

Govt seeks increase in budget deficit

The government plans to enlarge the budget deficit amid worries that the move will put more pressure on the government to manage public debt.



Minister of Finance Mr Phouphet Khamphounvong.

Minister of Finance Mr Phouphet Khamphounvong last week asked the ongoing National Assembly session to consider and approve an increase in the budget deficit from 3.02 percent of GDP to 4.61 percent of GDP for this fiscal year.

The increased budget deficit will enable the government to spend an additional 1,100 billion kip on various projects, including about 400 billion kip for flood recovery efforts, about 70 billion kip for poverty reduction projects, and a further 100 billion to host the Asia-Europe Meeting Summit next November.

About 62 billion kip of the requested amount will be used to develop state-owned enterprises, 72 billion kip will be spent on government administration, and 24 billion kip is needed for the expansion of Wattay International Airport.

Under the proposed budget amendment, the government plans to generate income of 15,763 billion kip, accounting for 22.58 percent of GDP, but will spend 18,977 billion kip, accounting for 27.19 percent of GDP. The budget deficit would be about 3,213 billion kip.

Under the previous budget, which the National Assembly approved in June, the government planned to collect revenue of 15,726 billion kip and spend 17,831 billion kip.

Mr Phouphet said the increase in state revenue collection came from sales of SEA Games lottery tickets, Japanese aid, and the sale of electricity generated by the Nam Theun 2 dam, which were all added into this year's budget.

He said the proposed increase in expenditure was necessary because the government was faced with additional expenditure in the form of flood recovery efforts and preparations for the Asia-Europe Meeting Summit.

The National Assembly's Economic Commission Chairperson, Ms Souvanpheng Bhouphanouvong, said the proposed budget deficit was acceptable as it was still less than five percent of GDP as authorized by

The National Assembly approved the 7th Five-Year National Socio-Economic Development Plan in June 2011.

Economists say an increased budget deficit would put pressure on the government to manage public debt as Laos will have to mobilize funding from development partners or borrow money from banks and the public to ensure sufficient money flow.

They also say that a larger budget deficit will challenge the management of inflation. The government should boost productivity to ensure a sufficient flow of goods into the domestic market to curb inflation, they advised.

Economists also warned that the floods in Thailand will cause inflation because Laos imports most of its consumer goods from the neighboring country.

Over US\$ 94 million invested in Savan-Seno Special Economic Zone

The investment in the Savan-Seno Special Economic Zone has been valued at over US\$ 94 million, covering 27 projects.



A model of the Savan-Seno Special Economic Zone.

Head of the Provincial Administration Office of Savannakhet Mr. Bounyou Thammavong said that the number of the projects had been increased from 23 last year to 27 this year.

Over 60 ha of land has been awarded as land concessions to a number of companies and 76 families have been compensated for their loss of property in a consequence of the development of the industrial park with an amount of 2.4 billion kip.

Over the year of 2011, the authorities of Savannakhet had paid attention to implementing the development plan of the Savan-Seno Special Economic Zone including land reallocation, and resettlement of people who had been affected from the development and their compensation.

Realizing its strategic location in the region, Savannakhet province will further transforming itself into an international hub of transit transportation of goods and integration into the regional economy and attracting more investors.

Savannakhet plans to have 11 companies investing in the zone next year.

Lao Embassy, December 20, 2011