



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

No. 01/PO

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

On the Promulgation of the Amended Law on the State Budget

Pursuant to Chapter 6, Article 67, point 1 of the Constitution of the Lao People's Democratic Republic which provides for the promulgation of the Constitution and of laws adopted by the National Assembly;

Pursuant to Resolution No. 02/NA, dated 26 December 2006, of the National Assembly of the Lao People's Democratic Republic regarding the adoption of the Amended Law on the State Budget; and

Pursuant to Proposal No. 01/NASC, dated 10 January 2007, of the National Assembly Standing Committee.

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

Article 1. The Amended Law on the State Budget is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 16 January, 2006
The President of the Lao People's
Democratic Republic

[Seal and Signature]

Choumaly XAYASONE



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 02/NA
26 December 2006

**LAW ON THE STATE BUDGET
(AMENDED VERSION)**

**Part I
General Provisions**

Article 1. Objectives

This Law on the State Budget defines principles, regulations and measures in planning, implementing, evaluating, and auditing the State budget with the objectives of managing the accurate and full collection of budget revenues, performing budget expenditures in a transparent, economical, efficient and unified manner throughout the country, increasing accountability of State agencies at all levels, developing the revenue base, gradually enhancing financial ownership, financial self-strengthening, and the achievement of a stable national financial system integrated with international financial systems with the aim of constructively contributing to the continuous and sustainable growth of national socio-economic development.

Article 2. State Budget

The State budget is a projection of public revenues and expenditures approved annually by the National Assembly. The State budget is the core of the national financial system and serves as an instrument for macroeconomic management and adjustment to ensure enabling conditions for socio-economic development.

Article 3. Definitions

Terms used in this law have the meanings ascribed to them as follows:

1. **State budget balance** refers to the comparison between total revenue and total expenditure of the State budget during a period of time. As a

result of such comparison there will be three possible budget positions as follow:

- Balanced budget, where total revenue is equal to total expenditure;
 - Budget surplus, where total revenue is higher than total expenditure;
 - Budget deficit, where total revenue is less than total expenditure;
2. **Budgetary aid** refers to support provided by the central budget to local budgets within the scope of the annual State budget;
 3. **Budget units** refers to State organisations, the Lao Front for National Construction, and mass organisations empowered by the government to perform State budget planning, implementation and reporting;
 4. **Primary Ordonator** refers to the Minister of Finance who is assigned by the government the responsibility of implementing the State budget;
 5. **Ordonators** refers to the ministers of different ministries, heads of ministry-equivalent organisations, provincial governors, and city mayors responsible for the implementation of budgets within their respective sectors¹ and localities as assigned by the Primary Ordonator;
 6. **Government reserve fund and local reserve funds** refers to allocations provided for in the annual budget expenditure plan to be used in meeting contingencies and urgent requirements, such as: defense, security, mitigation of natural calamities and epidemics;
 7. **State Accumulation Fund** refers to allocations provided for in the annual budget expenditure plan and calculated from the budget's total expenditure, annual revenue surplus and proceeds from the sale of natural resources within the threshold as decided by the government, accumulated annually for the purpose of meeting important, urgent requirements of national significance, such as: financial crises;
 8. **State Fund** refers to an organisational unit established with the authorisation of the government that has the function to collect part of the budget revenues into the fund to carry out expenditures in compliance with the regulations approved by the government;
 9. **Administrative-technical agencies** refers to agencies using assets provided by the State for the purpose of extending services to the society, and the total revenue and expenditure of these agencies shall be reflected in the annual budget plan;
 10. **Financial discipline** refers to the strict adherence to and enforcement of the financial laws and regulations;

¹ The reader should note that “sector” is used in two ways in this law. First, the term “sector” is used in this law, as in many Lao laws, to refer to the cluster of government ministries or agencies engaged in a particular activity. Second, the term “sector” is used in its more commonly-understood meaning of a business or industrial sector. While it is usually clear from the context which of these two meanings is intended, the reader should nevertheless be aware of this potential ambiguity. In this law, with its context of State internal administration, virtually all uses of the term “sector” are in this governmental sense.

11. **State budget allocation norms** refers to recommended targets in determining allocations to sectors and localities based on the characteristics, standards of work and specifics of each sector and locality, such as: geographical location, population and area, and development needs, that are established by the government and submitted to the National Assembly for consideration and approval.

Article 4. State Budget Policy

The State sets its State budget policy by tapping domestic revenue potential, identifying and administering domestic revenue sources, ensuring expenditure needs and maintaining part [of revenue] as reserves. At the same time, it undertakes, with ownership, international cooperation in order to maintain the country's financial stability, and it performs expenditures for socio-economic development, such as: human resources development, public administration, construction of important infrastructure, scientific research, use and development of technology to promote commercial production and services for domestic consumption and for export, ensuring national defence and security, and eradication of poverty, in order to achieve the country's gradual ownership, self-reliance, self-strengthening, and ability to integrate with the region and the world.

Article 5. Obligations of Individuals and Organisations Towards the State Budget

Individuals and organisations have the obligation to pay tax, duties and charges for remittance to the State budget in a proper and timely fashion and in full, in accordance with the laws and regulations, in order to contribute to the protection and building of the country.

Article 6. Fundamental Principles of the State Budget

The fundamental principles of the State budget include:

1. All budget revenues and expenditures shall be fully centralised and accounted for in the State budget through the National Treasury on the basis of nationwide unified laws and regulations. No revenues may be retained outside the budget system and no funds may be established without proper authorisation;
2. The budgeting process shall ensure the principles of centralisation, democracy, openness and transparency by starting from the actual capacity of the national economy, and ensuring macro-economic equilibrium and consistency with the national socio-economic development plan of each period;
3. The national budget expenditures shall be implemented in line with the annual budget's targets, amounts and timeframe as approved by the National Assembly. Unplanned expenditures and spending in

- excess of the budget are not permitted, and expenditures shall be managed in accordance with financial regulations, ensuring the principles of economy and efficiency;
4. A budget deficit is allowed only for the budget of the central level. Local budget deficits are not allowed. The central level will assist in covering the difference between revenue and expenditure plans of the localities;
 5. The State budget shall ensure balancing between total revenue and total expenditure. In the event of a State budget deficit, only capital expenditures for development shall be authorised. The level of budget deficit shall be decided by the National Assembly based on the requirements and capacities of the finances of the State. State budget financing sources include domestic and external borrowings, and borrowing from the State Accumulation Fund;
 6. State budget information on budgeting, budget execution and assessment shall be accurate, transparent, open, made accessible to the public and controlled, inspected, audited and certified by the competent agencies;
 7. The division of responsibility over the revenues and expenditures of the State budget between the central and local levels shall ensure the principle of centralised democracy, and the unified application of laws and regulations. The leading role of the central budget in controlling major revenue sources shall be maintained for the purpose of performing expenditures of national importance, and providing budgetary aid to local levels to ensure equitable and balanced development for all;
 8. Customs, tax and National Treasury operations, including personnel, budget and activities, are centrally managed along the vertical organisational line;
 9. Budget allocations to sectors and localities shall be based on the budget allocation norms considered and approved by the National Assembly as proposed by the government.

Article 7. Fiscal Year

The fiscal year covers 12 months from October 1 to September 30 of the following year.

Article 8. State Funds

Revenues and expenditures of State Funds shall be recorded in the annual State budget plan and executed by the National Treasury, to be used for expenditures in accordance with regulations of the State Funds approved by the government. All revenues and expenditures of the State Funds shall fall under the management, monitoring and control of the concerned² sector and of the finance sector.

Revenues and expenditures of the State Funds shall be calculated and assessed. In the case where such revenues are not sufficient to cover the expenditures, the State will provide support; if revenues are more than the expenditures, the transfer back to the State budget shall take place.

Article 9. Budget Units of Administrative-Technical Agencies

Budget units of administrative-technical agencies under the jurisdiction of the central and local budgets that have collected revenue for services provided by the professional sectors, shall calculate and assess revenues and expenditures, incorporate them into the annual budget plan of the agencies concerned, and comply with State financial regulations[; they] fall under the management of the concerned agencies and the finance sector.

With regard to revenues and expenditures of the administrative-technical agencies, these shall comply with Article 10, paragraph 2 of this law.³

Article 10. Utilisation of Government and Local Reserve Funds

Disbursement from the government reserve fund shall be authorised by the Prime Minister. Disbursement from local reserve funds shall be authorised by the provincial governors and city mayors. In the event that no disbursement is made within the year, the resources shall be remitted to the State Accumulation Fund.

Article 11. Utilisation of the State Accumulation Fund

Disbursement from the State Accumulation Fund shall be authorised by the National Assembly as proposed by the government. In the event of an emergency, the Prime Minister has the right to issue an authorisation, but a report shall be submitted to the National Assembly.

² The term “concerned” is used in the sense of “relevant”.

³ The translators are aware that Article 10 has only one paragraph.

Article 12. International Relations and Cooperation

The State promotes relations and cooperation with other countries and international organisations, and regional and international integration through coordination, exchange of lessons, and enhancement of technical and technological skills and competence, in order to strengthen and modernise the national financial system, to attract financing sources and to gain access to capital markets.

**Part II
Structure of the State Budget**

Article 13. Structure of the State Budget

The State budget consists of:

- State budget revenues;
- State budget expenditures;
- State budget balancing sources.

Article 14. Classification of State Budget Revenues and Expenditures

The Ministry of Finance shall set the detailed classification of State budget revenues and expenditures for submission to the government for consideration and approval, which then proposes to the National Assembly for consideration and approval of annual revenue and expenditure figures for nationwide unified application.

**Chapter 1
State Budget Revenues**

Article 15. State Budget Revenues

State budget revenues include domestic revenues and revenues from abroad.

Article 16. State Budget Domestic Revenues

State budget domestic revenues are from different sources as follow:

1. Import-export duties;
2. Taxes;
3. State assets;
4. State Funds;
5. Administrative-technical agencies;
6. Interest on loans, repayment of loan principal;

7. Sale of State assets and equity;
8. Fines, sales of confiscated goods;
9. Fund-raising, contributions by individuals and organisations;
10. Charges and others⁴.

Article 17. Revenue Sources from Abroad

Revenue sources from abroad are those obtained from grant assistance in the form of cash or in kind extended by governments, international organisations, foreign individuals and legal entities to the Lao government and people.

**Chapter 2
State Budget Expenditures**

Article 18. State Budget Expenditures

State budget expenditures include the following expenditures:

1. Current operating expenditures;
2. Debt service;
3. Capital investment for national socio-economic development;
4. Funds, administrative-technical agencies;
5. Government reserve fund and local reserve funds;
6. Transfer to the State Accumulation Fund;
7. Other expenditures.

Article 19. Current Operating Expenditures

Current operating expenditures are to serve the apparatus of the State, the Lao Front for National Construction, and mass organisations, and for national defense and security, including: expenditures on salaries and allowances for civil servants, administrative expenditures, and technical expenditures of each sector.

Article 20. Debt Service Expenditures

Debt service expenditures include: repayment of principal and interest on domestic and external loans, settlement of arrears on loans, and contributions to international organisations.

⁴ The term “and others” is a literal translation and is not subject to further specificity.

Article 21. Capital Expenditures for National Socio-Economic Development

Capital expenditures for national socio-economic development include: capital expenditure on construction of infrastructure, purchase of equity in companies and enterprises, and new purchases of: equipment, machinery and vehicles.

Article 22. Other Expenditures

Expenditures of funds, administrative-technical agencies, the government reserve fund and local reserve funds; transfers, and to the State Accumulation Fund, are as provided in articles 8, 9, 10, and 11 of this law.

Other expenditures are those not provided under Article 18 of this law, and include:

1. Expenditures to address poverty;
2. Price or inflation subsidies;
3. Loans extended;
4. Grants;
5. Contingency expenditures.

Article 23. State Budget Expenditures by Sectors, Programmes and Projects

In addition to the budget classification provided under Article 18 of this law, the State budget expenditures are classified by sectors, programmes and projects as follows:

- Classification by sectors: education, health, economic, socio-cultural, science, environment, public administration, national defense and security, social welfare, and other sectors;
- Classification by programmes and projects refers to projects approved in each period, such as: projects to ensure comprehensive stability and public order, comprehensive agriculture development projects, rural development and poverty eradication projects, projects to stop slash-and-burn cultivation and [promote] permanent livelihood [practices].

**Chapter 3
State Budget Balance**

Article 24. State Budget Balancing System

The State budget balancing system has three possible positions:

- Balanced State budget;
- Surplus State budget;

- Deficit State budget.

Any annual State budget deficit shall be commensurate with the requirements and capacity of the finances of the nation. The level of the deficit is decided by the government and submitted to the National Assembly for consideration and approval. Sources of financing of the State budget deficit are domestic and foreign borrowings.

Article 25. State Budget Balancing

State budget balancing means ensuring a balance between revenues and expenditures as follows:

- In the case of a budget surplus, the surplus is transferred to the State Accumulation Fund or added to necessary activities;
- In the case of a budget deficit, financing shall be sought from borrowings or by reducing expenditures to maintain the balance of the State budget.

Article 26. Surplus, Deficit and State Budget Balance Financing Sources

The government will decide the use of any surplus at the central level to increase any expenditure or to be transferred to the State Accumulation Fund.

State budget deficit is permitted at the central level for investment [expenditures]⁵ only. Financial sources for balancing the State budget are from domestic and external borrowings:

1. Domestic borrowings are obtained by raising domestic funds through the sale of bonds, debentures, and others;
2. External borrowings are obtained in the form of loans from foreign countries, international organisations, bilateral or multilateral cooperation agencies, and others.

⁵ The literal translation of this term is “in the investment line”.

**Part III
State Budget Responsibilities of Agencies⁶**

**Chapter 1
Responsibilities of Agencies Relating to the State Budget**

Article 27. Responsibilities of the National Assembly

In relation to State finance and budget, the National Assembly has the following primary responsibilities:

1. To participate in the formulation of the socio-economic development plan and State budget plan, such as in making budget allocations to ministries and ministry-equivalent organisations at the central level, provinces and cities;
2. To consider, adopt and improve laws in the sectors of State finance and budget;
3. To consider and adopt national fiscal and monetary policies, revenues-expenditures, deficits, debts and [proposals to] balance the State budget, and to ensure economic and financial stability;
4. To consider and adopt medium- and long-term financial strategic plans and the annual State budget plan;
5. To consider and approve assessment of the annual State budget execution;
6. To consider and approve programmes of infrastructure projects of national significance;
7. To consider and approve amendment of the annual State budget plan when necessary;
8. To monitor and review the implementation of finance legislation and the execution of the annual State budget nationwide.

Article 28. Responsibilities of the Government

In relation to State finance and budget, the government has the following primary responsibilities:

1. To submit draft strategic plans, policies for the medium and long term, and laws and other legislation relating to State finance and budget to the National Assembly;

⁶ In the Lao language, the word roughly meaning “the entire organisation of responsible governmental agencies” is capable of being translated as any one of the following English words: “organisation”, “agency”, or “authority”. In choosing which English word to use, the translators have adopted the following convention. Where the governmental agencies in question have in practice adopted an English term for themselves (e.g., the Tax Authority), the translators have used that term. Otherwise, as in this law, the translators have used the term “agency”.

2. To submit the draft annual budget, including investment programmes and projects, to the National Assembly;
3. To submit allocations under the annual State budget for State agencies, the Lao Front for National Construction and mass organisations at the central and local levels to the National Assembly for consideration and approval;
4. To issue a decree on the annual State budget to guide, manage, monitor, control and inspect the execution of the State budget plan;
5. To provide guidance to the Ministry of Finance, and central and local State agencies in executing State budget revenues and expenditures in accordance with the budget plan as provided by laws and regulations, and to decide on suspension of expenditures when financial laws and regulations appear to be breached;
6. To decide to authorise the Ministry of Finance to issue regulations and measures on the management of revenue collection and the execution of budget expenditures in conformity with the laws and regulations and in a unified manner nationwide;
7. To propose amendments to the annual budget plan to the National Assembly, when necessary, by increasing or reducing expenditures according to revenues to ensure that the State budget is balanced;
8. To report on the execution of the State budget plan and infrastructure projects to the National Assembly.

Article 29. Responsibilities of the Committee for Planning and Investment

In relation to State finance and budget, the Committee for Planning and Investment has the following primary responsibilities:

1. To coordinate with the Ministry of Finance in the formulation of the medium- and long-term financial strategic plans and annual budgets;
2. To coordinate with the Ministry of Finance in setting the ceilings under the plan for annual public investments in the Lao PDR that use domestic and external sources of financing;
3. To study and propose priority investment projects to the government;
4. To exercise ownership in managing, monitoring, controlling and evaluating the implementation of public investment in coordination and cooperation with other concerned State agencies, the Lao Front for National Construction, and mass organisations in order to submit to the government for consideration and decision on a case by case basis;
5. To exercise ownership, in conjunction with the Ministry of Finance, and other concerned sectors at the central and local levels, in drafting domestic and foreign investment agreements.

Article 30. Responsibilities of the Bank of the Lao PDR

In relation to State finance and budget, the Bank of the Lao PDR has the following primary responsibilities:

1. To extend savings account services to the State budget, and to safely keep precious materials entrusted by the finance sector;
2. To consider providing short-term loans, when the need arises, based on the request of the Ministry of Finance; such loans shall be repaid within the same fiscal year;
3. To extend cooperation in providing receipt and disbursement services, and opening letters of credit for the purchase of goods and services and foreign debt servicing as instructed by the Ministry of Finance;
4. To sell State bonds as decided by the government;
5. To control the inflation rate at a level that the macro-economy can absorb.

Chapter 2
Responsibilities of State Budget Stakeholders

Article 31. Responsibilities of Other Ministries and Agencies

In relation to State finance and budget, ministries and State agencies have the following primary responsibilities:

1. To provide guidance to finance sections under their responsibility in developing, executing and assessing their budgets, in formulating revenue plans, in managing planned expenditures to ensure efficient, cost-effective and economical operations of the apparatus in accordance with the laws and regulations and in conformity with the budget plan approved by the National Assembly;
2. To manage, guide and control State owned and private enterprises, and administrative-technical units under their responsibility to perform their obligations towards the budget in a proper, complete, and timely fashion and to execute budget expenditures in accordance with the budget plan, laws and regulations;
3. To manage, guide and control the execution of the State budget under their responsibility[;] on the revenue side to achieve and exceed the planned targets; on the expenditure side to achieve the annual planned target as assigned by the government, taking into account the need for cost-effectiveness, economy and compliance with the laws and regulations;
4. To coordinate with the Committee for Planning and Investment and the Ministry of Finance in reviewing proposed domestic and foreign investment agreements to secure the State's appropriate interests.

Article 32. Responsibilities of the Provincial Governors and City Mayors

In relation to State finance and budget, the provincial governors and city mayors have the following primary responsibilities:

1. To provide guidance to divisions at the provincial level under their responsibility in formulating, executing and reporting on the State budget in accordance with the laws and regulations;
2. To provide guidance to local finance sectors⁷ in collecting complete and accurate information on budget revenue sources to form a database and to report to the centralised revenue collection sections⁸ and to the Ministry of Finance;
3. To manage, guide, monitor, control and inspect the collection of budget revenues within the scope of their rights and responsibilities to ensure the principle of complete, proper, unified, fair, and open collection of revenues consistently with the laws and regulations; tax–customs duty exemptions or reductions are not permitted;
4. To manage, guide, monitor, control and inspect the execution of budget expenditures to ensure cost-effectiveness, economy and compliance with the annual budget plan and laws and regulations; payment instructions and commitments outside the budget plan are not permitted;
5. To coordinate with the Ministry of Finance in managing, guiding, monitoring, controlling and inspecting the above-mentioned revenue collection and expenditure execution;
6. To enable the committees of members of the National Assembly in the constituencies⁹ to participate in the formulation of budget plans, in the inspection of correctness in budget planning, reporting and assessment and in the promotion of monitoring and control of budget execution by the sectoral provincial divisions and district offices;
7. To manage, guide, monitor, control and inspect the exercise of duties of the finance officers under the responsibility of the finance divisions of the provinces and cities; to have the right to propose the appointment, transfer or dismissal of provincial or city finance staff to the Ministry of Finance for those positions under their [respective] jurisdictions;
8. In coordination with the Ministry of Finance, to facilitate, support and control the compliance by customs, tax and National Treasury officers at the local level with the laws and regulations;

⁷ “Sectors” as used here is a common term including both the divisions and the offices of the Ministry of Finance.

⁸ “Sections” as used here is a common term including the revenue collection services within the Ministry of Finance, namely the tax authority, customs authority and the National Treasury.

⁹ For more information, readers may wish to refer to Chapter 7 of the Amended Law on the National Assembly.

9. In the event that local revenue collection is lower than the level provided in the annual plan, a reduction in expenditure equal to the shortfall shall take place in order to maintain the level of annual balancing; if the local revenue collection exceeds the annual plan, the localities may use [the surplus] for their development purposes.

Article 33. Responsibilities of Taxpayers

In performing their obligations towards the State budget, organisations, individuals and legal entities have the following primary responsibilities:

1. To remit payments of duties, taxes, fees and charges to the budget in a full and timely manner, consistent with the laws and regulations;
2. To maintain accounting records as required, [to employ] accurate practices in accordance with the accounting regime set by the State in a transparent and open manner, and to operate under the periodic inspection of the finance sector and external audit agencies;
3. To have the right to make suggestions, file claims and submit petitions for justice¹⁰ [to request] fair treatment in the event that any unfair treatment appears to have taken place from the actions of finance, customs, tax and National Treasury officers.

Any failure to perform one's obligations towards the budget, such as: concealment of income, customs duties avoidance, illicit trafficking and collusion with State officers with regard to revenue remittance to the budget, shall be considered as illegal and prosecuted in accordance with the laws.

Part IV

Division of Responsibilities in Relation to State Budget Revenues and Expenditures

Chapter 1

Division of Responsibilities between the Central and Local Authorities

Article 34. State Budget System

The State budget system includes: the central budget and local budgets:

- The central budget includes: budget revenues and expenditures of ministries, ministry-equivalent organisations, and the Lao Front for National Construction and mass organisations at the central level;
- The local budgets include: budget revenues and expenditures of local administrations, and the Lao Front for National Construction and mass organisations at the local level.

¹⁰ The term "claims" and the term "petitions" are defined in Article 2 paragraph 2 of the Law on the Handling of Petitions.

The government determines the detailed budget revenues and expenditures of the local administrations in accordance with the laws and regulations.

Article 35. Division of Responsibilities over the State Budget

The division of responsibilities over the State budget refers to the division between the central and local levels of rights in managing, guiding and making decisions regarding State finance activities and budget revenues and expenditures.

The division of revenues and expenditures between the central and local budgets shall be implemented based on the division of responsibilities for expenditures and for identifying sources of revenues.

Chapter 2
Division of Central and Local Budget Revenue Sources

Article 36. Division of State Budget Revenue Sources

Sources of State budget revenues are divided into 3 parts as follows:

- Revenue sources totally belonging to the central budget (100%);
- Revenues sources totally belonging to local budgets (100%);
- Revenues apportioned between the central and local budgets.

Article 37. Sources of Budget Revenues Belonging to the Central Budget

Revenues belonging one hundred percent (100%) to the central budget are from the sources controlled by the central level as follow:

1. Import-export duties;
2. Turnover tax or value-added tax, excise tax, profits tax collected from imported goods;
3. Fees and charges collected at import-export, such as: border service fees, fees for issuance of documents and border passes;
4. Revenue from natural resources, such as: sale of timber, minerals, revenue from rental of buildings and from other State assets;
5. Sale of State assets and equity;
6. Overflight fees, royalties;
7. Revenue from State Funds;
8. Revenue from administrative-technical agencies;
9. Revenue from interest and principal repayments on loans extended by the government;
10. Proceeds from fines and the auction of seized objects;
11. Foreign grants received;
12. Funds raised from the contribution of individuals and organisations;

13. Other revenues stipulated by the laws and regulations.

Article 38. Sources of Budget Revenues Belonging to the Local Budgets

Budget revenues belonging one hundred percent (100%) to the local budgets are from the sources controlled by the local authorities as follow:

1. Fees charged on land use (land tax), land rental, assignment and transfer of land use rights, tax license issuance fee, and income tax from individuals;
2. Revenue from natural resources, such as: sale of gravel, sand, soil, and laterite[;] and rental of State assets, such as: buildings, land and other assets;
3. Revenue from State Funds;
4. Revenue from administrative-technical units;
5. Revenue from the collection of charges and service fees;
6. Proceeds from fines and the auction of seized objects;
7. Funds raised from the contribution of individuals and organisations;
8. Foreign grants received;
9. Other revenues stipulated by the laws and regulations.

Article 39. Sources of Revenue Apportioned between the Central and Local Levels

Sources of revenue apportioned between the central and local levels include:

1. Turnover tax or value-added tax from domestic production of goods;
2. Excise tax collected from domestic production of goods;
3. Profits tax and minimum tax collected from domestic production of goods;
4. Revenue from net dividends.

The apportionment ratios by type of revenue are decided by the government. In the case where the local authority has revenue exceeding the annual expenditure plan approved by the National Assembly, the government can determine specific revenue for that local authority.

Chapter 3
Allocation of Central and Local Budget Expenditures

Article 40. State Budget Expenditures

State budget expenditures consist of:

- Central budget expenditures;

- Local budget expenditures.

Article 41. Central Budget Expenditures

Central budget expenditures consist of:

1. Administrative expenditures of State organisations, and of the Lao Front for National Construction and mass organisations at the central level;
2. Expenditures of defense and security forces under the management of the central level, and national force(s);
3. Interest payments on domestic and foreign loans of the government, and contributions to international organisations;
4. Expenditures of the State Funds;
5. Expenditures of the administrative-technical agencies;
6. Government reserve expenditures;
7. Expenditure into the State Accumulation Fund;
8. Capital expenditures, including: infrastructure construction, counterpart funds for grant and loan financed projects, and capital [investment] in joint venture businesses under the responsibility of the central authorities;
9. Price and interest rate subsidies based on the policy of the government;
10. Loans extended by the government;
11. Grant expenditures;
12. Other expenditures as stipulated by the laws and regulations.

Article 42. Local Budget Expenditures

Local budget expenditures consist of:

1. Administrative expenditures of State organisations, and of the Lao Front for National Construction and mass organisations at the local level;
2. Local level defense and security expenditures;
3. Expenditures of the State Funds;
4. Expenditures of the administrative-technical agencies;
5. Local reserve expenditures;
6. Expenditure into the State Accumulation Fund;
7. Capital expenditures, including: infrastructure construction, and counterpart funds for grant and loan financed projects under the responsibility of the local authorities;
8. Grant expenditures;
9. Other expenditures as stipulated by the laws and regulations.

Chapter 4 Support to Local Budgets

Article 43. Budget Balancing Support

In the event that one hundred percent (100%) of the local budget revenues plus apportioned revenues are insufficient to cover expenditures approved by the National Assembly, the central budget will provide support to local budgets to ensure their annual expenditures.

Article 44. Targeted Budgetary Support

In addition to the local budget support described in Article 43 of this law, the central budget shall also provide support to local budgets for the following specific targets:

1. To enable the execution of investment programmes and projects in the annual master plan that the government additionally assigns;
2. To deal with emergencies and urgent situations not included in the annual budget plan of the localities, based on the decision of the government.

Article 45. Policy to Promote Budget Revenue Collection

The State implements a policy to promote the collection of revenues, as follows:

1. In the event that the localities collect more revenue than the amount apportioned to them in the plan, the surplus revenue is provided to the localities for development purposes;
2. In the event that the central level revenues collected at the local level and the shared revenues among the central and local levels exceed the plan, the government will decide on the portion of the surplus to be provided to the localities in an appropriate ratio.

Article 46. Measures to Handle the Failure to Meet Revenue Collection Targets

In the event that budget implementation has been taking place for more than 6 months, and revenue collection targets have not been met, the Ministry of Finance shall study sources of financing, and request a government decision to authorise the Ministry of Finance to seek financing, or to reduce the expenditures of State and other organisations at the central and local levels by an amount corresponding to the shortfall in order to maintain the balance of the annual budget, and after that, shall report to the National Assembly for information.

In the event that the collection of revenue is less than the target plan by five percent or more, the Ministry of Finance shall request the government to propose an adjustment of the State budget plan to the National Assembly for consideration.

Part V
Formulation and Execution of the State Budget Plan

Chapter 1
Formulation of the State Budget Plan

Article 47. Formulation of the State Budget Plan

The formulation of the annual State budget plan shall proceed as follows:

1. The annual State budget plan shall be based on the government medium- and long-term financial strategic plan approved by the National Assembly;
2. Be consistent with the level of macroeconomic growth and the country's socio-economic development plan in each period to ensure financial stability;
3. Apply the principle of centralised democracy through the participation of the committees of members of the National Assembly at the local level¹¹ and the committees of the National Assembly at the central level;
4. Start from grassroots units upwards in accordance with the instructions and indicative figures set by the government and the recommendations of the Ministry of Finance;
5. For certain priority sectors and for sectors organised along vertical lines of authority, budget proposals shall be summarised along the vertical line for annual submission to the National Assembly.

The formulation of the annual budget revenue plan shall be based on the capacities to exploit sources of revenues by production and service units, using methodology prescribed by the laws and regulations.

The formulation of the annual budget expenditure plan shall proceed as follows:

1. Ensure fairness and equality by making apportionments as stipulated by the norms of budget expenditure approved by the government in each period;

¹¹ The term used here connotes the same meaning as “members of committees of the National Assembly in the constituencies”.

2. Take into account the capacity to collect revenues, with the objectives of maintaining deficits at an appropriate level and ensuring economic and financial stability.

Article 48. Consultations on the State Budget

During the budgeting process, the finance authorities shall perform the following:

1. Consult State and other concerned organisations at the central and local levels in order to review and identify capacity in terms of revenues and expenditures;
2. Propose ways to ensure overall balancing of the budget. In the event of any difference in views during consultations, the Ministry of Finance shall propose the matter to the Prime Minister, and the provincial finance departments [shall propose] to the provincial governor or the city mayor for guidance and decision.

Article 49. Consolidation of the State Budget Plan

The Ministry of Finance shall consolidate the budget proposals of State and other concerned organisations at the central and local levels, including the State budget balancing plan, and report to the government for further submission to the National Assembly for consideration and approval.

Article 50. Documents to be Submitted by the Government to the National Assembly

The documents to be submitted by the government to the National Assembly include:

1. A report of its final assessment of the execution of the State budget during the previous year;
2. A report on the execution of the State budget plan for the current year;
3. A proposal of the projected total revenues, total expenditures, and level of deficit of the State budget for the following year;
4. Schedules of estimated budget revenues and expenditures of State and other organisations at the central and local levels;
5. A report on State debts falling due during the year or overdue, estimated interest payments within the year, capacity for debt servicing within the year and total debts outstanding to the end of the year;
6. A list of important public investment programmes and projects.

Article 51. Procedures and Timing for State Budget Plan Formulation

The formulation of the State budget plan shall proceed in accordance with the following procedures and timing:

1. At the beginning of January, the government shall issue an instruction for the drafting of the socio-economic development plan and the budget plan. After that, the Ministry of Finance shall issue an instruction on the formulation of the annual State budget plan;
2. State and other concerned organisations at the local level formulate their budget proposals with the participation of the members of the committee of the National Assembly, then the finance divisions of the provinces and cities consolidate them into an annual budget plan for their locality and send [it] to the Ministry of Finance within February;
3. State and other concerned organisations at the central level formulate their budget proposals with the participation of the members of the committee(s) of the National Assembly, and send [them] to the Ministry of Finance within February;
4. The Ministry of Finance consolidates the State budget plan from budget proposals obtained from State and other concerned organisations at the central and local levels with the participation of the members of committee(s) of the National Assembly and submits to the government within April;
5. The government reviews and consolidates the State budget plan and officially submits it to the National Assembly 15 days prior to the opening of the session of the National Assembly.

Chapter 2

Consideration and Approval of the State Budget Plan

Article 52. Consideration and Approval of the State Budget Plan

The ordinary session of the National Assembly in June or July considers and approves the contents of the State budget plan as stipulated in Article 50 of this law.

Article 53. Assignment of Stages of the State Budget Plan

The stages of the State budget plan shall be assigned as follow:

1. Within fifteen days following the approval of the annual State budget by the National Assembly, the government issues a decree on the execution of the State budget plan;
2. Within fifteen days from the date of the government decree on the execution of the State budget plan, the Minister of Finance issues an

instruction and technical notes on the execution of the annual budget plan;

3. Within fifteen days from the date of the instruction and technical notes issued by the Minister of Finance, State and other concerned organisations at the central and local levels assign the budget revenue and expenditure plan to their subordinate departments, sectors and units and notify the relevant higher authorities' finance and treasury sections for the management, monitoring and inspection of the execution of the budget revenues and expenditures.

Article 54. Amendment of the State Budget Plan

Amendment of the annual State budget plan may take place only once in a fiscal year and after the implementation of the first six months of the State budget plan, as a result of any modification to policies or unexpected circumstances that affect annual budget revenues and expenditures, as stipulated in Article 46 of this law.

The procedure for the amendment of the annual State budget plan shall be the same as that for the consideration and approval of the annual budget plan.

Chapter 3 Execution of the State Budget Plan

Article 55. Revenue Collection Agencies

Agencies performing budget revenue collection include:

1. The tax sector;
2. The customs sector;
3. Agencies permitted by the government or authorised by the Minister of Finance to collect revenues;
4. Funds and other administrative-technical agencies established by the decision of the government and authorised by the Minister of Finance to collect revenues.

Article 56. Responsibilities of the Revenue Collection Agencies

State budget revenue collection agencies have the following primary responsibilities:

1. To formulate revenue collection plans, to gather complete information and statistics of units, and to accurately calculate and ensure fairness, transparency and openness;
2. To disseminate and advise on laws, regulations and procedures of the finance sector to targets that have the duty to remit obligations to the

budget, and to increase professional training to upgrade the quality of performance and streamline the existing multi-layer administrative procedures;

3. To organise and manage the collection of taxes, customs duties, revenues from State assets, fees, charges and other revenues in accordance with the laws and regulations in a complete, timely, open and transparent manner;
4. To present demands and warnings, and collect fines in the case of any delay in the remittance of revenues to the budget by any organisation, individual or legal entity without proper reason, and to propose legal action in the case of severe breach.

In exercising their rights and duties, they shall be subject to inspection by the internal and external inspection bodies and task force(s) appointed by the competent agencies.

Article 57. Execution of Budget Expenditures

Budget expenditures shall be executed in line with the following principles and procedures for expenditure management:

- Be provided for in the annual budget plan;
- Approval must be obtained;
- Be in line with expenditure targets;
- Be accurately calculated in accordance with the spending norms;
- Be authorised by the ordonators or persons assigned [by them].

In the event that the budget is not yet approved for the current year by the National Assembly, the government has the right to authorise disbursement of advance expenditures in an amount equal to 1/12 of the total expenditure executed during the previous year in order to meet the requirement for salaries, allowances, administrative expenses and foreign debt service that has become due.

Budget disbursements shall be consistent with the expenditure lines provided in the annual budget plan and recorded in line with the budget nomenclature and State accounting procedures.

Public procurement of goods, and recruitment and procurement of services and construction-maintenance works shall be processed through bidding procedures and enclose full documentation in accordance with regulations.

Disbursements of budget expenditures in any year shall be covered by revenue sources of that same year. Payments may continue but [must end] within three months after the closing of the revenue account for the fiscal year in order to enable the National Treasury to undertake final summation within each year.

Budgetary resources may be used to settle payments in various forms, such as: transfers between accounts, payments in cash, and payments by check and by letter of credit.

Article 58. Responsibilities of the Primary Ordonator

In State finance and budget matters, the Primary Ordonator has the following primary responsibilities:

1. To implement the annual State budget plan;
2. To organise and manage revenue collection to ensure that it meets or exceeds the planned performance;
3. To execute planned expenditures as assigned by the government;
4. To instruct State and other concerned organisations at the central and local levels to take action in the event that revenue collection is found to be inconsistent with the laws and regulations, or the expenditure execution is in conflict with expenditure management rules;
5. To instruct that revenue outside the system be centrally remitted to the State budget and to allocate revenue to meet expenditure requirements in the plans to enable full and timely disbursements by the ordonators;
6. To issue payment orders for expenditures provided in the annual State budget plan nationwide based on the figures assigned by the government.

The exercise of rights and duties by the Primary Ordonator shall be subject to inspection by the government, the National Assembly, inspection agencies and task force(s).

Article 59. Responsibilities of the Ordonators

In State finance and budget matters, the ordonators have the following primary responsibilities:

1. To implement the budget plans under their responsibility;
2. To collect revenues in accordance with the laws and regulations in a complete, timely, open and transparent manner;
3. To endeavor to collect revenues to meet or exceed the plan;
4. To execute budget expenditures in line with the targets and budget nomenclature and to enclose complete documentation;
5. To record transactions according to State laws and regulations on accounting, and to properly calculate according to spending norms.

The exercise of rights and duties by the ordonators shall be subject to inspection by the Ministry of Finance, inspection agencies and task force(s).

Article 60. Responsibilities of the National Treasury

In State finance and budget matters, the National Treasury has the following primary responsibilities:

1. To implement the State budget plan, to manage, monitor and record State budget revenues and expenditures based on the budget approved by the National Assembly, and to duly claim and collect revenues into the National Treasury in an accurate, full and timely manner;
2. To be entitled to suspend the operation of customer deposit accounts in the treasury system and to request bank(s) to suspend the operation of customer deposit accounts, [in each case] at the request of revenue collection agencies;
3. To classify budget revenues, [such that] revenues belonging to the central level shall be credited to the central level account, revenues belonging to local levels shall be credited to local level accounts, and revenues apportioned between the central and local levels shall be credited according to the apportionment ratios decided by the government in each period;
4. To review all lines of State budget expenditure prior to disbursement from the treasury, and verify the ordonators' authority and disbursement requests. In the event that it is discovered that an ordonator has instructed disbursements not in line with the laws and regulations, it is entitled to immediately advise the ordonator in order to correctly address the issue;
5. To administer the treasuries of the State budget, State Funds and administrative-technical agencies, the grants, loans and deposits of State and other concerned organisations, and the deposit accounts of State-owned enterprises, individuals and organisations;
6. To open deposit accounts with banks subject to the laws and regulations and the government's decision.

Article 61. State Accounting and Budget Nomenclature

All State budget revenues and expenditures shall be recorded according to the State accounting system and in conformity with the laws and regulations on accounting and budget nomenclature in effect in each period.

Article 62. Management of Domestic and Foreign Debts

Domestic and foreign debt management is carried out as follows:

1. The government shall manage debts as decided annually by the National Assembly and control the level of net debts based on the country's financial ability to repay principal and interest, the necessary investment targets, gross domestic product growth, the

annual State budget plan, and the medium- and long-term financial strategic plan;

2. The government does not permit central and local State and other concerned organisations to incur debts from unplanned spending or from spending more than planned in the State budget;
3. Debts recognised by the government shall be included in the medium-, long-term and annual budget plans for servicing.

Article 63. Borrowings

Borrowings are for balancing annual budgets and are to be used as sources of financing for investments[;] and the principal and interest must be repaid to lenders.

The following borrowing procedures shall be applied:

1. Borrowings from domestic and foreign sources shall be centralised in the medium-, long-term and annual State budget plans and recorded in the National Treasury's accounting system;
2. Borrowings shall be processed through a one-stop service¹² at the Ministry of Finance that is the secretariat to the government in the management and use of such borrowings.

In managing the borrowings, the Ministry of Finance shall assess principal and interest repayment capacity in order to report to the government for further submission to the National Assembly for consideration and approval.

Article 64. Grants

Grants shall be processed as follows:

1. Revenues from domestic and foreign grants shall be recorded or remitted to the State budget and an account shall be opened with the National Treasury system for managing grants remitted to the budget;
2. With regards to foreign grants relating to projects, the State and other concerned organisations at the central and local levels are authorised to communicate and negotiate with foreign donors with the participation of the finance sector;
3. With regards to domestic grants, the State and other concerned organisations at the central and local levels are authorised to communicate and negotiate with the donors.

¹² The literal translation of this term is "a single door".

Article 65. Reallocation of State Budget Expenditures

When the execution of the State budget plan is seen as inconsistent with the actual conditions, reallocation of budget expenditures shall take place as follows:

1. The transfer of budget expenditures from one line to another within the same chapter of the annual budget plan is decided by the ordonators;
2. The transfer of budget expenditures from one chapter to another of the annual budget plan is decided by the Primary Ordonator;
3. The transfer of budget expenditures from one organisation to another, or from one locality to another in the annual budget plan is decided by the Prime Minister.

Chapter 4

Closing of Accounts and Final Statement of the State Budget

Article 66. Closing of Accounts and Statements of the State Budget

The revenue collection agencies referred to in Article 55 of this law and other concerned organisations shall close their accounts and draw up accounting statements as required by the laws and regulations.

Enterprises shall close their accounts and draw up accounting statements of their annual business transactions in accordance with the Enterprise Accounting Law and regulations.

Article 67. Final Date for Submission of Budget Revenue and Expenditure Documents

The National Treasury ceases on September 30 to accept documents from agencies entitled to order the remittance of revenues and requests for the disbursement of the State budget from agencies entitled to order budget disbursements.

Article 68. Schedule for Summaries of Revenues and Expenditures

Summaries of revenues and expenditures shall be prepared in accordance with the following schedule:

- Summarise actual revenues collected during the fiscal year by September 30;
- Summarise disbursements, withdrawal applications, and payment orders outstanding by September 30, and carry out payment of

expenditures incurred during the year within ninety days until December 31;

- Revenues and expenditures in each year shall be recorded in an account for monitoring, and relevant statements shall be drawn up within the same year.

Article 69. Budget Reporting Schedule

The budget reporting schedule is as follows:

1. Within twenty days from the budget account closing date of the fiscal year, the National Treasury shall draw up statements of realised revenues and expenditures, the cash balance, receivables according to remittance orders, and payables according to payment orders and then report to the Ministry of Finance;
2. Within ten days from the date of receiving the report of the National Treasury, the Ministry of Finance shall submit a preliminary report of the budget implementation to the government.

Article 70. Final Statement of the State Budget

The date of the final statement of the State budget is set as December 31. The central and local National Treasury sections, in conjunction with budget units at each level, shall draw up a final statement of budget revenues and expenditures and report to the higher authorities. Reported budget figures of a budget unit shall be reconciled and certified by the [relevant treasury section]¹³, and in doing so, the following conditions shall be ensured:

- With regard to revenues remitted in excess of the amount set by the laws and regulations, the excess shall be returned to the remitting entities in the fiscal year;
- Expenditures inconsistent with the laws shall be returned to the State budget in full.

Article 71. Schedule for Final Statement of the State Budget

The schedule for the final statement of the State budget shall be as follows:

1. The ordonators shall verify and ascertain the correctness of the State budget reports and send them to the Ministry of Finance by January 30 at the latest;
2. The Ministry of Finance shall, no later than March 31, summarise and submit an annual budget report to the government for consideration

¹³ The literal translation of this term is “the treasury providing the services”.

and approval following the audit and certification by the State Audit Authority;

3. The government reviews and considers the draft annual budget report and officially submits [it] to the National Assembly fifteen days prior to the opening of the session of the National Assembly.

Article 72. Consideration and Approval of the State Budget Execution Report

The review and approval of the State budget execution report shall proceed as follows:

1. The session of the National Assembly considers and adopts the report on the execution of the previous year's State budget by the State and other concerned organisations at the central and local levels;
2. When reviewing revenue or expenditure figures, financing sources and debts, if the execution seems to be inconsistent with the budget plan adopted in the year, the National Assembly is entitled to review the responsibilities of the government, Primary Ordonator, ordonators and budget units at each level.

Part VI

Management and Inspection of the State Budget

Chapter 1

Management of the State Budget

Article 73. State Budget Management Agencies

State budget management agencies comprise:

1. The Ministry of Finance;
2. The finance division at each province or city;
3. The finance office at each district or municipality;
4. State budget units.

Article 74. Rights and Duties of the Ministry of Finance

In managing the State budget plan, the Ministry of Finance has the following primary rights and duties:

1. To formulate medium- and long-term strategic plans and fiscal policies of the State finance sector;
2. To draft laws and regulations in the finance area, such as, budget allocation norms and State budget spending norms, for submission to the government for consideration;

3. To formulate the draft annual State budget plan for submission to the government for consideration;
4. To disseminate laws and regulations pertaining to State finance and budget matters within the scope of its role;
5. To guide, monitor and inspect the collection of revenue based on the targets approved by the National Assembly and assigned by the government;
6. To guide, monitor and inspect the execution of expenditures to conform them with the annual plan in strict accordance with the laws and regulations and with financial discipline;
7. In coordination with State and other concerned organisations, to set budget expenditure allocation norms, allocate revenues and expenditures, develop accounting rules and budget nomenclature, manage and close budget accounts, to disclose the budget, and to submit to the government for consideration and approval;
8. To summarise State budget plans, evaluate implementation [of the State budget plans] and draw up statements of the annual budget;
9. To exercise ownership in contacting and cooperating with foreign financial agencies, international financial institutions, and other organisations relating to finance, and to draft external loan and grant agreements with bilateral agencies and international financial institutions for submission to the government for consideration;
10. To manage loans and grants, and repay the debts incurred by the government as stipulated in agreements;
11. To be responsible to the government for the management and inspection of the nationwide execution of the State budget. It is entitled to carry out inspections of enterprises and businesses, whether public or private, budget units, State Funds and administrative-technical agencies at each level on their fulfillment of obligations¹⁴ under the budget;
12. To manage the treasuries of the State budget, the State Accumulation Fund, and the State Funds, and the assets, debts and precious materials of the State;
13. To guide professional activities, manage and develop personnel, appoint, transfer, dismiss, reward or discipline personnel under its jurisdiction; and to provide budget and technical equipment to the customs, tax and National Treasury apparatus centralised along the vertical line of authority.

Article 75. Rights and Duties of Divisions at Provinces and Cities

In managing the State budget plan, the finance division at each province or city has the following primary rights and duties:

¹⁴ The term “obligations” used here refers to taxes.

1. To study and comment on draft laws and legislation in the field of finance and State budget;
2. To exercise ownership in formulating and consolidating budgets, allocating budget plans, advising on and making summaries of the execution of the budgets under its responsibility and to report to the Ministry of Finance in a timely manner;
3. To be responsible to the provincial or city administration and the Ministry of Finance for the management and inspection of revenue collection to fully achieve the targets, in accordance with the laws and regulations, and for the execution of expenditures based on the annual budget plan;
4. To guide, manage, monitor and inspect the performance by finance officers under its responsibility of their duties;
5. To disseminate policies, laws, regulations and other legislation relating to finance and budget;
6. To propose to the provincial governor or city mayor, for further submission to the Minister of Finance, to consider recognising individuals with outstanding achievement, and imposing disciplinary measures against those violating the laws and regulations;
7. To propose to the provincial governor or city mayor, for further submission to the Minister of Finance, to consider the appointment, transfer, or dismissal of finance officers under its responsibility.

Article 76. Rights and Duties of District and Municipality Finance Offices

In managing the State budget plan, the finance office at each district or municipality has the following primary rights and duties:

1. To study and comment on draft laws and legislation in the field of finance and State budget;
2. To exercise ownership in formulating and consolidating budgets, allocating budget plans, advising on and making summaries of the execution of the budgets under its responsibility and to report to the finance division of the province and city in a timely manner;
3. To be responsible to the district or municipal administrative authority and finance division of the province or city for the management and inspection of revenue collection to fully achieve the targets, in accordance with the laws and regulations, and for the execution of expenditures based on the annual budget plan;
4. To disseminate policies, laws, regulations and other legislation relating to finance and budget under its responsibility;
5. To guide, manage, monitor and inspect the performance of finance officers under its responsibility.

Article 77. Rights and Duties of the Budget Units

In managing the State budget plan, each budget unit has the following primary rights and duties:

1. To formulate the budget plan, allocate annual budget revenues and expenditures, and assign targets under the plan to departments and budget sub-units under its responsibility;
2. To disseminate laws and regulations relating to finance and budget, and to advise on financial management, accounting and recording as required by the accounting regulations;
3. To organise the execution of assigned revenues and expenditures, to collect revenues in full, and in a timely manner, to ensure the cost effectiveness of expenditures, to use expenditures in conformity with the intended purpose, and to ensure economy and compliance with the laws and regulations;
4. To correctly and strictly implement laws and regulations in accordance with the annual State budget plan in the procurements of goods, works and services;
5. To maintain accounts and keep records in accordance with the accounting laws and regulations, and the budget nomenclature;
6. To coordinate with the National Treasury to reconcile all realised budget revenues and expenditures with budget execution reports to ensure completeness, accuracy and timeliness.

**Chapter 2
Inspection of the State Budget**

Article 78. Importance of State Budget Inspection

State budget inspection is important to guarantee that the management of the State budget is consistent with the laws and regulations and is transparent, ensuring economy and efficiency.

Article 79. Principles Underlying State Budget Inspection

In inspecting the execution of the State budget, the following principles shall apply:

1. Principles of comprehensiveness, completeness, objectivity, fairness, openness, transparency and uniformity;
2. Individuals and entities subject to the inspection shall extend cooperation, and supply necessary information and documents to the inspection agency.

Article 80. State Budget Inspection Agencies

State budget inspection agencies consist of: internal inspection agencies and external inspection agencies:

1. Internal inspection agencies are the same as the State budget management agencies stipulated in Article 73 of this law and the inspection agency of the concerned sector;
2. External inspection agencies are:
 - The National Assembly;
 - The government;
 - The Central Inspection Committee;
 - The State Audit Agency;
 - Inspection task forces.

Article 81. Rights and Duties of the Internal Inspection Agencies

Internal inspection agencies have the rights and duties to inspect the implementation of laws and regulations, and the performance of duties and responsibilities by finance officers at each level under their responsibility, namely, in budget formulation, revenue collection, expenditure execution, use of State assets, public procurement of goods and services, and recruitment.

The government determines detailed regulations describing the rights and duties of internal inspection agencies in the finance sector.

Article 82. Rights and Duties of External Inspection Agencies

External inspection agencies have the rights and duties, in accordance with the scope of their responsibilities, to inspect the performance of duties and responsibilities by finance officers at each level, including inspecting the implementation of the Law on the State Budget by State agencies, and other organisations at central and local levels that utilise the State budget, in order to ensure effective, transparent and fair financial activities.

Article 83. Nature and Purposes of State Budget Inspection

State budget inspection has the following nature and purposes:

1. To inspect the implementation of the laws and regulations and other legislation in the area of finance and budget, and to inspect revenue collection and expenditure execution based on the State budget plan;
2. To inspect the performance of rights and responsibilities relating to budget execution by the Primary Ordonator, the ordonators, the National Treasury, and budget units at different levels;

3. To inspect the performance of responsibilities of revenue collection agencies and State budget management agencies in accordance with the laws and regulations.

Inspection of budget expenditures is carried out in 3 stages: pre-spending inspection, inspection during implementation and post-spending inspection.

Article 84. Types of Inspection

There are three types of State budget inspection:

- Regular inspection;
- Inspection with advance notice;
- Emergency inspection.

Regular inspection refers to an inspection performed regularly according to plans at pre-determined times.

Inspection by advance notice refers to an inspection which is not included in the plan, which is performed when deemed necessary and for which advance notice is given.

Emergency inspection refers to a sudden inspection performed without advance notice to the person to be inspected.

In the course of inspection, the inspection agencies shall duly and strictly obey the laws and regulations.

Part VII Policies Towards Persons With Outstanding Achievement and Measures Against Violators¹⁵

Article 85. Policies Towards Persons With Outstanding Achievement

Revenue collection agencies, budget units and officers responsible for managing proper, full and timely revenue collection in accordance with the laws and regulations, according to the plan or exceeding the plan, and managing expenditures openly, transparently, economically and efficiently will receive rewards and other policies in accordance with the laws and regulations.

Individuals or legal entities duly performing their obligations to the budget by remitting in full and on time, by being cooperative, or by providing information on the violation of the laws and regulations leading to additional revenue collection will receive rewards and other appropriate policies.

¹⁵ The term “policies” is often used as an indirect way of referring to “incentives” or “privileges” and the term “measures” is often used as an indirect way of referring to “sanctions”.

Article 86. Measures Against Violators

Individuals or organisations committing violations of this Law on the State Budget will be subject to different measures depending on the severity of the case, such as: re-education measures, fines, and compensation for the loss and shall be subject to criminal proceedings as stipulated by the laws and regulations.

Article 87. Re-education Measures

Individuals or organisations committing actions leading to no danger or leading to minor loss will be subjected to re-education¹⁶ measures in the following cases:

1. Inaccurate or delayed budget formulation or annual budget report;
2. Collusion with individuals or business persons in delaying or not remitting obligations to the budget;
3. Unintentionally issuing instructions for payment inconsistent with the targets or nature of the expenditures provided for in the annual budget plan, [or inconsistent with] the budget nomenclature; making any calculation that is not in line with the spending norms;
4. Failure to openly and transparently declare the financial position under their responsibility; delay in budget formulation, implementation and reporting [under their responsibility];
5. Impeding the response to requests, impeding approval or payment orders or soliciting compensation;
6. Imposing unfair disbursement of budget expenditures, such as: first come-last served, last come-first served, failure to take care of those in need, unintentional loss of documents;
7. Creating difficulty and acting in an inappropriate manner with clients, such as: no advice or clarification is given, impolite conversation and behaviour;
8. Unfair or loose disciplinary sanctions towards personnel.

Article 88. Fines

Individuals or organisations will be fined in the event that they commit the following actions:

1. Continue to commit actions stated in Article 87 above ;
2. Fail to disclose information on taxpayer units or unfair collection of obligations[;] fail to disclose information on collection of obligations or fail to address the proposals of business units;

¹⁶ Here, “re-education” does not mean the same as “re-education without deprivation of liberty” referred to in the Penal Law.

3. Perform incomplete revenue collection from business units, [or collection] inconsistent with the laws and regulations leading to reduced remittance of obligations to the budget;
4. Fail to implement standards or conditions provided by the laws and regulations, such as: no accounting record is maintained; no collection voucher is used; no chief of finance is appointed; no cashier is appointed; no support equipment in accordance with the business standard is provided; failure to declare business situation; no monthly, quarterly and annual report on financial situation is submitted to the Ministry of Finance or concerned sector.

The rates of fines are provided in specific regulations.

Article 89. Criminal Measures

Any individual committing an offence relating to finance and budget leading to serious loss will be subject to criminal sanctions, depending on the severity of the act, and shall compensate for the loss as stipulated by the laws.

**Part VIII
Final Provisions**

Article 90. Implementation

The government of the Lao People's Democratic Republic is to implement this law.

Article 91. Effectiveness

This law replaces the Law on State Budget No. 05/1994/NA, dated 18 July 1994, and shall come into effect after two hundred and seventy days from the date of the promulgating decree of the President of the Lao People's Democratic Republic.

Provisions and decisions that contradict this law are null and void.

Vientiane, 26 December 2006
President of the National Assembly

[Seal and Signature]

Thongsing THAMMAVONG