Corruption in the education sector in Laos

Author(s): Laila Martin Garcia, tihelpdesk@transparency.org
Reviewer(s): Roberto Martínez B. Kukutschka, Transparency International, Monica Kirya, U4 Anti-Corruption Resource Centre
Date: 01 July 2019

The Lao People’s Democratic Republic (PDR) is amongst the fastest growing economies in the world, but corruption remains a widespread problem. Transparency International’s Corruption Perceptions Index (CPI) classifies Laos as the second most corrupt country in the Association of South East Asian Nation (ASEAN). Controlling corruption, however, is a challenge given party control has curtailed institutional independence between the judiciary, government and bureaucracy, which has served to entrench the party’s power and control of resources. Despite recent increases in spending on education, the government has failed to ensure inclusiveness, and the quality of teaching and learning outcomes remain low partly due to corrupt practices such as nepotism, cronyism and political patronage.
Query

Please provide an overview of corruption in Laos with a focus on the education sector. What anti-corruption measures are in place at national level, and are there any transparency and accountability initiatives specific to the education sector?

Contents
1. Overview of corruption in Laos
2. Corruption in the education sector in Laos
3. Overview of anti-corruption in Laos
4. References

Overview of corruption in Laos
The Lao People's Democratic Republic (PDR), among the fastest growing economies in the world, has experienced rapid development over the past decade. Laos’s resource-rich mining, agriculture and hydropower industries have led to burgeoning foreign direct investment, greater regional integration and booms in infrastructure and real estate development.

Lao PDR has made progress over the past 20 years, including halving poverty, reducing hunger, and improving education and health outcomes (World Bank 2019). Despite these changes, Lao PDR still faces major impediments to inclusive development. For example, the country needs to accelerate investments in human capital. According to the Lao PDR Human Capital Index, “a child born in the country today will only reach 45% of her potential compared to if she enjoyed full health and education”. However, economic growth has been concentrated in the national and provincial capitals. Rural poverty remains three times higher than urban areas (28.6% vs. 10%, based on poverty line of US$1.25 PPP dollars per day). Thus, despite remittances from rural migrants seeking employment abroad (especially in Thailand), the rural-urban divide continues to be the greatest structural barrier to decreasing disparities in

Main points
— Corruption continues to plague the Laos economy and serve as a considerable impediment to the country’s social and economic development at all levels.

— The government of Lao PDR recognises education’s importance in achieving national development goals. Yet, challenges remain in enhancing equity and improving learning outcomes (Global Partnership for Education 2019).

— Corruption in the education sector in Lao PDR can take different forms, from bribery to nepotism in the tertiary sector.

— Over the last two years, there has been a pronounced change in rhetoric and, perhaps, some progress in practice. Public disapproval and international pressure may be behind these changes.
Extent of corruption

Lao PDR is now perceived as the second most corrupt country in the Association of South East Asian Nations (ASEAN) according to Transparency International’s Corruption Perception Index (CPI) 2018, with a score of 29 out of a possible 100 points (Transparency International 2018). The index measuring the perceived levels of public sector corruption places Laos 132 out of 180 surveyed countries.

According to the World Bank’s Worldwide Governance Indicators 2015, which measure six key dimensions of governance, Lao PDR still fares poorly on all fronts. The low scores (percentile rank 0 corresponds to lowest, and 100 corresponds to highest rank) in voice and accountability (4.4), political stability and absence of violence (61.2), government effectiveness (39.4), regulatory quality (21.2), the rule of law (26.9) and control of corruption (25.0) highlight the widespread and endemic forms of corruption that permeate every aspect of the Laotian daily life.

These statistics showcase that the principal-agent form of corruption in Lao PDR exists on both the grand and petty scales, where an ad-hoc system of political patronage and networks of influence perpetuated by the Lao People’s Revolutionary Party (LPRP) dominates decision making and places political and business relationships above the rule of law (Freedom House 2018).

Consequently, even if most individuals morally disapprove of corruption and are fully aware of the negative consequences for the society at large, very few actors show a sustained willingness to fight it. Thus, it demonstrates the kind of collective action problem when addressing corruption in a country where there is a general fear and distrust, reminiscent of Laos’s more oppressive past (Bertelsmann Transformation Index 2018).

Forms of corruption

Political corruption

Ineffective integrity mechanisms are largely due to a lack of independence of institutions, including the judiciary, which is subject to the LPRP. Party control has curtailed institutional independence between the judiciary, government and bureaucracy, serving to entrench the party’s power and control of resources, which further dissuades officials from implementing transparency policies, reporting corruption and enacting reforms (Freedom House 2018).

The LPRP and government overlap to the extent that the two are nearly indistinguishable. The party appoints ministers, determines policy and sets the National Assembly’s agenda. As such, the government’s priorities are commonly those that serve the party’s interests.

The bureaucracy also operates as a subdivision of the party. The administration of provinces and ministries is overseen by party officials and
members. Top officials make most decisions and the civil service is rendered further inefficient by the reliance of party involvement for promotion. Personal relationships dictate the functioning of the bureaucracy, not the interests of its stakeholders (Stuart-Fox, 2006).

Representation of social associations and interest groups, such as teachers, business coalitions and workers, is channelled through party organs rather than independent organizations (BTI 2018).

No jobs in Laos are simply advertised and then filled on the basis of experience and talent. Every applicant knows that they will need someone to speak for them: not just a referee, but someone who will actively attempt to ensure they get the job, and keep it. Someone who lacks political support in a plum position may find himself replaced by someone who is well connected, even though not as well qualified. In this process, trade-offs are common among powerful party leaders. Thus, networks of political patronage are built up that reinforce the power of those in a position to construct them.

**Corruption in business**

Corruption in business and state enterprise is among the most widespread forms in resource-rich Laos. Rapid economic development, especially from foreign direct investment, and an unenforced legal-regulatory framework create an opaque business environment where graft is the status quo. Taxation and budgetary secrecy allow the LPRP, national assembly and public officials to sign contracts and procure land without transparency, thus hiding illicit enrichment and other corrupt activities in black markets and informal sectors. The problem is so pervasive that 74% of firms report being asked for gifts or payments for government contracts and 50% for construction permits, according to the World Bank. Forty percent of firms report “other companies avoiding rules and regulations” as a major business constraint (World Bank 2018).

While the Government Inspection Authority (GIA), the State Audit Organisation (SAO) and other anti-corruption offices are tasked with weeding out corruption, businesses are almost entirely subject to the arbitrary decision making of the political class, including local, regional and national public officials and party leaders. Leakage from public development projects is commonplace because officials regularly demand commission, and fraud remains prevalent as “ghost projects” never get off the ground. Limited oversight further allows powerful regional governors and officials to receive kickbacks and dictate the terms of business ventures. While private-public partnerships continue to fuel Laos’s tremendous growth, the energy, natural resource, construction and other sectors remain particularly vulnerable to systemic corruption (RFA 2019).

**Bureaucratic corruption**

Most judges are members of the LPRP and make decisions based on personal connections, political
patronage and the legitimisation of state power. While the national assembly has made progress in criminalising bribery and corruption in law, it has in practice remained inconsistent and shrouded in secrecy. Corrupt officials most often face light punishments such as “disciplinary warnings” and, in rarer cases, dismissals from their positions, but convictions and criminal penalties are rare, particularly for higher ranking officials.

Judges often engage in bribery, especially in civil and commercial cases, further curtailing the establishment of a legitimate rules-based system for criminalising corruption. Payment is not crudely handed over, or under, a desk. It is delivered through a visit paid at the home of the benefactor, for example, to attend a baci – a quintessential Lao ceremony performed to concentrate the life force of someone on an auspicious or significant occasion – when gifts are publicly given, but in discreet envelopes.

State-funded investment projects and the employment and recruitment of public employees are also vulnerable to corruption. Twenty-five “ghost projects” in Oudomxay Province were discovered in 2015 by investigators who found that private companies received payment after failing to fulfil government contracts (GAN Integrity 2016).

It remains difficult to differentiate between deception and improper management in the education sector when accounting for lost money and resources. One example shows that international observers could not find textbooks procured from millions of dollars in donations, despite government receipts showing the textbooks were delivered. The observers could not identify whether the case was due to bad record keeping or a misdirection of funds (Chapman 2002).

Main sectors affected by corruption

Judiciary and police

Laos currently has no conflict-of-interest or asset-reporting laws, and little distinction exists between public office and personal interest. While some public officials have been removed from their positions, only a small number of junior level officials have been prosecuted, and it is impossible to differentiate between dismissals that arise from political disputes as opposed to legal violations (BTI 2018).

But, the judiciary is not the only sector where bribery is widespread. Bribery among state officials and public servants, such as the police and military, is chronic in Laos. Police often extract payments for dropping criminal charges and, along with members of the military, are often complicit in the illegal drug trade by taking a cut of profits and providing preferential treatment (US State Department 2015). Warrantless arrest provisions in the law provide ample opportunities for the police to intimidate communities, especially minority groups, and police regularly demand bribes in exchange for protection from arbitrary arrest. Bribery has in some cases replaced the legal bail system, forcing inmates to pay the police to get out of prison (US Justice Department 2018). Formal complaints about bribery to the office of the public prosecutor and to police are usually ignored.
Natural resources

Additionally, much of the harm corruption causes to the Laos economy originates in land use, resource extraction and the energy sector. Combined with increasing foreign direct investment from Vietnam and China, the significance of these sectors to the Lao economy make them particularly exposed to corruption, especially considering the close relationship between the LPRP, government and business. Public officials regularly receive kickbacks for contracts, and businesses pay bribes to avoid taxes, to export illegally harvested timber, and to avoid business and environmental regulations (World Bank 2016). Laos therefore loses much of the economic benefit from its natural resources while enriching the already wealthy and powerful, further dissuading officials from tackling the problem.

Impact of corruption

Corruption in Laos is so widespread that it affects nearly every individual and sector in the country. On one hand, it undermines the functioning and legitimacy of institutions and processes, the rule of law and ultimately the state itself. On the other hand, it plays a major role in concentrating the benefits of economic development among powerful urban elites, therefore increasing inequality and impacting the poor most detrimentally (Bertelsmann Transformation Index 2018).

Corruption in the country leads to an immense loss in tax revenue, which limits funding for social programmes, education, healthcare, infrastructure and essential government functions.

Corruption has also contributed to the squandering of Laos’s natural resources. According to the government inspection authority, huge revenue losses are due to illegal logging and overall mismanagement (GAN Integrity 2016). Thus, corruption can have devastating impacts on the availability, quality and accessibility of human rights related goods and services. Additionally, disadvantaged groups and persons suffer disproportionately from corruption, not just that they are often more reliant on services and have limited means to find alternative private services but also because they typically have fewer chances to participate in the design and implementation of public policies and lack the opportunities to defend themselves (US State Department 2015).

Compared to the average 4.8% loss of GDP due to illicit financial outflows of the world’s 39 least developed countries, Laos experiences a staggering 14.42% GDP loss per year (UNODC 2016). Lost revenue due to corruption has resulted in low salaries and sometimes missed pay checks for civil servants. In turn, this further incentivises public workers to engage in petty corruption. Every day, citizens are additionally burdened because they must pay bribes to obtain government services. Accordingly, encountering systemic corruption is a regular occurrence for Lao citizens who, without access to information and clear rules, have little recourse to protect themselves (UNHRC 2019).

Corruption in the education sector in Laos

The Laotian context

The Lao PDR has a population of 6.8 million with 49 identified ethnic groups (Lao census 2005), 82 languages, and a predominantly rural population (80%). Access to education is influenced by geography, gender and ethnicity (Chounlamany 2014).
The Ministry of Education and Sports appears committed to improving access to education and has reported some progress in enrolment rates and student retention. However, the Lao government is facing challenges to ensure inclusive and quality education, particularly for the secondary level, and the quality of teaching and learning outcomes remain a challenge (UNDP 2015). Spending on education was 3.11% of GDP and 13.4% of the budget (against a target of 17%) in 2017. The percentage of the budget spent on education in 2017 was the lowest for the available dataset, which stretches from 2010/11 to 2017. Spending on education is low compared to peer countries and other countries in the region (UNHRC 2019).

Despite public expenditure growing significantly in the sector, the share of non-salary operating budget is still inadequate and highly inefficient, and there is ample scope for a better redistribution of resources (World Bank 2007). While most of the growth is a result of an increase in wages, the procurement of textbooks, equipment and training remains underfunded. The quality of education at all three levels remains low. The country’s gross primary school enrolment ratio, at 116% (primary), 57% (secondary) and 17% (tertiary), is better than countries such as Cambodia and Myanmar, but this is a low bar and tells only part of the story. The access to early childhood education is limited. The percentage of new entrants to grade one having preschool experience in 2017 was 52.7 percent, with most of these enrolments in urban areas and considerable variation among districts. Lao PDR has achieved universal coverage in primary enrolment. The primary net enrolment rate (NER) reached 98.8% in 2016 (United Nations 2018). However, secondary education gross graduation rates, which are much lower than gross enrolment rates, indicate significant dropout during the secondary cycle. From 2012 to 2017, the lower secondary gross graduation rate increased to approximately 73 percent, while the upper secondary gross graduation rate increased to around 45.2 percent.

According to World Bank data, in 2017, pupil-teacher ratio in primary education for Lao People’s Democratic Republic was 22.3 students per teacher. Pupil-teacher ratio in primary education of Lao People’s Democratic Republic fell gradually from 31 students per teacher in 1996 to 22.3 students per teacher in 2017.

At the same time, child and adult illiteracy is a greater problem than previously recognised. An early grade reading assessment showed that over 30% of second grade children could not read a single word. Most alarmingly, post-secondary graduates in Laos performed almost on-par with primary-educated Vietnamese.

As the subsequent section illustrates, corruption in Laos is direct contributing factor to inadequate educational outcomes. Schools remain underfunded and teachers poorly paid while nepotism dominates staffing decisions. Students must work with substandard supplies and textbooks, due to a corrupt bidding process, and families often pay bribes for basic education services. The result is widespread inequality and limited access to education for the poor.
Main forms and impact of corruption in education in Lao PDR

**Bribery**

Education in Laos is compulsory, universal and is legally supposed to be free. However, soliciting high fees for books and supplies are common in Laotian schools. According to the United Nations Special Rapporteur on extreme poverty and human rights on his visit to Lao PDR, reports consistently describe informal fees for accessing education and healthcare, with schools and hospitals charging for admission. Teachers expect to be “rewarded” for raising marks or awarding diplomas (UNHCR 2019). These petty corruption practices not only undermine fairness and increase inequality by limiting access to education to the poor but also prevent them from accessing some of the most important routes out of poverty.

**Nepotism**

Public service, including education, in Lao PDR is highly politicised, and the recruitment of administrative personnel is tainted by nepotism, cronyism and political patronage (Bertelsmann Transformation Index 2018). Consequently, even if civil servants are adequately competent, they are ultimately unlikely to take decisions that are at odds with political imperatives.

The National University of Laos in Vientiane is the country’s only university. Informal preferential access is given to students with political connections or wealth, including the sale of admission and grades by academics seeking to supplement low wages. The appointment and promotion system for academic staff is also subject to political favouritism (Freedom House 2011). As a consequence, talented students who are poor and less connected face insurmountable barriers to success in higher education.

**Private tuition**

Due to low salaries, delays in payment and wages that are not sufficient to cover living expenses (as reported by educators), many teachers take on additional jobs to supplement their income. Most teachers with multiple jobs report that they have to work two or more jobs to make ends meet (World Bank 2007). Thus, it is common for teachers to provide supplementary private tutoring for their own students. A small percentage of lower secondary school teachers (14%) reported offering private classes to students, although percentages were much higher in large schools and much lower in small schools. In private lower secondary schools, almost 70% of teachers report giving private classes for pay (World Bank 2007). Private tuition is sometimes not in fact supplementary: teachers offer private tuition to their own students and use this time to deliver part of the core syllabus. For students who miss out – most often those coming from the poorest families – the probability of success in school is likely to be diminished (Transparency International 2013).

Private tuition is not just unethical and creates a conflict of interest but also may pose serious corruption risks. On one hand, some parents may purposefully send their children to their teachers, directly or indirectly requesting high marks and/or disclosure of exam items, and thus, benefit from favouritism. On the other hand, teachers abuse their position to create “forced tutoring”, when teachers persistently deflate marks to coerce
students to seek tutoring from them. A similar misconduct is when teachers inflate marks of their private students, pay more attention to them, and neglect other students. This is abuse of their office to market themselves to attract more students.

Overview of anti-corruption in Laos

Legal and institutional anti-corruption framework

International conventions and initiatives

Although, over the past few years, the government has passed a series of laws, it has not proven its determination to tackle corruption. Laos signed the United Nations Convention against Corruption (UNCAC) on 10 December 2003, which it ratified on 25 September 2009. The Laotian government has taken some very concrete steps for the implementation of the UNCAC, including the creation of a specialised working group and the development of a work plan. Nonetheless, some of the gaps identified by the review of implementation of the convention are yet to be addressed.

Laos also regularly hosts UN officials to obtain their opinions on anti-corruption issues and on improving its legal framework. Likewise, Laos is a member of the Asia/Pacific Group on Money Laundering, and thus has to adhere to the 40 recommendations of the Financial Action Task Force. These recommendations set out the minimum standards that are not only applicable to money laundering but also terrorist financing. However, Lao PDR has not signed the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Domestic anti-corruption framework

In 2012, Laos adopted as part of broader institutional reforms, a seven-year strategy to fight corruption. Among its goals, the strategy aims to increase awareness and information about anti-corruption efforts, develop new laws and amend existing legislation, and restructure anti-corruption institutions. This new legislation criminalised additional forms of corruption, increased bureaucratic efficiency, formalised anti-corruption efforts nationally and internationally and reorganised administrative procedures to prevent confusion and overlap in enforcement.

There are no access to information laws in Laos. However, the 2012 Law on Making Legislation increased legislative transparency by requiring bills proposed at the central and provincial levels to be published for comment for 60 days and, once passed, to be posted for 15 days before coming into force. A 2014 asset declaration programme has helped identify corrupt government officials. Meanwhile, SAO reported that over 240,000 government officials and employees submitted asset declarations for review in 2017. Comprehensive witness and whistleblower protection systems are also lacking.

With regards to Lao PDR’s institutional framework, the government inspection authority (GIA) is the primary oversight body responsible for investigating and preventing corruption in Laos, with jurisdictions including all ministries, public-private ventures and local, regional and national administrative bodies. The GIA works in coordination with the state audit office (SAO), which audits financial reports and regulatory compliance of organisations and institutions that handle public funds, and has taken the lead in recovering embezzled funds.
The party’s inspection committee recently reported that 1.3 trillion kip, 11 million baht, US$4.8 million and 20 million Vietnamese dong were lost in 2017 through misappropriation. Of these, only 770 billion kip, 950,000 baht and US$1.2 million as well as the entire 20 million dong have been returned to public coffers to date (Asean Post 2018). According to Radio Free Asia, “dishonest officials across the whole country embezzle state funds and assets, including money for schools and health services”. As per these agencies’ independence, a Lao intellectual who attempts to track corruption in the country told the newspaper Radio Free Asia that any results claimed by the SAO be unreliable. “How can we have transparency or good governance without an independent body to check? The government always approves laws to defend themselves as there is no opposition party. The body who will act as an audit body must be independent or without political influence” (RFA 2017).

Prime Minister Thongloun Sisoulith pledged to tackle corruption after assuming office in 2016, and the 8th National Socio-Economic Development Plan (NSEDP) 2016–2020 prioritises anti-corruption efforts. Officials cited the detrimental impact corruption has on effective public administration and social development, and they stressed the need for increased technical assistance to build greater investigative capacities and facilitate cooperation between relevant institutions. The NSEDP acknowledges the need to improve the organisational structure, monitoring and evaluation of anti-corruption measures and “increase public advocacy and dissemination of legislation, regulations, laws and the party government’s policies”.

Despite the government's increased emphasis on corruption, a lack of bureaucratic transparency, obscure regulations and a concentration of power within high ranks of the ruling party have largely impeded the implementation of an effective anti-corruption framework.

Governmental and non-governmental anti-corruption efforts

Increasing emphasis on corruption

Since 2016, there has been a shift in the prosecution of corruption, during the LPRP Congress in January 2016 and the months that followed, multiple press reports highlighted the activities of the Party inspection committee and state inspection authority in disciplining officials. As in the past, the vast majority of those targeted were at junior levels and names were not mentioned. But this did represent a shift, suggesting disapproval of corruption by the national assembly and among the public has begun to have an effect.

On the other hand, conflicts of interest remain rife, the press plays no role in investigating cases of corruption, and because secrecy and anonymity remain the norm, punishments go unreported. As in the past, it seems likely that the most common punishment is a warning or, in more serious cases, expulsion from the party or removal from office. Further muddying the waters, such punishments can often stem from intra-party politics rather than relating to a case of corruption (BTI 2018).

Urging anti-corruption reform

The principal interest groups and economic actors urging anti-corruption reforms on the Lao government are international lending agencies (IMF, World Bank, ADB), foreign governments with substantial aid programmes and foreign NGOs. Of these, the first have been most insistent in urging
reform, and have had some success by attaching conditions to large loans. Japan is by far the largest aid donor but is reluctant to put pressure on the Lao government. Vietnam and China have much greater influence, but dealings with them are the least transparent of all (BTI 2018).

An example of international agencies working with the government with regards to corruption in education is evidenced in the code of conduct for teachers. In 2013, the Ministry of Education and Sports, teachers and training colleges, with the support of the International Institute for Educational Planning (IIEP), drafted a national code of conduct for its eight categories of teachers. Unfortunately, no information is available on the implementation of the code.

Increasing public disapproval
Civil society organisations and media are subject to the LPRP and are thus highly restricted from addressing corruption in Laos. While a 2009 decree permitted the establishment of local and national non-profit associations (NPAs) under tight regulations, progress in the development of civil society institutions stalled after a crackdown in 2012 (BTI 2018).

An updated 2017 decree allows the government to effectively control NPAs’ finances, and a 2014 decree by former Prime Minister Thongsing Thammavong placed enhanced restrictions on international non-governmental organisations (Asia Times 2018). Accordingly, whistleblowers and activists have no legal rights and are regularly prosecuted for activities and discourse that veer from the party line.

Although state media coverage and government rhetoric has increasingly addressed growing concerns about corruption, NPAs and the press are effectively prohibited from carrying out independent investigations. Reports about corruption offer few details or names, thus shielding corrupt officials from public exposure. Government criticism in public and on social media is also not tolerated, evidenced by the conviction in 2017 of Laotian activists who criticised Lao corruption on Facebook from Thailand (US Justice Department 2018). Consequently, few details or statistics are available to paint an accurate picture of the government’s enforcement of anti-corruption laws and procedures.

Although a number of international NGOs operate in the country, Laos has very few indigenous civil society organisations. While a few professional and social associations are allowed, political groups and parties independent of the LPRP or critical of the government are prohibited. Informal non-political groups meet relatively freely, but like a lot of regular daily activity, their meetings are subject to state surveillance. Despite appearances that this is slowly diminishing, state security monitors a large number of Laotians with the help of village militias and neighbourhood/workplace committees. Tangible evidence of such restrictions emerged in 2016 when three citizens working in Thailand were arrested upon their return to Laos for posting comments critical of the government on Facebook.
References


Corruption in education sector in Laos


Stuart-Fox, M. 2006. *The Political Culture of Corruption in the Lao PDR.*


Thomson Reuters Foundation. 2014. “Combating Ghost Schools and Other Forms of Corruption in Education”. http://news.trust.org/item/20140630154132-jg4p1


Disclaimer

All views in this text are the author(s)’ and may differ from the U4 partner agencies’ policies.

Partner agencies

DFAT (Australia), GIZ/BMZ (Germany), Ministry for Foreign Affairs of Finland, Danida (Denmark), Sida (Sweden), SDC (Switzerland), Norad (Norway), UK Aid/DFID.

About U4

The U4 anti-corruption helpdesk is a free research service exclusively for staff from U4 partner agencies. This service is a collaboration between U4 and Transparency International (TI) in Berlin, Germany. Researchers at TI run the helpdesk.

The U4 Anti-Corruption Resource Centre shares research and evidence to help international development actors get sustainable results. The centre is part of Chr. Michelsen Institute (CMI) in Bergen, Norway – a research institute on global development and human rights.

www.U4.no
U4@cmi.no

Keywords

Laos - education

Open access

We apply a Creative Commons licence to our publications: CC BY-NC-ND 4.0.

U4 Partner staff can use the helpdesk for free.
Email us at helpdesk@u4.no