

**Restructuring Domestic Institutions:  
Democratization and Development in Laos**

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## Abstract

The research titled “Restructuring Domestic Institution: Development and Democratization in Laos” aims to analyze how international development norms, such as the Sustainable Development Goals (SDGs), have shaped Laos’ domestic institutions and development policy. It also aims to investigate the influence of international development norms on Lao state power, as well as its capacity to achieve development goals. This research employs a qualitative methodology to obtain relevant data from various parties involved in the development, which include the Lao government, the development partners, the Lao civil society and Lao scholars. The elite interview and process tracing are chosen as overarching tools to select key informants and range of literature for primary and secondary data, respectively.

The research results show that: First, the development partners support the SDGs in Laos through international development assistance to the Lao government in four different aspects. These include economic development, environmental sustainability, social inclusion and good governance, all of which have helped shape Lao domestic institutions and development policy to meet international standards. However, the development partners cannot curtail the political power of the Lao People’s Revolutionary Party (the Party) or the Lao government in manipulating the SDGs to serve a political purpose. Second, it should be noted that the Party is able to maintain its power in domestic politics and control over Lao society by using several strategies. These include blending Marxist-Leninist and national ideologies, highlighting development achievements and suppressing the revolutionary potential of intellectuals, middle class citizens, and civil society. Therefore, the political structure in Laos retains the Party’s power in an institution overlapping between the Party member, the Lao government, the National Assembly and the People’s Court without the citizen’s participation. Third, even though the development partners seek to enhance the Lao state’s capacity to achieve the development goals, the Lao government has encountered difficulties in financial management, human resources and institutional capacities.

**Keywords:** Laos, Lao politics, Lao development, Post-socialism, Sustainable Development Goals

## Abstract

Die vorliegende Studie mit dem Titel „Restrukturierung nationaler Institutionen: Entwicklung und Demokratisierung in Laos“ untersucht die Auswirkungen von Normensetzung in der internationalen Entwicklungszusammenarbeit, wie etwa durch die „Sustainable Development Goals“ (SDGs), auf Institutionen und Entwicklungspolitik in Laos.

Untersucht wird außerdem, wie die internationalen Entwicklungsnormen die Staatsmacht der laotischen Regierung sowie ihre Fähigkeit, Ziele in der Entwicklungspolitik erfolgreich umzusetzen, beeinflussen. Die der Forschung zugrunde liegenden Daten werden mithilfe von qualitativen Methoden gewonnen; von Akteur\*innen wie der laotischen Regierung und der Zivilgesellschaft, laotischen Akademiker\*innen sowie internationalen Partner\*innen aus der Entwicklungszusammenarbeit. Die zentralen Werkzeuge aus der qualitativen Forschung, die in dieser Arbeit verwendet werden, sind Eliten-Interviews und „Process Tracing“. Diese Ansätze identifizieren Schlüsselakteur\*innen und relevante Literatur zu den gewonnenen Primär- und Sekundärdaten.

Die Forschungsergebnisse zeigen erstens, dass sich die Umsetzung der SDGs in Laos durch die Zusammenarbeit von internationalen Entwicklungspartner\*innen und der laotischen Regierung in vier verschiedene Dimensionen einteilen lässt: Wirtschaftliche Entwicklung, ökologische Nachhaltigkeit, soziale Inklusion und „good governance“. Alle vier haben dazu beigetragen, Institutionen und Entwicklungspolitik in Laos internationalen Standards anzugleichen. Gleichwohl ist es den internationalen Entwicklungspartner\*innen unmöglich, die politische Macht der Laotischen Revolutionären Volkspartei oder der Regierung von Laos einzuschränken, indem sie die SDGs zur Verbreitung einer eigenen politischen Agenda nutzen. Zweitens ist festzustellen, dass die Laotische Revolutionäre Partei in der Lage ist, ihre Macht in der Innenpolitik und ihre Kontrolle über die laotische Gesellschaft durch verschiedene Strategien aufrecht zu erhalten. Diese umfassen Ideologien, die eine Mischung aus marxistisch-leninistischen und nationalistischen Elementen darstellen, die Betonung von Erfolgen in der Entwicklung des Landes sowie die Unterdrückung des revolutionären Potenzials von Intellektuellen, Bürger\*innen der Mittelklasse und der Zivilgesellschaft. Dies führt zu einer Konservierung der politischen Struktur in Laos, in der sich die Macht der Partei in einer Institution manifestiert. Diese wird durch Parteimitgliedschaft, Regierung, Nationalversammlung und Volksgerichtshof konstituiert - ohne Beteiligung der Bürger\*innen. Drittens ergibt die vorliegende Studie, dass trotz der Bemühungen der internationalen Entwicklungszusammenarbeit, die Kapazitäten des laotischen Staats im Bereich der Entwicklungspolitik auszubauen, dieser noch Schwierigkeiten in Bezug auf Finanzverwaltung, Personalwesen und institutionelle Leistungsfähigkeit aufweist.

**Schlüsselwörter:** Laos, Politik in Laos, Entwicklung in Laos, Postsozialismus, Ziele für nachhaltige Entwicklung, Sustainable Development Goals

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## Chapter 1 Introduction

*“When socialism meets capitalism in Laos, its outcome is tragic.  
The gap between the rich and the poor is much wider  
than is found within the average capitalist society”*  
– Informant no. 23, personal communication, February 6, 2017

This quote reflects the unspoken truth of Lao People’s Democratic Republic, or Laos, the small, land-locked, underdeveloped, aid-dependent country, surrounded by its more powerful neighboring countries in Southeast Asia. Adrift between the socialism and capitalism that followed the open economy in 1986, socialist ideology continues to retain its relevance for the one-Party state in the hands of the Lao People’s Revolutionary Party (the LPRP or the Party – in short). This contradiction has broadened the discussion among Lao studies scholars about regime survival in the post-socialist Laos. This current research aims to contribute to insightful discussion within Lao studies by advancing the argument that development, per se, is an important means for the regime to strengthen and legitimize the right of the Party, or the current Lao government, to rule.

Prior to 1986, Laos was portrayed as “survival socialism.” Hermitic and utterly undemocratic, it was difficult for Laos scholars and international organizations to access information during this period. Given this context, studies of Laos were rare and Laos was dubbed “one of the lesser-studied countries in Southeast Asia” (Boute and Pholsena, 2017, p. 1). However, the New Economic Mechanism Policy,<sup>1</sup> announced in 1986, is now recognized as a critical juncture between the Marxist-Leninist ideology supported by the Party and the capitalist ideology recognized and privileged by the international community or the so-called development partners.<sup>2</sup> Under this policy, the Laos government has sought to integrate the country into the global economy. As Kaysone Phomvihane, the General Secretary of the Party and the Prime Minister, addressed in the supreme council in 1988:

No single country or group of countries, such as Indochina, could hope to develop in isolation from the world’s economy and the profound economic trends emerging within it (Phomvihane as cited in Phraxayavong, 2009, 167-168).

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<sup>1</sup> After the fall of the Soviet Union, the centrally planned economy of Laos was riding out an economic downturn and the Party demonstrated that it had no choice left but to open its curtain to capitalism and the international community under the New Economic Mechanism policy in 1986.

<sup>2</sup> The development partners are stakeholder in Lao development that include international organizations, aid-donor countries, Non-Governmental Organizations and private sectors.

His speech implies that the Marxist-Leninist ideology is no longer the primary driver of Lao economic policy and that the Party has loosened its control and has become reliant on developmental assistance and global capitalism for its survival, further allowing developmental partners to shape development trajectory of the country. Currently, the Lao government is receptive to meeting the international development standards by complying with the development norms stipulated in the Official Development Assistance (ODA) and it is actively becoming the member of the economic integration at regional and sub-regional levels (see Phraxayavong, 2009; Pholsena, 2005). The Lao government is thus transitioning “from a land-locked to land-linked” country by seeking to turn geographical constraints of the past into an opportunity to accelerate economic growth resulting from the economic connectivity.

Although one outcome of becoming a more open economy has been notable economic growth, the contradiction between socialism and capitalism is problematic and the Lao government has encountered many difficulties as a result. The first difficulty is that Laos is still classified as a Least Developed Country, according to the UNDP report in 2015. The country also did not reach graduation thresholds. In term of human development, for example, Laos was ranked 138 out of 188 countries in 2015 (UNDP, 2017a). The second difficulty is that capitalism itself widens the development gap between the rich and the poor in the country,<sup>3</sup> with the development plan supporting the accumulation of wealth among the rich, while the poor remains poor. The last difficulty stems from an increasing number of development projects that have received backlash due to a range of the issues such as environment degradation, human rights violations, corruption, general ineffectiveness, drug trafficking issues, programmatic contributions to inflation, and increasing Chinese influence affecting people’s livelihood (see Stuart-Fox, 1995; Pholsena, 2005; Lintner, 2008; Creak, 2011; Creak, 2014; Howe and Park, 2015). These difficulties, as I argue, may deteriorate the creditability of the Lao government as the leading nucleus in socio-economic and political development. Thus, the Party has to search for its regime legitimacy<sup>4</sup> to maintain the status quo of the one-Party state.<sup>5</sup>

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<sup>3</sup> Referring to the government report notes, there is unequal in each region. In the fiscal year 2011-12, the figure of the central region was \$USD 1,680. It was \$USD 905 in the north and \$USD 1,060 in the South (Vientiane Times as cited in J&C Laos, 2013).

<sup>4</sup> The term of regime legitimacy, based on Saxonberg’s (2013) framework (see chapter 2), is used to analyze how the Party can stay in power and control the whole of society without conflict among the Lao people. This analysis can provide a better understanding of the regime survival of the one-Party state in Laos. Even though it is rather difficult to find an exact indicator to analyze regime legitimacy as the outcome, I am convinced that regime legitimacy here is connected to political stability – the so-called “the legitimacy-stability relationship” (Useem & Useem, 1979). In 2016, Laos was ranked the third strongest country of the ASEAN countries in term of political stability (see chapter 4).

<sup>5</sup> My argument is built on Saxonberg’s (2013, pp. 22-23) three possible situations that could give rise to the demise of a socialist system due to revolutionary potential. According to Saxonberg, “a revolutionary situation emerges if (a) there is an economic crisis or downturn; (b) expectations for wide-ranging reform of more radical change are arising (c) the regime does something to anger the population.”

Many scholars have recently observed that the Party seems to justify the development plan and strategy in order to further enhance economic growth, improve the country's standard of living, and to support the blending of the Marxist-Leninist and nationalist ideologies in national development (see Evans, 1995; Soukamneuth, 2006; Rehbein, 2007; Mocci, 2016). In this sense, I argue that development, in general, is worth studying for its direct impact on regime legitimacy. This argument is derived from the fact that the developmental achievements and aspirations under the so-called 'Party-led development' can provide an opportunity for the Party's members to earn domestic and international acceptance.

There is no doubt that the political rhetoric of the Party members' speeches at national events and meetings have been intended to justify their capability in the public eye. In 2015 for example, Choummaly Sayasone, the Lao president and secretary general of the Party, delivered a speech for the 60<sup>th</sup> Anniversary of the Founding of the Lao People's Revolutionary Party in which he stated that:

We should all acknowledge that the development destination aims to improve the livelihoods of multiethnic people and to bring prosperity...we are very confident that with the great, cohesive solidarity of all people throughout the nation, under the leadership of the Party, the task of national protection and development will be fully accomplished (Sayasone cited in Southivongnorath, 2015).

The Lao government is undoubtedly committed to improving socio-economic development and bringing the country out of the rank of least developed country. Viewed in this light, following the international development norms supported by the development partners is important in order to carry out the government's commitment to Lao development. Their support could be seen at the 12th Round Table Meeting in 2015. The Lao government's stated aspirations at the meeting were: to shift away from the Least Developed Country status by 2020, to attain the unmet Millennium Development Goals, and to implement the Sustainable Development Goals (see chapter 5). Such aspirations were further demonstrated in the 8<sup>th</sup> National Socio-economic Development Plan (2016-2020), the Ten Years Socio-Economic Development Strategy (2016-2025) and the National Vision 2030.

This embrace of international development poses a contradiction for the Party. The development partners have attempted to incorporate such terms as "the rule of law," "people participation," "civil society," and "decentralization" in the good governance program<sup>6</sup> to the Lao development project. These terms are incompatible with the socialist and undemocratic regime of the country. This point helps to broaden the questions to be examined through the research with regard to how the Lao government deals with democratization and capitalism while maintaining socialist power, and how the Lao government interprets those terms in a

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<sup>6</sup> For example, the National Governance and Public Administration Reform (GPAR) is supported by the development partners to enhance good governance of the country (see chapter 4).

normative arrangement through its domestic institutions.

In addition to addressing these problems, this research aims to contribute to the theoretical debate on Lao state power under the international development norms, regime survival in Laos, and the state capacity to pursue the development goals and contribute the sustainability to the country. I argue that the domestic institutions and development policies are the keys to understanding the interplay between the international development norms and the Party's power in long-term development in Laos. I further contend that the Party employs development as another source of its legitimacy and competency. Therefore, the external forces applied by the development partners, in turn, cannot diminish the Lao state power in the hands of the Party. Seeing the Party as the primary actor, I will take post-socialist and state-centered approaches as well as development theory to analyze the Party's restructuring of domestic institutions by increasing the cohesiveness and autonomy of the bureaucracy and improving the state capacity to pursue development goals and further control Lao society.

## **1.2 Research questions**

The main research question relates to how international development norms have shaped Lao domestic institutions and development policy. The sub-questions are: 1) How have the Sustainable Development Goals (SDGs) influenced the decision-making of the Lao government and affected domestic institutions? 2) How do the development partners promote and diffuse their norms in Lao development policy? 3) To what extent have the SDGs contributed to democratization in Laos? And 4) How does the Lao government interpret the SDGs in Lao-style development?

Additionally, this research seeks to investigate the Lao state power and regime legitimacy under the international development norms with the questions: 1) Is Lao state power being transformed under the SDGs? 2) How does the Lao government design domestic institutions and produce political rhetoric to exert its capacity to cope with challenges to its power, such as critiques by the international community related to environmental degradation, corruption, and good governance? 3) How can the SDGs, as interpreted by the Lao government, and other development goals contribute the regime legitimacy? 4) How does the Lao government deal with capitalism and democratization while maintaining its socialist power?

Lastly, once the Lao state's capacity to achieve development goals and address challenges to its power is addressed, policy recommendation for the Lao government will be given. This leads to the questions: 1) What limiting factors to the Lao state's capacity to implement the SDGs in Lao development exist? 2) Is Laos genuinely ready to graduate from the status of 'least developed country'? 3) How can long-term sustainability be in the interest of the Lao people be secured through the Lao development project?

## **1.3 Research methods: Process tracing and elite interview**

Though there are many means for gathering first and second-hand data, I specifically employ process tracing and elite interviewing. Process tracing, as defined in Bennett and Checkel (2016, pp. 6-8), is "the examination of intermediate steps in a process to make

inference [sic] about hypotheses on how that process took place and whether and how it generated the outcome of interest.” Using within-case analysis and allowing for equifinality, it examines causal mechanisms for theory testing and development by connecting observations to an explanation of the case study. Taking a historical approach, process tracing relies on thick description and historical narratives to identify causal chains and mechanisms between independent and dependent variables (George & Bennett 2005, p. 206).

Unlike other analytical tools, Beach and Pedersen (2013, pp. 3-5) argue that process tracing contributes “theory-testing, theory-building and explaining-outcome” due to the way in which it “investigates the workings of mechanism(s) that contribute to producing an outcome. Process-tracing methods go beyond correlations by attempting to trace the theoretical causal mechanism(s) linking X and Y.” By taking Lao domestic institutions and development policy as the outcome or dependent variable therefore, process tracing can be used as an analytical tool to simplify the set of possible causal factors embedded within the actions and historical processes influencing of Lao development. In this sense, there are two actors, which play influential roles in Lao development. First is the net effect of the development partners taken here as the independent variable. They play a role in propagating their development agendas at the Round Table Meeting. In 2015, both of the development partners and the Lao government promoted the Sustainable Development Goals in Lao development. However, this development norm has been politically interpreted by the Party as functioning as an intervening variable. Through the Party Congress, the Party’s members have shaped the Lao development trajectory by blending international development norms and Lao-style development norms. Thus, I argue, domestic institutions and development policy reflects an interplay between these external and internal forces which is likely to work to sustain the legitimacy of the Party.

In order to scrutinize the mechanisms that give rise to the dependent variables, I divide the research into two levels of analysis. The first level of analysis sheds light on how the Party has a legitimate right, due to endogenous factors, to obtain the state power to play a leading role in Lao development. I hypothesize that the Party legitimized itself by using the legacy of the nationalist movement and development achievements to maintain its political power. Viewed from this angle, I take a post-socialist approach to investigate the socialist state formation and regime survival in Laos. According to Saxonberg’s framework, this factor for regime survival includes: 1) ideological legitimacy; 2) pragmatic acceptance; and 3) revolutionary potential. Understanding historical context with regard to the socialist and nationalist movements and socialist ideology in Laos, both before and after the open economy, is a necessary first step to investigating the regime legitimacy of the one-party state in Laos based on the framework above.

The second level of analysis focuses on the influence of the development partners in Lao development. The development partners have become increasingly influential in Lao development since the economy opened up in 1986. They provide development assistance to the Lao government in accordance with their development norms. I argue that the Lao state power is being transformed and constrained by these exogenous forces in various ways. Both levels in this analysis are hypothetically shaping Lao domestic institutions, and process tracing allows for the conversion of this complex historical information into an analytical causal

explanation.

The history of the political struggle of the nationalist movement contained in Lao literature forms a massive puzzle. It will therefore be necessary, for convenience and clarity, to split this trajectory into distinct time periods. I will distinguish between three periods in the internal and external examination of the regime legitimacy of the Party. The first selected period includes the Party's rise to power. This section will utilize historical information about the formation of the Party during the colonial era and the country's independence (1955-1975). The second will detail how the Party maintained its Marxist-Leninist ideology from the establishment of national independence to just before the open economy (1975-1985). Data collection for these periods relies primarily on secondary data including, for example, historical information in Lao texts and literature published in Lao, Thai, and English.

As the establishment of the open economy and the failure of the Soviet Union were turning points for Lao state power, the third period focuses on the New Economic Mechanism, a policy that attempted to strike a balance between the planned economy of earlier socialist Laos and the international capitalist economy, starting in 1986 and continuing to the present. Since the Lao government has begun to welcome capitalist influence and international development assistance, it is obvious that Lao state power has been transformed. This third period will therefore be utilized to illustrate how the Lao government and the Party cope with the exogenous forces, and how these forces influence Lao-style domestic institutions. In this period, both primary and secondary sources are utilized.

To obtain first-hand, or primary data, I established working relationships with several key informants who are closely tied to projects directly impacting Lao development. This is the methodological approach known as elite interviewing. The function of the elite interview, according to Richards (1996, pp. 199-200), is to "provide the political scientist with an insight into the mind-set of the actor/s who have played a role in shaping the society... and an interviewee's subjective analysis of a particular episode or situation." Who should be chosen for an elite interview? It could be "a group of individuals, who hold, or have held a privileged position in society... [and who] have had more influence on political outcomes than general members." Refer to the Vientiane Declaration issued in 2015, the appropriate interviewees for this project are therefore policy-makers, country directors, representatives or specialists from the Lao government, and members of organizations that considered development partners. For more information on the informants selected, see Appendix 1. It should be noted that due to the quality of information that can be obtained from elite interviews, the number of informants is less important than the informants' respective positions in and contributions to Lao development.

I conducted semi-structured interviews and focus group discussions to collect this information. According to Mason (as cited in Edwards and Holland, 2013, p. 3), the common features of qualitative and semi-structured interviewing include "[1] the interactional exchange of dialogue (between two or more participants, in face-to-face or other contexts), [2] and a thematic, topic-centered, biographical or narrative approach where the researcher has topics, themes or issues they wish to cover, but with a fluid and flexible structure, [3] a perspective

regarding knowledge as situated and contextual.” Semi-structured interviews allow for flexibility when faced with time constraints. Combining this approach with focused group discussion<sup>7</sup> one can easily interview more than two people with same questions.

To crosscheck for reliability and validity in the first-hand accounts, triangulation was used with the help of primary and secondary sources. To support my argument about the ideology, for example, I analyze the secondary sources like the political leaders’ speech in Lao news with the interview data from the Party member and the National Assembly member. This data can be used to generalize the influence of socialist ideology among Party members after the open economy. In summary, process-tracing and elite interviewing are employed to help classify the primary and secondary data and to select the key informants, while triangulation helps ensure the reliability of the sources.

#### **1.4 Limitation of the study**

Criticizing the Lao government and the politics in Laos creates a vulnerable situation for development partners and even the Lao government itself. I will therefore not disclose of personal or organizational names of development partners, members of the Lao government, Lao experts, or civil society members who fully cooperate and participate as key informants.

#### **1.5 Dissertation Structure**

This dissertation focuses on Lao domestic institutions and development policy under the Sustainable Development Goals, as well as the interplay between the Lao government and the development partners. Historical context, political rhetoric of the Party, and interview information are analyzed to form a theoretical framework around these foci. This dissertation is divided into six chapters. The following is a general summary of these chapters.

**Chapter 2** highlights the theoretical framework used and the applicable background literature necessary to understand the topic. This dissertation makes use of development theory, particularly modernization and post-development theory, and takes up a state-centered, post-socialist approach to analyze Lao domestic institutions and development policy under the international development norms. Specifically, the Lao state’s capacity to implement the SDGs and graduate from the status of Least Developed Country will be investigated. Supporting literature used will focus on the paradigm shift within the state that has given rise to conformity to the international development norms. This encompasses the Millennium Development Goals up to the Sustainable Development Goals and highlights important points in the Lao development debate.

**Chapter 3** deals with Lao state power and regime legitimacy in the post-socialist era. It can be difficult to understand domestic institutions in Lao without historical background knowledge of state power formation and how the Lao government has retained its power. As the Lao government (or ‘the Party’) is the primary actor, this chapter begins with historical

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<sup>7</sup> Blaikie (2009, p. 235) further clarifies that focused group discussion “allows for group interaction and provide [sic] greater insight into why certain opinions are held.”

information about the nationalist movement before the Lao revolution and how it consolidated socialist power in the country. With a post-socialist lens, ideological legitimacy, pragmatic acceptance, and revolutionary potential provide a framework to analyze the self-legitimizing political rhetoric of the Lao government concerning its capability to bring prosperity through the Party-led development and to oppress political antagonists. Following this line of thought, socialist consolidation in Laos is explored to better understand how the Lao government transforms and embeds its power in political structures and domestic institutions. This exploration extends into the next chapter.

**Chapter 4** tackles the main research question through the analysis of Lao domestic institutions and development policies under the international development norms. This analysis is accomplished using a state-centered approach paired with development theory. It starts by examining the specific role of the development partners in Lao development, the relationship between the partners and the Lao government, and the extent to which the Official Development Assistance (ODA) contributes to democratization in Laos. As a consequence of the international development norms, Lao-style development and domestic institutions are examined in relation to the Sustainable Development Goals at the Party Congress. Lastly, the question of how Lao style-development consolidates the Party's power in national development through the nominal democratic institutions is investigated.

**Chapter 5** deals with the capacity of the Lao government to achieve the development goals and address challenges to its power. To investigate this capacity, the state-centered approach from the previous chapter is maintained. It begins by shedding light on the development myth in Laos, or the expected consequences of Lao development from the perspective of both the Lao government and the development partners with regard to what is meant by the "least developed country." Finally, a forecast is given for the potential outcome that follows from the reasoning of the previous chapters, given the assumption that Laos can graduate from the status of least developed country in a relatively short amount of time.

**Chapter 6** contains the conclusion. This chapter is intended to provide a better understanding of, and policy recommendations for, the Lao government and the development partners to initiate developmental policies, which will hopefully contribute to the long-term sustainability of the country.

## **Chapter 2**

### **Theoretical framework and literature review**

This chapter deals with the theoretical framework for my argument along with a review of the relevant literature. According to my hypothesis on development and regime legitimacy, the Lao government and its development partners are struggling to implement their development norms in Lao development. The development partners have used terms related to “democratization” in the hegemonic discourse of the Sustainable Development Goals (SDGs), which are inconsistent with the socialist ideology propagated by the Party. Although it could be hypothesized instead that such discourse could constrain and diminish Lao state power, the Lao government remains a primary actor in determining the Party-led development because of the state capacity to control Lao society and the capability of the political elite to legitimize themselves as leaders in development.

To support the hypothesis above, therefore, I will use development theory along with a state-centered, post-socialist approach in my analysis, which is organized into the following subsections: 1) international development norms – the Sustainable Development Goals; 2) Lao domestic institutions and development policy; 3) Lao state power and regime legitimacy; and 4) Lao state capacity. This analysis will be followed by a literature review about the international development norms and the debate on Lao development, and is organized into the following subsections 1) the controversy of the international development norms: from the Millennium Development Goals to the Sustainable Development Goals, and 2) Lao development aspirations and the development debate.

#### **2.1 Development theory**

Development theory has been a source of debate for decades. Development is currently defined as a process associated with economic growth, human development, and global integration to improve the standard of living and economic performance of particular communities. Therefore, development is linked to modernity in the sense that people are believed to have the right to economic opportunity, education, healthcare, and a clean and safe physical environment. (Remenyi, 1998; Willis, 2011; Rist, 2014) To gain an understanding of contemporary theories of development, this section will draw from an influential, modern era theory of development, which spanned the mid-1950s and mid-1960s, and has been dubbed “Modernization theory.” This theory became the mainstream approach for dealing with development following the end of the Second World War. Many scholars have stressed that political and socio-economic development can transform a traditional society into a modern one. Underdeveloped countries are therefore expected to follow the path to development, as defined by the developed countries, or the ‘West,’ if they wish to participate in and gain esteem within the global economy (Rostow, 1971; Parson, 1951; Preston, 2011).

One notable scholar, Rostow (1971), affirms in his book “The Stages of Economic Growth: A Non-communist Manifesto” that the economic dimension of a given society at some point in time rests within one of five stages: the traditional society, the precondition for take-off, the take-off, the drive to maturity, and the age of high mass consumption. There is a clear path to a more developed status, and the result of each stage of growth can be distinguished, from the traditional society to the modernized one. Sociologists of this period were accustomed to distinguishing change from ‘primitive’ to ‘modern.’ For instance, Parsons divided the evolution of societies into three stages: primitive, intermediate, and modern (Parsons, 1951).

It could be said that development is the progressive accumulation of wealth that, in time, gives rise to a higher standard of living. Sen (1999) has referred to as the “development as freedom” mindset. His view goes beyond those formulated by others who believe that prosperity is the finish line of socio-economic and political development, as he disputes that development per se should be the means to obtain freedom for the individual. He attempted to illustrate the connection between “development” and “freedom” by analyzing the ways in which development contributes to individual substantive freedom. He argues, “Development can be seen... as a process of expanding the real freedoms that people enjoy...Development requires the removal of major sources of unfreedom” (Sen, 1999, p. 1). From his perspective, economic growth alone is insufficient to contribute to substantive freedom. He contends that substantive freedom should depend on: 1) political freedom; 2) economic facilities; 3) social opportunity; 4) transparency guarantees and 5) protective security. Establishing such freedoms within a society, he affirms, “involves both the processes that allow freedom of actions and decisions and the actual opportunities that people have, given their personal and social circumstances” (Sen, 1999, pp. 16-17). Hence political liberty and civil rights are as important as economic growth and wealth in order for substantive freedom to exist for the individual. His argument closely relates to what has been called *democratic pluralism*.

### **2.1.1 International development assistance and democratization**

Following Sen’s argument, many political scientists have emphasized political liberties and civil rights as underlying principles of democratization. Scholars in this school of thought firmly believe that the development process should be seen as entwined with democratization (see Almond & Verba, 1963; Huntington, 1968). Democratization is the political transition of an authoritarian regime to a democratic one. As Huntington explains, such a process is comprised of: 1) the end of an authoritarian regime; 2) the installation of a democratic regime; and 3) the consolidation of the democratic regime (see below; Huntington, 1991, p. 35). Huntington also coined the “third wave of democratization” to refer to transitions of the so-called “third world” countries from nondemocratic to democratic” regimes (Huntington, 1991, p. 15). However, democratization in third world countries was not as successful as these political scientists expected, and many countries encountered either reverse waves toward authoritarian regimes or democratic breakdowns. Following these deviations from the theory, many political scientists began to investigate how democracy, specifically democratic processes, can be consolidated within one country. This is sometimes referred to as democratic consolidation.

What exactly is democratic consolidation? According to Linz and Stephan, it is a political situation in which democracy has become “the only game in town” (Linz & Stephan, 1996, pp. 5-6). They argue that there are five domains that should exist in a sovereign state for it to be considered a consolidated democracy. These include: a civil society, a political society, the rule of law, a state apparatus, and an economic society that conveys a sense of democracy behaviorally, attitudinally, and constitutionally. Additionally, Diamond (1997) states that democratic consolidation in third world countries is based on political institutions, civil-military relations, civil society, and socio-economic development. Among these domains, I argue that international development assistance should be included as a powerful mechanism that diffuses democratic norms throughout third world countries.

To understand why international development assistance matters for democratic consolidation, greater attention should be given to Leftwich’s argument (1996):

It is now claimed that democratic good governance is not an outcome or consequence of development, as was the old orthodoxy, but a necessary condition of development ... furthermore, the new orthodoxy implies that democracy can be inserted and instituted at almost any stage in the developmental process of any society (p. 4).

This new orthodoxy was pervasively implemented in the cold war and post-cold war eras as a basis for the development norms. Pinto-Duschinsky (as cited in Diamond, 1997, p. xxxvi) supported this reasoning by pointing out that the goals and program of development assistance are more often concerned with democracy, human rights, and good governance. Although democracy is not a necessary political condition for obtaining development assistance in third world countries, much international development assistance attempts to advocate for democracy through notions associated with good governance – legitimacy, accountability, participation, openness, and transparency (Burnell, 2000). On the other hand, Barsh (1992) argues that multilateral financial, trade, and aid policies affect economic differentiation and the distribution of power in developing countries. However, this cannot ensure democracy in these countries as, he notes, “current conditions encourage the centralization of technocratic and executive power, promote the further concentration of economic power in elites, or displace and weaken the poor” (p. 133).

### **2.1.2 Development as discourse: the emergence of the post-development school**

Since the ‘modernization as development’ approach normalized development standards in third world countries, much ink has been spilled over the impacts of modernization, and the apparent inequality between first and third world countries. These scholars have scrutinized the fact that even the third world country follows the path to modernization, which is the same path as the developed country, and yet they remain poor and underdeveloped. The so-called ‘dependency school, for example, sought to provide insight into global inequality using Marxist notions. However, there are many reasons their theory is impractical.<sup>8</sup>

First, the evidence the dependency school provided was ambiguous and has been accused of misinterpreting Marxist thought. As McKay (2012) affirms, “A number of Marxist scholars have taken issue with the methods and assumptions used, suggesting that they are a misrepresentation of the true Marxist position” (p. 66). He presented Warren (1980 cited in McKay, 2012) as a sample to verify his argument that,

[Capitalism]...is necessary to strip away the original feudal situation found in most underdeveloped regions, and this can only be accomplished by outside imperialist forces that are essential for its establishment, [a process] which is in turn a prerequisite for the transition to socialism (p.66).

Second, many dependency scholars were highly biased in their critiques of the United

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<sup>8</sup> The dependency school began in the Latin America during the 1960s. The dependency theorists, argued that global capitalism contributed to inequality between the so-called core and peripheral countries. They contended that rich countries flourished because they could extract and exploit natural resources and manipulate the governments of poorer countries (see Frank, 1967; Furtado, 1964; Leys, 1996; McKay, 2012).

States, assuming it to be the sole cause of the global inequality, while neglecting other powerful countries like the former Soviet Union (Wiarda, 2000). Third, since most dependency theorists were leftists, their arguments come with what Wiarda (2000) has called, “heavy ideological baggage.” Fourth, the rise of so-called “Asian miracles,” including South Korea, Taiwan, and Japan, has largely proven their theory incorrect.<sup>16</sup> These nations have actually followed similar developmental trajectories relative to more developed countries, their economy has shown rapid growth over the years, and they have become successful in economic development to an unprecedented degree relative to the Latin American nations. Fruitful discussion has emerged among scholars as to why these countries are successful. As McKay (2012) has noted, some writers have “pointed out that both Korea and Taiwan had a special strategic position during the Cold War... This allowed them to gain special advantages from the United States” (pp. 66-68). To gain from, rather than be rendered impoverished by, the United States clearly contradicts the central thesis of the dependency school. In spite of these critiques, in the case of Laos, dependency theory is partially relevant to developing an understanding for how Laos’ natural resources have been exploited by development. Nevertheless, it is not comprehensive enough to provide insight into the power relation behind the Lao government and the development partners, or to analyze Lao domestic institutions and development policy.

Trends in critical development studies have more recently shifted from the utilization of dependency theory to analyzing development as a discourse influenced by first world countries and examining the power relation behind this discourse. This new group of theorizers has been dubbed the post-development school. The post-development school, which emerged in the 1980s, argues that the conception of development is Eurocentric, situating Western countries as the “developed countries” which pervasively dominate the “underdeveloped countries” in Asia, Africa, and Latin America. According to Ziai (2007), he notes “the traditional conception of development has authoritarian and technocratic implications. It is clear that whoever gets to define what ‘development’ is and how it can be achieved — usually some kind of ‘development expert’ — is in a position of power” (p. 9). From the post-development perspective, then, ‘development as discourse,’ implies a form of knowledge and subjectivity linked to a system of power. One outstanding theorist, Escobar (1995) reaffirms this statement in the article “Post-development as concept and social practice”:

the development discourse made possible the creation of a vast institutional apparatus through which the discourse was deployed, that is, through which it became a real and effective social force, transforming the economic, social, cultural and political reality of the societies in question” (pp. 9-19).

Nederveen (2010) further elaborates on the aims of post-development theory:

“Post-development overlaps with critiques of modernity and techno-scientific progress...it parallels alternative development and cultural critiques of development. It stands to development as ‘deep ecology’ does to environment management...focuses on the underlying premises and motives of development,

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<sup>16</sup> The so-called “Asian Miracles” refers to a result of economic development in a group of countries in East Asia and Southeast Asia that grew faster than other regions in the world between 1965-1990. These countries include the “Four Tigers” – Hong Kong, the Republic of Korea, Singapore and Taiwan, and the Newly Industrializing Economies (NIES) – Indonesia, Malaysia, and Thailand (World Bank, 1993).

and what sets it apart from other critical approaches is its rejection of development” (pp. 110-111).

The mitigation of global inequality and the exploitation of underdeveloped countries by developed countries is undoubtedly “alternative to development.” Escobar addressed once in an interview that post-development theory “is the search for a different way of thinking about development [that is] pushed by indigenous peoples and to some extent by peasants... and in collaboration with ecologists, sometimes feminists, sometimes activists from different social movements” (Escobar as cited in Hopkins, 2012). In essence, the post-development theorists believe that the alternative to development should be located in grassroots movements, urban and rural local communities, and informal sectors.

Concerning Lao development, development theory, particularly modernization and post-development theories, is seen here as a theoretical framework that can be used to analyze international development norms. There are many justifiable reasons for re-conceptualizing development discourse transplanted from the West into Lao, which is situated in different socio-economic and political contexts relative to western countries. First, the development partners have played a major role in Lao development since the open economy of 1986<sup>17</sup> through promotion of their development norms and agendas, and by generating national interests in Lao via the Official Development Assistance (ODA). The argument taken here is that the development partners currently embody the modernization approach, privileging democratization and their interests as outlined within the SDGs.

Second, the Lao government in turn has to be more receptive to the international development norms because economic growth and a better standard of living can positively contribute to the perceived legitimacy of the regime and can help the country to reach its modernity. In Laos, “modernity” is closely connected with development assisted by western countries. Without a doubt, the Lao government sets development aspirations based on development indicators from the development partners. For example, the Lao government has formulated the development plan to achieve the criteria to graduate from the least developed country status, including in areas of economic growth and vulnerability and human development. The Lao government alone lacks the capacity to meet the international standards, Lao development thus represents a complex interplay between international and domestic political forces. This research therefore uses models of western development to analyze Lao development and to examine the interplay of domestic institutions and a development policy than biasedly judges which development approach is appropriate in Lao development.

To support this argument, I demonstrate how the development partners promote their agendas through their development discourse in Laos. I also analyze terms within the development norms related to democratization and modernization. I then use the post-development approach to analyze the western development discourse in contrast to the

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<sup>17</sup> The so-called New Economic Mechanism (NEM) policy was introduced to the Lao economy in 1986. The government initiated this policy to open the economy, decentralize economic decision-making, initiate fiscal reform, deregulate the cost of goods, remove trade barriers and generate political reform. The 1991 Constitution that followed led to an increase in direct foreign investment, economic integration at regional and sub-regional levels, and general political stability (Gunn, 1991; Stuart-Fox, 1995; Stuart-Fox, 1997b).

discourse the Lao government has used, the latter of which is unique and more compatible with socio-economic and political context of the country.

## 2.2 The state-centered approach

Even though the state is one of the most important political actors, state power in the age of globalization is controversial. Many scholars affirm that state power is constrained by openness and the role of international competitiveness in the economy (e.g., Ohmae, 1995; Friedman, 1999). State power is also being used to facilitate the global capital through international corporations to strengthen the role of the state (Weiss, 2004). Some scholars, however, contend that the role of the state remains intact in many countries, especially with regard to social protection and sophisticated wealth creation (Mann, 1984; Evans, 1994; Kohli, 2004; Wade, 2005). Speaking to the competitive environment and the general challenges globalization gives rise to, Weiss (2004) contends that the government has the potential to pursue its policy objectives by restructuring reforms and devising new policy responses. In order to examine whether and how Lao state power has been constrained or enabled by exogenous forces, I will take a state-centered approach to investigate Lao state power and Lao state capacity under the international development norms. Other approaches such as the state-society relation approach are of less relevance here because Laos lacks a civil society. As Soukamneuth (2001) and Rehbein (2007) note, the country not only lacks an elaborate civil society but it is also governed by political elites who are strongly influenced by the Marxist-Leninist ideology.

Using a Weberian<sup>18</sup> understanding of states, Mann (1984) defines four characteristics of the state:

- a) a differentiated set of institutions and personnel
- b) centrality in the sense that political relations radiate outwards from center to periphery
- c) a territorially-demarcated area, over which it exercises power
- d) a monopoly of authoritative rule-making, backed up by a monopoly of the means of physical violence (p. 188).

The state, moreover, as Migdal (2001, pp. 15-18) contends, is “a field of power” used to legitimize violence in given territory. He argues the state is shaped by two elements: images and practices which are: “(1) territorial boundaries between the state and other states, and (2) social boundaries between the state – its (public) actors and agencies” (p. 17). Such organization and centrality determines state autonomy and capacity, affecting political goals and leading to the adaptation or restructuring of domestic political institutions, for example a

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<sup>18</sup> Anter (2014, pp. 1-8) argues that Max Weber said little about the state in his work and never developed a systematic theory of the state. In his book about the modern state, he stressed that “Weber’s doctrine of the state could only be derived from a systematic review of all aspects of the text that related in some way to such a doctrine...state is defined as a ‘political institutional organization’ disposing of a ‘monopoly of legitimate physical force’” (pp. 1-8). Migdal (2001, pp. 13-14) elaborates that states, according to Weber, are “goal-oriented associations”, which have various goals but “similar means.” He contends that the state as an organization with “autonomous goals, using violence and legitimacy” successfully maintains “social control” and implements policy.

restructuring of the National Assembly in Laos to be more receptive to people participation is an outcome of the good governance program promoted by the development partners. As Amenta (2005) argues, such restructuring might be configured in different ways for any number of reasons. Besides, institutions exert a fundamental influence on political patterns and processes as new domestic issues arise. Domestic institutions are assumed here as among the most important elements for domestic political changes.

Do institutions matter? Many political scientists have attempted to answer this. For instance, Huntington (1968) asserts that modernization has diversified social structure by increasing social forces in society, for example interest groups in a democratic society. The institutionalization of social forces is thus a political institution<sup>19</sup>, which reflects “moral consensus and mutual interest” that in turn “create new linkages between the particular interests of individuals and groups” (p. 10). Taking a domestic institutional approach, Weiss (2004) argues that the institution is crucial to the investigation of state power under globalization since it is made up of three components, including “rules defining appropriate behaviour and sanctions against transgression (the constraints), norms espousing or upholding particular values and standards (elements constitutive of interests and identity), and organizational arrangement” (p. 21). Furthermore, Lowndes and Roberts (2013) emphasize that political institutions matter in order understand people’s behavior within society since “political behaviour and political outcomes are best understood by studying the rules and practices that characterize institutions, and the way in which actors relate to them” (p. 7). Fukuyama (2014, pp. 6-7) reaffirms the argument that institutions are crucial to study the way in which a domestic institution emerges, is shaped by human behavior, and eventually decays. Huntington (1986, pp. 27-28) and Fukuyama (2014, p. 11), address the point that political decay may takes place when institutions fail to adapt to new circumstances, such as those created by globalization, and deal with the complexity entailed by social forces.

Questions put to how external and internal political forces among democratic and undemocratic regimes influence domestic institutions have renewed interest in their study. Considering democratic regimes, March and Olsen (1984), argue “political democracy depends not only on economic and social conditions but also on the design of political institutions” (p.739). The democratic institution is also important for the undemocratic regime because, as Gandhi (2008) stresses, the dictator may attempt to create nominal democratic institutions as an “instrument co-optation” since “dictators need nominally democratic institutions. Legislatures and parties serve as a forum in which the regime and opposition can announce their policy preferences and forge an agreement” (p. xviii). As for the socialist state, there is no doubt that Lao domestic institutions have been mixed with Leninist political institutions and democratic ones so that it can maintain political power and legitimize itself within the global community, and deal with new external and internal challenges.

I further argue that domestic institutions can influence the state to achieve economic development and development goals. Kohli’s study (2004) affirms that the institution is a part of state capacity. “State capacity” refers to the state’s ability to achieve development goals and carry out a given line of action. Many scholars have worked to examine and compare state

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<sup>19</sup> Huntington (1968) further identified the levels of institutionalization that strengthen political institutions to meet social needs: 1) adaptability; 2) complexity; 3) autonomy; and 4) coherence (pp.12-24).

capacities between countries. Skocpol (1985) asserts that understanding the state's territorial integrity, financial means, and staffing together are necessary to reveal state capacity. Mann (1984) believes that to understand state capacity, one must understand how state power, which he splits into "despotic power" and "infrastructural power," penetrates a given society. Vu (2010) sheds additional light on this issue by introducing what he calls the three core capacities of the state, which are: to formulate industrial policy and strategies independent of societal pressure, to alter the behavior of important domestic groups, and to restructure the domestic environment" (p. 4). He argues that cohesive structure within a state is as important as a centralized and stable government, an autonomous and cohesive bureaucracy, and effective coercive institutions. Vu (2010, pp. 4-5) contends that scholars should not overlook historical context, ideology, or development within the socialist state, and that understanding how a state functions holistically is essential to understanding its cohesive structure. From yet another angle, Fukuyama (2013) has defined state capacity as good governance which allows a state to "carry out the principal's wishes", and quality, of the government. State capacity in his framework includes resource extraction, such as tax collection, degree of professionalization of bureaucratic staff, and bureaucratic autonomy. Building from these perspectives, the state capacity to improve the quality of the government, in this research, will include: financial capacity to increase and manage government revenue; human capacity to improve the professionalization of bureaucratic staff; and institutional capacity to deal with new global development norms.

Holt and Manning (2014) from the World Bank employed Fukuyama's framework to clarify how to measure the quality of the government. They paid particular attention to the government agency as a unit of analysis to measure state capacity by dividing it into the upstream and downstream bodies.<sup>20</sup> The upstream is the central agency, and the downstream is the local one. Their organizational scheme can be seen in table 1. It shows the main tasks of the central agency in public management.

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<sup>20</sup> They identify the upstream bodies or the central agencies comprise "core ministries and agencies at the center of government... that support the head of government, with functions that cut across sectors." The downstream delivery bodies comprise "sector ministries and agencies that deliver, commission, or fund services under the policy direction of government" (Holt and Manning, 2014, p. 719).

Public Management Systems	
Fiscal and financial management system	<ol style="list-style-type: none"> <li>1. Planning and budgeting</li> <li>2. Financial management</li> <li>3. Accounting, fiscal reporting, and audit</li> </ol>
Procurement system	<ol style="list-style-type: none"> <li>1. Quality management in legislations and regulations</li> <li>2. Capacity development</li> <li>3. Operations and market practices</li> </ol>
Revenue mobilization system	<ol style="list-style-type: none"> <li>1. Tax policy</li> <li>2. Tax administration</li> </ol>
Public Administration and civil service system	<ol style="list-style-type: none"> <li>1. Management of operations within the core administration</li> <li>2. Quality management in policy and regulatory management</li> <li>3. Coordination of public sector HRM regime outside the administration</li> </ol>
“Public information system”	<ol style="list-style-type: none"> <li>1. Access for citizens to information</li> <li>2. Record management</li> <li>3. Monitoring and evaluation framework for sector ministries</li> </ol>

**Table 1** The public management system of the central agencies

**Source** Holt and Manning, 2014, p. 720

There are four primary reasons why this information is indispensable in order to understand Lao development. First, the political structure of Lao may reveal elite cohesion among the Party members, which contributes to institutional stability (Weiss, 2004). Cohesion is essential to implementing and formulating development goals without political conflict among Lao elites. Second, to securitize Lao state power, understating its historical background is essential to explain the persistence of the LPRP, state formation, how the regime legitimizes its power, and central to local state relations. Stuart-Fox (2005, p. 12) affirms that the government, the bureaucracy, Lao mass organizations and the military have been controlled by the Party. Third, the recent restructuring of domestic institutions in Laos has reflected a normative orientation with respect to the international development norms, interests, and ideology, and has exposed how Laos has changed, adapted, and transformed to cope with the new issues like capitalism and globalization. Lastly, Fukuyama's framework (2013) will be used later to analyze the state capacity of Laos to achieve the development goals which I contend above are defined by the financial, human capital, and institutional capacities in Laos. However, this research will not attempt to judge Lao state capacity to achieve the developments goal, but will rather analyze this capacity through interview and statistical information.

### 2.3 Post-socialist approach

Following the collapse of the Soviet Union, and socialist countries in Eastern Europe, and the introduction of the market economy in Soviet sister countries, many scholars concluded that the Marxist-Leninist ideology in those countries (including Laos) was dead. How can Marxism-Leninism in socialist countries survive under the influence of capitalism? Answering this question became driving force of the post-socialist<sup>21</sup>, or post-communist, scholars. These scholars view political and economic development as a transition process, which they have been termed, “transitology<sup>22</sup>.” Greater emphasis has recently been placed on the demise and survival of socialist regimes. Generally, scholars with this focus examine how socialist countries deal with capitalism while maintaining socialist regimes, and why some socialist regimes lost power after the collapse, while other did not (see O’Donnell and Schmitter, 1986; Di Palma, 1991; Walder, 1995; Linz & Stephan, 1996; Shleifer, 1997; Brown, 2009; Saxonberg, 2013).

During the transition process, socialist ideology remains a significant element of regime survival in these countries, specifically with regard to obtaining popular support and fulfilling political goals. Di Palma (1991) refers to this more generally as “self-legitimation” or “legitimation from the top,” in which the rulers monopolize the superior truth in political discourse, as the Lao government does for the purpose of normalizing socialism. The notions associated with regime survival theory nonetheless, go far beyond Marxist-Leninist ideology. Many scholars have shifted their attention to critiquing economic development and the suppression of civil society, and their antagonistic effects on the socialist regime. O’Donnell and Schmitter (1986, 15), for example, stress “the socialist government has shifted the popular attention to the accomplishment of economic development and social peace in order to mobilize regime legitimacy.” By way of example, Linz and Stephan (1996) highlighted democracy consolidation in both democratic and undemocratic regimes. Post-communist

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<sup>21</sup> Due to the fact that Laos remains a socialist state, I will apply the term “post-socialist” rather than “post-communist” because I am convinced that “socialist” is a word with a broader scope, including a given political system, political structure, and political ideology, while “communist” per se is merely seen as political ideology.

<sup>22</sup> Gans-Morse (2004) has argued that “transitology” is a term that lacks a clear meaning. Furthermore, both Gans-Morse (2004) and Kollmorgen (2013) affirm that post-socialist scholars mostly focus on modernization and democratization as the transition path. Kollmorgen (2013) asserts that this transition approach is more like “consolidology,” in which the question is more so one of how to consolidate democratization in Central Eastern and Eastern Europe. However, Gans-Morse (2004) argues that the intention is to “move beyond modernization theory and transitology in order to build new theory...the notion that post-communist countries are experiencing transitions is widely accepted, it remains an open-question” (pp. 340-341). Furthermore, additional light has been shed on, for example, revolution, institutional breakdown, and state collapse, and a social mechanism approach has been adopted as the alternative theoretical framework for post-socialism. From these arguments, I believe that socialist transition in Laos is a dynamic process and that the Lao government is adaptable and flexible in its dealings with new international development norms. Thus, I prefer to analyze here how the Lao government deals with such norms rather than consider the development norms the fruit of the transition process.

Europe was chosen for their case study. In their post-communist study, they note “In Eastern Europe and in the Soviet Union, in addition to making a political transition to democracy, the countries have simultaneously had to make a transition to market economy... [However,] the analysis must go much further” (p. 244). They highlight the need to elucidate how the civil society, political society, rule of law, usable state<sup>23</sup>, and economic society functions in post-communist Europe. Based on Linz and Stephan framework and Saxonberg (2013) took the study of communist transition further with his analysis of regime survival in China, Cuba, North Korea, and Vietnam, presenting key elements for sustaining regime survival including ideological legitimacy, pragmatic acceptance, and revolutionary potential.

The transitions of socialist countries that composed the former Soviet Union, Eastern Europe, and Asia have appeared different in term of both process and outcome. As Evans (1995) explains,

Firstly...they all had begun successful market reforms of their economic systems in the mid 1980s. But secondly and more importantly, although less often noted, is the fundamental differences [sic] in social and economic structure between the regimes in Europe and those in Asia... By contrast, the communist regimes of Asia preside over peasant societies... the fact that they remained largely peasant societies was of crucial importance to the process of reform... In non-industrial, or underdeveloped societies, such reforms have a limited impact because of the much simpler division of labour... Furthermore, the dispersed nature of peasant society and the peasants relative isolation from the affairs of the cities, made them both less easily mobilisable than urban workers and less interested in remote political affairs (pp. xii-xiii).

Concerning the socialist countries in Asia, Saxonberg’s study (2013) examines regime legitimacy in China and Vietnam, both of which have experienced economic growth and openly display national pride. As he further stresses,

Rapid economic growth is encouraging the population to pragmatically accept continued one-party rule as a way to guarantee economic stability... as the reforms become increasingly capitalistic, the Vietnamese regime will increasingly rely on nationalist rather than ideological legitimacy... both society and the Party are increasingly alienated from Marxist-Leninist ideology, and pragmatic acceptance has arisen based on the success of economic reforms (pp. 95-103).

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<sup>23</sup> The usable state, as defined by Stefan and Linz (1996), is a usable state bureaucracy. They argue “Per se, bureaucrats are not democratic, but they have a function in making democracies efficacious” (Stefan & Linz, 1996, p. 250).

Similar to the above study, Bolesta (2012) combined post-socialist transformation theory with the developmental state model to scrutinize the developmental trajectory of China. “China’s development trajectory during the process of post-socialist transformation has been determined by the provisions of the Developmental State (DS) model” which is different from former Soviet Union countries. In his perspective, the trajectory is similar to the developmental state model, which better reflects the success of economic development in East Asian countries. However, China’s development is different from East Asian countries as its policies include “state ideological background, and institutional solutions in term of politics and economics draw extensively from DS experience” (p. 12). His conclusion at least helps clarify how the Chinese government employs so-called “development legitimacy” in which a development achievement can prove the capability of the Chinese government to “maintain a type of authoritarian political system” and to “create some sort of embedded [state] autonomy” (p. 235). From both Saxonberg’s and Bolesta’s arguments, it can be concluded that the post-socialist path of Asian countries mainly stresses the strength of the state to control the whole of the society within its borders and to maintain its power using historical legacies like nationalist movements and ideology.

As for Laos, many scholars have highlighted that economic development and a nationalist legacy have served the purpose of legitimizing the Party in the eyes of the Laos people since 1975. Rehbein (2007) examined the relations between the nation-state, identity politics, and nationalism. He contends that the Lao government employs identity politics “to consolidate and reinforce the Lao nation state” (p. 74). Socialism in Laos is a powerful device used within the political rhetoric of the Party to maintain its status quo in Lao politics. Evans (1995) agrees and further argues that “The only existing public evidence that this was once a communist country is the name of the ruling party, the Lao People’s Revolutionary Party, and perhaps the name of the country, Lao Peoples Democratic Republic” (p. xiii). However, since the Lao government introduced the open economy, Evan (1995) continues “the task of the party is to promote the capitalist stage and guide it towards socialism in the long run” (p. xv). I will continue with this line of scholarship by demonstrating that developmental legitimacy is another way the Party sustains regime legitimacy. The Vientiane Party Committee meetings of 2015 provide strong support for this argument, revealing that developmental achievement is a source of pride for the Party, as it guides governmental sectors to improve in effectiveness and efficiency, and in the selection of suitable development projects (Sengdara, 2015).

Creak (2014) affirms that international development has changed the pervasive slogan of the Lao government from “solidarity, progress, discipline, patience, consensus and so on” to pervasive rhetoric of international development, “with its alluring argot of projects, growth, sustainability and good governance” (p. 152). In this context, the new approach to Lao development has created challenges to the Lao government. Since economic development may contribute to social mobility, Litners (2008) contends that what the Lao authorities fear is “losing control over the development strategies as well as parts of the population which it wants to remain within the confines of the established bureaucracy” (p. 172). Moreover, the

emergence of the middle class in Vientiane and urban cities may increase public awareness and therefore higher demand “for participation or a higher degree of political pluralism than is the case today” (p. 172). Political pluralism is a threat for one-party systems, like the one in Laos, due to their want for supreme political power. Another challenge comes from economic integration at regional and sub-regional levels, which a process occurring rapidly in Lao development. The Lao government needs to pursue a regional standard. Stuart-Fox (1997) argues that the Lao government does not want to see Laos fall far behind its ASEAN neighbor countries. Consequently, improvements in economic performance, standard of living, and international standards are an essential part of the country’s developmental performance.

Following the arguments above, this research will employ the post-socialist approach to examine regime legitimacy and regime survival in Laos<sup>24</sup>. However, my attention here is not only directed at the Lao socialist transition, and how the Party deals with capitalism, but also how capitalism and development, in turn, contribute to legitimizing the regime of the Lao government and the Party in the eyes of the Lao people and the international community. Therefore, I will take Saxonberg’s approach (2013), which is based on the stage model of communist transition. It relies on ideological and nationalist legitimacy, pragmatic acceptance, and revolutionary potential to explore how the Lao government has legitimized itself to obtain the support and control of the societal groups.

For ideological legitimacy, I argue that the Marxist-Leninist ideology is crucial for the Lao government (and the Party) to maintain political legitimacy. The term “ideological legitimacy” is defined here as the political rhetoric the Lao government uses to monopolize and interpret the “truth” about the Marxist-Leninist ideology to obtain popular support under capitalism. I argue that, in reality, the political rhetoric of the Lao government and the Party uses symbolism of the nationalist movement and its leaders to justify its ideology, drawing attention to actions in development and national protection, rather than to genuinely employ the ideology to bring the country closer to a socialist utopia. If the ideology is viewed skeptically in the public eye and cannot be reconciled with the country’s development projects, the Party will have to reinterpret the ideology to reestablish legitimacy. I will therefore analyze

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<sup>24</sup> Many political scientists have proposed ways of measuring regime legitimacy. For example, Gilley (2006) identifies three indicators of legitimacy, including views of legality, views of justification, and acts of consent. However, he argues that, in relation to quantitative measurement, “qualitative analysis will remain indispensable to a full rendering of a quantitative legitimacy score in any one case” (Gilly, 2006, p. 520). Another example is, Useem and Useem (1979) who argued that there is a conflict between political legitimacy and stability – the so-called “legitimacy–stability relationship,” a relationship that was pervasively applied by contemporary American theorists in both structural-functionalist and neo-Marxist schools. They point out that this relation is not universally valid and should be broadened to analyze both “citizens’ trust in public officials and their conviction that governmental institutions are fair, responsive and valuable” (Useem & Useem, 1979, p. 841). However, the approach taken in this research is to analyze how the Party maintains its status quo as a one-party system using a post-socialist analytical framework. Viewed in this light, I believe that the legitimacy–stability relationship helps us to understand the compliance of Lao citizens under the Party and the impeccable level of political stability in Laos (see chapter 4).

the political rhetoric surrounding the ideological formation in the nationalist movement, the personality cults of Prince Souphanouvong and Kaisone Phomvihane, and the speech of the Party's members and the Lao government to formulate an argument about how ideological legitimacy is maintained in Laos.

With regard to pragmatic acceptance, Saxonberg (2013) has said “given certain external and internal constraints, the regime is performing reasonably well” (p. 18). However, I argue that, “development legitimacy,” should consider in previous analyses of pragmatic acceptance because it plays a significant role in the perceived capability of the ruling elites. Developmental legitimacy in this case can be defined as the ability to improve economic growth to bring prosperity and wealth to the Lao people and meet the international development standards.

The last component relevant to regime survival, “revolutionary potential,” may arise when the regime losses some of its legitimacy as a consequence of an economic downturn giving rise to civil unrest. Saxonberg (2013) proposes emotive situations for a revolution and the role of the intellectual:

A revolutionary situation emerges if (a) there is an economic crisis or downturn; (b) expectations for wide-ranging reform or more radical change are arising (and are likely to reaching [sic] breaking point if they are not met); and (c) the regime does something to anger the population... [By that point], the regime has lost its ideological legitimacy, and critical intellectuals are abandoning their revisionism as they lose faith in the ability of the system to reform itself... these intellectuals turn to society in the hopes of either building a civil society or confronting the regime more directly. Thus they become more likely to seek the cooperation of workers during a rebellion” (p. 23-25).

To examine the revolutionary potential in Laos, the respective roles of the civil society, the proletariat, and Lao intellectuals will be the primary points of focus in this study. I will particularly concentrate on the characteristics of the civil society in Laos, how the Lao government controls the civil society, how the civil society works in Laos, and why the civil society cannot contribute democratization to Laos, the desired outcome of the development partners.

## **2.4 The controversy of the international development norms: from the Millennium Development Goals to the Sustainable Development Goals\**

Over the past 15 years, issues related to poverty, hunger, disease, literacy, gender equality, and environmental degradation have been raised as global challenges for member states of the United Nations. In an effort to tackle these challenges, the Millennium Development Goals (MDGs) were set to promote global awareness, political accountability, improved metrics, social feedback, and public pressure (Sachs, 2012). The term for the MDGs was completed in 2015, and the results showed a notable outcome. Extreme poverty had declined significantly over preceding two decades and the number of people living in extreme poverty had been reduced by more than half, falling from 1.9 billion in 1990 to 836 million in

2015. Despite this outcome, there are several challenges that remain to address inequality, climate change, and extreme poverty in particular (see Sachs, 2012; United Nations [UN], 2015a). These issues have thus remained in the post-2015 development agenda, dubbed “Sustainable Development Goals.”

Ban Ki-Moon, the UN Secretary-General said of the summary report of the MDGs that “2015 is a milestone year. We will complete the Millennium Development Goals. We are forging a bold version for sustainable development, including a set of Sustainable Development Goals” (UN, 2015a). Sachs (2015) has argued in support of the SDGs by stating that:

The world economy is not only remarkably unequal but also remarkably threatening to the Earth itself. Like all living species, humanity depends on nature for food and water, materials for survival, and safety from dire environmental threats... Thus we arrive at sustainable development (p. 24).

The Brundtland report (1987), identifies sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 5). Sustainable development ostensibly takes into consideration the Rio+20 summit, which set the new global development goals with 17 goals: And end to poverty, an end to world hunger, improved health and well-being, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, reduced inequality, sustainable cities and communities, responsible consumption and production, climate action, life below water, life on land, peace, justice and strong institutions, partnership in attaining these goals (UN, 2015d).

A normative approach to the SDGs emphasizes, as Sachs (2012) argues, a holistic version of what a good society should be. He believes this boils down to five types of concerns about the social distribution of wellbeing: extreme poverty; inequality; social mobility; discrimination; and social cohesion. This development approach is called the triple line approach to human wellbeing with its combined focus on economic development, environmental sustainability, and social inclusion, and which depends on good governance at all levels (local, national, regional, and global) between government and the private sector. In order to bring sustainability to society, he strongly believes in the partnership between governments, the private sector, and civil society to achieve the development goals. In his perspective, the private sector is the most productive sector of the world economy and the holder of advanced technologies and management systems that will be crucial for the success of the SDGs.

There are 17 goals that comprise the SDGs, which include the unmet MDGs. It is obviously difficult for third world countries to implement these goals in a national development plan effectively since these countries lack a development budget, and the human capacity and technical knowledge to eradicate the national poverty. As a

consequence, rich countries, international organizations and financial institutions, international non-governmental organizations, and non-state actors have already committed themselves to providing developmental assistance to help the poor countries in the UN's Finance for Development (FFD) summit in 2002.

Hulme (2015) further clarifies regarding the FFD summit that "the summit in 2002 produced the Monterrey Consensus, with rich countries committing themselves to increased funding to achieve the MDGs and developing countries promising to improve national governance" (p. 100). He refers collectively to this effort as "the international landscape for global poverty" in the fight to eradicate extreme poverty. With an optimistic perspective, Sachs (2005) has further suggested that because rich countries are wealthier, the cost of the assistance is likely to be small compared to their income and tax revenue. In his book "The End of Poverty: How We Can Make It Happen in Our Life Time" he states that,

The rich world today is so vastly rich... part of the solution of getting donors to honor their commitment to the world's extreme poor is to assign more responsibilities...direct foreign assistance should be used for investment in infrastructure and human capital (through public services in health, nutrition, and education), thereby empowering the poor to be more productive on their own account, and putting the poor countries on a path of self-sustaining growth (pp. 289-291).

However, transferring a development budget and the necessary materials and resources, is problematic since corruption remains a worrying issue in poor countries. To mitigate the issue, moreover, Sachs (2005) suggests, "the actual transfer of funds must be based on rigorous, country-specific plans that are developed through an open and consultative processes, backed by the good governance in the recipient countries, as well as careful monitoring and evaluation" (p. 292). As Hunt (2012) reaffirms, "the development targets have caused donors to focus more closely on quality and effectiveness of aid, particularly its impact on poverty reduction, rather than on more general measures of growth and development" (p. 82). Good governance is thus a primary condition for the underdeveloped countries to become aid recipients.

Since international development assistance has been pervasively provided to third world countries, the number of critics has risen in recent years due to the continuing economic vulnerability of these countries. Many scholars have broadened the debate on the impacts of international development assistance. For instance, Hulme (2012, pp. 190-195) points to the paradox of the institutional framework in tackling global poverty, particularly the way in which the governments, leaders, civil societies, and non-state actors of the global north, consisting of mostly rich countries, takes action to promote and mobilize the development goals. These actors have greater resources, multilateral institutions, and international media accessibility and thus their voices are louder and more effectively disseminated across the world than the southern voices. Hulme argues that the global south instead should be tackling poverty.

Likewise, Easterly (2006) divides the world into the West and the Rest in his book “The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good.” The poor countries or “the rest” are currently in a poverty trap. Conversely, the West<sup>25</sup> has fantasized itself as the chosen one to save the Rest by playing the heroic role of pushing its Big Plan. He stresses that,

At first, these agencies called for the planning of poor countries’ economies. Later they shifted toward advocacy to the free market for these countries, yet in many ways the agencies themselves continued to operate as Planners... the aid agencies cannot end world poverty, but they can do many useful things to meet the desperate needs of poor and give them new opportunities... The foreign aid, the diplomatic relations and military intervention become a part of the crusade to transform the Rest (pp. 4-26).

In 2013, Easterly argued that the cause of poverty “is the absence of political and economic rights, the absence of a free political and economic system that would find the technical solutions to the poor’s [sic] problems” (p. 7). He argues that the expert, who can improve economic growth through technical knowledge and can bring prosperity to the country, in turn has employed authoritarian development to deprive individual rights and freedom. In Easterly’s view, this is a reason why some poor countries remain poor and vulnerable.

Taking Schumpeter and Paine approaches, Reinert (2008, pp. 255-256) attempts to discover why poverty reduction is an erroneous approach and why the MDGs do not represent good social policy in the long run. He proposed the use of the terms “cronyism” and “welfare colonialism” to frame how the international community legalizes their role in poor countries. With regard to cronyism, he concludes, the rent-seeking institutions, which consist of international organizations, create the process of development in order to protect knowledge and to produce more for themselves in new geographic areas. He further contends that,

Welfare colonialism creates parlaying dependencies on the centre in a peripheral population, a center exerting control through incentives that create total economic dependency... welfare colonialism will develop into a system where the rich countries will always be able to cut off aid, food and livelihood sources from the poor countries if they disapprove of their national policies... rather than promoting global democracy, such policies will lead towards global plutocracy (pp. 263-266).

Ziai (2015) defines the structures of the SDGs as the same structures that were used after World War II to achieve acceptance for the development practices in the capitalist world order. In these arguments, little has been said about the influence of the

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<sup>25</sup> The “West” in his book includes rich countries in North America, Western Europe, some countries in non-Western Europe, and professionals who get involved with foreign aid (see Easterly, 2006).

international development norms in socialist countries or how socialist countries have attempted to cope with good governance and the implementation of SDGs in the national development. With regard to Laos, it is obvious that the international community and the Lao government have to work as a partnership to implement the SDGs throughout the country. However, the results of the blending of socialist ideology and notions of sustainable development support the conclusion that the Lao government can offer significant evidence. This conclusion can contribute the debate on international development assistance in socialist countries.

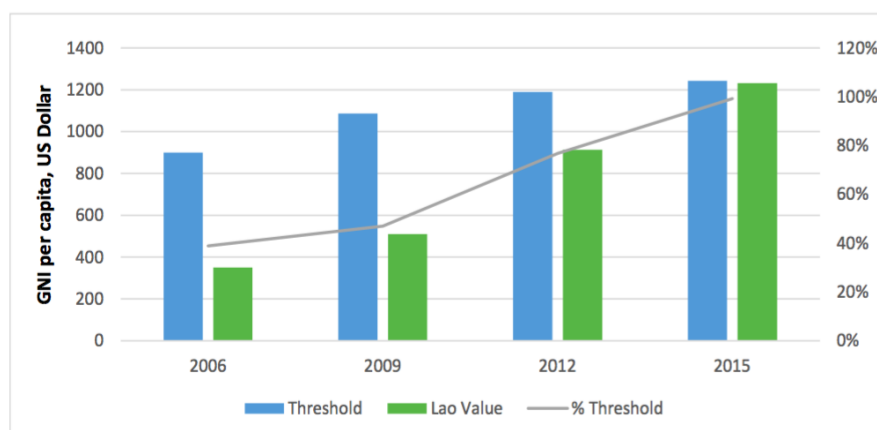
## **2.5 Long-term development aspirations of the Lao government and the development debates**

There have been numerous topics tackled in Lao development studies thus far. Many scholars portray Laos as the poor land-locked country lacking human capacity or a development budget. As for its economy, it is highly dependent on powerful countries, international organizations, and financial institutions. Such perspectives are typical with regard to countries classified as the least developed.

The UNDP's criterion for classifying the least developed country (see United Nations, 2015) includes ratings on the following factors: Gross National Income (GNI) per capita, Human Assets Index (HAI), and Economic Vulnerability Index (EVI). For Laos, as the UNDP and the Ministry of Planning and Investment (MPI) reported progress in each area in 2017 (Ministry of Planning and Investment & The United Nations Development Programme [MPI and UNDP], 2017)<sup>26</sup>. The GNI had made progress by 2015, and it has been gradually improving from about \$350 in 2002 to \$1,232 in 2015 (see figure 1). This number almost reached the criterion for graduation from the least developed country status at \$1,242. The UNDP further forecasts, "the Lao economy is continuing to progressively develop and is expected to grow at an average rate of 7.5% per year" (p. 31).

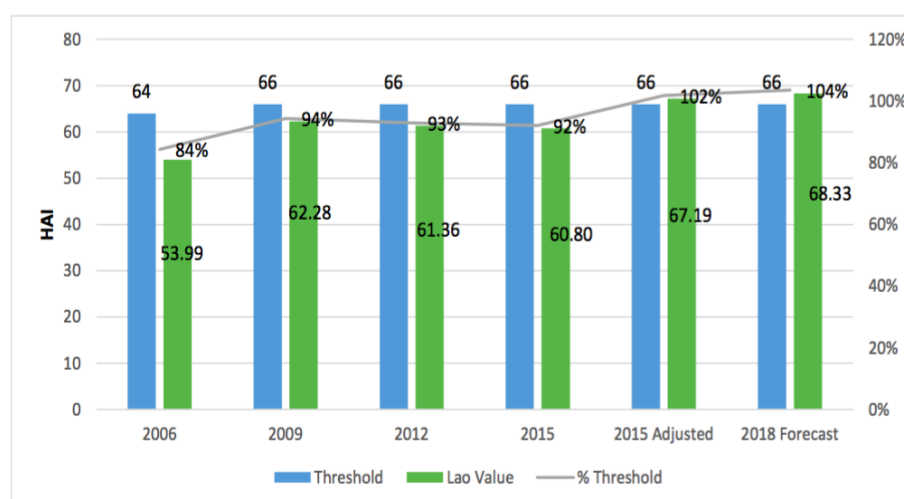
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<sup>26</sup> The three criteria for graduating from LDC status consist of an EVI of 32 or below, an HAI with a threshold of 66 or more, and a GNI per capita greater than \$1,280. Each threshold for Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) has specific indicators according to the UN Office of the High Representative for the Least Developed Countries. For instance, the indicators of Economic Vulnerability Index (EVI) consist of: 1) population size; 2) remoteness; 3) merchandise export concentration; 4) share of agriculture, forestry and fisheries; 5) share of population in low elevated coastal zones; 6) instability of exports of goods and services; 6) victims of natural disasters; and 7) instability of agricultural production (see more UN-OHRLLS, 2018).



**Figure 1** Progress of Lao PDR's GNI per capita in recent reviews (2006-2015)  
**Source** CDP Calculations; NERI (in MPI and UNDP, 2017, p. 31).

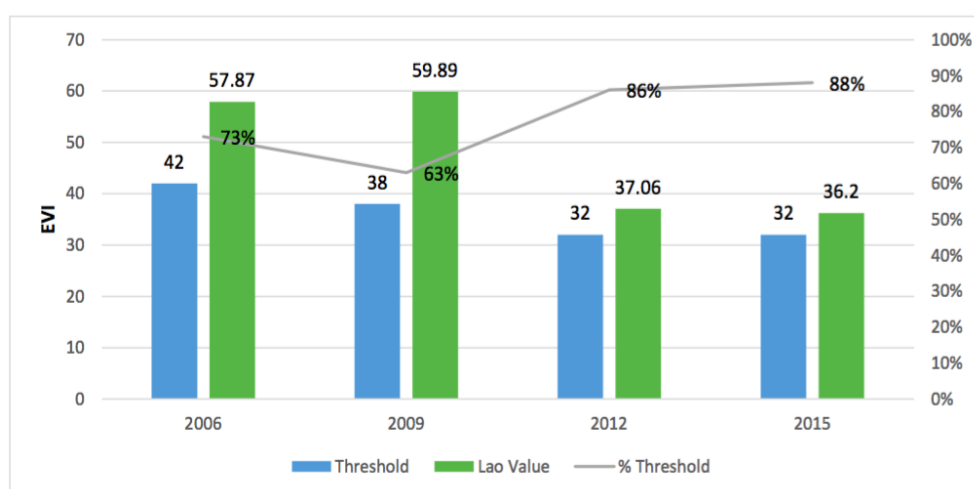
Regarding the Human Assets Index (HAI), the report notes that Laos has made improvements, but not as significant as with the GNI. The HAI number fluctuated a bit between 2003 and 2015 (see figure 2), indexing the country's slower progress relative to other countries. The report also addresses the possible reasons for this: "(i) the different indicators that constitute the HAI are generally slow to move compared with more volatile variables... and (ii) there has been a change in the database since 2012 in which the definition, coverage, etc. have changed" (MPI & UNDP, 2017, p. 32) As long as undernourishment declines and the literacy rate and secondary school enrollment rate increases every triennium, Laos will meet the demands of this criterion in 2018



**Figure 2** HAI threshold and progress of Lao PDR  
**Source** NERI calculations made from CDP database (in MPI & UNDP, 2017, p. 33).

The Economic Vulnerability Index (EVI), the report (2017, p. 34) concludes that Laos reached 36.2 in 2015 (the graduation threshold of the EVI is of 32 or below). This registers at

88% of the graduation threshold (see figure 3).



**Figure 3** Laos' EVI evolution in comparison with the threshold  
**Source** CDP for up to 2012; NERI calculations for 2015 (in MPI & UNDP, 2017, p. 34).

Compared to its neighboring countries, Laos is not surprisingly behind relative to human capital and GDP per capita. Table 2.2 illustrates the Human Development Index (HDI) of the ASEAN countries and shows that that Laos was ranked 8<sup>th</sup> out of 10 countries at 0.601. This data demonstrates that the Lao government is striving to accelerate economic growth and improve human development, surpassing the other ASEAN countries.<sup>27</sup>

<sup>27</sup> The UNDP (2018c) clarifies that the Human Development Index is “A composite index measuring average achievement in three basic dimensions of human development – a long and healthy life, knowledge and a decent standard of living.” It specifically includes:

**Life expectancy at birth:** Number of years a newborn infant could expect to live if prevailing patterns of age-specific mortality rates at the time of birth stay the same throughout the infant's life.

**Expected years of schooling:** Number of years of schooling that a child of school entrance age can expect to receive if prevailing patterns of age-specific enrollment rates persist throughout the child's life.

**Mean years of schooling:** Average number of years of education received by people ages 25 and older, converted from education attainment levels using official duration of each level.

**Gross National Income (GNI) per capita:** Aggregate income of an economy generated by its production and its ownership of factors of production, less incomes paid for the use of factors of production owned by the rest of the world, converted to international dollars using PPP rates, divides by midyear population.

**GNI per capita rank minus HDI rank:** Difference in ranking by GNI per capita and by HDI value. A negative value means that the country is better ranked by GNI than by HDI value.

**HDI rank for 2016:** Ranking by HDI value for 2016, which was calculated using the same most recently revised data available in 2018 that were used to calculate HDI values for 2017.

Country	Human Development Index	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross National Income (GNI) per capita	GNI per capita minus HDI rank	HDI rank (Global rank)
	Value	(years)	(years)	(years)	(2011 PPP \$)	2017	2016
	2017	2017	2017	2017	2017		
Singapore	0.932	83.2	16.2	11.5	82,503	-6	8
Brunei Darussalam	0.853	77.4	14.5	9.1	76,425	-35	40
Malaysia	0.802	75.7	13.7	10.2	26,107	-11	57
Thailand	0.755	75.5	14.7	7.6	15,516	-7	86
Philippines	0.699	69.2	12.6	9.3	9,154	-7	111
Indonesia	0.694	69.4	12.8	8.0	10,846	-19	115
Laos	0.601	67.0	11.2	5.2	6,070	-13	137
Cambodia	0.582	69.3	11.7	4.8	3,413	3	146
Myanmar	0.578	66.7	10.0	4.9	2,471	12	148

**Table 2** Human Development Index and its components

**Source** UNDP, 2018c

Without a doubt, the Lao government's ambition to graduate from least developed country status is reflected in its policy at the political, economic and social levels. In 2000, the Party announced its poverty reduction strategies at the 7<sup>th</sup> Roundtable Meeting. This strategy was to be based on human resources development, rural development, and people's participation (Lao PDR, 2004). Moreover, the Lao government also initiated the so-called "2010 framework" to accelerate the implementation of plans for the MDGs.

To achieve the MDGs, there are 1,400 current development projects amounting to more than 76 trillion Kips that had been assessed by the government before being included in the government's last five-year plan (Sengdara, 2015). An incremental number of business sectors expanded considerably, including those of hydroelectric power, mining, construction materials, agriculture and ecotourism (Stuart-Fox 1995; Creak, 2011; Howe & Park, 2015). After the term for the MDGs expired in 2015, an assessment of the outcomes showed promise for the Lao government. The MDGs summary report in Laos (The UN, 2015a), notes that Laos has achieved universal access to primary education, gender equity in primary education, maternal mortality, reduced child mortality, safe water, and sanitation. Despite these achievements, Laos is continually facing challenges at achieving full and productive employment for its citizens, reducing malnutrition rates, increasing primary, secondary, and tertiary education rates, enhancing gender equity in secondary and tertiary education, improving the role of women in employment and political participation, decreasing mortality and disease rates, improving environmental sustainability, reversing forest loss, and clearing mines carpeted in the country after the secret war.

Since the SDGs were introduced to Lao development, the Lao government has implemented the SDGs in the 8th five-year National Socio-Economic Development Plan (2016-2020), the Development Strategy of 2025, and Vision 2030. These plans include strategies to work toward green growth and sustainable development, to maintain steady economic growth, to achieve constant reduction of poverty and to graduate from Least Developed Country status (Vientiane Time, 2016c). At the local level, the Lao government has been supporting local administrations to be more proactive and to drive the development process, strengthen service delivery functions, improve multi-sector coordination, and enhance participation, transparency, and accountability (Lao PDR, 2015).

However, since Laos has been a highly aid-dependent country for over half a century, the role of the development partners in Lao development should be taken into consideration here. As Pholsena (2004, p. 73) contends "Laos is often designated as a 'sponge' which absorbs large flows of international aid." There are many reasons why international aid matters for the Lao government. Phraxayavong (2009) notes that,

The reasons for this are several: (a) the country is poor, (b) the government has perennially been in fiscal and sometimes political shambles, (c) most residents are still living in a "subsistence" economy, (d) the country's administrative and economic expertise kept having to be rebuilt due to the constant wars and political changes, (e) the World Bank/IMF's "structural adjustment" created new humanitarian needs that have had to be met in other ways, (f) Laos and its

financial supporters want the country to graduate from the LDC status as soon as possible, and (g) the very attempt to connect the country to full participation in global capitalist markets – ostensibly as a way of improving the economy and standard of living (p. 258).

From these reasons, the Lao government is enthusiastically cooperating with the development partners as known as the Sector Working Group (SWG) by dividing into eight development themes. According to the Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025) (Lao PDR, 2015), the Lao government acknowledges the role of the development partners since the Official Development Assistance (ODA) provided by the development partners has remained the provisioning of development resources. They work together to enhance future development cooperation using the existing SWG consultative mechanisms and processes, and to provide indicative commitments of development cooperation. In addition to the development partners, the Lao government also welcomes the participation of South-South partners, civil society, the private sector and other actors under the existing consultation and dialogue process. Economic integration at subregional and regional levels is also generating income and development project in Laos, which has helped to change Laos from a “land-locked” to a “land-linked country.” The Lao government has been showing its support for economic integration, which could initiate a plethora of new development projects as well as direct foreign investment (see Gunn, 2008).

According to the normative diction of the SDGs, the terms “good governance” and “decentralization” have been used to advocate democratization indirectly. This has led to a debate about how the Lao government deals with these terms, which are incompatible with the socialist and undemocratic regime of the country. Since the development partners play an important role in improving good governance through development assistance under the Governance and Public Administration Reform Programme (GPAP) of 1993, its result is, as Khennavong (2015) argues, an improvement of some dimensions of governance in Laos. He contends there are two reasons for this improvement, “the first is that there is a good donor-government relationship... Second... aid has helped promote governance reform because the Lao government at least parts of it have wanted it to” (p. 170). His argument is more optimistic than Stuart-Fox’s argument. As Stuart-Fox (2005, pp. 52-55) argues, the Lao elite have emphasized little with regard to democratization and, as long as “the levels of wealth in Mekong towns continue to rise...there is unlikely to be strong pressure for more democratic institutions.” Indeed, “the Party cannot be expected to bring about its own demise by stepping aside to make way for a multiparty system.” Likewise, Howe (2018) argues that the development partners per se do not strive towards democratization as an expectation because the development partners have “privileged the pursuit of economic growth over human rights, political freedom, environmental sustainability and a host of other social justice issues” (p. 131). In this research, it should be noted that the National Assembly and civil society are worth studying to understand how the principle of good governance functions in Laos. The interpretation of good governance by the Lao government in its restructuring domestic institutions, formulating development policy, and legitimizing itself in the public eye will also be explored here.

Decentralization in Laos, many scholars argue, is like old whiskey in a new bottle. Though the Lao government attempted to decentralize power to local authorities, as I argue, this is inefficient since the decisive power, in turn, is mainly at the central level. As Creak (2014) argues, centralization is still masquerading as decentralization. Besides, there has been too little, if any at all, action to decentralize. Taking a regime-centered organizational approach to examine the political structure in Laos, Soukamneuth (2006) emphasized that decentralization in Laos is nothing but a development myth. Likewise, Stuart-Fox (2005) has pointed out that the Party could maintain its power by appointing local governors and that corruption issues have been increasing because of decentralization. Following Creak's arguments, this research will shed additional light on the Three Build Directive (*Sam Sang – in Lao*). Both the Lao government and the development partners initiated the Sam Sang in order to implement their development plan at the local level effectively and pervasively. Thus, I argue that the Sam Sang could reveal central-local relations and the interplay between external-internal forces and contribute to the debate on the decentralization of the socialist state.

Given that development is another tool for regime legitimacy of the Party, this research will analyze how the Lao government maintains their guiding role (*Sinam-Nampha – in Lao*) in national-local development to obtain the regime legitimacy. Unlike the development-related studies above, I particularly focus on the politics of development between the Lao government and the development partners by investigating the domestic institution and Lao development policy under the Sustainable Development Goals, which include the unmet Millennium Development Goals. Moreover, the question of how the Lao government copes with an incompatible discourse for an undemocratic regime will be analyzed in order to shed light on Lao-style domestic institutions. In my opinion, this research will pave the way for examining Lao development in its political context, something currently absents from the Lao studies literature.

In summary, given that Lao development depends on a number of factors this chapter has sought to provide a theoretical framework and contribute a literature review of the subject at hand. Development theory, and a state-centered, post-socialist approach, has been chosen for this inquiry. This choice was made based on the fact that the development partners have increasingly played an important role in Lao politically, while the Party and the Lao government have at the same time dominated with regard to state power since the Lao revolution in 1975. Both actors continue to be indispensable in the transition of the Lao socialist state to a more open economy.

Indeed, there are many practical reasons to justify the use of this theoretical framework. First, development theory can be used to analyze the current international norms that are indexed by the discourse used by both the Lao government and the development partners. Such analysis exposes the power relations and discursive practices of the actors in question. Second, the state-centered approach is a workable tool to analyze Lao state power, with regard to how it deals with the external political forces, and the state's capacity to achieve the development goals. Third, I hypothesize that the Party is making use of state power to deal with capitalism and initiate development as a tool for regime legitimacy. I will employ the post-socialist approach to investigate how the Lao state power and its socialist ideology formed, how the

Party has legitimized itself in order to obtain popular support and stay in power, and how the Party has employed capitalism and development to gain political legitimacy. I believe that these theories will offer a significant contribution to debate surrounding the interplay between internal-external political forces and development in highly aid dependent, lesser developed socialist states like Laos. Last but not least, the above literature review on current international development norms and Lao development aspirations could provide an additional argument and updated information for this research.

### Chapter 3

#### Regime Legitimacy and State power in Post-Socialist Laos

*“Long live Lao People’s Democratic Republic.  
Long live the glorious and dignified Lao People’s Revolutionary Party.  
Long live Marxism-Leninism.”<sup>21</sup>*

The above slogan continuously appeared on the billboard behind the Tenth Congress of the Lao People’s Revolutionary Party (LPRP or the Party) in 2016 (see photo 1). The slogan simply implies that the sovereign power of Laos is in the hands of the Lao People’s Revolutionary Party, which is steeped in Marxist-Leninist ideology. Since the Party<sup>22</sup> is the primary actor in Lao politics, this chapter aims to investigate how the Party obtains and consolidates its political power, and the extent to which Lao state power has transformed under the international development norms. This information can provide insight into the interplay between the external-internal forces shaping state power and which have further shaped Lao domestic institutions and development policy, a subject that I will analyze in chapter 4.

I divide this chapter into three parts in accordance with the post-socialist, state-centered approach. The first part will investigate regime legitimacy in post-socialist Laos. I employ Saxonberg’s (2013) post-socialist framework (see chapter 2) here. The three variables identified by his framework support the argument of this chapter that the Party relies on ideological legitimacy, pragmatic acceptance, and the suppression of revolutionary potential to maintain state power. These concepts can be utilized to help understand how the Party legitimized socialist ideology to serve its political purposes as new circumstances have arisen. In the second part, I will reveal how the Party seeks to maintain its political and institutional stability by consolidating socialism and the Party’s power within the political structure of Laos, and by enhancing the elite cohesion. In the final part, I will investigate the state power under the international development norms. I argue that the Party has partly transformed itself to conform to the international development norms for its own survival. In the two latter parts, a state centered-approach is used to analyze state power.

Process tracing and elite interviewing are the overarching tools I will use to analyze the mechanisms sustaining regime legitimacy of the Party, the power of the state and the international development norms. I conducted multiple interviews with high status individuals including: A Party member, a National Assembly (NA) member, a Lao policy maker, Lao government officers, representatives of the Lao Non-Profit Association (NPA), representatives

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<sup>21</sup> This slogan was translated in English by High and Petit (2013).

<sup>22</sup> There is institutional overlap between the Party and the Lao government. To avoid the confusing, the Party and the Lao government in this chapter, I consider the Party the acting body that possesses the state power and the Lao government as the state authority that implements the Party’s policy in national and local development.

of the development partners, Lao academics, Lao experts, and representatives of INGOs (see Annex 1).

I began seeking out potential informants using the list of participants from the Round Table Meeting that took place in 2015. In the beginning, I contacted the development partners through emails listed on their official websites. The most challenging part was gaining access to information related to the Lao government and Party members. First, I used an official channel to contact the Lao government, sending a formal letter to the Lao embassy in Bangkok, Thailand. However, this process was time consuming, so I had to supplement it with another approach. For this, I employed the snowballing technique using the connections of a Lao studies expert and those of other established informants to contact potential informants directly. The official letter nevertheless remained important because permission of the government is required to conduct an official interview. Since Lao political issues are sensitive (it is prohibited to criticize the Party and the Lao government), I attempted to interview the Party member, the National Assembly member, and Lao government officers about SDGs more generally and socialist ideology indirectly. Information from members of the civil society, such as International Non-Governmental Organizations and Lao Non-Profit Associations, Lao scholars, and Lao students were then used to triangulate interviews coming directly from sources related to the government.

Process tracing was then used to trace historical events to explain why the Party, the independent variable, has a legitimate right to employ the state power, the dependent variable. It should be noted that the Party, regime legitimization, and the state power are viewed singularly in this chapter. I categorize and divide second hand data chronologically into three periods: 1) the nationalist movement's adoption of socialist ideology to national independence (1955-1975); 2) ideological legitimization following national independence (1975-1985); and the socialist ideology under the open economy (1986-present). Finally, first-hand and second-hand data are analyzed to provide insight into regime legitimacy and Lao state power in post-socialist Laos.



**Photo 1** The Tenth Congress of the Lao People's Revolutionary Party

**Source** Vientiane Times as cited in ASIA News Network, 2016

### 3.1 Ideological legitimacy

The Marxist-Leninist ideology is used to mobilize regime legitimacy in many socialist countries. When the communist party first seizes political power, the ideology is the most important element, as Saxonberg (2013) notes, to make “a degree of voluntary compliance possible.” In this sense, ideological legitimacy is the means of the communist party to gain legitimate right to rule with the strong support from cadres, intellectuals, and the working class. He further contends that ideology plays “a major role in motivating their cadres to embark on a ‘messianic’ mission to change society” (Saxonberg, 2013, pp. 16-17). In the case of Laos, the Marxist-Leninist ideology is used by the Party to prolong its political legitimacy to rule.

I will begin with a brief history of the Marxist-Leninist ideology in Laos and an examination of how this ideology is legitimized by the Party, which started as a nationalist movement in 1955. Socialist ideology in Laos formed in a manner unlike what Karl Marx predicted for this stage of communism, which he rooted in class struggle over the means of production. In Laos, evidence from many scholars, and a number of manuscripts and speeches given by political leaders,<sup>23</sup> shows that the ideology was established by the nationalist leaders who had a strong connection with the Vietnamese nationalist movement of the French colonial era (Langer and Zarloff, 1970; Christie, 1982; Brown, 1991; Stuart-Fox, 1997; Ivarsson, 2008; Creak, 2018).

<sup>23</sup> For example, the Lao literature titled ‘the Sixty Years of the LPRP’ (Kana Kosana Aob Hom Soun Kang Pak, 2015, p. 4) notes that there are two contributing factors that came from the Indochinese Communist Party (ICP) relating to the formation of the Party. These factors include Marxist-Leninist ideology and the ICP’s invaluable assistance to the Lao revolution.

In the French colonial era, undesirable outcomes resulting from the French colonial administration served an impetus for resistance groups in the Indochinese countries. Ho Chi Minh,<sup>24</sup> who admired and took inspiration from the Marxist-Leninist ideology that was employed following the Russian revolution in 1930, led the Indochinese Communist Party (ICP). As detailed in the ten points enshrined in the ICP manifesto, its political mission was to fight against French colonists, feudalism, and capitalism to obtain national independence and to establish a proletariat government (Ruane, 1998, p. 4). Thereafter, the ICP as an underground movement sought to establish the Marxist-Leninist ideology in Laos and Cambodia. In 1945, the Japanese occupation of Laos created an opportunity to empower the nationalist movement. At that time, The Japanese occupation in Laos diminished French influence over Laos under the “*Meigo Sakusen*” operation to increase more troops in the fight against the Allied forces (Kikuchi, 2017). However, the communist movement in Laos was more cohesive during the Laotian civil war (1959-1975; see Stuart-Fox, 1997).<sup>25</sup>

Although the nationalist movement<sup>26</sup> and the political consciousness of the Lao people grew slowly,<sup>27</sup> its pace to fight colonialism and imperialism was accelerated by nationalist leaders under Vietnamese supervision. The leaders regarded as most influential and heroic were Kaysone Phomvihane and Prince Souphanouvong. They used their different backgrounds to build connections with the Viet Minh and Ho Chi Minh. Prince Souphanouvong, also known as the Red Prince, was one of the sons of Prince Bounkhong, the last vice-king of Luang

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<sup>24</sup> Ho Chi Minh’s revolutionary doctrine, according to his own writing, is based on Leninism (Ho Chi Minh, 1960 translated by Fall, 1960). He wrote in the cited article for the Soviet Review of Problems of the East, for the ninetieth anniversary of Lenin’s birth, that when he was in France, he supported the October revolution and overwhelmingly admired Lenin as “the great patriot.” He notes that “At first, patriotism, not yet communism, led to my confidence in Lenin...I gradually came upon the fact that only socialism can liberate oppressed nations, and working people throughout the world, from slavery” (pp. 5-7).

<sup>25</sup> The Laotian civil war is considered a proxy war of the cold war (1960s – 1970s). The fight between the *Pathet Lao* supported by the communist movement in North Vietnam and Royal Lao Army supported by the USA broke down a reconciliation government resulting from the 1962 Geneva Agreement of the Lao nationalist movement into political factions based on ideology (see Stuart-Fox, 1997).

<sup>26</sup> After the Japanese surrendered in 1945, the French colony reestablished its occupation of the Indochinese countries. As a result of nationalist empowerment during Japanese occupation, Lao Issara (Free Lao) was established as an independent government that was an anti-French, non-communist nationalist movement. Prince Souphanouvong was Minister of Defense and Communication. However, I will particularly focus on the *Pathet Lao* as a communist movement to provide better understanding of the ideological movements toward Marxist-Leninism in Laos.

<sup>27</sup> To address why the Lao people took to socialist ideology so gradually, many scholars have argued that Lao people at that time lacked awareness of political and economic affairs (Stuart-Fox, 1997; Rathie, 2017). This argument is supported by the fact that, as Stuart-Fox (1997) contends,

Some 90 per cent of low land Lao remained subsistence peasant farmers; even in the few towns there was virtually no Lao working class; and next to nothing had been provided by way of education for either Lao Sung [or] Lao Thoeng. Opportunities were minimal, therefore, for raising the political consciousness of the Lao population through either education or inter-ethnic contact” (pp. 52).

Prabang and his half-brother was Prince Souvanna Phouma, the former Lao Prime Minister. Stuart-Fox (1997) describes him as an “energetic, headstrong and ambitious” person (p. 63). He became a radical nationalist because his wife was Vietnamese and a supporter of the Vietminh. Unlike Prince Souphanouvong, Kaysone Phomevihane was half Lao and half Vietnamese. He attended law school at university in Hanoi, Vietnam, where he first met Nounhak Phoumsavanh, another nationalist leader. As a member of a small anti-French guerrilla army in southern and central Laos, he and other leaders, including Nounhak, were brought to a “Committee of Lao Resistance in the East” by the Vietminh in 1946. They worked with Vietminh for three years before establishing their own movement – the Lao Patriotic Front (LPF) (Stuart-Fox, 1996, p. 75).

In 1950, the *Pathet Lao*, or the nationalist movement, was established to unitize and empower nationalist-communist factions.<sup>28</sup> The Lao People’s Party (*Pak Pasason Lao*) was officially established in 1955. The Marxist-Leninist ideology first became manifest in “the Twelve Missions” of the Party, which were written in support of Marxism-Leninism (along with the nationalist ideology) and the liberation of the Lao people from imperialism. They united under the slogan: “We will unitize Lao people to achieve the national liberation mission and build Laos for peace, independence, democracy, unity and prosperity” (Kana Kosana Aob Hom Soun Kang Pak, 2015, pp. 10-11). From the French colonization to the civil war, the Party used emancipation discourse to encourage the Lao people to trust in its ideology and its capable leadership. After the thirty years struggle (1945-1975), in 1973, the Paris Peace Accords ordered the withdrawal of all foreign troop from Laos.<sup>29</sup> A few years later, the collapse of the anti-communist regimes in South Vietnam and Cambodia legitimized the communist victory in Indochina. In 1975, the Party proclaimed its victory over the country and the Lao People’s Democratic Republic was first recognized as a communist one-party state.

### **3.1.1 Ideological legitimization for nation building and the socialist transformation (1975-1985)**

After gaining national independence in 1975, the Party seized the state power. The Marxist-Leninist ideology was highly influential and became the dominant political ideology of the country. Since then, the Party sought to promote the ideology to its cadres and the Lao people. The Party’s goal was to stabilize its regime to promote nation building and the socialist transformation. The the Party was able to successfully introduce socialism without first passing

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<sup>28</sup> Initially, as Stuart-Fox (1996, p. 75; 1997, p. 79) points out, the *Pathet Lao* was based on three factions: 1) Prince Souphanouvong and supporters of the traditional Lao elites 2) Kaysone Phomvihane and Nounhak Phoumsavanh and the ICP, or the Committee for Lao Resistance in the East, and 3) Faydang and Sithon who were chiefs of the dominant ethnic groups. These factions had become a single unit by the first Congress of the People’s Representative in 1950. The *Pathet Lao* was then approved as the resistance government.

<sup>29</sup> Article 20(b) of the Paris Peace Accord issues, “Foreign countries shall put an end to all military activities in Cambodia and Laos, totally withdraw from and refrain from reintroducing into these two countries troops, military advisers, and military personnel, armaments, munitions and war material” (CVCE, 2015).

through capitalism, reaching its goal<sup>30</sup> by the Third Plenum of the Second Central Committee in 1975 (Stuart-Fox, 1997, p.169).

A number of strategies were used to achieve the Party's mission in the socio-economic and political realms. The Party first implemented a Leninist political structure to institutionalize itself and other political organizations in the country that represented the Party's interests. The Politburo of the Lao People's Revolutionary Party, the main organization that keeps the political organizations organized under the principle of democratic centralism, (Stuart Fox; 1997; Croissant & Lorenz, 2018), was a primary actor in designing the Lao development plan, which was based on the Soviet model. The collectivization of agriculture to support formation of village co-operatives was first introduced in the Interim Three-Year Plan (1978-1980), and was considered "a pre-condition for a soviet-style, centrally planned economy" (Phraxayawong, 2009, p. 139). The collectivization of agriculture not only shaped the economic system, but also became a tool to control the Lao people at the local level. Pholsena (2006) supports this argument, stating that "Collectivization...was not only seen as a means to achieve economic security but also as an instrument for political consolidation... it was expected that collectivization would transform the people into 'new socialist men'" (p. 56). However, the outcome of collectivization was not as successful as the Party expected. The path to the socialist utopia through collectivization became stagnant due to a number of factors detailed in the next section.

The second strategy was to promote the ideology through the "Three Revolutions"<sup>31</sup> (see Dore, 1982; Zasloff, 1991; Stuart-Fox, 1997; Pholsena, 2006) to propagandize a Marxist-Leninist ideology blended with nationalism in Lao social and cultural spheres. Particularly, the Party constructed a new Lao identity. Rehbein (2017, pp. 41-42) highlights the five ways the Party did this: idolizing the revolution, making Lao the national language, turning nationalist leaders into mythical figures, recruiting monks for political education to better reach the Lao people, and transforming the symbolic environment to convert Lao citizens into socialists. Regarding Lao culture, the Party replaced French colonial influences with socialist-inspired ones, which were combined with Buddhist principles,<sup>32</sup> and placed more emphasis on socialism in education. As I learned through my interviews, many nationalist leaders had previously been monks and were therefore able to influence the Party in that direction (Informant no. 16, 2017).

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<sup>30</sup> According to Kaysone Phomvihane's principle, Yamada (2018) notes the key Party goals for the social transition were "(i) eliminating traces of both colonialism and feudalism, while building a people's democratic regime by extending administrative power from the center to the 'grassroots'; and (ii) normalising people's lives by reconstructing the existing concept of production and establishing new relations of production" (p. 4).

<sup>31</sup> Stuart-Fox (1997) argues that the three revolutions included the overhaul of the relation of production, the scientific and technical revolution, and the cultural revolution.

<sup>32</sup> Most of the Lao population is Buddhist. Lao social norms, beliefs, and culture are all based on Buddhist principles (see Rehbein, 2017). Their belief in *Karma* and charisma (*Baramee*) shape Lao social structure. Stuart-Fox (1996) argues, "this [Lao] social structure, and the exercise of authority within it, were legitimized through a combination of Lao mythology and Indian Buddhist notions" (p. 92). One of key informant stated that Buddhism in Laos is further blended with Animalism, Animism and Brahmanism (Informant no. 16, 2017).

The third strategy the Party employed was to construct a political rhetoric, within political speeches and press publications, to justify the socialist transformation and nation building to the public. Furthermore, the Party motivated the Lao people to trust in them and to entrench themselves in the ideology, which they told the people would bring the country to a socialist utopia. Kaysone's speech at the tenth anniversary of Lao's independence in 1985, emphasized this unfinished mission of the Party to facilitate "nation-building, the socialist transition, and the protection of national sovereignty" (Kaysone, 1985, pp. 16-18).

In conclusion, socialist ideology in Laos is clearly a blend of Marxism-Leninism and nationalism. As a relatively new independent country, ideological legitimacy has served two political purposes: facilitating regime stability for nation building and encouraging belief in the socialist transformation. The Party has served as the primary actor in socio-economic development almost completely without resistance by the Lao people. However, the Party did encounter difficulties with internal-external changes in 1986, which have become a challenge for the Party in its attempts to uphold socialist ideology. Thus, the Party had to re-legitimize itself by reinterpreting the former narrative to adapt.

### **3.1.2 The socialist dilemma: how the Party re-legitimized the ideology to deal with capitalism and globalization (1986-present)**

In the 1980s, there were three turning points that threatened to deteriorate socialist ideology in Laos. The first was the failure of collectivization since it did not meet the Party's expectations and encountered many difficulties. For example, the capacity of the government to provide technical and financial support to Lao farmers was limited, and natural disasters continued to pose a threat to agricultural production (Stuart-Fox, 1997; Soukamneuth, 2006). The second, and most important factor was the collapse of the Soviet Union, the major aid-donor to the country. Assistance thereafter to socialist fraternal countries, including Laos, was cut off (Phraxayavong, 2009; Rathie, 2017). From this unavoidable change, the Party had no choice left but to open the country to a new economic system, just like China and Vietnam. In 1986, the Lao government, in an unprecedented move, introduced to the country a market-oriented economic system known as the New Economic Mechanism (NEM)<sup>33</sup>. As a result of opening itself up to non-Soviet development assistance and direct foreign investment, the country's economic performance improved; Specifically, Laos' Gross Domestic Product (GDP) and standard of living rose. The last turning point came with the end of the Cold War. The subsequent influence of globalization in the country created an inflow of information and technology from the West directly affecting the Lao people's way of life and the socialist ideology.

These turning points put the Party in the position of having to deal with capitalism and

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<sup>33</sup> Yamada (2018) provides insights into the political context before the NEM. Specifically he notes that the failure of collectivization and pressure from the exogenous forces led to a two-line struggle between socialism and capitalism from those "aligned with Kaysone, the reformer or pragmatist, and the "ideologues and hardliners aligned with the LPRP... Nouthak Phoumsavanh, who adhered to a more orthodox socialism and an old-fashioned system of political patronage" (p. 8).

globalization, and to attempt to maintain their socialist stance simultaneously. This dilemma led to a fruitful discussion among Lao scholars, specifically regarding how the Party posits the socialist ideology to legitimize itself under capitalism and globalization to stay in power. Generally, these scholars have focused on the practical strategies employed by the Party through national symbols, political and religious ceremonies, representations of national heroes, international and national festivities, and political rhetoric (see Evans, 1998; Rehbein, 2007; Soukamneuth, 2006; Ivarsson, 2008; Creak, 2014; Rehbein, 2017; Tappe, 2017).

Through my field research, I was able to gain additional insights into how the Party uses the ideology for its survival. From my interviews, I concluded that the Party currently plays three main roles: 1) the lead supporter of the socialist ideology; 2) the guardian of national interests; and 3) and the builder of the socialist utopia. Through each they are able to pursue ideological legitimacy and maintain control of state power, even as circumstances change.

The first role of the Party is lead supporter of socialist ideology throughout the country. In this role, the Party initially appropriated and applied Marxist-Leninist ideology, then supported and maintained it through the idolization of the nationalist heroes and the spread of propaganda in the public sphere. This strategy has explicitly aimed to convince the Lao people that the nationalist movement is dedicated to their interests while simultaneously glorifying the Party. However, the way the Party presents these symbols in public is aesthetically less attractive and generally outdated in relation to the symbols of globalization, according to Rehbein (2007, pp. 77-84). This observation was affirmed when I visited the Lao National Museum in Vientiane, the capital city. The building is built in Lao traditional style, and has recently been renovated inside. The exhibitions are comprised of Lao historical documents, but some sentences in the documents are almost unreadable due to poor maintenance. The photos and weapon from the civil war are positioned in an unattractive manner (see photo 2). For example, Kaysone Phomvihane, who is the former Prime Minister and a national hero, is exhibited in the museum in a manner resembling that of a Buddhist altar (see photo 3), his bust set up on a podium surrounded by plastic flowers in a vase. His brief biography below describes his legacy as a supporter of Marxist-Leninism and his dedication to the Lao people through national liberation and the socialist transformation.



**Photo 2** the exhibition at the Lao National Museum



**Photo 3** Kaysone Phomvihane's bust at the Lao national museum

Most importantly, the museum also exhibits photos of Karl Marx and Lenin with a quote from the nationalist movement of 1955 (see photo 4). This quote is intended to encourage solidarity among the Lao people using national liberation symbols of peace, democracy, unity, and independence.



**Photo 4** Marx and Lenin photos in the national museum

Additionally, propaganda used by the Party appears along the street in Vientiane, the capital city. The core of its content glorifies Kaysone Phomvihane (see photo 5) and the Party's mission (see photo 6). When I compare a commercial billboard with the propaganda sign in Vientiane capital city, it is obvious to see that the propaganda sign is much less attractive (see photo 6 and 7).



**Photo 5** Kaysone Phomvihane billboard at the President Palace (*Hor Kham*)



**Photo 6** Propaganda billboard close to Thai-Lao border



**Photo 7** Commercial billboards at Vientiane Center

As the lead supporter of socialist ideology in Laos, the Party has emphasized socialist rhetoric through a number of speeches. For example, Sasy Santivong, a member of the Party Central Committee and the Minister of Justice, proclaimed in the Tenth Party Congress of the LPRP in 2015 that Party members are loyal to the Party and the socialist ideology and that they are attempting to improve their knowledge to bring democracy to the Lao people. His speech also implies the Party's stance is to promote the socialist ideology to motivate the Lao people to protect national interest and bring the prosperity to the country (see Pak Pasason Pativad Lao, 2015).

Moreover, at the Tenth Party Congress in 2016, the Party began by introducing a political perspective called the Kaysone Phomvihand Thought (KPT), which they presented as the developmental framework that will form the foundation of the Vision 2030. The five core

concepts of the KPT, posted on the Kongthap Pasason Lao website, emphasize the Kaysone Phomvihane's Thought as a development framework that includes: 1) national liberation and support for the Marxist-Leninist ideology; 2) Party solidarity; 3) adjustment of the country's strategy through new circumstances; 4) strengthening the Party and Marxist-Leninist ideology to protect national sovereignty as circumstances change; and 5) building friendly relations between Laos, its socialist fraternal countries, and the international community (Thang, 2018). Due to his heroic role in the Lao revolution, which was built upon these principles, the Party considered the use of Kaysone's perspective as ideal for promoting the ideology and the Party's mission to emancipate the nation, society, and people. This information illustrates how the Party members continue to strive towards building a socialist utopia in Lao in parallel with capitalism and reassuring the Lao people of their competency to do so. This has further given rise to the other two roles of the Party.

The second role of the Party is "the guardian of national interests." This role arises from the fact that capitalism (and globalization for that matter) has become a double-edge sword for regime legitimacy – on one side it could both jeopardize the preservation of the socialist ideology within the country but, on the other side it provides an opportunity for the Party to play the hero in its dealings with capitalism. Yamada (2018) argues that the Party has brought the two-line struggle between capitalism and socialism back into its political rhetoric. The two-line struggle can be observed in a statement by one Party member I interviewed, who stated that:

Capitalism has both negative and positive impacts on the Lao people. The Party commits itself to the protection of the Lao people from the negative impacts of capitalism, and to bringing the country up to the socialist stage (Informant no. 13, 2017).

In order to achieve that goal, the Party must strongly commit itself to narrowing the gap between rich and poor and bringing equality to the country. His interview convinces me that the second role mentioned above should be considered along with the Party's third role as the builder of the socialist utopia.

It should be noted that the degree of the ideological entrenchment among Party members is unmeasurable and complicated, and the socialist utopia itself is rather idealistic. From my interviews it is debatable whether the Party member and the National Assembly (NA) member I interviewed still believe in socialist ideology. Their opinions show that the Marxist-Leninist ideology can be practically employed to narrow the social inequality gap while the Party adjusts its ideological underpinnings to better mesh with the contemporary geopolitical context. As the Party member I interviewed stated:

The socialist ideology matters in Laos. As the Party is entrenched within Marxist-Leninist ideology, the Party believes that this ideology will bring equality to the Lao people by buffering the exploitative nature of the capitalist system. There is no concept of private property in socialist ideology. The Lao government currently tailors the ideology to a given situation by implementing

it in a legal framework and with respect to Lao tradition...Party members have implemented and supported the Marxist - Leninist ideology because they believe in the Russian revolution and believe that capable leaders are important to maintain the ideology. The Party acknowledges itself as a group of capable leaders bringing the revolution to the Lao people, and I believe that the socialist ideology will be fully implemented in Laos eventually... socialism in Laos, means a one-Party system with an open-mind to international and regional changes (Informant no. 13, 2017).

As the Party promotes the socialist ideology to protect the Lao people, however, the member of the NA comments, "There is no country can reach the socialist stage, it takes time and depends on many factors, and one of those is the class struggle... I do not think that it will happen in my generation but I will believe it will happen in the future" During this waiting period, he believes that equality among the people should come to the fore.

Laos decided to entrench itself in Marxist-Leninist ideology because the Lao government and the people wanted to. They believe that the ideology supports the equality between people and within the country. Consequently, the Lao government concedes that the socialist ideology matters for Lao development and they attempt to promote the ideology in government meetings (Informant no. 16, 2017).

Thus maintaining the relevance of the ideological may further legitimize the Party's power in the aforementioned roles. In my view socialist ideology in Laos has become "the spiritual anchor" for Party members to maintain cohesion and keep the trust of the Lao people. Moreover, the Party has turned the potential negative impacts of capitalism into an opportunity to manifest its leadership. As a result, the ideology will be reinterpreted to serve the political purpose of prolonging the Party's political legitimacy. Though the ideology can be used alone to justify the legitimacy of the current Lao government, it is unlikely that the Party will maintain its power without measurable, concrete achievements like those attained through the successful completion of socio-economic development milestones. Croissant and Lorenz (2018) refers to this as "performance-based legitimation," meaning that economic development and improvement of the standard of living "have become important new sources of legitimacy for the party" (p. 118). I will further emphasize his argument by considering developmental legitimation in national development.

### **3.2 Pragmatic acceptance: development legitimation in post-socialist Laos**

In parallel with ideological legitimacy, pragmatic acceptance defines another dimension of regime legitimacy for the Party. According to Saxonberg's definition of pragmatic acceptance, if there are internal and external constraints on Laos, the Party members, as the delegates of the Lao people, will find an optimal means to deal with them. This leads to two questions on this topic: What internal and external constraints have been imposed on the Lao government so far? What has the Lao government done to cope with these constraints? In order to answer these questions, I will highlight the Party's aspirations and use of political

rhetoric<sup>34</sup> to obtain more acceptance to sustain regime legitimacy to maintain power. Economic development, social stability, and the goal of graduating from the status of least developed country by 2020 under the Party's supervision will be taken into consideration. I hypothesize that this supervision plays a role in the "developmental legitimation" of the Party and the Lao government.

### **3.2.1 Developmental legitimation: economic development and graduation from the least developed country status under the Party's supervision**

There are three general constraints to Lao development. First, Laos is a poor, and land-locked country with a lack of state capacity to build human capacity or to accelerate development goals, and the economy is highly dependent on the international community. This is quite typical for countries that are classified as least developed. The second constraint is that the regime doesn't want to be perceived as lacking the necessary creditability in the public eye to run the country effectively. As a result, the Party is more receptive to international development assistance that helps Laos pursue international development standards to prove its development creditability and to trigger robust economic growth. For example, the Lao government introduced 'fighting poverty with human resource development,' 'rural development,' and 'people's participation' to the Millennium Development Goals (MDGs) at the 7<sup>th</sup> Roundtable Meeting (RTM), supported by the development partners in November 2000 (Lao PDR, 2004). As the consequence of the RTM, the number of business sectors has increased considerably. These sectors include hydroelectric power construction, mining, construction materials, agriculture, and ecotourism. Almost 1,400 development projects which cost more than 76 trillion kips are included in the government's five-year plan (Howe and Park, 2015; Sengdara, 2015). In 2015, the Lao government worked with the development partners in implementing the SDGs in the national development plan.

In 2017, moreover, the Party restated its ambitious goal to graduate from the status of least developed country by 2020 and become an upper middle-income country by 2030. In order to reach these goals, the Lao government has emphasized its efforts on mega-development projects, particularly with regard to building a hydropower dam, increasing land connectivity to neighboring countries through the building of roads and an airport, and commercializing natural resources to foreign investors. Thus, the Lao government supports bilateral cooperation at the regional and the sub-regional levels, particularly in infrastructure development, as with railways, airports, roads, Special Economic Zones, human resource development, and tourism (Vaenkeo, 2017).

The outcomes of economic development in Laos have been impressive thus far according to the MDGs summary report in 2015. Laos has achieved universal access to primary

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<sup>34</sup> Creak (2014) says "political language and rhetoric are critical in any political setting but play an especially important role in revolutionary regimes, which use language to produce new cosmologies of rule, and in [the] one-party system... state rhetoric plays a key role in mobilizing legitimacy" (pp. 151-152).

education, gender equity in primary education, reduced maternal and child mortality, and safe water and sanitation (UN, 2015a). However, the Party and the Lao government have encountered difficulties in creating productive employment, eliminating malnutrition, increasing the literacy rate and gender equality in the education sector, empowering Lao women in employment and participation, reducing the mortality rate from disease, supporting environmental sustainability, and alleviating the Unexploded Ordnance (UXO) throughout the country. Another difficulty is that Laos was ranked 138 out of 188 countries in human development due in part to the fact that 23 percent of population is living in poverty (UNDP, 2012). Although the development constraints stated above seem to jeopardize the regime's legitimacy, I argue that the Party has turned the development constraints into an opportunity to pursue its legitimacy, as the Party committedly becomes a leader in dealing with the challenge and bringing prosperity to the country. Thus, the Party is able to proclaim developmental achievements to maintain the status quo in the public eye.

The argument above is supported by the political rhetoric of the Party that blends the liberation of the Lao people from poverty and backwardness and socialist ideology to legitimize the ongoing development projects. Currently, the Party speaks of developmental achievements as the masterpieces of the Party's mission and development challenges as the threat of the country. Whenever socio-economic development is improved, the Party takes credit for the achievement. It is the same strategy that they used in the colonial era. At that time, as I mentioned, the Party produced socialist rhetoric to stabilize the new regime by taking full responsibility for the fight against imperialism and the liberation of the Lao people. Since then, the Party has shifted its mission statement from the liberation of the Lao people to liberating the country from poverty, backwardness, inequality, and capitalist exploitation. According to the Party, without the capable leadership of the Party, the Lao people would be stuck in a poverty trap. Accordingly, the Party members have manifested their full-fledged dedication and strong commitment to tackling the threat and liberating the Lao people, a goal only possible as long as the Party stays in power. Such political rhetoric can be observed in a number of the Party members' speeches for national events like the national festivities in 2015 and the Party Congress in 2016.

The year 2015 was a memorable year for Laos. Two big events were particularly important: the 60<sup>th</sup> anniversary of the founding of the Lao People's Revolutionary Party and the 40<sup>th</sup> anniversary of its national independence. It is no surprise that the Party took advantage of these celebrations to demonstrate their trustworthiness by promoting its capability and dedication to socio-economic development and to tackling the development constraints. In May 2015, Choummaly Sayasone, the former Secretary of the Lao People's Revolutionary Party and President of the State, proclaimed at the 60<sup>th</sup> Anniversary of the Founding of the Lao People's Revolutionary Party that developmental achievements depend on many factors. Among these factors, having capable leaders with strong abilities and the support of the Party was stressed as the most important. His speech also emphasized the path to socialism under the Party's guidance, the development aspirations, and the cooperation between Laos and the international community. Regarding economic development, he ensured cadres and the Lao people that the Party would continually strive toward reducing the poverty rate and improving

human capacity through effective implementation of development strategies from central to local levels (Sayasone as cited in Vientiane Times, 2015).

Developmental achievements were further stressed to the public at the 40<sup>th</sup> anniversary of Laos's national independence. On December 2<sup>nd</sup>, 2015, the grand parade began with the country's symbol and photos of nationalist heroes, such as Kaysone Phomvihane, Prince Souphanouvong, Khamtay Siphandone, and the President of the State, Choummaly Sayasone. National symbols like That Luang and Pratoxay<sup>35</sup> were asserted as reflecting Laos's national dignity. The marchers, who were soldiers, police officers, government officials, members of the private sectors, youth, children, women, and local authorities were marching and waving Lao and communist flags with demonstrable pride and patriotism. This parade pervasively attempted to dignify the regime in the public eye via national television and online videos posted to the national and international websites.

During this event, Choummaly Sayasone proudly announced the achievements of the Lao government. As reported in the Vientiane Times,

Mr. Choummaly described the development changes which have been made over the past 40 years, resulting in the continued growth of the Lao economy and declining rate of poor families. The road network has been expanded. In addition, hydropower development and other mega projects have been realised (Vientiane Times as cited in Embassy of Lao People's Democratic Republic in the United States of America, 2015).

Economic growth itself has become one of the primary factors for proving the Party's legitimacy and reliability, which was reasserted at the Tenth Congress of the Lao Revolutionary Party in 2016. Thongsingh Thammavong, the former Prime Minister, proudly reported the accomplishments of the Party over the past 15 years, including the fact that Lao GDP rapidly grew from \$319 in 2001 to \$1,671 in 2014. In 2015, the growth rate likely reached \$1,970. In 2011, Laos had shifted from a low-income country to lower-middle income country, as ranked by the World Bank. The number of Foreign Direct Investments reached 236 billion kips in 2015 (Pak Pasason Pativad Lao, 2016, 78-79). The political rhetoric from the national events above demonstrates that the Party has shifted its effort to focus on narrowing social gaps. As the Party member interviewee stated "the Party will reduce social inequality, which is an initial condition for reaching the socialist stage" (Informant no. 13, 2017).

In conclusion, I argue that development is another way for of the Party to legitimate its regime and to maintain the one-party state. Socio-economic development, per se, contributes to the Party's regime legitimacy in the eyes of the Lao people. Most importantly, the Party acknowledges that political stability is a necessary condition to implement the development plan. In the following section, I will show how the Party employs development legitimization to

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<sup>35</sup> That Luang is a Buddhist stupa located in the center of Vientiane City. Phatoxay or the victory gate, located in the center of Vientiane city, was built between 1957 and 1968 as a national symbol to those who fought against the French colonists (see Evans, 1998).

maintain political stability.

### ***1) Political stability in the one-state party***

Political stability is a necessary condition for economic development, and political security is utilized in the Party's political rhetoric to legitimize their role in society. I argue here that the Party seeks to convince the Lao people that political stability under the one-Party state is the optimal means to implement the development plan effectively and bring the country out of its Least Developed Country status. Interview information from the Party member I spoke to affirms this argument. He asserts that the multi-party system is incompatible with the country's current situation as it may bring political conflict to the country. Political conflict would then become an obstacle to development. The informant believes that the one-party system, with capable leadership, can positively influence economic development and give rise to a socialist utopia in the country (Informant no.13, 2017). This is the apparent reason why the Party does not support a multi-party system. In this regard, the Party commits itself to bringing prosperity and equality by tightening its control throughout the country.

Due to the fact that Laos is democratically centralized, the hierarchy of command obviously appears horizontal in the organizational structure of the state at both central and local levels. Stuart-Fox (2005) describes the Lao state as "working and making decisions as a committee, while accepting individual responsibility, with the lower levels dependent on the higher levels" (p. 26). Considering the local administrations, the Party Committee has broadened its organ at provincial, district, and village levels to subordinate the Politburo of the Central Committee Lao People's Revolutionary Party. Its purpose is to monitor and manage the Lao government activities at local levels (Soukamneuth, 2006, p. 88).

At the Party Congress in 2016, Saysy Santivong, Party member and Minister of Justice, reported that the number of Party Committee members at the provincial level throughout the country has increased by 22.91% since 2011. Also, the current number of Party members is 252,879, which is a 50% increase since 2010. He proclaimed that Party members are well educated and have been indoctrinated to the Marxist-Leninist ideology. Thus, they are ready to become leaders in economic development, poverty reduction, and in monitoring the government's performance (Pak Pasason Pativad Lao, 2016, pp. 117-119). The increasing number of Party members at the local level reveals how the Party employs development legitimization to expand the Party's power thoroughly.

Another mechanism for the Party to build political stability is the Three-Build (*Sam Sang*) Directive. The Three Builds directive has been strongly supported by the development partners under the National Governance and Public Administration Reform (GPAR) Programme. I will devote more time to examining how the development norms have shaped the Three Builds directive in chapter 5. For the Lao government, it has become another mechanism for them to spur development at the local level. As Choummaly affirms, the Three Builds directive aims "to build up provinces as strategy-making units, districts as comprehensively strengthened units and villages as development units" (Sayasone as cited in

Vientiane Times, 2015). In addition, one of the Lao policy-makers I interviewed (Informant no.14, 2017) also acknowledged that the Three Builds directive serves the purpose “to implement the development goals and allocate natural resources at the local level... it is convenient to engage with, cooperate with, and to guide local people to help them to build an understanding of the development goals.” In Choummaly Sayasone’s speech, he commented on the role of the Three Builds directive:

Currently, our party stands ready to supervise organizations, leading officials at various levels, and party cadres are keen to work at the grassroots level to realize the four development-based contents and four development-based targets along with the implementation of the ‘Three Builds’ devolution initiative by paying attention to mobilizing the people, learning about local lives and circumstances, and absorbing people’s opinions while protecting their economic, political, social and cultural interests in accordance with the rule of law (Sayasone as cited in Vientiane Times, 2015).

In practice, however, such efforts have strengthened state power in the hands of the cadres and justified state action with respect to the SDGs and MDGs achievements and progress on graduating from the Least Developed Country status. The Party has instead gained support from local sectors and further penetrated Lao society, and the effort to genuinely restructure central-local relations is mostly just talk. One of the development partners said “the Three Builds directive has shown the political will of the Party to strongly control the local administrative sector (Informant no. 4, 2017). Her comment is consistent with Creak’s (2014) argument that:

The 3 Builds pilot appears to represent both everything and nothing... Superficially, then, it may be tempting to view the directive as another word game – centralization masquerading as decentralization – or, more harshly, as all talk and no action (p. 162).

Thus the political rhetoric used by the Party, with regard to economic growth and particular developmental aspirations, can be used to legitimize the current regime. Through practical acceptance, or performance-based legitimation, the Party can use measurable growth to further support and strengthen the one-Party state, under the guise of conforming to international norms that support movement toward decentralization and democracy.

### **3.3 Revolutionary potential: the middle class, civil society and intellectuals in Laos**

Another factor that influences regime survival is revolutionary potential. Uprisings and political turbulence can take place when the regime lacks sufficient legitimacy in the eyes of the people. As Saxonberg (2014) states, “a revolutionary situation emerges if (a) there is an economic crisis or downturn; (b) expectations for wide-ranging reform of more radical change are arising (c) the regime does something to anger the population” (pp. 22-23). He further argues that revolutionary success depends on the (1) population’s ability to find out what is happening; (2) communication skills and mass media; and most importantly (3) revolutionary

leaders, which are generally intellectuals, who are capable of informing the public. His argument highlights the middle class, civil society, and intellectuals, which can organize into a civil society and threaten the undemocratic regime. Similarly, many political scientists believe that these actors, particularly well-educated people in the middle class, have the ability to bring democratization to the undemocratic regime.

Currently, the Party has the ability to control the key institutions, such as the government, the bureaucracy, the mass organizations, the military, the civil society, the intelligentsia, and the press (Stuart-Fox, 2005; Croissant & Lorenz, 2018). If revolutionary potential rises in the country, I argue that the Party is competent to deal with it.

Although economic development and urbanization could contribute to social mobility in Laos, the middle class and the educated class remain small, and there are no channels for political participation. Social mobility in this sense is contingent upon the Lao peasantry shifting their positions to become Party members (Rehbein, 2016) and members of the middle class to work with international organizations. Regarding the characteristics of civil society, one of the development partners believes that “the civil society is usually made up of young people in urban areas and children of people who are not farmers anymore” (Informant no.1, 2017). In reality, Lao civil society is considerably different from civil society in the West.

Firstly, the Lao government has defined civil society as a mass organization and, specifically, any quasi-governmental party organization<sup>36</sup> (Asian Development Bank [ADB], 2011, p. 2). It is obvious that the mass organizations in Laos were established for political purposes (see table 3), and just as Kyaw (2006) argues, the Lao government “mainly used mass organizations to control societal groups... the Laotian people are still subject to numerous restrictions” (pp. 130-135). Likewise, Croissant and Lorenz (2018) note that mass organizations are there to “serve as a transition belt for the LPRP party line into society” and are “meant to unify all ‘patriot forces,’ create ‘national solidarity,’ and mobilize the masses” (p. 135). It is therefore evident that these organizations are subordinate to the Party.

Mass organizations	Objectives
The Lao Front for National Construction (LFNC)	This organization was founded in 1979. Its objectives are to build national solidarity and ensure the interests of ethnic groups. Moreover, this organization plays a role in coordinating mass organizations and other societal group for religious affairs.
The Lao Women’s Union (LWU)	This organization was established in 1955. Its objectives are to support women in community-level socio-economic

<sup>36</sup> Stuart-Fox (2005, 29) identified four sets of organizations that could be considered elements of a civil society. These include “religious associations; education support groups; sporting organizations; and economic and development support organizations.”

	development work in many sectors and increase the skills of women through vocational training and micro business development.
The Lao Federation of Trade Unions (LFTU)	This organization was founded in 1996. Its main purpose is to support workers' right and education to serve the market economy.
The Lao People's Revolutionary Youth Union (LYU)	This organization was founded in 1955. Its purpose is to support youth in vocational, development and marketing activities, and it is involved with youth activities in affiliation with the Association of Southeast Asian Nations (ASEAN).

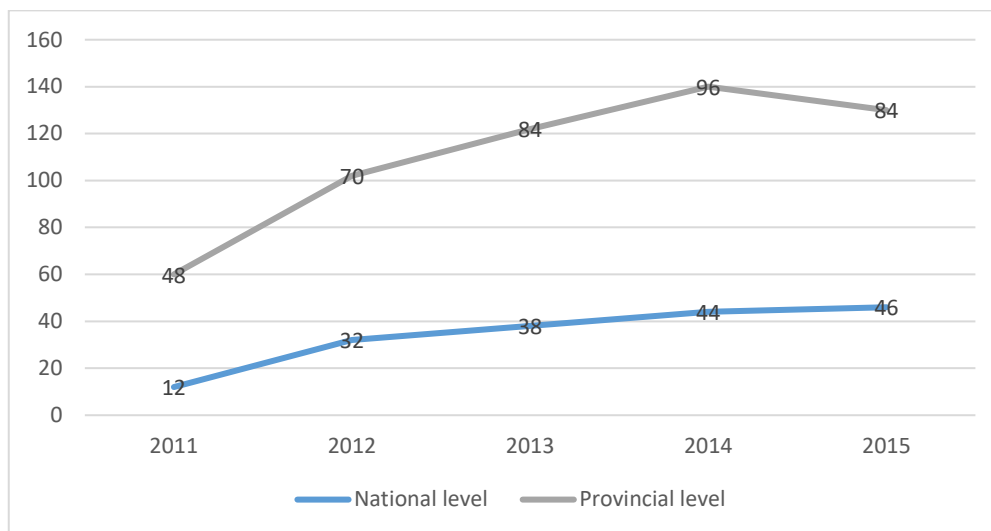
**Table 3** Lao mass organization

Source ADB, 2011

To get one perspective from university students of the new generation, I interviewed a Lao student, who graduated from a Lao university. He voiced concern that there is no public sphere for students to express their political opinions or to criticize to the Party (Informant no. 25, 2017). Besides, The Lao People's Revolutionary Youth Union, a mass organization, has largely controlled activities inside the university. Students have to comply with the rules of this organization and many attempt to gain membership within this organization, paving the way for future entry into the Party.

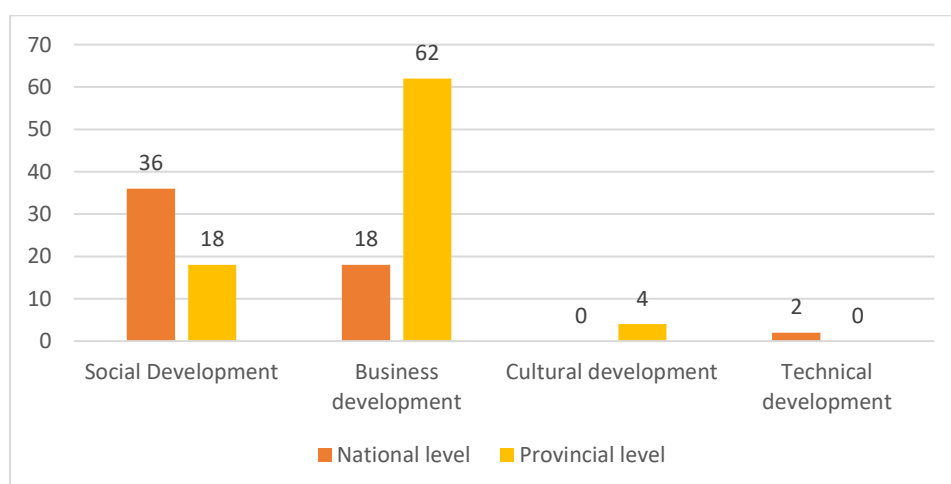
Secondly, as has been mentioned, the number of civil societies (CSO),<sup>37</sup> such as the Non-Profit Association (NPA) in Laos, has been increasing over the past five years (See figure 4). The Lao government concedes that the civil society is a crucial mechanism for implementing the development plan in remote areas where there is strong support from the development partners. The Lao government legalized the CSO under the CSO decree in 2009, acknowledging this role. The ADB (2011, p. 1) and the Civil Society Consortium (2015, p. 9) report that the number of the INGOs in Laos was 160 in 2011 and fully registered NPAs (Non-Profit Association) in both national and provincial levels was 130 in 2015. These NPAs mostly work in social development, let alone the good governance that the Lao government is fully responsible, at the provincial levels. Figure 4 below illustrates the total number of Lao NPAs at both national and provincial levels between 2011-2015. Figure 5 shows the working sectors for the same NPAs during the same period.

<sup>37</sup> According to the Decree on Association of 2017, article 2 states: "Associations that are established and operate under this Decree refer to non-profit civil society organization established on a voluntary basis that operate, provide mutual assistance, protect the rights and legitimate interests of the Associations, members of Associations or communities, and contribute to [the] country's socio-economic development" (National Assembly, 2017 translated by Civil Society Working Group, 2017).



**Figure 4** Lao NPAs at both national and provincial levels from 2011-2015

**Source** Novak, 2014 cited in Civil society consortium, 2015<sup>38</sup>



**Figure 5** The number of registered Lao NPAs divided by working sectors

**Source** Civil Society Consortium, 2015

Members of the Lao NPAs interviewed commented that there are two big challenges to their operation. First, Lao NPAs have become a springboard for their volunteers to gain working experience and to get a better job in well-known INGOs or international organizations. Some will work with the NPA for a short-term period or until they get a new job, so a great deal of time is taken to recruit and train new volunteers. Secondly, the scope of an NPA's operations is limited by the Decree on Association, amended in 2017 to focus on social development, and is controlled by the Ministry of Home Affairs (Informant no. 25, 2017). The second problem has plunged Lao civil society into turmoil. Instead of enhancing the role of

<sup>38</sup> The report (2015) notes "numbers are not always consistent even from MoHA themselves. Provincial figures tend to be less accurate than the national figures" (p. 9).

civil society in Laos, the government controls CSO activities in accordance with the government's policy. Article 29 of the decree affirms that CSO operations must be in line with the government's policies, laws and regulations, and charters. In article 31 (2017), the decree issues Prohibitions for Associations so as to avoid conflict between the CSO and national security. It stresses:

The Associations are prohibited from actions that serve:

1. to abuse the right to freedom to establish an Association or to operate in conflict with the Lao Constitution, Laws, and Government's regulations;
2. to support or carry out activities that threaten national security, social order, individual freedom, or fine national, local, and ethnic traditions;
3. to carry out activities that will divide national or local solidarity, religions and ethnic groups;
4. to destroy national, collective and individual interests;
5. to falsify, transfer, rent or lend the approval to establish or register an Association in any form;
6. to borrow or lend money, or to secure a loan from a financial institution, legal person, and/or domestic or foreign individual;
7. to accept foreign experts and volunteers for permanent work in the Association

The Lao government thus uses these laws to assess CSO operations in the country. It takes many years to get government approval since the decree is so strict for the Lao NPA's members (Civil Society Consortium, 2015, p. 8). One of my informants observed that

The CSOs in Laos will continue to encounter difficulties because the law requires too many processes to receive an approval from the government. For instance, for approval, registration and renewal of an NPA, the NPA has to send an annual report to the Ministry of Home Affairs. As there are over 100 NPA working in Laos, it will take a very long time to gain approval. Moreover, the development funds from donor countries and other INGOs have to be approved by the Ministry of Foreign Affairs and that also takes time (Informant no. 26, 2017).

Many observers (Radio Free Asia, 2018; Hutt, 2018a) assume that the Party is rigid with regard to civil societies because they are perceived as a threat to the Party. This assumption is supported by Choummaly Sayasone's speech. He comments that the civil society should be restricted "because they could destroy our country through nonviolent means."<sup>39</sup> The Lao

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<sup>39</sup> In December 2012, Sombat Somphone, a well-known civil society leader, disappeared and is yet to be found (see Hunt, 2017). His disappearance has been the center attention for some of the development partners. They have attempted to prompt the Lao government to investigate the case. One of my development partner representatives commented that "We have annual dialogue with the Lao government and we always ask the government about its progress in the investigation" (Informant no. 4, 2017). This issue raises grave suspicions about how the Lao government handles those perceived to be a threat to their power.

government has enshrined such restrictions in article 4 of the decree, stating that, “the Government approves the official establishment of Associations and only the Government’s agencies have the right to approve the establishment of Associations” (Read more in article 4 of the Decree on Associations, Lao PDR, translated by Civil Society Working Group, 2017). It could be argued that the civil society is fully controlled in Laos, that the state has depoliticized their role in Lao development, and that there is no so-called “public sphere” for social and political movements, as they are nearly voiceless in Lao politics. Such is the undesirable outcome of these laws.

Particularly with regard to environmental degradation and the need for natural resources management involving the engagement of the people, the interview information secured during my field research shows that the development partners and INGOs have played a leading role in raising awareness of these issues in public.

For example, one of my interviewees who works for an INGO that focuses on ecology, geo-cultural management, and natural resource management in the Mekong River region, said that the “Mekong River is an international river that belongs to people whose daily lives rely on the natural resources in the river... the development projects of Laos, such as the building of hydroelectric dams on the river inevitably affect local people in a negative way” (Informant no. 11, 2016). Members of other INGOs also worry about the negative impacts of hydropower dams. The dams in Laos have caused ecological changes and fish extinctions, which affect locals who rely on them for subsistence. They have to adapt to survive, and some move to urban areas to find work (Informant no. 12, 2017). For these reasons, INGOs have worked to play a role in protecting natural resources and local ways of life. They express their concerns to the Lao government through relevant organizations and various channels. Their strategy is to attend public hearings arranged by the development partners and to empower local peoples that are part of the Mekong River ecosystem. As one interviewee said:

We have built connections with the Lao Women’s Union by helping its members with vocational training. It has been difficult to influence their views on human right because the Lao government sent someone to spy us. But I tried my best to depoliticize my role and tell them about their rights indirectly. We have also built connections with other civil societies from Thailand, Cambodia, and Vietnam. We always share news when we have an issue about people’s livelihoods on the Mekong River, and we always go to the public hearing arranged by the Mekong River Commission to raise issues and tell them that we, a delegate of the local people, want the government to stop building hydroelectric dams on the Mekong River... We once talked with a Lao government official from the Ministry of Energy of Mining, but after he learned of our protestations regarding hydropower dam development, he did not talk with us anymore. I know this issue is really sensitive for the Lao government. (Informant no. 12, 2017).

Social mobility has given rise to an increasing number of Lao intellectuals. Saxonberg (2013) believes that they will support democracy and mobilize people when the revolutionary

conditions emerge (see chapter 2). I interviewed some intellectuals and attended their lectures at a Lao university. Their opinions in Lao development take the side of the government. Indeed, they turn a blind eye to the fact that development, in general, could have a negative impact on local peoples.

Contrary to the perspectives of the interviewees above regarding dams, one Lao intellectual who works at a Lao university said only a few words about the negative impacts, and clearly stated that the dam is beneficial for the Lao people and economic growth in the country,

Economic performance will be improved... The dam can generate electricity and it can provide income to the Lao government... There are positive and negative impacts on people's livelihood. In resettlement issues, as Lao community is the distributed community; resettlement will help local people to access infrastructure and public services like hospitals and schools... the local people can get better jobs and learn better skills to earn more money. It is normal to lose some traditional knowledge, ways of life, wildlife, and beliefs. There is a compensation policy that the investors and the government have to compensate in new areas by doing things like planting new forests and moving wildlife. They have tried their best to do so, but in reality, it's difficult to know what the outcome will be. (Informant no. 22, 2017).

His opinion alone does not imply that all Lao intellectuals politically side with the actions of the state. In fact, the scope of academic work in Laos is limited to serving the government's policies. According to my understanding, in Laos, it is rather difficult to get approval for conducting research if researchers seem to be critical of the Lao government and the Party. It is no surprise that the average Lao university intellectual is likely to conduct research that is in support of the government's policies. Moreover, Rehbein (2016) highlights that the intellectual elite "hardly exists in Laos" as "the income for these groups is insufficient to secure their subsistence; therefore, they often have a second job, leaving little time for intellectual endeavors. Even if they had the time, they would not find a public sphere to engage in intellectual discussions" (p. 123). Lao intellectuals are thus not likely to be able to jeopardize regime stability. They are generally on the side of the government and the Party for their own survival.

In conclusion, revolutionary potential in Laos appears weak, even after considering that economic development could contribute to social mobility in Laos. This is especially due to the fact that there is no public sphere to express political opinion. For the civil society, the future is also unpromising as the Lao government has tight control over, and closely monitors, the scope of their operations. Similar to Lao intellectuals, they would rather focus on their survival than support democracy, as it is likely too risky for them. If these actors rarely rise up against this undemocratic regime, the Party can undoubtedly maintain their state power.

Ever since the Party seized political power, I argue, the Party has been the leading actor in socio-economic and political development and has sought to maintain this role. Socialist consolidation is furthermore crucial to maintaining the status quo of the Party. In the following section, I will illustrate how the Party consolidates its power in the political structure of Laos, through management of central-local relations and by fostering elite cohesion.

### **3.4 Socialist consolidation in Lao political structure**

In addition to maintaining the support of the Lao people through ideological legitimacy and pragmatic acceptance and oppressing of the civil society, the Party has to continue to consolidate its state power to maintain the status quo of the one-party state and the socialist regime. In this section, I will expose the consolidation of socialism within the political structure by the Party through central-local relations and elite cohesion. There are many reasons why these variables matter in any attempt to provide insight into the political and institutional stability of the Party. First, the political structure can reveal how the Party has embedded its power within. Influenced by Leninist principles, democratic centralism<sup>40</sup> affords favorable conditions for the Party to design an institutional arrangement that embeds their power within thoroughly. Second, the political structure, as mentioned above may expose how elite cohesion is maintained and how it contributes to institutional stability. From Weiss's argument (2004), my stance here is to argue that elite cohesion in Laos can also be seen from the perspective of the patron-client relationship.<sup>41</sup> I will show how the system works to unitize political factions inside the Party and how the Party acts as a mediator. Third, as the Party becomes more receptive to the exogenous forces, the political structure could reflect how the Party deals with the exogenous forces and maintain its power at the same time. An account of socialist consolidation can provide a common understanding of how the Party and the Lao government exercise the state power to formulate and shape domestic institutions and development policy, which I will further analyze in chapter 4. To investigate the political structure, the 1991 Constitution will be taken into consideration to reveal the Party's power. As Croissant and Lorenz (2018) note, "The constitution is primarily a legal tool to consolidate the Party's claim on socio-political leadership" (p. 121).

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<sup>40</sup> Croissant & Lorenz (2018) state that "democratic centralism" in Leninist thought, is "the ultimate organizational and leadership principle of party, state and mass organization in all communist states" (p. 120). He identifies six elements based on Schmidt (2010 as cited in Croissant & Lorenz, 2018). These include "(1) a centralist and hierarchical party and state structure; (2) the supremacy of the party over the state apparatus; (3) a system of hierarchical control from higher to lower echelons of party and state organizations; (4) firm party discipline and a ban on party factions; (5) party control over the selection of state officials; and (6) the principle of collective leadership in party and state."

<sup>41</sup> From Scott, 1972:

The patron-client relationship – an exchange relationship between roles – may be defined as a special case of dyadic (two-person) ties involving a largely instrument friendship in which an individual of higher socioeconomic status (patron) uses his own influence and resources to provide protection or benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron (p. 92).

### 3.4.1 Institutional overlap between the Party, the Lao government, the National Assembly, and the People's Court

As a result of socio-economic and political transitions following the open economy in 1986, the first constitution in 1991 was intended to guarantee social and political stability under the separation of powers principle. In the constitution, power is separated into three branches: the legislative, the executive, and the judicial. Each branch has been encapsulated by the Party's power. The institutional overlap between the Party and these branches is noticeable in the Constitution via the dual structure arranged therein between the Party and the Lao government (see figure 6). As the supreme law, the Constitution, in turn, has become a mechanism for consolidating the Party's power.

Under the legislative branch, the National Assembly (NA, or *Sapha Heng Xat* – in Lao) is “the representative of the rights, powers, and interests of the multi-ethnic people” (see more article 4 and article 52 in the Constitution amended in 2015, National Assembly, 2015). Its members are elected by the Lao citizens who are eligible. The NA not only plays a role in preparing, considering, adopting, amending, and abrogating the constitution and the law, but also holds power that extends into the executive and juridical branches. According to Article 53 of the Constitution, the NA has right to elect or remove the President and Vice-President of the State, the Prime Minister, other the member of the government, the President of the People's Supreme Court, and the Supreme Public Prosecutor.

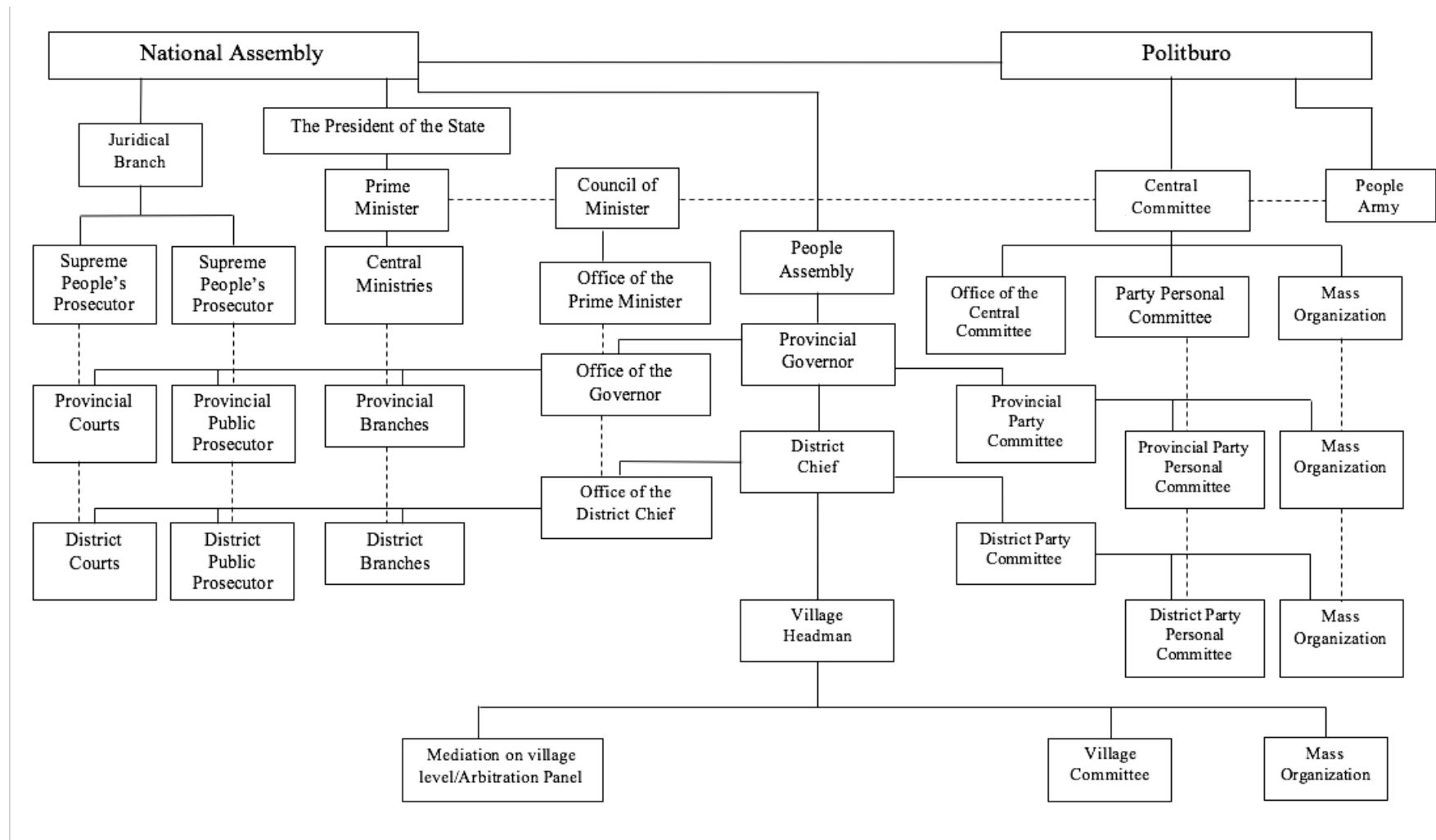
Despite the promise that the Party supports the people's rights in NA elections, the Party has ingeniously embedded its power inside this pivotal institution. Many scholars have seen the NA as “a rubber stamp” to endorse the Party's policies, which appear to be based more on the interests of Party members than those of the nation, and NA elections are often considered to be a sham (Stuart-Fox, 2005; Soukamneuth, 2006; International Federation for Human Rights & Lao Movement for Human Right [FIDH & LMHR], 2016). Most of the NA's responsibilities center around approving laws and monitoring government performance relative to the Constitution, however, Sayalath and Creak (2017) argue that the National Assembly is “an important component of the LPRP's pursuit of legitimacy” as it has raised concern on “development projects and other controversies” (p. 188) within the country. Although the Party has diminished its political role in the Constitution to meet good governance standards and to provide more room for the NA to operate, the space the Party gives the NA to exercise its own political will is not enough for it to be autonomous from the Party genuinely, an argument I will elaborate on in the following points.

First, the Party has sought to consolidate its power through the elective process to create favorable conditions for Party members to become NA members. The NA election laws for candidates follow a criterion set out in article 8, such that a candidate must

- 1) be patriotic, be devoted to the people's democracy, be loyal to the New Economic Mechanism of the Party, be true to the nation, always serve the interests of the people, and have a strong, clear and absolute attitude towards friends and enemies;

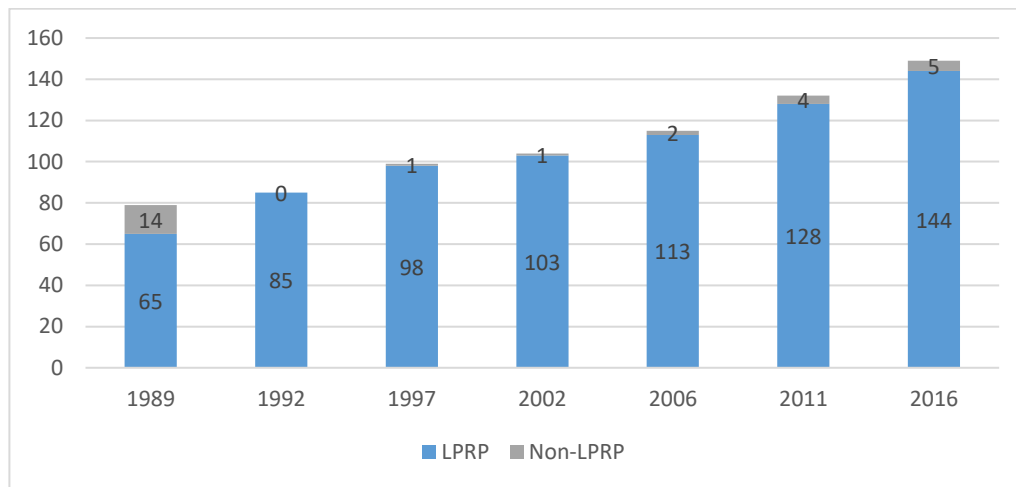
2) have a sufficient level of knowledge of the Party's policies and strategic programs, and of State laws and regulations, and have the capacity to undertake propaganda and motivate people to be aware of and to participate in the implementation of Party policies and State laws (Sapha Heng Xat, 2015d).

This article creates favorable conditions for the Party to hold a monopoly over potential candidates. Instead of Lao elections being free, fair, and universalistic, Lao citizens have limited choice. They can either select a Party member, or an independent candidate that knows the Party's policies in-depth. Referring to the results of Lao elections since the open economy, Party members have won nearly every election and have overwhelmingly occupied most of the seats of the NA (see figure 6). The election results, as Croissant and Lorenz (2018) argue, may "actually support the stability of the party rule in several ways" (p. 127) as there is no political opposition in Lao elections that allows the Party to monopolize its role in national development. Despite the fact that the NA ostensibly represents the Lao people and has a legitimate right to check and balance the Party's power, it seems apparent that the NA has become another political tool for the Party to pursue its legitimacy regarding to the rule of law.



**Figure 6** Lao dual political structure

**Source** Authors' compilation based on UNDP (2015), Soukamneuth (2006, p. 84), Croissant and Lorenz (2018, p. 122)



**Figure 7** The election result in Laos from 1986-2016

**Source** IPU, 2014; Thayer, 2003 (as cited in Croissant and Lorenz 2018, p. 127)

Second, the NA plays a vital role in the election of the President of the State. It issued in article 66 of the Constitution that “the President of the State is elected with a two-thirds majority in the NA.” Since most of NA members are from the Party, they will almost certainly vote for the influential Party member. The President of the State then has legitimate right to suggest the Prime Minister to the NA, as it issues in the article 53 “the Prime Minister is elected and removed by the NA under the President of the State’s suggestion” (National Assembly, 2015). The Prime Minister of the country can be a Party member, who is in the same faction of the President of the State, or someone that has had a strong connection with the president.

Third, the NA has rights in the juridical branch. Article 53 of the Constitution, issues the rights and duties of the NA to “elect or remove the judges of the People’s Supreme Courts, the Supreme People’s Prosecutor, or the President of the State Audit Organization under the President of the State [sic] suggestion” (National Assembly, 2015). The laws enshrined in the Constitution show that the NA, whose members are mostly selected from Party members, is influential in three important branches of the state organ. As long as the Lao political structure creates favorable conditions for the Party to encapsulate its power, the separation of power in Laos is just nominal, and socialist consolidation of the one-party state is retained.

### 3.4.2. Central and local relations in the political structure of Lao

In 2015, the amended constitution was first introduced the Provincial People Assembly (PPA or *Sapha Pasason* in Lao). This assembly is a subordinate of the NA. The development partners have placed a great deal of hope on the PPA delegates to support the interests of the multi-ethnic groups of Laos. For this hope to pay off, the PPA would have to genuinely contribute to “decentralization” at the local administrative level. However, I argue that “decentralization” in Laos is just a disingenuous term for the Party to use to legitimize itself in

the public eye, while simply reorganizing and consolidating its power. I will particularly focus on how the Party consolidates its power at the local level by controlling the local government and how the Party has distorted the term of “decentralization” in local politics. To investigate this however, some historical and background information regarding laws concerning local administrations will be examined.

The term “decentralization” has been employed in Laos to serve an economic purpose since 1986. In 2003, the Lao government promulgated laws on local administrations to authorize the local government in economic and political decisions to implement socio-economic development plans<sup>42</sup> in line with democratic centralism. This divided local administrations into three levels: provinces, districts, and villages horizontally (see figure 6). The Lao government acknowledges that decentralization is an underlying principle supported by the development partners to pursue the political legitimacy. After all, the Lao government initiated a number of authoritative bodies based on the decentralization principle to ensure this principle to the development partners and the Lao people. However, decentralization in Laos has been distorted to serve the Party’s interests (see Stuart-Fox, 2005; Soukamneuth, 2006; Creak, 2014; Croissant & Lorenz, 2018). Stuart-Fox (2005) coined the term “re-centralization,” to refer to “Decentralization [that] plays to interests of regionally powerful figures in the party by providing them with resources to provide patronage to Party members... this merely reinforces the conclusion that decentralization is seen by the party as a means of increasing, not reducing, its power at the local level” (pp. 22-23).

Under the Party’s control, local administration is not autonomous from the central government. More precisely, it is another subordinate of the Party at the local level. Archival data, including the Constitution and laws on elections and local administrations shows horizontal control from the central level to local levels. Article 5 of the laws on local administration implies that the local administration serves under the principle of democratic centralism, which divides responsibility among management levels (see more the article 5 in the law on local administration, National Assembly, 2003). To stifle democratic centralism, therefore, the Party has controlled two pivotal actors in the local administration: the local governor and the Provincial People’s Assembly. By examining how finances are distributed at the local level, this straitjacket around the local administration can be exposed.

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<sup>42</sup> Article 7 of the law on local administration notes that:

Provincial [administrations] and city administrations have the [following] roles, functions and operational procedures: to manage political, economic, [and] socio-cultural affairs and human resources; to protect, preserve and utilise natural resources, the environment and other resources; and to manage national and local defense and security, and foreign affairs as assigned by the government (National Assembly, 2003).

Local governors,<sup>43</sup> are delegated by the Party rather than by local people. Through the horizontal line of command (see figure 6), the means to obtain local governors has largely involved domination by the central government for decades. More precisely, the President of the State and the Prime Minister have the authority to appoint, transfer and remove local leaders at each level, as article 16 in the law on local administration clearly states. The chief district and municipality have the right to appoint or remove, under the special circumstances, the village heads (see more article 49 in the law on local administration, National Assembly, 2003). This law makes the village head, as Stuart-Fox comments (2005), “become less a representative of the villagers and more [a] representative of the district administration in the village (in other words, of the Party and the state)” (p. 21).

Furthermore, the Party overshadows the PPA both in candidate and election approval (Croissant & Lorenz, 2018). Despite the fact that the PA is supposed to be a representative of local people, its role is also subordinate to the Party. According to an election law issued in 2015; the candidate’s qualification requirements are the same as those of the National Assembly Candidate, who has to have insight into the Party’s policies and has to be approved by the Party (see more article 77 in the Constitution, National Assembly, 2015). Among the 360 seats of the People Assembly in 2016 (FIDH and LMHR, 2016), most of the PPA members are Party members at the local levels, according to the law on elections.

Another control from the central to local level relates to how finances are distributed. Local administrations have encountered difficulties in policy planning and implementation. Article 4 of the law on local administration issues that the local administration is authorized to “Prepare a strategic plan incorporating socio-economic development plans, state budget plans and defense and security plans based on national strategic plans” (National Assembly, 2003). This authority has to be approved by the central government since the Minister of Planning and Investment plays a role in formulating the national development plan. In addition, article 59 issues local administrations to operate their budget in alignment with the development plan, the rules, and the laws that have been “approved by the government” (see more article 59 of the laws on local administration). Thus it is no surprise that financial distribution at the local level is less than at the central level. According to the annual report on the fiscal budget in 2015-2016 (Ka Xouang Kan Ngeun, 2018), overall expenditures total 30,545,119 million Kip, which divides into central expenditure at 72.4 percent of this figure (22,123,706 million Kip) and local expenditure at 27.6 percent (8,421,413 Kip). It can be seen that the Party attempts at control the power of the local administration by limiting financial autonomy, peoples’ participation, and governor and candidate endorsement. The local administrations in Laos are thus unique but backward with regard to the orthodoxy of decentralization, and far from following the local self-governance policy that the development partners expect.

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<sup>43</sup> Articles 13 and 14 of the laws on local administration note “Each governor or mayor is the chief of the [relevant] provincial or city administration and represents the province or city. He is responsible to the government for fulfilling his role, authority and duties of provincial or city administration” (see article 13 & 14 in the law on local administration, National Assembly, 2003).

### 3.4.3 Elite cohesion and co-optation in the Party through the patron-client relationship

According to Weiss (2003), the political structure of a nation may reveal elite cohesion, which contributes to institutional stability; this section will define how the patron-client relationship works in Laos and how it supports elite cohesion and intra-party co-optation. In Lao politics, political factions based on family clans are found in the high-ranking positions in the Party, the Lao government, and the National Assembly. For most of them, these positions are an outcome of political inheritance from nationalist leaders. I will therefore emphasize here the background information of current political leaders to support my argument.

The influence of the patron-client relationship in Laos is rooted in the political culture,<sup>44</sup> the social structure, and weak central power. Rehbein (2016) and Stuart-Fox (2006) shed light on the social structure by focusing on the *Baan*<sup>45</sup> and *Muang*,<sup>46</sup> the social organizations that create the conditions for the patron-client relationship between the Party members and Lao people. Lao people, particularly in remote areas, tend to focus on subsistence farming rather than capital accumulation, and often lack political awareness. Such a political culture, allows the Party to create mass organizations and to assign Party members to positions in local areas, such that they are able to control Lao society at both *Baan* and *Muang* levels. With regard to weak central power, Croissant and Lorenz (2018, p. 128) identify three periods that strengthened the power of the regional elite. The first period occurred before the colonial era<sup>47</sup>, during which regional elites were quite powerful since “Laos did not have a strong central power.” The second period came with the civil war in which “the weakness of the state and national government” resulted in the country being divided “into different zones controlled by the government forces, pro-government irregulars, and the *Pathet Lao*.” The last period came after Lao national independence was attained in 1975. As he stresses, “the strength of regional party leaders and military commanders and the weak infrastructure linking the provinces to the capital allowed provincial governors to determine party policies at their own discretion.” As a consequence of weak central power, local politics shaped national politics in Laos by the recruiting of political protégés of powerful family clans in each region to become Party members. The influence of pro-Vietnam and pro-China intra-party factions was also significant at influencing the selection process.

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<sup>44</sup> Almond & Verba (1963) refer to political culture as “specifically political orientations – attitudes toward the political system and its various parts, and attitudes toward the role of the self in the system...political system as internalized in the cognitions, feeling, and evaluations of its population” (p. 12).

<sup>45</sup> Baan is a village, a small social organization, that believes in “subsistence ethics,” in which “the villagers’ interest is focused on having enough food until the next harvest, not on having as much as possible” (Rehbein, 2016, p. 118).

<sup>46</sup> In the larger social organization, *muang* represents a group of villages. The patterns of *muang* favors the patron-client relationship in Laos, as Rehbein (2016) points out, through patrimonial or *phu-yai* culture.

<sup>47</sup> At that time, Laos was divided into three kingdoms based on geographical factors: Luang Prabang in the north, Vientiane toward the center, and Champasak in the south. These kingdoms were later unified by French colonists.

A strong argument can be made in support of the theory that political elites in the Party owe much to the patronage system of family networks (Informant no. 23, 2017). First, family clans can prolong their political lives by passing on power through their heirs and through cross-family marriage among political clans. For example, Xaysomphone Phomvihane, the eldest son of Kaysone Phomvihane, who was the former Prime Minister and a national hero, is now the Vice President in the National Assembly. Another powerful political clan can be traced to Khamtay Siphandone, who is a southerner and the most powerful person in both local and national politics. Viengthong Siphandone, Khamtay's daughter and former Deputy Finance Minister, was promoted to President of the State Audit Organization in 2016. The case for cross-marriage entry could be made for Thongloun Sisoulith, who was born in the Hua Phan province and was educated in both Vietnam and the Soviet Union. He is married to Naly Sisoulith, the adopted daughter of Phoumi Vongvichit, the former statesman of Laos and the Acting President of the State. Most importantly, he is a protégé of Khamtay Siphandone. Due to his family background, his political path is promising. He is the former Deputy Prime Minister (2001), the former Minister of Foreign affairs (2006), and the current Prime Minister (as of 2016). His position as Prime Minister implicates both the influence of his clan's pro-Vietnam stance<sup>48</sup> and Siphandone's clan in the Tenth Party Congress in 2016. All of these political successors above have both *de facto* and *de jure* relationships with the nationalist leaders, one way or the other.

However, these clan-based relationships are insufficient for explaining elite cohesion. One of Lao scholars argues that nepotistic political reciprocation (as opposed to familial reciprocation) between new political leaders and former ones should be taken into consideration as well (Informant no. 23, 2017). The value of gratitude matters in Lao politics because political leaders would lack creditability and be stigmatized if they left their political backers behind. This has led to political factions that are based on a strong connections and close-working relationships with former leaders. In fact, some political successors in the second generation<sup>49</sup> started their political careers as secretariats of their political backers, which were the leaders of the first generation. As soon as the new political successors took power, they would reciprocate their backers by appointing family members of the first generation to positions in the Party, the government, the National Assembly, and mass organizations. This kind of power rotation has been ongoing.

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<sup>48</sup> The influence of Vietnam and China in Lao elite can be seen from the case of Bouasone Bouphavong, who is the former Prime Minister and the protégé of Khamtay Siphandone. In 2010, he resigned from his position due to his "family problems." Many observers, for example Stuart-Fox (2009) and Creak (2011), noticed that the close relationship between Bouasone and the Chinese government is unsatisfying for the pro-Vietnam individuals in the Party. As Creak (2011) affirms "This is possible but other observers discount the idea that Politburo is divided so clearly into China and Vietnam camps" (p. 123).

<sup>49</sup> The first generation mainly consists of nationalist leaders in the *Pathet Lao* such as Kaysone Phomvihane, Prince Suphanouvong, and Khamtay Siphandone, yet the second one consists of their princeling and political successors (see Sayalath & Creak, 2017).

Lintner (2008) provides an analysis of the nepotism in Lao politics using the results of the Lao election of 2006, stating that the new appointments are “a clear indication of the desire for continuity on part of old leadership” (p. 173). For instance, Choummaly Sayasone, the President of the State, and Bouasone Bouphavanh, the Prime Minister, are southerners. Their position in Lao politics implies the power of Siphandone’s clan, particularly Bouasone Bouphavanh. He is recognized as the protégé of Khamtay Siphandone. Another example is Somsavat Lengsavat, a protégé of Kaysone Phomvihane, who was appointed to Deputy Prime Minister in 2011 and was elected as an advisor to the Party Central Committee in 2016 (see Sayalath and Creak, 2017). These examples expose family networks and the regional patronage system, and they chart the political transitions that occurred from the first generation to the second one in the Party Congress. As Sayalath and Creak (2017) argue “the patron-client relations extend from local party committee, identifying and putting forward their own ‘targets for building,’ to the most powerful families of the party leadership, including the new generation of princelings that are now strongly positioned to move further up the ranks” (p. 196). Any resemblance of a merit system or professionalization in the Lao political environment remains to be seen.

The co-optation of the Party’s factions can also be considered from the point of view of the Party as a policy-maker organization. The Party has a capacity to proffer national development positions and resources preferentially to elite political clans. Viewing the Party as policy-maker, it is obvious to see that intra-party policy decisions would somehow have to be based on the interests of Party members in each region, rather than national interests. One Lao expert I interviewed perceives mega-project development in Laos a result of such policy decisions. She believes Siphandone’s clan is attempting to obtain their political and economic interests through development projects:

“The Lao government supports the dam, particularly the Don Sahong dam, in the southern part of Laos because of the influence of Khamtay Siphandone. He is the most powerful leader and the megaproject would bring prosperity to his clan and the southern part of Laos. After all, he will obtain support from the Lao people since he will provide them with electricity from dam” (Informant no 20, 2017).

The Party thus becomes the mediator of economic and political interests from development projects to political clans. Avoiding such conflict sustains the survival of the Party.<sup>50</sup> As long as members of powerful clans can use the Party for their own interests, they will continue to support the Party reciprocally.

In Laos, it can be concluded that although Marxist-Leninist ideology as an economic system has been dead since the Lao government introduced the open economy in 1986, the Lao

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<sup>50</sup> Currently, many scholars regularly highlight the political successors of Kaysone Phomvihane and Khamtay Siphandone since their successors still play an important role in high-level positions of the Party and state organizations (see Soukamneuth, 2006; Litner, 2008; Sayalath & Creak, 2017).

government or, more precisely, the Lao People's Revolutionary Party, which includes many political clans within, remains capable of reviving the ideology in the political realm. After all, the Party has legitimized itself and consolidated its political power in the political structure and through domestic institutions, and has weakened the possibility of a civil society through law. Finally, the institutional overlapping that blurs the line between the Party, the Lao government, and the National Assembly reveals that separation of power in Lao political structure is nominal and, unlike with democratic regimes, the institutional overlap between the Party and the legislative, executive, juridical branches is present at both the central and local levels.

### **3.5 Is Lao state power being transformed under the international development norms?**

One of the Lao development partners interviewed stated, "state power in Laos is consolidated by the Party, which dominates the Lao government, however. It could be weakened by exogenous forces, particularly, by direct foreign investment" (Informant no 5, 2017). I argue that the Party employs state power to alter domestic institutions and development policy under the SDGs. If the development partners can weaken Lao state power, the domestic institutions and development policy will reflect the development partners' development norms rather than those of Laos. To support my hypothesis, in this section, I analyze Laos state power under the international development norms, questioning the extent to which the Party has transformed state power to deal with them.

The results from my interviews imply that the development partners have some influence in Laos, but cannot force the Party to absolutely comply with their norms. The development partners, in turn, have depoliticized their role in Lao development. Recently, they have focused on capacity building in economics, human development, environmental sustainability, human rights, good governance and rule of law, and mitigating other worrying issues related to Lao development. Additionally, they do not attempt to pressure the Lao government to have more concern for human right issues and democratization. One representative of the development partners affirms that:

Our organization does not believe in pressurizing any government...we believe in open dialogue with the government... it's important to have a trusted relationship. If you don't have a trusted relationship, they may not want to talk to you...you should talk to them privately, you cannot discuss human rights with the government in the press... if we put excessive pressure on these issues, we cannot get our jobs done (Informants no. 2, 2017).

For example, one representative of the development partners said that her organization has arranged an annual meeting on human rights with the Lao government to follow up on previous discussions:

The main purpose of the meeting is to express concerns about human right in Laos and the meeting is confidential. Our organization has voiced our concerns about human

rights, the environment, and freedom of expression because there is no space in Laos to address such things (Informant no. 4, 2017).

I argue that the Party has initially complied with the international development norms and implemented the norms in the national development. As the Party acknowledges, development achievements are another source of its legitimacy and the development partners can help the government to reach these goals and meet international standards with technical and financial support. Accordingly, the influence of the international development norms can be seen in national development.

With regard to direct foreign investment in Laos, the Lao government has loosened up on its laws and regulations and has increased incentives to support direct foreign investment because economic growth will help legitimize the Party's regime. Therefore, the Lao government seeks to commercialize and promote natural resources to foreign investors based on the potential for the development of each province. The Lao government takes into consideration developmental potential with regard to natural resources, geographical advantages, and human capital, to formulate its five-year national socio-economic development plan, which is created by the Ministry of Planning and Investment. The development plan is used to support the development policy in each province based on the government's decisions. Special Economic Zones (SEZs) provide a useful example of this.

An SEZ is an exceptional zone in that the state devolves power over them to committees to endorse specific laws and regulations in order to facilitate investing and global competitiveness<sup>51</sup> My Lao expert confirmed, "investment promotion in Laos is much better than other countries" (Informant no. 19, 2017). The Lao government has provided 10,000 hectares of the land to the investor for 99 years (Maierbrugger, 2013). Actually, the committees of the SEZ are seen as a rubber stamp for foreign investors, because they can design rules and regulations inside their SEZ. For instance, a casino in the Bokeo Province (or *King Roman* – translated from Lao) built by a Chinese investor rests in a designated SEZ. In 2013, the casino officially opened. When I visited the casino, I noticed many Chinese restaurants and shops employing Chinese laborers. This region has essentially become a Lao Chinatown. This same kind of situation has had an unavoidable impact on locals. The Lao expert commented on SEZs:

Relocation is the main problem for local people. They are deprived of their homes, their land, and economic opportunities. Even though an investor builds a new house, develops infrastructure, and provides jobs at the SEZ to compensate for it, this is still insufficient because it creates a struggle for local people to find new jobs, and only 10 percent of Lao people can work inside SEZs. Infrastructure development, as with an airport, remains incomplete. The worst-case scenario for this situation is that local people will have no land for

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<sup>51</sup> According to the laws on the SEZ issued in 2010, developers of the SEZ have legitimate right to manage the activity inside the SEZ and to import labor from their countries (see more the article 24 and 25 in the laws on the SEZ, Prime Minister's Office, 2010).

food production, and are simply used and exploited by the government and investors. Such a condition does not support capital accumulation for the people, but deprives them of their property rights... Moreover, the Lao government itself could not contribute to a long-term plan to support local entrepreneurs and workers, unlike China (Informant no. 19, 2017).

Thus, the Lao government is not protecting the interests of local peoples in these negotiations. In my opinion, this is a clear example of “crony capitalism”<sup>52</sup> resulting from the patronage system fostered by a strong connection between the Lao government, Party members, and their business partners.

In conclusion, the state power in Laos is strengthening in domestic realms, and diminishing under global competitiveness. Economic development that exploits natural resource and the people does not mesh well with the intentions of the Marxist-Leninist framework. As one of the Lao experts said,

When socialism meets capitalism, the outcome is more worrying than capitalism itself. Indeed, it marginalizes people more than in the capitalist society because at least in the capitalist society, people can express their feelings and debate with the government. But this has never happened in Laos (Informant no. 20, 2017).

Her observation rings true since Lao-style capitalism has simply broadened the gap between the rich and the poor. in which the rich stay rich, but the poor remain poor and insecure.

### 3.6 Conclusion

Regime survival in Laos is dependent on a number of factors. The first is ideological legitimacy. The Party has legitimized the blended ideology of Marxism-Leninism and nationalism to maintain its control over the state. Since the open economy, the Party has re-legitimized itself through three roles it has played: the lead supporter of socialist ideology; the guardian of national interests; and the builder of the socialist utopia. Second, performance-based development projects are crucial for the Party to obtain popular support. Recently, the Party set a development goal to graduate from the LDC status by 2020. The Party claims to be a “leading nucleus” and actively creates its subordinates through, for instance, the local Party Committees and the Three builds directive. These subordinates serve to justify the Party’s actions toward an improved economy and standard of living, and in its work to bring the country out of its current LDC status. Third, the Party has limited the scope of the civil society

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<sup>52</sup> The Committee for Economic Development (2015) defines crony capitalism as a deal “between some private interests (business, anti-business interests, professions, social groups) and government to “pick winners” and there by also pick “losers” that is based on “political influence rather than merit” (p. 5). Similarly, Haber (2002) states that crony capitalism is a system in which “those close to the political authorities who make and enforce policies receive favors that have large economic value” (p. xii).

through the Decree on Association adopted in 2017. This decree has allowed the Party to tighten its control over the civil society. The Party has thus become the leading actor in socio-economic and political development in Laos. Moreover, the Party seeks to consolidate socialism and its power in the political structure in accordance with the tenets of democratic centralism. Socialist consolidation in the political structure of Laos may contribute to institutional stability in its political institutions, central-local relations, and intra-party elite cohesion. For example, Party members play a big role in important political institutions such as the National Assembly, the Lao government, and in mass organizations leading to institutional overlap. In addition, the Party also extends to local authorities, as it appoints and approves local governors and local elections. Likewise, elite cohesion can be seen through the patron-client relationship, as the Party mediates the interest of family clans. Finally, Lao state power is constrained by direct foreign investment more so than the international development norms. Special Economic Zones provide one example for how the Lao government commercializes national resources and deregulates the law to facilitate direct foreign investment, but leaves its own marginalized peoples behind.

## Chapter 4

### **Restructuring Domestic Institutions: Democratization and Development in Laos**

*Do you think the time has come?*

*That we need to change the way we perceive and imagine development  
to simplify our lives to the nature-based livelihood that consumes whatever we receive  
– Thongloun Sisoulith, 17 July 2018<sup>53</sup>*

This chapter focuses on how the international development norms, promoted by the development partners, have shaped Lao domestic institutions and development policy. In this chapter, I propose three arguments to analyze the Sustainable Development Goals (SDGs) in Lao development. The first argument contends that Lao development has relied on Official Development Assistance (ODA) from the development partners for over the half century. Without a doubt, the development partners, especially Western countries and some international organizations, have implied that “democratization” is the end goal for their contributions of ODA. This argument requires an investigation into how the development partners support the Lao government to implement the SDGs in the country and how they have encapsulated into their development discourse, terms related to modernization and democratization.

The second argument is that the Party and the Lao government have shaped domestic institutions and development policies to initially reflect the SDGs while simultaneously upholding the Party’s power. Viewed in this light, the Party has obtained the regime legitimacy analyzed in the previous chapter. The Party employed this right to power to design domestic institutions and a development policy at the Party Congress, through what I call the Party-led development. In the second part of the chapter, I will focus on how the Party has reframed and interpreted the SDGs in the context of national development.

In this chapter, I employ process tracing and elite interviewing to obtain first-hand and second-hand data. Process tracing is used here to trace crucial events in Lao development. I focus first on the Round Table Meeting, as it reveals the partnership between the development partners and the Lao government and gets at causal factors related to why the development partners matter in Lao development. I have selected information on the role of the development partners in Lao development since the open economy in 1986 up to now as my timeframe for analysis. My second focus is the Party Congress. This is a meeting of Party members to assess development achievements for the previous five years and to address the development direction for the next five years. Due to the prominence of the SDGs in the current development agenda,

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<sup>53</sup> Thongloun Sisoulith delivered this speech during the meeting for Decree 348 implementation on 16-17 July 2018 (Santi, 2018).

the current Party Congress allows me to investigate how the Party reframes the SDGs in the context of national development.

The SDGs in Laos contain 18 development goals, which have shaped Lao development and have led to the implementation of a countless number of development policies and strategies. To narrow this information down, I divide 18 goals of the SDGs into four categories based on Sach's framework: 1) economic development, 2) social inclusion, 3) environmental sustainability, and 4) good governance. In each of these areas, the Party has encapsulated both the international development norms and its power to implement the SDG effectively, particularly with regard to good governance. This understanding leads to the final argument of the chapter: That the SDGs are another source of the regime legitimacy for the Party.

#### **4.1 The Partnership between the development partners and the Lao government under the SDGs**

The Party alone does not determine development in Laos. Convincing evidence (see Phraxayavong, 2009; Khennavong, 2014) reveals that the Lao government and the development partners have shaped the Lao development plan mutually<sup>54</sup>. The Party became more receptive to taking on development partners following the collapse of the Soviet Union and Laos' subsequent economic downturn. As mentioned previously, in 1986, the Party began to rethink economic reform and opened up the country to the international community. Aid-donor countries, international organizations, and financial institutions immediately provided assistance through the Official Development Assistance (ODA) organization, which offered a low-interest loan to the Lao government, as Laos is listed as one of the least developed countries. Since Laos alone lacks the capacity to do so, the ODA is indispensable to the Lao government for meeting development standards. Since 1983,<sup>55</sup> these agreements have been negotiated at the Round Table Process (RTP), where the Lao government and the development partners go over developmental issues and discuss assistance needed from the ODA, as well as how to implement ODA in the country's developmental plan effectively.

In 2000, the RTP was officially launched in Laos as a "unique platform for policy dialogue on the country's development agenda" allowing for the strengthening of "development effectiveness and aid coordination in the country" (Lao PDR, 2015). As one informant representing the development partners stated:

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<sup>54</sup> The development partners are the external actors of Lao development. This term includes international organizations, aid-donor countries, civil society, and the private sector.

<sup>55</sup> After Lao gained independence in 1975, the Party needed development assistance to build its new regime and to mitigate economic difficulties. At that time, the Lao government appealed for help from the Council for Mutual Economic Assistance (CMEA) supported by the Soviet Union, the International Monetary Fund (IMF), and the United Nations Development Programme (UNDP) that allowed Western countries to take part in Lao development. In 1983, Laos participated in the Round Table Process in Geneva. Since 1983 the Lao PDR has been participating in the Round Table Process (RTP), with the support of the United Nations Development Programme (UNDP) (see Phraxayavong, 2009).

The whole development platform is managed by the Round Table Process. All the countries of concern and all the donors or other stakeholders join together. Primarily this forum works to set up development priorities and determine what specific resources will be needed. Laos is a very special case because the country is landlocked and least developed” (Informant no. 2, 2017).

The whole process of the RTP starts with the High Level Round Table Meetings, which are held every five years. These meetings shape development policy in the national development plan and set up strategies to implement the plan in the country under the development partners’ supervision. After policy implementation, the Round Table Implementation Meeting (RTIM) is held every year to reexamine progress made and to set up development priorities for the following year. This process is typical for aid-donor and recipient countries.

However, this relationship has been re-shaped twice. First by the Paris Declaration and the Accra Agenda for Action endorsed in 2005, and again following the Busan Partnership for Effective Development Cooperation in 2011. These development frameworks were shaped by the international community. The purpose of each was to improve the quality of aid, the impact of programs on development, the overall monitoring system, and the transparency and shared responsibilities between the state and the partners (Organisation for Economic Co-operation and Development [OECD], 2005; 2012). There are five core principles of the Paris Declaration: Ownership, Alignment, Harmonization, Results, and Mutual Accountability.

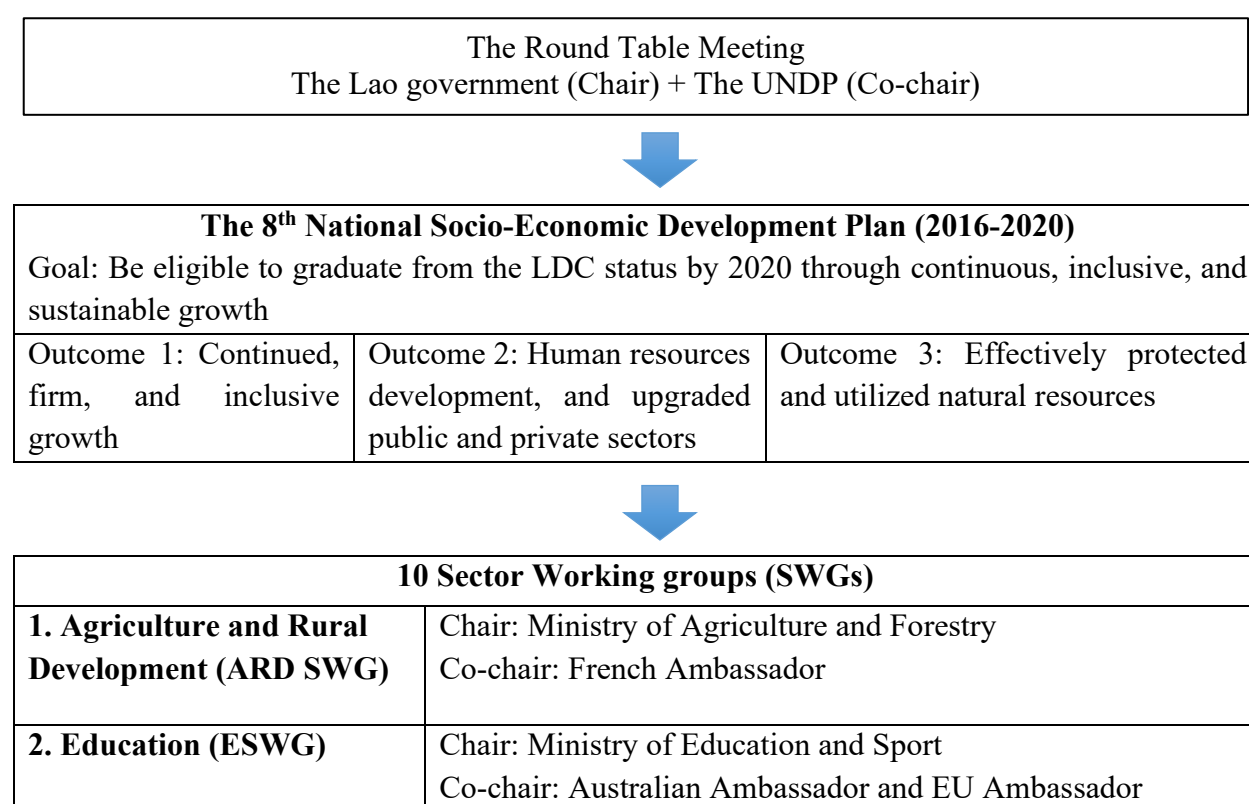
Specifically, the principles of the Paris Declaration addressed the partnership between the Lao government and the development partners through Vientiane Declaration on Aid Effectiveness (or the VDI – in short) in 2006. The primary objective of the VDI is to “take appropriate monitorable actions to make aid more effective and assist the country in achieving the Millennium Development Goals by 2015, and the long-term development goal of exiting the status of least developed country by 2020” (United Nations Development Program [UNDP], 2006, p. 1). Based on the Paris Declaration, the five key principles of the VDI were set to fit in with the country’s political context. They include:

- 1) Increased country ownership over development policies, planning, implementation and aid coordination;
- 2) Better alignment of development partners’ support to national policies and plans, and increased support to and use of national systems;
- 3) Harmonisation and simplification of development partners’ procedures and activities;
- 4) Managing for results in order to ensure effective use of resources;
- 5) Both government and development partners have mutual accountability for progress (UNDP, 2006).

To achieve the development goals and provide development assistance efficiently, moreover, Sector Working Groups (SWGs) were introduced as “a main mechanism for

coordination and dialogue between the Government and the partners in development at the sectorial and thematic area levels” (UNDP, 2006, p. 27). Focusing on four thematic area levels,<sup>56</sup> the Country Action Plan was formed from these dialogues to address, and ultimately achieve, the development goals. For example, the development partners and the Lao government set up the Ministry of Education, Australia Aid, and UNICEF to cover the Education and Gender Sector Working Group. SWGs continually shaped the role of the Lao government and the development partners with regard to the Sustainable Development Goals.

To better address the SDGs, the development partners introduced a new development paradigm for the 8<sup>th</sup> NSEDP and the Vision 2030 at the High-Level Round Table Meeting on November 27<sup>th</sup>, 2015. This shift amounted to the inclusion of International Non-Governmental Organizations and Lao Non-Profit Organizations as well as the civil society and the private sector in the RTP. As a consequence, the Lao government and the development partners endorsed the Vientiane Declaration on Partnership for Effective Development Cooperation (or the VDII – in short) for the inclusiveness framework between the Lao government, the development partners and other stakeholders. This framework reveals the global and regional context to Lao development, the role of the development stakeholders, and the resources needed to implement the SDGs in Laos. With 18 goals that comprise the SDGs in Laos, the RTM has broadened the SWGs from 4 to 10 groups in order to achieve the SDGs efficiency and to better include stakeholders (see figure 8).



<sup>56</sup> The four thematic areas of the SWGs in the MDGs are: 1) Health, Gender, and HIV/AIDs, 2) Education and Gender, 3) Infrastructure and 4) Agriculture, Rural Development, and Natural Resource Management.

<b>3. Health (HSWG)</b>	Chair: Ministry of Health Co-chair: Japanese Ambassador and WHO
<b>4. Illicit Drug Control (ILD SWG)</b>	Chair: The Lao National Commission for Drug Control and Supervision Co-chair: Japanese Ambassador, Australian Ambassador, and UNODC
<b>5. Infrastructure (ISWG)</b>	Chair: Ministry of Public Works and Transport Co-chair: Japanese Ambassador, ADB and World Bank
<b>6. Macro-Economic Working Group (MEWG)</b>	Chair: Ministry of Planning and Investment Co-chair: ADB and World Bank
<b>7. Natural Resources and Environmental (NRE SWG)</b>	Chair: Ministry of Natural Resource and Environment Co-chair: German Ambassador and World Bank
<b>8. Trade and Private Sector (TP SWG)</b>	Chair: Ministry of Industry and Commerce Co-chair: German Ambassador and EU Ambassador
<b>9. UXO (UXO SWG)</b>	Chair: The National Leading Committee for Rural Development and Poverty Eradication and the National Regulatory Authority for UXO Co-chair: UNDP, Ambassador of the USA
<b>10. Governance (GOVERNANCE SWG)</b>	Chair: Ministry of Home Affairs and Ministry of Justice Co-chair: UNDP

Note: WHO = World Health Organization, UNODC = United Nations Office on Drugs and Crime, EU = European Union, ADB = Asian Development Bank, UNDP, United Nations Development Programme, UXO = Unexploded Ordnance

**Figure 8** Round Table Process and sector working groups in Laos

**Source** Author's compilation based on Ministry of Planning and Investment (MPI) (2016a) and ADB (2017)

Since the RTM aims to promote the global development agenda and guide the Lao government to implement the agenda, the development standards set by the development partners have become the target figures indicating development achievements of the Lao government. However, I believe that the development agenda from the development partners is worth questioning. Even though they provide development assistance to improve socio-economic development in the country, their assistance comes with ulterior motives related to their interests serving capitalism and western development, as reflected by their discourse.

#### **4.1.1 The standardization of the state: The agenda of the ODA**

The strategic plans formulated by the development partners are not only based on international development norms, but also their own interests in Lao development. In this section, I will examine the agenda of the development partners and how development in Laos

addresses their interests. This section begins by discussing the current development norms under the SDGs framework. According to my information, there are four focal areas emphasized in the development partnership framework. These include: poverty reduction, capacity building, environmental protection and climate change resilience, and good governance.

Regarding poverty reduction, in 2013, about 80 percent of the Lao people lived on less than \$2.5 per day (World Bank, 2015, p. 9). One of my informants working for a development partner concerned with poverty reduction commented, “our big goal is to help Laos bring all its people up above this” (informant no. 2, 2017). Although the ongoing Lao development plan has promisingly improved GDP growth, this is insufficient to bring people out of the poverty. An interviewee who works at a financial institution asserted that the reason why poverty reduction remains a burden for both the development partners and the Lao government is:

The Lao economy heavily relies on natural resources... But these alone can only employ 7 percent of the labor force. This means that natural resource production cannot account for the rest of the labor. Even though economic diversification in agricultural productivity employs 65 percent of the population, it still contributes to a small amount of the Lao GDP... In Laos, the obstacle is that some villages are inaccessible by roads and other infrastructure and technology is outdated, especially in remote areas. This is the reason why there is a major labor surplus in Laos, the economic sector isn't growing, and skill levels do not match new demands. The mining sector is still small as well. So Lao laborers often relocate to Thailand for work. We have to help the government to diversify the economy, especially the SME” (informant no. 8, 2017).

The development partners provide financial and technical support to the Lao government to reduce extreme poverty and contribute to sustained and inclusive economic growth, particularly with regard to developing infrastructure for connecting regional and sub-regional levels, improving financial management, creating investment-friendly environments, developing the private sector, diversifying economic activities for employment, improving agricultural processes and income generation, and including gender equality in economic activities. Another emphasis is to reduce the Unexploded Ordnance (UXO) throughout the country. Laos is heavily carpeted by unexploded bomb from the Second Indochina War and the Lao civil war. Both the Lao government and the development partners concede that the UXO is a primary obstacle to exploring Laos' economic development potential. Thus explosive eradication in Laos has become an additional goal named “Lives Safe from UXO.”

The second focal point is capacity building to ensure inclusive growth. They believe that economic development will be more efficient and sustainable if the country is capable of enhancing their own development strategy. However, such capacity is problematic in Laos. As one development partner interviewee commented:

I think what we really need to look at the fact that capacity in Laos is still limited. Often we see that we have to bring in outside experts... [but] the time will come when you can no longer bring in an outside expert to solve the problem. We have to make sure that local people are trained... If you train enough people, you don't need to bring in anybody from the outside" (Informant no. 2, 2017).

The country thus needs to improve in human development, its legal framework, and its political institutions to meet the international development standards. The development partners address these needs by supporting education, health, food security, and nutrition, supplying technical experts, and arranging trainings and workshops with the Lao government.

The third focal point is environmental protection and climate change resilience. This strategy is based on notions of environmental sustainability enshrined in the Sustainable Development Goals. The development partners have thus initiated an environmental-friendly development strategy to Laos. For example, the development partners promote sustainable natural resources management and utilization by providing technical assistance for climate change resilience, and surveying land to modernize its use. The interviewee from the development partners mentioned:

Another project is village bank, which provides small funds for villages, helping them to save money and get small loans... Rural development is more focused on the environment through projects that address forest protection and climate change because it is a big issue in our organization and Laos has a lot of forests that can produce to the oxygen to the World (Informant no. 1, 2017).

The last focal point is good governance. The development partners believe that good governance contributes to effectiveness in the implementation of their development strategy in Lao development. Efforts are currently underway to enhance the effectiveness of the Public Service Improvement under the National Governance and Public Administration Reform Programme (NGPAR). Its purposes are to improve the capacity of public administration to deliver efficient, effective, transparent and accountable services to citizen and to ensure better implementation of government policies (Larrabure, 2014). For example, One Door Service Centers was designated to serve multiple need for basic public services to local people in 17 provinces. This reform has been supported by a number of the development partners that work together to bring good governance to the country. The table 4 below represents the major development partners, project names and durations under the public sector management reform.

Development partners	Project name	Duration
Asian Development Bank	1. Governance and Capacity Development in Public Sector Management Program	2010-2014
	2. Governance and Capacity Development in Public Sector Management Project	2013-2016
	3. Technical Assistant for Strengthening the Capacity of the State Audit Organization	2012-2014
	4. Regional Technical Assistant to Public Administration and Civil Service Authority (Ministry of Home Affairs) Public Policy Training Project	2009-2011
EU	Poverty Reduction Support Operation 8 (with the World Bank)	2002-2012
GIZ	Land Management and Registration Project	2009-2011
UNDP	1. Community Participation and Communication Support Project (in partnership with Oxfam Novib)	2011-2014
	2. GPAR: Strengthening Capacity and Service Delivery of Local Administration (in partnership with UNCDR, SDC, GEF, and the Republic of Korea)	2012-2015
	3. Support to an Effective Lao National Assembly (in partnership with Finland and EU)	2009-2012
	4. Civil Society Support Program	2011-2014
The World Bank	1. Poverty Reduction Support Operation 8 (in partnership with EU)	2012-2015
	2. Public Finance and Management Strengthening Project (Multi donor trust fund, AusAID, EU, SIDA, SDC)	2011-2015

Note: ADB = Asian Development Bank, AusAID = Australia Government Overseas Aid Program, EU = European Union, GIZ = German Agency for International Cooperation, GEF = Global Environment Facility, GPAR = Governance and Public Administration Reforms, Oxfam Novib = 14 national affiliates of Oxfam International Confederation, SDC = Swiss Agency for Development and Cooperation, SIDA = Swedish International Development Cooperation Agency, UNDP = United Nations Development Programme

**Table 4** Selected the major development partners in public sector management  
**Source** ADB, 2016

It can be seen that the strategy of the development partners concerns four focal areas: poverty reduction, capacity building, environmental protection and climate change resilience, and good governance. The purpose is to achieve the SDGs and to bring Laos out of its least developed country status. However, Laos has a long way to go to meet international development standards since development per se is a dynamic process, and it will be difficult to narrow the development gap between Laos and other countries. As one interviewee commented “If there is a development gap, you cannot tell other countries to stop developing for this country to fill the development gap” (Informant no. 10, 2017).

*1) The development agendas of the development partners in Lao development*

The development agendas of the development partners ultimately both positively and negatively affect Laos. The general agenda is simple: they genuinely promote the Sustainable Development Goals in socio-economic development. As one interviewee states:

We are right now working with the Lao government because there are things that you have to do in every country. So more emphasis with regard to national goals and national targets in Laos is going into helping them implement the SDGs. Anything we do with poverty, the environment, or the government will eventually be linked to the SDGs (Informant no. 4, 2017).

The three strategies enshrined in the World Bank Partnership Strategy (2017) notes that the World Bank’s main points of focus are: to support inclusive growth, protect the environment, invest in people, and strengthen institutions to establish a ruled-based environment. Similarly, the developmental strategies of UNDP in Lao development consists of: inclusive growth, human livelihood and resilience, human development, and governance based on dignity, equity, and inclusiveness (UNDP, 2016). Moreover, some of the development partners promote natural resource management, sustainable infrastructure development, and environmental sustainability (see table 5).

<b>European Commission (EU)</b>		
Partnership framework	Objectives /Strategic plan	SDGs relevance
1. Agriculture and rural development	1. Improve agricultural practices 2. Strengthen the role of family farming 3. Improve economic efficiency 4. Improve service delivery in rural areas	- SDGs Goal 13 - SDGs Goal 2 - SDGs Goal 12 - SDGs Goal 3 - SDGs Goal 6 - SDGs Goal 8
2. Education	1. Support to ensure equitable access to and completion of basic education (with focus on disadvantage groups) 2. Support to improvement of education quality and relevance 3. Support to improved governance of the education system	- SDGs Goal 4 - SDGs Goal 5 - SDGs Goal 10
3. Environment and natural resources	1. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss 2. End poverty; end hunger, achieve food security, improve nutrition and promote sustainable agriculture 3. Ensure government takes urgent action to combat climate change and its impact	- SDGs Goal 15 - SDGs Goal 2 - SDGs Goal 1 - SDGs Goal 13
4. Governance	1. Support improvements in government services 2. Contribute to an environment that promotes citizens' engagement for sustainable development and good governance 3. Support the consolidation of the rule of law	- SDGs Goal 16

5. Health	1. Strengthen public health systems in Laos 2. Improve access to and quality of maternal and child health	- SDGs Goal 3
6. Nutrition	1. Support strengthened nutrition governance 2. Contribute to scaled-up nutrition specific support 3. Contribute to scaled-up nutrition sensitive support	- SDGs Goal 2 - SDGs Goal 6
7. Private Sector Development	1. Enable Laos to make use of the potentials and reduce the economic risks of the ASEAN Economic Community (AEC) 2. Improve quality, relevance and inclusiveness of the Technical and Vocational Education and Training (TVET) system 3. Facilitate financial sector development: Access to finance for MSMEs	- SDGs Goal 1 - SDGs Goal 8 - SDGs Goal 10
<b>United Nation Development Programme (UNDP)</b>		
Pillar 1: Focusing inclusive growth, livelihood and resilience	Outcome 1: All women and men have increased opportunities for decent livelihoods and jobs Outcome 2: More people have access to social protection benefits, in particular vulnerable groups and the poor Outcome 3: Forests and other ecosystems are protected and enhanced, and people are less vulnerable to climate-related events and disasters	- SDGs Goal 1 - SDGs Goal 5 - SDGs Goal 10 - SDGs Goal 13 - SDGs Goal 14 - SDGs Goal 15 - SDGs Goal 18
Pillar 2: focusing on human development	Outcome 4: Children and youth enjoy better access to inclusive and equitable quality basic education and vocational skills Outcome 5: People enjoy improved access to quality health services, and water, sanitation and hygiene Outcome 6: The most vulnerable people benefit from improved food security and nutrition	- SDGs Goal 2 - SDGs Goal 3 - SDGs Goal 4 - SDGs Goal 4 - SDGs Goal 6 - SDGs Goal 10

Pillar 3: focusing on governance	<p>Outcome 7: Institutions and policies at national and local level support the delivery of quality services that better respond to people's needs</p> <p>Outcome 8: People enjoy improved access to justice and fulfillment of their human rights</p>	- SDGs Goal 16
<b>The World Bank</b>		
Focus Area 1: Supporting inclusive growth	<p>1.1 Put public finance on a sustainable path and supporting financial sector stability</p> <p>1.2 Make it easier to do business</p> <p>1.3 Invest in infrastructure for growth and inclusion</p>	<p>- SDGs Goal 1</p> <p>- SDGs Goal 8</p> <p>- SDGs Goal 9</p>
Focus Area 2: Investing in people	<p>2.1 Reduce the prevalence of malnutrition</p> <p>2.2 Improve the quality of primary and pre-primary education and keep girls in school</p> <p>2.3 Improve access to and quality of health services</p> <p>2.4 Reduce vulnerability and inclusive access to social services</p>	<p>- SDGs Goal 2</p> <p>- SDGs Goal 3</p> <p>- SDGs Goal 4</p> <p>- SDGs Goal 10</p>
Focus Area 3: Protecting the environment	<p>3.1 Promote environmental protection and sustainable natural resources management</p> <p>3.2 Put in place enhanced disaster risk management and climate and disaster resilience</p>	<p>- SDGs Goal 13</p> <p>- SDGs Goal 14</p> <p>- SDGs Goal 15</p>

<b>Asian Development Bank (ADB)</b>		
Strategic Priority 1: Infrastructure and private sector development to support employment and income generation	1. Develop infrastructure and the private sector to support employment and income generation 2. Strengthen private enterprise development 3. Increase productivity and promote agriculture commercialization 4. Improve access to sustainable water supply and sanitation	- SDGs Goal 1 - SDGs Goal 9 - SDGs Goal 8 - SDGs Goal 3 - SDGs Goal 2 - SDGs Goal 6 - SDGs Goal 12
Strategic Priority 2: Enhanced human development	1. Build resilient human capital with relevant skills 2. Improve health services delivery	- SDGs Goal 3 - SDGs Goal 4
Strategic Priority 3: Sustainable natural resource management and climate resilience	1. Mainstream climate change and disaster risk assessment and response 2. Improve urban environment services 3. Sustain agriculture gains without diminishing natural resource endowment	- SDGs Goal 13 - SDGs Goal 12 - SDGs Goal 11
Crosscutting theme	1. Increase gender equality and good governance	- SDGs Goal 16 - SDGs Goal 17
<b>JICA</b>		
Pillar 1: Strengthen connectivity with countries in the region on tangible and intangible fronts	- Develop infrastructure for making Lao PDR a transportation hub of the Mekong region - Develop the systems and infrastructure (improve customs clearances, international border check-point etc.) for making Lao PDR a distribution network base of the Mekong region	- SDGs Goal 1 - SDGs Goal 9 - SDGs Goal 11 - SDGs Goal 7 - SDGs Goal 16

	<ul style="list-style-type: none"> <li>- Develop and operate Vientiane International Airport in order to strengthen the connectivity of the sky</li> <li>- Develop safe operating structures at regional airport</li> <li>- Develop power sources and the electricity transmission network in Lao PDR, which is being counted on to become the “battery” of the Mekong region</li> </ul>	
Pillar 2: Develop the industrial human resources in order to diversify Lao PDR’s industries and enhance their competitiveness	<ul style="list-style-type: none"> <li>- Strengthen basic education in such areas as science and mathematics, and enhance higher education and develop vocational training</li> <li>- Develop the investment environment, enhance the capacity for formulating industrial policy, and promote public-private sector dialogues</li> <li>- Improve access to the funding needed to establish and nourish SMEs</li> <li>- Promote areas such as irrigation agriculture in order to encourage commercial crops, and clean agriculture that offers safety and peace of mind.</li> <li>- Build a food value chain that meets the standard for the markets of neighboring countries</li> </ul>	<ul style="list-style-type: none"> <li>- SDGs Goal 1</li> <li>- SDGs Goal 2</li> <li>- SDGs Goal 3</li> <li>- SDGs Goal 4</li> <li>- SDGs Goal 12</li> </ul>
Pillar 3: Rectify disparity through balanced urban and regional development that takes environmental and cultural preservation into account	<ul style="list-style-type: none"> <li>- Develop public transportation modes such as buses, including formulating strategies for transport development in the capital.</li> <li>- Develop basic public infrastructure, such as waterworks</li> <li>- Pursue sustainable development in regional cities, including Luang Prabang, a World Heritage City</li> <li>- Conserve the environment and develop it sustainably, including by preserving the forests of the Mekong River basin.</li> </ul>	<ul style="list-style-type: none"> <li>- SDGs Goal 3</li> <li>- SDGs Goal 9</li> <li>- SDGs Goal 11</li> <li>- SDGs Goal 13</li> <li>- SDGs Goal 14</li> <li>- SDGs Goal 15</li> </ul>

	- Improve the quality of healthcare, education and other sectors, and rectify domestic disparity	
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Note: SDGs Goal 1 = No Poverty; SDGs Goal 2 = Zero Hunger; SDGs Goal 3 = Good Health and Well-Being; SDGs Goal 4: Quality Education; SDGs Goal 5 = Gender Equality, SDGs Goal 6 = Clean Water and Sanitation; SDGs Goal 7 = Affordable and Clean Energy; SDGs Goal 8 = Decent Work and Economic Growth; SDGs Goal 9 = Industry, Innovation and Infrastructure; SDGs Goal 10 = Reduced Inequalities; SDGs Goal 11 = Sustainable Cities and Communities; SDGs Goal 12 = Responsible Consumption and Production; SDGs Goal 13 = Climate Action; SDGs Goal 14 = Life Below Water; SDGs Goal 15 = Life on Land; SDGs Goal 16 = Peace, Justice and Strong Institutions; SDGs Goal 17 = Partnership for the Goals; SDGs Goal 18 = Lives Safe from UXO

**Table 5** The selected partnership framework of the development partners in Laos

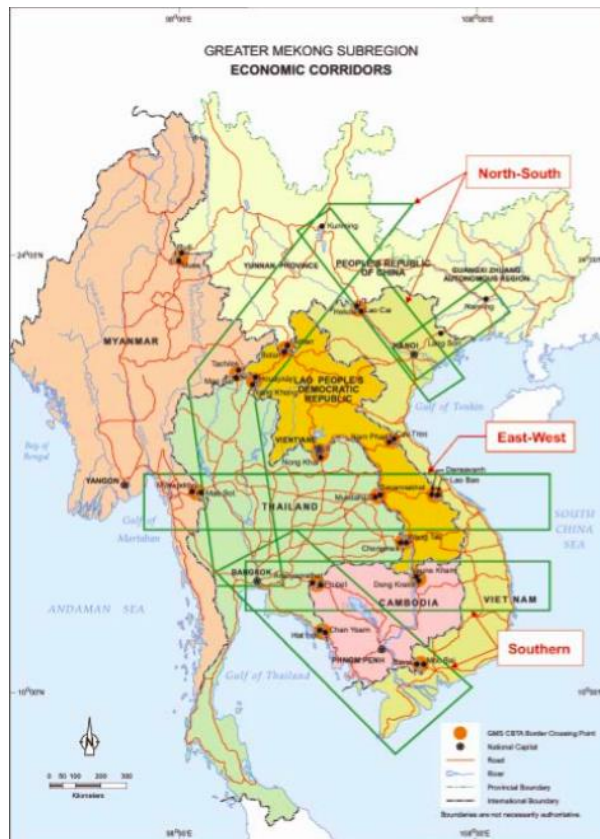
**Source** Author's analysis and compilation based on UNDP, 2017b; World Bank, 2017; JICA, 2017; ADB, 2017; EU, 2017

However, the second general agenda item consists of developmental aid with conditions attached, so that they can profit from Laos. They become brokers with the power to approve of development projects and mediate profit and the use of natural resources to generate income for their organizations. The case of the Nam Theun 2 dam, supported by the World Bank, provides a sufficient example. This dam has been proclaimed by the World Bank to have been built using the best monitoring and assessing process and compensation policy<sup>57</sup>. A great deal of criticism, in turn, has been directed at the dam for causing changes in the ecological system and in local people's ways of life. Baird, Shoemaker, and Manorum (2015, pp. 1083-1093) contend that the negative impacts of the dam in Laos consist of "fishery losses, the loss of rain-fed rice fields, and the loss of riverbank gardens appears to have led to severe declines in villager well-being" (p. 1093). They argue that the World Bank has become "the deal maker" since "the Nam Thuen 2 Power Company (NTPC) is 40 percent owned by Electricite du France, 35 percent by Electricity Generating Public Company in Thailand and 25 percent by the GoL [Government of Laos]." The dam will be transferred to the Lao government after the 25 years concession agreement has come to term, a duration long enough to generate big profit for the development partners before the dam is handed over to the Lao government.

The third agenda item is the standardization of state matters to improve the connectivity of the global, regional and sub-regional levels to bring mutual prosperity to those countries. Thus massive development projects related to establishing roads and bridges in remote regions have been increasing in recent decades. The ADB is one of the development partners specializing in this effort via increasing connectivity and economic integration in the Greater Mekong Sub-region (GMS). The GMS, according to the ADB's (2006, p. 1) report, is now designated to become a "prosperous, integrated, and harmonious sub-region," privileged due to its being built around the Mekong River. To strengthen the connectivity, the ADB initiated an economic corridor to utilize the geographic potential of six countries that rely on the Mekong river: Thailand, Laos, Cambodia, Myanmar, China (Yunnan and Guangxi provinces), and Vietnam. Since 1992, the ADB has supported the issuing of loans and grants to improve infrastructure to connect the North-South, East-West, and Southern economic corridors (see photo 8). It aims to develop infrastructure and the private sector to support employment and income generation and regional cooperation and integration. The ADB provides financial assistance for 2017-2020 to the Lao government at \$421 million to improve infrastructure development of the country (ADB, 2017, p. 12).

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<sup>57</sup> The World Bank issued a report called "Doing a Dam is Better: The Lao People's Democratic Republic and the Story of Nam Theun 2," that claims that hydropower projects contribute to poverty reduction in the country and the World Bank can design and implement sustainable outcomes through "state-of-the-art environmental and social practices and strengthened public financial management systems, but this takes a long time" (Porter and Shivakumer, 2010, pp. 1-2).



**Photo 8** The GMS Economic Corridor

Source ADB, 2006

In order to harmonize Laos with other countries in the region, some development partners provide technical assistance to the Lao government to increase trade and investment in food and agriculture, improve the capacity to facilitate trade and investment of the regional (e.g., Association of Southeast Asian Nations [ASEAN]) and sub-regional levels (e.g., the GMS), deregulate the custom procedure, support Small and Medium Enterprises, develop human capital through education, and provide assistance on health and well-being to the country. For example, the ASEAN Free Trade Area (AFTA) promotes the trade and investment of intra-ASEAN countries, including Laos (Asia Regional Integration Center, 1992). By doing so, the legal framework of the 10 countries will be simplified and harmonized to decrease customs procedures at the borders, and to facilitate trade and investment in these countries. Laos is considered a new ASEAN member. My representative of the development partners who works in regional economic integration mentioned that,

After the war, Cambodia, Myanmar, Vietnam and Laos had poor economies and many people were traumatized from the war, even the governmental bodies were experiencing a kind of trauma... Basically, these four countries have nothing... They don't have an appropriate economy... How can they meet up to their end of the Free Trade Area? We have to help them to understand what the agreement is and help them to follow through with their commitments (Informant no. 10, 2017).

The fourth agenda of the development partners in Laos is to provide humanitarian aid. This agenda item is based on the fact that many Lao people are living in extreme poverty and some of them have lost their land due to these megaproject developments, especially in the case of the hydropower dam. Humanitarian assistance was seen in the assistance provided to flood victims of the Xe-Pian Xe-Namnoy dam in 2018.<sup>58</sup> Hundreds of people are missing and more than one thousand families are vulnerable due to the dam's collapse. The development partners and neighboring countries sought to provide rescue and medical teams, donate money, and send emergency supplies to the Attapeu province to mitigate the impact of the dam collapse, according to the reporter of the Vientiane Times (Vilaysack, 2018).

The last agenda item is that the development partners attempt to advocate their national interest through Lao development. The most important national interests for the development partners are hegemonic stability and economic development. My argument can be observed through hegemonic competition in Lao development. This is specifically true with regard to development assistance that comes from the USA, China, and Japan. Although these countries have prioritized different aspects of development, their agenda is ultimately to maintain the status quo as superpower countries.

The development policy of the US government towards Laos, recently, is built on economic development, health, education, energy, and the environment under the Lower Mekong Initiative (LMI).<sup>59</sup> Additionally, in 2016, the former U.S. President Barack Obama visited Laos to express his apology about unexploded Ordnance in Laos, and proclaimed, "Today, the United States is more deeply engaged across the Asia Pacific than we have been in decades. Our position is stronger. We've sent a clear message that, as a Pacific nation, we are here to stay" (The New York Time, 2016). As a result, the US government provides extra assistance in clearing the Unexploded Ordnance in Laos and established a Comprehensive Partnership dubbed the "Joint Declaration between the United States of America and the Lao People's Democratic Republic" (see the White House President Barack Obama, 2016). Many analysts believe that the main purpose of the US diplomacy to Southeast Asian countries is to maneuver the power of China and maintain its global hegemonic stability (see Radio Free Asia, 2016) as the members of the LMI include every country in the Mekong sub-region, except China and Myanmar.

Another powerful country in Lao development is China. Tan (2014) argues "China has no political ambitions in Laos. Its intentions are primarily economic, and its leaders are willing to provide economic aid and political support for the Lao government" (p. 13). I argue that the political goals of China are as significant as the economic goals. Along with the fact that the developmental agenda of the Chinese government in Laos includes accumulating wealth for the Chinese people and government, it supports the national interest of China and provisions

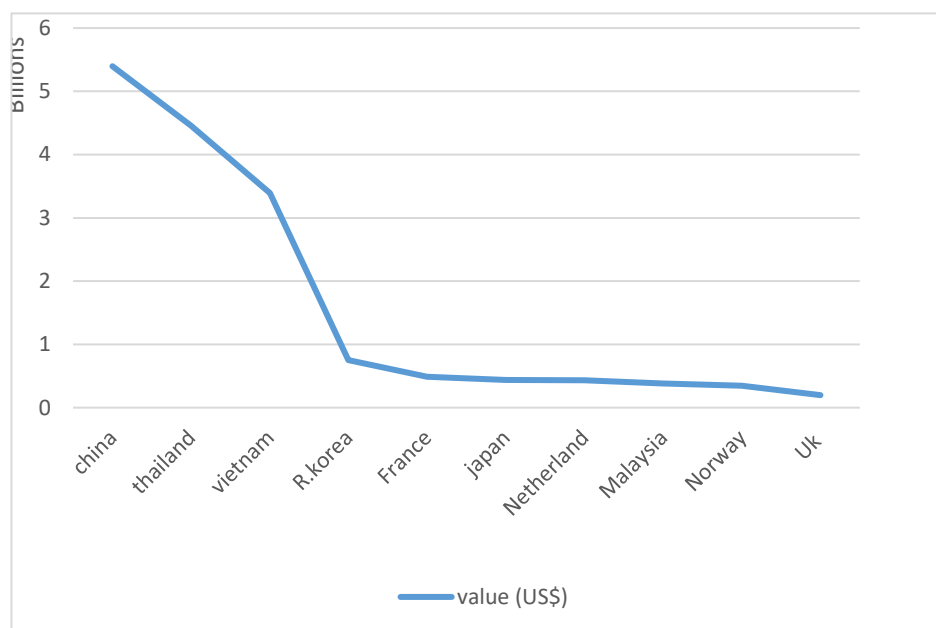
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<sup>58</sup> The International Rivers (2018) reports "Xe Nam Noy dam collapse is a disaster, but not a natural disaster; it is a disaster caused by human error on the part of the dam-builders."

<sup>59</sup> The LMI consists of four countries in the lower Mekong – Cambodia, Laos, Thailand, and Vietnam.

regime legitimacy to the Chinese government. It aims to become the big brother of the Southeast Asian region.

Since the reconciliation between the Chinese government and the Lao government in 1997,<sup>60</sup> the bilateral and multilateral cooperation between the two countries has been increasing. The Chinese influence in Laos is obvious when one examines Direct Foreign Investment in Laos as the result of the “go-out” strategy<sup>61</sup> of the Chinese government. Furthermore, infrastructure development under the GMS has closely connected the two countries through the road in the North-South Economic Corridor. The economic fruit of Chinese investments should not come as much of surprise considering the Chinese FDI has become the main driver of the Lao economy, through 830 development projects costing over \$5 billion between 1989-2014 (see figure 9). My development partner interviewee commented that the rise of Chinese influence in Laos is due to the fact that loan and assistance conditions attached to agreements with the Chinese government are accessible and fewer in number than those negotiated by development partners with different countries of origin (Informant no. 5, 2017). As a consequence, Chinese investment in mining, hydropower dams, agriculture, transportation, and tourism are booming.



**Figure 9** The value of Foreign Direct Investment (FDI) in Laos from 1989-2014

**Source** Ministry of Planning and Investment, 2018

Tan, for example, points out that Chinese investors are involved in 14 hydropower projects under a Build-Operate-Transfer (BOT) model, that states that the dams will transfer to the Lao government after a 25-30 year-concession period (Tan, 2014, p. 6). Another example

<sup>60</sup> Phaxayavong (2009) highlights one the reason for the reconciliation between the Chinese and Lao governments in 1997. The Asian Financial crisis hit the Laos economy via Thailand. The Chinese government provided financial assistance to the Lao government to recover from this.

<sup>61</sup> The going-out strategy of Chinese government refers to encouraging “domestic enterprises to invest overseas” (Tan, 2014, p. 4).

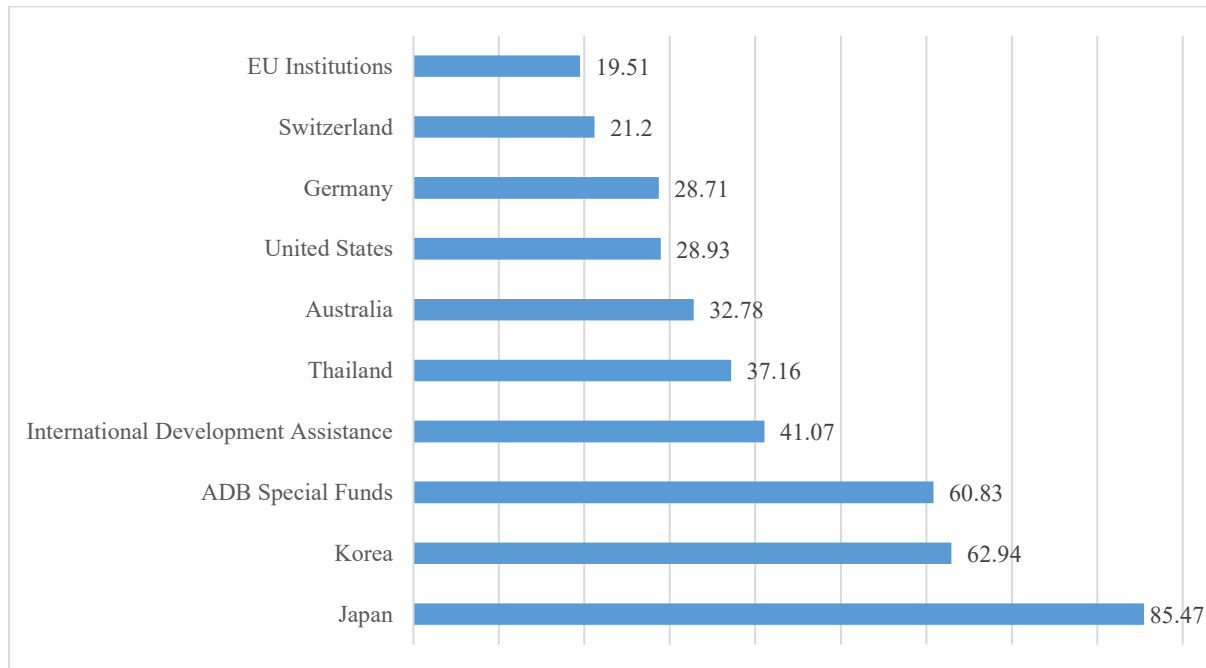
is Chinese contract farming in Laos. Contract farming is used to improve the rural economy by supporting the agricultural sector in Laos to access the market and by diversifying agricultural product with the modern technology from China. According to Onphalanda and Suruga (2013), the Chinese have invested in rubber, maize, tobacco, vegetables and fruits, and herbal and crude drugs. Chinese investments in contract farming have both positive and negative effect on Lao farmers. Positively, Lao agricultural products, such as maize, exported to China increased to \$8,305 million in 2011, the total investment value of which amounted to more than four times that of 2007. However, contract farming has had a negative impact on local people as well. For example, chemical pesticide overuse has given rise to land degradation in Bokeo province. In Bokeo province, there are banana plantations of Chinese investors that used chemicals on more than 10,000 hectares in the province. Khamphang Pheuyavong, the Governor of the Bokeo province, said that “Impact on the environment and nearby communities partly results from the fact that relevant government authorities failed to carry out proper management and monitoring... As a result, chemical fertilisers and harmful herbicides and pesticides have been used by foreign investors” (Pheuyavong as cited in Ghosh, 2016). Thus, the establishment of more large-scale banana plantation in Laos has been prohibited, according to the Nations (2016).

Chinese investment in Laos amounts to a financial win-win situation, as the profits can support economic growth in both countries. In 2017, the Chinese President Xi Jin-Ping visited Laos and signed an article entitled “China and Laos: Working Together for a Shared Future with Strategic Significance” to reiterate the friendship between China and Laos. Moreover, He delivered a speech to reinforce political trust between these two socialist countries and the developmental direction in Laos of the Chinese government, stating:

We should continue to support each other on issues involving each other’s core interests and major concerns... We need to expand practical cooperation and build a community of shared future for mutual benefit... Laos enjoys good natural endowments and fast economic development... China has a rich experience and strength in capital, technology and equipment. The two sides should tap cooperation potential and explore new ways of cooperation (Xinhua, 2017).

Japan provides the largest number of development grants in Lao development (see figure 10), and has occupied the highest-level position of the ADB since 1966 (Wan, 1995, p. 509). Fauer (2010) contends, “In fact, Japan’s influence in this multilateral bank was perceived as a tool at the service of Japanese diplomacy” (p. 163). The official development cooperation agency of the Japanese government is the Japan International Cooperation Agency (JICA). This agency has been working on Lao development since 1958 and is “recognized as the leading bilateral development organization to the Lao PDR providing assistance across various sectors to aid socio-economic development in partnership and friendship with the Lao people” (Ministry of Foreign Affairs of Japan, 2016). Currently, the main foci of JICA are to: 1) strengthen connectivity with countries in the region on the tangible and intangible fronts; 2) Develop industrial human resources in order to diversify Lao PDR industries and enhance and

rectify disparity through balanced urban and regional development that takes environmental and cultural preservation into account. In the Japanese fiscal year of 2015, 2.77 Billion Yen had been approved to implement in Lao development. Such connectivity supports the economic corridor approach of the ADB as mentioned above. In 2000, for instance, the Japanese government granted 5.46 billion Yen to build a bridge named the Lao-Nippon Bridge (Japan Times, 2000). This bridge was built in Champasak, the capital city of the Pakse province.



**Figure 10** Top Ten Donors of Gross ODA for Lao People's Democratic Republic (2015-2016) in USD

Source OEDC, 2016

Japanese assistance to Laos has led to a fruitful discussion about the Japanese government's development agenda. This dispute falls on the notion that another vital motivation of the Japanese government is to balance its power with China in Asia.<sup>62</sup> The development norms supported by the Japanese government are unlike those of the US government and the Chinese government. Recently, the Japanese government has mostly emphasized quality of infrastructure development with respect to building more environmental-friendly and sustainable structures for the Lao people and the environment. At the Mekong-Japan Summit in 2018 the Japanese Government promoted the three-year strategy in improving the connectivity of the Mekong sub-regional countries with 'quality

<sup>62</sup> Fauer (2010) proposes "Today the Chinese economic emergence may appear threatening by its sheer size and speed but one must not quickly discount the fact that in the past decades it was Japan that held this place of an aggressive and predatory economic power" (p. 177). Likewise, Hartley (2015) argues "Japan's ODA also interacts with institutional power and attempts to reform Laos's state bodies away from their ties with China and Vietnam... Japan's hegemony in Laos is a picture of two halves, with the trend being for Japan's economic power to be focused sub-nationally in Laos's southern province" (Hartley, 2015, pp. 15-17).

infrastructure’ and set a new development direction named the ‘Green Mekong’ to promote the environmental protection, water resource management, disaster risk reduction, and protective measures against climate change in the Mekong sub-region (Vientiane Time, 2018a).

This information on the development assistance provided by the USA, China, and Japan reveals a hegemonic power competition to promote national interests through development norms in Laos. Among the development agendas stated above, however, the most important agenda item of the development partners, particularly from the Western countries and international organizations, is to bring the democracy, or at least to advocate for democratic principle in Laos. In the next section, I will analyze democratization inside the SDGs with respect to how the development partners build democracy in Lao development indirectly.

#### **4.1.2 Are principles of democracy hidden in the SDGs?**

The interplay between the SDGs and principles of democracy remains controversial. SDGs, in general, have been criticized by many observers for simultaneously supporting and overlooking democratic principles (see Penumetcha, 2016; Smith, 2018). Optimistically, the UN Secretary-General Ban Ki-Moon (as cited in Penumetcha, 2016) pointed out the democratic principle in the SDG that,

Democratic principles run through the Agenda like a golden thread, from universal access to public goods, health care and education, as well as safe places to live and decent work opportunities for all. Goal 16 addresses democracy directly: it calls for inclusive societies and accountable institutions.

To implement the SDGs in many countries effectively, some observers believe it is necessary to bring the principles of democratic governance to undemocratic countries. However, some analysts question whether the SDGs themselves are in fact democratic. For example, Smith (2018) argues that the SDGs undermine democracy. Only SDG 16 (Peace, Justice and Strong Institutions) is related to democratization. He argues that the mention of democratization is superficial, especially considering participatory undemocratic governments in the SDGs (like China, Vietnam, Belarus, and Egypt) continue to engage in human rights violations and civil repression, both of which contradict democratic principles.

My interviews with representatives of the development partners demonstrate that the development partners still attempt to advocate democracy in Laos, but they have to depoliticize their approach to do so (see chapter 3). They instead use terms like modernization, good governance, rule of law, and decentralization. These terms are integral aspects of democratization, as they relate to creating more participatory channels for people in many countries.

Many political scientists believe that economic development, industrialization, urbanization, and enhanced social mobility are the foundations of democracy. Inglehart and Welzel (2009) contend that such outcomes of modernization create “a self-reinforcing process

that transforms social life and political institutions, bringing rising mass participation in politics and – in the long run – making the establishment of democratic political institutions increasingly likely.” The expectation is that with economic development comes social mobility, raising the middle class bracket and thus the number of people who are well educated and specialized. There is no doubt that the development partners would like to see this take place in Laos.

The Governance Sector Working Group (GWSG) is an outcome of their advocacy, and the development strategies of the working group are compatible with democratization, as I will illustrate in the three following points. First, the Lao government and the development partners have taken an important step to improving the checks and balances in their system by updating their administrative framework. This updated framework clarifies and upgrades the roles and responsibilities of the government, local administrations, the National Assembly (NA), mass organizations, the Provincial People’s Assembly (PPA) and the civil society at all levels. The National Assembly and Provincial People Assembly, for instance, now has more rights to appoint, remove, and monitor the governor at central and local levels (see chapter 3).

Second, the Lao government has created various channels and forums for people’s participation in the National Assembly, Provincial People’s Assembly, mass organizations and Non-Profit Associations. For instance, the Lao people can participate in the decision-making process of the NA and PPA through hotlines, petitions, and public hearings supported by the Lao government. Third, the Lao government has become more receptive to people’s participation in improving the legal framework and rule of laws under the ‘Legal Sector Master Plan (LSMP).’ Presently, the NA has adopted approximately 109 laws and the Lao government has improved the justice service delivery to guarantee rule of laws (Ministry of Planning and Investment, 2016b, p. 19). With regard to human rights issues in the country, the development partners recommend that the Lao government improve in its approach to human rights. The Lao government has thus far adopted 116 recommendations out of the 196 recommendations received.

The rule of law and the democratic processes mentioned above are interlinked with the accountability and transparency of the government to protect citizen rights, which signifies the boundary between citizens and government authority (Tommasoli, 2012). It is clear that the development projects under the GSWG allow the Lao people to monitor the Lao government’s performance and enhance checks and balances system of the country. Moreover, it can create political awareness for the Lao people to gain knowledge of their rights and duties. This awareness encourages people to participate, which is an essential principle for democracy.

Another principle of democracy is decentralization. For the third point, the Three Build directive and the Provincial People’s Assembly have obtained the full support of the development partners for enhancing local authority in public management, service delivery, and implementation of the national development plan. If the local authorities can implement the development plan to meet the needs of local peoples, development will be more sustainable. Another channel for local engagement is community-based tourism in the tourist sector. The

Lao government recognizes that the service sector matters for economic growth, as this sector contributes the most to the country's GDP. In 2018, the Lao government introduced "Visit Laos Year" to promote natural attractions and cultural diversity in Laos to foreigners and to increase the participation of local groups in tourist management. In this way, local groups could increase their revenue while preserving their traditional culture.

Although the development partners have disguised democratization within the SDGs, the Lao government still has absolute power to suppress democratization within the country (see chapter 3). Nevertheless, their effort is not worthless. When asking my development partner informants about their opinions regarding democratization in Laos, they had both positive and negative things to say. For the positive analysis, one representative argued "Democracy is already here in Laos, but socialism still matters... socialism and democracy can go hand in hand... Even in a socialist state you have elections" (Informant no. 2, 2017). Another believes that the democratic process is more important than democracy as a political system, stating "We don't want to change the political system in Laos, but we do try to support the democratic process here by increasing people's participation to improve state and citizen relations... We try to professionalize the role of the National Assembly... and build trust relations between the CSO and the Lao government (Informant no. 4, 2017). In contrast, another delegate voiced her concern that "At least, we can see the Provincial People's Assembly election in Laos, but it isn't democracy because the communist system controls the whole of the government and the government fully controls Lao society... the nature of the Lao people is to always be under the control of the government" (Informant no. 5, 2017).

From these selected opinions of the development partners on democratization in Laos, it could be concluded that they respect the socialist ideology in the political system of Laos. Instead of changing the political regime through the power relation between the development partners and the Lao government, they initiate the democratic process to bring political awareness to the Lao people through the election process and other participatory channels. Some interviewees believe that the most important factor necessary for bringing democracy to the country is strong political leadership combined with persuasive appeal to the Party to accept democratic principles. One of interviewees stated,

The current Prime Minister is only going to address major issues like corruption in the government if he has the full support of the Party. Unlike the previous Prime Minister, he is more concerned with building up the country's perceived capacity than addressing development issues for the sake of the prosperity of the people (Informant no. 6, 2017).

## **4.2 Lao-style development**

In this section, I will analyze Lao-style development, arguing that the Lao government initially agreed to implement the development norms to obtain regime legitimacy. Development in Laos is dubbed the "Party-led development," because the Party has employed state power to tackle and reframe the Sustainable Development Goals. Understanding the Party

Congress is essential to understand how the Party influences the direction of national development, so this is where I will begin.

#### **4.2.1 The construction of Lao modernity: why does western development matter in Laos?**

Western development standards may seem inappropriate for analyzing development in a socialist regime due to the different socio-economic and political contexts. Laos however has been receptive to development assistance from the development partners and has worked to reach set development thresholds in economic growth and human development. The Party has reframed western development as a means for reaching modernity. Viewing of Lao modernity, recently, economic development and graduate from the least developed country status, which are compatible with the modernization approach from the West, come to fore for the Party. For this reason, it is worth considering of how Lao modernity has been constructed and perceived by the Party. I argue that the sense of modernity in Laos has been constructed by external factors that are inseparable from western modernity. To support this argument, I will highlight three external factors based in the history of Lao development. These actors include the French colony in the colonial era, the United States, and the international community from the Cold War until after the open economy.

The making of modern Laos starts with the French colonial era. Prior to the French colony, Laos was a tributary state of Siam, Myanmar, and Vietnam from the late sixteenth to the end of eighteenth centuries. The concept of the tributary state was ambiguous and confusing for colonizers (see Winichakul, 1994). The colony used such ambiguity to take control of tributary states through the ad-hoc civilization mission (*Mission Civilisatrice*, in French) by claiming that the tributary state was backward and needed to be civilized. Both Siam and France claimed their authority over Laos in the Franco–Siamese dispute of 1893. This dispute ended with a river blockade by a French warship on the Chao Phraya River, pressuring the Thai king to sign the Franco–Siamese treaty to legitimately cede Laos as a Siamese tributary state to France. Since then, Laos exists as a modern state administrated by French Indochina.<sup>63</sup>

The French civilization mission in Laos was intended to modernize the political administration, education, and transportation, and to commercialize natural resources (Rehbein, 2007; Stuart-Fox, 1995). This was a successful mission with regard to the influencing the royal family and Lao elite. For example, Prince Phetsarath, the second son of the Viceroy Boun Khong and the first Lao prime minister, was educated in Vietnam, France and England. Due to his educational background and travel experience, he is recognized as “one of Laos’s most important modernisers” (Ivarsson, 2008, p. 107). According to Ivarsson and Goscha (2007, pp. 59-63), he helped build the Lao nation-state based on Lao culture and religion. After he returned home in 1912, he became a member of the French colonial

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<sup>63</sup> Ivarsson and Goscha (2007) contends that the Luang Prabang, Xiengkhuang and Champasak were “recognized officially and given an administrative identity. While Luang Phrabang Kingdom was administrated as a protectorate, the rest of Laos was rules directly by the French either as a colony or as military territories (p. 58).”

administration and traveled throughout the country to explore the transportation routes used by the French. He then unitized the Lao people and local civil servants outside Luang Prabang who had never had a mutual sense of Lao national identity before. This contribution influenced Lao elite to express their desires regarding Lao development through the Indigenous Consultative Assembly for Laos. He then attempted to create a Lao culture separate from Siam, through the construction of Lao Buddhism and writing system. Thus, during the colonial era, modernity in Laos was constructed through the influence of the French colony and the Lao elite.

After the French colonial period, the United States and the international community, as new aid donors, began to spread their influence. The Geneva Convention in 1954 resulted in Laos becoming decolonized by the French, who withdrew their troops and reduced financial and development assistance to Indochina. As a newly independent state, the Lao government sought to open its country to new aid-donor countries to continue with the socio-economic development that began with the French. At the same time, the U.S. provided development assistance to defeat the influence of the Soviet Union in Vietnam and Laos by supporting the Royal Lao Army (RLA – in short), Royal Lao Government (RLG – in short), and the anti-communist movement in Laos. Refer to Phraxayavong (2009, pp. 71-72), since 1951, the U.S. began giving economic assistance to Laos for military, infrastructure and human development. The US government built schools, trained Lao teachers, and improve the standard of living in rural areas. As a result, he notes, “an association of Lao ‘Young Turks’ was formed... Calling itself the Committee of the Defense of National Interests (CDNI) and adopting a strongly anti-communist and pro-Western orientation” (p. 72). This group became another agency to localize the wave of the western modernity to Laos. However, its mission was not as successful as expected since the Pathet Lao movement won and replaced the western establishment with a socialist one (see chapter 3).

Even though the Party sought to implement a Soviet-style economy in Lao development following Lao independence, I argue that the mindset of modernity in Laos still follows the trajectory of western modernity, due to the influence of the development partners. It is obvious to see such influence after the open economy as the Party has been receptive with the development assistance to improve socio-economic development. According to the Party member I interviewed, development assistance can help stimulate a prosperous economy in Lao, which could help the Lao people reach the socialist utopia and obtain the domestic and international acceptance needed to stay in power. Thonglun Sisoulith, the current Lao Prime Minister, recently announced the initiation of the “three opens” policy, focusing on open door, open minds, and open barriers. This policy reveals a stronger turn toward the international community (see Phouthonesy, 2018).

#### 4.2.2 Party-led development at the Party Congress in Laos

Since the LPRP came to power in 1975, the Party has dominated the developmental direction of Laos. Three pivotal organizations under Party, including the Politburo, the Secretariat of the Central Committee, and the Central Committee<sup>64</sup> act as the supreme policy-making organs in Lao development, and are referred to collectively as the Congress of the Lao People's Revolutionary Party (the Party Congress – in short).<sup>65</sup> The Party Congress is normally held every five years. Every decision made by the Party Congress concretely becomes a part of the five-year National Socio-Economic Development plan (NSED), the development strategy, and the development vision. The plan reflects the development norms that have most shaped national development and defines: 1) the ultimate development goals of the Party; 2) the economic sectors that have been prioritized for their contributions to the GDP; 3) the strategies for achieving the development goals under the Party's supervision; and 4) how external forces influence Lao development.

The Party Congress determines the political and socio-economic development direction in Laos for the upcoming five years, and is therefore always the center of attention for the Lao people and outside observers (e.g., Lintner 2008; Mocci, 2016). The Party Congress, first of all, reveals transitions in political leadership (Stuart-Fox 2007, p. 161). Transitions in the Party Congress further reflect intra-Party competition between political clans, reformist-liberals, conservative-moderates and Pro-Vietnam and Pro-Chinese groups (see chapter 3; Stuart-Fox, 2007; Lintner, 2008; Sayalath and Creak, 2016; Mocci 2016). Second, the Party Congress represents the Party's hegemony and legitimacy over the country. At the latest Party Congress, Mocci (2016) concluded that there are three pillars that strengthen Party hegemony and legitimacy. These include "the idea of the heroism of the founding members of the revolutionary party," "economic growth," and "Laos's proactive and authoritative role in foreign affairs" (pp. 223-224). Third, the Party Congress reflects the interplay of internal-external forces that have shaped its role and that of the Lao government in national development.

The very first Party-led development plan emerged at the Interim Three Years Plan (1976-1980). During that time, Laos was considered a newly independent country, needing to stabilize its new regime and to maintain a self-reliant economy. The main tasks of the plan, as Brown and Zasloff (1976, p. 109) summarize was to increase production in agriculture,

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<sup>64</sup> To avoid any confusion that may arise concerning Party organizations in Lao development, Chou Norindr (1982) clarifies that the Politburo is "the real seat of power in the LPRP," the Secretariat of the Central Committee is "the real executive of the Party, since all decision and directions of the Party are issued by the Secretariat... Its membership is similar to that of the Politburo," and the Central Committee is "the lower chamber" (pp. 41-44) of the Congress. It should also be noted that the President of the State has another position as the Secretary General of the Party Central Committee. Thus Bounyoung Vorachit, the President of the State, is also the Secretary General of the Party Central Committee and a Politburo LPRP member. This power rotation only occurs inside the Party.

<sup>65</sup> The Party Congress of the LPRP started in 1955. The first Party Congress focused on the fight against imperialism and the fight for national independence. The second Party Congress was held in 1972 to propose the third reconciliation government.

forestry, and livestock breeding, and to improve in transportation, communications, and infrastructure. To achieve the development tasks, Phraxayawong (2009, p. 139) contends “the centralized command model of planning along Soviet lines” was employed by the Party to transition the country to socialism step-by-step, with the warm support of fraternal socialist countries. Though the interim plan was not as successful as the Party expected, development assistance from the USSR and other socialist countries, the IMF, and the World Bank supported the Lao economy to help avoid an economic downturn. Subsequently, the five-year National Socio-Economic Development Plan (NSDEP) endorsed at the Party Congress has reflected the influence of external forces in Lao development. In 1982, the interim plan became the blueprint for the First five-year NSEDP at the Third Party Congress.<sup>66</sup>

The Party Congress is the most important political event used to justify the Party-led development. According to the Tenth Party Congress, on January 22 2016, 685 delegates out of over 268,000 comrades throughout the country participated in this Congress. Similar to the previous Party Congress meetings, the speeches and reports delivered by the Party members at both central and local levels can be divided into four parts; 1) speeches about past political struggles and the heroic role of the nationalist movement; 2) reports on development achievements with target figures; 3) development constraints and challenges; and 4) development aspiration and target projections for the next 5 years, 10 years, and 15 years, respectively. Throughout all of this, the Party continued to commit itself as the leading nucleus and delegate of the Lao people in accomplishing these development aspirations.

Lao policy-makers did not even mention sustainability (*Yuenyong* in Lao) in Lao development until the Ninth Party Congress in 2011, at which the Party included it as a priority in the Millennium Development Goals (MDGs). The Party also promoted the Three Builds directive (*Sam Sang*) and Four Breakthroughs<sup>67</sup> (*Boukthalou* in Lao) to achieve the MDGs and to alleviate the poverty in the country (Jie, 2011) at this time. Though the outcome of the MDGs has seemed to satisfy the Lao government, there are some unmet MDGs (and SDGs, for that matter) that remain challenging.

At the Tenth Party Congress in 2016, sustainability was used in the Party slogan ‘*to enhance the Party’s capability and leading role, increase the unity of the people, adhere to new developmental directions and initiate principles of change necessary to sustainably develop the country while continuing to strive toward the socialist utopia*’ (Pak Pasason Pativad Lao, 2016, p. VI). The result of the Tenth Party Congress not only revealed the leadership transition from the first generation to their descendants (see chapter 3), but also the

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<sup>66</sup> Nouhak Phoumsavan, reported a set of nine major tasks enshrined in the First five year NSEDP to be achieved before 1985. The focal tasks, as Thayer (1983, pp. 88-89) concluded, were mainly in agriculture, forestry, handicrafts and small industries, transportation and public services, and economic development, through the enhancement of economic cooperation with Vietnam and Cambodia, and in utilizing economic assistance from the USSR and other socialist countries.

<sup>67</sup> The four breakthroughs included: 1) the breakthrough in thinking; 2) the breakthrough in human resource development; 3) the breakthrough in reforming governance and management systems; and 4) the breakthrough in poverty eradication.

new direction in Lao development under the SDGs framework. The Party set the four pillars as the Party's development norms, which include economic development, environment sustainability (or Green growth development), social inclusion, and, the most important for the Party, security. The Party member I interviewed proclaimed that "In the next five years, our Party will have adhered to and enhanced the new changes, continuing the principles of the four breakthroughs, and improving the Party's capability in politics and leadership" (Informant no. 13, 2017).

The current direction of the Party-led development is laid out in the 8<sup>th</sup> five-year NSEDP (2016-2020), the Socio-Economic Development Strategy for 2016-2025, and the Vision 2030 report. The slogan for this period is: *'fighting to graduate from LDC status by 2020 and becoming a middle income developing country under the direction of green development and sustainability by 2030.'* Aside from this example, additional efforts have been made to promote the "sustainability" in political, socio-economic and environmental aspects, as well as in regional and international integration. It has also been noted in the main objectives of the development plan, which include:

1. Ensure that continued economic growth, with quality and macro-stability, is achieved; ensure budgeting goes hand in hand with development targets and is consistent with the new environment of industrialization and modernization;
2. Ensure sustainable development in harmony with economic development, socio-cultural development and environmental protection; be prepared to handle natural disasters in a timely manner; ensure integrated rural development has a strong link to poverty reduction through the implementation of the 3-builds directive;
3. Strengthen human resource capacity by improving workforce skills, encourage workers to be more disciplined and tolerant; increase the number of technical experts and specialists; enhance the technical and professional capacity of civil servants, members of the private sector, and entrepreneurs to enable them to compete within the country and abroad;
4. Maintain political stability, peace and social order; embed solidarity, democracy, justice and civilization in society; and
5. Actively continue widening international cooperation with ownership in various forms oriented towards benefit for all, enhancing favourable conditions for regional and international integration (The Ministry of Planning and Investment, 2016a, p. 87).

The SDGs in Laos, in general, may seem compatible with the principle of sustainable development that the Party focuses on with regard to inclusive economic growth, environmental sustainability, and social inclusion. Nevertheless, the fourth pillar, security, I contend is likely to contribute the greatest to regime legitimacy for the Party due to the fact that sustainability has been interpreted as political security under the one-Party state.

### 4.2.3 The fourth pillar of the SDGs in Laos

The SDGs are supposed to be implemented sustainably through environmentally-friendly and inclusive developmental practices. Indeed, the SDGs in Laos are special, relative to those implemented in other countries, due to the security pillar. Under the Party-led development, the Party has reinterpreted the SDGs to serve its socio-economic and, most importantly, political aims. In this section, I will examine the security pillar of the SDGs in Laos. I argue that the Party uses the SDGs as another source of political legitimacy to maintain the status quo of the Party-led development.

The Party member I interviewed pointed out how the security pillar is connected to sustainability,

Sustainability is about stability and unity in the country. If there is conflict, the country can't develop or become more modern. In Laos, sustainability means to bring unity to people across different ethnic and religious groups. I think the SDGs contribute to that sustainability. We have a goal to bring stability and unity to the Lao people. It is crucial to graduate from the least developed country status by 2020 (Informant no. 13, 2017).

Moreover, the Lao policy-maker interviewed mentioned that sustainability is the most important mechanism for bringing the country up to the socialist stage of development and that it is necessary in order to implement the rest of the three pillars in the country effectively. As he said, "If there is no political stability due to things like political conflict or war, the development process and the movement toward socialism will slow" (Informant no.15, 2017). To ensure political stability and social order, therefore, the Party has to play the leading role in ensuring social justice for the Lao people, narrowing the gap between the rich and the poor, and bringing social equality to the country. The guise of security has thus allowed the Party to concentrate its power inside domestic institutions and its development policy.

The terms political stability, unity, peace and social order have also been employed to index political sustainability. The 8<sup>th</sup> five-year NSEDP (2016-2020) emphasizes that through the pillar of security, "political stability, social peace and order, justice and transparency, are maintained" (Ministry of Planning and Investment, 2016a, p. 89). Aside from this, Vision 2030 emphasizes that the security pillar is necessary "to ensure social order, political development, and the rule of law" and to increase the scope of responsibility to the local administrations, particularly the through the Three Build directive, to consolidate, strengthen, and sustain (Ministry of Planning and Investment, 2016b, p. 16). The security pillar, as emphasized in the development plans and strategies, is a crucial part of the Party-led development, particularly in the way in which the term sustainability extends beyond the principles of the SDGs therein. It becomes an underlying condition for the Party-led development to bring country out of the LDC status and reach the socialist stage.

Thus the SDGs become another source of the Party's legitimacy. In the Party's own words,

[The targets and expected outcomes of the 2025 development strategy are] to strengthen political stability based on democratic principles to support the leading role of the LPRP to become more enhanced, consolidated, and democratic. There should be national unity, social order, and justice in the country (Ministry of Planning and Investment, 2016b, p. 17).

Furthermore, by claiming that the Party's subsidiary body is fully responsible for the political sustainability of the country, the security pillar creates more rights and duties of the Party and government authority at central and local levels to control Lao society. This is affirmed by Party member interviewee. He mentions the role of the mass organization as a quasi-governmental organization, to improve the efficiency of the SDGs:

The Party has a duty to bring sustainability to the Lao people by building peace through mass organizations. They are supporting unity and development at each level. At the university level, the Youth Association and Women's Union play the main role in supporting the ideology and disseminating sustainability to college students (Information no. 13, 2017).

In summary, Party members and Lao policy-makers have politically reinterpreted sustainability in the SDGs as political stability and social order under the one-Party state. The security pillar is the means to maintain that status quo. Domestic institutions and the development policy under the SDGs have thus been shaped to meet the international standards and conceal the Party's power concurrently.

### **4.3 Restructuring domestic institution in Laos**

The SDGs advance the global development agenda, which normalizes the development standards of many countries. In Laos, the SDGs not only serve a socio-economic and an environmental purpose, but also a political purpose. The Party has set up the four pillars of the SDGs to reshape and restructure Lao domestic institutions and development policy. In this section, I will analyze this restructuring of domestic institutions and development policy using Sach's framework (2012; 2015) which includes: 1) economic development; 2) environmental sustainability; 3) social inclusion; and 4) good governance.

#### **4.3.1 Economic development: sustainable and inclusive growth to bring the country out of LDC status**

Before turning to an analysis of the SDGs and economic development in Laos, it is worth mentioning that Lao economic development has been shaped from the outside since 1986. The historical evidence suggests that there were three major external-internal changes

that must be understood to fully grasp the restructuring of domestic institutions and development policy for economic development in Laos.

The first major change was, as already mentioned, the economic reform of the USSR that pervasively, and unavoidably, affected the economic and political development of many socialist countries. In Laos, the USSR was the main aid-donor country. The failure of the USSR led to the Party's decision to open the country to the global economy, following the Vietnamese model, by announcing the New Economic Mechanism (NEM) at the Fourth Party Congress in 1986. The purpose of the NEM was to loosen economic control by the Party to adopt a more liberal approach to the private sector, and to integrate the country with the regional and global economy (Phimphanthavong, 2012). Thereafter, the Lao government restructured domestic institutions and the development policy to support direct foreign investment, trade, and privatization and to improve the bank system by modernizing its legal framework. For an example of the latter, the Lao government issued the first Foreign Investment Law in 1988 to facilitate direct foreign investment and the first Constitution to ensure the political stability of the country in 1991.

Since economic development has come to the fore in Lao development, the second major change in Lao economic policy was the Lao government's shift to bilateral and multilateral economic integration. In 1992, Laos became a member of the Greater Mekong Sueregion (GMS) initiated by ADB. Under the GMS framework, the Lao government prioritized land connectivity to other GMS countries using the economic corridor approach, as mentioned earlier. The Lao government announced its 'landlocked to land-linked policy' that would link Laos up to the sub-regional economy. In 1997, Laos became a member of ASEAN. The fruit of this membership, in regional and sub-regional economic integration, was both the boost to infrastructure development that linked Laos to the borders of the other GMS countries and the additional support in trade and investment among the GMS and ASEAN countries.

More importantly, the Lao government shaped its development plan and strategies to follow the trend of regional integration. In 2000, the Lao government passed a policy that created investment incentives for land usage. As a result, contract farming and Special Economic Zones have been promoted to foreign investors, a move that has not come without criticism. The Lao government also moved forward with its 'battery of Asia' policy to utilize the potential of its natural resources by building a hydropower dam to generate electricity for domestic consumption and foreign sale.

The third major change came just before 2000. The Party set the ultimate development goals to bring the country out of the LDC status by 2020 at the Sixth Party Congress in 1996. To achieve these goals, the Lao government and the development partners set the five years goal based on the criteria that determines LDC status<sup>68</sup> at the Round Table Meeting in

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<sup>68</sup> The criteria for the LDC graduation is comprised of three development thresholds including Gross National Income (GNI) per capita at \$1,230 or above, income-only at \$2,460 or above; Human Assets

November 2000. At around that same time, the Brussels Programme of Action was endorsed by the United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLLS) to assist the 50 LDC countries. The main goal of the program is “to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015, and promoting sustainable development of the LDCs” (UN-OHRLLS, 2006, p.6) by providing a framework and partnership to those LDC countries. As a consequence, the Lao government issued the 5<sup>th</sup> five-year NSEDP in 2001 introducing “sustainable development” to meet the LDC graduation criteria.

Since 2001, the economic development norms in Laos have mostly focused on graduating from the LDC status by 2020. The Lao government has strived toward reducing poverty and meeting the economic development criterion using the three pillars to guide them. The Lao government also implemented the Millennium Development Goals (MDGs) as the development norms to fight poverty and meet international development standards. There were goals emphasized under the MDGs in the national development plan and development strategy. These 9 goals can be divided into two main focal points: poverty reduction and graduation from LDC status by 2020.

For economic development under the SDGs, according to Sach’s framework, it is not only economic growth but also the ability to meet basic needs in poorer countries that counts. This framework was implemented at the 8<sup>th</sup> five-year NSEDP (2016-2020) issued by the Ministry of Planning and Investment under the resolution of the Party Congress. In the plan, the Lao government set target figures to be achieved within five years including: reducing the poverty rate to 10 percent by 2020, ensuring the real GDP growth rate is not less than 7.5 percent on average and that GNI per capita is higher than \$1,574 by 2028 and \$1,810 by 2021 (see more the Ministry of Planning and Investment, 2016a, p. 88). Another ultimate goal of the Party is to become a middle-income country by 2030. Additionally, in the development plan, the Lao government seeks to reduce the Economic Vulnerability Index (EVI) from 36.2 in 2015 to 32. Table 6 presents the indicators and targets set to achieve Outcome 1.

<b>8<sup>th</sup> NSEDP Design Summary</b>	<b>Performance indicators and targets</b>
Outcome 1: Sustained inclusive economic growth with economic vulnerability (EVI) reduced to level required for LDC graduation and consolidated financial, legal and human resources to support growth	<b>Economic vulnerability index: Final Index Improved</b> <ul style="list-style-type: none"> <li>- Population increased over 2015 (baseline: 2015 population sub-index for size 41.4)</li> <li>- Location exposure index reduced over 2015 (baseline: exposure index = 58.5)</li> <li>- Export Concentration reduced over 2015 (baseline: Export Concentration 22.4)</li> </ul>

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Index (HAI) at 66 or above; and Economic Vulnerability Index (EVI) at 32 or below (UN-OHRLLS, 2018).

	<ul style="list-style-type: none"> <li>- Share of Agriculture/Forestry reduced over 2015 (baseline: 2015 Share of Agriculture and Forestry Index 41.9)</li> <li>- Instability of Exports (Trade Shock – Shock Index) reduced over 2015 (baseline: Shock index = 24.2)</li> </ul>
	<b>Investment and financial management resources</b> <ul style="list-style-type: none"> <li>• Investment will be achieved at approximately 30% of GDP (approximately 223 trillion kip)</li> <li>• Development planning and budgeting integrated through operationalization of MTEF</li> <li>• Development planning and budgeting aligned through PIP rolling programme</li> </ul>
	<b>Legal Framework and Human Resource Development</b> <ul style="list-style-type: none"> <li>• Entrepreneur management capacity/competitiveness enhanced</li> <li>• Use of science and technology enhanced</li> <li>• Micro-enterprise/SME/management capacity/competitiveness improved – Ease of Doing Business rating improves</li> </ul>

**Table 6** Indicators and Targets set to achieve the outcome 1

**Source** Ministry of Planning and Investment, 2016a, pp. 90-91

In addition to the indicators listed to achieve outcome 1, the Lao government set the seven outputs<sup>69</sup> as development subcategories. Under the seven outputs for economic development, the expectation for the current development plan is that the Lao government will support sustainable economic growth in each sector. For example, the Lao government will support the industrial and service sectors to develop qualitatively and quantitatively, diversify commercial goods to meet domestic consumptive needs, export in proportion to international demands, and create jobs for the Lao people.

The Lao government set the development policy to meet the basic needs of the Lao people equally throughout country. Take food security as an example. Despite the fact that the proportion of undernourished individuals in the population was reduced from 42.8 percent in 1990 to around 18.2 percent in 2015, that approximately 76 percent of the population has access to an improved source of drinking water, that sanitation appears to have improved by 71

<sup>69</sup> Those outputs include: 1) sustained and inclusive economic growth; 2) macroeconomic stability; 3) alignment of development planning and budgeting; 4) balanced regional and local development; 5) improved public/private labor force capacity; 6) entrepreneurs, technical experts and professionals; and 7) regional and international cooperation and integration.

percent, and that the maternal mortality rate declined to 206 per 100,000 live births in 2015 (United Nations, 2015a), challenges in food security remain with regard in particular to accessibility of some remote areas. Under the principle of “leave no one behind,” the Lao government issued the Agriculture Development Strategy and the National Nutrition Strategy to fight hunger and malnutrition. The vision of the Agriculture Development Strategy issued in 2015 put a spotlight on food security and the development of clean, safe and sustainable agricultural commodities (Ministry of Agriculture and Forestry, 2015). For the National Nutrition Strategy, the strategic directions and objectives have focused on achieving sufficient food consumption, improving the safety and diversity of food consumed, improving maternal and child health practices, and providing clean water and sanitation, a healthy living environment, and access to health care services (Government of Lao PDR, 2015).

Another example is industry, innovation, and infrastructure in Laos. The government highlights green growth and green industry. The Ministry of Industry and Commerce plays a role in promoting participation by both the public and private sectors in the Green and Growth Industry. Moreover, each ministry plays a role in supporting the Green and Growth Industry, although this principle works differently based on how the ministry interprets this section. The Lao government also restructured legal instruments and policies to support development projects in each sector. For example, the Lao government set targets to “increase the industry sector’s processing and handicraft as well as trade and services growth rates to approximately 15 percent per annum on average” (Ministry of Planning and Investment, 2016a, p. 95). More precisely, the industry sector has to increase the ratio of the GDP to higher than 70. To accelerate those targets, there are five main sectors that have been supported: the industrial processing sector; the handicraft sector; the energy sector; the mining sector; and the construction (infrastructure) sector. As a result of such development promotion, the Lao government has created a favorable environment for processing industries and handicraft through policy and legislation.

#### **4.3.2 Social Inclusion: narrowing the development and gender inequality gaps**

Social inclusion, as Sach (2012; 2015) describes, is the commitment to future economic and technological progress under the conditions of fairness and equitable access to public services, and with the government counteracting social discrimination on the basis of gender, ethnic origin, religion, and race. In the SDGs, these values have been contained. In Laos, despite the fact that the poverty rate significantly declined from 46 percent to 17 percent in 2015, social inequality remains unchanged from the 1992-93 levels (Warr, Rasphone, and Menon, 2015). The inequality issues in Laos, according to the UNDP reports, are demonstrated through the gap between rural and urban areas, which sits at 18.6 percent. More precisely, the poverty rate in rural area is 2.9 times that in urban areas, but the rising socioeconomic gap in urban areas is also worrying. The report further stresses that the rural poverty rates from 2007/08 to 2012/13 declined much slower (by 9.8 percent) than in urban areas (by 42.5 percent). Even though the national poverty rate was reduced by 23 percent, one-third of the population in the mountainous areas remain below the poverty line, while approximately one-fifth of the population in the lowland areas is poor (UNDP, 2018h).

In order to reduce the inequality gap, the Lao government has linked social inclusion to economic development in its approach to narrow the gap. Their main approach centers on reducing gender inequality, because the number of women enrolled in educational programs and employed in both private and governmental organizations is lower than for men. According to the UNDP website (2018d), the Gender Disparity Index shows that 66 girls attend secondary school for every 100 boys. In employment, women's wages are lower in every sector by 35 percent. Although women make up 27.5 percent of the National Assembly, the proportion of women in the decision-making institutions of the Lao government was sitting at 5 percent, in 2012. According to a study by the National Commission for the Advancement of Women that sampled 3,000 Lao women, one in seven women have experienced physical or sexual violence perpetrated by an intimate partner at least once in their lifetime. Only one in five women reported it to the local authorities, with 4% reporting to the police and 3% to a health service provider (National Commission for Advancement Women, 2014). Reducing gender inequality has been a developmental target for the Lao government since the MDGs (2000-2015).

In 2004, the Law on Development and Protection of Women was passed by the Lao government. This law aims to guarantee and promote the roles of women, identify the responsibility of the state, society, and family to women, eliminate discrimination against women, tackle the human trafficking of women and children, and address domestic violence. (Lao PDR, 2004, p. 1). Likewise, the target of women's protection is ongoing to shape the desired outcomes in the 8<sup>th</sup> five-years NSEDP. It states, "all ethnic groups and both genders [should] have access to quality education and health services" (Ministry of Planning and Investment, 2016a, p. 89). In outcome 2, the Lao government has set up the development policies and the legal framework to promote the roles women, juveniles, and children.

The primary focus of women's development in Laos is to improve skill acquisition by encouraging access to education, increasing awareness to engage in socio-economic development, conserving national culture, and empowering the Lao Women's Union (LWU) as a delegate to protect women's and children's rights and interests at every level. Gender equality in politics, economics, sociocultural affairs and the family, along with concern for reducing discrimination and violence against women and children have also been taken into consideration (Ministry of Planning and Investment, 2016a, p. 153).

The results of all of this includes the promulgation of the law on the Lao Women's Union, the Law on Women's Development and Protection, the Law on Non-Violence Against Women and Children, the Vision 2030 on Women's Development, the 10-year Women's Development Strategy (2017-2025), the First-year Lao PDR Women Development Plan (2016-2020), the National Plan of Action on Protection and Elimination of Violence Against Women and Children of Lao PDR (2014-2020), the Vision 2030 and 10-year National Strategy on Gender Equality (2016-2025), and the 3<sup>rd</sup> Five-Year National Plan of Action on Gender Equality. In 2017, the Lao government and the World Bank issued the Country Gender Action Plan for the Lao PDR in 2017 along with the 8<sup>th</sup> Five Year NSEDP. The action plan aims to "contribute to inclusive development and poverty reduction by reducing gaps between men,

women, and ethnic groups and promoting human development and economic opportunities” (World Bank, 2017, p. 1). In summary, social inclusion in Lao development, in the eyes of the Lao government namely means narrowing the inequality gap and distributing public services to people across the country.

The development partner representatives interviewed have a different interpretation of social inclusion that is associated with good governance. To them, social inclusion means to include the role of the civil society in the country’s development. In 2009, the Lao government promulgated the decree in order to legalize Non-Profit Associations (NPA) in Laos and provide room for these organizations to work with the Lao government and the development partners. The Lao government welcomes NPAs that work in accordance with the government’s policy because the Lao government concedes that they employ developmental mechanisms in remote areas effectively. Though the decree can increase the number of the registered NPAs in Laos, the Lao government revised the decree in 2017 to control the scope of their work in economic, human, social, environmental, and political areas (see chapter 3).

#### **4.3.3 Environmental Sustainability: Green-growth development**

“The temperature in northern Laos now hits below zero in the winter, which never happened in the past” (Informant no. 2, 2017). Climate change in Laos signifies environmental degradation. The country has been facing the consequences of climate change and natural disasters, such as floods and storms, for decades. The report of the UNDP notes that Laos had 21 severe floods and storms that affected to 500,000 people from 1990 – 2015 (UNDP, 2018g; 2018f). Thus, development partners promote environmental sustainability and climate change resilience in Laos in order to alleviate its effects on the Lao people, prepare them to handle unexpected outcomes of natural disasters, and improve their ability to maintain the qualities that are valued in their physical environment.

In 2007, the Water Resources and Environmental Administration was established to supervise the country to work toward more sustainable development. In 2008, the National Steering Committee on Climate Change, Disaster Management Offices at provincial and district levels, the Climate Change Office under the Department of Environment, and the Environment and Social Impact Assessment Department of WREA were established. In the following years, the Lao government issued the Strategy on Climate Change of the Lao PDR, which is a strategic plan that aims to enhance the quality of Laos’s natural environment whilst advancing the quality of life of the Lao people. This strategy consists of seven priority areas: 1) Agriculture and Food Security; 2) Forestry and Land Use Change; 3) Water Resources; 4) Energy and Transport; 5) Industry; 6) Urban Development; and 7) Public Health. Furthermore, the Lao government stated that it aims to prevent slash and burn agriculture, increasing forest cover to 65 percent by 2015, and 70 percent by 2020 (Food and Agriculture Organization of the United Nations [FAO], 2016). In 2017, however, the forest cover was at 58 percent, or 13.73 million Hectares (UNDP, 2018f).

For the SDGs, there are four development goals concerned with environmental sustainability, which are: affordable and clean energy; climate action; life below water; and life on land in Lao development. The Lao government has continually supported environmental sustainability based on these goals. The 8<sup>th</sup> NSEDP archives in outcome 3 of the 8<sup>th</sup> Five Year NSEDP that,

Natural resources and the environment are effectively protected and utilized according to green-growth and sustainable principles; there is a readiness to cope with natural disasters and the effects of climate change and for reconstruction following natural disasters (Ministry of Planning and Investment, 2016a, p. 89).

Outcome 3 further reflects the commitment of the Lao government to environmental sustainability and “ensured continued quality, green and sustainable economic growth, development and natural resource management... planned in a practical, sustainable, fair and most effective manner” (Ministry of Planning and Investment, 2016a, p. 138). The Lao government has thus been proactive at tackling climate change by promoting climate action and reducing greenhouse gas emission, signing the Paris Agreement<sup>70</sup> on 22 April 2016 (Yap, 2016). The Lao government has also linked environmental sustainability with Green-Growth development to utilize natural resources and achieve green, clean, and sustainable development in urban and rural areas. As Kikeo Chanthabouly, the Vice Minister of Planning and Investment for Lao PDR justified,

Green growth is cleaner, more resource-efficient, and more resilient to risks like climate change... This development policy operation is closely linked with the strategic priorities of the Government of Lao PDR’s 8<sup>th</sup> National Socio-Economic Development Plan and can help to sustain strong economic growth while also protecting the environment and human health” (World Bank, 2017e).

In practice, the informant from the government sector explained that the Lao government complies with the Environmental Impact Assessment (EIA)<sup>71</sup> in the development project at the national level. Regarding the EIA and the hydropower dam in Laos, he remarked,

We are concerned about the effect the laws and the EIA will have on local people. We made a deal with the project developers to protect the environment and in the process compensated the land of local peoples, relocating them off of the land. The Lao government, particularly the local administration, plays a role

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<sup>70</sup> The Paris Agreement, issued in 2015, is the outcome of the Convention on Climate Change which met on 12 December 2015. This convention brought all nations together to discuss how to combat climate change and take action for a sustainable low carbon future. Its purpose is to strengthen the global response to the climate change, and the ability of countries to cope with the impacts of climate change (see United Nations Framework Convention on Climate Change, 2015).

<sup>71</sup> The EIA directive refers to the European Commission (2017, p. 10), the assessment process for public and private projects that may have had notable effects on the environment prior to when consent from the authorities was established.

in assessing the compensation to the local people and enforcing developers to compensate them reasonably (Informant no. 23, 2017).

Although the EIA is supposed to protect local peoples from unfair treatment, INGOs and Lao scholars have pointed out that the compensation from developers is often unfair in the way it marginalizes people, forcing them to become landless laborers (Informant no. 12, 19 and 20, 2017). This controversy will be emphasized in the next chapter.

With regard to preparation for natural disasters and risk mitigation, the Lao government has committed itself to minimizing greenhouse gas emissions and improving and increasing the country's ability to adapt to and prepare for climate change by integrating climate change and risk mitigation into strategic and operational plans of the SWGs. The Lao government also supports sustainable development by promoting stable jobs for farmers and ensuring stable supplies, markets, and prices for agriculture products. The Lao government set the policy and strategy on disaster and natural disaster emergency at the provincial and the district levels, as well as the policy promoting pilot projects on climate change in the agriculture and forestry sectors, with local community participation (Minister of Planning and Investment, 2016a, pp. 138-142). This effort was introduced in the Disaster Management and Climate Change Law, which was expected to be passed in 2017 but this process is ongoing in 2019.

#### **4.3.4 Good Governance: rule of law, people's participation, and tackling corruption in nominal democratic institutions**

After the SDGs have been adopted in many countries, good governance is viewed as the key to determining the success or failure of implementation. The development partners believe that each country will implement the SDGs successfully if their government practices good governance. In general, good governance is comprised of accountability, transparency, participation, and responsibility. In this sense, SDG 16 (the goal related to Peace, Justice and Strong Institutions) is the only goal that promotes the good governance. Its focus is on peaceful and inclusive societies, sustainable development, providing access to justice for all, and building effective, accountable, and inclusive institutions at all levels.

In Laos, the desired outcomes of SDG 16 are: 1) systems and services that protect children from violence and discrimination established and maintained; and 2) good governance that ensures the balanced and sustainable development of Lao society and administration, with a focus on (a) clean government, (b) effective accountable and transparent institutions, and (c) responsive, inclusive, participatory and representative decision-making at all levels (The United Nations, 2015b, p. 16). These outcomes have enhanced the role of the development partners to continually include supporting good governance in Lao development.

Evidence from the development policy of the development partners Laos shows that the development partners have promoted good governance since the first Constitution in 1991. As a newly independent country, Laos encountered difficulties in governance and administration systems that worsened fiscal and administrative management in the 1980s. The

Party had to improve in management using the rule of law. The first Constitution in 1991 was the result of such effort. The Party employed the separation of powers system between the legislative, executive, and judiciary branches. The National Assembly was officially established as the legislative branch. In the following years, the UNDP and the Lao government started the first Public Administration Reform (PAR) as a resolution to their discussion on public administration reform, which was ultimately an attempt to modernize the legal and administrative systems, and increase the effectiveness, transparency, and accountability, while decreasing the cost of public delivery of the Lao government (Larrabure et al., 2014, p. 7; SIDA, 2003, p. 36). The Department of Administration and Civil Society (DACS) under the Prime Minister Office (PMO) was also established in 1992 to contribute to political reform under the PAR. It should be noted that the DACS was the first important step toward political reform in Lao politics under the good governance principle.

Following this, the PAR gradually developed a new political reform framework, since the Party required more reform in the Sixth Party Congress in 1996. The Governance and Public Administration Reform (GPAR) from 1997 – 2012 and National Governance and Public Administration Reform (NGPAR) in 2012 reshaped domestic institutions to implement good governance in the country's development plan. The core ideas in administrative reform under the GPAR and the NGAR programs cycle around strengthening public administration, people's participation, rule of law and financial management at national, provincial, and district levels, so as to support policy formulation and implementation, institutional and legal frameworks, organization and development, civil service management, training and capacity development.

The GPAR and NGPAR ultimately led to the establishment of the Ministry of Home Affairs (MoHA) in 2011. Prior to the MoHA, government organizations were under the control of the Prime Minister Office (PMO), including the Department of Public Administration (DPA), the Department of Public Administration and Civil Society (DPACS), and the Public Administration and Civil Service Authority (PACSA), all organizations that were developed from the DACS mentioned earlier. The mission of MoHA is “to strengthen the capacity of the public administration to deliver efficient, effective and accountable services to citizens through high-level oversight and leadership, strategic management and support to the government of Lao PDR” (Ministry of Home Affairs, 2018). Good governance matters for the Lao government in order for it to modernize the administrative, fiscal, and public delivery systems to be more effective, accountable, transparent, cost-efficient and, most importantly, to maintain the Party-led development. If the Lao government fails to implement good governance in the country, the developmental policy will become stagnant.

According to the interview and development policy information collected, the Governance Sector Working Group (GSWG) founded in 2008 has worked on increasing good governance in the country. Before this the SDGs, the GSWG focused on the MDGs and the 7<sup>th</sup> Five Year NSEDP, which consisted of public service improvement, people's participation, rule of law, and public financial management (MoHA, 2018). As a result of the Round Table Implementation Meeting in 2016, the additional focal points of the GSWG include the National Assembly and Provincial People's Assemblies. I will divide these points into four primary

issues related to the international development norms, which include: fighting corruption, increasing people's participation and rule of law, decentralization, and human right.

First, corruption in the country is still unalterable at both at central and local levels. This ranking clearly threatens to deteriorate the government's creditability. Accordingly, the Lao government has to commit itself to fighting corruption by addressing the issue in its development policy and through its domestic institutions. This has been attempted through the State Audit Organization (SAO), which was established in 1998. This organization plays the role of government auditor to the President of the State, the National Assembly, and the Prime Minister, and enhances public financial management in the country. Aside from this, the National Assembly promulgated the Anti-Corruption law in 2012 to strictly enforce the law via national and local authorities.

Despite these attempts to address corruption, the corruption rate has worsened. Laos fell from 123<sup>rd</sup> to 135<sup>th</sup> in 2017, according to the Annual Corruption Index. Moreover, so called "ghost projects" were written into the budget, but never built (hence the name), and were exposed by the State Audit Organization (SAO) (ASEAN Today, 2018). In 2017, the SAO claimed that over one trillion kips (\$123 million) worth of unauthorized spending was uncovered. This money was spent without the approval of the National Assembly (The Laotian Times, 2017). To enhance the government's creditability, the new Prime Minister, Thongloun Sisoulith, has been proactive about the anti-corruption campaign and has aimed to foster a 'clean government.' According to Hutt (2017a), the State Inspection Authority (SIA), a government watchdog agency, recently investigated 71 officials and made 25 corruption-related arrests. Nevertheless, corruption remains a major obstacle to Lao development.

In view of people's participation and rule of law, the second issue, the Lao government increased participatory channels to the Lao people in the National Assembly and People's Provincial Assembly. For example, Lao people can now petition the Lao government and the National Assembly through a hotline. The Lao government has also altered the development policy to support people's participation in monitoring and promoting development policies and orders of the Party and government. It also allows them to report their needs to governmental authorities. This policy is aimed at reducing the inequality gap in the country. The development partners through workshops and trainings have attempted to push the National Assembly to represent the Lao people and the legislative branch. On the other hand, many Lao scholars believe that the NA is a rubber stamp due to the fact that there is an ongoing power rotation between the Party and the NA (see chapter 3).

Among these contradictory points of view, I argue that the NA matters in Lao politics for promoting good governance and the rule of law in Laos, but that it cannot support help balance power as is expected by development partner. It is just a nominal democratic institution. The interviewee from the NA stated, "We have to follow up on the government's policies and make suggestions to the government about the sustainability of their proposals... The government listens to and understands our points. But it takes time for them to work on our suggestions. Now the government has the three-opens policy which consists of openness

of mind, openness to the international community, and openness to correcting obstructions to socio-economic development” (Informant no. 16, 2017).

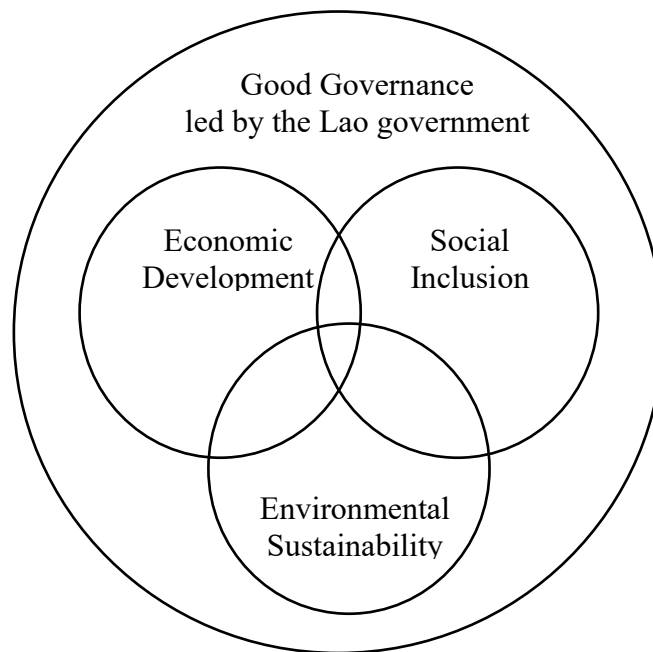
As for the third issue, the Lao government and the development partners have promoted decentralization as the needed mechanism to implement the development policies and strategies effectively. In 2001, the Lao government issued a law on local administrations to narrow its scope of duties and responsibilities. However, according to the budget distribution (see chapter 3), local authorities are ineffective in their implementation of the development plan. There is no doubt that the Lao government has extended its power to the local level. As a consequence, the resolution No.03/PCP resulting of the Party Congress in 2011 introduced the Three-Build Directive (*Samsang*) with the slogan “Building province as a strategic unit, district as a strong comprehensive unit, and village as a development unit” (Ministry of Planning and Investment, 2016a, p. 67). The overall objective is to promote local ownership and to implement the development plan at the local level in order to achieve the poverty reduction goals. Between 2012-2013, the pilot project of the Three Build directive began with 15 ministries, 51 districts, and 108 villages. The selected 15 ministries have sent their officials to visit their local administrations to build stronger localities in administrative, judicial, district, and village level fund management, to build a stronger socio-economic development plan and to manage government invested-projects at the village level. This pilot project led to an extension of the Three-Build directive at local levels in the 8<sup>th</sup> NSDEP.

The last area of focus with regard to good governance is human rights. Human rights issues in Laos are in the public eye due to the fact that local people suffer from the development projects, as in the cases of the hydropower dam, Special Economic Zones, and most importantly the disappearance of Sombat Somphone in 2012 (see chapter 3). These issues provoked the development partners and the INGOs to raise their concerns to the Lao government in public. They spoke particularly to restrictions on civil and political rights, the lack of freedom of speech and fair trials for criminal suspects, and on human rights violations raised by Human Right Watch (2017). To prove its creditability with regard to human right issues, in 2015, the Lao government conceded to 116 of 196 recommendations made by the Working Group on the Universal Periodic Review. The current Prime Minister accepted the right, on the environmental issues, to provide reasonable and effective compensation for land expropriations and to protect land rights. However, with regard to human rights issues related to political freedom, the Prime Minister has remained silent.

#### **4.4 The SDGs as a source of regime legitimacy: How do the SDGs work in Laos?**

Sustainable development has been a priority in Laos since the 9<sup>th</sup> Congress in 2011 and was implemented on a massive scale following the Tenth Party Congress in 2016. The Lao government set up the four pillars of the SDGs, noted earlier, to serve socio-economic and, of course, political purposes. In this section I will analyze how the SDGs have become another source of regime legitimacy for the Party in Lao development. A post-socialist, state-centered approach will be used to examine the role of domestic institutions and development policy in the age of the SDGs.

The three main areas the SDGs cover include economic development, environmental sustainability, and social inclusion. There is one cross-cutting area however, good governance. In Laos, the three main areas (including good governance) present in the 8<sup>th</sup> NSEDP (2016-2020) are intended to reduce the poverty rate with sustained inclusive economic growth and to mitigate environmental degradation by supporting green growth development. It can be seen that the Party welcomes the civil society to act as an integral part of development implementation, except with regard to good governance. Figure 11 illustrates the model of the SDGs in Lao-style development.



**Figure 11** The model of the SDGs in Lao-style development

The Lao government and the Party have thus monopolized this leading role to legitimize the ability of governmental organizations to control society and justifying this via the promotion of good governance. For example, the Lao government and the Party have given more power to the National Assembly, the Provincial People's Assembly, and the Three Builds directive to ensure the four principles of good governance (i.e. accountability, transparency, rule of law, and people's participation) are applied. Data analyzed in the chapter 3 shows that the NA, PPA, and Three Builds directive, in turn, are nominal democratic institutions that conceal the Party's power. Good governance in Laos is unlikely to fall in line with the expectations of the development partners.

As I argue, the Party, as the supreme organ in Lao development, added the security pillar to the SDGs to maintain the Party-led development of the country. As already noted, the security pillar emphasizes sustainability in the political arena, which means stabilization of social order in the country by the one-Party state. There is no doubt that the Party plays the leading role of bringing political stability to the country by controlling the Lao people, civil

society and the press. Domestic institutions conceal the Party's power, particularly with regard to the power of intra-Party political clans (see chapter 3). This power rotation, of course, can ruin the Party's creditability in the eyes of the development partners and the Lao people. Developmental goals and challenges are thus used optimally as a means to distract their attention from the reality of this undemocratic regime.

Though the SDGs are not being addressed flawlessly in Laos, the domestic institutions and the development policy have at least been altered to achieve the SDGs and to bring the country out of the LDC status. This effort reveals two characteristics of the Lao domestic institutions: 1) governmental organizations take action with regard to inclusive economic growth, green growth development, social inclusion and good governance based on the development policy in the 8<sup>th</sup> five-year NSEDP; and 2) nominal democratic organizations, such as the National Assembly and the Provincial Assembly and the Three Build Directive, which aim to meet the good governance standards, maintain the so-called Party-led development in the country.

In the next chapter, the consequences of the international development norms in Laos, and the Lao state capacity to achieve the development goals will be analyzed. As I will argue, the development partners and the Lao government have different expectations and desired outcome in Lao development, and put in the effort to make their expectations comes true. However, when the reality of Laos state capacity is reinvestigated, the expectations of the development partners may be found to be out of reach.

## 4.5 Conclusion

The main objective of this chapter was to analyze how the Sustainable Development Goals have shaped Lao domestic institutions and the development goals. The data analyzed show that two events have shaped Lao's developmental direction. First, the RTM, held every five years, mediates the advisory dialogue between the Lao government and the development partners to implement the international development norms in Lao development. As the result of the RTM, the 17 goals of the Sustainable Development Goals, and one additional goal, have been introduced in Lao development since 2015. There are three main areas (economic development, environmental sustainability and social inclusion) and one cross-cutting theme (the good governance) enshrined in the 18 goals of the SDGs in Laos. Another event is the Party Congress. The Party, which is the supreme organ in Lao development, sets the development direction and the targets of the country in the five-year national development plan, the development strategy, and the 15 years' vision. At the Tenth Party Congress in 2016, the Party set up the four pillars of the SDGs as the framework for Lao development, which is comprised of economic development, environmental sustainability, social inclusion, and security. The concrete outcomes have been the creation of the 8<sup>th</sup> NSEDP and the additional norm for the existing domestic institutions. For example, governmental organizations now support green-growth development in their development strategy. However, my research shows that although the Party and the Lao government promote the SDGs in the domestic institutions and in the development policy, the Party has concealed its power within to maintain the status quo of the one-Party state. It can be concluded that SDGs are another source of regime legitimacy, and that democratic principles in Laos are just promoted superficially.

## Chapter 5

### **When expectations meet reality: the state capacity of the least developed country**

*Graduation from the Least Developed Country status means a lot for the government.*

*The government commits itself because the government wants to change  
and do something for its own sake.*

– Informant no. 15, 2017

2018 was tragic for Laos. The collapse of the Xe-Pian Xe-Namnoy dam, a kind of tragedy unheard of in the country, overwhelmed the Lao people without warning; Over a hundred people died, and more than five thousand people in its wake had no place to go. They lost land, home, and family all at once. This tragedy reveals another side of development. Though the Lao government and the dam developer attempted to compensate victims with temporary accommodations and food, nothing can replace what they had. Recently, news reports reveal that local people, still in temporary camps, suffer to have their basic needs met. Likewise, hundreds of families still live in tents and have only their small monthly subsidy of 100,000 Kip per one victim. One of the victim complained that “We do not know how to survive. We do not have jobs or anywhere to go. The allowance from the government is too small to survive on and we only get rice with nothing to eat with it” (Vieng as cited in the Strait Times, 2019). The Lao government does not seem to be able to own up to its promise to compensate the victims. This issue gets at the question of Laos’s state capacity to deal with worrying issues resulting from development.

In this chapter, I analyze the Lao state capacity to accomplish the development goals (i.e. the SDGs), and graduate from the LDC status as these goals are the supreme development aspirations of the Lao government. In the first part of the chapter, I shed light on the state capacity in Laos and demonstrate that the Lao government needs to strengthen the effectiveness of its domestic institutions to reach the development thresholds set by the development partners. The state capacity of the country is currently insufficient to do so. However, I argue Laos is only effectively succeeding at addressing the potential security issues of the nation. In Laos, certain domestic institutions are subsidiary apparatuses of the Party. They can contribute to political stability and social order in the country. As a result, the Lao state capacity is rather practical and consists of maintaining the power of the one-Party state and regime legitimacy through the Party-led development rather than truly striving to achieve the development goals.

The effort of the Lao government and the development partners to improve state capacity is the subject of the second part of the chapter. Whether Laos can meet the expectations of the development partners is questionable. In this section, I focus on the development myth based on contemporary development issues which I extracted from my interviews and the pertinent literature. The development myths, or the ideals of what development is supposed to be, gravitate around hydropower development in Laos, the

leadership of the new Prime Minister, and graduation from LDC status. For the last part of the chapter, I emphasize current issues in Laos and the likely consequences if Laos graduates from the LDC status. Specifically, I will reflect on the subsequent cost and benefits, from various perspectives, likely to be experienced by the Lao government and consider its readiness to address these consequences.

To investigate the state's capacity, a state-centered approach will be used. It should be noted that the debate on the measurement of state capacity is ongoing (see Mann, 1984; Skocpol, 1985; Fukuyama, 2013; Wu, 2010; Holt and Manning, 2014). This part begins with Fukuyama's framework (2013), which considers state capacity as sufficiently good governance to carry out its vision and the quality of the government as an organization to perform its various functions for better or worse. State capacity, in his framework, consists of resource extraction, degree of professionalization of bureaucratic staff, and bureaucratic autonomy. He believes that "the quality of governance is ultimately a function of [an] interaction [between] capacity and autonomy and that either one independently is inadequate as a measure of government quality" (Fukuyama, 2013, p. 360).

Analysts from the development partners broadly accept Fukuyama's framework on state capacity. For example, Holt and Manning (2014) from the World Bank employ the framework to clarify how to measure quality of government. They pay particular attention in the organization of the governmental body, processes related to policy implementation, and specific statistical outcomes of these policies as variables for measuring state capacity. They further divide their analysis into upstream and downstream bodies.<sup>72</sup> Upstream refers to central agencies, and downstream the local ones. A breakdown of their analytical model can be seen in table 6, which shows that the main task of the central agency is public management.

Public Management Systems	
Fiscal and financial management system	4. Planning and budgeting 5. Financial management 6. Accounting, fiscal reporting, and auditing
Procurement system	4. Quality management in legislation and regulation 5. Capacity development 6. Operations and market practices
Revenue mobilization system	3. Tax policy 4. Tax administration
Public Administration and civil service system	4. Management of operations within the core administration

<sup>72</sup> The upstream bodies, or the central agencies, are comprises of "core ministries and agencies at the center of government... that support the head of government, with functions that cut cross sectors." The downstream delivery bodies are comprised of "sector ministries and agencies that deliver, commission, or fund services under the policy direction of government" (Holt and Manning, 2014, p. 719).

	5. Quality management in policy and regulatory management 6. Coordination of public sector HRM regime outside the administration
“Public information system”	4. Citizen access to information 5. Record management 6. Framework for monitoring and evaluating for sector ministries

**Table 7** The public management system of the central agencies

**Source** Holt and Manning, 2014, p. 720

I employ this framework to analyze Lao state capacity because the development assistance from the development partners can support the Party to reach its own modernity (see chapter 4). Moreover, the Party commits itself to meeting the development standards and goals set by the development partners. To analyze the Lao state capacity to do so, the framework used by the development partners are needed. I develop this framework, by reducing it to three categories. The first category is financial capacity, which is the ability of the government to manage state finances through public finance management systems and tax extraction. Human capital capacity, which refers to human development to carry out the development goals effectively, is the second category. I contend that assessments of the degree of professionalization of bureaucratic staff should factor into human resource development and the patronage system. The last category is institutional capacity. As this institutional capacity reflects bureaucratic autonomy, the ability of the domestic institutions to implement the development plan and to contribute to political stability throughout the country. To provide useful insight into Lao state capacity, it will be analyzed with the interview information, along with supplemental statistics related to the Lao government’s performance.

## 5.1 Lao state capacity

The Lao official I interviewed who works for the Ministry of Planning and Investment, the leading organization shaping, monitoring, and implementing the development plan, commented that,

“To achieve the SDGs and graduate from the LDCs, Laos needs technical, financial, and human power, but Laos is small and the population is just 6 million. So the capacity is very limited, and Laos does not have the skills for engineering, compared to other populations in the region, and education is limited... The challenge is how to help people to get money, manpower, and expertise.” (Informant no. 15, 2017).

His comments point to the insufficiency and vulnerability of the Lao state to achieve the development goals. In his view, the financial, human, and institutional capacities are interconnected, contributing jointly to state capacity. In the following section, I will investigate

the efforts of the Lao government to strengthen state capacity to achieve the development goals, and will further consider how the reality of the least developed country status creates barriers to progress for the Lao government, due to the lack of a development budget and adequate manpower.

### **5.1.1 Financial management capacity: Centralized fiscal management and unbalanced distribution**

Financial accumulation is crucial for the state to actionably implement the development plan, provide services to its people, decrease its debt, and improve the country's standard of living. The state needs to accumulate capital by taxing industrial uses of natural resources and by more effectively managing its finances. In this sense, public financial management is one of the most important duties of the government.

The PEFA report <sup>73</sup> has identified seven pillars for effective public financial management that have become noteworthy indicators for measuring this aspect of governance. These pillars include: budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategies and budgeting, predictability and control in execution, accounting and reporting, and external scrutiny and auditing. It is arguable whether or not effective public finance management alone is sufficient for an in-depth analysis of financial capacity. Indeed, it should be considered *along with* institutional arrangements.

Due to the fact that Laos is poor, its economic performance, in general, is vulnerable and heavily relies on Official Development Assistance (ODA) from the development partners. Their performance is typical of countries classified as Least Developed. According to statistical information reported by the World Bank, Laos' GDP was slightly reduced from 7.0 percent to 6.9 percent in 2016. The power sector, due to manufacturing in Special Economic Zones (SEZs), has increased the country's GDP, whereas the tourist and mining sectors <sup>74</sup> have contributed to the decline. Apart from the GDP as an economic indicator, examining the government's revenue, expenditures, <sup>75</sup> deficits, and public debts allows for a much deeper

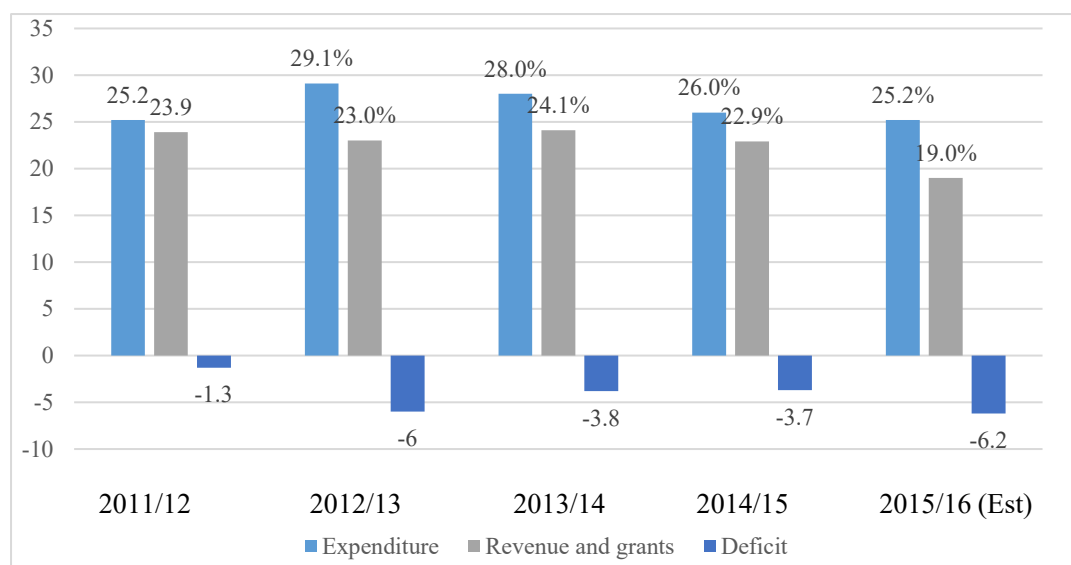
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<sup>73</sup> PEFA is a measurement standard used to assess public finance management in many countries. It was set in 2001 by the European Commission, the International Monetary Fund, the World Bank, and the governments of France, Norway, the United Kingdom, and Switzerland. It aims to improve national fiscal policies by harmonizing country-level assessments of public financial management (PFM) between the governments and their development partners, providing standard methodologies and reference tools for assessing the PFM, and developing a common, shared analytical tool. It has become the standard for the PFM as it has been used more than 500 times in 150 countries in 2005 (PEFA, 2016).

<sup>74</sup> In Xinghua (2018), the National Economic Research Institute (NERI) reported that the mining sector has declined due to lowered productivity. The Sepon mine will be closed in 2020, which will further affect mining productivity.

<sup>75</sup> The Law on State Budget states that government revenue comes from taxes and state wages, development assistance grants, and other revenue (see more article 15-19 in Kot May Va Douay Ngop Paman Heng Lat, Sapha Heng Xat, 2015), whereas government expenditure is roughly divided into two categories: normal expenditure and state investment expenditure (see more article 20-23 in Kot May Va Douay Ngop Paman Heng Lat, Sapha Heng Xat 2015).

analysis. Figure 12 below exhibits the economic performance of Laos over the past five fiscal years.



**Figure 12** The Lao government's revenue and grant, and expenditure per GDP in Lao fiscal years (2012-2016)

**Source** Ministry of Finance in the World Bank, 2017c

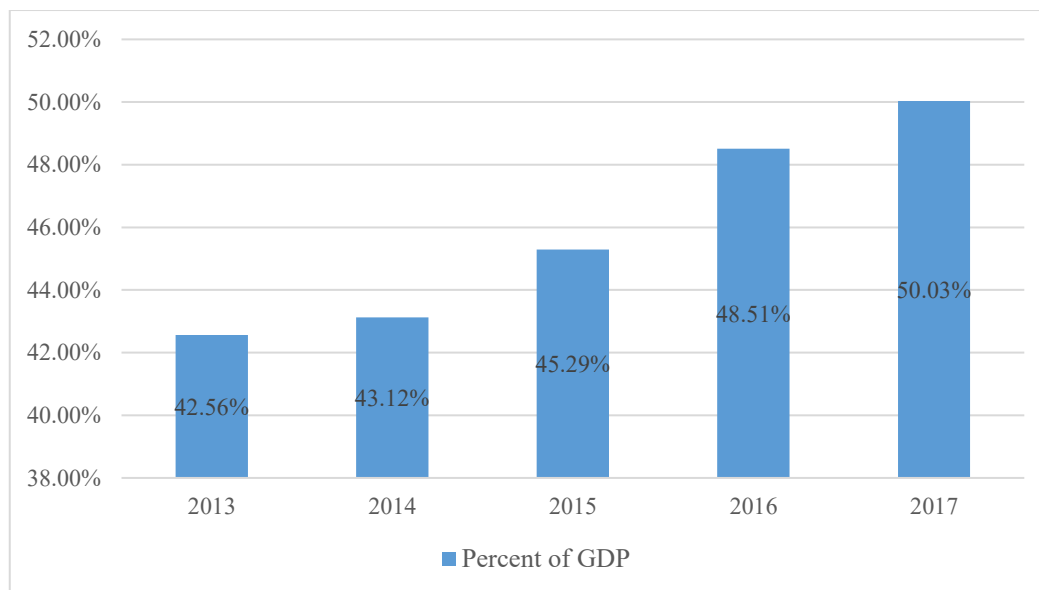
The figure shows an imbalance with respect to the government's expenditures and revenue and the estimated -6.2 percent GDP deficit in the 2015/6 fiscal year. On average, the GDP deficit in Laos was -6.13 percent between 2000 and 2017 (Trading Economy, 2017). In the 2015/6 fiscal year, government expenditures amounted to 30,535,119.40 million Kips, which was mostly spent on the current expenditures<sup>76</sup> at 18,173,866.42 million Kips. Capital expenditures<sup>77</sup> however amounted to 9,631,921.98 million Kips. Capital expenditure is thus still less than the current expenditure. In term of development, if capital expenditure is high, it is implied that the government will turn the development into a substantial development project.

Public debt in Laos is also worrying. Over this past decade, public debt in Laos increased to 68 percent, as of 2016, according to the World Bank's report. Indeed, over 80 percent of that public debt is from external debt. High external debt reflects the limitations the country to generate government revenue. Figure 13 illustrates this rising external debt in Laos, indicating that more external financial sources (e.g. development partners and aid-donor countries) are necessary for revenue generation. It also reflects the influence of donors in Lao development. This debt situation has prompted the Lao government to become more proactive

<sup>76</sup> Current expenditures include wages and salaries, benefits and allowances, materials and supplies, subsidies and transfers, financial expenditures, miscellaneous and contingencies expenditures, and debt payment.

<sup>77</sup> Capital expenditure includes foreign and local investments.

in economic development in order to reduce external debt and pay interest to the organizations and countries represented in figure 14, and thus to avoid an economic downturn.



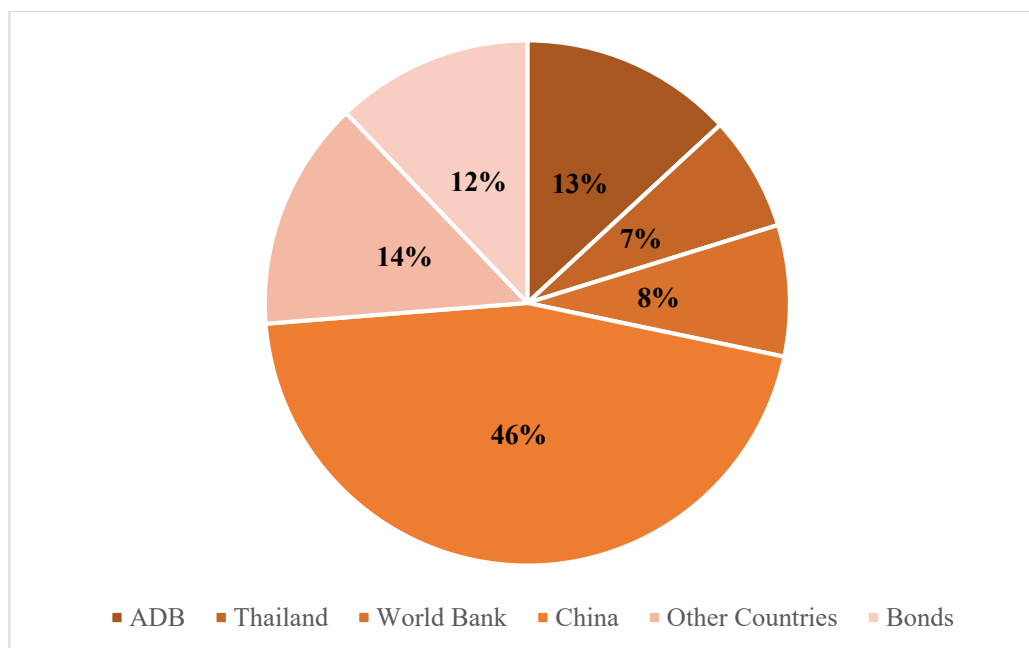
**Figure 13** Lao external debt (percent of GDP)

Source World Bank, 2017c

The representative of the development partners expressed his concern on this situation:

The fiscal situation in Laos is not very good... The big challenge in Laos comes from the fact that income is not rising over time. In fact, it is going down and is hard to balance. So the government has had to borrow more money. But it is important for Laos to increase revenue... We have to find a way to increase its income through taxation. Once you have more money, you can make a plan and spend more effectively in order to achieve the SDGs. We have to implement the SDGs and create a capacity for the government to generate more money (informant no. 2, 2017).

To improve financial capacity in the country, he suggests that implementing the SDGs at the local level will be necessary to generate more income. The localizing of the SDGs not only requires financial capacity, but also human and institutional capacity, which I will address shortly.



**Figure 14** Lao external debt in the end of 2015 (percent share)

**Source** World Bank, 2017c

From figure 14, the greatest portion of public debt in Laos is owed to China, largely as the result of the high-speed railway launched through the Belt and Road Initiative.<sup>78</sup> The high-speed rail linking Southern China to the Vientiane capital cost the country \$5.8 billion, almost half of Lao's GDP. Thongloun Sisoulith, the Lao Prime Minister, commented to the Nikkei reporter:

I am not concerned much about the burden of debt or the construction of the high-speed railway... I can see that provisions in the construction agreement are favorable... we hope that the construction of the railway will encourage and promote investment and cooperation and bring benefits to the country (Tani, 2018).

Though his reaction reflects opportunities taken to diversify the economy, other observers have criticized the rising public debt as a reflection of mismanagement of funds by the Lao government. As Hutt (2018b), the reporter from the Diplomat, argues "What the Lao government is betting on... is that by indebting itself today future revenue will grow quicker than future outgoings, in term of debt repayment... The problem for Laos, however, is that the odds of success are slim."

<sup>78</sup> The Belt and Road Initiative (BRI) was initiated by President Xi Jinping as "the 21<sup>st</sup> century silk road" to connect China with some 65 countries (some sources estimate 71 countries). Its objective is to improve connectivity and regional cooperation on a trans-continental scale with through infrastructure, trade, and investment (see more World Bank, 2018a; Kuo & Kommenda, 2018).

As long as the Lao government cannot reduce public debt and, as it committed to, reach 55 percent of the GDP by 2022, Laos's economic performance will be highly dependent on outside sources for income. This shows that support from the development partners will necessarily be ongoing in Lao economic development. The Public Finance Management Reform promoted by the development partners therefore has become an optimal means for improving macroeconomic stability and public debt sustainability.

Public finance management in Laos is usually dominated by central agencies – the National Assembly, the Ministry of Finance, the Ministry of Planning and Investment and the Lao government, according to the Law on State Budget, which was revised in 2015. These government organizations play the leading roles in approving and planning fiscal policy, distributing the state budget to central and local organization, and collecting government revenue based on the Law on the State Budget and the five-year national development plan. Under the SDGs framework, the Lao government has sets its macroeconomic financial stabilization targets to: achieving GDP growth of no less than 7.5 percent per annum, with total revenue at 19-20 percent of the GDP and budget revenue at 16-17 percent of the GDP, and maintaining a total budget expenditure within 25 percent of the GDP, with expenditures on wages no more than 45 percent of budget revenue and a budget deficit no more than 5 percent of the GDP per annum (Ministry of Planning and Investment, 2016a, 104). Moreover, the state budget should be correlated with the development plan as it notes the 8<sup>th</sup> five-year NSEDP (2016-2020) that:

Development and funding should be consistent and synchronized and interlinked from the outset, i.e., funding should be in line with the country's overall development policies. For instance, it should focus on achieving growth standards, allowing the country to graduate from LDC status; development investment should be based on the budget funding capacity for each period in collaboration with the raising of foreign loans and grant aid as well as efforts to attract funds from domestic and foreign private sectors, procurement of bank credits and the general population contribution for production and service business investment (Ministry of Planning and Investment, 2016a, p. 105).

The Lao government also issued the Vision 2030 in 2018 and the development strategy on the financial management with the slogan “The [Vision 3030 is the] road towards a strong, transparent, modern and fair Public Finance Management System.” The development targets and strategies reflect the efforts of the Lao government to strengthen public finance management and mitigate challenges.<sup>79</sup> Though the efforts of the Lao government have apparently been to bring the principle of good governance to financial management, my goal

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<sup>79</sup> Regarding the Vision 2030 (2018, p. 8) on financial management, the Lao government acknowledges the problems of the public finance management in general. For instance, fiscal planning is not informative in term of risk management and the lack of adequate law enforcement. Moreover, the Lao government lacks the capacity to tighten the monitoring process of the governmental budget, and the scope of financial management at central and local levels is not in step with situations being faced (see more Ministry of Finance, 2018).

here is to analyze the state's capacity to do so. I argue that the Lao government should rearrange its institutions to function autonomously from the Party's power because this can increase financial management capacity through diversification of the economy and by making public finance management in the country more transparent and accountable.

According to the PEFA report in 2010,<sup>80</sup> first, Laos faced difficulties in public finance management; in particular Laos struggled to implement transparency in policy, adequate accounting and reporting, and external auditing. The report notes:

The development of public services in Lao PDR continues to experience numerous constraints. They are the lack of resources, weak policy-based budgeting, mediocre procurement practices, lack of information to front-line service providers and the general public about resources provided for service delivery, and a general lack of information about or scrutiny of the results achieved... However, due to limited implementation capacities and capabilities... the government agencies often appear to find it difficult to take the detailed follow-up actions to ensure that new legislation or Prime Ministerial decrees are implemented in the intended timetable... As a result, progress on some reform aspects has been slower than hoped (World Bank, 2010, pp. x-xi).

These problems seem to remain in the Lao public financial management system, no matter how hard the Lao government tries to mitigate them. In 2010, the same report stressed that the Lao government sought to improve central control by ensuring that improvements in health, education, and transportation were made in each province. Furthermore, the Lao government justifies state budget expenditures in the fiscal year report and devotes more power to the NA and the PPA to approve government expenditures at both central and local levels. Such improvements are the fruit of the Public Finance Management Strengthening Program Project supported by the World Bank, ADB, and other development partners. They provided technical assistance and expertise to the Lao government to regain financial management and debt sustainability. As a consequence, public financial management seems to be more progressive than in previous years, as the expert from the development partners positively mentioned:

The Lao government attempted to improve its capacity by issuing laws and developing its infrastructure to support regional investment... the overall capacity of Laos is promising. The National Assembly has more right to check, monitor and scrutinize the Lao government. If there is a mega project planned for development, it must gain approval from the National Assembly. At the local level, too, the Provincial People Assembly plays a role in approving any

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<sup>80</sup> In the report, the PEFA employed an indicator used for the year of 2010, which is unlike that used in the 2016 framework. Its assessment comprises the credibility of the budget, comprehensiveness and transparency, policy-based budgeting, accounting, recording and reporting, external scrutiny and auditing, and donor practices (see World Bank, 2010). The PEFA report of Lao public finance management based on the 2016 framework is inaccessible.

development project that costs less than 5 million US Dollar. I think it is a good sign for efficacy in Lao development (Informant no. 8, 2017).

However, analysis of public finance management always overlooks the fact that decision power and external auditing go hand-in-hand with the Party's power over nominal democratic institutions. The Vision 2030, points out "Leadership of Party Committee at all levels should provide close guidance on the performance of the duties of public finance personnel and ensure strict fiscal discipline" (Ministry of Finance, 2018, p. 56). Moreover, the role of Party members in the NA, the PPA and SAO has led to a decrease in transparency, credibility, and accountability with respect to development budget approval and government expenditure auditing.

As mentioned earlier, the National Assembly has the legitimate right to approve the budget. The Law on the State Budget, revised in 2015, endorses the scope of the responsibility of the NA and PPA and, in articles 27 and 28, states that the NA is responsible for approving the fiscal policy, the financial development strategy, and the fiscal development budget, revising the state budget, and distributing the development budget based on the government balance, and debt. The PPA, in contrast, is obliged to approve the development plan and strategy and the state development budget, and report proposals by the provincial governor at the local level. More importantly, both the NA and PPA have legitimate right to approve state capital investments based on the level of their operation (Sapha Heng Xat, 2015b, p. 9). Since most NA and PPA members are also Party members, it begs the question how the NA can approve development projects without considering the Party's interests.

For the external auditing process, the State Audit Organization (SAO) plays the main role in scrutinizing government expenditures and monitoring unknown expenditures. This process matters for accountability in public finance management. Article 34 of the Law on SAO states that "The president of the SAO is elected or removed through the National Assembly Congress following a proposal by the President of the State." Furthermore, the President of the SAO monopolizes crucial responsibilities within the organization, such as supervising, monitoring, approving, and removing SAO officials, implementing the organizational policy, revising the Decree on the SAO, and approving and removing officials in the SAO (see more the article 35 in Kod May Wa Douay Kan Kouad Sop Heng Lat, Sapha Heng Xat, 2016. pp. 13-14). Currently, the president of the SAO is Vienthong Siphandone, who is the daughter of the former Lao president Khamtay Siphandone. Her position reflects the political power of the Siphandone's clan, a fact that is, unfortunately, unlikely to be met with criticism in Laos.

Another problem of financial management capacity in Laos relates to financial decentralization at the local level. Even though the Lao government took an important step to decentralizing its decision power over local authorities, it has not loosened control held by the central government. Article 39 of the Law on the State Budget (Sapha Heng Xat, 2015) enacts the state's budget responsibilities, and details the central government's role in managing and approving government revenue and expenditure throughout the country, and in supporting the

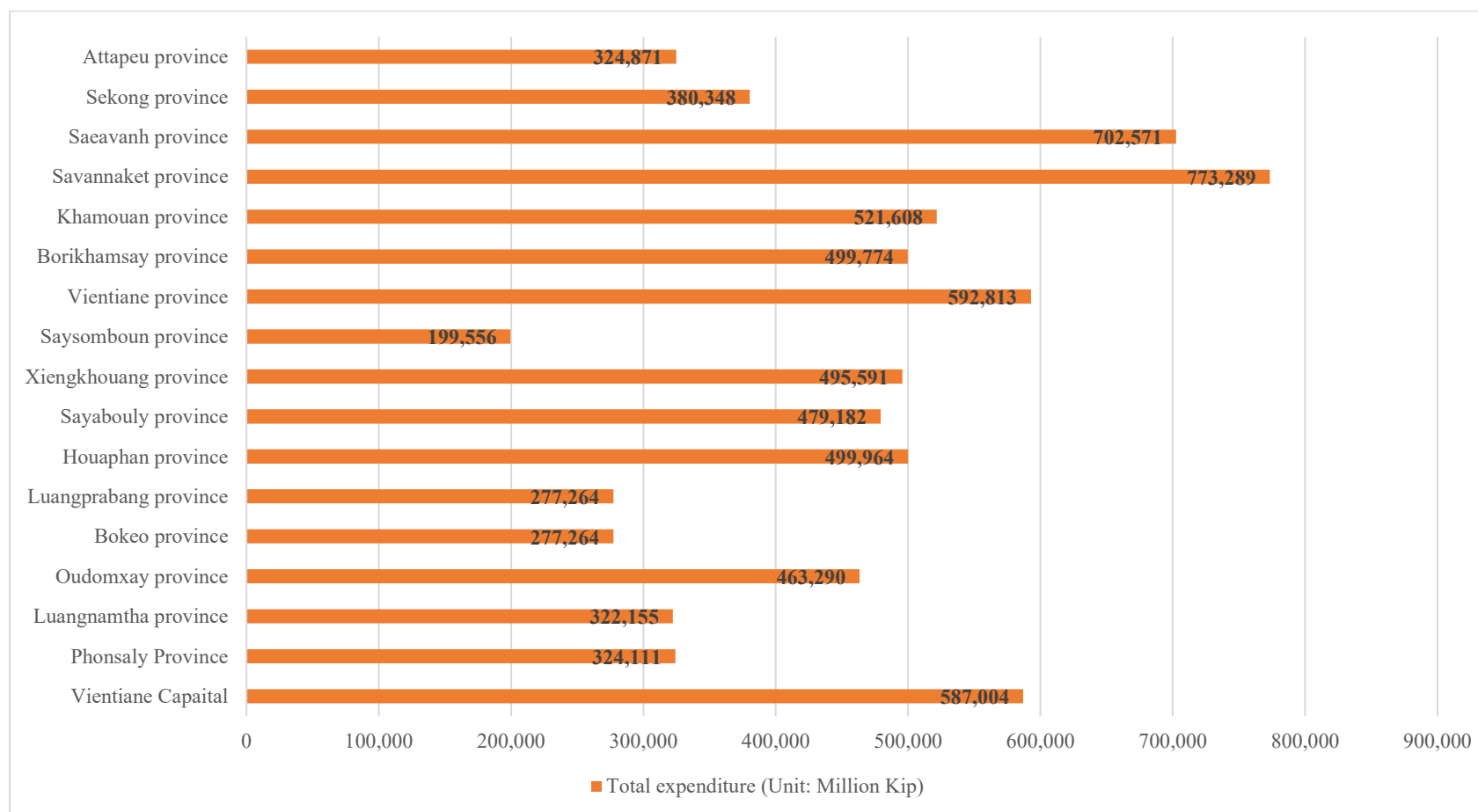
provinces, cities, districts, and municipalities that have encountered deficit problems to become more self-reliant. In term of budget distribution, it is obvious to see that the central government has received a greater development budget than local organizations. In the fiscal year 2015/16, the total state budget expenditure implementation was 30,545,119 million Kip, 78 percent of which was spent by the central government and 28 percent of which was spent by local administrations. More importantly, the development budget allocation itself is also based on the development plan set by the central government via the Ministry of Planning and Investment.<sup>81</sup>

Despite the fact that local administrations spend the development budget to mitigate development issues and improve service delivery, the national development plan has limited their autonomy to do so. Central-planning in Laos has led to uneven development and a widening of the development gap in each province according to figure 15, which reveals budget distribution in each province in the fiscal year 2015/16.

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<sup>81</sup> Article 34 (1) of the Law on the State Budget stresses the scope of responsibility for the provinces and capital city that:

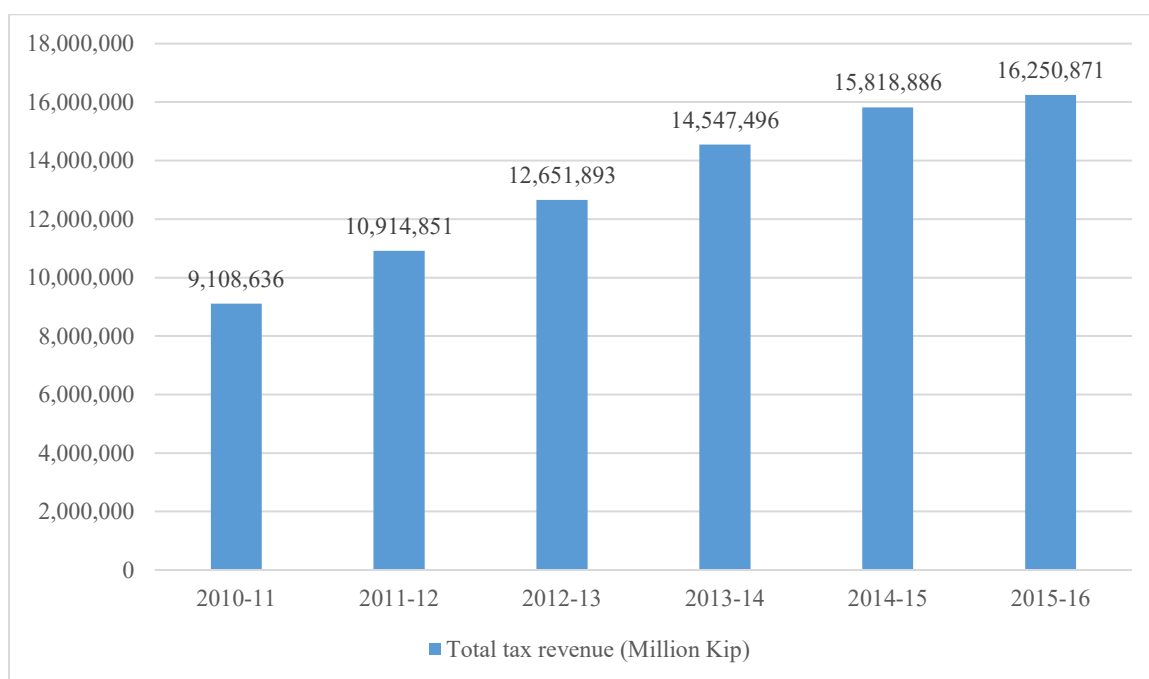
[In financial management and state budget, the provinces and capital city are responsible for] creating and implementing the development strategy, the development plan, and the fiscal plan every year and every five years in line with the national development plan, and the developmental and resource-related potentials, which reflect the state's actual capacity (Sapha Heng Xat, 2015b).



**Figure 15** The government budget expenditure implementation of the local administration in the fiscal year 2015/16

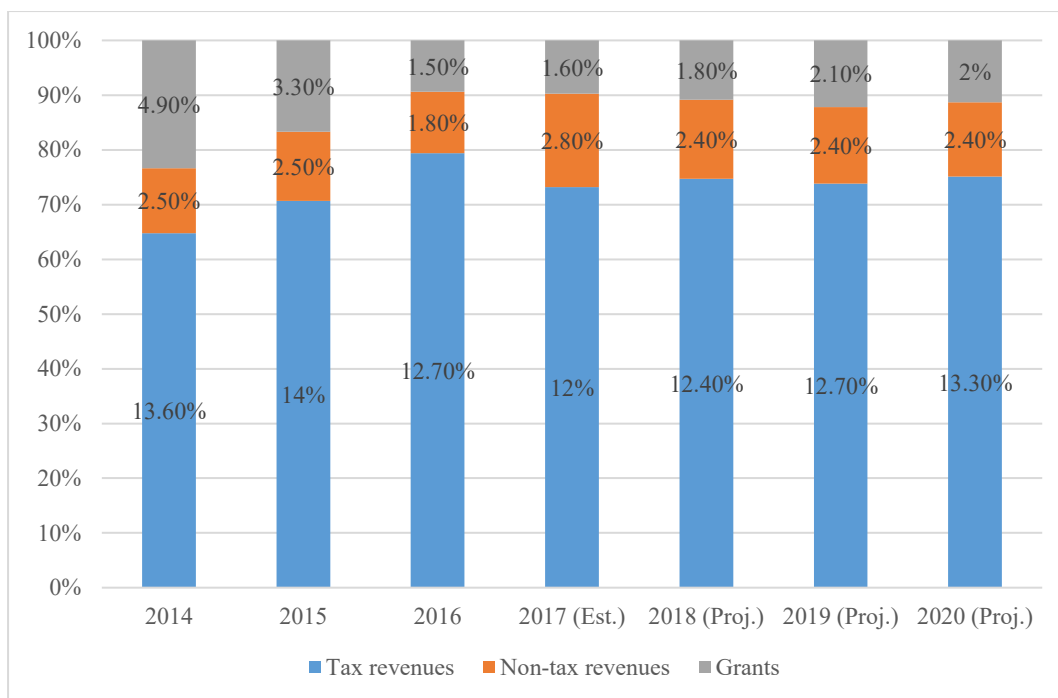
**Source** Ka Xouang Kan Ngeun, 2018

Lastly, tax collection is another avenue for the government to generate more revenue in the development plan. Although, the statistics above show increasing tax revenue in Laos for 2011/12 – 2015/16 (see figure 16), there is a problem unseen from this angle. According to a World Bank (2018b) report, income tax collection only contributes to 2.6% of Lao’s GDP. This low figure reflects the ineffectiveness of the Lao government to tax small and informal businesses, and the consequences that have followed the increasingly loose tax exemption policy for certain sectors in the country. The composition of total revenue in Laos consists of tax revenue, non-tax revenue, and more importantly, grant funding. Figure 17 shows that the number of the grants contributed and likely to be contributed by the development partners is on the increase, according to a prediction of the World Bank. This prediction illustrates the financial capacity of the Lao government in the next five years. The higher number of grant implies lower tax and non-tax revenue.



**Figure 16** Total tax revenue from the fiscal year 2010/11 – 2015/16 (million Kip)

**Source** Fiscal Policy Department, Ministry of Finance, Lao PDR in KEOMIXAY, 2017, p. 10



**Figure 17** The government revenue indications and projections (percent of GDP)

**Source** Lao Authorities, trading partners' data, staff calculations and projections, World Bank, 2018b, p. 38

The indications and projections from the World Bank report clarify that the grants from development partners are needed as a source of the government revenue. Keomixay (2017, pp. 22-26) analyzed the Value Added Tax (VAT) in Laos, noting that the registering system for small and medium-sized enterprises is inaccessible at local levels. Hence, tax collection in the country cannot reach small-scale enterprises, which lack the resources and accounting skills to keep formal business records. Moreover, IT systems are also important for checking and monitoring business activities of small and medium enterprises. He proposes that local authorities should apply IT systems in tax collection. Two other constraints include: poor understanding of tax obligations by bureaucratic staff and the Lao people and considerable tax exemptions for the large agricultural and forest sectors.

For the problems above, the Lao government has sought to improve its capacity for tax extraction by applying IT systems via Smart Tax and Smart VAT (Laotian Times, 2017) and amending the Law on Tax in 2015. Harrison (2016) concluded that there have been few changes to profit taxes, income taxes, and excise taxes in the amended Law on Tax in 2015. The Lao government instead clarified more channels and lists of taxable products. In addition, tax collection by the local administrations is not autonomous enough to collect taxes and to spend the development budget without an approval from the central government. In fact, the capacity to collect taxes is as important as the whole system of tax payment and auditing. An active system can enhance the ability of the government to collect taxes. In Laos, the foggy

line between the Lao government and the Party blurs this system. The Ministry of Finance, especially the tax department is responsible for collecting direct and indirect taxes<sup>82</sup> from taxpayers, and the National Assembly, the State Audit Organization, the State Inspection Authority, and the Lao National Front Organization, which are subordinate to the Party, play a crucial role in auditing and inspecting tax payments. It thus remains an unanswered question how the government can possibly become autonomous in tax collection without the Party's sanction.

In conclusion, the financial capacity to develop the country under the SDGs is currently inadequate since the country is poor and its public debt remains high. Laos needs to improve its financial management capacity and revise institutional organization to stabilize its macroeconomic performance. It can be seen that the main actor in public finance management in Laos is the Party. Even though the Lao government ostensibly amended the Law on the State Budget to bring transparency and accountability to public finance management, the Party's power on the inside has largely stifled the effort.

### **5.1.2 Human capital capacity: Degree of professionalization and the patronage system**

Another aspect of state capacity to achieve the development goals includes, according to Fukuyama, the degree of professionalization of the bureaucratic staff that can deliver and implement the development policy and public services across the country. In this sense, human capital capacity through education is crucial to increase the competency of bureaucratic staff in the Lao government. Since development itself is progressive, it requires sophisticated knowledge and a robust skillset on the part of the bureaucratic staff to carry out the development plan effectively. This topic will focus on the human capital capacity of Lao officials.

Civil servants in Laos respond directly to command from the top. The salary distribution system in Laos is based on proficiency grades and educational qualifications. Currently, there are five possible proficiency grades. The highest grade is grade 5 (Onxayvieng et al., 2015). With regard to holding the status of least developed country, civil services struggle due to, as Onxayvieng et al. (2015, p. 19) address: the small number of key service delivery functions; low qualifications, competencies, and skills of officials; payment plans built on "qualification[s] and length of service rather than jobs and responsibilities"; ineffective systems and procedures of poor quality and slow speed; and a low level of transparency and accountability.

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<sup>82</sup> The Law on Tax amended in 2015 identifies direct taxes including the profit tax, the income tax, the lump-sum tax, the environment tax and fee and administrative charges, while indirect taxes consists of the value-added tax and the excise tax (see more article 14-18 in Lao on Tax, Sapha Heng Xat, 2015).

Addressing the problems with civil servant management will require reforms of the Lao government with support from the development partners. The Ministry of Home Affairs (MOHA) plays crucial role in reforming civil services under the Civil Service Management Strategic Framework of 2011. This effort was intended to strengthen the civil servants in Laos through measures of accountability, responsibility, and transparency. Furthermore, the MOHA took an important step by implementing the Examination Recruitment System to enhance accountability and transparency in the recruitment process, as the result of the National GPAR Programme Secretary Support Project (GPAR NGPS) supported by the UNDP from 2012-2015.

Moreover, the law on civil servants, revised in 2015, is one of the Lao government's great efforts to standardize the qualifications and work proficiency of Lao officials. This unprecedented decree creates an enforcement body that monitors officials at all levels.<sup>83</sup> Article 18 of the decree on civil servants in Laos requires each specific profession to be certified by the vocational and higher education systems (see the article 18 the Law on Civil Servants, Sapha Heng Xat, 2015). One could argue that the Lao government is demonstrating receptivity to the idea of improving its bureaucratic staff to become more specialized. As a result of this revision, in 2017, Laos had over 183,00 civil servants, equal to 2.8% of the total population. Over 26,000 civil servants are employed in the central government, 36,000 at the provincial level, and 120,000 at the district level. Laos is ranked third highest for its total number government officials among the ASEAN countries (Vientiane Times, 2018b).

Even with this effort placed on civil servant management, there is evidence that being an underdeveloped country has slowed its pace to improve public services due to a number of domestic constraints. First, the considerable rise in employment of civil servants has increased government expenses on wages and salary. However, the Lao government lacks the capacity to allocate salary to officials regularly. This problem was highlighted by a scandal that leaked in 2017, in which a Lao news agency exposed late salary payments made to government officials. In an interview with a government official working in Attapeu's department of information, culture, and tourism it was stated that, "Late salary payments have become the norm in the province... This has been happening for the last 10 years" (Anonymous as cited in Radio Free Asia, 2017). As a consequence, public services in Laos have become degraded since many would rather spend their working time doing private work instead of public work (Radio Free Asia, 2017).

In order to mitigate this problem, the Lao government sought to regulate the number of bureaucratic staff in 2017, and to increase their salaries. However, another problem here is that the calculated number of civil servants is not accurate. Souvanny Lattanavong, the

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<sup>83</sup> The Decree on Civil Service in 2003 did not apply to high-ranking officials (from Vice-Minister level and above), members of the military and police forces, employees of State Owned Enterprises, or State employees working on a contractual basis (Ministry of Home Affairs [MoHA], 2018).

Director General of the Civil Servant Management Department of the Ministry of Home Affairs, commented that “the number of civil servants is sometimes reported inaccurately... In an attempt to resolve this issue, officials plan to launch a first-hand inspection, issuing civil servant ID cards,” according to a Lao news agency (Latnavong as cited in Laotian Times, 2017). This comment reveals one possible source of the issue. If the government does not even know how many employees they have, it may be difficult to issue accurate and timely paychecks.

The second domestic constraint to professionalization is that, although the Lao government has set qualifications for government officers, evidence shows that the higher education system in Laos cannot diversify its workforce or supply in-depth, technical knowledge. Currently, there are five universities and one college in Laos including the National University of Laos, Souphanouvong University, Champasak University, Savannakhet University, the University of Health Science, and Rattana Business Administration College (RBAC). The number of Lao students enrolled in these higher education institutions totals 708,514 students (UNESCO, 2018). In 2008, the Technical and Vocational Education and Training (TVET) was established, addressing 27 areas under four main fields of study, including: agriculture, business, industry, and handicraft. According to UNESCO however, “Around 40% of all students enrolled in certificate programmes are in ‘low skill programmes’, such as business studies, while high skill labour is in greater demand and pays significantly more” (UNESCO cited in ICF Monitor, 2014). My interviews with the development partners also speaks to the concerns that many Lao officials do not have the experience and know-how to implement the development strategies. They have to bring in technical experts from outside of the country to improve civil management in the government and arrange workshops and trainings for public servants (Informant no. 2, 4 and 10, 2017).

The third domestic constraint is widespread corruption and a lack good governance practices. The Lao official interviewed commented “If you want to get a government job or go to a good university in Laos, you have to be willing to pay out bribes. Corruption is everywhere in Laos” (Informant no. 28, 2017). Another problem is, as already stated in chapter 3, the patronage system of the country. Most of the high-rank officials are those who have strong connections to Party members and nationalist leaders. This begs the question of how the Party recruits its member and proves their capability and professionalization to shape and implement the development plan. Lao political leaders may be able to justify their positions by their educational backgrounds and expertise at the central level, however, at the local level education appears to be lacking. Thus, even though the Lao government has attempted to improve its civil service sector, the lack of financial and institutional capacity remains an obstacle to its progress.

### 5.1.3 Institutional capacity and autonomy: Modern but not developed

Since the open economy in 1986, the domestic institutions of the country have been restructured to serve the economic purpose of guaranteeing political stability through trade and investment. In 1991, separation of powers was implemented to separate the government from the Party's structure and to institutionalize the state organizations, such as the National Assembly, the Lao government, and mass organizations from the Party (see chapter 3). This political reform, in turn, has encapsulated the Party's power inside the government (see chapter 4). In this section, institutional capacity with regard to Lao institutions and their ability to maintain autonomy while implementing the development goals and carrying out the government's wishes will be investigated. There are three main arguments of this section: 1) As a newly independent country, a massive amount of laws and regulations have to be modernized to meet developmental standards and to support new global trends; 2) the domestic institutions in Laos are modern but not developed and cannot genuinely contribute to good governance in the country due to their being nominal democratic institutions; and 3) Lao domestic institutions are effective at sustaining political stability in the country as the Party organization is competent to control society.

The first argument requires consideration of laws and regulations approved by the National Assembly to pursue global, regional and sub-regional standards and to improve public services provided by the civil servants. Diversification of economic forces under regional and sub-regional economic integration can provide economic opportunities to utilize the development potential of the country. Currently, Lao institutions under the Laos government, from the development perspective of the development partners, are new and too young to implement sophisticated techniques. The Lao government officer interviewed stressed that,

They lack technical capacity because they are too young institutionally and need a lot of support... you can have policy, law, institutional arrangement, and a conceptual understanding but then you need to know how to make it happen... They have limited capacity at the ministry level and the technical level because Lao people do not have the skills to achieve the SDGs. But this does not mean that it is difficult to achieve them because Laos still has the support of the donor countries and traditional donors (Informant no. 15, 2017).

In terms of the regional economic integration, Laos became a member of ASEAN in 1997. Its membership has connected trade and investment to the other ASEAN member countries. For example, the ASEAN Free Trade Area (AFTA) was initiated in 2007 to deregulate trade procedures among the ASEAN countries. Certain development partners that deal in technical support for economic integration sought to assist the government to be able

to facilitate trade and investment and deregulate its complex procedures for the sake of regional economic integration. A representative of such an organization pointed that,

We have additional assistance to Laos to set up IT systems and laws because the laws and regulations have to be changed. If any member countries do not have money to build online computerized stuff, we have to make sure they do. If one country cannot do it, the whole system will not work (Informant no. 10, 2017).

For the implementation of the SDGs, implementing the goals at the local level is optimal for the development partners. One of their focal points is strengthening local institutional capacities to carry out their procedures with good governance. The Three Builds directive and the Provincial People's Assembly are currently the main institutions with this aim. As mentioned above however, the challenges of implementing the SDGs through these actors is ongoing.

The second argument is derived from the fact that Lao domestic institutions are modern but not developed and not autonomous from the Party's power. In fact, the Party has situated itself within state organizations, and plays a role in shaping the development plan and allocating resource under the Party-led development. Although the development partners have sought to diminish such power through the democratic process, the Party's power is embedded in the political structure beyond their estimation. Their support in developing procedures to support good governance and rule of law around these apparently democratic institutions cannot separate these institutions from the Party. It could be argued that this is a sign of change in Laos but, in reality, they are everything and nothing, and ultimately just another apparatus of the Party. As mentioned in chapters 3 and 4, Party members are pervasively embedded in all of the high-rank position of the state and have controlled all areas of governance in the country.

The Party is thus the supreme organ determining national development. Hence, I argue that the Party-led development is both advantageous and disadvantageous with respect to institutional capacity and autonomy. On the positive side, policy implementation goes smoothly without political conflict. To the contrary, government authorities cannot decide by themselves and have to wait for decision to be approved at higher levels. This process takes time and makes the development implementation run slower. It had led to a question of how to remove certain procedures to enhance autonomy in state organizations. The answers provided by the development partners are to support decentralization, especially with regard to the decision-making power of local authorities.

In spite of all this, domestic institutions are not totally dysfunctional. Indeed, I argue that the Lao state is efficient as a coercive apparatus maintained by the Party, which penetrates society in such a way as to flawlessly perpetuate political stability in the country. The Lao

political structure, has created favorable conditions for the Party to have both despotic and infrastructural power (Mann, 1984) to control society. Mass organizations, the local administration, and the Party committees at both central and local levels are under the Party's power. Most importantly, the Party has full control over the most significant sources of state power: the military and the police. Croissant and Lorenz (2018), points out that:

[...] The Lao People's Armed Forces (LPAF)... are formally under the supremacy of the ruling party. The constitution charges the LPAF with defending the party's revolutionary accomplishments and contributing to national development... The president of the state – who is simultaneously general secretary of the Central Committee of the LPRP – is commander-in-chief of the armed forces... Consequently, LPAF leaders are well-represented in the LPRP's top decision-making bodies (p. 132).

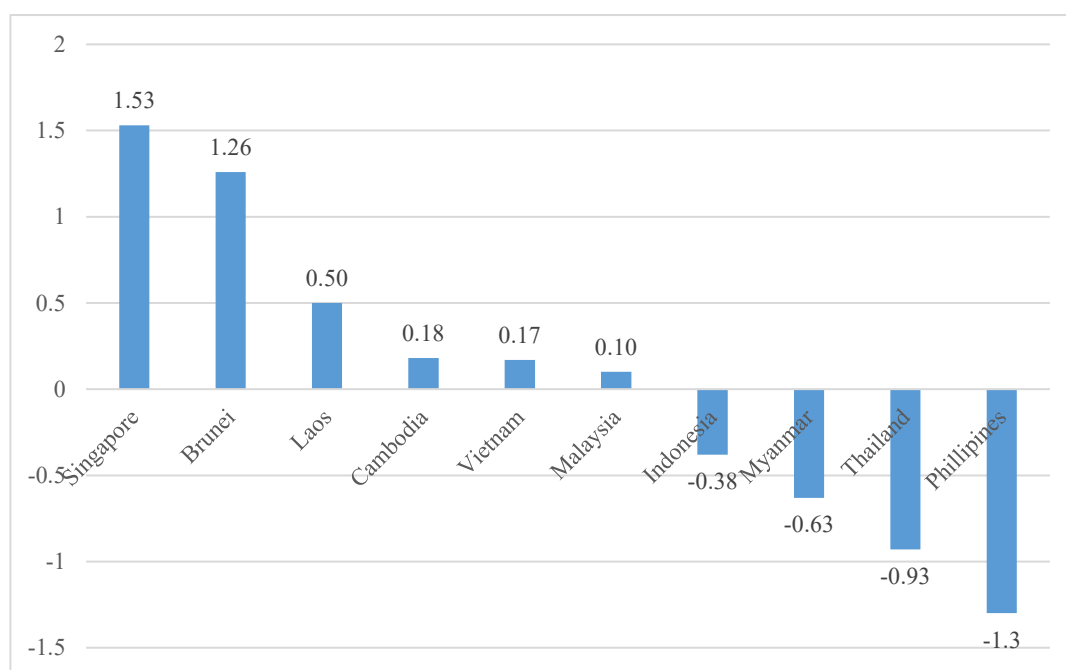
In conclusion, the adaptability of domestic institutions to new circumstance, such as implanting the SDGs, will require improvement. Overall, the Party and the Lao government are successful at maintaining social order and political stability. In the next section, I will specifically analyze how state capacity can contribute to the SDGs and to the country's overall development.

## **5.2 How can the state capacity support the SDGs in the country?**

As mentioned in chapter 4, the Lao government has shaped the Lao domestic institutions and development policy based on the SDGs. Notably, the 8<sup>th</sup> Five Year National Development Plan is the concrete outcome of the Lao government's work toward attaining the requirements of the SDGs. The 18 goals contained in the SDGs in Laos, as previously mentioned, have been divided into the four pillars of economic development, environmental sustainability, social inclusion, and security. These pillars are the guideline for the Lao government to take action to shape the national development plan, and are based on the assessed development potential of the country. State capacity, in this sense, matters in order to extract resources and to implement the SDGs through good governance. However, Lao's state capacity, as analyzed in this chapter, is insufficient to do so. This issue thus necessitates the continued assistance of the development partners to strengthen state capacity. Yet Laos's state capacity is only currently capable of successfully implementing the security pillar.

As already mentioned, domestic institutions are complex and serve both socio-economic and political purposes. It is no surprise that domestic institutions rather reflect the Party's power over given territories. More precisely, as noted in chapter 4, sustainability has been reinterpreted to mean political stability under the one-Party state. Viewed in this way, the Lao state capacity to provide sustainability is thus achievable.

Looking at the numbers indicated by the World Bank<sup>84</sup>, political stability in Laos is solid, and Laos was ranked 3 out of 10 among ASEAN countries for political stability and lack of violence. Figure 18 illustrates overall political stability and lack of violence among the ASEAN countries in 2016.



Note: 2.5 strong; -2.5 weak

**Figure 18** Political stability and lack of violence among the ASEAN countries in 2016

**Source** The World Bank, 2016

State capacity is thus highest with regard to the security pillar. The Lao government in fact emphasizes this capacity to the eyes of the public. For example, in 2016, Thongsing Thammavong, the former Prime Minister, told the National Assembly “Our country has actively participated in protecting peace and stability, and promoting friendship and cooperation towards development in the region and the world” (Vientiane Times in Asian New, 2016b). Without a doubt, the Party has employed the coercive capacity to control the freedom of Lao people and the press. Regarding freedom in Laos, the Freedom House, an independent watchdog organization, rated Laos at 12/100 on freedom out of 100 (Freedom House, 2018). The freedom rating of Laos signifies its general suppression of political and

<sup>84</sup> The World Bank initiated the Worldwide Governance Indicators (WGI) project to assess governance in over 200 countries. Its indicators include: Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law and Control of Corruption (see World Bank, 2018c).

civil liberties. According to World Press Freedom,<sup>85</sup> Laos is ranked 170 out of 176 countries, pointing to its lack of free speech, press, and media.

How does the Lao government strengthen its state capacity for the SDGs? The Lao policy-maker interviewed acknowledges that the consultation process between the Lao government and the development partners should be ongoing. As he said, “The indicators of the SDGs are vague. We are always engaged in discussions with the development partners to find common ground on what works with this country” (Informant no. 15, 2017). This led to the advisory process at the Round Table Meeting (RTM) to improve state capacity building in finance, human, and institutional development. Consequently, the Lao government and the development partners, in the national development plan, have promoted economic diversification, human development, and infrastructural accessibility. This sort of development has led to fruitful discussions on Lao development between the development partners, the Lao government, the INGOs and Lao scholars, who have all expressed their wish to see improved development in the country. In the following section, I will put a spotlight on the debate on Lao development and on contemporary developmental issues in Laos.

### **5.3 When expectations meet reality: Development myths in Laos**

Lao development is controversial and ambiguous. According to interviews with the actors in Lao development, there are a variety of perspectives with regard to what should be expected of development. This leads us to the development myths in Laos, which can be categorized into three contemporary development issues including: 1) Things are flowing smoothly in hydropower dam development 2) Lao political leaders are working to alleviate corruption issues and to implement good governance and 3) The Party and the Lao government share the same motivations with regard to graduating from the LDC status. The truth underlying these oversimplifications is reflected in the interplay between the expectations of the development partners, the reality of poorly developed countries like Laos, and the specific political history of Laos. I will not suggest that the perspectives of those I interviewed amounts to the final answer for each of these myths. Indeed, I will leave the discussion open to further study.

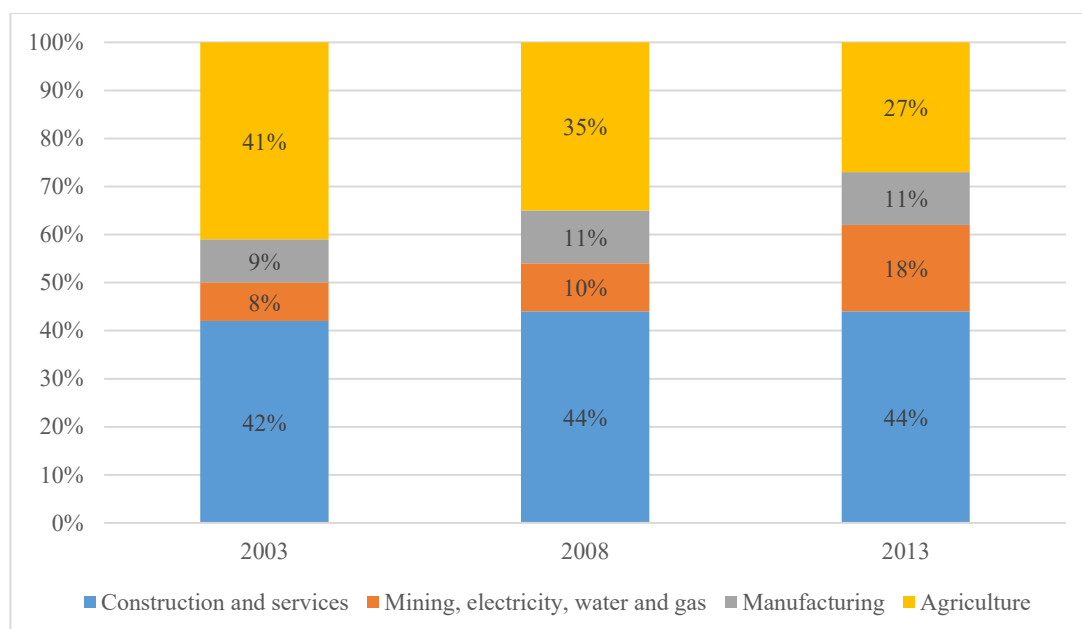
#### **5.3.1 Hydropower dam development: Are things really flowing smoothly?**

In 2017, the Lao economics monitor report launched by the World Bank displayed the headline “Lao PDR power sector: grow without sorrow.” Its contents emphasized how the power sector, and hydropower dams in particular, rapidly contribute to economic growth,

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<sup>85</sup> The World Press Freedom ranking is arranged by the Reporters without Borders (RSF) as an independent non-governmental organization which is consultative with international organizations, such as the United Nations, UNESCO and the Council of Europe (see more Reporters without Borders, 2018).

further reducing poverty in the country. As it points out, the expansion of the power sector “boosted growth and poverty reduction through investments, provision [sic] of reliable, clean, and affordable energy, higher exports, and government revenues” (The World Bank, 2017c, p. 37). The growth of the power sector contributes to exports to neighboring countries and allows for ample consumption within the country. Though investments and operations in the power sector are potentially risky, the Lao government and the development partners’ aim to strengthen the process to become more sustainable and environmentally friendly. According to the UNDP, the power sector in Lao contributed between 11,220 and 14,843 million Kips to the country’s GDP in 2017. Figure 19 exhibits the rising growth of the power sector (represented in the figure as: “Mining, electricity, water and gas”) and its contribution to Lao’s GDP.



**Figure 19** Sectorial composition of GDP by amount of output produced (measured as value-added and expressed in percent of total value-added)

**Source** UNDP, 2017

The growth of the power sector in Lao looks good for the Lao government. It is no surprise that the Lao government has been designated the Battery of Asia for its ability to utilize its potential by producing electricity through dams and alternative sources, like mines, thermal vents, and various renewable resources. Souphanh Keomixay, the Minister of Planning and Investment, told the National Assembly that, “The energy sector will be the major source that will push up economic growth to 7%” (The Nation, 2016a). Although Laos is low in its capacity to diversify economic activity due to its small population, it is on the fast track to accomplishing its economic development goals. As of 2016, 38 hydropower dam projects, including 13 dams owned by the Electricity du Laos (EDU) and 25 by independent

power producers, are operating with a total installation capacity of 6,258.95 Megawatts (MW), and a production capacity of 33,324.6 million Kilowatt Hours (kWh) per annum. Moreover, the Lao government has signed off on 369 dam projects that are now undergoing construction (Ministry of Planning and Investment, 2016a, pp. 20-21). The increasing number of hydropower dams in Laos has roused debate, and a variety of pro and anti-dam views have been argued.

The pro-dam side includes some of the development partners, some Lao experts, and the Lao government. This side supports the building of hydropower dams in Laos due to their potential to bring the Lao people out of poverty and increase economic growth in the country. One of the interviewees representing the development partners stated that,

In terms of supporting Lao development, of course, the Mekong River is the center of the Lao economic development strategy because Laos has a lot of hydropower potential to enhance its economy and reduce poverty, as well as to serve regional energy demands. So the Lao government is called the battery of Asia, but the Lao electrical capacity is small. It consists of less than 10 percent the total output of the ASEAN countries. (Informant no. 7, 2017).

The economic growth that comes from building a dam is worth the risk, according to the Lao scholar I interviewed who studies hydropower dams in Laos. He believes that hydropower dams will contribute to long-term economic growth in the country.

Actually, the income from dams is increasing, but it is ranked third with respect to the country's top income sources. After the first year, the government will earn income from selling electricity once the hydroelectric dams begin operating (Informant no. 22, 2017).

Dam supporters, moreover, do not overlook the fact that hydropower dams have caused unexpected harm to the physical environment, the ecological system, and the lives of local peoples. The development partners seek to help the Lao government to improve the quality of its hydropower dams to be more sustainable with regard to the assessment processes, operations, and compensation. The delegate I interviewed from the development partners pointed out his organization's role in hydropower dam development in Laos, which is called the "learning by doing" process.

"In this case, they do not have a perfect model, but they learn from doing. There are many things that can be done better, like making sure dams are integrated... In terms of how they are built, designed, and how the social impacts can be better mitigated. We are working with the government to figure out the best option within the constraints of the budget" (Informant no. 3, 2017).

The Lao government is receptive to building a more sustainable dam in the country. The Lao scholar interviewed stated that,

“The Lao government is more concerned with revising the legislation to assess the impacts of and protect the environment with regard to hydropower dams... In the past, the government was flexible with investors, but now the government is stricter when it comes to building dams in Laos... The investor now has to build a water reservoir, provide a resettlement area, and pass the EIA... The Lao government has played a role in negotiating between investors and local peoples, and providing useful insights on positive outcomes to building dams. There is an ad-hoc committee appointed by the Lao government to deal with this matter” (Informant no. 23, 2017).

The Lao government indeed took efforts to revise the Law on Electricity in 2017. Article 5 of the law emphasizes promoting environmentally friendly and clean processes that utilize modern technologies and work with natural resources in an economical, efficient and sustainable manner under green growth development (Sapha Heng Xat, 2017). In addition, article 49 of the law sets up an initial assessment process and investment standard for approving of dam developers. The Ministry of Energy and Mining takes responsibility in feasibility studies and financial analyses, which are part of the initial phase before auction (see more the article 49, Sapha Heng Xat, 2017). The law justifies the positive direction of building dams in Laos in a more environment-aware manner. However, the questionable governance practices in Laos have left open the question regarding the effectiveness of law enforcement across the country. The dam collapse in 2018 provided damning evidence to the negative.

As mentioned earlier, with respect to the dam collapse in 2018, a technical error is believed to have caused the collapse, resulting in enormous damage to the Lao people. Countless international news reports have critically attacked the Battery of Asia policy. The backfire of the hydropower dam has dealt a blow to the legitimacy of the Lao government to facilitate sustainable development. For example, the ASEAN Post (2018) investigated hydropower development in Laos in order to examine how dams are beneficial to local communities. They concluded “revenues have yet to trickle down to village level... and farmers have complained that diverting river water destroys farmland, while damming rivers interrupt fish flows.” More harshly, Ives & Paddock (2018), a reporter from the New York times, reveals the unspoken truth about the politics of dam building in Laos, stating that “companies get access to Lao’s abundant natural resources; Laotian officials get some revenue; and no one will cast undue scrutiny on investment projects that exacerbate rural poverty – or, in this case, kill innocent villagers.” The damage resulting from hydropower dams in Laos has given rise to the anti-dam movement, which intends to bring the negative impacts of dams to public eyes.

Over the decades, this movement has crucially criticized the Battery of Asia policy as unfriendly to local communities and ecological systems. One of the Lao experts attempted to clarify the problem of dams to local communities.

I interviewed 14 households that are close to the Don Sahong dam. The government provided nice modern houses in the resettlement area, but the problem is that even though they have homes, they cannot catch fish due to changes to the ecological system. They will in the end feel insecure in their poverty, lack of sustainability, and, in general, their lives... but they are not brave enough to tell the government this truth... The position of the Lao government is to push their policy agenda without listening to local voices (Informant no. 20, 2017).

The weakness of the civil society, analyzed in chapter 3, in Laos is another reason why the local people are voiceless in Lao development, and why they always follow the orders of the Lao government. The interviewee quoted above points out that the local people believe that what the Lao government brings to their community is suitable to their livelihoods. Likewise, there are no real representatives for local people to voice concerns about development to the Lao government. Thus, INGOs who work in trans-border development have become a mouthpiece to advocate the unspoken truths of hydropower dams to the international community (see chapter 3). For instance, the interviewed representative of the INGO reflects another side of dam development in Laos:

They did not improve their policy to make a transition in natural resource management or increase the participatory channels between local people, civil society and the government... Another problem is the monitoring process. Most of the development partners initiate development projects that affect local communities without assessment or monitoring of development outcomes (Informant no. 11, 2017).

As long as the Lao government places emphasis on hydropower development as a source of government income and the country's prosperity, the debate on hydropower dams will continue. As one INGO interviewee said,

People are not like statues that you can place anywhere you want. They are alive and have their own lives. The government at the central level always thinks about their policy from an air conditioned room, and then pushes this policy on the lives of innocent people (Informant no. 12, 2017).

### 5.3.2 Are there signs of change in Lao political leaders to alleviate corruption and support good governance?

Many of my interviewees representing the development partners have the same hope for the leadership capacity of the Lao government, under the new Prime Minister Thongloun Sisoulith. Since he was elected at the Tenth Party Congress in 2016, he has actively taken action by tackling corruption and bringing good governance by restructuring the whole state organization. He proclaimed his leadership to the National Assembly in 2017 that “Leadership in the organization must lead [to a] solution...We cannot tolerate the issue to become [sic] even more chronic” (Vientiane Times in J&C Lao, 2017b).

The question becomes one of how to convince the Party to jump into this sort of change. An interviewee from the development partners shared his experience of working with the Lao government: “Leadership in Laos is important. If the Party is into his actions, it will be easy for him to develop the country” (Informant no. 6, 2017). He further explained regarding the Prime Minister that, “The current Prime Minister is only going to address major issues like corruption in the government if he has the full support of the Party. Unlike the previous Prime Minister, he is more concerned with building up the country’s perceived capacity than addressing developmental issues for the sake of the prosperity of the people” (Informant no. 6, 2017). Another informant believes that he will genuinely bring good governance to the country. He comments that “[This change] is going to be a big change, and it is something we need to see. The willingness of the government to see is opening up more and more in the governance process” (Informant no. 15, 2017).

This informant further analyzed the internal-external politics affecting the openness of the Lao government to make moves toward good governance and the amelioration of issues related to corruption:

“The Lao government has to balance intra-Party demands and monitor Lao people on online platforms to formulate their policy in a way that is considerate of social needs... Laos is located in the center of China, Vietnam, Thailand, Myanmar, and Cambodia, and is a member of ASEAN. So Laos has to do something and cannot run without a consultation process with involved discussion, or without opening itself up to the world... The Lao government has to balance this sort of power” (Informant no. 15, 2017).

Similar to the interviewee from the National Assembly, he further supports the leadership of the Prime Minister with regard to the three-opens policy.

“First is openness to correcting obstructions to develop the country smoothly. Second, openness to the international community is about learning from other

countries. The last one is openness of mind regarding criticism from stakeholders. This policy will help development in the country, but it takes time to change people's behavior" (Informant no. 16, 2017).

However, I will contend that his good intentions only sustain another development myth of the development partners. Even if he is willing to clean up the government, the reality is that a one-Party system with only nominal democratic institutions is unlikely to embrace progress of this kind. As already noted in chapter 3, first, many political clans make up the Party itself, and each clan has a different means for obtaining their political and economic interests through Lao development projects. Likewise, high-ranking positions in the Party are sustained by the patronage system that has been embedded in the country for the last century. Moreover, the checks and balances system of the National Assembly is not effective because its members overlap with members of the Party. This power rotation has obstructed progress and will not be easy to push against.

This first constraint is relevant to the second constraint. Since the Party's power, particularly with regard to high-level members, is intact in Lao politics, the only thing the Prime Minister could do is initiate minor changes in the country. In 2016, he recalled an auction of luxury cars for the Politburo and provided cheaper cars instead. He did this due to

The costs of which can cover three ordinary cars for officials of three positions... To do this does not irritate or discourage officials in working or doing duties... On the one hand, officials in some sectors have many cars, but on the other hand officials with the same positions in other sectors do not have any cars (Sisoulith cited in Souksavanh, 2016).

Hutt (2017b) concludes that his actions tackling corruption issues are defined by three events. The first came with the arrest of Phouphet Khamphounvong, the former finance minister, and four ministry officials. They are suspected of involvement with the ghost project investigated by the State Inspection Authority (SIA). The second has come with the arrest of major drug traffickers like Khonepasong Soukkaseum who have connections with Xaysana Keopimpha, also known as the ASEAN drug lord. Third, the Lao government now bans timber export and considers mining contracts in more detail in order to promote environmental sustainability. Fourth, as mentioned in chapter 4, the State Inspection Authority (SIA) has recently investigated 71 officials and has made 25 corruption-related arrests. However, his impetus is inadequate to fully alleviate Laos of its corruption issues and clean up the government, as he apparently wishes. In 2017, Laos fell from 123<sup>rd</sup> to 135<sup>th</sup>, according to the Annual Corruption Index. It is almost at the bottom of the ranking system. Compared to other ASEAN countries, Laos is the second most corrupt country, as can be seen from table 8 below. This rating, along with the human rights issues in Laos, threatens his creditability and legitimacy.

Country	Score
Singapore	84
Brunei	62
Malaysia	47
Thailand	37
Indonesia	37
Vietnam	35
Philippines	34
Myanmar	30
Laos	29
Cambodia	21

**Table 8** The corruption index of ASEAN countries in 2017 (Lower numbers reflect higher corruption).

**Source** Author's compilation based on Transparency International, 2018

In addition, the fatal collapse of the dam in 2018 has forced him to reconsider hydropower dams. Thitinan Pongsudhirak (as cited in the Asean Post, 2018) points out that “The new leadership is more of the same... in terms of repression and constraints on civil society and basic freedom.” Hunt (2018) echoes “The dam collapse is therefore no doubt a major blow to the Lao government’s legitimacy ..this will cast a dark shadow over the regime’s security.” The dam collapse thus discredits the Party’s legitimacy in national development.

In response to the international community, Bounyoung Vorachit, the President of the State, Thongloun Sisoulith, the Prime Minister, Sonexai Siphandone, the Deputy Prime Minister and Pany Yathotou, the President of the National Assembly immediately visited the disaster area to exert their leadership in disaster management, and most importantly to legitimize the Party in the eyes of the public. A photo of them talking with officials appeared on the Facebook page “Support Prime Minister Thongloun Sisoulith,” which is another platform for government supporters, to express their dedication to help the local community. In response, the Prime Minister appointed an ad-hoc dam disaster inspection to investigate the cause of collapse, compensate the displaced people, and call for a national review of all hydropower dams in Laos (Ellis-Petersan, 2018). Despite the fact that Lao government states that it will slow down and reconsider hydropower dams, the Lao government continued the consultation process on the Pak Lay dam<sup>86</sup> a few months after the dam collapse.

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<sup>86</sup> Currently, the Pak Lay dam is in a public hearing process held by the MRC. In 2018, the participants, who are the stakeholders of the dam, suggest that the MRC and other agencies should collect data to improve the fish passage designs (Sotheary, 2018). However, little effort had been placed in reconsideration the status quo for dam building in Laos.

Lastly, the political will of the Prime Minister is in synch with the Party's vision. Strong leadership in Laos overrides the line between liberal and conservative, and a strong leader in Laos has the capacity to move the state in either direction. Strong leadership is vital to convince the Party to be progressive or conservative. The leadership of the current Prime Minister is outstanding and broadly accepted by the development partners and the Lao people. However, his intentions are apparently to mitigate all worrying issues but those related to human rights and restoration of the free civil society, about which he says nothing. His leadership is somewhat selective, sometimes overlooking chronic issues, presumably to re-legitimize the Party's power. Ultimately, big change takes a lot of time and effort, and political reform is no exception.

### **5.3.3 Can Laos really graduate from its status as a Least Developed Country by 2020?**

Graduation from the Least Developed Country status by 2020 has been the ultimate long-term goal for the Party since the national development plan in 2001. With consideration for the three thresholds to graduate from the LDC status set by the United Nation Economic and Social Councils (ECOSOC), it seems like Laos may have already crossed two of these thresholds.<sup>87</sup> According to the Committee for Development Policy, a subsidiary body of ECOSOC, Laos has crossed threshold for obtaining \$1,230 or on GNI per capita (Laos made it to \$1,996) and scoring at least 66 on the Human Assets Index (HAI; Laos made it to 72.8). Nevertheless, the Economic Vulnerability Index reached 33.7 and is yet to meet the threshold of 32 or below but it is close (UNDP, 2018a).

An analyst from the UNDP points out that natural disasters and inequality rates continue to pose major challenges for the Lao government, with regard to the Economic Vulnerability Index (UNDP, 2018b). Thongloun Sisoulith told the National Assembly,

Lao has engaged [sic] on a path of development for 43 years. Since 2001, the Party and Government have tried their best to implement a national development plan with the goal of graduating from Least Developed Country status, an economic classification given to Laos by the United Nations based

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<sup>87</sup> The three criteria for graduating from LDC status consist of an Economic Vulnerability Index (EVI) of 32 or below, a Human Assessment Index (HAI) with a threshold of 66 or more, and Gross National Income (GNI) per capita greater than \$1,280. To graduate from the LDC status, the country should pass two of the three criteria. Each threshold for Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) has specific indicators according to the UN Office of the High Representative for the Least Developed Countries. For instance, the indicators of Economic Vulnerability Index (EVI) consist of: 1) population size; 2) remoteness; 3) merchandize export concentration; 4) share of agriculture, forestry and fisheries; 5) share of population in low elevated coastal zones; 6) instability of exports of goods and services; 6) victims of natural disasters; and 7) instability of agricultural production (see more UN-OHRLLS, 2018).

on three criteria. And for the first time since then, United Nations representatives have come to perform inspections and have concluded that Laos will not be able to free itself from this classification by 2020 for a number of reason” (Sisoulith as cited in Laotian Time, 2018).

To improve the EVI of the country and prepare to readdress the issue of graduating from LDC status, the Lao government decided to postpone the deadline from 2020 to 2024 and now appears to be working harder to accomplish this development goal.

However, my interview with the Lao government officials and the Lao scholar reveal graduation from LDC status carries a mythical quality for them for a few reasons. First, graduation from LDC status is a self-improvement process for the Lao government to reduce its dependency on development assistance from the international community. The National Assembly member I interviewed supports this argument:

“It is arguable whether or not Laos can graduate from LDC status. LDC status can, of course, help the government to obtain international development assistance easily. For Laos, if it remains an LDC only to obtain developmental aid... then we will stop improving our capacity. It means the Lao people and the Lao government will do nothing to improve development performance. So I think the government has to set to development goals to motivate and improve it to achieve it (Informant no. 16, 2017).

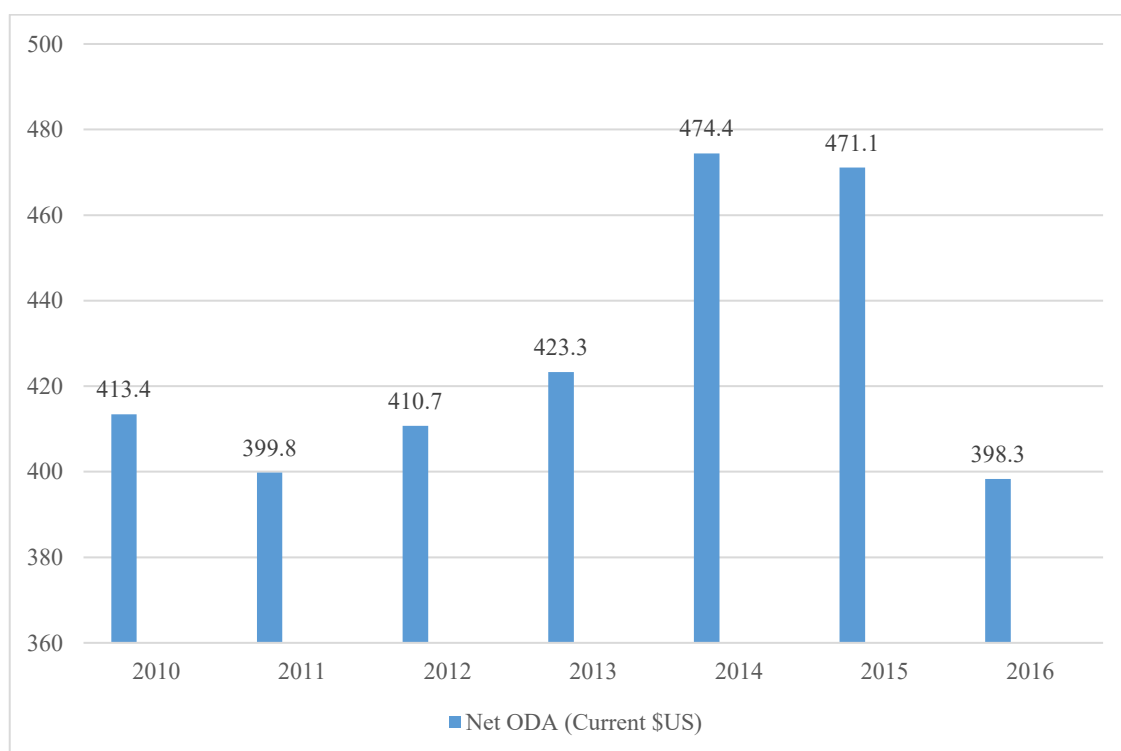
In his sense, development is progressive and motivates the Lao government to improve its capacity to pursue the development goals. Such self-improvement is a practical necessity to strengthen the capacity of the Lao government to be more effective and sustainable.

The second reason is that graduation from LDC status can prove the capability of the Party and the Lao government to fulfill the ultimate development goal. This achievement could serve as another source of regime legitimacy. The connection between the development goals and regime legitimacy is observable in the perspective of the Lao scholar I interviewed. He commented “If Laos is capable of achieving this, then I do not think international development assistance is necessarily important anymore for Laos at all” (Informant no. 22, 2017). Belief in the developmental achievements, I argue, supports the Lao government, or the Party, to continually be the leading nucleus in Lao development.

The third reason is, the Lao government genuinely wants to change and do something new. The Lao government has recently become more receptive to restructuring domestic institutions and the development policy to bring about good governance in the country. The key informant of the Lao government I interviewed clarified the government’s motivations by noting, “Graduation from the LDC status means a lot for the government... The government

commits itself because the government wants to change and do something for its own sake.” He further conceded that the development partners are still the critical agents for Lao development stating “the Lao government cannot get things done without support from the donors and the development partners. It takes time, patience and a lot of young blood... For very young institutions like those in Laos, it takes a lot of time” (Informant no. 15, 2017).

Actually, many observers of Lao development are concerned about the Lao state’s readiness to sustain the consequence of no longer being an LDC country and to avoid the middle-income trap.<sup>88</sup> One of the development partners stated, “the Lao government should not be in a rush to graduate from LDC status because there are many advantages to being a Least Developed Country from the perspective of our organization” (Informant no. 4, 2017). Viewed in this light, the Lao government should not ignore the fact that the ODA is critical for enhancing Laos’s state capacity (see figure 20 below).



**Figure 20** Net Official Development Assistance (ODA) (Current \$US)

**Source** World Bank, 2018

Therefore, graduation from LDC status amounts to a trade-off between more self-reliance and the ODA cutoff – it is difficult for the Lao government to balance these two-

<sup>88</sup> The middle-income trap is the situation that a country encounters after reaching middle-income levels. It refers to the difficulties associated with slow growth, following the withdrawal of aid, as the country struggles to make it on its own (see Global, Economic Symposium, 2018).

incompatible outcomes. In the following section, the readiness of the Lao government to sustain the consequences after graduation from LDC status will be explored.

#### **5.4 After graduation from the Least Development Country status: What comes next?**

I will begin this section by shedding light on the LDC identification status and what Laos gains and loses when it reaches its goal, thereby transitioning out of this status. Least Developed Country is a label that was coined in 1971 by the United Nations for nations suffering from the most “severe structural handicaps” (UNDP, 2012) who were to be given preferential trade-related financial assistance to better address their needs and to bring them up to speed with respect to the global economy. In Laos, being a landlocked country particularly has left the Lao government with few options for integrating with the global economy. Moreover, as a newly independent country, the Lao government needs international development assistance to enhance its state capacity to deal with new economic activities and meet the international development standards. As a result, the Lao government needs the ODA, but graduation from LDC status will unavoidably reduce aid provided by the development partners.

However, every cloud has a silver lining. This development goal can bring an advantage to the country’s development. Southichack (2017) points out that a tangible benefit is that if the Lao government achieves this development goal, it implies that the Lao government is economically stable and can cope with the market and shocks that follow natural disasters. On the one hand Laos will have the intangible benefits of ensuring the place of direct foreign investors in human capacity and economic activity, strengthening the position of the Lao government in international negotiations, and motivating the Lao government and the Lao people to achieve more development goals.

On the other hand, the cost of graduating from LDC status is risky for the Lao government, particularly because Laos will lose aid that is a result of the “Generalised Scheme of Preferences” (GSPs).<sup>89</sup> In EU countries, for example, Laos is in the Everything but Arms (EBA) scheme, which allows free access to the EU Single Market for all products, except arms and armaments (European Commission, 2018). Therefore, Laos can export some products to EU countries to generate government revenue. Moreover, international development assistance, concession loans, and debt relief will be reduced, as in the case of special facilities of the WTO that allow flexibility in international trade rule enforcement, and which assist the Lao government in building up its capacity in trade negotiation and rule enforcement. The cost of graduating from LDC status will thus become a primary challenge

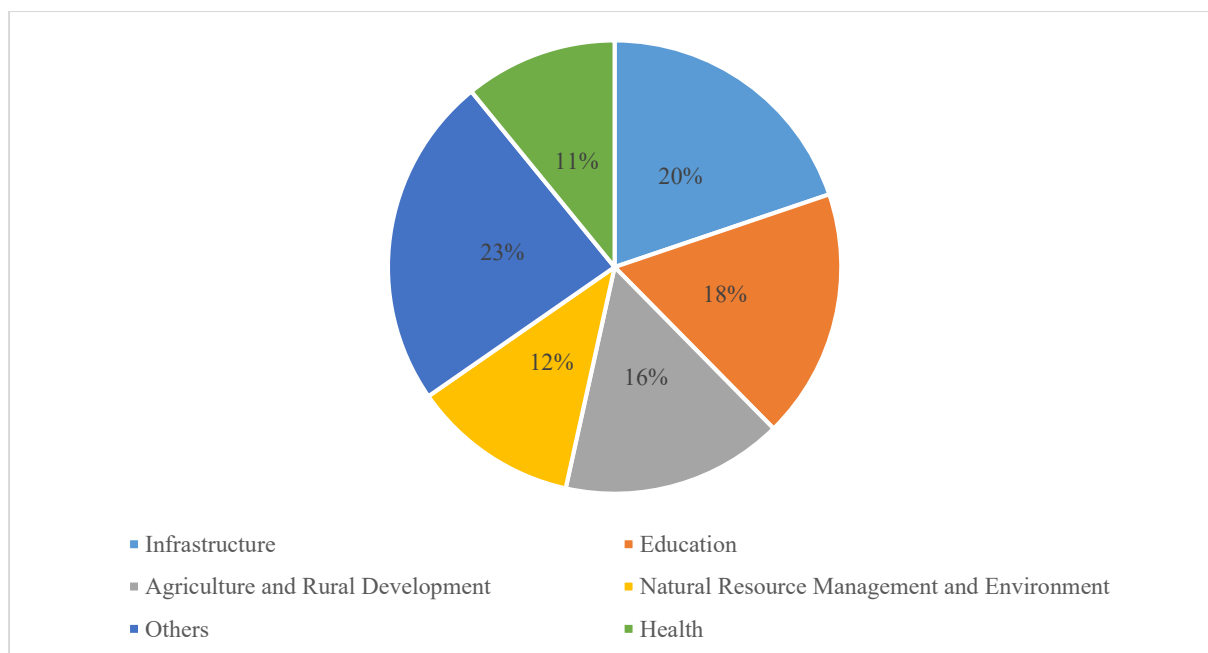
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<sup>89</sup> The European Commission website points out the three main objectives of the Generalised Scheme of Preference, which include: 1) to contribute to poverty eradication by expanding exports from countries most in need; 2) to promote sustainable development and good governance; 3) to ensure that the EU’s financial and economic interests are safeguarded (see more European Commission, 2018).

for Lao state capacity to maintain independence and self-reliance so as to sustain development without international development assistance and low-interest loans.

With the Least Developed Country status, state capacity is still being enhanced. Both the Lao government and the development partners concede that avoiding the middle-income trap will be the next task for them. The informant I interviewed from the NA mentioned that the role of the Lao government in dealing with this task is to focus on human resource development. He believes that “Lao people should become ready to become more independent and to start thinking about the future” (Informant no. 16, 2017). Likewise, the policy-maker of the Lao government interviewed expressed his concern about the readiness of the Lao government to compensate the Lao people and manage the environment, as well as to protect the national culture due to the fact that the Lao government strives to achieve the development goals with a development plan that inevitably alters its natural resources and its people’s ways of life. And yet he believes that investment in the next generation is also important. Another informant from the Lao government believes that the government should invest in young people “to deal with the consequences and to make the rural community healthier with well-educated people and skilled labor” (Informant no. 15, 2017).

Currently, the development partners have varied priorities in Lao development, as they work to help the Lao government improve its capacity and decrease social inequality. The prioritized domains primarily include human resource capacity, infrastructure development, good governance, and economic diversification. These issues are already been encapsulated in the Official Development Assistance mentioned in chapter 4. Figure 21 highlights its monetary disbursement by Sector Working Group of the SDGs from 2015-2016.

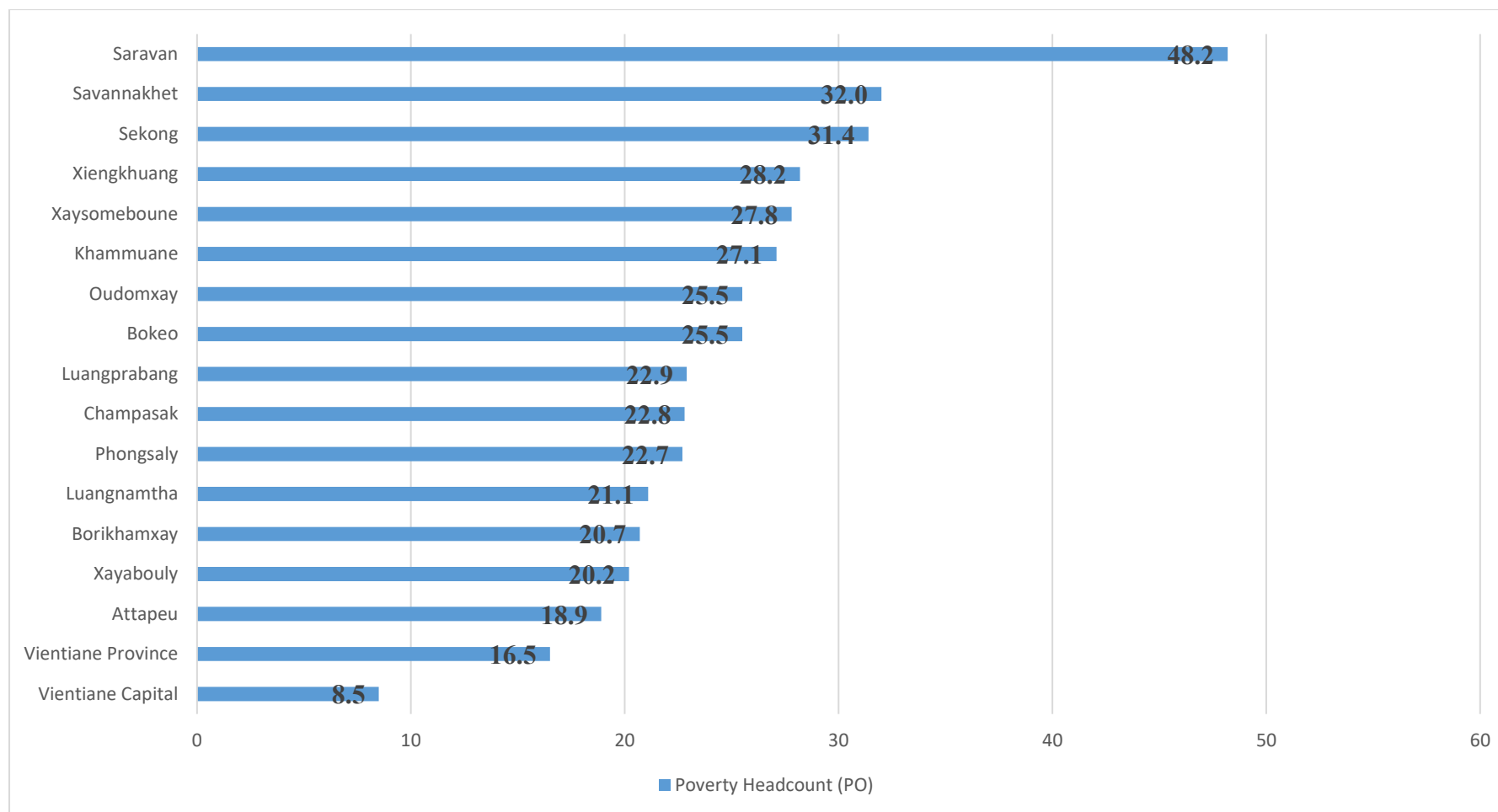


Note: The others comprise of the good governance, UXO and illicit drug control

**Figure 21** The ODA disbursement by Sector Working Group in the fiscal year 2015/16

**Source** Ministry of Planning and Investment, 2016c

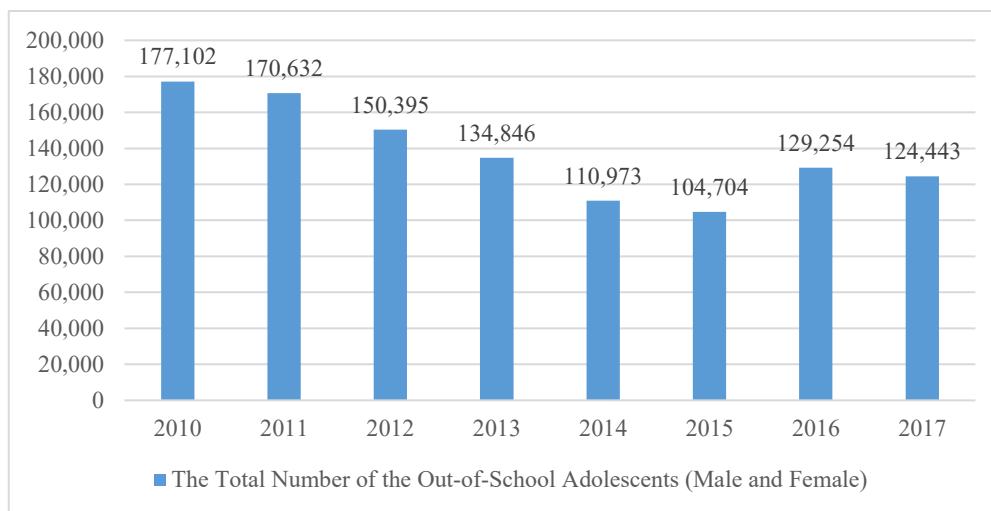
Clearly the Lao government has to rely on development assistance in many sectors – both financial and technical. This leads to my last argument of the chapter: that the Lao government should not rush to push forward graduation from the LDC status unless its state capacity is ready to deal with the consequence. There are a few reasons for the argument that Laos is not ready. First, it is obvious to see the inequality and the development gap between the rich and the poor in Laos, especially when comparing rural and urban areas. As shown in figure 22, the Vientiane capital has the lowest poverty headcount at 8.5, whereas the highest poverty headcount is Saravan at 48.5. This gap is extremely wide.



**Figure 22** Poverty Headcount in 17 provinces and 1 capital city

**Source** World Bank, 2015, pp. 91-99

With regard to the second argument, technical experts are essential to deal with new technologies and new circumstances that arise with global change. To increase technical experts, the education system should be ready to support this matter. UNESCO gathered the data of the out-of-school adolescents in 2017, portrayed in the figure 23 below.



**Figure 23** The number of out-of-school adolescents (male and female)

**Source** UNESCO, 2018

This total number of out-of-school students affects the capacity of human development in the state. The higher the number of student drop outs from schools and universities the lower the number of skilled-laborers<sup>90</sup> and general manpower that can be used to implement the development plan and sustainably utilize natural resources to generate income, mitigate environmental degradation and, most importantly, to bring sustainability into the next generation. This challenging issue in human development justifies the needed role of the development partners to continue to assist the Lao government.

The country is too young to deal with the complicated outcomes that will follow graduation. Therefore, the Lao government must strengthen its institutional capacity to deliver public services and implement the development plan effectively. In this light, good governance is an essential contribution the country's accountability, transparency, and efficiency in dealing with new circumstances and the consequences that will follow graduation. However institutional overlap between the Party and the Lao government renders it weak in these areas. Development assistance that helps to improve the quality of governance in the country is

<sup>90</sup> The report from ADB reflects the number of high skilled workers in the labor force based on educational background, divided into three classifications. Its result shows that the percentage of high skilled workers in 2013 was 14.33% in the first classification (tertiary education and vocational education), 6.93% in the second classification (tertiary and vocational education and high-skilled occupation), and 3.30% in the third classification (tertiary education and high-skilled occupation) (see more Asian Development Bank, 2015, p. 92).

indispensable. The Lao government should thus consider that development assistance in good governance will be cut-off if Laos graduates from the LDC status.

It can be concluded that the Lao government is capable of meeting the criteria to bring the country out of the LDC status. However, considering its path for building up state capacity to deal with the consequences following graduation, there is still a long way to go. The Lao government should focus more on issues related to inequality in the country to ensure that said consequences do not jeopardize the livelihood of its people or result in the exploitation of the natural resources that belong to the next generation.

## 5.5 Conclusion

State capacity is the most important factor for determining the success or failure of the Lao government as it attempts to carry out its development plan and reach the development goals. In this chapter, I investigated three aspects of Lao state capacity, built on Fukuyama's framework, which includes financial management capacity, human resource capacity, and institutional capacity. These capacities are interconnected. The data collected from the development partners, the Lao government, the civil society, and Lao scholars, along with the statistical information shows that the state capacity of the Lao government is currently inadequate to implement the development plan and localize the SDGs throughout the country. The Lao government needs to improve in good governance with respect to financial management, its approach to the diversification of economic activities through the utilization of natural resources, and its ability to strengthening human resource development and enhance the effectiveness of institutional capacity to deal with new changes. It is worth mentioning that Lao state capacity is efficient in its address of the security pillar of the SDGs through the Party and its control of the Lao people, civil society, the military, and the press. As a result, the Lao government motivates itself to enhance state capacity through development projects with warm support from the development partners. This has led to the development myths in Laos, which are idealistic portrayals of what development is supposed to be. This chapter selects three contemporary issues in Lao development to foster an open discussion among Lao scholars and provide insight into these issues at the present time. These issues include: 1) hydropower development; 2) the leadership of the Prime Minister; and 3) graduation from LDC status. Last but not least, I contend with the big question of the Party's ability to facilitate graduation from LDC status by 2024. I believe this goal goes beyond the ability of Lao's state capacity to meet the development threshold. Indeed, the Lao government and the development partners are concerned about the readiness of the Lao government to sustain itself after graduation. It can be seen that its state capacity needs to be improved otherwise Laos will get stuck in the middle-income trap and will not be able to deal with the change effectively. Lastly, I hold to the position that the Lao government should not rush to bring the country out of its LDC status until its dealings in financial management, human capital development, and institutional capacity have been improved.

## Chapter 6

### Conclusion

The journey to the completion of the SDGs in Laos is far from over. It is rather unfeasible to indicate, or even predict, the current failure or success of the SDGs because 2030 is such a far off mark. However, this chapter summarizes the research results analyzed in previous chapters at this time. My main argument is that the development partners and the Lao government (or the Party) are struggling to implement their development goals in Laos. The development partners have implied norms of “democratization” within the discourse of the Sustainable Development Goals, which have shaped Lao domestic institutions to an extent, but cannot fully diminish the state power occupied by the Party. The Party, in turn, employs development as another source of political legitimacy to play a leading role in national development.

The first section examines regime legitimacy in post-socialist Laos. I contend that considering the Marxist-Leninist ideology alone is inadequate for providing an in-depth analysis of regime survival in Laos. Development should be taken into account as another source of regime legitimacy for the Party, assisting them to stay in power. The second section of this chapter looks at how the international development norms have shaped Lao domestic institutions and development policy. Prior to analyzing domestic institutions and development policy, I begin with the role of the development partners in Lao as drivers of decision-making inside the Party. After this, the Party is considered for its normative influence over domestic institutions and development policy. The last section of this chapter is used to scrutinize Lao state capacity, since this matters for assessing the effectiveness of SDG implementation and the likelihood of graduating from the Least Developed Country status. The three dimensions of Lao state capacity being explored in this chapter are the financial, human capital and institutional capacities. My conclusion leads to policy recommendations for the Party, the Lao government, and the development partners to adequately support sustainability throughout the country.

#### 6.1 Post-socialist Laos: development as another source of regime legitimacy

First, an account of Lao state power, or how the Party obtains and maintains its power, should be taken into consideration. The Lao government, or the Party, acts as the primary actor in Lao development in part by embedding itself in nominal democratic institutions and in order to deal with capitalism and legitimize its political power.

Back in 1975, the victory of the *Pathet Lao* after the civil war in Laos legitimized the nationalist movement, allowing it to become the sole political institution, dubbed as the Lao People’s Revolutionary Party (LPRP). The Party then introduced a blend of Marxist-Leninist and nationalist ideology in political and socio-economic realms. In the beginning, this ideology

was a political tool for the Party to control society and to reconcile the conflicting political factions in the aftermath of the war. However, the Party could not enjoy the fruit of the nationalist legacy for long since the failure of the central-planned economy left Laos with a massive economic downturn. As a result, Laos had opened its hermetic curtain in order to integrate itself with the global economy by unprecedentedly introducing capitalism to the country's economy under the New Economic Mechanism policy.

The consequences of this policy led to socio-economic and political development of the country under the 1991 Constitution. The Party upheld its members in the Lao government while also introducing the separation of powers principle to guarantee political stability and rule of law for foreign investment. Moreover, the Party became receptive to the international community as the result of the failure of the Soviet Union, which was a major aid-donor before the open economy. Without a doubt, the conditions attached by the ODA provided by development partners in Laos, always implies democratic principles that ultimately put Party, as a socialist institution, into a dilemma.

Since capitalism on an international scale can deteriorate the Marxist-Leninist ideology, it becomes the burden of the Party to legitimize its existence in order to maintain the status quo as the one-Party state. The Party has thus initiated an optimal means to legitimize its power. I employ Saxonberg's framework to simplify regime legitimization. His framework requires analysis of ideological legitimacy, pragmatic acceptance, and revolutionary potential in the country to understand regime survival.

For ideological legitimacy, the Party has posited Marxist-Leninist ideology combined with the nationalist movement, by emphasizing the contribution and the dedication of the nationalist leaders in national liberation in the public sphere and the political rhetoric of the Party's speeches. Under the umbrella of capitalism and globalization, the Party plays three main roles to protect its ideology: it supports the socialist ideology, guards national interests, and builds toward the socialist utopia. Nevertheless, ideological legitimacy alone is inadequate for the Party to maintain the status quo of a one-Party state.

Development achievements, according to my view, are used by the Party to serve the political purpose of pragmatic acceptance, to obtain more support from the Lao people and the international community. Currently, graduation from the Least Developed Country status and achieving the SDGs has become the main tasks of the Party and the Lao government. The Party has used these development goals to tighten its control over Lao society by increasing the number of Party members at the local level and introducing the Three Build directive, which employs government officials at the central and local levels to justify the Party's action in the country's development.

Lastly, the framework contends that the revolutionary potential of the proletariat, the intellectuals, and the civil society could threaten the regime's survival if it lacks apparent legitimacy. In Laos, control of these groups is absolute. They are voiceless in Lao politics because the Law on Civil Society revised in 2016 tightened the Party's control over civil

society, leaving little room for its participation in development issues. It can be concluded that the Party employs the Marxist-Leninist ideology to build the trust of the Lao people with regard to the socialist utopia and to legitimize the role of the Party as the delegate of the Lao people in dealing with capitalism. The Party also employs state power through the law to suppress the civil society of the country. As a consequence, the Party has a legitimate right to rule over its territory and to consolidate its power in the political structure.

The political structure reflects the consolidation of the Party's power in state organizations. In this sense, the Party's power is autonomous and intact. Democratic institutions, such as the National Assembly, the Lao government, and the People's Court, are just nominal due to the fact that Party members occupy high-ranking positions in these institutions. In terms of the intra-Party co-optation, a substantial amount of evidence reveals that the Party is the overarching medium for distributing economic and political goods to certain intra-Party political factions based on their influence and charisma in Lao politics.

Without a doubt, the Party is the leading actor for determining the country's developmental direction through its restructuring of domestic institutions based on the development partners' recommendations and the Party's resolution. The Party Congress is a meeting that reveals the developmental achievements of the Party from the preceding 4 years, the future development direction, and changes in political leadership. The resolution of the Party Congress always concretely transfers to the five-year National Development Plan. This plan covers development potential, natural resource distribution, and local development projects going on in the country. Recently, the Tenth Party Congress focused on the new global development agenda: Sustainable Development Goals (SDGs). Domestic institutions and government policies have been reshaped with help from the development partners in an attempt to meet them.

## **6.2 Restructuring domestic institutions: Development and decentralization in Laos**

For domestic institutions and governmental policy under SDGs, it is worth mentioning the development partners, their agendas and how the Party interprets the SDGs to that end. As Laos has relied on international development assistance over the last half-century, the international community, represented by the development partners, has played a supporting role by providing financial and technical assistance to the Lao government. As a result, Lao development is set to adopt the international development standards attached in the ODA from the development partners.

The interplay between the development partners and the Party can be observed through two big events. First, the Round Table Meeting (RTM), held every four years, is a consultative process intended to find common ground between them, based on the current international development norms. The latest RTM in 2016 set the Sustainable Development Goals for Lao development to be attained by 2030. Both the development partners and the Lao government commit themselves to working together to implement the SDGs effectively. Besides the 17 SDGs identified, in Laos there is one additional goal entitled "Lives Safe from UXO" to

eradicate unexploded mines throughout the country. The development partners and the Lao government believe UXOs are the obstacle to natural resource utilization for economic development. With these 18 SDGs, the partners assist the Lao government through the Official Development Assistance (ODA) using their partnership framework in order to make sure Lao meets international development standards.

Since the trajectory of the SDGs began in 2016, there have been four main focal points of the partners to standardize Lao development. These include: poverty reduction, capacity building, environmental protection, climate change resilience, and good governance to localize and implement the SDGs at every level. However, I argue that the partners themselves have specific agendas for Lao development that are beneficial for their national and stakeholder interests. Their development agendas, which I analyzed, comprise: 1) the SDGs promotion, 2) the profit received from Lao natural resources, 3) the improvement of connectivity between Laos and its neighboring countries to facilitate economic integration, 4) humanitarian aid, 5) advocating their national interests, and 6) democratizing Laos. Indeed, the ODA is like a double-edged sword. On the positive side, it can bring prosperity to the country and improve economic growth. On negative, it can also have unexpected consequence for the Lao government and people.

The second event for Lao development is the Party Congress. This congress is a meeting between the Central Committee and Party members from the local level to justify the contributions of the Party in national development and the development direction in the next four years. At the Tenth Party Congress in 2016, the Party interpreted sustainability to serve the political purposes of political stability and social order under the one-Party state. Consequently, the four pillars of the SDGs were set as Lao-style development norms and enshrined in the 8<sup>th</sup> Five-Year National Development Plan (2016-2020) and implemented through Lao domestic institutions. These pillars consist of economic development, environmental sustainability, social inclusion, and security.

For restructuring domestic institutions and formulating development policies, I employed Sach's framework (2012; 2015) that divides the SDGs into four scopes. First is economic development. The Lao government currently promotes sustainable and inclusive growth in order to rise from the Least Developed Country status by the year 2020 and to reduce the poverty rate of the country. Second is social inclusion, to narrow the development and gender inequality gap, and empower the people. For instance, the Lao government supports women employed in state and private organizations and encourages them to access education. Moreover, the Lao government revised and improved the laws governing women, and the development strategy supports the role of women in national and local development. The third scope is environmental sustainability. The Lao government advocates a green-growth agenda in governmental organizations. The Lao government references the Environmental Impact Assessment (EIA) before undertaking megaprojects like hydropower dams. Most importantly, the government issued the Law on Disaster Management, which is expected to be enforced in 2017. The last scope is good governance. The Party and the Lao government dominate the country with their political subsidiary body. The Lao government attempts to mitigate worrying

issues related to good governance by increasing political participatory channels for the Lao people, approving laws and regulations to guarantee rule of law, tackling corruption issues with new leadership, and decentralizing the political power to the Sam Sang directive.

However, the effort of the Party and the Lao government spent implementing the SDGs in national and local development has served both economic and political purposes. The Party has employed development achievements and challenges to legitimize its leading role. The Party claims itself as a delegate of the Lao people to protect its national interest and contribute to political stability in the country. This situation has broadened the debate about the state capacity of the Lao government to cope with new development goals, which I will shed additional light on in the following section.

### **6.3 Lao state capacity**

I mainly employed Fukuyama's framework to investigate the state capacity of the Lao government to implement the identified SDGs. The state capacities investigated in here is comprised of financial management capacity, human capital capacity, and institutional capacity. In the reality, being of least developed country status, my research helps to convey the fact that Lao state capacity is ineffective at carrying out the development plan and that development assistance from the partners remains indispensable.

According to the economic monitoring report, the Laos economy has become more vulnerable with the rise in public debt over the past five years. Almost 80 percent of the public debt is from external sources, such as aid-donor countries and financial institutions. This implies that the Lao government lacks the ability to generate enough revenue and still relies on external sources for the country's development. The development partners thus support public finance management as they believe it could improve Laos' economic performance and reduce its external debt. The Lao government issued the vision 2030 to strengthen public finance management by making it more transparent, modern, and fair. However, I argue that the institutional arrangement of budget approval and auditing should also be considered in the case of the Lao government, if they genuinely intend to strengthen public finance management.

This argument arises from the fact that budget approval and auditing is currently in the hands of Party members in the National Assembly and the State Audit Organization, and centralized by the Ministry of Planning and Investment. This Ministry is responsible for determining the development plans of each province, without the participation of the local peoples. Budget distribution does not currently amount to enough to meet the needs development at the local level. Another financial capacity in Laos is tax collection to increase government revenue. Acquired information on tax collection illustrates that the Lao government has attempted to computerize the tax system via the so-called Smart Tax and VAT, and categorize the list of taxable products in the Law on Tax revised in 2015. Nevertheless, tax collection is currently insufficient for the country's development, according to the statistical data, which has revealed rising need for ODA from the partners.

For the human capital capacity in Laos, evidence shows that the Ministry of Home Affairs took an important step to initiate recruitment examinations for government officials and to revise the 2015 Law on Civil. This law increases the degree of professionalization with respect to the educational qualifications of the government officials. However, the reality is that Laos has slowed down its pace to improve civil services to deliver and localize the SDGs at every level. There are three constraints of the human capacity building that have come across in this research. The first constraint is the lack of financial capacity to pay the salaries of officials on time. Officials thus have little choice but to do private work during working time to earn more income. The educational system in Laos is the second constraint. This system cannot diversify the labor force to deal with needed complex and in-depth technical knowledge. The last constraint is the patronage system and nepotism in the country. The interview information and Lao news implied that bribes are being paid in exchange for government positions. Ultimately, the Party's recruitment process cannot be viewed apart from the political clans inside the Party, which worsens the professionalization and the recruitment system in Laos.

The last state capacity analyzed is institutional capacity. There are three primary arguments that address institutional capacity in Laos. The first argument starts with the fact that Laos is newly independent and the least developed country; The massive number of laws and regulations should be modernized to meet the need for the global and regional economies. Second, domestic institutions in Laos are modern but not developed due to the influence of the Party over the state. The Party-led development, and the top-down command line from central to local levels, has delayed the decision-making and implementation processes. Consequently, the Lao government should hasten this process to adapt to new circumstances. Finally, the institutional capacity, in turn, is effective and contributes to political stability under the one-party system of the country. It can be concluded that Laos' state capacity is practical with regard to the security pillar of the SDGs, as the Party and its subordinates are competent to penetrate and to control Lao society.

To improve the state capacity to accomplish the development goals, the Lao government and its' partners formulated a development plan and strategies to diversify economic activities and labor forces, and to strengthen the good governance in domestic institutions. The outcome of this development plan has led to myths hovering over three contemporary issues. These issues include hydropower development in Laos, the leadership of the new Prime Minister to tackle corruption issues, and the graduation from the Least Developed Country status. I propose that these issues require the in-depth and comprehensive inclusion of the diverse perspectives of Lao development stakeholders, at a certain time. However, I will not judge which development approach is right or wrong for Laos. Instead, this section will leave the question open for further study in Lao development.

Finally, I address the question of the readiness of the Lao government to sustain the consequence of its graduation from the Least Development Country status by 2020. The Lao government will both gain and lose some benefits after the graduation. On the positive side, if the country is out of the LDC status, it implies the readiness of the state to become more self-

reliant and independent from the development partners. On the other hand, Laos will lose the privilege of development assistance, low-interest loans and reduced exported product quotas. Hence, I argue that the Lao government should not rush to push the country out of the LDC status unless state capacity is amply efficient enough to deal with the negative consequences.

#### **6.4 Policy Recommendation**

The policy recommendations in this section address the Lao government and the development partners and their implementation of the SDGs in the face said consequences to follow when Laos is no longer a least developed country. However, my recommendation here does not overlook the fact that Laos is, in the utmost, an undemocratic regime, in which the Party's power is ubiquitous and has embedded itself deep into the political structure over the past 60 years. The recommendation to change the political system to a democratic one with a multi-party system and people's participation, in reality, is too idealistic. Accordingly, the policy recommendation thereby is to use the Party's power and apparatus to support the SDGs and mitigate worrying issues caused by development.

Firstly, the representative from the development partners I interviewed suggests localizing the SDGs is critical to implementing them in the country effectively. Although the Three Build directive plays a major role in this, the Party should employ its apparatus to enhance the capacity of localizing the SDGs. For example, the Party's members and the local administration should coordinate with delegates from the civil society, the development partners, and the Lao people in each community to find a comprehensive strategic plan for SDG implementation.

Secondly, an unexpected outcome of development is the inequality gap between the rich and the poor, and also between men and women. To narrow the gap there are two optimal means which are practical for the Lao socio-economic and political context. The first means is to invest in people. Complex technical knowledge is required here. The Lao government and the development partners should invest in human capital, particularly in education, health, and nutrition sectors across the country. Human capital is related to diversification in both economic activities and in the labor force. Most importantly, it also contributes to a more robust middle class and civil society in Laos, and a greater degree of professionalization among bureaucratic staff. As Laos currently lacks human capacity, the development partners should increasingly support "learning by doing," focusing on more sophisticated systems in the education sector by bringing in technical experts or by supporting scholarships for Lao academics and students to study abroad.

As another means for narrowing the development gap, I propose that the Lao government should initiate an investment incentive through the development policy and laws and regulations to support Small-Medium Enterprises (SMEs) and protect the economic interests of local entrepreneurs. It was argued in previous chapters that the Lao government should place emphasis on direct foreign investment by commercializing natural resources and providing incentives like tax exemptions for direct foreign investment. However, the

productive capacity in Laos, in general, fit for small and medium enterprises, particularly with regard to the agricultural and tourism sectors. This support can help local entrepreneurs to seize economic opportunities to earn more income and become more self-reliant.

Thirdly, the Lao government and the development partners seek to implement environmentally friendly development and increase climate change resilience. I suggest another powerful means of environmental protection is to make awareness about the environmental issues and impacts in daily life to Lao people a priority. If people are aware of environmental problems, they might invest in environmental protection. There are many channels to convey such awareness, such as online platforms, school curriculum, and viral communication about the outcomes of the environmental degradation in everyday life.

Fourthly, the Lao government and the development partners should assess and utilize natural resources for renewable, clean, affordable, sustainable and environmentally friendly energy. Though the primary support of the energy sector is with hydropower dams, the undesired outcomes of dam development include damage to the ecological system and local people's livelihoods to near to the point of no return. In this light, I suggest that Laos has the potential to generate alternative energy, for instance, through solar power. The Lao government and the development partners should cooperate to assess the feasibility of alternative energy and to invest in new technologies for renewable energy. This suggestion can start with small changes in local communities.

Fifthly, the Party and the Lao government should continue restructuring domestic institutions to improve good governance in the country. Another concern is the size of the bureaucracy. Since the Lao bureaucracy is large and hierarchical, and the duties of Party members and government officials overlap governmental progress here will be more complicated. Ideally, the decentralization of local authorities and the downsizing of bureaucratic staff will enhance the institutional capacity to reduce unnecessary procedures. However, this ideal is likely beyond reach for an undemocratic regime like Laos. Hence, I will suggest that the Lao government should invest in IT systems by computerizing some government procedures at both central and local levels. At least IT systems are a practical means to facilitate and monitor the whole of government work.

Lastly, I agree that the ODA remains a critical part of making the Lao government reach its' development aspirations and enhancing the states capacity to contribute to sustainability in Laos. The development partners and the Lao government should support and initiate grass-roots development to increase an awareness in the ownership and responsiveness of people in their local communities. I believe that this can contribute to long-term and improved sustainability in the country so long as we remember that, as is often repeated in Laos, "big changes start with small steps."

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- Informant No. 4. (2017, March 16). Personal interview.
- Informant No. 5. (2017, January 25). Personal interview.
- Informant No. 6. (2017, January 30). Personal interview.
- Informant No. 7. (2017, December 7). Personal interview.
- Informant No. 8. (2017, December 8). Personal interview.
- Informant No. 9. (2017, December 6). Personal interview.
- Informant No. 10. (2017, March 9). Personal interview.
- Informant No. 11. (2017, February 10). Personal interview.
- Informant No. 12. (2017, February 6). Personal interview.
- Informant No. 13. (2017, December 5). Personal interview.
- Informant No. 14. (2017, December 6). Personal interview.
- Informant No. 15. (2017, December 5). Personal interview.
- Informant No. 16. (2017, December 6). Personal interview.
- Informant No. 17. (2017, December 1). Personal interview.
- Informant No. 18. (2017, December 1). Personal interview.
- Informant No. 19. (2017, March 6). Personal interview.

Informant No. 20. (2017, February 6). Personal interview.  
Informant No. 21. (2017, February 12). Personal interview.  
Informant No. 22. (2017, December 1). Personal interview.  
Informant No. 23. (2017, December 7). Personal interview.  
Informant No. 24. (2017, December 7). Personal interview.  
Informant No. 25. (2017, November 20). Personal interview.  
Informant No. 26. (2017, November 20). Personal interview.  
Informant No. 27. (2017, November 18). Personal interview.  
Informant No. 28. (2017, December 8). Personal interview.

## ANNEX

## Annex 1      Key informants

Key informants	Positions	Type of organizations
No. 1	Country Director	International Organization
No. 2	Deputy Resident Representative	International Organization
No. 3	Country Senior Economist	International Organization
No. 4	Attaché Cooperation	International Organization
No. 5	Minister Counselor	International Organization
No. 6	Trade officer	Bilateral Development Partners
No. 7	Chief Strategy and Partnership officer	Bilateral Development Partners
No. 8	Public Management Specialist	International Organization
No. 9	Representative	International Organizations
No. 10	Assistant Director	International Organizations
No. 11	Director	International Non-Governmental Organization
No. 12	Director	International Non-Governmental Organization
No. 13	Party Member	The Lao government
No. 14	Policy-Maker	The Lao government
No. 15	Technical Adviser	The Lao government
No. 16	National Assembly Member	The Lao government
No. 17	Deputy Director of Division	The Lao government
No. 18	Deputy Director	The Lao government
No. 19	Lao Scholar	Academics
No. 20	Lao Scholar	Academics
No. 21	Lao Scholar	Academy

No. 22	Lao Scholar	Academy
No. 23	Lao Scholar	Academy
No. 24	Lao Scholar	Academy
No. 25	Programme Director	Lao Civil Society
No. 26	Secretariat	Lao Civil Society
No. 27	Student	Lao Civil Society
No. 28	Student	Lao Civil Society