



Ministry of Finance

# Government Finance Statistics Annual Report 2022 (Unofficial Translation)



The Road towards a strong, transparent,  
modern and fair Public Finance Management

2022



## Preface

Government Financial Statistics Annual Report 2022 is an analysis and study of the execution of state budget revenue and expenditure within a year. This report's budget revenue and expenditure data follow the Government Finance Statistics Manual 2014. Domestic revenue does not include revenue from the sale of state assets and on-lending capital return.

This report consists of three parts: the economic situation of the Lao PDR in 2022, the execution of the state budget plan 2022, and directions and the state budget plan 2023.

In 2022, many countries encountered fluctuating and unstable economic and political situations, especially the tension from the Ukraine-Russia conflicts and economic boycotts, which consequently affected the world economy, such as energy, fuel, and other commodities prices. A significant increase in the price level was the key driver of the high global inflation and exchange rate volatility. The Lao PDR is one of the countries more vulnerable to these external shocks. Those factors led to hardship for its citizens as living costs rose from inflation.

Even though the macroeconomic situation predominantly affected the government budget, the Ministry of Finance actively focused on collecting revenue. As a result, favorable outcomes of the execution of the state budget plan have been achieved. For example, in 2022, the total public revenue stood at 31,835 billion LAK, which accounts for 103.9% of the plan or 14.8% of GDP, and when compared to 2021, it increased by 17.1%. Domestic revenue dominated 29,926 billion LAK, accounting for 106.2% or 13.6% of GDP, and rose from 2021 by 24.7%. Revenue from Grants was 1,908 billion LAK achieved 77.6% of the plan or 0.9% of GDP, which decreased from 2021 by 48.1%. Finally, revenue from social contributions was 108 million LAK.

For the execution of the state budget expenditure 2022, the total expenditure was 32,281 billion LAK, which accounts for 93.05 % of the plan or 15% of the GDP and a 9.4% increase from 2021. At the time, the budget deficit was a total of 446 billion LAK or 0.2% of GDP. The fiscal deficit was financed by domestic and external financing sources.

To summarize, the execution of the state budget plan in 2022 was the first year in many year-rounds that revenue was collected as planned and showed an increasing trend. However, the government has taken serious measures on cost-saving policies that have helped to manage the expenditure and reduce the budget deficit.

On behalf of the Ministry of Finance, we believe this report will be a valuable source of information for any government employees, students, researchers, domestic and international organizations, and society to stay updated, evaluate, and analyze the situation of the execution of the state budget plan in 2022 of the Lao PDR.

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## I. The World Economic Situation and Lao Economic Development in 2022

In 2022, the global economy continued to fluctuate and get more complex. Many countries in the world faced economic recession, side effects of the Ukraine-Russia conflicts, and high prices of energy and consumer goods, while economic trauma from the Covid-19 pandemic still held back economies as inflation hit many economies seriously, such as the US economy faced the highest inflation in 40 years. The International Monetary Fund (IMF) has projected that the inflation rate for developed economies will increase from 3.1% in 2021 to 7.2% in 2022. The United States from 4.7% to 8.1%, the United Kingdom from 2.6% to 9.1%, and the EU from 9.5% to 27.8%, respectively.

Regional and neighboring countries to Lao PDR also have a relatively increasing inflation trend. According to the projection of the IMF, inflation for the Asian region will increase from 2.1% in 2021 to 3.8% in 2022. China from 0.9% to 2.2%, Vietnam from 1.8% to 3.8%, and Thailand from 2.1% to 6.3%. At the same time, the average oil price in the world market has increased from \$70.68 per barrel in 2021 to \$116.8 per barrel in 2022 (June).

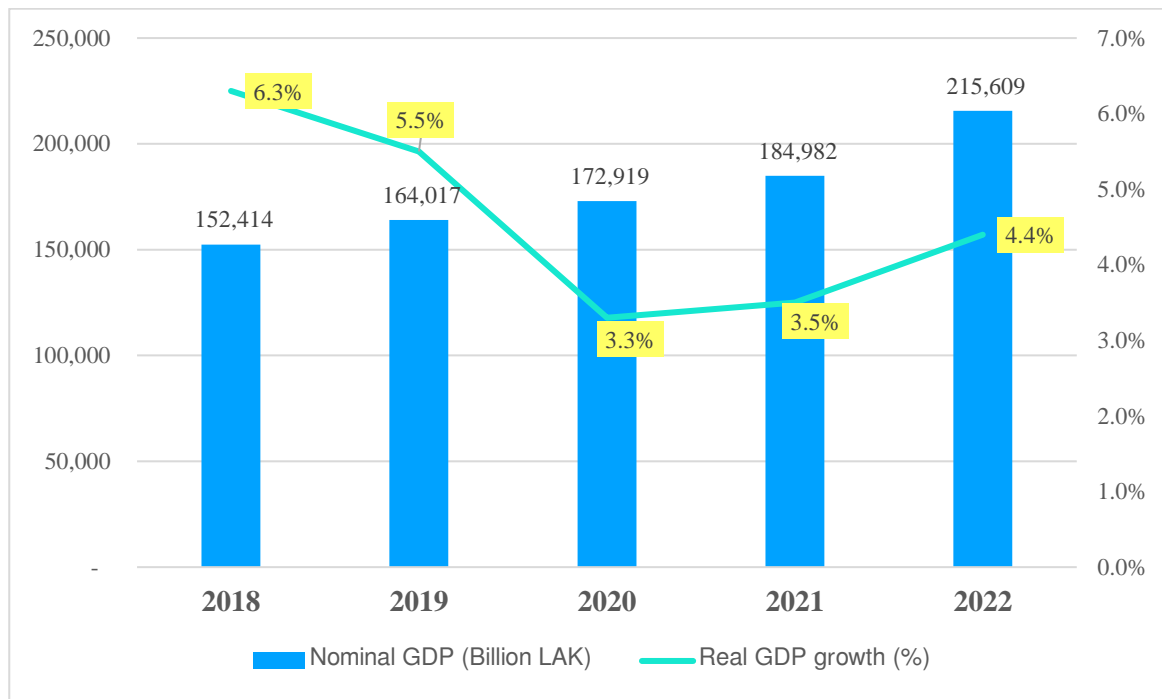
The trend of the inflation rate of the Lao PDR in 2022 continued to increase from the beginning of the year from a single-digit level of 6.3% in January to a double-digit level of 23% in May, and the average for the whole year of 2022 is at the level of 23% (2021 was 3.8%). When compared to last year, the category with the highest inflation rate is the transportation sector at 41.3%, followed by the pharmaceutical sector at 27.6%, the food sector at 22%, the restaurant and hotel sector at 18.8%, and the consumer goods category increased by 18.7% respectively.

Lao economy in 2022 had a similar trend to the global and regional economies. The above-mentioned problems affected the GDP growth rate in Lao PDR to remain at an average of 4.4%. Considering the opportunity from an increasing world demand trend shift to the Asian region. China's trade liberalization fosters purchasing power on Laos' goods and services. Additionally, the Lao-China railway will also enhance the tourism sector. The economic growth is divided into three components as follows:

- Agriculture sector: expected to grow by 3.4% due to the growth in production by 2.9%, especially the growth in agricultural products for industrial inputs, which is in line with the national agenda on exporting.
- Industry sector: The industry will expand by 4.9%, and energy is expected to grow by 5.1% (as five new hydropower plants will be in operation);
- Service sector: projected to grow by 4.8%, transportation by 17.8%, accommodation service by 17.2%, and wholesaler and retailer by 4.1%.
- Tax and duty: expected to grow by 3.2%.

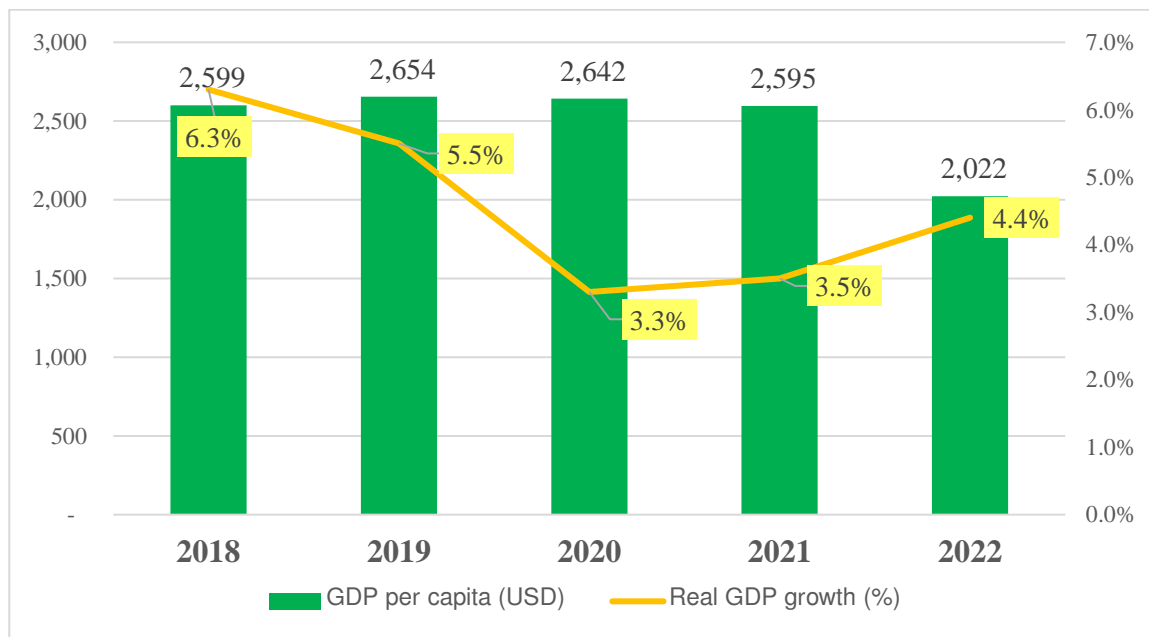
Gross Domestic Product (GDP) increased from 184,982 billion LAK to 215,609.39 billion LAK. The average GDP per population is 2,050 USD.

**Figure 1: Real GDP growth (Percent) and Nominal GDP (Billion LAK)**



Source: Fiscal Policy Department, Ministry of Finance.

**Figure 2: GDP per capita (USD)**



Source: Fiscal Policy Department, Ministry of Finance



## II. Budget plan execution in 2022

The implementation of the 2022 state budget plan has been carried out in the context of continuing to solve long-term accumulated economic-fiscal difficulties, the problem of public debt, which is under considerable pressure, and the long-lasting epidemic situation of the COVID-19 disease, combined with the complicated regional and international conditions, causing energy prices, prices of goods-services and inflation in countries with growing economies to rise to a high level in decades, which had a direct and indirect impact on the economic-social development plan and state budget plan. However, based on the potential and opportunity in implementing the state budget plan related to implementing the national agenda of solving economic-fiscal difficulties. At the same time, the government formulated and implemented many policies as a tool to support the implementation of the state budget plan by mobilizing all the potential of the society to participate, including Decree No. 18/PM on increasing the anti-leakage of state budget revenue, Decree No. 599/Gov on state vehicles, Decree No. 205/Gov on savings and anti-extravagant and others which the Ministry of Finance has expanded to more than 16 Legislation under the law, programs, projects and detailed activities to implement measures to manage the collection of revenue and expenditure of the state budget As defined in the resolution of the National Assembly, the state budget plan for 2022 includes:

1. The total budget plan (excluding revenue from asset sales and the on-lending capital return) is approximately 30,626.49 billion LAK compared to the implementation of 2021, an increase of 12.69%, which includes
  - Domestic revenue plan of 28,166.49 billion LAK (excluding income from the sale of assets and on-lending capital return): compared to the implementation of 2021, an increase of 20%;
  - Revenue from grants: 2,460 billion LAK compared to 2021, a decrease of 0.82%;
2. The total expenditure plan for 2022 is approximately 34,691.39 billion LAK, compared to 2021, an increase of 17.57%;
3. The budget plan for 2022 is still a deficit plan of 4,064.89 billion LAK, or about 2.1% of GDP.

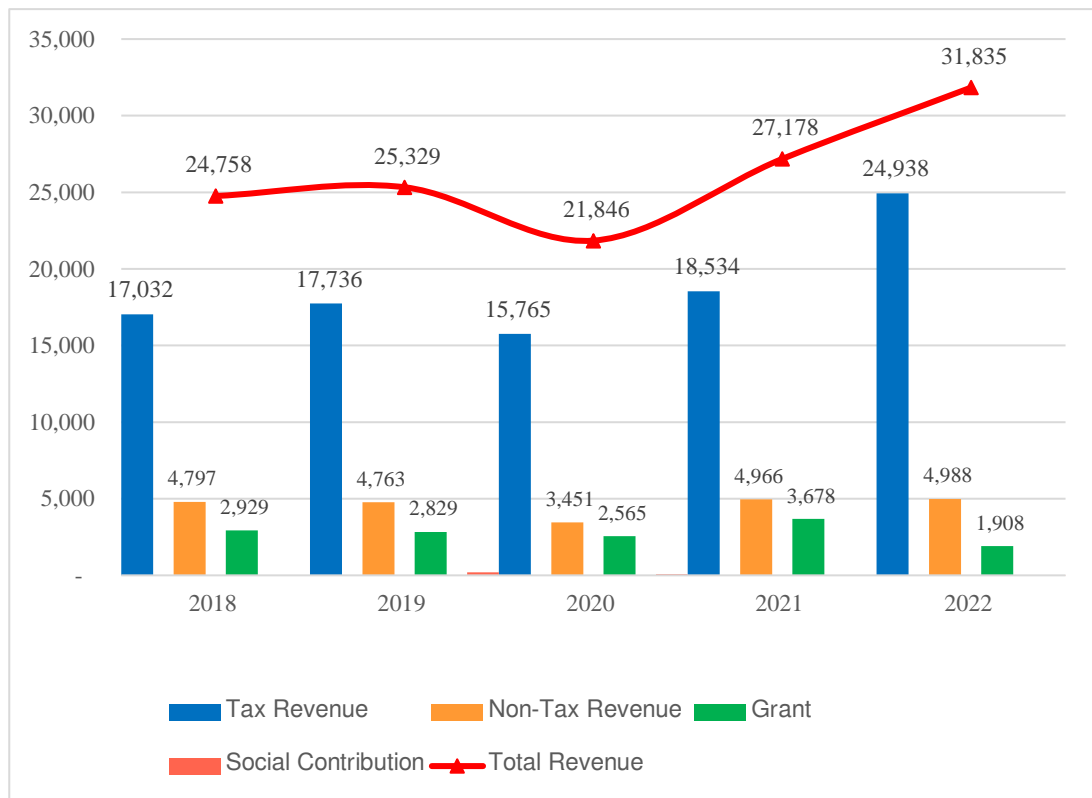
### 2.1. Overall situation of implementing the state budget plan

The Ministry of Finance has focused on expanding the tax revenue base, such as (1) Promoting business entities to enter the TaxRIS system to facilitate the collection of data and revenue from unregistered business entities to the system; (2) Reducing leakages from revenue collection, (3) Modernizing and connecting system with businesses and related sectors of the public sector which will increase revenue; (4) Enhancing the division of

revenue management between the central and local levels to reduce the financing from the central level gradually.

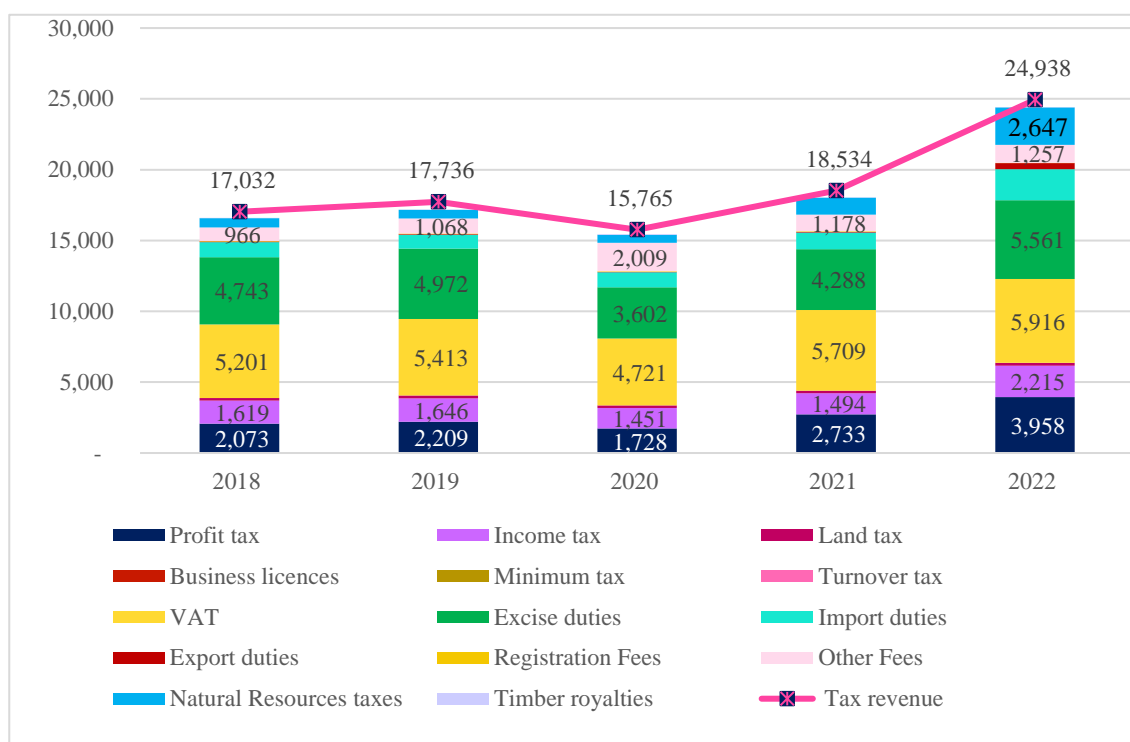
By implementing these measures, the revenue increases as follows: the **total revenue in 2022** will reach 31,835 billion LAK, accounting for 103.9% of the revised plan or 14.8% of GDP and an increase of 17.1% compared to 2021. **Domestic revenue** (excluding asset sales and capital return) is 29,926 billion LAK, accounting for 106.2% of the annual plan or account for 13.9% of GDP and an increase of 24.7% compared to 2021; **Grants** is 1,908 billion LAK, equivalent to 77.6% of the plan or account for 0.9% of GDP and decreased by 48.1% compared to 2021 and income from **social contributions** amounting to 108 million LAK.

**Figure 3:** Implementation of total revenue from 2018-2022 (unit: billion LAK)



Source: Fiscal Policy Department, Ministry of Finance.

**Figure 4: Tax revenue collection from 2018-2022 (unit: billion LAK)**



Source: Fiscal Policy Department, Ministry of Finance.

➤ Details of income from taxes are as follows:

### 2.1.1. Tax Revenue

#### 1. Profit tax

A profit tax is a direct tax collected from domestic and foreign company profits. Profit tax was the third main revenue from taxes in 2022 after value-added and excise taxes. The profit tax revenue in 2022 was achieved by 3,985 billion LAK, which is 153.2% of the annual plan or accounts for 1.6% of GDP compared to 2021, an increase of 54.8% (Table 1).

**Table 1: Profit tax collection in the past period (unit: billion LAK)**

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
Profit tax	1,728	-21.8%	2,733	58.2%	3,985	45.8%
Ratio to tax revenue	11.0%	-	15.6%	-	16.0%	-

Source: Fiscal Policy Department, Ministry of Finance.

## 2. Income tax

Income tax is a direct tax collected from the income of individuals and enterprises in the Lao PDR. Income tax is among the most critical tax revenue, ranked fifth after natural resource tax. In 2022, income tax reached 2,215 billion LAK, accounting for 106% of the annual plan or 1% of GDP, compared to 2021, an increase of 46.1% (Table 2).

**Table 2:** Revenue collection from income tax in the past period (unit: billion LAK)

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
Income tax	1,451	-11.8%	1,494	2.9%	2,215	46.1%
Ratio to tax revenue	9.2%		8.5%		8.9%	

Source: Fiscal Policy Department, Ministry of Finance.

## 3. Value-added tax

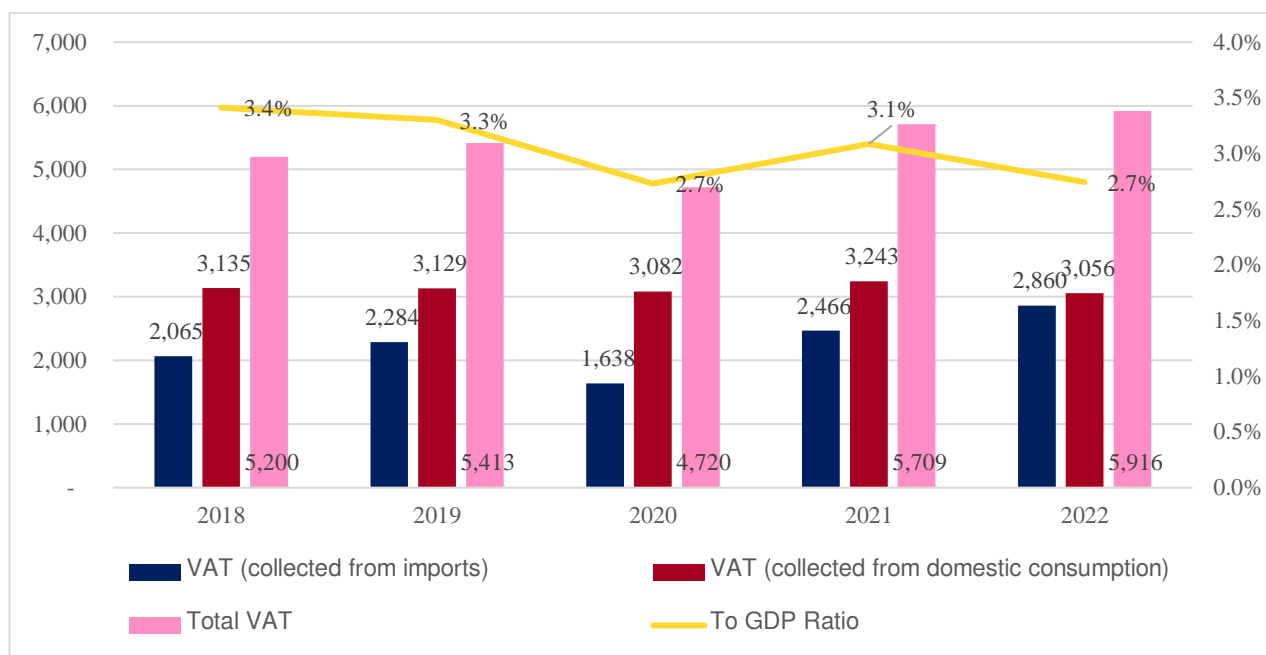
Value-added tax is an indirect tax collected from the consumption of goods and services in the Lao PDR at a rate of 7%. In 2022, the value-added tax was 5,916 billion LAK, accounting for 93.3% of the annual plan and 2.7% of GDP, compared to 2021, an increase of 3.6%.

**Table 3:** Collection of VAT revenue in the past period (unit: billion LAK)

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
1. Import VAT	1,638	-28.3%	2,466	50.5%	2,860	16.0%
2. Domestic VAT	3,082	-1.5%	3,243	5.2%	3,056	-5.8%
<b>Total VAT (1+2)</b>	4,720	<b>-12.8%</b>	<b>5,709</b>	<b>21.0%</b>	<b>5,916</b>	<b>3.6%</b>
Ratio to tax revenue	29.9%		32.6%		23.7%	

Source: Fiscal Policy Department, Ministry of Finance.

**Figure 5: trend of value-added tax (Billion LAK)**



Source: Financial Policy Department, Ministry of Finance

#### 4. Excise duties

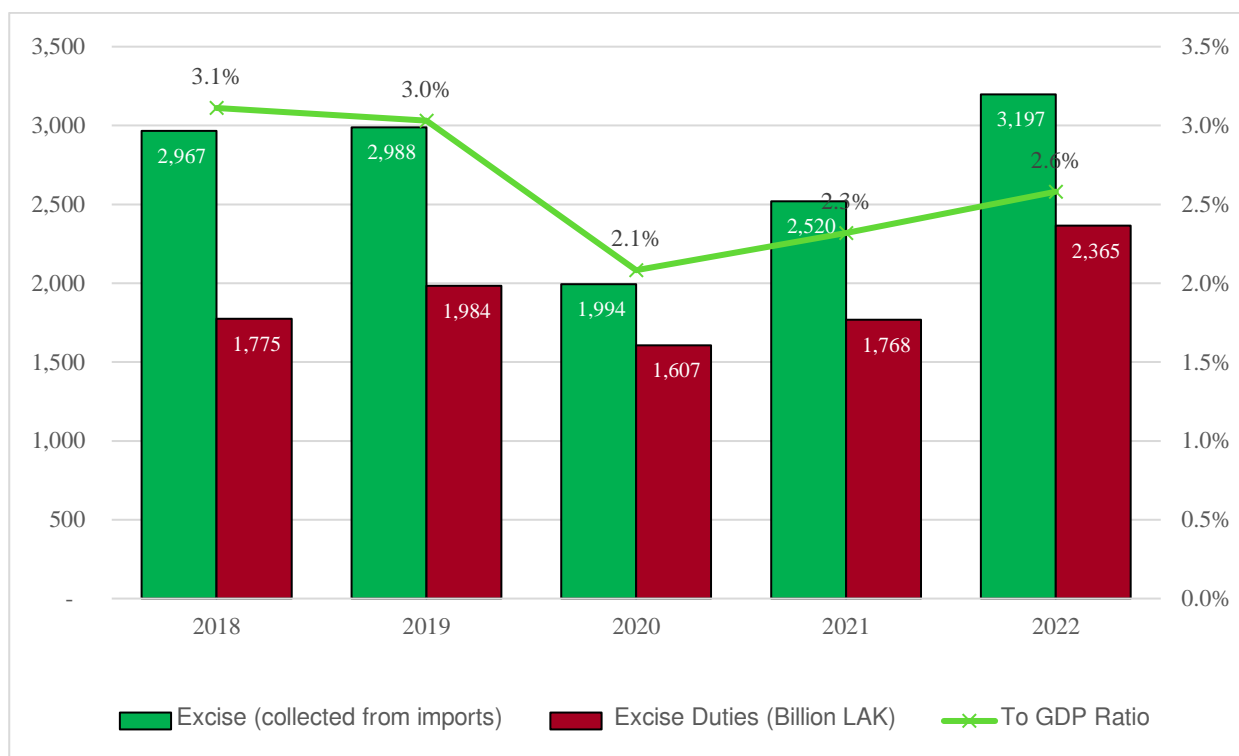
Excise duties are indirect taxes collected from certain goods and services, such as vehicles, fuel, alcohol, beer, etc., with different tax rates for each product type. There is a collection rate from 3% to 90%. Income from excise duties ranks second in tax revenue. Excise duties collection in 2022 was 5,561 billion LAK, accounting for 97.5% of the annual plan or 2.6% of GDP compared to 2021, an increase of 29.7% (Table 4, Figure 6).

**Table 4: Collection of excise duties revenue in the past period (unit: billion LAK)**

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
1. Import excise duty	1,994	-33.3%	2,520	26.4%	3,197	33.5%
2. Domestic excise duty	1,607	-19.0%	1,768	10.0%	2,365	87.6%
<b>Total Excise duties (1+2)</b>	<b>3,601</b>	<b>-27.6%</b>	<b>4,288</b>	<b>19.1%</b>	5,561	<b>55.8%</b>
Excise duties to tax revenue ratio	22.8%		24.5%		22.3%	

Source: Fiscal Policy Department, Ministry of Finance.

**Figure 6:** The implementation of excise duties in the past period (unit: billion LAK)



Source: Fiscal Policy Department, Ministry of Finance.

## 5. Import duties

The revenue from import duties has increased compared to last year due to the high demand for imports and the increasing price of goods in the world market. Revenue from import duties in 2022 was 2,207 billion LAK, accounting for 404.3% of the annual plan or 1% of GDP, and increased compared to 2021. Income from import duties compared to tax revenue is seen to increase from 6.4% in 2021 to 8.8% in 2022 (Table 5).

**Table 5:** Collection of income from import tax in the past period (unit: billion LAK)

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
Import duties	1,070	10.7%	1,182	10.5%	2,207	86.7%
Tax revenue	15,765		18,534		24,938	
Import duties to Tax revenue ratio	6.8%		6.4%		8.8%	

Source: Fiscal Policy Department, Ministry of Finance

## 6. Export duties

Income from export duties increased from 23 billion LAK in 2021 to 415 billion LAK in 2022, accounting for 839.8% of the annual plan (Table 6)

**Table 6:** Collection of income from export tax in the past period (unit: billion LAK)

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
Export duties	15	-67%	23	58.0%	414	1.769%
Tax revenue	15,765		18,534		24,938	
Export duties to Tax revenue ratio	0.1%		0.1%		1.7%	

Source: Fiscal Policy Department, Ministry of Finance.

### 2.1.2. Non-tax Revenue

Non-tax income accounted for about 17-22% of domestic income, including leasing fees, concessions, fines, administration fees, depreciation and dividends, interest, overflight rights, funds, and others.

In 2022, the non-tax income was 4,988 billion LAK, an increase of 0.5% compared to last year, accounting for 101.1% of the plan or 2.3% of GDP. Land tax and concession increased, but depreciation, dividends, and others decreased significantly compared to last year (Table 7 and Figure 7).

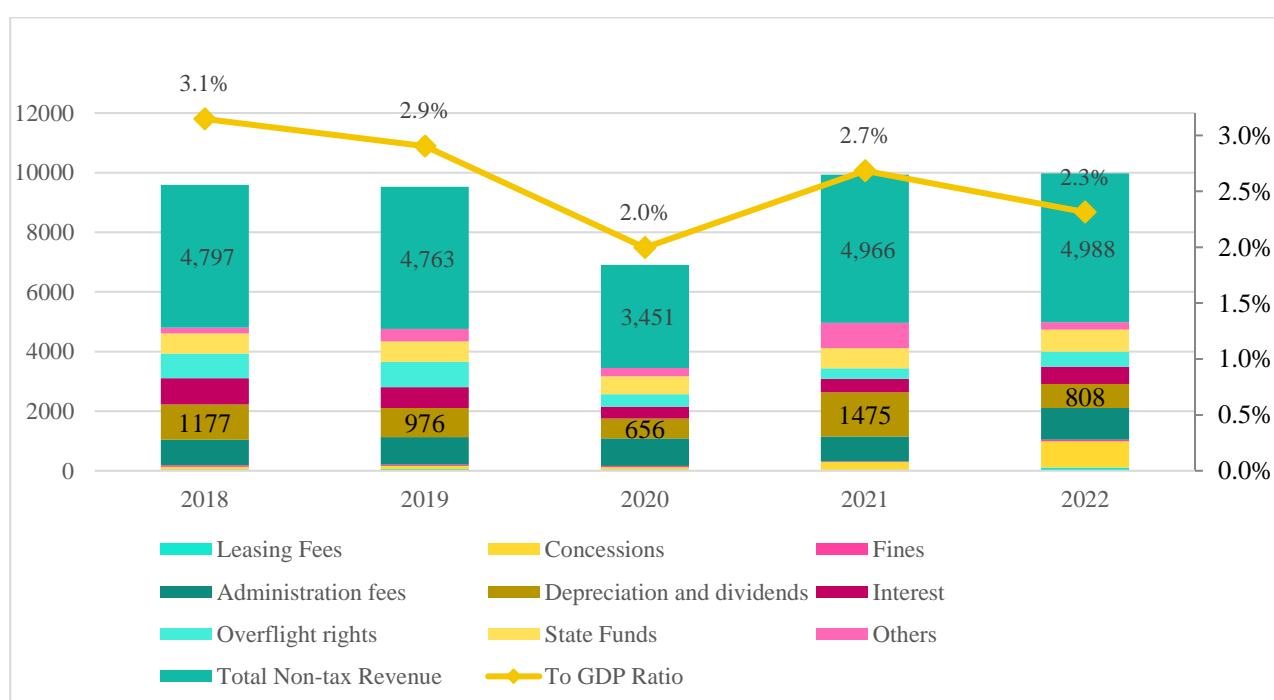
**Table 7:** Non-Tax Revenue (Unit: billion LAK).

Billion LAK	2020		2021		2022	
	Amount	Increase (%)	Amount	Increase (%)	Amount	Increase (%)
1. Land Tax	45	-18.0%	39	-12.8%	106	170.7%
2. Concession	80	-30.3%	252	216.1%	884	250.5%
3. Fines	36	3.9%	25	-31.9%	51	107.6%

4. Administration Fees	932	0.6%	838	-10.0%	1,065	27.1%
5. Depreciation and Dividends	656	-32.8%	1,485	126.4%	808	-45.2%
6. interest	402	-42.7%	457	13.5%	582	22.5%
7. Overflight right	413	-50.9%	357	-13.6%	501	40.1%
8. State capital	608	-11.3%	673	10.6%	737	9.6%
9. Others	279	-34.8%	821	205.1%	255	-69.9%
<b>Total Non – Tax Revenue</b>	<b>3,451</b>	<b>-27.6%</b>	<b>4,966</b>	<b>43.9%</b>	<b>4,988</b>	<b>0.5%</b>
<b>Total domestic revenue</b>	<b>19,216</b>		<b>23,499</b>		<b>29,926</b>	
To total domestic revenue ratio (%)	18.0%		21.1%		16.7%	

Source: Fiscal Policy Department, Ministry of Finance.

**Figure 7:** Collection of Non–Tax Revenue from 2018 – 2022.



Source: Fiscal Policy Department, Ministry of Finance.



### 2.1.3 Grants

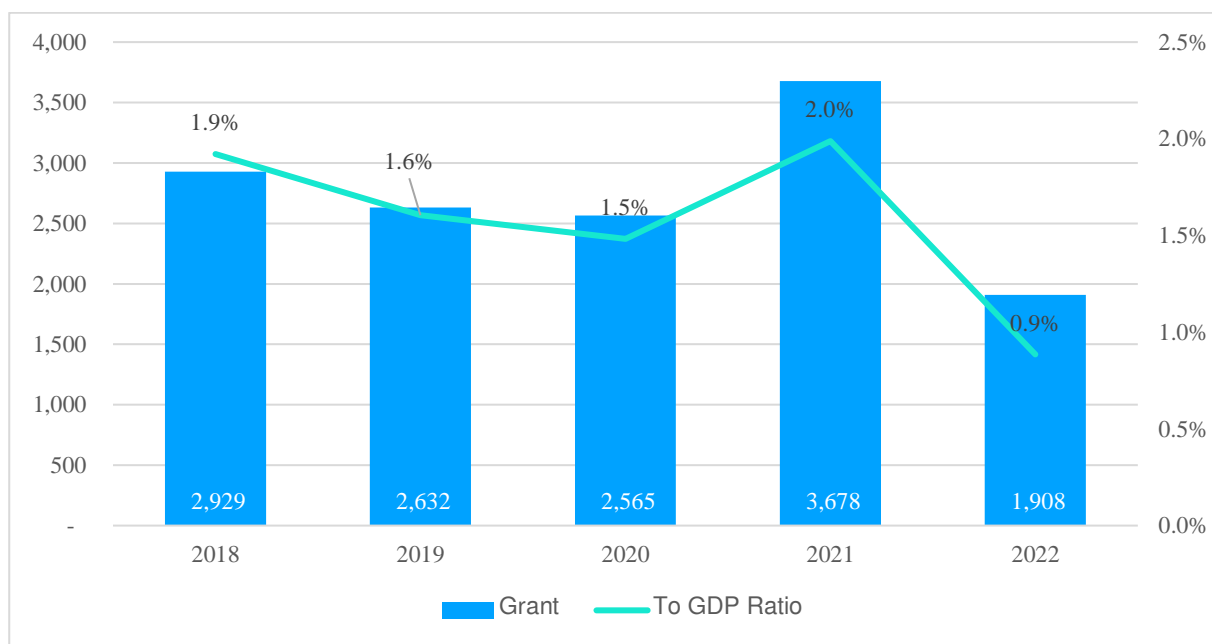
Grant in 2022 accounted for 1,908 billion LAK, 77.6 % of the plan or 0.9% of GDP, which decreased by 48.1 % compared to 2021 (Table 8 and Figure 8).

**Table 8:** Grants revenue in the last five years (Billion LAK)

Billion LAK	2018	2019	2020	2021	2022
Total grants revenue	2,929	2,632	2,565	3,678	1,908
1. Project grants (under MOF)	681	711	841	725	708
2. Non-project grants (Under MPI)	1,927	1,736	1,724	2,468	1,201
3. Program grants	321	185	0	485	

Source: Fiscal Policy Department, Ministry of Finance.

**Figure 8:** Execution of grants revenue from 2018 - 2022



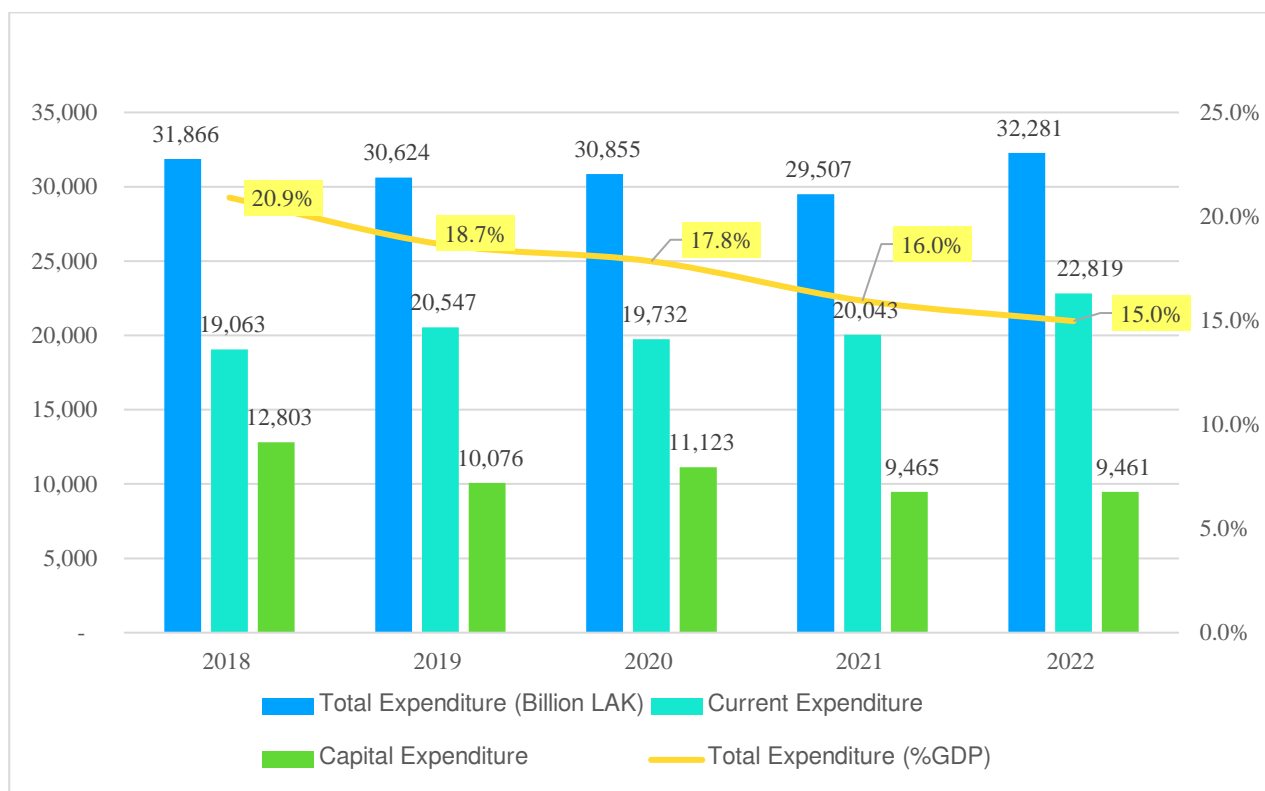
Source: Fiscal Policy Department, Ministry of Finance

### 2.2. Implementing state budget execution in 2022

The Ministry of Finance has focused on the contractionary fiscal policy, saving by arranging expenditure priorities, focusing on the most necessary expenditure, cutting unnecessary spending to increase the efficiency of expenditure by the decree of saving and anti-extravagance, as well as increasing the post-payment inspection work at the central and local levels to limit the violation of financial discipline and continue to review budget units that have technical revenue and qualified funds to turn into self-reliance for some expenditure categories to reduce the burden on the state budget.

Total state budget execution in 2022 accounted for 32,281 billion LAK, accounting for 93.05% of the plan or 15% of GDP, which increased by 9.4% compared to 2021. We can see that GDP had decreased from 18.7% of GDP in 2019, 17.8% in 2020, 16.0% in 2021, and 15.0% in 2022. The government continued to use contractionary fiscal policy, saving, and anti-extravagance by reducing unnecessary expenditures and focusing on decreasing the budget deficit every year to reduce budget expenditure compared with GDP year by year (Figure 9).

**Figure 9: State budget expenditure execution**

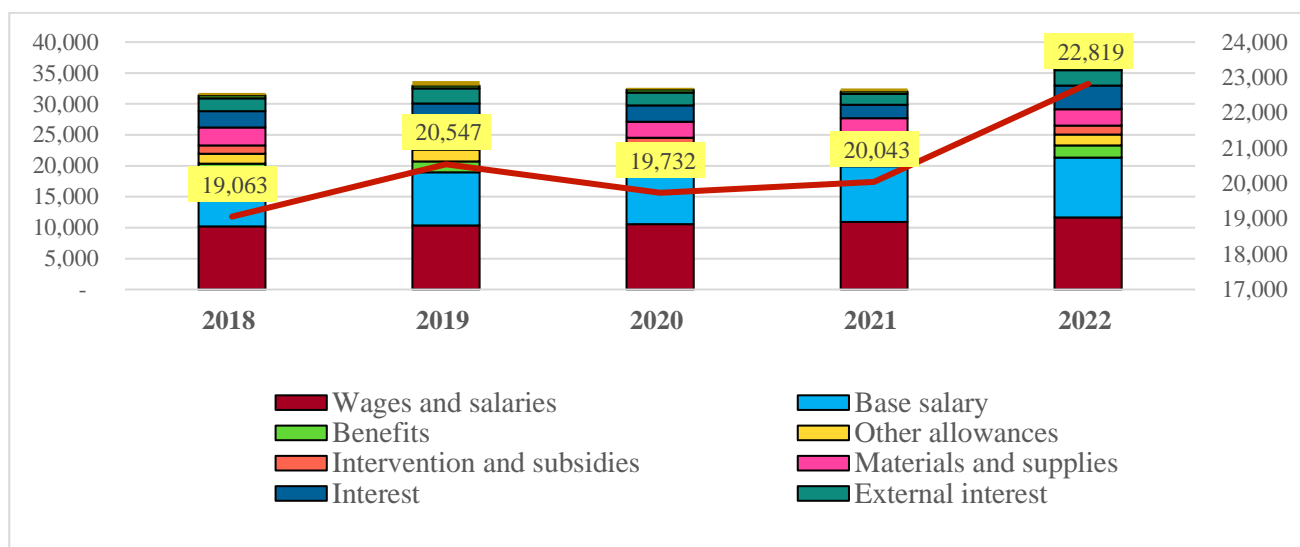


Source: Fiscal Policy Department, Ministry of Finance

### 2.2.1. Current expenditure

In 2022, current expenditure accounted for 22,819 billion LAK, account for 95.1% of the plan, and covered 70.7% of total expenditure or performance for 10.6% of GDP compared with the last year's increase of 13.9%, which included wages and salaries that stood at 11,648 billion LAK or 101.3% of the plan, which increased by 6.4% compared to the last year; other allowances accounted for 1,764 billion LAK, account for 96.9% of the plan, decreased by 1.8% compared to the previous year; intervention and subsidies accounted for 1,457 billion LAK or 99.8% of annual the plan, decreased by 5% compared to the previous year. At the same time, materials and supplies accounted for 2,648 billion LAK or 100.9% of the annual plan, which increased by 6.2% compared to the last year; interest accounted for 3,806 billion LAK, which equals 67.1% of the plan, which increased 76% compared to the previous year (Table 9, Figure 10)

**Figure 10:** trend of current expenditure (Billion LAK)



Source: Fiscal Policy Department, Ministry of Finance.

**Table 9:** The Execution of Current Expenditure 2022 (Billion LAK).

	2022 (billion dollars)	to plan (%)	Annual changes (%)
1. Wages and salaries (1) +(2)	11,648	101.3%	6.4%
Salary (1)	9,707	104.4%	8.2%
Benefits (2)	1,941	88.2%	-1.7%
2. Other allowances	1,764	96.9%	-1.8%
3. Intervention & subsidies	1,457	99.8%	-5.0%
4. Materials and supplies	2,648	100.9%	6.2%
5. Interest (External and Domestic)	3,806	67.1%	76.0%
External	2,492	59.8%	41.5%
Domestic	1,314	87.6%	227.5%
6. Others	590	107.3%	29.3%
<b>Total current expenditure</b>	<b>22,819</b>		<b>13.9%</b>

Source: Fiscal Policy Department, Ministry of Finance.

## 2.2.2. Capital expenditure

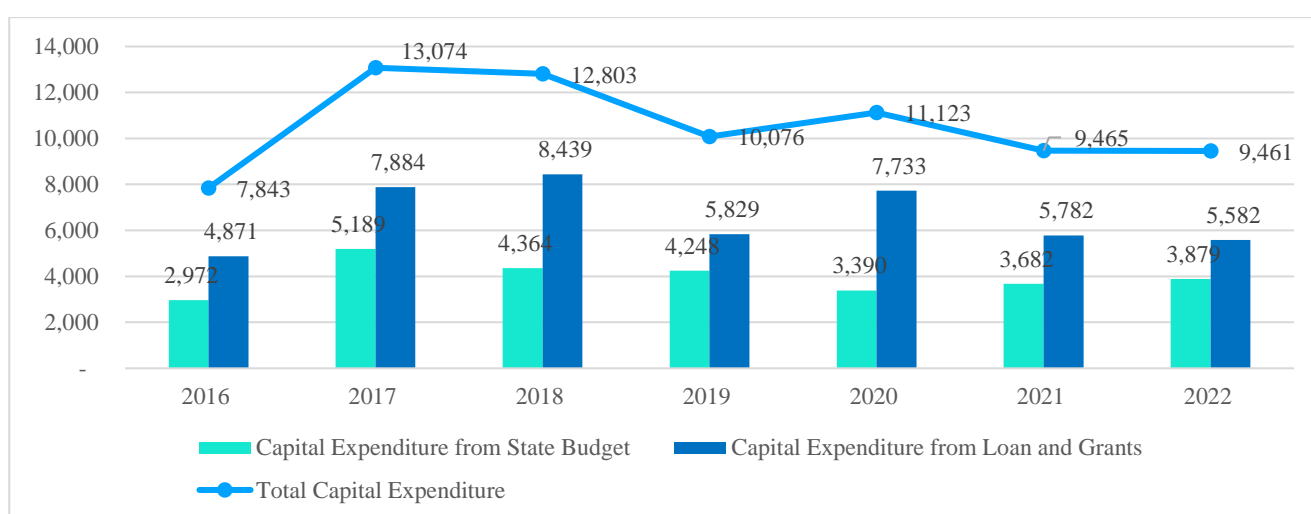
Capital expenditure execution in 2022 accounted for 9,461 billion LAK, accounting for 88.4% of the plan, covered 29.3% of total expenditure or accounted for 4.4% of GDP, slightly decreased by about 0.03% compared to 2021; capital expenditure from the state budget (domestic capital) accounted for 3,879 billion LAK, account for 98.2% of the annual plan, increased by 5.3% compared to last year. Capital expenditure from loans and grants accounted for 5,582 billion LAK, or 82.7% of the plan, which decreased by 3.5% compared to the previous year (Table 10 and Figure 11).

**Table 10:** State capital expenditure execution in 2022 (billion LAK)

	2022 (billion LAK)	to plan (%)	Annual changes (%)
<b>1. Local Finance</b>	<b>3,879</b>	<b>88.4%</b>	<b>5.3%</b>
<b>2. Foreign Finance</b>	<b>5,582</b>	<b>82.7%</b>	<b>-3.5%</b>
- Project loans (under MOF)	3,674	85.6%	41.9%
- Project grants (under MOF)	708	104.4%	-2.4%
- Non – project grants (under MPI)	1,201	67.4%	-51.4%
<b>Total capital expenditure</b>	<b>9,461</b>	<b>90.6%</b>	<b>-0.03%</b>

Source: Fiscal Policy Department, Ministry of Finance.

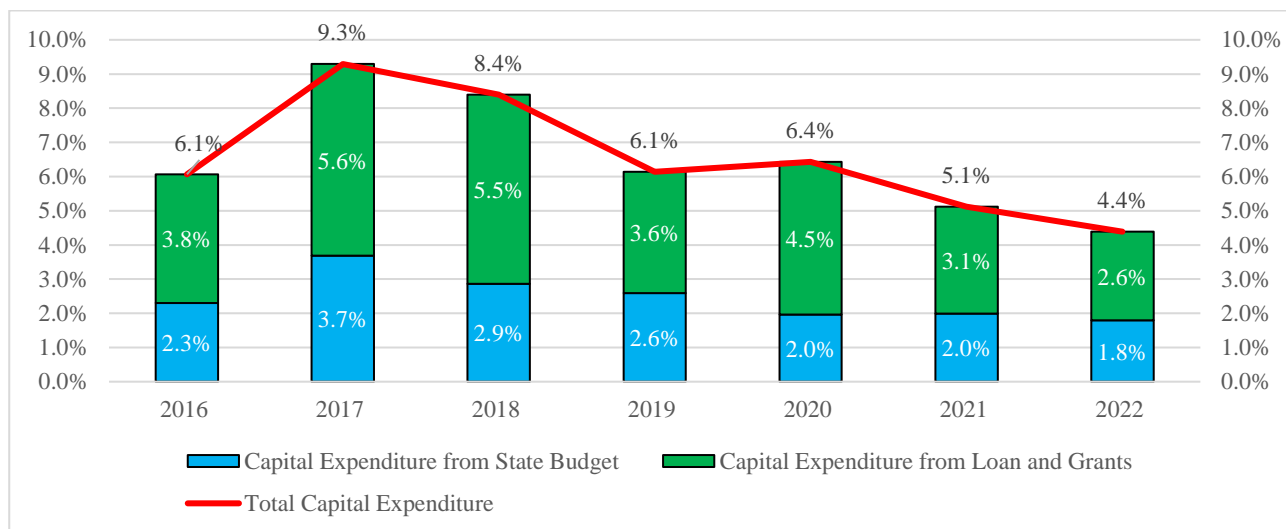
**Figure 11:** trend of capital expenditure (billion LAK)



Source: Fiscal Policy Department, Ministry of Finance.

Capital expenditure of the state budget compared with GDP slowly decreased from 2017 at 9.3% of GDP and continued to drop from then; in 2022, it fell by 4.4% compared with GDP, including capital expenditure of the state budget covered 1.8% of GDP, capital expenditure of loans and grants from external covered 2.6% of GDP (Figure 12).

**Figure 12:** Capital expenditure of state budget (% GDP)



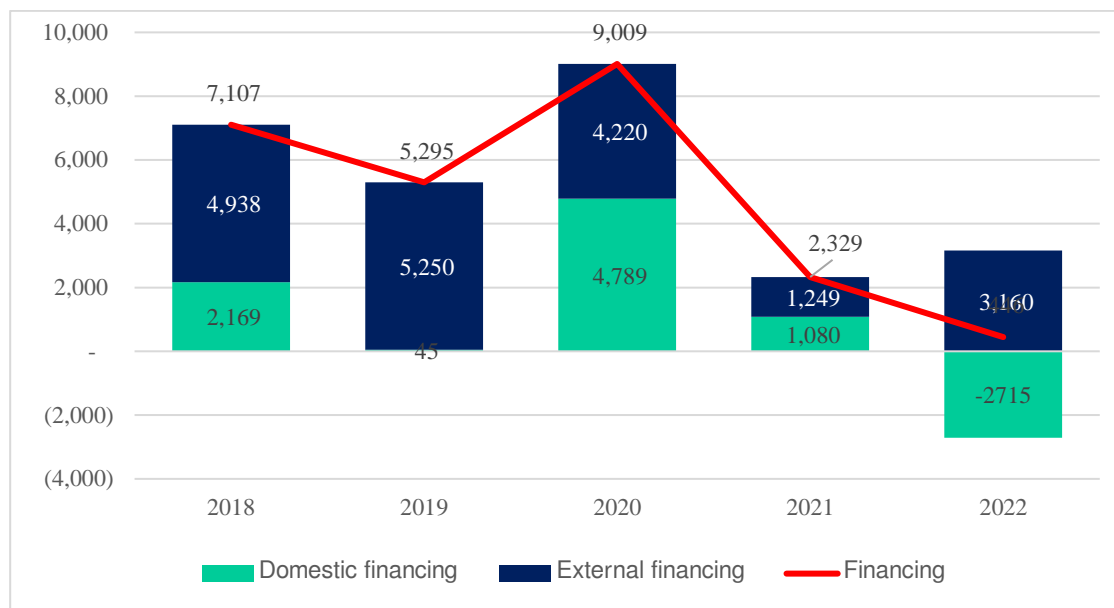
Source: Fiscal Policy Department, Ministry of Finance

## 2.3 Financing

The government has started using contractionary fiscal policy in the last 4-5 years by implementing measures and policies to encourage the policy of reducing state budget expenditures, which led to a decrease in the budget deficit. Other than this, external shocks affect the Lao economy. The inflation rate and public debt tend to rise, especially fuel prices. Therefore, the government has limited the budget deficit to secure the fiscal space and handle the economic crisis in 2022. Hence, the budget deficit decreased from 1.3% of GDP in 2021 to 0.2% of GDP in 2022, which equals 446 billion LAK, and the debt was financed by both domestic and foreign financing as follows:

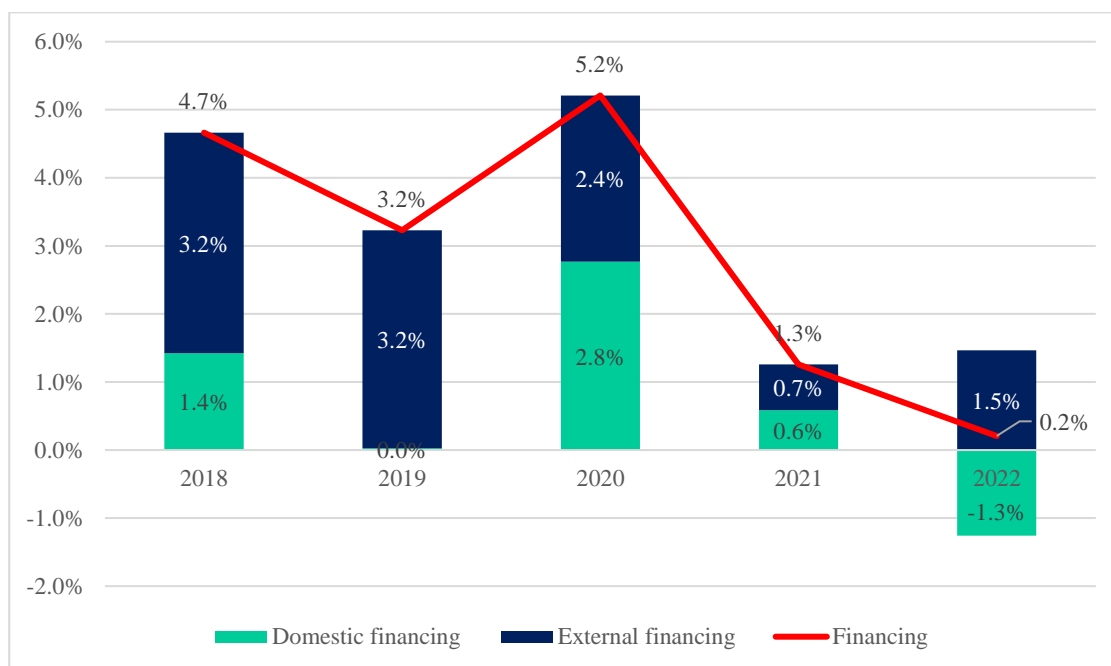
- **Domestic financing:** Treasury bill (issue), Government deposit (deposit transaction), Sale of state assets, Government bonds (repayment), and others. **The net total domestic financing accounted for -2,715 billion LAK, 1.3 % of GDP.**
- **Foreign financing (net):** Foreign loans (Project loans amounted to 3,674 billion LAK minus amortization (repayment) amounted to 5,254 billion LAK); the loans for balancing amounted to 2,588 billion LAK, received from a collection of on-lending capital return accounted for 554 billion LAK. **The total net foreign financing stood at 3,160 billion LAK, accounting for 1.5% of GDP (Figures 13 and 14).**

**Figure 13: trend of financing sources (Billion LAK)**



Source: Fiscal Policy Department, Ministry of Finance

**Figure 14: trend of financing sources (Billion LAK)**



Source: Fiscal Policy Department, Ministry of Finance

### III. State budget plan 2023

The state budget plan 2023 aims to solve the economic difficulties accumulated for a long time, particularly the public debt level. Additionally, global economic uncertainty, such as energy prices, prices of goods and services, and inflation, continue to fluctuate along with the effects of the spread of the COVID-19 disease. Therefore, the Ministry of Finance has determined the direction and target of the state budget as follows:

### 3.1. Direction of Budget Plan 2023

1. Striving to ensure the solution of the economic and financial difficulties, to achieve the goals set by 2023, this is to ensure the strength and increase of the income of the state budget, to implement the State Budget with Savings and Anti-extravagance Decree No. 205/GOV. Bearing to build and strengthen the state's economy to increase, to avoid falling into the economic crisis, and to improve the credibility of the Lao PDR.
2. Ensure that the government collects revenue from the current base in a complete, accurate, and transparent manner; all sectors, both central and local, must be responsible for the exploitation of all the resources contributing to the budget, not allowing the collection of revenue to be spent outside of the budget system;
3. The state budget expenditure is guaranteed according to the direction of Savings and Anti-extravagance by Decree No. 205/GOV. In this way, it ensures the improvement of the living conditions of civil servants, military-police, pensioners, and the disadvantaged, anti-extravagance in all forms for government administrative expenses, suspending new government investments and ineffective projects, ensuring accumulation through savings, maintaining internal revenue to support the government's necessary costs and payments. And to reduce public debt and new borrowing;
4. To ensure the stability of public debt management, enforce the government so that the country does not fall into solvency. The new form of public debt restructuring from now until 2027 and after 2027 until 2035 will be a detailed plan with income to support the repayment of debt obligations;
5. To ensure the creation of a new revenue base to make regular revenue within the internal expenditure group and to have a certain amount left over to support the payment of the public debt by using various mechanisms to exploit the potential of some areas, such as hydropower plants, mineral projects, and others;
6. To ensure the strengthening of the budget according to the three directions by creating the province as a financial strategic unit, the district as a comprehensively strong financial unit, and the village as a financial development unit, the Ministry of Finance will give several business units located in the province to the responsibility of the province to try to increase the local income, reduce the balance from central government, move towards to self-sufficiency and surplus, especially from 3 provinces (Vientiane, Xaysomboun and Champasak) and five more provinces in 2023 (Luang Prabang, Savannakhet, Khammouan, Borikhamxay and Attaphu) in total as eight provinces, and the other ten remaining provinces will continue to research for potential in the next year.

### 3.2. Expected State Budget Plan 2023

1. **Revenue:** expected total revenue (including grants revenue, but excluding the sale of state assets and on-lending capital return) will be 37,823 billion LAK or 16.2% of GDP, an increase of 23.5% compared to the plan of 2022, which includes:
  - 1). Domestic revenue plan is projected at 34,273 billion LAK, which will cover 14.6% of GDP and rise by 21.7% compared to 2022. The domestic revenue includes:
    - Tax revenue: 19,425 billion LAK.
    - Non-tax revenue: 4,847 billion LAK.
  - 2). Grants revenue plan is projected at 3,550 billion LAK, which will cover 9.4% of total revenue, account for 1.5% of GDP, and rise by 44.3% compared to 2022.
2. **Expenditure:** The expected total expenditure plan will be 43,498 billion LAK, which equals 18.6% of GDP, an increase of 25.4% compared to 2022.
  - Current expenditure plan: 29,030 billion LAK;
  - Capital expenditure plan: 14,468 billion LAK.
3. **Balancing:** According to the expected total revenues of 37,823 billion LAK and the expected total expenditures of 43,498 billion LAK, the budget deficit is projected to account for 5,675 billion LAK or 2.4% of GDP (the GDP of 234,160 billion LAK).

To ensure the success of the 2023 budget plan implementation, the Ministry of Finance will focus on continuing to implement existing measures and adding several new measures, such as:

1. Focus on organizing and expanding the national agenda on solving economic-financial problems, especially Decree No. 18/PM, dated September 16, 2021, on increasing management and combating budget revenue leakage;
2. Modernize revenue collection nationwide to ensure that revenue collection is centralized, complete, accurate, and monitorable;
3. Continue to improve the land tax and toll collection management system by the actual conditions and conditions of the country to be able to support electronic payments along with revenue collection in the form of the service box of the bank, treasury, and village finance (head of village) and implement the payment policy according to regulations;
4. Focus on gathering information and exploiting potential sources of income, especially in the energy and mining sectors, service and tourism sectors, strategic business units, and special economic zones, as well as continuing to facilitate business units that are licensed to export minerals, crypto mining business units, and crypto trading centers as a complete system to deliver revenue to the budget according to the agreement with the government;
5. Coordinate with relevant parties to research favorable policies for the tourism sector by taking the opportunity that Lao PDR ranks first among the 25 tourist destinations in the world and one



of the most attractive ASEAN countries to promote tourism as a basis for revenue collection in the budget;

6. Increase inspection, preventing, and limiting tax evasion inside and outside border customs, small trades, including monitoring, inspecting, and managing the import-export of goods in the detailed tax declaration must be paid through the banking system according to Notification No. 2482/MOF, dated August 24, 2022, and No. 1974/MOF, dated July 1, 2022, to manage foreign currency;
7. Continue to carry out the reform of the state enterprises that are on target to complete;
8. Focusing on implementing the policy of saving and anti-abuse of the state budget by Decree No. 205/GOV. And continue to implement Decree No. 599/PM, dated September 29, 2021, and Instruction No. 0393/MOF, dated February 4, 2022, to consolidate the list of state vehicles, adjust state vehicles, and attach stickers to government service vehicles and exceptional service vehicles;
9. Continue to research and improve the state budget expenditure management mechanism, especially approving and disbursing the budget through a modern system by assigning more responsibilities to the commander and implementing other measures to achieve the state budget plan 2023 approved by the National Assembly.