shops, for instance, to purchase and sell cooperatives, agricultural cooperative, while individual and private economic entities were not eligible for loan or if there was, it was very limited. The loan disbursement was without proper calculation, or if there was, it was heavily subsidized, all profit generated was given to the central, if the transaction yielded loss, the central subsidized. The implementation of this policy lasted till 1986 - 1987, after that some changes occurred.

## **9. The period of implementing the new economic policy with business calculation in line with socialist directive (1988 - 2003):**

Following the essence of the resolution of the IV<sup>th</sup> Congress of the Lao People's Revolutionary Party which opened on 13 November 1986 in Vientiane capital city. All round, guided and disciplined changes emerged during this congress. Likewise, the Council of Ministers issued an agreement No. 11/CoM, dated 12 March 1988 on transforming the banking system into business in line with socialist directive. In order to realize this agreement, the State Bank transformed a monobanking system into a two tiered banking system, namely: the Central Bank and Commercial Bank, the Central Bank is a bank of banks or mother bank which plays the role of macroeconomic management in regard to economics of currency and credits. This time the State Bank changed its name into the Bank of the Lao P.D.R, as adopted by the law No. 05/NA, dated 14 October 1995, which has had a board of the Bank of the Lao P.D.R as supreme supervising agency. The Bank of the Lao P.D.R is a legal entity, is a member of the Government and is equivalent to a ministry in rank. It has a headquarter locating in Vientiane capital city as a supervision commercial banks and financial institutions in the Lao P.D.R. It safeguards the foreign currencies reserve of the Government, manages on the printing of currencies for circulation as assigned and authorized by Government, it arranges payment among banks, reports regularly on economic situation to the Government and represents the Government in International Funds and exercises other functions as delegated by the Government. It transformed the branch banks and equivalent into commercial banks from 19 to 7 such as: restructured the Bank of the Municipality (I) into the Bank of the Capital City with no branch, transformed the Bank of the Municipality (II) into Setthathirath Bank, with a branch in Bolikhamxai and Vientiane province, transformed the Banque pour le Commerce Extérieur Lao into a commercial bank, transformed the branches in the southern provinces into the Southern Bank, which had a headquarter situated in Pakse, Champasak province with a

branch in Saravane, Sekong and Attapeu provinces. Transformed the banks in the central region into Lao Mai bank which had its headquarter situated in Savannakhet province with a branch in Thakhek, Khammuan province, transformed the banks in the northern provinces into Lane Xang Bank which had its headquarter located in Luangprabang province with a branch in Xayabury, Bokeo, Udomxai, Namtha and Phongsaly province. Then, transformed the banks in the Northeast into Alounmai bank which had headquarter situated in Phonesavanh, Xiengkhuang province with a branch in Xamneua, Huaphanh province. The transformation of the banks completed in 1991. All those commercial banks while function at micro level, they assume the duty to provide services directly to the clients in providing loans, accepting deposits, money withdrawals, transfer, payments, guaranty and others services under the supervision and control by the Bank of the Lao P.D.R. Each commercial bank has its Board of Directors, the Director and its Deputies. Being transformed from the banks under administrative and subsidized system into all round calculated mechanism banks, they become financially independent, autonomous entities. During the same period, joint state - private, local and foreign private commercial banks have burgeoned like a movement such as: Lao - Thai Joint Development Bank, Bangkok Bank, Krungthai Bank, Thai Farmers' Bank, Bank of Ayuthaya and Siam Commercial Bank. The Government founded an Agricultural Promotion Bank to specifically serve agricultural production and later a number of foreign commercial banks bound for establishment of their branches such as: Public Bank, Standard Charter Bank, Lao - Vietnam Joint Business Bank were established in the year 2000. Since the period of implementing the New Economic Mechanism a number of Banks have opened up with an extensive external cooperation, mainly with IMF, ADB and the World Bank. It can be said that since 1990, the banking system has undergone through incessant development qualitatively and quantitatively, they gradually use improve tools and equipment to facilitate their technical duties in both private and state sectors. In particular, the state commercial banks have been unified from 7 into 2 namely the Lao Mai Bank Ltd and LaneXang Bank Ltd which their headquarters in Vientiane capital city with their branches dispersed throughout the country. After the completion of such reform (1997 - 1998) it can be said that the banks in our country have been progressed incessantly. If we look back for 35 years, we can see the difference of starting from bare hands, dwelled in deep creeks, dense forests, with availability of backward equipment, being threatened by wicked air and ground destructive war, the banks stepped up towards civilization where clean water flows and lights illuminate with vigilance. We now live our life under the sky of peace and enjoyed our all round freedom. The banks premises are equipped with modernized equipment, operate normally in a spacious environment in Vientiane capital city or provinces alike. The file and rank of staff amount to hundreds or thousands have upgraded their Knowledge in country and overseas. The achieved firm growth of the former PathetLao Bank and the current Bank of the Lao P.D.R is due to a number of reasons and factors both internal and external, in particular, the support and assistance provided by friendly countries, near and far, especially the State Bank of Vietnam which has provided continued all round and effective support and assistance during the periods of struggling for national independence, the return of peace and during the period in which were undertook the cause of all round change, special support is always given to us by the State Bank of Vietnam which has contributed to tighten the special solidarity between our two Parties, States and the people of the two nations Lao and Vietnamese to sustain for ever. The Banking section will bear in mind and be gratified of the aforesaid invaluable assistance eternally.

By acknowledging the good deeds during the past and presently, the Government has issued the decree, with the decision to adopt the 7<sup>th</sup> October 1968 as the day of founding the banking sector, because this date was the date of printing the liberated Kip currency of the patriotic forces under the leadership of the Lao People's Revolutionary party and succeeded over complete victory. Since the unification with the Lao National Bank, the administrators of the Bank for each period of time named as follows:

02/12/75 - 1977	Mr. Thongchanh Uparavanh, Managing Director of the National Bank,
1978 - 1980	Mr. Noupanh Sithphasai, Managing Director,
1980	Mr. Khamphoui Keoboulapha, Managing Director (3 months),
1980 - 1983	Mr. Soth Phethlasy, Managing Director,
1983 - 84 - 87	Mr. Bousabong Souvannavong, Chairman of the State Bank,
1987 - 1988	Mr. Noupanh Sithphasai, Chairman of the State Bank,
1988 - 1990	Mrs. Pany Yathotou, Chairman of the State Bank,
1990 - 1992	Mrs. Pany Yathotou, Governor of State Bank,
1993 - 1994	Mr. Bousabong Souvannavong, Governor of the Bank of the Lao P.D.R

1995 - 1997	Mrs. Pany Yathotou, Governor of the Bank of the Lao P.D.R
1997 - 1999	Mr. Cheuang Sombounkhanh, Governor of the Bank of the Lao P.D.R
1999 - 2001	Mr. Soukanh mahalath, Governor of the Bank of the Lao P.D.R
2001 - 2002	Mr. Phoupheth Khamphounevong, Acting Governor of the Bank of the Lao P.D.R
25/04/2002 - 01/02/2003	Mr. Chanhsy Phosikham, Governor of the Bank of the Lao P.D.R
21/02/2003 to date	Mr. Phoumy Thipphavone, Governor of the Bank of the Lao P.D.R

### **The Technical Staff Formation from (1975 - 2002)**

<b>+ In - country training:</b>	
- training and seminar	4,886 persons,
- Low level short term training	511 persons,
- Middle level	168 persons,
- High level (undergraduate)	07 persons,
- Bachelor degree	09 persons.
<b>+ Overseas training</b>	
- Overseas training/seminar	1,416 persons,
- Middle level	152 persons,
- High level (undergraduate)	25 persons,
- Higher level (graduate + postgraduate)	120 persons.

That was the functioning and history background of the Bank of the Lao P.D.R

We are ultimately proud and fond of the growth, development, performances and successes that our sector has fulfilled, we consider that as a sacrifice and eternity. Our being proud and fond will not pull up here, it will always advance. For the civilization and prosperous strength of the nation and in order to lead our country to graduate from the state of least development, it urges our sector to improve ourselves in all aspects, particularly in the areas of capital funds, technical knowledge, human resources, provision of complete sets of modern equipment, vehicle and technical base like in other countries aiming to attain the strategic plan on money and credit as laid down by the Bank of the Lao P.D.R from now to the years 2020 - 2010 - 2005, gradual transforming the Bank into modernization, so as to lead and guide the banking system be competitive with the domestic and foreign banks, integrating our bank into international standard step by step. Thus, it is necessary that the party - member staff throughout the banking sector develop the tradition and performances attained in the past incessantly, together make a unanimous decision to praise the spirit of patriotism, self-mastery, self-strength and overcome all obstacles for the advancement of the banking sector as required by the nation and the epoch

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