



Mining slump, improper planning blamed for budget tensions

The enormous drop in revenue generated from mining coupled with improper budget planning has been the main cause of the budget tensions Laos has faced over the past few years, Deputy Prime Minister SomdyDouangdy told parliament recently.

MrSomdy, who is also Minister of Finance, addressed the National Assembly (NA)'s inaugural session recently, highlighting the main causes of the financial difficulties.

He said revenue generated from mining dropped two thirds from 1,600 billion kip earned annually during the early years of the five-year national socio-economic development plan (2011-2015) to just 518 billion kip in the 2014-2015 fiscal year. The drop in revenue was linked to the decrease of mineral prices on global markets.

Laos has encountered budget tensions since the 2012-2013 fiscal year triggered by several factors including the fall in revenue earned from mining.

Another factor was the fact that the budget plans drawn up were not based on actual budget capacity as proper analysis of essential financial information was not conducted, MrSomdy said.

"Data used to draw up the budget plan was not fully accurate and scientific, which does not coincide with the national socio-economic development plan of each period," he said.

Meanwhile, measures to generate income to compensate for revenue lost to implementing the Asean Free Trade Area was carried out slowly due to the slow promulgation of some legislation such as the draft presidential decree on natural resource leasing fees and the presidential decree on vehicle tax, he explained.

Although several new hydropower dams have become operational, Laos has to repay loans borrowed to build the dams, so the electricity sector has not generated sufficient revenue to the national budget.

Addressing parliament, Prime Minister Thongloun admitted that the state budget was far short of actual state investment, leading to larger budget deficits in recent years.

To overcome the budget tensions, he stressed that there is a need to improve state plans for revenue collection and expenditure given that in the past the budget plans were not realistic because they were based on forecast figures.

The PM stressed the need to take proper management of state investment projects, especially those prior private investment projects to ensure reasonable investment costs, citing experiences in the past years where the investment costs for many prior private projects were unreasonably high.

He promised that his administration will take action to address budget loopholes, especially tax loopholes to prevent money leakages. The PM stated that tax exemptions should be considered carefully as to which products should be exempt and which should not, noting that some people imported more than was allowed by the government under the exemption policy.

The PM said the government will exert every effort to improve state budgets and address loopholes that have arisen during the socio-economic development process.

By Times Reporters
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