



# Public Finance Management (PFM) Reform in Lao PDR

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- Implementation of government budget plan for 2017
- Public Finance Management Reform of Lao PDR.
- Public Finance Development Strategy to 2025

# 1. Implementation of budget plan for 2017

- Budget law revised No. 71/NA, dated 16/12/2015.
  - Changed from fiscal year to calendar year, started from 2017.
- 5 year fiscal framework (2016 – 2020), approved by National Assembly, in October 2016.
- **2017 Budget plan.**
  - Total revenue plan = 23,941 billion kip
  - Total expenditure plan = 32,402 billion kip.
- **Estimated for 5 months (Jan to May 2017)**
  - Revenue = 7,818 billion kip or 32.66% of plan.
    - Domestic Revenue = 7,506 billion kip
    - Grants = 312 billion kip
  - Total expenditure = 8,939 billion kip or 27.59% of plan
    - Current expenditure = 6,321 billion kip
    - Capital expenditure = 2,618 billion kip

## 2. Recent PFM Reform of Lao PDR.

- Prime Minister Office's notice No.1152, dated 9/8/2016 on stopping duty and tax exemption on the import of oils for development projects.
- Prime Minister's Order No. 40/PM, dated 29/09/2016 on data collection and survey businesses around the country and revenue base.
- Prime Minister's Decree No.101/PM, dated 20/03/2017 on Government Bond.
- Prime Minister's Decree No.15/PM, dated 15/01/2017 on top-level leader's vehicle management.
- Prime Minister's Order No.09/PM, dated 19/05/2017 on state budget expenditure economize.
- Prime Minister's Order No.15/PM, dated 13/05/2016 on increase the rigidity in the management and inspection of timber trading, transport and wood businesses.

## 2. Recent PFM Reform of Lao PDR cont...

- Reviewing Government Finance Information System (GFIS) and developing into Financial Management Information System (FMIS) supported by EU-WB.
- Tax policy and Administration Review, supported by IMF and World Bank.
- Continue implementation of Value Added Tax (VAT) and encourages large businesses into VAT system.
- Public Expenditure Financial Accountability Assessment (PEFA), supported by EU-WB.
- Building Public Debt Management Law.
- Developing Procurement Law

## 2. Recent PFM Reform of Lao PDR cont...

### **# Revenue Collection System**

- Using IT system for collecting revenue such as:
  - Using ASYCUDA system (Automate System for Customs Data) in International Custom.
  - Collecting duty and tax through Bank system by using (smart Tax) and E-payment.

### **3. Public Finance Development Strategy to 2025 Approved by government in April 2017**

#### **# Targets for the Public Finance Development Strategy 2025**

- Prudent PFM by strictly adhering to the State Budget Law.
- Develop a comprehensive modern legal framework.
- Implement the State Budget Plan as approved by the National Assembly.
- Ensure public servants are equipped with sound political ideology and sufficient technical capacity.
- Apply modern systems in line with international standards.
- Limit revenue leakages and expenditure loopholes to ensure sound planning and fiscal disciplines.
- Manage public debt prudentially.

# **3. Public Finance Development Strategy to 2025.**

## **#. 10 Sub Strategies**

1. Maintain macro-economic stability
2. Revenue policy and resource mobilization to maximize revenue collection
3. Expenditure policy and rational spending to finance effective development
4. Efficient and prudent public debt management
5. Equipment of civil servants with sound political ideology and sufficient technical capacity
6. Strengthening accounting, audit and financial controls
7. Modernization of the public financial sector to align with regional and international standards
8. Strengthening of the PFM-related legal framework and alignment with the current context
9. International integration and cooperation
10. Management and development of state-owned enterprises.



### 3. Public Finance Development Strategy to 2025

Sub Strategy	Goal
<p><b>Macro-economic stability</b></p>	<ul style="list-style-type: none"> <li>• Dynamic, stable, balanced economic growth</li> <li>• Strong PFM foundation to control budget deficit and reduce public debt.</li> <li>• Development of stable government reserve funds</li> </ul>
<p><b>Revenue policy and collection</b></p>	<ul style="list-style-type: none"> <li>• Maximize revenue collection</li> <li>• Setting fair tax and customs policies</li> <li>• Efficient revenue collection</li> <li>• Effective ODA management</li> <li>• Use of proceeds from natural resources for sustainable development</li> </ul>
<p><b>Expenditure policy and rational spending</b></p>	<ul style="list-style-type: none"> <li>• Enhanced efficiency of budget expenditure management and transparency</li> <li>• modern and systematic expenditure management</li> <li>• Delegation of responsibilities to the local level</li> </ul>
<p><b>Modernization of public finance entities</b></p>	<ul style="list-style-type: none"> <li>• Alignment to regional and global practices</li> <li>• Development and application of technology for revenue collection and expenditure management</li> </ul>

**Thank you**