



# BUDGET ALLOCATION TO SUPPORT THE 7<sup>th</sup> NSEDP PRIORITIES AND FULFILMENT OF MDGs

Annual Round Table Implementation Meeting 2012

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By

H.E. Mr. Santiphab Phomvihane

Deputy Minister of Finance



# Presentation Outline

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- I. Overview of Public Finance Management FY2011-2012
- II. Fiscal Measures for the Budget Plan of FY2012-2013
- III. Pilot Fiscal Decentralization Policy

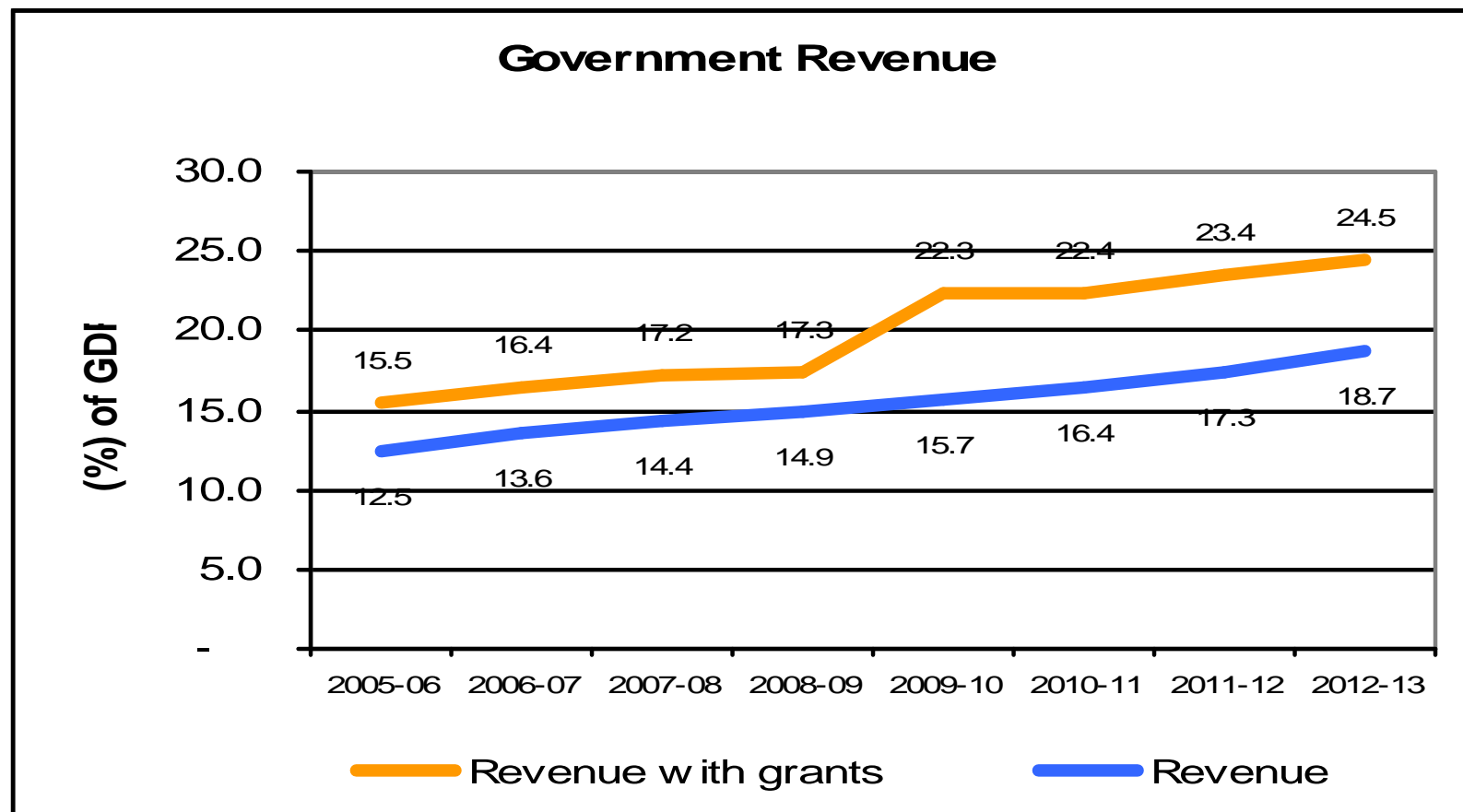
# Overview of Public Finance Management

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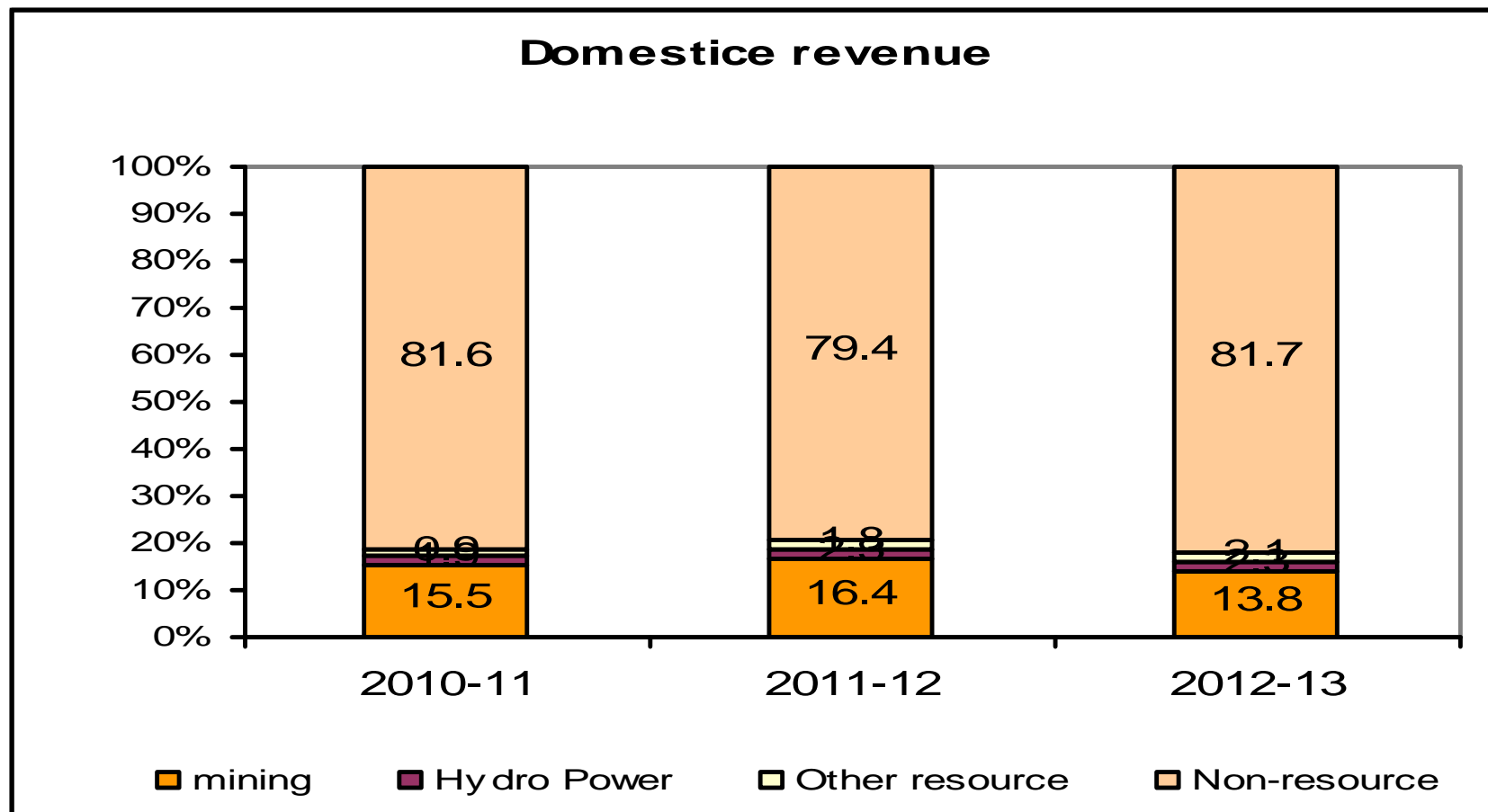


- Government conduct prudent fiscal policy in FY2010-2011 and 2011-2012 consistent with the 7<sup>th</sup> NSED.
- Strong fiscal performance despite the natural disasters.
- The expenditure was maintained as plan target and improved budget allocation to the priority sectors.

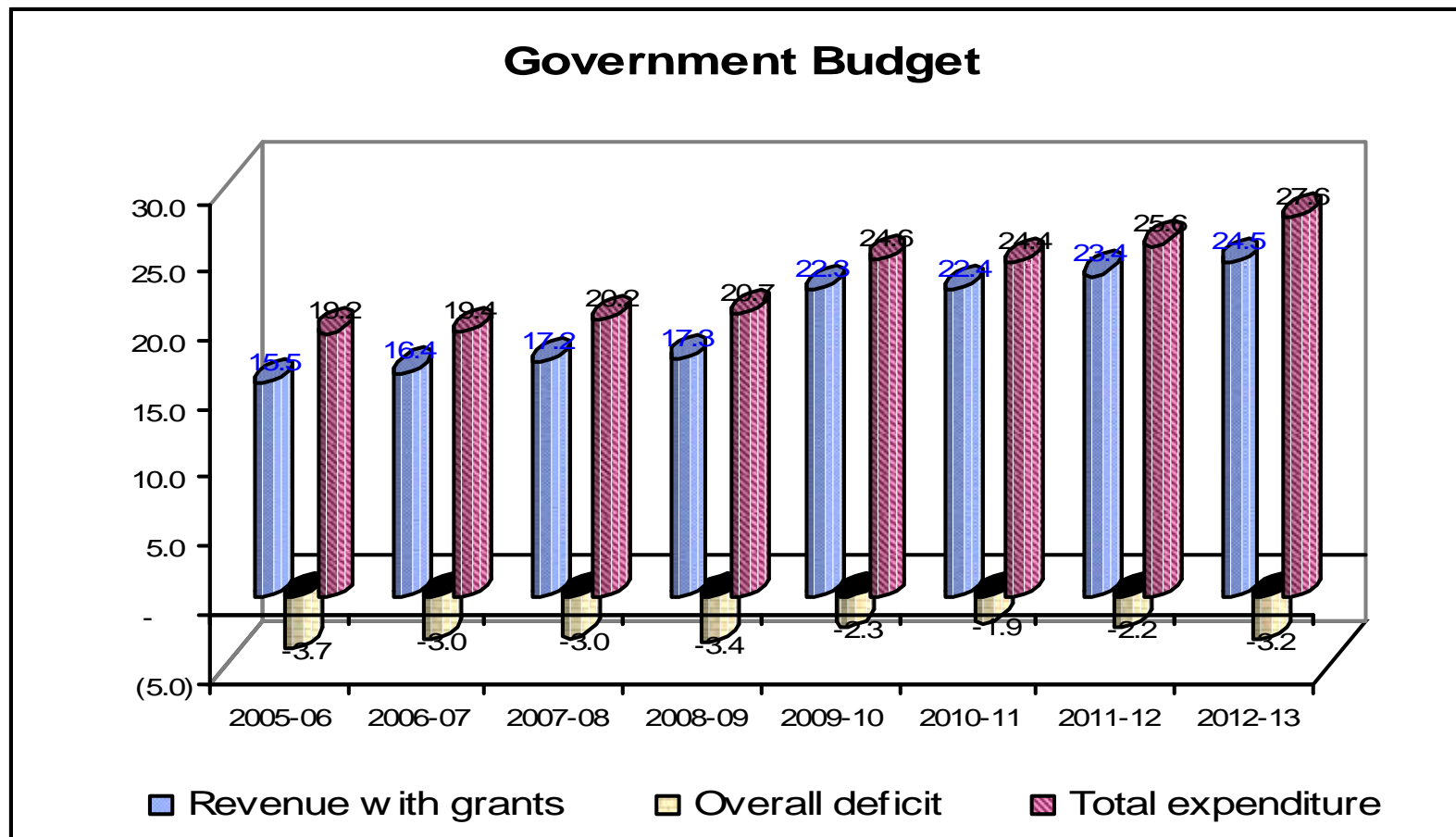
# Overview of Public Finance Management



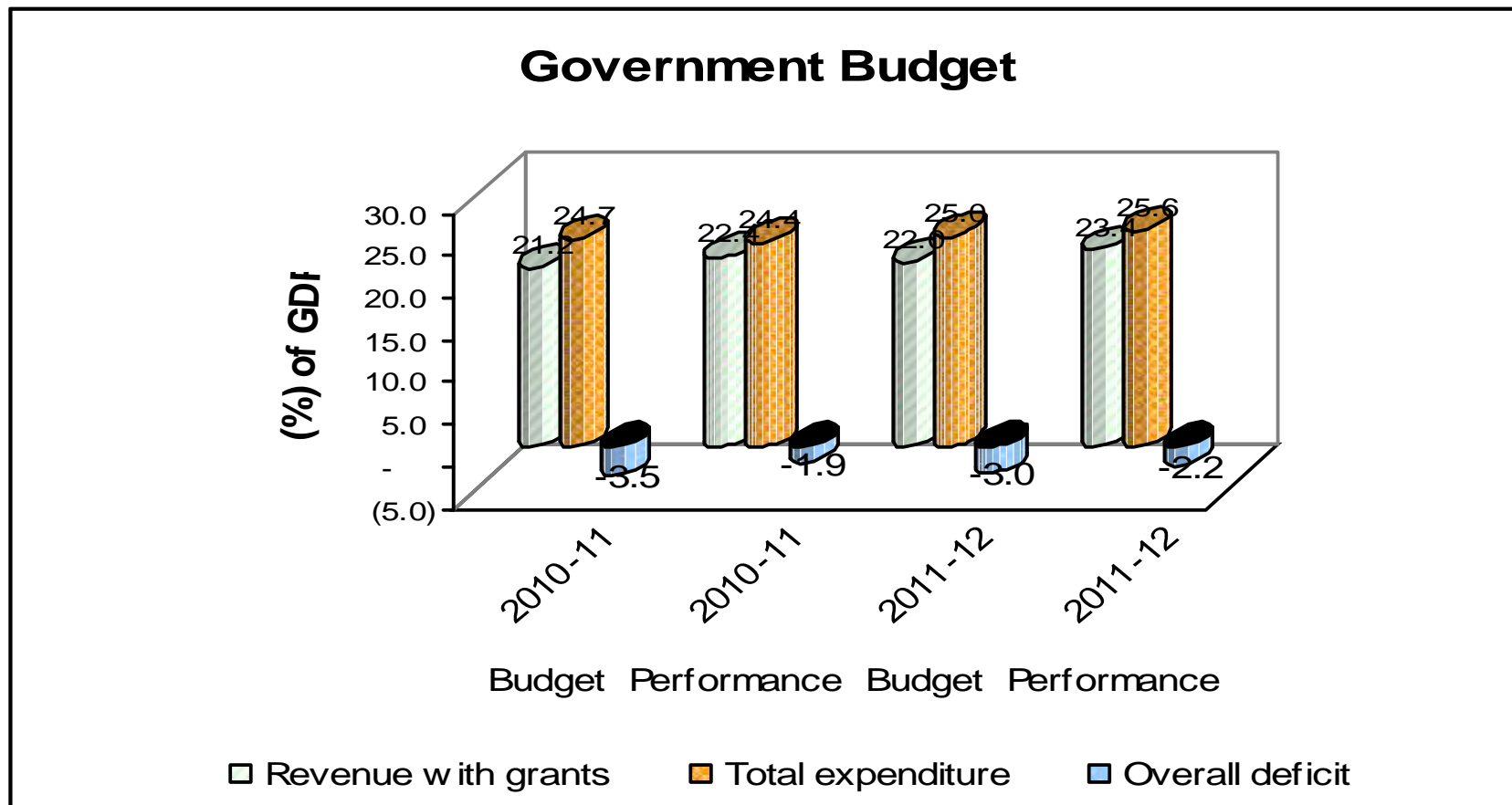
# Overview of Public Finance Management



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**Table 1: Lao P.D.R.: Stock of Public and Publicly Guaranteed External Debt at End-2011**

	In Billions of U.S.Dollar	As a share of Total External Debt	In percent of GDP
Total	3.7	100	44.4
Multilateral	2.1	55.8	24.7
Bilateral	1.4	37.9	16.9
Commercial 1/	0.2	6.3	2.8

Sources: Lao PDR authorities, IMF and World Bank , staff estimate

1/ Includes direct borrowing by state-owned enterprises



# Overview of Public Finance Management



**Table 2: Lao P.D.R.: External Public Debt Indicators at End 2011**

	Indicative Thresholds	End-2011
Present Value of Debt, as a percent of:		
GDP	40	29.8
Exports	150	78.1
Revenue	250	182.9
Debt Service, as a percent of:		
Exports	20	3.2
Revenue	20	7.5

Source: Lao PDR authorities, IMF and World Bank

# Overview of Public Finance Management

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- Revision and develop legal framework
- Centralization of Customs, Tax and Treasury
- Improving the budget report system and timely publication of budget report
- Adopted and commenced implementation of the treasury single account
- Modernize the revenue and expenditure administration and execution (GFIS, Tax online, ASYCUDA)
- Strengthening debt management
- Strengthening procurement capacity
- Human resources management and capacity building

# Fiscal Measures for the Budget Plan of FY2012-2013

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1. Overall objectives
2. Fiscal targets
3. Fiscal measures in the budget  
FY2012-2013



# 1. Overall objectives

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- Continue to strengthen the fiscal policy to effectively enhance the macroeconomic management and stability.
- Increase the responsibility on budget formulation and implementation to localities consistent with the government fiscal decentralization policy.
- Strengthen the budget allocation for the government's priority policy especially for the social sectors for achieving the target of MDGs goal by 2015.



## 2. Fiscal targets

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- Revenue: 19,747.0 Billion Kip (24.5% of GDP)  
Domestic revenue: 15,109.0 Billion Kip  
(18.7% of GDP)
- Expenditure: 22,290.0 Billion kip (27.6% of GDP)
- Budget deficit: 2,543.0 billion Kip (3.2% of GDP)

### 3. Fiscal measures in FY2012-2013

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- Strengthen to increase the domestic revenue, especially to create the value added from the processing sector: agricultural products, mining and forest.
- Strive to manage government revenue and expenditure to be aligned with budget plan approved by the National Assembly.
- Strive to implement the national saving policy, resisting all kind of inefficient expenditures.
- Strengthen the fiscal discipline for increasing the efficiency in public investment management.



### 3. Fiscal measures in FY2012-2013 (cont)

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- Supervise MPI and MOF to complete the budget norm for allocate budget to the sectors and localities.
- Submission the documents to the to the NA completely and proceeding the formulation of the state budget plan timely.
- Continue to study the legal framework on fiscal decentralization and intergovernmental finance to increase responsibility for localities in budget formulation and implementation.



# Pilot Fiscal Decentralization Policy

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## ■ Legal Framework

- Polite Bureau resolution No. 03, dated 15/2/2012
- Prime Minister resolution No. 16/PM, dated 15/6/2012
- Instruction of Minister of Finance on Pilot Fiscal Decentralization No.2202/MoF, dated 15/8/2012.





# Pilot Fiscal Decentralization Policy

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## ■ Purposes and Objectives

- Increase responsibility in budget formulation and implementation for localities, especially for district level
- Mobilize all local revenue sources for economic & social development, reduce poverty and increase people wellbeing
- Increase people participation in the budget process and budget evaluation in their hometown



# Pilot Fiscal Decentralization Policy

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## ■ Basic Principles

- Ensure the unified management procedures in budget sharing between central and local authority
- Increase responsibility of sectors at central and local levels, provinces and districts in budget formulation and implementation in efficient and unified manner
- Facilitate the financial service and have the system of monitoring, audit, reporting and accountability



# Conclusion

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- The budget performance in the first two years of the 7<sup>th</sup> NSEDP revenue exceeded the plan target approved by the national Assembly in two consecutive years: FY2010-11 & 2011-12.
- The rate of revenue collection has relatively quick increased from 12.5% in FY2005-06 to 16.4% in FY2010-11 and estimated to be 17.3% & 18.7% of GDP in FY2011-12 and FY2012-2013 respectively.
- Improvement of Public Finance management with Donors support has significant progress which can maintain the fiscal sustainability.
- Continue to implement the 7<sup>th</sup> NSEDP and maintain fiscal and macroeconomic stability in medium and long term.
- The NSEDP7 implementation and fiscal performance will achieve the target plan still depends on the resource supporting from abroad.

Thank you for your kind attention