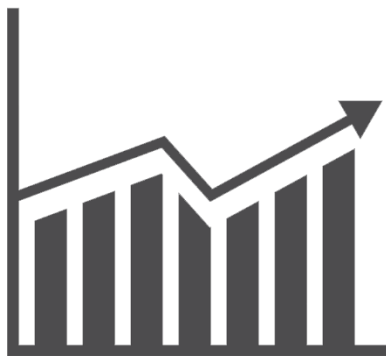




Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Government Finance Statistics 1st Semi-annual Report for 2018



Ministry of Finance

Overview:

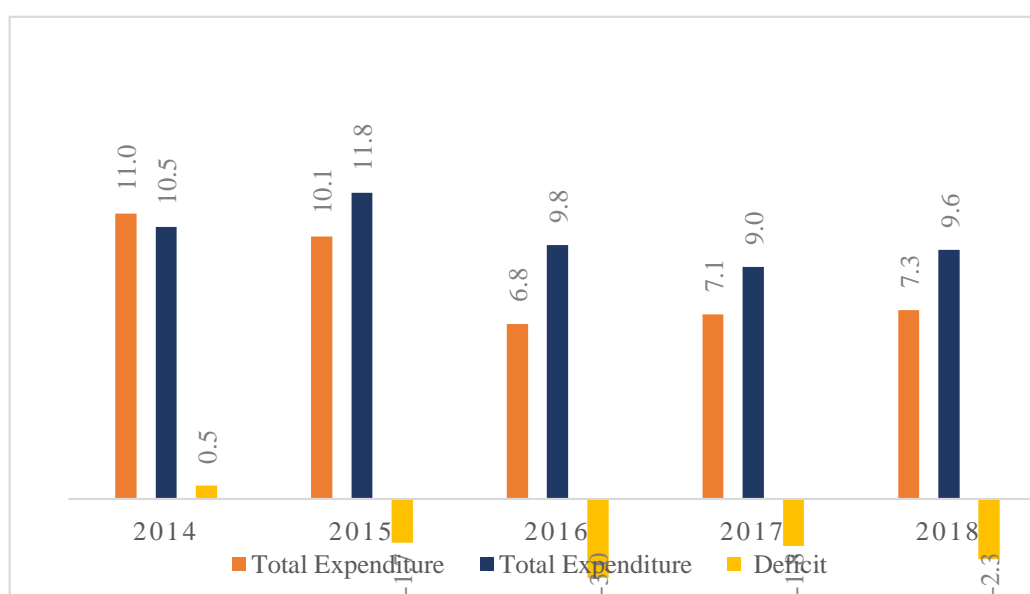
This report compiles statistical data on budget execution for the first half of 2018 (six months) based on the Government Finance Statistics (GFS) standard excluding the revenue from asset sale and On-lending capital return from January to June 2018. It is compared with data in the recent years period to identify differences in budget execution. This compilation is useful as a baseline data for further studies and research.

Over the first half of 2018, total revenue was mainly driven by domestic revenue and grants which was executed about 11,131 billion Kip, accounted for 7.3% of GDP or 44.9% of the budget plan. Domestic revenues and grants in 2016 and 2017 were increased by 27.2% and 10.7% respectively. The revenue dramatically increased because domestic revenue collection has been improved with an increase by 35,1% compared in 2016 and 13% compared in 2017 and accounted for about 6.8% of GDP and 92.7% of total revenue, compared with the 2016 and 2017 period (Table 1).

During the same period of 2018, total expenditure also rose to 14,683 billion kip, accounted for 9.6% of GDP or 44.8% of budget plan, due to an increase in current and capital expenditure. Compared with 2016 and 2017 period, total expenditure was increased by 15.7% and 16.4% respectively. Capital expenditure also rose by 4.2% of GDP from 59.5% and 37.8% over the 2016 and 2017 period, respectively (Table 1).

This result indicates the development of the current cash balance by achieving at 1.4% of GDP. This was improved when compared with prior-year period as the current cash balance was - 0.8% of GDP deficit in 2016 and 0.8% surplus in 2017. Nonetheless, overall budget deficit was increased to 2,3% of GDP while budget deficit in 2017 was 1.8% of GDP in (Table 1).

Figure 1: Budget execution over the first half of 2018 compared with prior periods Overall (% of GDP)



Source: Fiscal Policy and Law Department

I. Budget execution over the first half of 2018

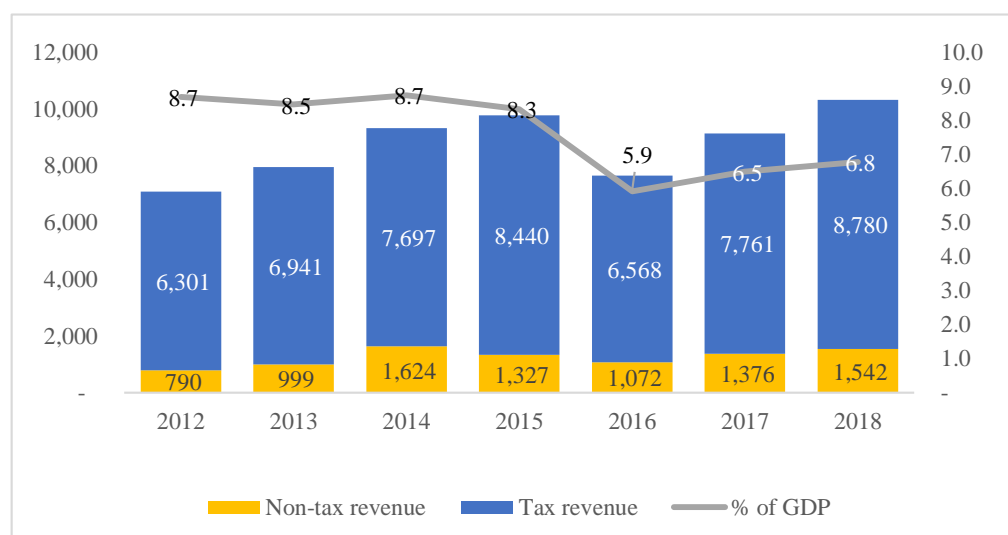
Over the first half of 2018, total revenue executed about 11,131 billion Kip which was increased by 10,7% from the 2017 period, accounted for 44.9% of budget plan or 7.3% of GDP. Domestic revenue covered 46.8% of the budget plan and 92.7% of total revenue which was executed about 10,322 billion Kip. Tax and non-tax revenue was increased by 13,1% and 12,1%, compared with the 2017 period. In addition to this, grants was 809 billion Kip, accounted for 29.4% of budget plan, compared with the 2017 period.

Table 1: Budget execution over the first half of 2018 compared with the 2017 period (Units: %)

Revenues	% of 2017 GDP	% of 2017 plan	% of GDP 2018	% of 2018 plan	% changes
Total Revenues	7,1%	42,4%	7,3%	44,9%	10,7%
Domestic revenue	6,5%	43,1%	6,8%	46,8%	13,0%
Tax revenue	5,5%	44,1%	5,8%	49,4%	13,1%
Non-tax revenue	1,0%	38,1%	1,0%	35,9%	12,1%
Grants	0,7%	37,1%	0,5%	29,4%	-11,9%
Total Expenditure	9,0%	38,9%	9,6%	44,8%	16,4%
Current expenditure	5,6%	42,1%	5,4%	40,9%	3,8%
Capital expenditure	3,3%	34,5%	4,2%	50,9%	37,8%
Current Cash Balance	0,8%	50,6%	1,4%	109,4%	74,0%
Overall Cash Balance	-1,8%	29,4%	2,3%	44,4%	38,7%

Source: Fiscal Policy and Law Department

Chart 2: Revenue operation over the first half of 2018 compared with the prior-year period (billion Kip)



Source: Fiscal Policy and Law Department

1.1. Tax revenue

Tax revenue is considered to be the major source of domestic income and tends to be increased every year. Over the first half of 2018, tax revenue was 8,780 billion Kip, rose by 13,3%, accounted for 49.4% of budget plan or 5.8% of GDP. The increase came from 31.2% of Value-Added Tax (VAT), including Turnover tax, 10% of income tax and 8.5% of profit tax (Table2). Although tax revenue-to-GPD tends to increase, it reduced from 7.2% of GDP in first six half of 2015 to 5.1% of the 2016 period and then slightly increased to about 5.8% in the 2018 period (Figure 2).

1.2. Non-tax revenue

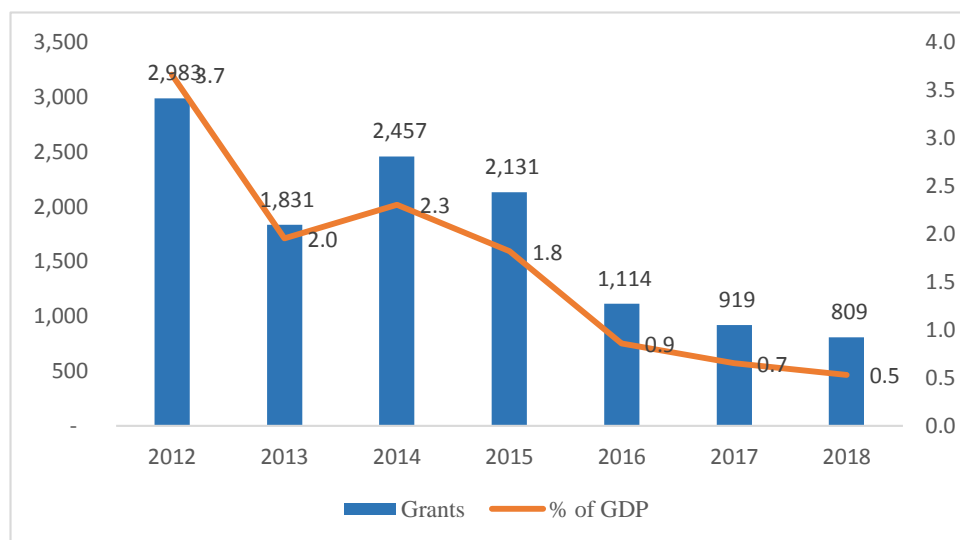
Non-tax revenue was better than the 2017 period. It rose from 1,376 billion Kip in 2017 to 1.542 billion kip in 2018, accounted for 35.9% of budget plan or 1% of GDP. The non-tax revenue includes dividends 46.4%, overflight right 24.2%, interest (11%), concessions 2.1%, administration fees 11.6%, fine 0.9%, leasing fees =1.3% and Others 2.5%.

Table 2: Revenue operation over the first half of 2018 compared with the 2017 period (Unit: %)

Items	January- June 2017	Ratio	January- June 2018	Ratio	% changes
Tax Revenue	7.761	100,0	8.780	100,0	13,1
Profit Tax	841	10,8	749	8,5	-11,0
Income Tax	641	8,3	886	10,1	38,2
Land Tax	45	0,6	137	1,6	205,4
VAT	2.825	36,4	2.735	31,1	-3,2
Excise Tax	1.589	20,5	2.740	31,2	72,4
Import Duties	704	9,1	497	5,7	-29,3
Export Duties	35	0,4	16	0,2	-53,9
Registration Fees	25	0,3	2	0,0	-93,0
Other Fees	575	7,4	444	5,1	-22,7
Natural Resource Taxes	269	3,5	349	4,0	29,5
Timber Royalties	19	0,2	30	0,3	55,5
Hydro-Power Royalties	191	2,5	195	2,2	2,1
Non-tax Revenue	1.376	100,0	1.542	100,0	12,1
Leasing Fees	16	1,1	19	1,3	23,1
Concessions	30	2,2	32	2,1	6,8
Fines	30	2,2	14	0,9	-52,2
Administration Fees	240	17,4	179	11,6	-25,2
Dividends	456	33,1	716	46,4	57,0
Interest	228	16,6	169	11,0	-25,9
Overflight Rights	326	23,7	373	24,2	14,5
Others	49	3,6	38	2,5	-23,1

Source: Fiscal Policy and Law Department

Chart3: Grants over the first half of 2018 compared with the prior year period (Billion Kip)



Source: Fiscal Policy and Law Department

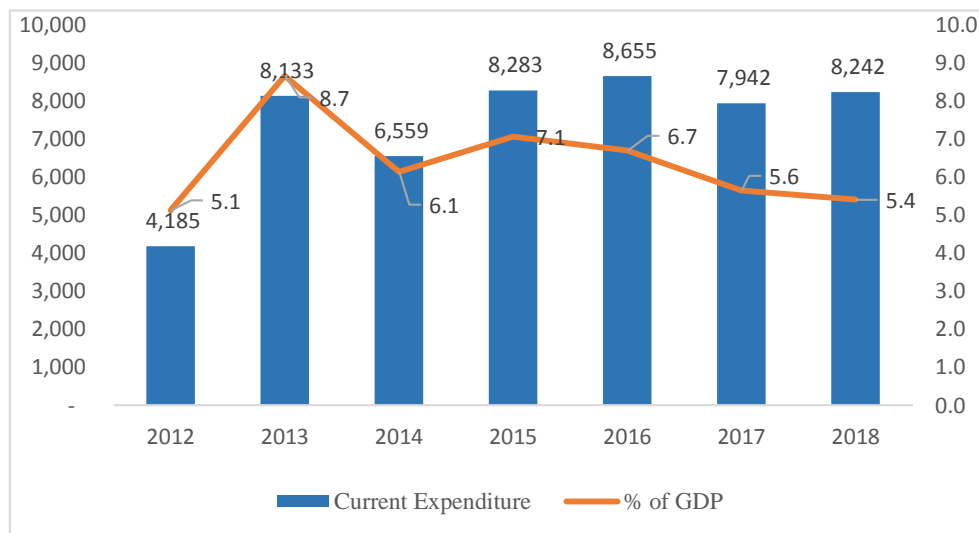
II. Expenditure

Comparing expenditure for the first half of 2018 to 2017 it increased by 16.4% of the total expenditure reaching at 14.683 billion kip (equal to 9.6% of GDP or 44.8% of budget plan). Current expenditure increased by 3.8% reaching about 8,242 billion kip and accounting for 56.1% of total expenditure (40.9% of budget plan or 5.4% of GDP). Capital expenditure increased by 37.8% reaching about 6.440 billion kip and accounting for 43.9% of total expenditure (50.9% of budget plan or 4.2% of GDP).

2.1. Current expenditure

The percentage of current expenditure-to-GDP has showed a downward trend since 2015, compared only to the first half-year period. It reached 7.1% of GDP and then declined. The current expenditure includes wages and salaries 64.5%, transfers 12.0%, material and supplies 9.9%, interests repayment 13.5% and others 0.1% (See Figure 4 and Table 3).

Chart 4: Current expenditure over the first half of 2018 compared with the prior-year period (Billion Kip)

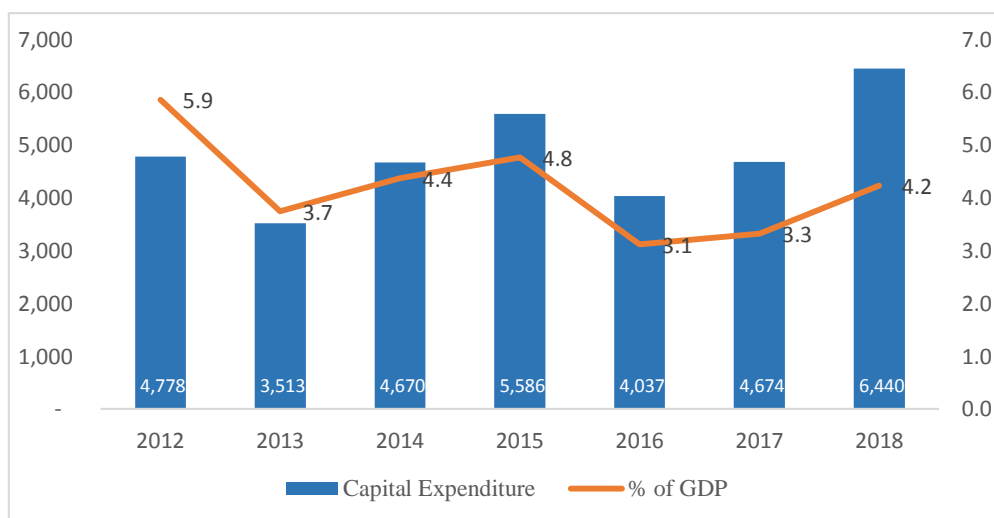


Source: Fiscal Policy and Law Department

2.2. Capital expenditure

Capital expenditure was 6,440 billion Kip, accounted for 4.2% of GDP or 50.9% of budget plan, increased 37.8% compared with the 2017 period. Foreign capital expenditure covered 75.5% of capital expenditure, rose by 46.3%. Domestic capital expenditure covered 24.5% of capital expenditure and rose by 16.8% from the 2017 period (Figure 5).

Figure 5: Capital expenditure over the first half of 2018 compared with the prior-year (Billion Kip)



Source: Fiscal Policy and Law Department

**Table 3: Expenditure execution over the first half of 2018 compared with the 2017 period
(Unit: %)**

No.	Items	Jan-Jun 2017	Ratio	Jan-Jun 2018	Ratio	% changes
1	Wages and salaries	5,058	63.7	5,315	64.5	5.1
	Base salary	4,112	51.8	4,286	52.0	4.3
	Benefits	946	11.9	1,029	12.5	8.7
2	Transfers	1,085	13.7	990	12.0	-8.8
	Other allowances	660	8.3	683	8.3	3.6
	Intervention and subsidies	413	5.2	297	3.6	-28.1
	Contribution to international organisation	13	0.2	10	0.1	-23.1
3	Materials and supplies	1,004	12.6	816	9.9	-18.7
4	Domestic Debt repayment	0	0.0	-	0.0	0.0
5	Interests repayment	770	9.7	1,110	13.5	44.2
	External	675	8.5	921	11.2	36.5
	Domestic	96	1.2	189	2.3	98.2
6	Other expenditures	24	0.3	11	0.1	-54.1
	Reserve funds	24	0.3	11	0.1	-54.1
	<u>Current expenditure</u>	7,942	100.0	8,242	100.0	3.8
	<u>Capital Expenditure</u>	4,674	100.0	6,440	100.0	37.8
1	Domestic capital expenditures	1,353	28.9	1,580	24.5	16.8
2	Foreign capital expenditures	3,321	71.1	4,860	75.5	46.3
	Project loans	2,436	52.1	4,051	62.9	66.3
	Project grants	358	7.7	298	4.6	-16.8
	Non-project grant (DN)	527	11.3	511	7.9	-2.9
	<u>Total expenditures</u>	12,616		14,683		16.4

Source: Fiscal Policy and Law Department

Budget balance:

Over the first half of 2018, overall cash balance (Total revenue minuses total expenditure) was in deficit and increased by 38,7%, compared with the 2017 period, accounted for 3.551 billion Kip and 2.3% of GDP and increased by 38,7%, compared with the 2017 period. A key factor causing the deficit was the revenue collection missed the target. For instance, over the first half-year period, Timber royalties was only 6.9% of budget plan, while administration fees was only 15.7% of the annual budget plan.

For financing, it included domestic financing which was about 770 billion Kip. In this amount, it mainly came from domestic financing such as, issues of Government bonds and others totaled 462 billion Kip, and others financing, for example, state asset sale, totaled 308 billion Kip. Foreign net financing totaled 2,781 billion Kip that was mainly in form of project loans amounted of 4,051 billion Kip, -1.561 billion kip of amortization and 291 billion Kip of On-lending net returns.

All above is a compilation of initial data on budget execution for the first half of 2018. The data maybe subject to change after comparing with data from various departments in-charge-of revenue collection, State Budget Department and National Treasury.

Table 4: Budget balancing for the first half of 2018 (Billions Kip)

	2018 Plan	Operation	% of 2018 Plan	% of 2018 GDP
Total Revenues	24.810	11.131	44,9	7,3
Domestic revenue	22.058	10.322	46,8	6,8
<i>Tax revenue</i>	<i>17.763</i>	<i>8.780</i>	49,4	5,8
<i>Non-tax revenue</i>	<i>4.295</i>	<i>1.542</i>	35,9	1,0
Grants	2.752	809	29,4	0,5
<i>Project grants</i>	<i>1.590</i>	<i>298</i>	18,7	0,2
<i>Non-project grants</i>	<i>1.162</i>	<i>511</i>	44,0	0,3
Total Expenditures	32.809	14.683	44,8	9,6
Current expenditure	20.157	8.242	40,9	5,4
Capital expenditure	12.652	6.440	50,9	4,2
Current Cash Balance	1.901	2.080	109,4	1,4
Overall Cash Balance	-7.999	-3.551	44,4	-2,3
Excluding grants	-10.751	-4.361	40,6	-2,9
Financing	7.999	3.551	44,4	2,3
Domestic Financing	2.194	770	35,1	0,5
Bank Financing (Deposit)	2.156	462	21,4	0,3
Bank financing	0	944	-	0,6
Treasury bonds (issue)	3.300	1.774	53,8	1,2
Government bonds (issue)	4.545	0	-	-
Treasury bonds (amortization)	-1.000	0	-	-
Non-bank Financing	37	308	826,3	0,2
Asset sale	37	5	12,1	0,0
Government bonds (repayment)	0	0		-
Differences	0	304		0,2
Foreign Financing (net)	5.806	2.781	47,9	1,8
Government bonds (issue)	3200	0	-	-
Programme loans	300	0	0	-
Project loans	5.300	4.051	76,4	2,7
Amortization (repayment)	-3.599	-1.561	43,4	-1,0
On-lending net (capital return)	605	291	48,1	0,2

Source: Fiscal Policy and Law Department