

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

No. 40/PR
Date : 13/8/94

**DECREE OF THE PRESIDENT
OF THE LAO PEOPLE'S DEMOCRATIC
REPUBLIC**

**ON THE PROMULGATION OF THE
NATIONAL BUDGET LAW**

- Pursuant to Article 53, Clause 1 of the Constitution of the Lao People's Democratic Republic,
- Referring to the Resolution of the 4th ordinary session of the National Assembly IIIrd Legislature on the adoption of the National Budget Law No. 007, dated 18 July 1994.

The President of the Lao People's Democratic Republic decrees

Article 1 : The promulgation of the National Budget Law.

Article 2 : This Presidential Decree is effective from the day it is signed.

Nouhak Phoumsavan

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

National Assembly

No. 05/94/NA
18/7/94

NATIONAL BUDGET LAW

PART ONE
General Provisions

Chapter 1
Basic Principles of the National Budget

Article 1. The National Budget Law determines the basic principles of the state budget in relation with the establishment, consideration and approval, implementation, monitoring and control of the budget with the aim of implementing national socio-economic development plans and policies, exploiting sources of revenues, ensuring macro-economic balance, improving orderliness in the implementation of the national budget and contributing to the gradual improvement of the people's living conditions.

Article 2. The National Budget constitutes a projection of the State's annual

revenues and expenditures. The National 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 State's total revenues and expenditures are included in a unique and unified state budget plan.

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

Article 4. A national budget plan is established on an annual basis. The national budget plan must ensure the principle of centralized democracy, on the basis of the actual potentials of the national economy and the macro-economic balance in close connection with the national socio-economic development.

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

The state budget year starts from October 1 of each year and ends on September 30 of the following year. The annual budget is adopted according to conditions provided in this Law. If necessary, the budget may be amended. At the budget's amendment, the amended budget will

replace the annual budget. The National Assembly considers and adopts the amended budget under the same procedures as for the annual budget's adoption.

Article 6. Revenues shall be remitted in their totality to the budget; state agencies in any sector or level or individuals shall not allowed to directly expend revenues without remittance to the National Budget.

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

Article 8. The National Assembly shall not consider any measure aiming at increasing budget expenditures that have not been the object of estimates, commitment and approval 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 and adjust salaries or allowances, if such expenditures would entail expenditures in excess to the approved annual budget.

Article 9. The Government is responsible before the National Assembly for the National Budget's execution. The Ministry of Finance assists the Government in the establishment, execution and review of the annual budget or amended budget.

Article 10. Reports of annual budgets' execution are considered and adopted by the National Assembly which constitutes an adoption of the results of the budget's execution, the differential between the actual and projected figures set by the annual budget or amended budget.

Article 11. If the budget's decentralization, that is if placing revenues and expenditures under the responsibility of a locality or an agency, is required, the Government shall submit the matter to the National Assembly for consideration.

Article 12. State technical agencies for management or social services and public interest may be authorized to keep their own budgets. Revenues are generated by such technical agencies from sources of revenues which collection is authorized by law and regulations and support revenues ensured by the State Budget if necessary. Such revenues are expended for normal administration, and by the end of the budget year, any remaining revenue shall be remitted to the National Budget, except if their preservation is authorized.

Investment expenditures are included in the investment program of the National Budget.

The establishment, consideration and approval, execution, review and control of such specific budget's .execution shall be conducted according to the same regulations as for the National Budget.

Chapter 2
Budget Revenues and Expenditures

Article 13. The National Budget's revenues include current revenues and capital revenues.

1. The State's current revenues are ensured by

- Taxes, duties and all types of fees;
- Remuneration for services rendered by administrative technical state agencies;
- All fines and sale of seized and confiscated goods;
- Revenues from the lease of state owned land, house 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 include

- Reimbursement of loan principal and other assets;
- Sale of state owned assets, capital and shares.

Article 14. The collection and specification of duty, tax rates and fees are determined by law.

Service fees representing revenues generated from public administrative and technical agencies are determined by the Government on the basis of proposals forwarded by the Minister of Finance.

All public administrative regulations and international conventions regarding duty and tax rates with direct repercussions on revenues or entailing increased public expenditures must be approved with the Ministry of Finance beforehand.

Article 15. The realization of public assets shall be subject to the laws and regulations, and the totality of revenues originating from such realization must be remitted to the National Budget.

Article 16. The financing of the national budget's balance is achieved through the issuance of state reserve funds, budget surplus from the previous year or internal and external loans.

Article 17. The National Budget's expenditures include current and capital expenditures.

1 Current expenditures include

- Payroll and current expenditures of the State, Party and mass organizations;
- Loan servicing or loan fees;
- Expenditures for economic and socio-cultural adjustments;
- Other expenditures.

2 - Capital expenditures include

- Direct infrastructure investments;
- Investment costs and financial participation in enterprises;
- Reimbursement of loan principal;
- Granted loan expenditures.

Article 18. Budget expenditures shall be distributed along the vertical management line of ministries, equal ranking agencies and agencies constituting budget units according to the nomenclature of expenditures. Expenditure plans by ministries, equal ranking agencies and agencies constituting budget units are realized individually for each province and the municipality.

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

Article 19. Budget expenditures are restrictive and evaluative.

1. Restrictive budget expenditures are current administrative items that may not be expended nor instructed or for which agreements may not be signed for expenditures in excess of the opened credit line, except

In case of necessity, **after examination** of the budget situation by the Government, ensuring that the budget balance provided in the annual budget plans will not be affected, the Government may increase expenditures by decree.

In case of urgent and imperious necessity for the nation's interest, the Government may by decree instruct additional expenditures to the budget adopted by the National Assembly.

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

2. Evaluative budget expenditures are related to the reimbursement of loans, obligations towards foreign parties, enforcement of new laws, provisions and regulations that, during the formulation of the budget plan, could not be evaluated precisely and accurately, for the payment of legal fees, reimbursement of revenues paid in excess or erroneously, and payment of other reductions and refunds.

For evaluative expenditures, the Government may by decree increase expenditures in excess to the approved allocations, but which must be submitted for consideration and approval by the National Assembly.

Article 20. The determination of capital expenditures, investment and financial participation in enterprises, and the reimbursement of public debts include credits covering several years

according to the value throughout the projects' life, funds for which the execution of agreements have been approved and funds approved for annual expenditures.

The amount allocated for the project's duration is the maximum amount that may be approved in agreements for expenditure without limitation in time until its cancellation and which may be modified in case of changes in technique or prices.

The annual expenditure credit is the maximum amount that may be instructed.

Article 21. During the budget's execution, approved for any purpose but unused funds, the Minister of Finance, after approval of the concerned ministers, may request such instructions' abrogation from the Prime Minister.

If the cash flow tends to digress from plans adopted by the National Assembly with severe impact on the budget balanced, the Minister of Finance is entitled to propose the Government to consider abrogating certain expenditure credits for which no instructions have been issued and seen as 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 funds includes two categories

transfer of funds for management and use by a new party but by preserving the same character of expenditure, and the transfer of funds by changing the character of expenditures within the budget framework of the same ministry or agency. The transfer does not apply between evaluative and estimate expenditures.

Article 23. An annual budget funds are to be used specifically for that year's budget. Payments from funds allocated in one annual budget for another annual budget is not allowed, except in cases provided in Article 20 above. The balance of approved budget until the last day of the budget year will be forsaken.

PART TWO

Review of the previous year's budget execution,

Elaboration, Examination and Adoption of the Annual Budget

Chapter 1

Review of the previous budget exercise

Article 24. The Government reports the previous budget exercise by certifying actual revenues and ordered expenditures, together with expenditures approved by the Government as provided in Article 18 of this Law, including the excess expenditures.

The final report shall be completed within six months from the closure of the previous state budget exercise's accounts.

Chapter 2 ***Elaboration of the annual state budget***

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

At the beginning of May of each year, the Minister of Finance, in conjunction with ministers and heads of concerned agencies, elaborates a preliminary draft state budget plan that includes projected gross revenues, expenditures and available resources for the determination of budget balance, which is submitted to the Government for consideration.

The Government examines the preliminary draft budget and lay down instructions, while determining the indicative amount of funds on the basis of main expenditure objectives by ministry, sectors or types of expenditures to allow ministries, equal ranking agencies and agencies constituting budget units to elaborate their own draft budget plans.

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

Article 26. Ministries, equal ranking agencies and public bodies constituting budget units elaborate their annual budget revenue and expenditure plans by starting from the grassroots level upwards according to the instructions and indicative figures provided by the Government and instructions of the Ministry of Finance, which are sent to the Ministry of Finance. This draft national 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, equal ranking agencies and public bodies constituting budget units. After examination and discussion with concerned ministries and agencies in view of ensuring the State's economic policy, the national socio-economic plan's targets and the objectives of macro-economic balance, the Minister of Finance re-adjusts the received draft plans and presents to the Government for examination.

Article 28. The draft national budget passed by the Government is presented to the National Assembly within thirty days at the latest before the opening of its plenary session for examination and adoption.

Chapter 3 ***Adoption of the Annual National Budget***

Article 29. At the presentation of the draft annual national budget plans to the National Assembly, the Government must report the results of the previous budget exercise and the previous year's economic and financial situation.

Article 30. In the draft annual state budget, revenues and expenditures are arranged according to the budget nomenclature, by ministry and equal ranking agency, and distributed by provinces and municipality. The draft budget must further indicate sources of funds to balance expenditures.

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

i Article 32. At the annual national budget plans' adoption by the National Assembly, the Government shall promulgate the budget plans within the following fifteen days.

Article 33. If, at the beginning of a budget year, the draft annual national budget plan has not yet been adopted, the Government is authorized to continue to undertake monthly current expenditures representing a twelfth of the expenditures authorized towards this purpose during the previous exercise. Capital expenditures may be further executed within the context of the authorized committed amount or the remaining amount allocated for payment. External debts are performed on the basis of executed agreements.

Article 34. Proposals for state budget modification shall follow the same procedure as for the presentation of the draft annual national budget plans.

PART THREE **Execution of the State Budget**

Chapter 1 ***The Ordonator and Public Accountant***

Article 35. Under the Prime Minister's guidance, the Minister of Finance is responsible for the State Budget's execution, and orders the remittance of revenues to the National Budget and expenditures from the National Budget's global credits by delegation of the Government.

Article 36. The National Budget's revenues and expenditures are executed under the responsibility of the Ordonator and public accountant according to the public accountancy regulations and laws.

Article 37. The instruction of budget revenues and expenditures of individual sectors belongs to Ministers, heads of equal ranking agencies who may delegate such right to the province governors and municipality mayor to act on their behalf for the part of budget executed at the level of their territorial division. The province governors and municipality mayor may in turn delegate it to others to act on their behalf. Ministers and heads of equal ranking agencies may delegate such right to others to act on their behalf for the budget operated at the level of the ministry and equal ranking agency. The Ordonator is responsible for the evaluation, instruction of revenue remittance, signature of agreements for payment, after approval of ordonnance, certification of expenditures and instruction.

Article 38. The public accountant is the sole person entitled to collect revenues for the Treasury and to perform actual payments based on instructions for the remittance of revenue and payment by the Ordonator. The public accountant also manages funds and values belonging to the State or placed under the State's preservation, removes funds, preserves documents justifying revenues and

expenditures, and keeps public accounts.

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

Chapter II State Budget Revenues

Article 40. The national budget's total revenues is centralized 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 the public accountant.

Article 41. Payments to the budget may be made in cash, cheques, transfer or others as provided by law.

Article 42. As the public accountant claims revenues as provided in revenue collection orders, but such remittance is not be made within the regulatory time frame determined for each type of revenues, he may institute juridical actions.

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 consider excluding and reducing the amount of orders to be enforced.

Chapter 3 State Budget Expenditures

Article 44. Before undertaking any state budget expenditure, all agencies must ensure that their budgets are sufficient and used according to the laws and regulations.

Article 45. Before any payment, all national budget expenditures must be authorized, controlled and instructed.

Article 46. The authorized expenditures must ensure

- The availability of sufficient budget for such expenditures;
- The accurateness of evaluation;

- Expenditures are performed according to procedures for each type of expenditures;
- The registration of expenditure complies with the National Budget's nomenclature.

Article 47. The Ordonator controls expenditures. The control of expenditures refers to certifying the correctness of the amount of expenditures. This amount must correspond to the amount mentioned in the agreement or in the invoice after total or partial receipt of goods and services.

Article 48. Before payment, any use of the National Budget's funds shall require 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 payment orders in view of account clearance. The Minister of Finance will establish a detailed list of expenditures.

For daily miscellaneous expenditures, the Minister of Finance may create a subfund 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.

Article 49. Any unclaimed payable public liabilities within three years from the budget year where such expenditures occurred will be canceled.

PART FOUR

Control of the State Budget's Execution and Sanctions

Chapter 1

Control

Article 50. The execution of national budget revenues and expenditures is subject to executive and parliamentary control.

Article 51. Control by executive agencies includes control of the performance by the Ordonator and the public accountant of their duties, control expenditure visas as mentioned in Article 46 of this Law, control by superior over lower

12
hierarchies and control by the Ministry of Finance.

Article 52. The National Assembly controls the National Budget's execution according to its role as provided in the Constitution and laws.

Chapter 2
Breaches and sanctions

Article 53. Civil servants are considered as breaching the budget rules as provided in this Law when

- Creating debts due to transgressions of provisions on the control of national budget expenditures;
- Voluntarily registering an expenditure inconsistently with the nomenclature of expenditures for the purpose of payments in excess to the approved national budget;
- Creating debts without any right or delegation;
- Transgressing the rules regarding state budget revenues and expenditures;
- Voluntarily failing to provide actual mandatory data to the customs and tax authorities according to the fiscal regulations.

Article 54. Individuals involved in the above mentioned infractions under Article 53 of this Law will be subject to sanctions provided by law, except if it is confirmed by evidence that such acts were undertaken on order from superior authorities. In such case, the responsibility will fall upon the individual issuing such orders.

Article 55. Individuals or organizations are entitled to request the discipline committee to consider sanctions against individuals transgressing the national budget rules as provided in Article 54 of this Law.

Article 56. In addition to breaches to the national budget rules as provided in Article 53 of this Law, if such breach represents a penal offense, penal action will be induced against such offenders.

PART V
Final Provisions

Article 57. The present law substitutes the Law No. 002/81/CCM, dated 13 August 1981, on the National Budget of the Lao People's Democratic Republic and its competence.

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

Article 59. This law is effective from the day it is promulgated by the President of the Lao People's Democratic Republic.

Vientiane, 18/7/1994
President of the National Assembly.
Saman Vignaket

