

PUBLIC MANAGEMENT AND ANTI-CORRUPTION IN LAO PDR

By

PHETSAMONE PHETPHOUVONG

THESIS

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirement

for the degree of

MASTER OF DEVELOPMENT POLICY

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Approval as of August, 2013



ABSTRACT

PUBLIC MANAGEMENT AND ANTI-CORRUPTION IN LAO PDR

By

Phetsamone PHETPHOUVONG

Lao People's Democratic Republic (Lao PDR in short) is a land-locked and mountainous country situated in South East Asia and in the middle of Indochina. It shares borders with China in the north, Myanmar in the northwest, Thailand in the northeast, Vietnam in the southeast and Cambodia in the south, with a land area of 236.800 km². The country includes 16 provinces and 1 capital, 18 ministries and 3 equivalent-ministries and the population is more than six million people.

Since the foundation, the government of Lao PDR has made an effort to develop the country which started from the first important social-economic development phase in 1980-1985 of the Lao Revolutionary Party Congress by enhancing the key factor of a cooperative association system; however, it found many difficulties in the real practical issues and eventually failed. Therefore, because of the experience in the field, the government of Lao PDR turned to the New Economic Mechanism (NEM) with the aims to reform the price decontrol, liberalization of trade and payment system. The government also initiated reforms of the civil service, introduced a legal framework, and supported development of a market economy and an extensive privatization program in the 1990s. These new changes produced social-economic development for the short and long term. At this time, the most important thing for the government of Lao PDR was the favorable adoption of the new constitution in 1991 to provide a legal governance framework.

The first constitution became the main source for the creation of other laws and regulations to drive the Lao PDR to the legal system. Even though the government of Lao PDR had been successful in the fulfillment of the first constitution, there were many problems and challenges how to carry out those laws and regulations effectively and efficiently such as the Law on Anti-Corruption which was issued in 2005. Corruption is not only a big issue in Lao PDR, but it also affects global social-economic development and international aid in the world. The Transparency Index (TI, 2000, p. 1) has defined corruption as “The misuse of entrusted power for private benefit” and points out further that, “Corruption frequently occurs through non-compliance with the arm’s length principle.”¹

Because of awareness of the evil damage of corruption, the Lao Revolutionary Party on behalf of the state leader as well as the Government of Lao PDR have paid attention to the issues of laws, regulations and orders against corruption which has occurred in the Lao bureaucracy system for a long time, and which causes a huge loss to the state every year. Beside, the Lao Revolutionary Party has assumed that the inspection issues for party members and state organizations are the most important for the party. The thesis is going to answer the questions:

1. How successfully or unsuccessfully has the Lao government implemented public management and anti-corruption programs from the past to present?
2. What are the critical factors to address regarding success and failure?
3. What can the Lao government learn from their experience?

¹ The arm's length principle is defined by WIKIPIDIA (ALP) as “the condition or the fact that the parties to a transaction are independent and on an equal footing. Such a transaction is known as an ‘arm's-length transaction.’ It is used specifically in contract law to arrange an equitable agreement that will stand up to legal scrutiny, even though the parties may have shared interests (e.g., employer-employee) or are too closely related to be seen as completely independent (e.g., the parties have familial ties).”

4. What are the Lao government's goals or action plans for the future?
5. Who are the stakeholders the Lao government should cooperate with? Internal and external stakeholders?

The research goes to prove two hypotheses:

Firstly, good public management is not only good for anti-corruption, but also good for governance in Lao PDR. The government of Lao PDR has made a long effort to improve its structures and legal systems throughout the country from central to local levels. An important reason to fight corruption is that the government has found and caught many civil servants who are still corrupt and who steal the state's property every year.

Secondly, good anticorruption not only supports good public management, but also affects the efficiency and effectiveness of social-economic development growth. In case of real situations of many countries in the world, if the anti-corruption system is good enough there certainly will not be much corruption in countries such as New Zealand, Denmark, and Singapore demonstrate. These countries were ranked as least corrupt in 2011 by the Transparency Index. In the case of Lao PDR, even though the government of Lao PDR has made an effort to limit and eliminate corruption, corruption is still widespread in every sector so seriously it that makes the government of Lao PDR lose a lot of budget every year. Moreover, corruption discredits and devalues the government and prevents transparency in the bureaucracy.

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ACKNOWLEDGEMENT

First and foremost, I wish to express my appreciation, thanks and gratitude to Professor Changyong CHOI who is my major professor and first advisor for my thesis writing and Professor ABRAHAM Shragge who is my second advisor. Both of them worked very hard to recommend, suggest, advise and provide guidelines for my thesis from the beginning until completion and I really recognize that they are very patient to edit and commend my thesis. All their help has been very valuable to me to complete my thesis writing and I promise that I will keep this memory in my mind forever in my life.

Also, I will never forget the Korean International Cooperation Agency (KOICA) who gave me a very valuable opportunity to live to study in Korea, I would like to thank you very much for all your support since I arrived in Korea at the first day, I always feel very warm all the time while I am staying in Korea as I stay in my own country. All Korean professors, classmates and people are very kind for me all the time and I have learnt so many valuable lessons, skills and experiences from them. I would like to thank them very much. Last, I would like to thank to the Lao organizations who supported very valuable related documents to my thesis writing such as the Ministry of Home Affairs (MoHA), Central Inspection Authority, Ministry of Justice, People's Supreme Court, People's Supreme Attorney and Ministry of Planning and Investment. Furthermore, I would like to dedicate this thesis to my parents who also support everything all my life and my wife who suffers to look after my two children during the period I have been away from home. I would like to thank them very much for their long tolerance more than one year that they have never had any complaints while I was staying in Korea.

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CHAPTER ONE: INTRODUCTION

The government of Lao PDR is a state administration which is adopted by the National Assembly, responsible to the national assembly and state president. The government exercises and guarantees the functioning of the political system, socio-cultural-economic development, national natural resource utilities, environmental protection, national security and international relations. The government of Lao PDR consists of the prime minister who is leader of the government, deputy prime ministers, ministers of ministries and chairmen of the ministry-equivalent committees; these officials serve terms in office of five years. The prime minister appoints deputy ministers and deputy chairmen of the ministry-equivalent committees at central levels and he appoints deputy governors, deputy mayors and district chiefs at local levels.

The president is the head of the state and is elected by the national assembly with two thirds of the total members' votes for the term of five years. The president is also the lead component of the Lao Revolution Party who has a role to promulgate laws which are approved by the national assembly. He also appoints or removes the prime minister based on the approval of the national assembly and governmental members, and appoints the governors and municipal mayors in each province on the recommendation of the prime minister. The Presidential Office provides the central coordination and cooperation to the other ministries and ministry-equivalent agencies at central levels and provincial offices at the local levels.

The national assembly is a single chamber which follows principles of democratic centralism of the Lao people around the country as it was identified in the constitution; the national assembly is regularly elected each five years and it consists of different representative numbers in each period by direct and secret universal suffrage. The national assembly is able to amend the constitution by the representatives attending the session in at

least two thirds of the total numbers. The national assembly members are from the provinces around the country; they should practice their duties and responsibilities for the benefit of people and country.

The people's courts are the judiciary organizations in the state which have a role to judge and sentence and to urge the Lao people to be loyal to their nation, the democratic system, and to protect and modify the revolutionary systems benefits, political-socio-economic-culture regime, party organizations, state organizations, Lao front, mass organizations and civil society organizations, protect Lao human rights, guarantee justice in the society, peace and order in the society, and to eliminate and stop the law-breaking. At the central level the people's courts consist of the People's Supreme Court; at the local levels people's provincial and municipal courts; and the people's district courts. There are also military courts. The president and vice president of the People's Supreme Court are elected, appointed or removed by the national assembly on the recommendation of the national assembly standing committee as well as the judges. The public prosecution institution is also part of a state judiciary which has a role to follow the implementation of laws in all sectors at central and local levels.

The local government is a local administration which is representative and responsible for the government of Lao PDR's managerial and political administration, socio-culture-economic development, national natural resource utility, environmental protection, national security and international relations, on the appointment of the Lao government. The local government consists of three levels including the provincial level comprising the provinces and capital, the district, and village level; there are 16 provinces and one capital, 145 district and 8.630 villages (Local Administration Statistics, 2011). Since 2007, the District Development Fund (DDF) has had an important role in the local administration which is granted by United Nations Development Programs (UNDP) that covers in 35

districts across 5 provinces.

Since the foundation of Lao PDR on December 2nd, 1975, the government has made an effort to improve its structures, improved and changed the names, functions and structures of many ministries, provincial offices and district levels to meet the needs of the current time based on the vision of moving Lao PDR out of ranks of Least Developed Countries by 2020 and achieving the Millennium Development Goals by 2015. In 2012, the government made an effort to have good governance to ensure achievement of growth with equity and sustainability. There have been big changes in the governmental structure which consists of 18 ministries and 3 ministry-equivalents. Before there were only 13 ministries and 3 ministry-equivalents. The government is implementing the order of the Central Party Committee No 03/CPC, dated February 15th, 2012, with regard to building the province to be a strategic unit, the district to be a strong unit and the village to be the implementation unit. This is quite the same as order 01/CPC in 2001, how to build the province to be the strategic unit, districts to be planning and budget units and villages to be the implementation unit. Even though the government of Lao PDR is a centralized system, the government would like to go back to decentralization again as the last implementation in 1980s. Currently, service delivery has been improved as there are many One Door Service (ODS) Centers around the country at the district level, created with the aims to improve the public service as well as to reduce, eliminate and stop corruption in Lao PDR.

At the same time, an important issue for the government of Lao PDR currently is anti-corruption, to which the government has paid attention in the public sector for a long time, as it is the most critical issue in economic development. The government is aware that corruption is not only a critical issue in the country, but also every country in the region and in the world. In 2011, the TI ranked Lao PDR as the 154th corruption country with the score of 2.2 (Corruption Perception Index 2011). The Lao Revolutionary Party as well as the

government of Lao PDR has made a long effort against corruption in the public sector by issuing laws, discipline, rules, and regulations; the Lao Revolutionary Party members have specific regulations governing their conduct. The government of Lao PDR passed an anti-corruption law in 2005 and has defined corruption as “behavior of the Civil Servant from the top rank to the bottom who uses his or her job opportunity or authority to corrupt, get bribes, steal assets of the state to be his or her own belongings and other behaviors for his or her family, friends, relatives, cousins or business partners’ benefit.” To implement this law, civil servants are actually the most important factors as defined in the Decree 82/PM, dated May 19th, 2003 On the Civil Servant of Lao PDR. “The civil servants of Lao PDR are Lao citizens who are recruited and appointed to work permanently in the Party, State and Mass Organizations at the central and local levels as well as in the overseas representative agencies of the Lao PDR, and who receive a salary and other allowances from the Government budget.” Exceptions to that definition include the following:

1. High-ranking officials (from Vice-minister levels and above)
2. The military
3. The police
4. Employees of State Owned Enterprises
5. State employees working on a contractual basis.

For those, the government of Lao PDR will enact a separate decree for each of them.

The purpose of my research in “Public Management and Anti-Corruption in Lao PDR” is as follows:

- To study the history and background of the Lao Public Management and Anti-Corruption since the foundation of Lao PDR;
- To study and analyze the relationship between Public Management and Anti-

Corruption in the Lao PDR;

- To study all documents that are involved in Public Management and Anti-Corruption to compare and adjust to use in the future with particular regard to strength or weak points and challenges from the past implementation, and how successfully or unsuccessfully the Lao government implemented them;
- To analyze the anti-corruption programs in term of their effectiveness.

Even though the government of Lao PDR has issued a lot of laws, regulations, orders, and instructions for the public management for a long time, there are so many problems and challenges in the real practices how to manage the bureaucracy system legally, effectively and efficiently. In particular, success for the government's strategy for governance stands upon four pillars:

1. People's Representative and Participation;
2. Public Service Management;
3. Rule of Law; and
4. Public Finance Management.

My research will begin with the history of the public management in Lao PDR since the foundation in 1975, analyze the renovation and find out the real issues, problems and challenges to the government of Lao PDR in each period. In particular in my research will emphasize two periods between the time before the constitutional adoption (before 1991) and the time after the constitutional adoption (after 1991). As well as I will find out the relationship between corruption and anti-corruption as corruption has been a significant problem in Laos since independence. Despite great efforts by the government to reduce, control, or eliminate corruption, it remains a problem today. Moreover, I will find out why the public management, especially the government, has changed the names of its departments

and ministries many times since independence, and the functions of these offices as well; the government has made efforts to issue the laws, decrees, and regulations several times since independence, as related to the party. This has made it difficult to control corruption, and because corruption remains a major problem today, the government and people lose resources and respect in the world. In addition, I will find out some lessons, experience, skills, theories, and practices from other countries, international organizations and NGOs on the public management and anti-corruption involvement in the social-economic development. Some questionnaires, surveys, case studies or interviews are necessary for my research to find out the weakness, strength and challenges of the Lao public management by some research questions as follow:

- 1) How successfully or unsuccessfully has the Lao government implemented public management and anti-corruption programs from the past to present?
- 2) What are the critical factors to address regarding success and failure?
- 3) What can the Lao government learn from their experience?
- 4) What are the Lao government's goals or action plans for the future?
- 5) Who are the stakeholders the Lao government should cooperate with, both internal and external?

This study will be carried out in five broad chapters. The first Chapter is the introduction; the second chapter explores literature on the subject; the third chapter explores the detailed background and history of public management and anti-corruption measures in Lao PDR and explores the relation between public management and anti-corruption in Lao PDR. In fact, there has been only one study that discussed public management and public administration. Thus the fourth chapter will conduct analysis for the empirical, inductive and deductive analysis of public management and anti-corruption, and fifth chapter will close the

research with conclusions and recommendations. I will conclude with solutions and analysis that will serve as strategy plans in implementation for the government of Lao PDR in the future.

CHAPTER TWO: LITERATURE REVIEW

Chapter Two studies the theoretical reviews that relate to the terms public management, public administration, governance, government and corruption. There are actually many scholars in the world trying to define and identify the field and meaning of public management; I believe that those have different ideas and perspectives to define and identify it and that there is no “one best way” for responding to every situation, as mentioned in the article by James L. Perry, (Public Management Theory; what is it? What should it be?.” Moreover, I believe that those scholars have always tried to develop the theory until the establishment of New Public Management (NPM) in 1980s and early 1990s in developing countries with the aims to improve government performance and effectively to reform the old systems. In addition, this chapter will discuss the background and history of public management and anti-corruption before and after constitution adoption (before 1991 and after 1991), the relationship between public management, corruption and anti-corruption in Lao PDR.

2.1. Meaning of Public Management

Actually, there are many definitions of public management. Every scholar has variety of different meanings such as George Frederickson and Kevin Smith, who define public management as “the formal and informal process of guiding human interaction toward public organizational objects.” Political Scientist James Q. Wilson has described public management as “a world of settled institutions designed to allow imperfect people to use flawed procedures to cope with insoluble problems.”¹ Laurence E. Lynn Jr. characterizes the different concepts of public management:

“For some, public management is irredeemably associated with “managerialism,” an

ideologically motivated effort to substitute corporate sector values and instrumental notions of efficiency for an ethical commitment by the state and its officers to service and collective justices, in the process transforming active citizens into passive consumers. For others, public management invites an undue focus on actors in managerial roles to the exclusion of the organization and institutions and systems that constrain and enable managerial behavior. For still others, for whom government is about politics and policy, public management is nothing more than traditional public administration with a fashionable new label, a domain for technocrats and mavens of government operations: the public sector equivalent of industrial engineering.”

Based on the Lao Constitution No 25/NA, dated May 06th, 2003 article 2 “the state of Lao People’s Democratic Republic is a people’s democratic state. All powers belong to the people, [and are exercised] by the people and for the interests of the multi-ethnic people of all social strata with the workers, farmers and intelligentsia as key components.”

2.2. Meaning of Public Administration

It is quite difficult to define the simple, clear and precise meaning of the public administration for the purpose of academic subjects. Some say that public administration is the whole process of human cooperation or public administration is everywhere. There are many scholars who have tried to define the meaning of the Public Administration; they define it in different ways, but they mostly said that Public Management is quite similar to Public Administration. Some of them raised many questions such as, Could public management be a text about public administration? And is the history of public administration the same as the history of public management? The Oxford English Dictionary and Black’s Law Dictionary

often use the term *Administration* to define *Management* as well as the writers in the first half of the twentieth century, such as Leonard White, Henri Fayol, Roscoe Martin, Paul Van Riper, and Dwight Waldo. They tended to view public management and public administration as synonymous, or alternatively held that management was the more overarching construct. More recently, scholars such as Hal Rainy, James Perry, Kenneth Kraemer, Mark Moore, and others tend to view public administration as the overarching construction, with public management being “novel and subordinate or specialized” (Public Management: A Three Dimensional Approach). Actually, public administration was developed in the early 1900s; then it became a special field of study within the academic discipline of political science to emphasize the structure and operation of bureaucracies and organizations such as budgeting, personnel, formal and informal internal controls.

Based on the Lao Constitution No 25/NA, dated May 06th, 2003 article 69, “the government is the executive branch of the state. The government administers in a unified manner the implementation of the state’s duties in all fields such as political, economic, cultural, social, national defense and security, and foreign affairs.”

2.3. Meaning of Governance

There are also broad definitions of governance; Rose-Ackerman, Susan 1999, “Corruption and Government; CAUSES, CONSEQUENCES, AND REFORM. Cambridge University Press, says that “some scholars define it as the process by which governments are chosen, monitored and changed; the system of interactions between the administration, the legislature and judiciary; the ability of government to create and to implement public policy; the mechanism by which citizens and groups define their interests and interact with institutions of authority and with each other.”

The Government of Lao PDR has defined “good governance” as respecting law and order as the basis of a stable and equitable society; better responding to the needs of the people by making government institutions and service delivery more efficient; enhancing transparency by increasing the quality and quantity of information; improving the decision-making process through dialogue and participation; rationalizing the relationships both within the central government and between the central and local authorities; and to enhance predictability and accountability under the rule of law by ensuring that state institutions and every natural and legal person abide by the Constitution and the laws of the Lao PDR and the many international conventions to which the Lao PDR is party (Priority Areas for Governance Reform, Policy Paper).

2.4. Meaning of Government

The government of Lao PDR is a state administration adopted by the National Assembly, responsible for the national assembly and state president. Lao PDR is a unitary state which exercises and guarantees the functioning of the political system, socio-culture-economic development, national natural resource utility, environmental protection, national security and international relations. Based on the Law on the Government of Lao PDR No 02/NA, dated May 06th, 2003, the government of Lao PDR operates in line with the principle of centralized democracy in accordance with the Constitution and the laws, with the Lao People’s Revolutionary Party as the leading nucleus, and Lao Front for National Construction, the mass organizations and social organizations as its forces. The government uses educational, economic and administrative means to manage the state economy and society.

2.5. Meaning of Corruption

There are actually many major problems in attempting to define corruption which carries a wide range of definitions, but Harvard Political Scientist Joseph S. Nye says corruption is “behavior which deviates from the normal duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of rewards to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of inscriptive relationship rather than merit); and misappropriate (illegal appropriate of public resources for private-regarding uses)” (Nye, 1967: 966)

The government of Lao PDR defines corruption as “behavior of the Civil Servant from the top rank to the bottom who uses his or her job opportunity or authority to corrupt, get bribe, steal assets of state to be his or her own belongings and other behaviors for his or her family, friends, relatives, cousins or business partners’ benefit.”

2.6. Relationship between Public Management, Corruption and Anti Corruption in Lao PDR.

Over the last two decades, the government of Lao PDR has steadily played a very important role for the social-economic development and has assumed that sustainable growth, increased food security and greater opportunities for people’s participation are very critical issues. As well, the government of Lao PDR assumes that corruption causes damage to the stability and security of Lao society and it reduces our democratic values, and jeopardizes social, economic and political development. The government of Lao PDR has made an effort for a long time to fight corruption.

Hence, this paper will focus on the relationship among ideas related to public management and anti-corruption in Lao PDR, how they involve each other, how successfully and unsuccessfully the government of Lao PDR has carried out anti-corruption measures since the foundation of Lao PDR in 1975, what the critical factors that make the Lao government a success and a failure in the implementation of law enforcement and each social-economic development plans, and what the government of Lao PDR should do for the future in real practice. After that it will conclude with results, proposals and problem-solving. In addition, in this paper may estimate the implementation of some laws efficiently, effectively and successfully in the real practice and finally this study will test hypotheses to find solutions for the improvement for the short and long term in the future.

CHAPTER THREE: PUBLIC MANAGEMENT AND ANTI CORRUPTION IN LAO PDR

Chapter Three discusses the background and history of public management and anti-corruption in the world generally, but it will focus in deeper detail on the Lao PDR during each period, how the Lao government proceeded, led and developed the country since the foundation of Lao PDR in 1975

3.1. History of Public Management and Anti-Corruption in the world

Scholars have tried to define and identify the field and meaning of public management; those had different ideas and perspectives to define and identify it and no “one best way” exists for responding to every situation as mentioned in the journal article by James L. Perry (“Public Management Theory: What Is It? What Should It be?”), but those scholars have always tried to develop the theory until the establishment of New Public Management (NPM) in 1980s and early 1990s in developing countries with the aims to improve its government performance effectively to delete the old public management system by:

- ✚ Rethinking and reshaping government and its role;
- ✚ Restructuring and repositioning organizations;
- ✚ Redesigning and improving service delivery;
- ✚ Reframing system of performance and accountability; and
- ✚ Revitalizing human resource capacity and organizational performance.

Several previous practices and theories of public management have become important background and the basis of implementation for public management for many countries in the world even though the least developed, developing, transitional and

developed countries; they have tried to improve and develop their public management systems, especially the Organization for Economic Co-operation and Development (OECD) countries Australia, South Korea, United States, and others. In addition, there were various efforts in many countries through the 1960s and 1970s to reform budgetary practices, expenditure management, and policy instruments such as state enterprises. However, the collapse of the Soviet Union in 1989-91 concentrated attention on major reform efforts in central and Eastern Europe, building on the Thatcher/Reagan movements to rebuild the state in the 1980s.²

Asia is the world's largest and most populous continent. It covers 8.7% of the Earth's total surface area (or 30% of its land area) and with approximately 3.9 billion people with 48 countries, it hosts 60% of the world's current human population. During the 20th century Asia's population nearly quadrupled. There is a need for a cross-countries analysis that can be used to identify the factors that contribute to the problems of state incapacity of South and Southeast Asian countries. Asia is diverse, it can be divided into sub-regions: Northern Asia, Central Asia, Western Asia, Southern Asia, Eastern Asia, and Southeastern Asia (Pan Suk Kim, 2009) There are also many scholars who raise questions about public management development in Asian countries such as Clay Goodloe Wascott, who said, "Is it possible to measure the quality of overall governance in a developing Asian country? Are present measures robust enough to allow the ranking of countries along the continuum from well-governed to poorly-governed? Should these rankings be used by donor agencies and private investors in making investment decisions?" The New Public Management (NPM) is being initiated in some countries such as Singapore, Malaysia, Sri Lanka, and Bangladesh. One of

² Leslie A. Pal/Ian D. Clark, Best Practices in Public Management: History, Theory and Application

the most important communities in Asia is the Association of Southeast Asian Nations or ASEAN that was established on August 8th, 1967 in Bangkok by the five original Member Countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, Vietnam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. Therefore, there are currently eleven countries members in ASEAN. As of 2006, the ASEAN region has a population of about 560 million, a total area of 4.5 million square kilometers, a combined gross domestic product of almost US\$ 1,100 billion, and a total trade of about US\$ 1,400 billion. Currently, it is observed distinctly that public management in ASEAN countries has developed rapidly and moved toward better governance with global public management practices, and ASEAN members have very quickly imitated and utilized foreign experiences based on the real situations of those countries.

According to Rose-Ackerman (1999),

High levels of corruption limit investment and growth and lead to ineffective government. Developing countries and those making a transition from socialism are particularly at risk, but corruption is a worldwide phenomenon. Corruption creates economic inefficiencies and inequities. Corruption has been occurring in human society for a long time, but reforms are possible to reduce the material benefits from payoffs. Corruption is not just an economic problem, however; it is also intertwined with politics. Reform may require changes in both constitutional structures and the underlying relationship of the market and the state. Effective reform cannot occur unless both the international community and domestic political leaders support change.

No single “blueprint” is possible, but the primary goal should be to reduce the gains from the paying and receiving bribes, not simple to remove “bad apples.”³

Therefore, the United Nations has defined the 9th December of every year as International Anti-Corruption Day.

3.2 Background and history of Public Management and Anti-Corruption in Lao PDR

Lao People’s Democratic Republic is a single party country led by the Lao People’s Revolutionary Party which was founded on March 22nd, 1955 as a communist state. Lao PDR became independent from France on July 19th, 1949. The government commits the country to strengthen peace in society and stability and preserve the cultural heritage.

❖ Public Management and Anti Corruption in Lao PDR before Constitution Adoption (Before 1991)

Laos has been invaded by foreign colonial powers since 1945; Lao people had a very long time to face and fight war and civil war led by the Lao Revolutionary Party, which was elected on March 22nd, 1955, but Lao PDR eventually was founded on December 02nd, 1975. Since the foundation at that time, the government of Lao PDR has made an effort to transform and repair the country from its war wounds. There were 18 ministries and 5 ministry-equivalents; the People’s National Assembly was created on December 02nd, 1975 and changed to the National Constitution Assembly in 1989 which became the state power and administration, and harmonized the organization of constitutional and law institutions. The assembly aimed to transform social-economic development and protect the revolution

³ Rose-Ackerman, Susan. (1999). Corruption and Government; CAUSES, CONSEQUENCES, AND REFORM. Cambridge University Press. **The citation remains incomplete.**

result which had freed the country from the foreign colonials. In 1980-1985, the first Lao Revolutionary Party Congress undertook a very important social-economic development to enhance the cooperative association system by turning to the New Economic Mechanism (NEM) with the aims to reform price controls, liberalization of trade and payment systems, initiated reform of the civil service, introduced a legal framework, supported the market economy and extended a privatization program.

The government of Lao PDR observed that the corruption issue was very critical to social-economic development; therefore the government agreed to create a Party-State Inspection Authority on February 16th, 1982 with the aims to inspect the party members and state members, especially to reduce, eliminate and stop corruption in the state organization. The Lao Revolutionary Party assumes among its essential duties the inspection of its functions, including assets held by its civil servants; without this, the Party's leadership would be meaningless. As aforementioned, the Lao Revolutionary Party serves as a leading nucleus for the national socio-economic development plan. Since 1975, the Inspection and Audit issues are the main parts of the Lao Revolutionary Party's duty and responsibility; the inspection and audit have been divided into two components--inspection and audit for the Lao Revolutionary Party Members and for government officials; the Inspection and Audit Committee has been set up in each state organization from central to local levels to carry out the inspection and audit the civil servants who are suspected of corrupt behavior, bribery and fraud or who are dealing with corruption, bribery and fraud.

Public Management and Anti Corruption in Lao PDR after Constitution Adoption (After 1991)

After the implementation of the social-economic development over more than two decades, the first constitution was approved in 1991 to provide the legal governance

framework. The first constitution became the basic factor and had a main role and source for the creation of other laws and regulations behind the Lao PDR legal system. The new vision of the government was created; a huge number of laws on the social sectors, economic sector, political sectors, judiciary sectors and others were created as well. The Governance and Public Administration Reform Project (GPAR) was created in 1997 to encourage the government to implement a strategy for the governance in the future based upon four pillars: People's Representation and Participation, Public Service Management, Rule of Law, and Public Finance Management.

On the other side, a hot issue that the Lao Revolutionary Party and the Lao Government have been aware and paid attention to throughout is the damage caused by corruption that occurred in the society and bureaucracy system. In every year, there are huge amounts of government budget funds lost because of corruption. Therefore, the Government of Lao PDR adopted a law on Anti-Corruption in 2005. After promulgation of the constitution in 1993, the Lao government structure and Lao society have been changed as follows:

1) Legal Structure

Based on the Lao Constitution No 25/NA, dated May 6th, 2003 Chapter 1: The Political Regime said that "the Lao People's Democratic Republic is an independent country with sovereignty and territorial integrity over its territorial waters and airspace. It is a unified country belonging to all multi-ethnic people and is indivisible. The state of the Lao People's Democratic Republic is a people's democratic state. All powers belong to the people, [and are exercised] by the people and for the interests of the multi-ethnic people of all social strata with the workers, farmers and intelligentsia as key components. The rights of the multi-ethnic people to be the masters of the country are exercised and ensured through the functioning of

the political system with the Lao People's Revolutionary Party as its leader nucleus.

2) Legislative Branch of Lao PDR

The National Assembly is unicameral and maintains offices in each province to facilitate contact between provincial parliamentarians and their constituencies and consists of representatives from each province constituency level, each province must have at least three National Assembly members, but the total provincial representation depends on a function of the provincial population size. On Election Day, the provincial electors are asked to eliminate the candidates that they do not want to represent them; the members are elected by popular vote to serve five-year terms by direct and secret universal suffrage. Candidates for National Assembly membership must be screened and approved by the Lao Front for National Construction.

The Lao constitution identifies the National Assembly as the organization of the Lao people's representatives, the legislative organ, which has the right to decide the fundamental issues of the nation. The national assembly also supervises and oversees the function of the executive and judicial branches of the Lao government. Only the National Assembly has the right to amend the Lao Constitution and the amendment requires the votes of approval cast by at least two-thirds of the total number of the National Assembly members in the session.

3) Executive Branch of Lao PDR

Central Administration in Lao PDR

The president (Secretariat General of Politburo) is the head of the state to serve five-year terms and is elected by the National Assembly with two-thirds of the votes of all the National Assembly members attending the session. The president appoints or removes the prime minister with the approval of the National Assembly and members of the Lao government, and appoints provincial governors and municipal mayors based on the

recommendation of the prime minister. The president has powers to promulgate laws that are approved by the National Assembly. The government of Lao PDR consists of Prime Minister (Head of government as well as member of Politburo), deputy Prime ministers (Members of Politburo), ministers (Some of them are Members of Politburo) and chairmen of the ministry-equivalent organizations. The prime minister appoints deputy prime ministers, chairmen of ministry-equivalent organizations, deputy governors, deputy mayors and district chiefs.

The prime minister and deputy prime ministers supervise leadership in all ministries, but the ministers supervise the work in all ministries. On the other hand, some state organizations are supervised by politburos or ministers such as the Government Inspection Authority and “Government’s Office” is supervised by ministers who are designated as chairpersons. The government of Lao PDR currently has 18 ministries and 3 ministry-equivalent organizations as follow:

1. Ministry of National Defense;
2. Ministry of Public Security;
3. Ministry of Foreign Affairs;
4. Ministry of Home Affairs (New);
5. Ministry of Finance;
6. Ministry of Justice;
7. Ministry of Agriculture and Forestry;
8. Ministry of Public Health;
9. Ministry of Industry and Commerce;
10. Ministry of Energy and Mine;
11. Ministry of Public Work and Transport;
12. Ministry of Education;
13. Ministry of Labor and Social Welfare;

14. Ministry of Planning and Investment;
15. Ministry of Information, Culture and Tourism;
16. Ministry of Post, Telecommunication and Communication (New);
17. Ministry of Natural Resources and Environment (New), and
18. Ministry of Science and Technology (New).

Ministry-Equivalent Organizations:

1. Government's Office;
2. Government Inspection Authority, and
3. The Bank of Lao PDR.

 **Local Administration in Lao PDR**

Until 1991 the state administration was composed of 5 tiers: central government, provinces, districts, tasseng (sub-district), and villages.⁴ After that the first constitution was adopted in 1991 and changed the local administration structure into four tiers by abolishing the tasseng which was the intermediate units between district and village authorities; at that time the Provincial People's Councils also were dissolved. In 2003, the government of Lao PDR proposed to the National Assembly to issue the new Local Administration Law No 03/NA, dated October 21st, 2003 to define the Local Administration as "state administration at the local level."⁵ There are three levels of local administration in the Lao People's Democratic Republic: Province, District and Village.

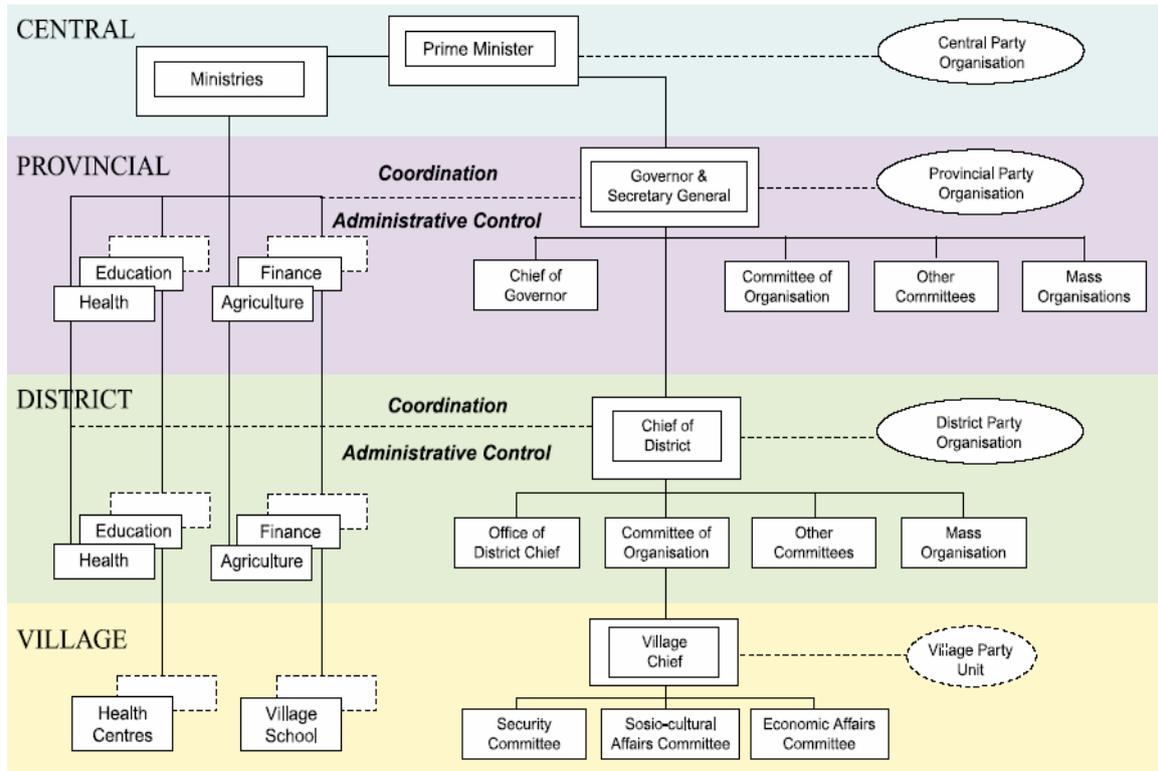
⁴ Pan Suk Kim, 2009. Public Administration and Public Governance in ASEAN Member Countries and Korea, Chapter 5 Lao PDR

⁵ Government of Lao PDR. (2003). Law No. 03/NA, dated 21 October 2003. The Law on Local Administration of the Lao People's Democratic Republic. Vientiane Capital.

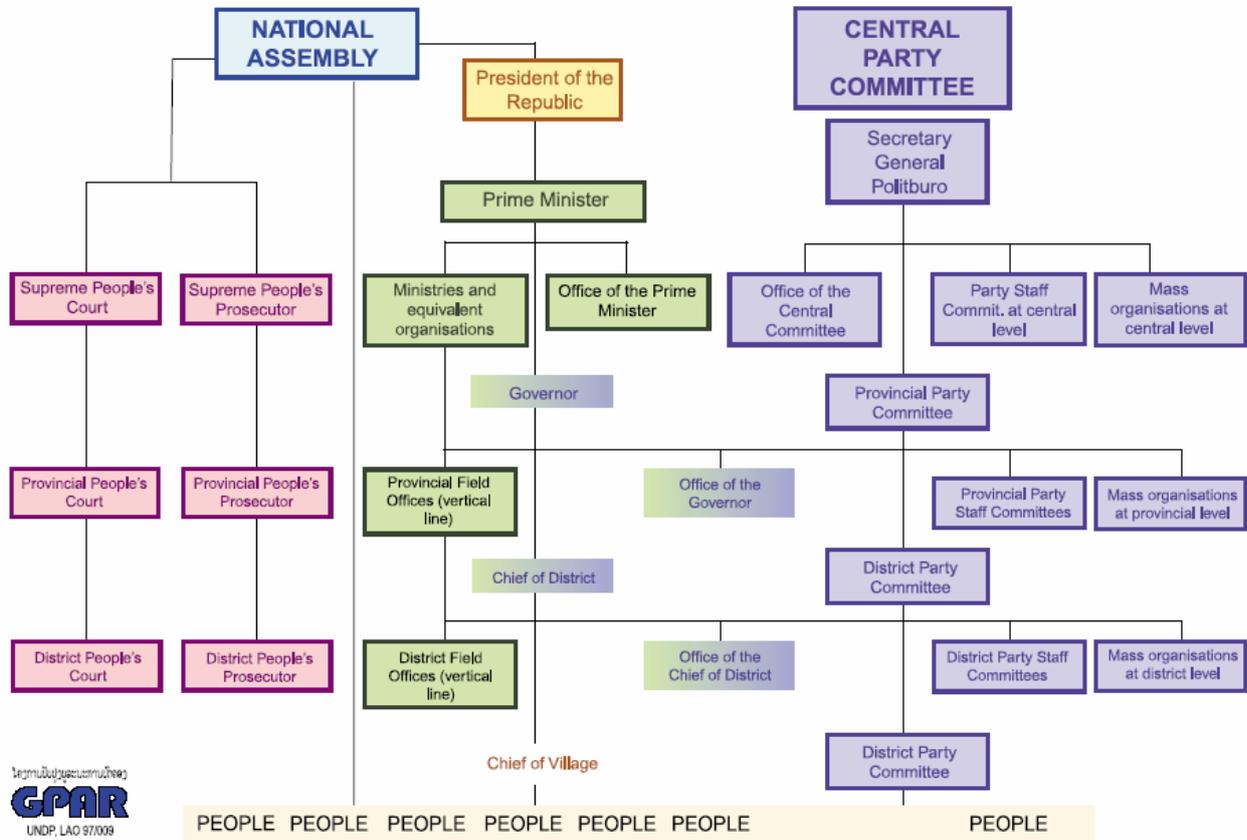
At the provincial level, there are provinces, cities and, if required, a special zone; At the district levels, there are districts and municipalities; at the village level, there are villages (Lao on Local Administration, 2003; Article 2). The local administration has the role to represent the locality and be responsible to the government in administering political, socio-economic and cultural affairs; human resource management; the utilization and preservation/protection of natural resources, the environment, and other resources; national and local defense and security and other international relations responsibilities assigned by the government; the head of the provincial administration is the Governor. The head of the city is the Mayor. The head of the district is the Chief of District. The head of the municipality is the Chief of the Municipality. The head of the village is the Village Chief. (Lao on Local Administration, 2003; Article 3)

The Governor and Mayor are appointed, transferred or demoted by the president of the state based on the proposal of the Prime Minister; they also hold party positions and they are often elected as the secretary of the provincial party organization by the local party members. The governor/Mayor shall have a five-year term of office and can be reappointed for one more term in the same place. The Vice Governor and Vice Mayor are appointed, transferred or demoted by the Prime Minister based on a proposal by the National Assembly and they also hold provincial party committee positions; the Governor/Mayor shall have a five-year office term and may be reappointed (Lao on Local Administration, 2003; Article 16). There are currently 16 provinces and 1 capital (Vientiane), which are further divided into 143 districts and 8.726 villages.

Overview of central-local Party State Institutional Framework



State Structure in Lao PDR



Source: UNDP (Lao PDR) - National Human Development Report (2001)

4) Judiciary Branch of Lao PDR

At the central level, the People's Supreme Court and the Public Prosecution Institute are the highest judiciary organizations of the state; the presidents are elected or removed by the National Assembly. At the local levels, the People's Courts and Prosecution Institutes comprise three levels, as follows:

- ✚ The People's Courts and Prosecution Institutes Provincial and Municipal;
- ✚ The People's Courts and Prosecution Institutes District; and
- ✚ The Military Courts.

All levels of vice-president of the People's Supreme Courts, the Public Prosecution

Institutes and Judges are appointed or removed by the National Assembly Standing Committees.

5) The Current Socio-Economic Development Status

Lao PDR is also one of the least developed countries in South-East Asia. It is ranked 138 out of 187 countries in the global Human Development Index 2010-2011; its rank is, however, higher than some of the other countries in the region, such as Timor Leste, Myanmar and Cambodia. Estimates suggest that poverty has declined from 46% in 1992-1993 to about 33% by 2002, and malnutrition remains a significant concern with 37% of affected by malnutrition (GoL and UN, 2008). Education achievement levels have seen significant improvement in recent years. About 16% of the population have completed primary school, 6% have completed lower secondary, and 5% upper secondary schools, respectively. Among persons of age 6 years and above, 26% were found to have no education in 1995. Around 78% of the population derives their livelihood from agriculture, fishing, and related occupations. There has been a significant increase in population employed in the service sector, which now accounts for about 17% the Lao population.

6) Social System

According to **Pan Suk Kim. (2009). Public Administration and Public Governance in ASEAN Member Countries and Korea** “the Lao Society displays a strong Buddhist influence in all walks of life including its political culture. This influence has given rise to a widespread sense of morality, diligence, self-discipline, self-reliance, honesty and transparency (Keuleers, 2002). Strong kinship connections and extended family relationships play a role in both public affairs and business activities, and Lao people are found making great efforts to maintain them. From this perspective, giving presents, granting tax reductions or other advantages to members

of the kinship group has been widespread and socially accepted. As a result, there is evidence of a soft social control system, inspired by tolerance, compassion, respect for authority and seniority, loyalty to kinship and confrontations-avoidance.⁶

7) Governance Reform of Lao PDR (at Central and Local Levels)

The government of Lao PDR has the determination to overcome the historical obstacles to the development of the country; this is synonymous with the strengthening of the society's peace and stability and preservation of the cultural heritage, by remaining a united society, while participating as actively as possible in regional integration and the world economy.

In 2006-2010, the National Socio-Economic Development Plan was established as a framework for governance reform to emphasize the government's commitment to building "an effective, efficient, well-trained, honest and ethical public service that is able to meet the needs of the multi-ethnic Lao people" (Government of Lao PDR, 2006); the government of Lao PDR proposed and highlighted the need for the greater accountability, transparency and public participation in planning and decision-making as well as more accessible and efficient legal enforcement institutions.

This is the position that the government of Lao PDR has consistently undertaken to reinforce government organization, people's participation, the rule of law and socio-economic management; these are essential and important areas for government to achieve the development objectives in the future. (A Policy Paper of the Government of Lao PDR on Governance Issues, Roundtable Meeting, Vientiane March 2003). In this meeting, the

⁶ Pan Suk Kim. (2009). Public Administration and Public Governance in ASEAN Member Countries and Korea, Chapter 5 Lao PDR

government of Lao PDR declared four major governance issues, and each of these areas was seen as very critical in ensuring the balanced and sustainable development of Lao society and administration. The main provisions are as follows:

Public Service Improvement

To improve public service, public management, public administration and governance, the government of Lao PDR's effort would like to strengthen the overall environment for the national growth and development as the government of Lao PDR established to implement in each Five-Year Socio-Economic Development Plan and in each resolution of the Lao Revolutionary Party as leading nucleus. The government started to implement the first Five-Year Socio-Economic Development Plan in 1980-1985 of the Lao Revolutionary Party Congress by enhancing the key factor of a cooperative association system; after that the government found many difficulties in the real practical issues and eventually failed. Therefore, the government of Lao PDR turned to the New Economic Mechanism (NEM) with the aims to reform the price decontrol, liberalize the trade and payment system, initiate reform in the civil service, introduce a more suitable legal framework, support the market economy, and extend the privatization program begun in the 1990s; these changes produced social-economic development in the short and long term. At this time, the most important thing for the government of Lao PDR was the favorable adoption of the new constitution in 1991 to provide the governance framework legally. Ever since, the government of Lao PDR has paid attention to reform public service and governance through several activities that were related to four strategic areas--improving the state management regulations and administrative framework, reforming organizational machinery and administrative framework of state agencies, improving civil service management, and strengthening central-local relationships (Pan Suk Kim, 2009).

In 1997, the Governance and Public Administration Reform (GPAR) Program was established which was supported by United Nations for Development Programs (UNDP); the program aims to build a state administration capable of managing the development goals of the country, that is, to navigate Lao PDR out of the ranks of the least developed countries by the year 2020. The program implements 6 main components of governance reform as follow:

- Central Government Reforms;
- Local Administration Reforms;
- Role of Government Reforms;
- Personnel Management Reforms;
- Financial Management Reforms; and
- Public Sector Legal Reforms.

The government of Lao PDR looks at the public service reform very seriously; an important issue is socio-economic development growth. In January 2011, the New Public Administration Reform Projects were launched, supported by United Nations for Development Programs (UNDP), United Nations for Crime and Drug Fund (UNCDF), the Swiss Agency for Development and Cooperation, and the Republic of Korea that will be part of the government's Governance and Public Administration Reform during 2011-2015. The projects aim to build on the strong foundation laid by the GPAR Support for Better Service Delivery and strengthen governance, especially to help the Ministry of Home Affairs (MoHA) to facilitate, coordinate, oversee the growing portfolio and strengthen capacity and service delivery of local administration across 66 districts to expand the network of One Door Service (ODS) Centres which the government is paying attention to expand around the country in the future.

People's Participation

Worldwide there is increasing recognition that citizen involvement is critical for enhancing democratic governance, improving service delivery, and fostering empowerment. "Demand for Good Governance" (DFGG) refers to the ability of citizens, civil society organizations and other non-state actors to hold the state accountable and make it responsive to their needs. DFGG encompasses initiatives that focus on citizens as the ultimate stakeholders and include activities relating to information disclosure, demystification and dissemination; beneficiary/user participation and consultation; complaints handling; and independent and/or participatory monitoring. DFGG aims to strengthen the capacity of NGOs, the media, local communities, and the private sector to hold authorities accountable for better development results. DFGG mechanisms can be initiated and supported by the state, citizens or both but very often they are demand-driven and operate from the bottom-up.⁷

“People’s participation, including the strengthening of the National Assembly and the redefinition of central-local relations is the basis of people-centered development” as the government of Lao PDR mentioned the commitment for the future to eradicate the national poverty says that “The Government of Lao PDR aims to achieve a stable and open people’s democracy, where the rights of the people are guaranteed by an efficient administration of the law, with broad and active participation in all national and international activities, in order to ensure stable socio-economic conditions in the country, improve constantly the living standards of the Lao multi-ethnic people, create the conditions for the eradication of poverty, and create a modern, industrial and successful country (Government of the Lao PDR. Public Service Reform, People’s Participation, Rule of Law and Sound Financial Management: A

⁷ World Bank, “What is demand for good governance?”

policy Paper of the Government of Lao PDR on Governance Issues. Vientiane Capital).

Constantly improving governance is essential to achieve these objectives. In this priority area, the government of Lao PDR has targeted to ensure that all Lao people are given the opportunity to be associated in all areas of decision-making, that they can fully enjoy their constitutional rights and that they are educated and well-informed so that they can express their opinion on government policy, on how our government is servicing them and participate fully in all areas of cultural, social and economic development.

Rule of Law

Since independence, the government of Lao PDR has always tried to establish and improve the legal system that is inherent in the development policy and work of the government every term; in particular the government managed the state and society by using resolutions and orders that were passed by the party and local administration authorities in 1989 by utilizing the constitution and constitutionally promulgated laws that govern society and guaranteed the people's rights. At that time the government was able positively to achieve the stability and development of the country which was not so long from the independence; especially the government was able to sustain the people's solidarity around the country. Even though, based on the government's achievement at that time, some of the government's goals were implemented unsuccessfully to the national socio-economic development and people's need, there were some impediments, obstacles and challenges remaining and some limitation how to access to justice system by all people; the government over the long-term has always ensured, upheld and established the principles of democratic centralism and good governance, especially the principles of respecting the rule of law. The first constitution established in 1991, has become the basic documents for the governance issues in Lao PDR.

In accordance with the Constitution's stipulation that "the State manages the society by the provision of the Constitution and laws and all party and state organizations, social organizations and all citizens must function within the bounds of the Constitution and laws" (Priority Areas for Governance Reform Policy Paper, p 38), in 2003 there were 47 laws including administrative and governing areas, social and culture areas and economic areas.

Because of the government has firmly paid a long intention to ensure, uphold and establish the principles of democratic centralism, good governance and principles of respecting the rule of law the government nowadays has a sound legislative framework for long time and has tried to overcome every impediment, obstacle and challenges, it simultaneously can be guaranteed that the government has a strong legal system that can strengthen of institutions within the justice system by focusing on legal dissemination and empowerment. The Lao people currently have become more active in the pursuit of their private activities and in contributing to the socio-economic development of the country.

Moreover, to achieve more about the rule of law in the future (Priority Areas for Governance Reform Policy Paper); the government has set some ambitious goals by:

- Ensuring the establishment of a complete, clear and coherent legal framework that provides the required transparency and certainty of laws and institutions to further the socio-economic development of Lao PDR and facilitate its integration with the global community;
- Strengthening the informal and formal mechanisms for dispute resolution so that they appropriately address the needs of our multi-ethnic population to ensure a peaceful society;
- Strengthening the capacity of all institutions in the legal and justice sectors and all other relevant state agencies to enable them to fully carry out their constitutional duties and implement and enforce the rule of law in Lao PDR with

a high degree of accountability;

- Ensuring predictable and transparent mechanisms for legal enforcement in order to create a stable and secure environment based on the rule of law; and
- Improving the ability of all the peoples of Lao PDR to access the justice system and public decision-making process in order that they may be able to exercise their constitutional rights and duties under the law.

Sound Financial Management.

“To achieve macro-economic stability and sustainable growth with equity, by establishing sound, accountable and transparent financial management practice” is a goal for financial reform which the government of Lao PDR announced in December 2000 and it was set to be the highest priority of the government on sound financial macroeconomic policies as well as on the decentralization policies in Lao PDR, especially how to increase the real GDP growth each year and term and try to keep the inflation. To control the custom and tax collection and fiscal budget allocation in each year more effectively and efficiently, the budget law was promulgated in 2007 with the aims to address “the weaknesses in the current intergovernmental fiscal relations framework and strengthens control mechanisms by centralizing the treasury, Customs and Tax Department.” (Lao PDR Country Report, 2008 Survey on Monitoring the Paris Declaration, p8); the government also set some objectives of the tax system to “promote business activities in every sector and accelerate the circulation or distribution of goods, stabilize the currencies and market prices, rationalize fairly the income between various strata of the society, acquire revenues to the state budget and to promote the development of the national economy.” (Priority Areas for Governance Reform Policy Paper, p52). The taxation system became a very important issue for the economic program during the period of 1994-2001, but the government did not meet its revenue performance

effectively and efficiently as their desired targets, and that made the government face shortfalls and deficits in many fiscal years. For example, the government could collect revenue 2.335 billion KIP in the fiscal year 2001-2002 (90% of target), while the government spent 3.769 billion KIP (93% of target) (Priority Areas for Governance Reform Policy Paper, p52)

The government of Lao PDR has very strong goals on economic growth, poverty reduction and graduation of the nation from the least-developed country status by 2020; the sound budgeting and financing management are critical priorities and there are many plans and projects that have been created by the government in the short-term, middle-term and long-term such as the country's National Growth Poverty Eradication Strategy (NGPES) adopted in 2003, the Public Expenditure Management Strengthening Program (PEMSP) adopted in January 2005, and so forth. In 2003, the government adopted some strategies to achieve on the sound financial management:

- Development of a sound fiscal policy;
- Development of transparent and accountable practices for the implementation of equitable revenue collection policies;
- Development of transparent and accountable practices for expenditure planning and management;
- Modernization of accounting systems;
- Development of a banking sector capable of supporting private sector led growth and extending rural outreach;
- Ensuring accountable and transparent management of ODA;
- Strengthening of capacities in the audit and inspection bodies;
- Improving efficiency in land management and administration; and
- Improving environment for private sector development.

3.2. Corruption and Anti-Corruption in Lao PDR

Based on the Law on Anti-Corruption No 03/NA, dated May 19th, 2005, article 2 has defined corruption as “corruption is the act of an official who opportunistically uses his or her position, powers, and duties to embezzle, swindle or receive bribes or any other act provided of:

- Embezzlement of State property or collective property;
- Swindling of State property or collective property;
- Taking bribes;
- Abuse of position, power, and duty to take State property, collective property or individual property;
- Abuse of State property or collective property;
- Excessive use of position, power, and duty to take State property, collective property or individual property;
- Cheating or falsification relating to technical construction standards, designs, calculations, and others.

Which act is committed to benefit himself or his family, relatives, friends, clan, or group and causes damage to the interests of the State and society or to the rights and interests of citizens. The officials stipulated in this law include leaders at all levels, administrative staff, technical staff or State enterprises, civil servants, soldiers, and police officers, including chiefs of villages and persons who are officially authorized and assigned to exercise and right or duty.

Corruption has occurred in the Lao society for long time since independence which affects socio-economic development directly;, it also affects the state structure, making it weaker and weaker. It also makes the values of the rule of law decrease; it destroys the people’s democratic regime, limits the progress of socio-economic development plans and

poverty reduction strategy as well as it affects the building of a harmonious, civilization and fair society in Lao PDR. Since independence, the corruption mostly has happened in the customs sector, taxation collection, state investments, state property utilization management, forest management-forest business, and illegal vehicles imports. Martin Stuart Fox mentioned about corruption in Lao PDR that:

“Concern about corruption focuses on a number of undesirable consequences. These include: reduction in revenue to government, which reduces its ability to fund services for citizens; reduction in efficiency of government and administration; reduction of economic competitiveness due to additional costs for business; discouragement of investment resulting in lower levels of growth; and undermining of the legitimacy of government or ruling parties. These are sufficiently serious for all but the most coercive of willful government to want to keep corruption within some bounds. The government of Lao People’s Democratic Republic (LPDR) is no exception. The problem of corruption is aired from time to time in the party-controlled media.” (Martin Stuart Fox. 2006, Volume 30, pp. 59-75. *The Political Culture of Corruption in the Lao PDR*. University of Queensland).

Martin Stuart-Fox also added that “there is little different in terms of the cause or kinds of corruption practiced there from any other poor developing countries. The most prominent and prevalent forms of corruption in Laos include accepting payment to disregard illegal trade, both imports and exports; collusion with officials to under-report trade volume in order to reduce tariffs and duties; accepting bribes to disregard environmental regulations; collusion to reduce taxes and rents; bribes demanded to issue documents, especially those required to establish a business or register land titles; exporting of regular payments by business to the ruling party, or to influential individual Party members for political protection; percentages and

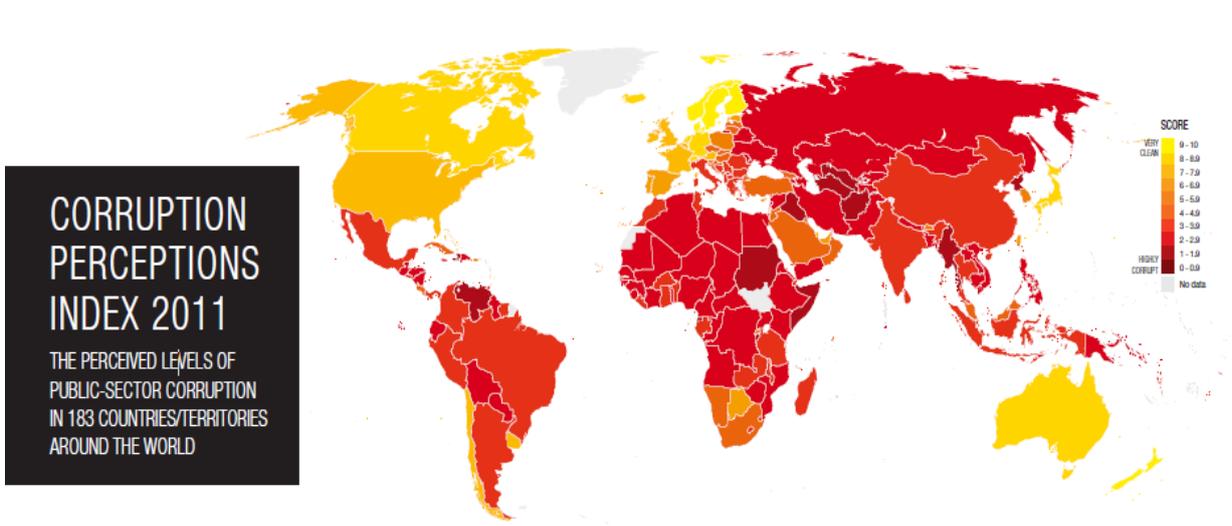
kickbacks for the awarding of contracts; obtaining of loans from the state lending banks by powerful individuals or through state-owned enterprises (SOEs) that are not repaid; use of the government funds earmarked for projects, or even salaries, for individual gain; payments for political favors, particularly with regard to obtaining employment or promotion; and a wide range of petty corruption by low-level civil servants, police and so on. (Martin Stuart Fox. 2006, Volume 30, pp. 59-75. The Political Culture of Corruption in the Lao PDR. University of Queensland).

In 2011, The Government Inspection Authority reported that many cases of corruption were found in the governmental structure and administration as follows:

- Embezzlement of State property or collective property 178 items;
- Swindling of State property or collective property 62 items;
- Taking bribes 50 items;
- Abuse of position, power, and duty to take State property, collective property or individual property 88 items;
- Abuse of State property or collective property 8 items;
- Excessive use of position, power, and duty to take State property, collective property or individual property 22 items;
- Cheating or falsification relating to technical construction standards, designs, calculations 2 items;
- Cheating or falsification documents 62 items.

In 2011, in ASEAN country members, the Transparency International (TI) ranked Singapore was the least corrupt country; Myanmar was the most corrupt country; and Lao PDR was ranked at the second most corrupt country and ranked at one hundred fifty-fourth in the world as shown in the graph below:

Corruption Perception Index 2011



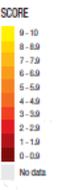
CORRUPTION PERCEPTIONS INDEX 2011
 THE PERCEIVED LEVELS OF PUBLIC-SECTOR CORRUPTION IN 183 COUNTRIES/TERRITORIES AROUND THE WORLD

RANK	COUNTRY/TERRITORY	SCORE
1	New Zealand	9.5
2	Denmark	9.4
3	Finland	9.4
4	Sweden	9.4
5	Singapore	9.2
6	Norway	9.0
7	Netherlands	8.9
8	Australia	8.8
9	Switzerland	8.8
10	Chile	8.7
11	Luxembourg	8.5
12	Hong Kong	8.4
13	Iceland	8.3
14	Germany	8.0
15	Japan	8.0
16	Austria	7.8
17	Barbados	7.8
18	United Kingdom	7.8
19	Belgium	7.5
20	Ireland	7.5
21	Bahrain	7.3
22	Chile	7.2
23	Qatar	7.2
24	United States	7.1

RANK	COUNTRY/TERRITORY	SCORE
25	France	7.0
26	Saudi Arabia	7.0
27	Uruguay	7.0
28	United Arab Emirates	6.8
29	Lithuania	6.8
30	Estonia	6.4
31	Cyprus	6.3
32	Spain	6.2
33	Botswana	6.1
34	Portugal	6.1
35	Taiwan	6.1
36	Slovenia	5.9
37	Israel	5.8
38	Saint Vincent and the Grenadines	5.8
39	Malaysia	5.8
40	Thailand	5.7
41	Malta	5.5
42	Puerto Rico	5.5
43	South Africa	5.5
44	Iceland	5.5
45	Norway	5.4
46	Montenegro	5.4
47	Slovakia	5.2
48	Dominica	5.2
49	Denmark	5.1
50	Mexico	5.1

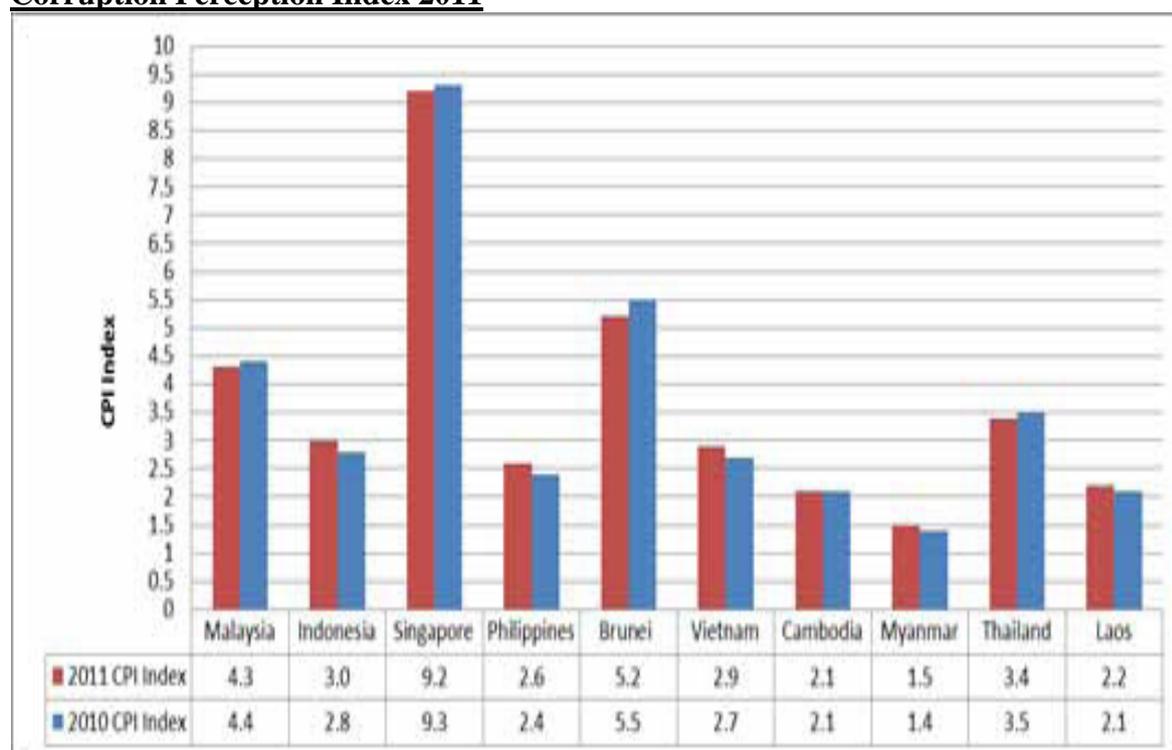
RANK	COUNTRY/TERRITORY	SCORE
51	Morocco	5.1
52	Costa Rica	4.8
53	Lithuania	4.8
54	China	4.8
55	Honduras	4.8
56	Czechia	4.8
57	Guatemala	4.6
58	Hungary	4.5
59	Kuwait	4.5
60	Jordan	4.5
61	Czech Republic	4.4
62	Honduras	4.4
63	Saudi Arabia	4.4
64	Malaysia	4.3
65	Cuba	4.2
66	Latvia	4.2
67	Turkey	4.2
68	Georgia	4.1
69	South Africa	4.1
70	Costa Rica	4.0
71	Montenegro	4.0
72	Slovakia	4.0
73	Chad	3.9
74	Italy	3.9
75	North Macedonia	3.9

RANK	COUNTRY/TERRITORY	SCORE
76	Denmark	3.8
77	Turkey	3.8
78	Turkey	3.8
79	China	3.6
80	Honduras	3.6
81	Guatemala	3.5
82	Venezuela	3.5
83	Venezuela	3.5
84	Colombia	3.4
85	El Salvador	3.4
86	Chad	3.4
87	Morocco	3.4
88	Peru	3.4
89	Thailand	3.4
90	Bulgaria	3.3
91	Jamaica	3.3
92	Panama	3.3
93	South Africa	3.3
94	Senegal	3.3
95	Senegal	3.3
96	Trinidad and Tobago	3.2
97	Zambia	3.2
98	Albania	3.1



Source: TI, Corruption Perception Index 2011

Corruption Perception Index 2011



Source: TI, Corruption Perception Index 2011

Because of awareness of the damage of corruption, the government of Lao PDR has a very clear aspect and policy on corruption as, “corruption is a very dangerous dismaying appearance in society to the socio-economic development and to the political stability. Mr. Cheuang Sombounkanh, the Head of the Party Central Committee’s Propaganda and Training Board, gave a speech at a meeting, saying “corruption is the main reason for the people’s poverty, and such behavior most commonly occurs in least developed and developing countries.” (VientianeTimes, Saturday, October 27, 2012). He also added that,

“Corruption causes real poverty among a large portion of the population. It is the consequence of cheating when arranging investment, misappropriation of funds, poor quality work, and low standards of efficiency. Weak state management and governance leads to unplanned administration, and corruption. Corruption is the result of poor governance and administration.”

However, the Order No 19/PM, dated June 19th, 1993 clarified how to reduce,

control and stop corruption. Ever since, the government of Lao PDR has made an effort on inspection, monitoring and evaluation issues and put them into every state's responsibility for anti-corruption issue. The government has issued the law on anti-corruption in 2005, issued the law on the state inspection in 2007, issued the law on the state investigation in 2007, issued an order No 25/PM on the saving and anti-luxurious payment in 2008, issued an order No 27/PM on the enhancement of prevention and resolve the dismaying appearance in society in 2011, and others. The most important legislation, however, is the People's Supreme Assembly and Minister's Parliament issued a joint-degree No 02, dated February 16th, 1982 to set up an organization for the Central Party-State Inspection Committee at central and local levels. This law specifies that the government always tries to do everything to publish and spread the government's regulations, laws, and resolutions of the Lao Revolutionary Party about the anti-corruption issues to civil servants, soldiers, and policemen at central and local levels for instance organized seminar-meetings, broadcast on televisions and radios, published in newspapers and others.

Moreover, the most important thing that challenges to the government to report how successful the government has been implementing for anti-corruption because the government of Lao PDR has promulgated to be member on the International Anti-Corruption Treaty at United Nations' Office in New York in 2005, of which there are currently 154 country members in the world. Currently, the government is preparing a summary report on anti-corruption evaluation to the United Nations in 2012, especially the Government Inspection Authority's duty and responsibility and the government of Lao PDR still continue to inspect in some suspected targets in the governmental organization about corruption such as the 450 Years Anniversary Road construction and others road projects in Vientiane capital.

CHAPTER FOUR: RESEARCH APPROACH

This chapter aims to discuss the government's achievement of its policy goals. Before this paper will test the hypotheses, it will be necessary to define some indicators for the term of reference from the government of Lao PDR such as good public management, good anti-corruption, social-economic development growth and good governance.

1) Good Public Management:

The government of Lao PDR has defined as "Good Public Management" that the government can produce laws, regulations, and rules that their citizens respect, and it will implement those laws, regulations and rules strictly.

2) Good Anti-Corruption:

The government of Lao PDR has defined "Good Anti-Corruption" as following and respecting the laws on anti-corruption, crime and other laws strictly. There are transparency and accountability in the public sector and private sector. Furthermore, good anti-corruption rules will limit and control corruption in the political system, public organizations and society by advertising, declaration of assets and debts and inspecting the government's policy implementation. In addition, good anti-corruption must discipline and punish the civil servants who commit the law on anti-corruption and other laws strictly.

3) Social-economic Development Growth:

The government of Lao PDR has defined the "Social-Economic Development Growth" the growth of Gross Domestic Product (GDP), the people well-being and social security.

4) Good Governance:

The government of Lao PDR has defined the "Good Governance" the respecting law and order as the basis of stable and equitable society; better responding to the needs of the people by making government institutions and service delivery more efficient; enhancing

transparency by increasing the quality and quantity of information; improving the decision-making process through dialogue and participation; rationalizing the relationships both within the central government and between the central and local authorities; and to enhance predictability and accountability under the rule of law by ensuring that state institutions and every natural and legal person abide by the Constitution and the laws of the Lao PDR and the many international conventions to which the Lao PDR is party.

4.1. Hypotheses

4.1.1. Hypothesis one:

(H₁): “Good Public Management means good governance.”

Group Statistics

	What is your sex?	N	Mean	Std. Deviation	Std. Error Mean
Good Public Management means good for governance	Male	31	1.9032	.72202	.12968
	Female	34	1.6250	.54247	.09303

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Good Public Management means good for governance	2.524	.117	1.766	63	.082	.27823	.15753	-.03657	.59302
			1.743	55.470	.087	.27823	.15960	-.04156	.59801

H₀: There is no difference between good public management and good governance.

H₁: There is difference between good public management and good governance.

Equal variances assumed because sig > 0.05 and sig P > 0.05; the hypothesis cannot reject.

Conclusion: There is no difference between good public management and good governance.

4.1.2. Test Hypothesis:

4.1.2.1. Hypothesis two:

(H₂): “Good Public Management affects Social-Economic Development Growth Efficiently and Effectively.”

Group Statistics

	if the government is able to control corruption, does it affect to socio-economic growth, revenue and tariff collection as their target.	N	Mean	Std. Deviation	Std. Error Mean
Good Public Management Yes affects Social-Economic Development Growth No Efficiently and Effectively.		44	1.6151	.39366	.05935
		21	1.5089	.37723	.08232

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
								Lower	Upper	
Good Public Management affects Social-Economic Development Growth Efficiently and Effectively.	.075	.04	1.030	63	.307	.10613	.10305	-.09979	.31205	
Equal variances assumed			1.046	41.037	.302	.10613	.10148	-.09881	.31107	
Equal variances not assumed										

H₀: Good public management affects social-economic development growth efficiently and effectively.

H₁: Good public management affects social-economic development growth efficiently and effectively.

Equal variances not assumed because sig < 0.05 and sig P < 0.05; the hypothesis can reject.

Conclusion: Good public management affects social-economic development growth efficiently and effectively; it means that good public management can affect social-economic development growth efficiently and effectively.

4.1.3. Test Hypothesis:

4.1.3.1. Hypothesis three:

(H₃): “However, these two will only be effective if the government of Lao PDR is able to reduce corruption significantly.”

Group Statistics

	Does the government of Lao PDR pay intention to the anti-corruption.	N	Mean	Std. Deviation	Std. Error Mean
However, these two will only be effective if the government of Lao PDR is able to reduce corruption significantly	Yes	54	1.3588	.29143	.03966
	No	10	1.8938	.34742	.10986

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper

However, these two will only be effective if the government of Lao PDR is able to reduce corruption significantly	Equal variances assumed	1.352	.01	- 5.176	62	.000	-.53495	.10335	-.74155	-.32836
	Equal variances not assumed			- 4.580	11.465	.001	-.53495	.11680	-.79077	-.27914

H₀: there is no effective difference between the two previous hypotheses; Good Public Management means good for governance and good public management affects social-economic development growth efficiently and effectively.

H₁: there is effective if the government of Lao PDR is able to reduce corruption significantly.

Equal variances assumed because sig < 0.05 and sig P < 0.05; the hypothesis can reject.

Conclusion: there is different if the government of Lao PDR is able to reduce corruption significantly.

4.2. Methodology, Information and Data

4.2.1. Methodology

In this paper the main subject population consists of the government organizations at central levels that directly contribute to the public management and anti-corruption issues in the Lao PDR, particularly the junior and senior officials; the questionnaires were distributed to every ministry formally (at least two samples); one is for the deputy head of the division or head division position of the involved department to public management and anti-corruption in that ministry, and one is for deputy director general or director general position of the involved department to public management and anti-corruption. The responses gains and findings from those are definitely confident and logic.

4.2.2. Information and Data Analysis

According to “An Operations Research Handbook” by Andrew Fisher and James

Foreit (2002),

“Discussion of how data will be collected is an important part of the methodological section of your proposal. There are many different ways to collect data. The approach you choose depends on the study objectives, the study design, and the availability of time, money, and personnel. In deciding on the best way to collect data, it is important to consider whether the study is intended to produce quantitative, numerical findings or to produce qualitative, descriptive information.”

They also add that, “Most operations research studies are concerned with the quantitative measurement of program operations, but many also are (or should be) concerned with detailed qualitative information on processes.” (Andrew Fisher and James Foreit. 2002).

On the other hand, Yin (1994) mentioned that “there are five ways which are often used in collecting and analyzing data in a business research. These are survey, experiment, and analysis of archival information, case studies and histories,” but in order to complete the objectives of my paper I will use questionnaires with open and closed questions; the questionnaire comprised four sections and twenty questions. The first section is about general information, the second part focuses on the perception of the public management in the Lao PDR, the third part focuses on the perception of the corruption and anti-corruption issues in the Lao PDR and the last section is about personal information; the questionnaires will be distributed to the government agencies at central levels at least two questionnaires. After that the data result will be analyzed by SPSS which is widely used in social science research in the world

4.3. Limitations of the Methodology

My paper would be more effective if I had adequate time and evidence to conduct an in- depth investigation in corruption issues in some directly concerned organizations such as

the Ministry of Finance; the Department of Customs and others, the Ministry of Public Work; the Department of Bridge and Road and others, the Ministry of Agriculture and Forestry; the Department of Forestry, Department of Forestry Inspection and others and other ministries; those are mostly direct to bribery and corruption in the Lao civil service. Hence time was one of the limiting factors; however, I tried to do my best to administrate the time that I had effectively and efficiently to finish my paper on time, and other factor is a lacking of evidences on the Lao public management and anti-corruption in each period elaborately that are not enough to support my paper fully; however, the evidences and data that I obtained it could direct me to conclude and comment to the Lao government's policies and eventually, I could accomplish my thesis completely.

CHAPTER FIVE:

CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis of my data and indicators collected from 40 samples around the ministries and equivalent-ministries at central levels on the Lao public management and anti-corruption issues, I can state that the responses very carefully answered my questionnaire clearly. They gave me very important and true information for my analysis in particular on corruption and anti-corruption in Lao PDR that are very sensitive issues for the Lao government and Lao people since its foundation in 1975. They are aware that corruption has been spread and increased widely in society and the within the Lao civil service system from the top down. Even though, the Lao government has tried to reduce corruption and issued many regulations to control or eliminate corruption, it has still spread day by day. The government's monthly meeting in January, 2013 discussed this issue again to approve a draft Prime Ministerial Decree on the declaration of assets and debts for leading state and administrative officials at various levels with the aims to stem corruption and create transparency in both the Party and state administrative structures, and ensure that officials and cadres carry out their duties cleanly.

In this research I conclude that the Lao government has achieved implementation of public management and anti-corruption programs from the past to present with some satisfactory critical factors because every leader in each level has paid attention to their duties and responsibilities to implement resolutions, orders, regulations and laws in each period of party congress. On the other hand, even though, there are some successes for the Lao government in public management and anti-corruption programs, there are still some failures since some civil servants do not pay attention to respect the regulations and laws; some of them try to take opportunities to exert excessive use of position, power, and duty to earn

personal profit; such problems occur most frequently in the infrastructure construction projects, tax collection in support of the national budget, national fund management, natural resource excavations, illegal forestry excavation, illegal mill establishment, illegal vehicle import, land...and state project management. Consequently, the Lao government has suffered from their experience by losing a huge amount of budget fund every year since independence.

United Nations Secretary Ban Ki-Moon gave a message in 2011, saying that “Corruption afflicts all countries, undermining social progress and breeding inequality and injustice, when desperately needed development funds are stolen by corrupt individuals and institutions, poor and vulnerable people are robbed of the education, health care and other essential services.” He added that, “All of us have a responsibility to take action against the cancer of corruption.” Therefore, the government of Lao PDR must pay more attention to control or eliminate corruption in the Lao civil service system seriously from now on. In addition, the government should state their action plans clearly and coordinate with international organizations and other partners to achieve their convention as the government gave a promise to United Nations in 2003 and in 2009; those are very challenging to the government to accomplish in the future.

This research has investigated the government’s policy implementation since independence to find out how successfully and unsuccessfully the government is able to achieve their goals. The purposes are measured in five recommendations that are briefly summarized as follows

Recommendation One: Public Management

In 2011, the government of Lao PDR improved the governmental structure and some organizations in the Prime Minister’s Office. These were a big change since independence. Since in the past, there were only 13 ministries and 3 equivalent-ministries, but currently

there are 21 ministries and 1 equivalent-ministry. In addition, the government is preparing to establish Laungprabang Municipality (in Laungprabang province, The World Heritage City, in 2001) and Pakse Municipality (in Champasack province) that will be the first two municipalities. Beside, the government is enlarging the One Door Service (ODS) at districts through the country to encourage transparency and accountability. District administration and governance are improved. Special Economic Zone and Specific Economic Zone are discussed and considered to establish more in the future. Consequently, I would like to recommend that the government has many perceptions to improve the public management and the government has always tried to improve the governmental structure and public service all the time to improve better service delivery and more transparency in the civil service system

Recommendation Two: Anti-Corruption

As mentioned above, the government of Lao PDR has made a lot of efforts to issue laws and regulations to control or eliminate corruption that has occurred and spread in the Lao bureaucracy system, but the government still cannot achieve as much as it needs to and every year the government loses a lot of budget funds to corruption. Anti-corruption programs are not enforced strictly. I observe that there are many types of corruption in the Lao civil service and I myself agree with Martin Stuart-Fox that,

“The most prominent and prevalent forms of corruption in Laos include accepting payment to disregard illegal trade, both imports and exports; collusion with officials to under-report trade volume in order to reduce tariffs and duties; accepting bribes to disregard environmental regulations; collusion to reduce taxes and rents; bribes demanded to issue documents, especially those required to establish a business or register land titles; extortion of regular payments by business to the ruling Party, or to influential individual Party members for political “protection”; percentages and

kickbacks for the awarding of contracts; obtaining of loans from state lending banks by powerful individuals or through state-owned enterprises (SOEs) that are not repaid; use of government funds earmarked for projects, or even salaries, for individual gain; payments for political favors, particularly with regard to obtaining employment or promotion; and a wide range of petty corruption by low-level civil servants, police, and so on.” (Martin Stuart Fox. 2006, Volume 30, pp. 59-75. The Political Culture of Corruption in the Lao PDR. University of Queensland).

The most important thing, I observe that corruption is not only controlled, but also it is still increased by other types and it occurs both from high ranking officers and general civil servants. in Lao PDR the corruption level is still high and strongly affects the national economy. I am able to say that it is very challenging for the government to achieve this goal to leave the Lao PDR from the Least Developed Country (LDC) in 2020; the government should consider about how to reduce and prevent corruption and how to reform the anti-corruption programs in the right ways as follow:

- 1) Pay more attention to the law enforcement on anti-corruption;
- 2) Discipline and punish the civil servants who commit and break the law on anti-corruption seriously. Although, they are high ranking officers or general civil servants;
- 3) Seize all money, assets and properties from the civil servants who corrupted;
- 4) Adapt and improve some laws, regulations and rules on anti-corruption issues and other laws that deal with tax and revenue collection or law on custom which is the biggest gap of corruption;
- 5) Create more laws, regulations and rules to control and eliminate corruption; and
- 6) Create specific committees to inspect the civil servants’ asset and property regularly in each level.

In addition, the government should have short, middle and long strategy to manage, control and eliminate corruption correctly. Furthermore, I myself observe that there are many causes that make corruption occurs in the Lao civil service such as low payment to civil servant, but high living cost, lack of seriously law enforcement, corruption has occurred in the Lao civil service for long time and it belongs to a culture in the Lao bureaucracy system and it is quite difficult to delete and end it from the Lao society.

Recommendation Three: People's Participation

According to the responses from the questionnaire about people's participation perception in Lao PDR, I obtained the result that the government of Lao PDR currently has paid more attention to encourage the people's participation activities in every area in the public sector and the government would supply necessities based on the basic need from the people to be the first priority of the government policy. I myself observe that Lao people currently have more opportunity to participate in every government policy implementation and activities, especially people who live at local level and remote area or at central level. However, the government has very clear plans and policies to implement to obtain people's participation around the country, but it is very challenging to the government to achieve it since it is a very broad task and the government cannot supply the whole need of the people because of still lacking of resources and budget.

Consequently, I would like to recommend that people's participation is a very important policy for the Lao government and the government should continue to carry out this policy as well as it can promote the people's democracy system as the people's voice and the government would know exactly what they need firstly and what they do not need for their lives. Moreover, the Lao government should go to exchange experience with some countries that are successful in this area implementation and take those experiences to utilize

in the real situation of Lao PDR perfectly.

Recommendation Four: Rule of Law

In 1993, it was a very important year for the government of Lao PDR because the first constitution was adopted after independence in 1975 that made the Lao bureaucracy become to govern by the rule of law. The first constitution made an important change in Lao PDR. At that time, there were only ten laws in the Lao civil service, since the government has made a lot of efforts to issue laws and amend laws. There are currently almost one hundred laws in every area and there is a trend to increase day by day.

On the other hand, even though the government has issued a lot of laws, there are some gaps on implementation of those laws; a lot of civil servants abuse their responsibilities and duties to commit and take State property, collective property or individual property. In 2011, there were 9,893 cases were sentenced, but the People's Supreme Court could only sentence 679 cases and 8,044 were continuing to investigate. On the other hand, the People's Supreme Court cannot implement to sentence 1,170 cases. I myself really agree with my responses that law enforcement is not strict enough in the Lao civil service now a day; a lot of gaps have had occurred as there is a famous sentence said that "Rich people never been prisoner, poor people never have opportunity to stay at hospital when they are sick" and the judges still do not pay attention to their duties and responsibilities. Consequently, if the government would like to belong to be a very good legal system; the government should be strict more on the law enforcement, discipline and punish the people who commit or break the law seriously

Recommendation Five: Sound Financial Management

From the responses, they talk a lot about tax revenue and fiscal policy of the government as I estimated before I distributed my questionnaire. Furthermore, tax revenue

has been discussed for long in the Lao civil service because the government always has many problems to collect the revenue and taxes. Consequently, the government hopes to set a sound financial management system. In addition, to improve the fiscal policy and to keep the economic growth balance; the government has established a policy by allowing the foreign investors to invest in banking business sector and there is a trend to increase day by day. I myself would like to commend that macroeconomic is the most important to the social-economic growth. Consequently, the government should have correctly financial management system especially how to guarantee the revenue and tax collection to the national treasury one hundred percent.

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