



Economic growth is set to continue despite recent financial difficulties.

--Photo Khamphanh

State employees lose monthly allowance

Times Reporters

The government has announced it will suspend the 760,000 kip monthly living allowance paid to state employees this fiscal year but will push forward with previously promised salary increases.

Prime Minister Thongsing Thammavong announced the measure last week at a meeting with leading officials of central-level organisations and Vientiane authorities.

High-ranking officials will also lose the allowance but retired and disabled officials will continue to receive the payment, according to the Finance Ministry.

The allowance cut, which is far bigger than the pledged increase to state salaries, comes amid budget tensions that have seen delayed salary payments to state employees in recent months. At last week's meeting Mr Thongsing promised payments would be on time from this December, according to the Vientiane Business-Social newspaper. The Finance Ministry said the budget problems were caused by lower-than-targeted tax collection coupled with an enormous 140 percent increase in state allowance and salary payments last fiscal year.

The government began disbursing the 760,000 kip living allowance last fiscal year. During the 2012-13 fiscal year, which ran from October to September, the government spent almost 3,000 billion kip

on allowances paid to state employees.

Initial estimates from the Finance Ministry indicate about 1,000 billion kip could be saved through the allowance cuts.

This fiscal year the government will increase the salary index for state employees from 4,800 kip per index level to 6,700 kip under Prime Ministerial Decree No 221, which pledged salary increases for state employees for three consecutive years.

Prime Minister Thongsing told last week's meeting the new Prime Ministerial Decree No 241 had been issued, stipulating the allowance cuts and salary increase, following approval at last month's open government meeting. The prime minister said it was necessary to impose the cuts to avoid possible economic crisis and social disorder.

He said the living allowance was not meant to be a permanent payment as most countries introduced such measures for one to three months during times of economic difficulty to enable public servants to adjust to rising living costs.

Mr Thongsing said last month's meeting agreed there was a need to find a funding source for a living allowance reserve that could help in the event of further cost-of-living rises. He said the country's financial deterioration has been accelerated by natural disasters, which have struck for three consecutive years with an enormous impact.

World Bank forecasts 8 pct GDP growth

Times Reporters

The World Bank has forecast 8 percent gross domestic product (GDP) growth for Laos in 2013, driven mainly by mining and hydropower projects, despite the country's recent financial difficulties.

The East Asia and Pacific Update, a bi-annual review of regional economies released

by the Bank on Monday, is optimistic the Lao economy will continue to grow at a strong rate, picking growth to fall to 7.7 percent in 2014 before recovering to 8.1 percent in 2015.

While the World Bank is confident of continued growth across the region as a whole, it has pushed for countries to institute reform to sustain growth and spread its benefits to the

wider population.

"East Asia and the Pacific continues to be the engine driving the global economy, contributing 40 percent of the world's GDP growth—more than any other region," World Bank East Asia and Pacific Regional Vice President, Mr Axel van Trotsenburg, said in a statement.

"With overall global growth accelerating, now is the time for developing economies to make structural and policy reforms to sustain growth, reduce poverty and improve the lives of the poor and vulnerable."

Economies of developing East Asia and Pacific countries are projected to grow at 7.1 percent in 2013, down from 7.5 percent last year. In China, growth is moderating as the country rebalances to pursue a more sustainable growth path, expected to meet the official indicative target of 7.5 percent

in 2013.

Prospects for the region's small economies have markedly improved. In Laos, the Theun Hinboun hydropower expansion and other projects have this year started commercial operations, driving the country's economic growth.

In 2011, Laos recorded 8 percent growth while in 2012 the country reached 8.2 percent, according to the East Asia and Pacific Update.

Despite economic growth of at least 8 percent, Laos is still facing a number of challenges including rising debt and inflation. In July alone, inflation rose to 7.4 percent.

Following a recent meeting between the government and provincial governors, government spokesperson Ms Bounpheng Mounphosay told local media the inflation rate in

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