



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 40/PO

DECREE
of the
PRESIDENT
of the
LAO PEOPLE'S DEMOCRATIC REPUBLIC

On the Promulgation of the Law on the State Budget

Pursuant to Chapter 5, Article 53, point 1 of the Constitution of the Lao People's Democratic Republic which provides for the promulgation of the Constitution and of laws which the adopted by the National Assembly; and

Pursuant to Resolution No. 007/NA, dated 18 July 1994, of the National Assembly [of the Lao People's Democratic Republic] regarding the adoption of the Law on National Budget.

**The President of the Lao People's Democratic Republic
Decrees That:**

- Article 1.** The Law on National Budget is hereby promulgated.
- Article 2.** This decree shall enter into force on the date it is signed.

Vientiane, 18 August 1994

The President of Lao People's
Democratic Republic

[Seal and Signature]

Nouhak PHOUMSAVANH



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 05/94/NA
18 July 1994

LAW ON THE STATE BUDGET

PART I General Provisions

Chapter 1 Basic Principles of the State Budget

Article 1. The Law on State Budget determines the fundamental principles of the State budget in relation to the establishment, consideration and approval, implementation, monitoring and control of the budget, with the [following aims:] to implement national socio-economic development plans and policies, to exploit sources of revenue, to ensure macro-economic balance, to improve orderliness in the implementation of the State budget and to contribute to the gradual improvement of the people's living conditions.

Article 2. The State budget constitutes a projection of the State's annual revenues and expenditures. The State budget is the core of the national financial system and is the instrument used by the State to adjust the national economy.

Article 3. The total revenues and expenditures¹ of the State are included in a unified State budget plan.

The collection of budget revenues as well as disbursement instructions for budget expenditures shall comply with the laws and regulations.

Article 4. A State budget plan is determined on an annual basis. The State budget plan shall ensure the principle of democratic centralism² on the basis of the

¹ In this law, "revenue" and expenditures" are used interchangeably without qualification to mean "projected revenue" and "appropriations" as well as "actual revenue" and "actual expenditures". The context will usually tell which meaning is intended. E.g., in the chapters dealing with the determination of the budget, the use is principally in the first sense, whereas in the chapters relating to spending processes and controls, the use is often in the second sense.

² The reader may refer to Article 5 of the Constitution of the Lao People's Democratic Republic, Article 4 of the Law on National Assembly, and Article 5 of the Law on Local

actual potential of the national economy and shall ensure the macro-economic balance, which is closely connected to national socio-economic development.

Article 5. The National Assembly considers and approves the State budget plan and the annual socio-economic development plan.

The State budget year begins on 1 October of each year and ends on 30 September of the following year. The annual State budget is the one approved in accordance with this law. If necessary, the budget may be amended. If the budget is amended, the amended budget will replace the annual budget. The National Assembly considers and approves the amended budget in the same manner as the annual budget.

Article 6. Revenues shall be remitted in their totality to the budget; State agencies in any sector³ or level, or individuals, shall not be allowed to directly expend revenues without remittance to the State budget.

Article 7. Revenues and expenditures of the State budget shall be determined by law. State agencies in any sector or level, or individuals, are not allowed to determine regulations for the collection of revenues, in whatever form, for remittance to the State budget or for their own expenditures.

Article 8. The National Assembly shall not consider any measure aimed at increasing budget expenditures that have not been predicted, estimated, or approved in advance in the annual budget, except in urgent, necessary and emergency cases.

The establishment and adjustment of activities within the State apparatus shall be subject to provisions in the budget plans, such as: it is not allowed to adjust activities, recruit new civil servants, promote staff and adjust salaries or allowances, if such activities would entail expenditures exceeding the approved annual budget.

Article 9. The government is responsible to the National Assembly for the execution of the State budget. The Ministry of Finance assists the government to establish, execute⁴ and summarise the annual budget or amended budget.

Article 10. Reports of the execution of the annual budget are considered and approved by the National Assembly, [and such consideration and approval of the reports] constitutes approval of the results of the execution of the budget, and of the differential between the actual and projected figures set by the annual budget or amended budget.

Administration of the Lao People's Democratic Republic where references to the same principle are made.

³ The word "sector" is often used to refer to the cluster of government ministries or agencies responsible for a particular area.

⁴ "Execute" and "implement" are the same word in Lao but tax officials generally use "execute".

Article 11. If the budget needs to be decentralised, namely by placing revenues and expenditures under the responsibility of a locality or an agency, the government shall submit the matter to the National Assembly for consideration.

Article 12. State technical agencies for management, [agencies providing] social services and public interest [agencies] may be authorised to keep their own budgets. The revenues of such technical agencies⁵ are generated from sources of revenue which they are authorised by laws and regulations to collect and from support revenues ensured by the State budget if necessary. Such revenues may be expended for current operating costs and, at the end of the budget year, any remaining revenue shall be remitted to the State budget, except if [the agency] is authorised to retain [such surplus].

Investment expenditures are included in the investment program of the State budget.⁶

Such specific budgets are established, considered and approved, executed, and monitored according to the same regulations that apply to the State budget.

Chapter 2

Determination of Budget Revenues and Expenditures

Article 13. The State budget's revenues include current revenues and capital revenues.

1. The State's current revenues are from:
 - Taxes, duties and all types of fees;
 - Remuneration for services rendered by administrative State agencies and technical State agencies;
 - Fines and proceeds from the sale of seized and confiscated goods;
 - Revenues from the lease of State owned land, houses and other properties;
 - Revenues from loan interest and loan service fees, and dividends from State owned enterprises or companies in which the State holds equity;
 - Revenues from contributions by the population and foreign assistance grants;
 - Other revenues.

2. The State's capital revenues are from:

⁵ "Technical agencies" is a generic term referring to all the agencies mentioned in the previous sentence.

⁶ The idea is that these technical agencies can fund operating expenses but not capital expenditures from their collected revenue.

- Reimbursement of loan principal and other assets⁷;
- Sale of State owned assets, capital⁸ and shares.

Article 14. The collection and specification of duties, taxes and fees are determined by the laws.

Service fees representing revenues generated by administrative State agencies and technical State agencies are determined by the government on the basis of the proposal of the Minister of Finance.

All public administrative regulations and the signing of international agreements regarding duties and taxes with direct repercussions on revenues or entailing increased public expenditures must be approved by the Ministry of Finance beforehand.

Article 15. The sale of public assets shall be subject to the laws and regulations, and the total revenues resulting from such sale must be remitted to the State budget.

Article 16. The annual State budget deficit is financed through the State reserve funds, the budget surplus from the previous year or internal and external loans.

Article 17. The State budget's expenditures include current and capital expenditures.

1. Current expenditures include:

- Payroll and other current expenditures of the State, the Party and mass organisations;
- Loan interest and service fees;
- Expenditures for economic and socio-cultural adjustments;
- Other expenditures.

2. Capital expenditures include:

- Direct infrastructure investments;
- Investment costs and financial participation in enterprises;
- Repayment of loan principal;
- Loans granted.

Article 18. Budget expenditures shall be distributed along the vertical management line of ministries, ministry-equivalent organisations and agencies

⁷ The term “reimbursement of assets” refers to the situation where the government has invested assets and the benefit is repaid in money.

⁸ The term “capital” refers to the State’s capital or investment interest in projects that do not have equity.

constituting budget units according to the nomenclature of expenditures.⁹ Expenditure plans by ministries, ministry-equivalent organisations and agencies constituting budget units are realized individually for each province and municipality¹⁰.

The National Assembly approves general expenditure figures for the reimbursement of loans and debts of the State, for other reserves and for unexpected expenditures. The government makes use of such funds.

Article 19. Budget expenditures are capped and estimated.

1. Capped budget expenditures are current administrative items that may not be expended, instructed for disbursement or committed for expenditure in excess of the appropriated amount, except:
 - The government may by decree increase expenditures in cases of necessity, after examining the budget situation and ensuring that the budget deficit provided in the annual budget plan will not be affected.
 - In cases of urgent and compelling necessity in the interest of the nation, the government may by decree instruct disbursement of expenditures in addition to the budget already approved by the National Assembly.

Such increase of budget expenditures must be submitted to the National Assembly for consideration and approval.¹¹

2. Estimated budget expenditures relate to the [following:] the repayment of loans[;] obligations towards foreign parties[;] [the cost of] implementing new laws, provisions and regulations that, during the formulation of the budget plan, cannot be estimated precisely and accurately[;] the payment of legal fees and costs related to legal proceedings[;] reimbursement of revenues paid in excess or erroneously[;] and payment of other reductions and refunds.

⁹ This article appears to be intended to describe the principle that expenditure chapters or classifications will be appropriated and utilised according to government sectors. The reader may wish to refer to the Law on the Government of Lao People's Democratic Republic and the Law on Local Administration for information on how governmental functions are organised by sector in a hierarchy that extends from the ministries and ministry-equivalent organisations at central level down through various level of local administration.

¹⁰ This Law on State Budget predates the enactment of the Law on Local Administration (which has changed the designation of different levels of administration). The reader should not assume that a reference to a municipality in this law is a reference to the same level of local administration referred to as a municipality in the Law on Local Administration.

¹¹ Here, there is no connotation of prior approval.

For estimated expenditures, the government may by decree increase expenditures in excess of the approved allocations, but these must be submitted for consideration and approval by the National Assembly.¹²

Article 20. The amount for direct infrastructure investments, investment costs and financial participation in enterprises, and for repayment of public debt includes appropriations covering several years according to the project value over the project life, funds approved to be committed and funds approved for annual repayments[, respectively].

The amount appropriated for the project's duration is the maximum amount that may be committed for expenditure at any time [during the approved appropriation period] until [such appropriation is] cancelled and which may be modified in the event that there are changes in technique or prices.

The annual expenditure appropriated is the maximum amount that may be instructed to be disbursed [during the relevant year].¹³

Article 21. If, during the execution of the budget, there are any approved but unused funds, the Minister of Finance, after approval of the concerned ministers, may request the Prime Minister to abrogate the instructions to disburse such funds.¹⁴

If the cash flow tends to digress from plans adopted by the National Assembly with severe impact on the budget deficit, the Minister of Finance is entitled to propose that the government consider abrogating certain expenditure appropriations that have not yet been committed and that are deemed unnecessary.

Article 22. The Minister of Finance is entitled to approve the transfer of expenditures between various items within the same chapter as requested by the concerned ministry or agency. Such transfer of expenditures includes two categories: the transfer of expenditures to a new party to manage and use while preserving the same character of the expenditure, and the transfer of expenditures by changing the character of the expenditures but within the budget framework of the same ministry or agency. Expenditures cannot be transferred between capped and estimated expenditures.

Article 23. Annual budget expenditures are to be used specifically for that year's budget. Expenditures allocated in one annual budget cannot be brought forward to another annual budget except in cases provided in Article 20 above. The balance of approved budget on the last day of the budget year will lapse.

¹² Here, there is no connotation of prior approval.

¹³ In multi-year appropriations, there may be annual limits for disbursements. Paragraph 2, however, allows project commitments to be signed up to the full amount.

¹⁴ For readability, the structure of this sentence has been modified.

PART II
**Review of the Previous Year's Budget Execution,
Elaboration, Examination and Adoption of the Annual State Budget**

Chapter 1
Review of the execution of the previous budget

Article 24. The government reports on the execution of the previous year's budget by certifying actual revenues and expenditures, together with expenditures of the government that have been approved as provided in Article 18 of this law, including excess expenditures.¹⁵

The final report shall be completed within six months from the end of the previous State budget year.

Chapter 2
Development of the Annual State Budget

Article 25. Under the Prime Minister's guidance, the Minister of Finance develops a preliminary draft State budget for presentation to the meeting of the government for the examination of budget orientations and scopes.

In May of each year, the Minister of Finance, in conjunction with ministers and chairmen of ministry-equivalent organisations, develops a preliminary draft State budget plan that includes projected gross revenues, expenditures and available resources to cover the budget deficit, which is submitted to the government for consideration.

The government examines the preliminary draft State budget and lays down instructions and determines the indicative amount of expenditures based on the main expenditure objectives by ministry, sectors or types of expenditures to allow ministries, ministry-equivalent organisations and agencies constituting budget units to develop their own draft budget plans.

Thereafter, the Minister of Finance will outline detailed technical instructions.

Article 26. Ministries, ministry-equivalent organisations and other agencies constituting budget units develop their annual budget revenue and expenditure plans by starting from the grassroots level upwards, in accordance with the instructions and indicative figures provided by the government and instructions of the Ministry of Finance, and send them to the Ministry of Finance. The draft State budget shall be broken down by province and the municipality.

Article 27. In July of each year, the Ministry of Finance compiles all draft State budgets presented by ministries, ministry-equivalent organisations and other agencies constituting budget units. After examination and discussion with

¹⁵ Throughout this article, "actual" qualifies revenues and expenditures.

concerned ministries and agencies with a view to ensuring the State's economic policies, the targets under the national socio-economic plan and the objectives of macro-economic balance, the Minister of Finance readjusts the received draft plans and presents [the readjusted budget] to the government for consideration.

Article 28. The draft State budget, after consideration by the government, is presented to the National Assembly at least 30 days before the opening of its plenary session for consideration and approval.

Chapter 3 **Approval of the Annual State Budget**

Article 29. During the presentation of the draft annual State budget plan to the National Assembly, the government shall also report the results of the execution of the previous budget and the previous year's economic and financial situation.

Article 30. In the draft annual State budget, revenues and expenditures are arranged according to budget chapters, by ministries and ministry-equivalent organisations, and broken down by provinces and municipalities. The draft budget shall further indicate sources of funds to balance expenditures.

Article 31. If, during the examination of the draft annual State budget at the plenary session of the National Assembly, proposals are made to increase an expenditure item or to open a new expenditure chapter, the increase of revenues or re-arrangement of expenditures shall be considered.

Article 32. Upon approval of the annual State budget plan by the National Assembly, the government shall promulgate the budget plan within fifteen days.

Article 33. If, at the beginning of a budget year, the draft annual State budget plan has not yet been approved, the government is authorised to continue to undertake monthly current expenditures representing one twelfth of the expenditures authorised for this purpose in the previous year's budget. Capital expenditures may continue to be paid within the scope of the authorised committed amount or the remaining amount allocated for payment. External debts are performed in accordance with agreements.¹⁶

Article 34. Proposals for State budget modification shall follow the same procedure as for the presentation of the draft annual State budget plan.

¹⁶ This sentence is intended to make it clear that external debt obligations must continue to be met notwithstanding the delay in approval.

PART III
Execution of the State Budget

Chapter 1
The Ordonator¹⁷ and Public Accountant

Article 35. Under the Prime Minister's guidance, the Minister of Finance is responsible for the execution of the State budget, and orders the remittance of revenues to the State budget and the disbursement of expenditures from the State budget's general appropriations, as assigned by the government.

Article 36. The State budget's revenues and expenditures are executed under the responsibility of the ordonators and public accountants, according to the public accountancy regulations and laws.

Article 37. Ministers, and chairmen of the ministry-equivalent organisations have the authority to instruct disbursement of budget revenues and expenditures of their own sectors, and may delegate such right to the provincial governors and municipal mayors to act on their behalf for the part of the budget that is executed at the level of their territorial division. The provincial governors and municipal mayors may in turn delegate such authority to others to act on their behalf. Ministers and chairmen of ministry-equivalent organisations may delegate such right to others to act on their behalf for the part of the budget that is executed at the level of the ministry and ministry-equivalent organisations. The ordonator is responsible for calculating and instructing revenue remittance, signing agreements to pay amounts that have been approved, certifying expenditures[,] and instructing disbursements.

Article 38. Public accountants are the only people entitled to collect revenues for the treasury and to perform actual payments based on instructions for the remittance of revenue and payment by ordonators. Public accountants also manage funds and valuable items and other material items assigned to their protection by the State, remove funds, preserve documents certifying revenues and expenditures, and keep public accounts.

Article 39. A public accountant is nominated by the Minister of Finance and is individually responsible before the law in the performance of his duties.

Chapter 2
State Budget Revenues

Article 40. The State budget's total revenues are centralised in the National Treasury's accounts. For certain categories of limited and irregular revenues, the Minister of Finance may create a revenue register in the concerned agency for their collection. This revenue register is placed under the management and responsibility of a public accountant.

¹⁷ For any item of expenditure, there is a designated person, typically the relevant minister or chairman, with the power to authorise the disbursement of such expenditure. That person is referred to as "the ordonator" of that expenditure. The reference in this chapter is not to any single individual with the title of ordonator. Similarly, there is no single public accountant.

Article 41. Payments to the budget may be made in cash, cheques, transfer money¹⁸ or others¹⁹ as provided by the laws.

Article 42. If the public accountant claims revenues in accordance with revenue collection orders, but such remittance is not made within the regulatory time frame determined for that type of revenue, he may take legal action against the concerned party in court.

Article 43. Every year, the public accountant establishes a list of outstanding revenue collection orders which have not been executed and reports to the Minister of Finance who, in turn, requests the government to determine whether to continue to collect or to exempt or reduce any amount from the list of orders to be enforced.

Chapter 3 **State Budget Expenditures**

Article 44. Before undertaking any State budget expenditure, all agencies must ensure that they have sufficient [budget] and must use the budget in accordance with the laws and regulations.

Article 45. Before any payment [is made], all State budget expenditures must be authorised, [calculated] and instructed for disbursement.

Article 46. The authorisation of expenditures must ensure that:

- There is sufficient budget for such disbursement;
- There is precise calculation;
- The expenditures are performed in accordance with procedures in the chapter for such type of expenditure;
- The expenditures are recorded under the correct category in compliance with the State budget's nomenclature.

Article 47. The ordonator controls expenditures. The control of expenditures refers to certifying the correctness of the amount of the expenditures. This amount must correspond to the amount mentioned in the agreement or in the invoice [that can only be issued] after total or partial receipt of goods and services.

Article 48. Before [any] payment [is made], the use of the State budget's funds shall require disbursement instructions from the ordonator, and actual payment is performed by the public accountant according to public accountancy procedures. Certain categories of expenditures may be disbursed in advance, but must be presented to the ordonator for the issuance of disbursement

¹⁸ This appears to be a reference to electronic and wire transfers.

¹⁹ The term “others” is a literal translation and is not subject to further specificity.

instructions in order that the accounts may be cleared. The Minister of Finance will establish a detailed list of expenditures.

For daily miscellaneous expenditures, the Minister of Finance may create a sub-fund in relevant agencies for the payment of such expenditures under a public accountant's management and responsibility and as provided in detail by the public accountancy regulations.²⁰

Article 49. Any payable public liabilities that remain unclaimed within three years after the budget year when such expenditures were incurred will be cancelled.

PART IV

Control of the Execution of the State Budget and Sanctions Against Violators

Chapter 1

Control

Article 50. The execution of the State budget revenues and expenditures is subject to the control of the executive and legislative branches.²¹

Article 51. Control by executive agencies includes control of the performance by the ordonator and the public accountant of their duties, control of expenditures before authorisation as mentioned in Article 46 of this law, control by superior over lower hierarchies and control by the Ministry of Finance.

Article 52. The National Assembly controls the execution of the State budget according to its role as provided by the Constitution and the laws.

Chapter 2

Breaches and Sanctions Against Violators

Article 53. A civil servant is considered to have breached the budget rules provided in this law when he²²:

- Creates debts in transgression of the provisions on control of State budget expenditures;
- Intentionally records expenditures under a category which is inconsistent with the nomenclature of expenditures for the purpose of making payments exceeding the approved State budget;
- Creates debts without any power or authorisation;

²⁰ The reference to public accountancy regulations is aspirational. No such regulations exist as of now.

²¹ The reference here is to an oversight function.

²² The reader should note that the Lao language does not distinguish between genders in pronouns. In this translation, a reference to a gender is a reference to all genders, unless the context requires otherwise. The translators' decision to use the male gender was made in the interests of simplicity and consistency.

- Transgresses the rules regarding State budget revenues and expenditures;
- Intentionally fails to provide actual mandatory data to the customs and tax authorities according to the fiscal regulations.

Article 54. Individuals committing any of the breaches set out in Article 53 of this law will be subject to sanctions provided by the laws, except if it is confirmed by evidence that such acts were undertaken on the orders of superior authorities. In such case, the responsibility will fall upon the individual issuing such orders.

Article 55. Individuals and organisations are entitled to request that the discipline committee consider sanctions against individuals transgressing the State budget rules as provided in Article 54 of this law.

Article 56. In addition to breaches of the State budget rules as provided in Article 53 of this law, if such breach constitutes a penal offence, penal action will be taken against such offenders.

PART V Final Provisions

Article 57. This law replaces the Law on the State Budget of the Lao People's Democratic Republic No. 002/81/SPA, dated 13 August 1981.

Article 58. The government of the Lao People's Democratic Republic shall issue detailed regulations for the implementation of this law.

Article 59. This law enters into force on the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

Vientiane, 18 July 1994
President of the National Assembly

[Seal and Signature]

Samane VIGNAKET