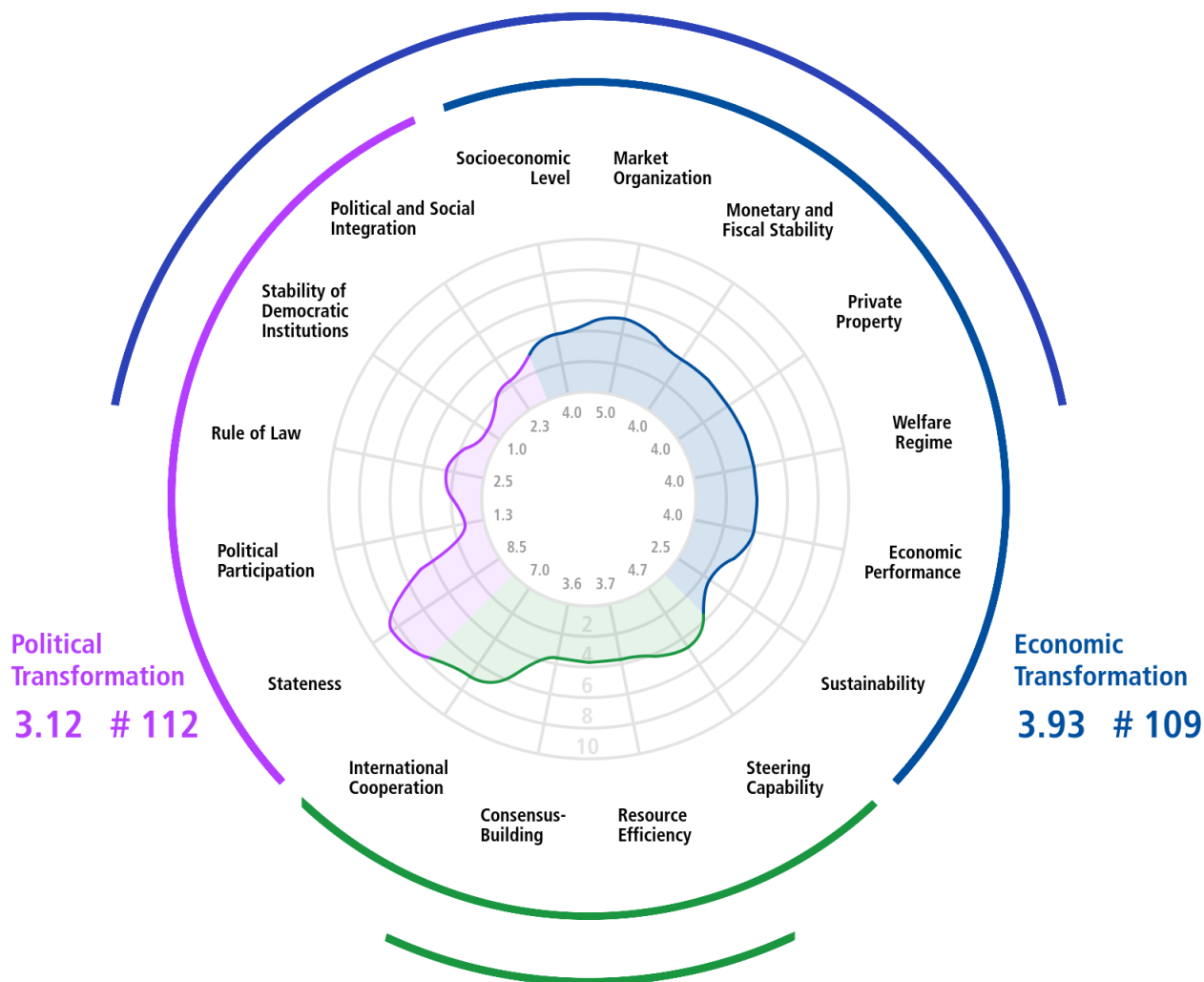


## Laos

### Status Index

**3.52 # 111**

on 1-10 scale out of 137



**Political Transformation**  
**3.12 # 112**

**Economic Transformation**  
**3.93 # 109**

### Governance Index

**4.37 # 81**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>7.8</b>	HDI	<b>0.617</b>	GDP p.c., PPP \$	<b>9788</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.4</b>	HDI rank of 193	<b>147</b>	Gini Index	<b>38.8</b>
Life expectancy	years	<b>69.0</b>	UN Education Index	<b>0.469</b>	Poverty <sup>3</sup>	% <b>32.5</b>
Urban population	%	<b>38.9</b>	Gender inequality <sup>2</sup>	<b>0.475</b>	Aid per capita \$	<b>67.2</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

An ongoing financial and economic crisis dominated the affairs of the Lao People's Democratic Republic as it approached its 50th anniversary in 2025. The aftermath of the COVID-19 pandemic and the Russian invasion of Ukraine have exposed the country's macroeconomic vulnerabilities and structural weaknesses. Although resurgent tourism and natural resource exports – and perhaps the growing shadow economy of cybercriminality and drug-trafficking emanating from the special economic zones – have generated sufficient revenue to lift economic growth back to a satisfactory rate of 4%, the economic situation remains precarious. Overborrowing, debt obligations, a lack of reserves and currency depreciation are among the key factors of the current crisis. Inflation remained high at a rate of almost 20% in late 2024 (after reaching a peak of 41% in 2023). Stabilizing the national currency (the exchange rate fell by 140% between January 2021 and September 2024) has been particularly challenging, even if there are tentative indications that the economic crisis has bottomed out. However, signs of recovery cannot obscure the ongoing debt crisis that is expected to hamper the country in the years to come. Debt payments to Chinese banks alone are expected to be \$700 million annually until 2028. Without effective debt-restructuring programs, Laos will remain highly dependent on China. Short-term measures such as the increasing allocation of mining and plantation concessions contradict the official commitments of the Laotian government regarding the United Nations Sustainable Development Goals. In 2024, there was an unexpected increase in the deforestation rate and another major flood that mainly affected the northwest.

In the regional political arena, Laos successfully assumed the chair of the Association of Southeast Asian Nations (ASEAN) and used the opportunity to act as a reliable partner and advocate for key ASEAN goals such as regional stability and economic cooperation. The one-party state still shows no inclination toward multiparty reform. This is not surprising, given the authoritarian tendencies in evidence across Southeast Asia. The country's leadership cultivates close ties with China, even though Vietnam and Thailand remain key economic and political partners.

Recent reshuffles within the leadership of the party-state indicate a concentration of power in the hands of the old revolutionary Phomvihane and Siphandone clans. The upcoming 12th Party Congress is expected to confirm this trend. While measures to address pressing economic challenges and reforms in the direction of a state under the rule of law (following China's example) dominate the political agenda, other areas such as LGBTQ+ rights and mental health remain almost entirely unaddressed.

## History and Characteristics of Transformation

The Lao People's Revolutionary Party (LPRP) came to power in 1975 in a nation devastated by the environmental, emotional, social, political and economic toll of a decades-long civil war that was ensnared in the Second Indochina War. The new Marxist-Leninist regime, modeling the country's system on that of the Democratic Republic of Vietnam, faced a daunting series of tasks, including unifying a divided population, rebuilding after one of the most intensive bombing campaigns ever carried out, extending state infrastructure to remote and mountainous regions, and securing subsistence despite the punitive economic sanctions that followed its rise to power. Despite these early challenges, the LPRP achieved important early gains, including improvements in literacy rates and the effective cessation of hostilities during its first decades in power. It also negotiated and enacted a constitution in 1991 that ushered in a wide range of legal reforms.

Upon assuming power, the LPRP extended the use of agricultural collectives. However, this proved to be an ill-fated campaign that fueled a subsistence crisis and mass migration. Throughout the 1980s, the party pragmatically shifted toward endorsing a "multisectoral" or hybrid economy, defined as a "government-regulated market economy." The party still officially maintains socialism as an eventual goal. Restrictions on internal trade were lifted, and a free market was introduced for agricultural products. The government also liberalized international trade and pursued foreign investment. Various supportive measures were implemented over the following decade, including the removal of microeconomic constraints that hindered private production as well as legislation intended to foster foreign direct investment (FDI), including a new legal framework for commercial, trade and labor law. The government also placed greater focus on macroeconomic stability and privatized most state-owned enterprises (SOEs), with the exception of about 20 designated as "strategic." Simultaneously, the state maintained a central coordinating role through what eventually became the Ministry of Planning and Investment.

By the mid-1990s, these measures were producing the desired economic effect of improving resource allocation and spurring economic growth, although the country remained highly dependent on official development assistance (ODA), particularly for infrastructure development. In 2013, Laos qualified for membership in the World Trade Organization (WTO) and, in 2015, for the ASEAN Economic Community.

Over time, the LPRP strategy of balancing market and state-led approaches has become increasingly formalized through legislation as it seeks to implement the legal sector master plan (2009), which aims to make Laos a "rule-of-law state." With a steady increase in investment,

especially in hydropower, mining, commercial agriculture and tourism, economic growth surged, averaging almost 8% a year between 2005 and 2015. The global financial crisis of 2008/09 reduced the quantity of FDI from the West, but investment from Asian nations, especially Thailand, China and Vietnam, soon replaced it. Annual GDP growth remained robust until 2019. As is typical for transitional economies, rapid growth came at the cost of rising inequality, but in Laos this was exacerbated by the resource-intensive nature of growth. In addition, the large-scale granting of state land concessions for mining, hydropower and commercial agricultural development resulted in widespread dispossession, including farmers from the land and other residents and users from communal forests. This period of increasing prosperity also coincided with a growing political culture of corruption. When steady economic growth came to a halt in 2020, structural macroeconomic deficiencies and a lack of political will to reform were laid bare. Leaving the ranks of least-developed countries (LDCs) – a key objective in the 2021 Five-Year Plan – remains a medium-term goal, now postponed to 2030.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The ruling Lao People’s Revolutionary Party (LPRP) maintained its monopoly on the use of force during the period under review. Threats formerly posed by Hmong insurgents and other opponents of the regime were neutralized many years ago. Any public protests against large-scale development projects such as the new railroad or hydropower dams have been nipped in the bud by state authorities. However, in remote and mountainous border areas, organized drug-trafficking and the wildlife trade by transnational gangs remain largely beyond Lao authorities’ control. In addition, special economic zones (SEZs) appear to be beyond the control of the Lao authorities. There have been reports of Chinese security personnel in the SEZs wearing uniforms with the word “Police” on them. However, it is unclear whether they are only private security or are actually interfering with Lao police authority.

Laos is an ethnolinguistically diverse society comprising 50 official ethnic groups, with the politically dominant ethnic Lao accounting for just over half the national population. Since coming to power in 1975, the LPRP government has explicitly adopted an ethnically inclusive definition of national citizenship, as indicated by the ubiquitous phrase “pasason lao banda phao” (“Lao people of all ethnic groups”). However, the nationality and “race” of all ethnic groups, as indicated on identity papers, are officially “Lao.”

Although there were small but significant exceptions in the past, particularly among Hmong communities, the vast majority of the population accepts the dominant concept of the nation-state as legitimate. Nevertheless, Lao authorities reportedly still discriminate against ethnic minority groups in rural areas, particularly by pressuring them to give up or modify shifting cultivation techniques, traditional marriage practices and religious activities. Non-Buddhist minorities are often officially classified as followers of “spirit religion” (Lao: satsana phi), a term used in contrast to Buddhism in ways that downplay the sophistication and complexity of these other religions.

Question  
Score

Monopoly on the  
use of force

8



1

State identity

9



1

Laos is a Marxist-Leninist state firmly anchored in secular governance. Although Buddhism is considered the state religion (and elements of Buddhist culture are key pillars of Laos' national cultural heritage), religion has no obvious influence on the legal order or political institutions. A close examination of how power and politics unfold on the ground shows that pre-Buddhist spirit cults remain important, as seen in the continued construction of city pillars, stupas venerating important political figures and village shrines. However, this influence is subtle. The constitution adopted in 1991 designates the state as the protector of all cultures in Laos and tasks it with eliminating any form of "negative" culture. While the constitution officially enshrines religious freedom, non-Buddhist proselytism is closely monitored, and those converting to Christianity (usually ethnic minorities) are occasionally persecuted. However, this is motivated more by negative past experiences with foreign (European and U.S.) domination than by religious dogma.

The mountainous topography of Laos has historically posed challenges for state authority, the provision of basic services, and transportation and communication. Against this background and working from a low base, the LPRP regime has steadily improved access to services, partly through its policy of resettling villages to create "focal zones" with better access to services. The LPRP has also pursued a strategy of asking members of the public to take on unpaid roles in local administration, such as village-level tax collection, health volunteering and assisting the operations of the party's mass organizations. In this way, basic administration is both limited and extremely widespread.

People often aspire to paid jobs (for themselves or their children) in administrations at the district, provincial and national levels. However, jobs are allocated on a quota basis; new job opportunities are severely limited, especially as the government is under pressure to reduce public spending. As a result, many aspiring young people end up working as volunteers for the administration while receiving no salary. This can continue for years and contributes to the government's low administrative capacity.

At the national level, access to sanitation and water sources has markedly improved over the past decade. The share of the population with access to safely managed sanitation rose from 46.1% in 2011 to 61.1% in 2022. The share with access to basic sanitation was 79.5% in 2022, while the share with basic access to water sources increased to 85.5% (up from 69.8% in 2011). Nationwide electrification is a success story, now reaching 100% coverage (from 94% in 2017; in 1995, only 15% of Lao households had access to electricity). Health care and education have improved as well, albeit with considerable setbacks due to the COVID-19 pandemic and the ongoing economic crisis, which has resulted in reduced public spending on health and education. The state bureaucracy continues to suffer from a lack of resources, transparency and capacity. The Laos-China railway and new highways exemplify the country's improved infrastructure network. However, road maintenance remains insufficient and varies considerably across the country.

No interference of religious dogmas

10



1

Basic administration

7



1

## 2 | Political Participation

Elections take place at the national, provincial and village levels, respectively for the National Assembly, provincial people’s councils and village administrations. Elections in Laos are generally not designed to meet the standards expected in a multiparty democracy. Instead, they are designed to meet the standards of a “people’s democracy,” in which a single party is expected to formulate a policy that is scientifically “correct” in the sense of accurately analyzing and responding to real situations in a way that advances the interests of the working class (more commonly termed “the people” in Laos). Multiparty democracy is rejected on the grounds that it would lead to different parties representing different classes, which by definition would always be in conflict with one another, thereby subordinating some classes to others and factionalizing politics and society. Lao elections are designed to allow popular participation and debate without factionalism or lasting divisions. Unity is of prime importance.

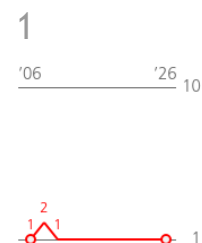
In the 2021 National Assembly election, the ruling Lao People’s Revolutionary Party won 158 of the assembly’s 164 seats (out of a pool of 224 candidates), with the remaining seats allocated to carefully vetted independents. The high voter turnout rate (98%) is exemplary for a socialist country and is primarily the result of mobilization through the mass organizations directed by the party-state.

National Assembly elections are held every five years, and international observers are not permitted to monitor them. After the resignation of Prime Minister Phankham Viphavanh, Deputy Prime Minister Sonexay Siphandone – son of former LPRP strongman Khamtay Siphandone – was elected prime minister by the National Assembly with 149 out of 151 votes, suggesting that his “election” was predetermined by the LPRP.

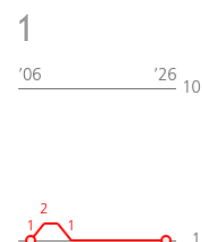
The LPRP effectively holds veto power over any political question in Laos. The party has been effective at retaining power. Prime Minister Sonexay Siphandone represents continuity in the party-state apparatus. So too does his sister, Viengthong, who presides over the Lao People’s Supreme Court, as well as Saysomphone Phomvihane (president of the National Assembly) and Thongsavanh Phomvihane (minister of foreign affairs), both sons of long-term ruling party secretary-general and hero of the Lao revolution, Kaysone Phomvihane.

The LPRP focuses on preserving unity and solidarity. The party-state exerts control or oversight over all political institutions, including the executive, the National Assembly, the Politburo, the Central Committee and the military. There is a strong overlap – usually familial – between business interests and party and government members. It is important to note that the LPRP considers itself to be a democratic institution; party congresses feature extensive discussion and deliberation, as well as voting. The party’s stance is that it represents the true interests of all people in Laos, including non-members.

Free and fair elections



Effective power to govern



People in Laos have the right to political assembly and are required to participate in political activities (such as village-level meetings) to a degree much more pronounced than in multiparty democracies. However, all political activity and assembly must take place within the structure and goals set by the LPRP; there is no politics outside the party. There have been no formal public protests in Laos for years.

Non-profit associations (NPAs) are permitted under the 2009 decree on associations (revised in 2017). The decree explicitly requires NPAs to support state development plans and operate in line with government policies. The 2017 revisions added bureaucratic barriers to registration, extended the range of prohibitions applied to NPAs and required government approval of all sources of foreign funding.

The LPRP controls media organizations and the press through the Ministry of Information and Culture.

While fear and (self-)censorship are very real and inhibit free expression in the media, it is an oversimplification to see only repression and control in the Lao mediascape. Rather, there is a tension: On the one hand, media and social media are considered “mouthpieces” (kaboksiang) of the party-state. On the other hand, they are ideally an “arena” (vethi) for “democratic” expression. Contrary to many misconceptions among those who do not read Lao, there is a plurality of political opinion in Lao media, even in the state-controlled media. However, these opinions are offered in a constructive and conciliatory tone. Ultimately, however, the notion that Lao media and social media must serve the LPRP’s rule and transformative agenda remains firmly entrenched.

The Lao population is increasingly turning to social media for information and political expression.

A wide variety of opinions were briefly aired on social media, but in 2014 the government sought to curtail social media with a decree regulating internet communication. Elements of this decree – such as the requirement to protect the LPRP, the nation’s peace, independence, sovereignty, democracy and prosperity – are open to broad interpretation and abuse.

In May 2021, the party-state created a government task force to control social media activity (facilitated by a recent requirement to register SIM cards). The task force is made up of local government officials and police officers, whose job includes monitoring social media posts and comments. This creates a climate of intimidation that limits public expression of differing opinions.

Association /  
assembly rights



Freedom of  
expression



### 3 | Rule of Law

The Eighth Congress of the Lao People’s Revolutionary Party in 2006 announced the goal of establishing a “rule-of-law state” in the Lao People’s Democratic Republic (Lao PDR). In 2009, the “Master Plan on Development of the Rule of Law in the Lao PDR Toward 2020” was adopted. Since then, Lao PDR has repeatedly emphasized this goal in its national policies, media and international forums. This commitment to the rule of law includes mechanisms for applying laws impartially and support for an independent judiciary able to make binding decisions on the law’s application. In the 1991 constitution, Articles 68 and 71 affirmed the independence of judges when engaged in adjudication and the binding authority of their judgments over all state organizations and citizens. The 2003 amendments to the constitution clarified that all laws need to comply with the constitution. The intention behind the rule-of-law initiative is that no one – the party, politicians or leaders – is to be above the law. However, under the 2003 amendments, the National Assembly has the power to appoint, transfer or remove judges, which undermines the independence of the courts. In practice, the supremacy of the constitution is not observed, as no laws or decrees in conflict with the constitution have been struck down. Therefore, the rule of law in Laos appears to be a new initiative that is still being realized, although significant steps have been taken in setting up the legal framework for it.

In 2021, an administrative chamber was established in the court system. Administrative proceedings are expected to occur in three stages, following the same procedure as other types of cases, with the Vientiane Court serving as the court of first instance and the Central People’s Court and the People’s Supreme Court as courts of appeal. Prior to the establishment of this chamber, it was “not possible to challenge administrative decisions before an independent body or court” in Lao PDR, despite the fact that some laws, such as the 2005 Law on Handling Petitions (Article 6[6]), explicitly provide for a right to appeal administrative decisions in court. In the first few years of its existence, 11 applications were filed with the administrative chamber, with only one of them triggering an investigation by the Office of the Supreme People’s Prosecutor.

The judiciary is institutionally differentiated under the constitution but in practice is not independent. Judges customarily approach cases in a highly consultative manner; if an issue is important or difficult, they work with committees (including prosecutors, government and party officials, police, and local National Assembly offices) to obtain their views before hearing the case. Judges are not required to follow the committee advice, but the expectation of consultation appears to limit judicial independence. Bribery is allegedly widespread, especially in civil and commercial cases, and political connections often prove decisive.

Separation of powers

2

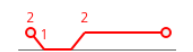
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Independent judiciary

2

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The National Assembly has passed a growing body of laws in accordance with LPRP commitments to make Laos a “rule-of-law” state, at least in a de jure sense.

However, new laws are not widely known or applied because law drafters often do not comply with the requirements of the 2012 Law on Making Legislation mandating that draft laws be uploaded to websites and public comments solicited. The number of professional lawyers qualified to represent clients in court continues to grow rapidly, even though legal professionals in Laos still face capacity-related issues. The National Institute of Justice (NIJ), established in 2015, regulates and provides legal education and training.

Corruption is a long-running issue in Laos. During the conflict that led to their 1975 takeover of the country, the revolutionaries successfully portrayed themselves as sincere and honest, in contrast to the decadence and corruption of the U.S.-backed Royal Lao government. After taking power, however, the revolutionaries appeared to encounter myriad problems. When Kaysone Phomvihane passed power to Khamtay Siphandone in 1998, the country entered a renewed era of corruption. Accurate estimates are impossible, but it is safe to assume that a large proportion of those holding official positions, whether in the civil service or local administration, use their positions for personal gain. However, it would be misleading to suggest that corruption is so widespread as to be socially condoned; to the contrary, there is a widespread, everyday discourse of discontent regarding corruption, which is perhaps less tolerated in light of the current crisis.

When Thongloun Sisoulith’s government took office in 2016, hopes rose for more purposeful anti-corruption policy course. Reports highlighting the activities of the party inspection commission and state inspection authority in disciplining officials became a staple of the state-run press. While most offenders remained unnamed (and punishments of high-level perpetrators – many of whom, in fact, avoided prosecution – went mostly unreported), newspapers published detailed statistics on the number of investigations, prosecutions and the costs of corruption to the government’s finances.

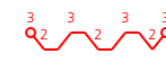
Such developments suggest that the party leadership recognizes the threat that corruption poses to its legitimacy. Nevertheless, the party’s efforts in this domain remain limited by the entrenched, endemic nature of corruption, especially – it is believed – at high levels of the LPRP apparatus. The family of new Prime Minister Sonexay Siphandone has become widely known for using political power for private gain. Expectations of political accountability are low.

In practice, corruption remains a significant problem in Laos, and government efforts have not stopped it. Despite the legal framework and institutions in place, enforcement of laws and regulations remains weak, and corruption is prevalent in many sectors, including in the allocation of land, natural resources and government contracts.

Prosecution of  
office abuse

3

'06 \_\_\_\_\_ '26 10



1

The constitution affirms the principle of equality before the law (thus the equal application of the law to all). The rights to life and security of the person are enshrined in the constitution and penal code, with provisions against arbitrary arrest and detention, though enforcement can be inconsistent. The 2015 constitution uses the term “human rights” for the first time in the constitutional history of Lao PDR: “[T]he state acknowledges, respects, protects and ensure [sic] the human rights and fundamental rights of citizens in accordance with the laws” (Article 34). Both the 1991 and 2003 constitutions devoted one chapter each to stipulating the fundamental rights and duties of Lao citizens, but neither constitution explicitly used the term “human rights.” The Lao PDR has legal prohibitions against torture, including corporal punishment of children, enshrined in the Law on the Protection of the Rights and Interests of Children (2006, amended 2023), which came into force in December 2023. Personal information privacy is protected by the Information Privacy Act 2009 (IP Act). The constitution and related laws such as the Law on the Development and Protection of Women prohibit discrimination based on gender, social status, education, beliefs or ethnicity. While gender equality remains a political goal, structural disadvantages for women persist, for example, with regard to education and health, as the country’s stagnating performance on the Gender Inequality Index confirms. In 2022, Laos was ranked at 78th out of 137 countries in this assessment. There are currently no laws prohibiting discrimination based on sexual orientation. However, discrimination based on sexual orientation is not widespread in Laos.

The rights enshrined in law are not properly observed in practice. Equal access to justice and due process under the rule of law are not guaranteed, especially for those with low incomes. The rights of assembly and expression are not upheld as intended in multiparty democracies. In the “people’s democracy,” assembly and expression are permitted only when they align with the overall goals and aspirations of “the people” – goals and aspirations considered identical to those of the LPRP. Religious freedom is limited in cases in which authorities believe religious differences may be detrimental to human health, socioeconomic development or interethnic unity.

#### 4 | Stability of Democratic Institutions

Laos is not a multiparty democracy, but it is a democracy. As in earlier historical cases (such as the German Democratic Republic or Democratic Kampuchea), the Lao idea of democracy does not fit into standard definitions of electoral or liberal democracy. Democracy is envisioned along Marxist-Leninist lines, in terms of “democratic centralism,” where democracy is made manifest in the voices of the people, or the masses. These voices are considered to be an essential part of governance, providing creativity and feedback on “the real situation,” which are essential for policy success. Such voices are brought into political processes through mass organizations, elections, the feedback provided via the National Assembly hotline, party participation mechanisms, consultation meetings on policy documents,

#### Civil rights

3

'06 \_\_\_\_\_ '26 10



1

#### Performance of democratic institutions

1

'06 \_\_\_\_\_ '26 10



provincial assemblies, consultation tours made by national and provincial legislators, and post-implementation reviews of policies in which leaders seek feedback and lessons learned. Under the democratic centralist model, voices are supposed to be consulted before a decision is made. Once a decision is made, the “centralism” part comes into play: No further disagreement is allowed, although policies often (usually) continue to be adjusted and refined in response to “lessons learned” and “feedback” as they are rolled out. The element of centralism is also evident in the lack of acrimonious debate. Instead, the emphasis is on unity. When people do disagree on policy issues, they do so in a conciliatory, respectful manner, with the end goal of unity on the matter always in sight. People self-censor, not wanting to appear argumentative, but they do get their point across. This can look like an absence of democratic debate, but there are ample forums for popular participation in politics: These just do not usually conform to Western models of argumentation.

Party committees are elected by party members or delegates at every level – from district to province, and from the ministry level to the Central Committee – so the views of grassroots party members are channeled up the party hierarchy for consideration during policy formulation.

There is friction among regional power holders. Policy formulated after extensive debate and promulgated nationally may look good on paper but can encounter problems during on-the-ground implementation, especially in remote areas where local authorities wield considerable influence and local people may be unaware of their rights or of the law.

The political actors in the Lao People’s Democratic Republic hold a concept of democracy (which in fact forms part of the national slogan “Prosperity, Development, Democracy, Justice”) that is heavily influenced by the Leninist concept of “democratic centralism.” The ruling Lao People’s Revolutionary Party aims to embody the will of the population as a whole, with an emphasis on societal unity. Political decisions are made through consultation and debate among party members first, then through extensive consultation at provincial and district levels with “the people.” Laos is not a multiparty democracy. All political and state institutions are part of the one-party state governed by the uncontested LPRP. In adopting this position, the LPRP has powerful support from the communist parties of Vietnam and China, both of which have close relations with the Lao regime. The LPRP also draws support from semi-democracies such as Thailand – which are themselves experiencing authoritarian tendencies – and other ASEAN countries that follow the principle of non-interference. In summary, there is strong regional support for Laos’ definition of democracy. There is also strong internal support for this concept. Even if people grumble about particular policy directions, there is a widespread sense that unity is the most important value and that multiparty democracy would be divisive without giving a voice to ordinary people.

Commitment to democratic institutions

1  
 '06 '26 10

1 — 1

### 5 | Political and Social Integration

Laos has a one-party system. The LPRP, defined by the constitution as the “leading nucleus” of the political system, is the only legal party. It is stable, well institutionalized and deeply rooted in Lao society. In January 2021, when the 10th Party Congress was held, party membership was officially reported at 348,686, an increase of 80,000 over the previous five years and accounting for almost 5% of the population. Membership attracts the politically ambitious and those seeking to tap into networks of influence. The party actively recruits from the educated elite, the bureaucracy and, more recently, business circles.

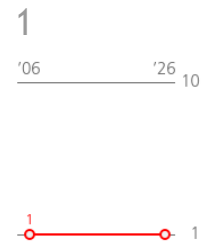
In recent years, the financial and economic crisis has put the LPRP’s legitimacy under considerable strain. The unprecedented replacement of the prime minister in early 2023 was perhaps the clearest sign of the LPRP’s nervousness. Meanwhile, the Siphandone and Phomvihane clans have consolidated their power, and their members in the upper echelons of the party-state are contributing to regime stability.

The Marxist-Leninist regime in Laos draws no distinction between society and the political system. The political system is supposed to be “of the people, for the people and by the people.” In everyday life, this means ordinary people engage in a range of state activities, and because the party is supposed to be a people’s party, there is no perceived need for social organizations outside the party-state, at least not political ones (although sporting groups are popular). The largest and most prominent associations representing social interests are the LPRP’s mass organizations, including the Lao Federation of Trade Unions, Lao Women’s Union, Lao People’s Revolutionary Youth Union, and Lao Front for National Development (LFND). The LFND includes representatives of ethnic minorities, religious organizations and professional associations such as the Lao Bar Association and the Lao Chamber of Commerce. Mass organizations are the main venues of mobilization and participation, yet they always act in line with LPRP directives.

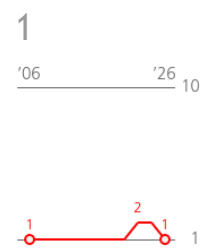
Non-profit associations (NPAs) may operate in Laos, often in cooperation with international counterparts, but only under restrictive conditions. The 2017 revised decree on associations created several bureaucratic obstacles for Lao social organizations, including a requirement to obtain government approval for foreign funding.

Laos is among a handful of East and Southeast Asian countries for which survey projects such as the Asia Barometer Survey provide no data. Similarly, Laos is not included in the World Values Surveys. Therefore, the extent of approval of democratic performance and institutions in Laos cannot be assessed.

Party system



Interest groups



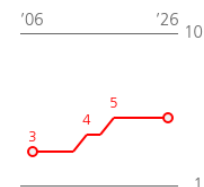
Approval of democracy



Despite a cautious climate regarding social and political activism, a number of self-organized groups – albeit limited and unevenly distributed – represent social cooperation and illustrate a relatively high level of social trust. Besides family and patronage networks, which are marked by ambiguous relations of trust and obligation, village communities (particularly if ethnically homogeneous), sports teams (sometimes representing work groups) and Buddhist temples constitute key loci of civic self-organization. In the capital, Vientiane, the growing middle class has demonstrated an interest in forming social and cultural groups around interests such as ecology, traditional performing arts, poetry and literature, and organic farming.

Social capital

5



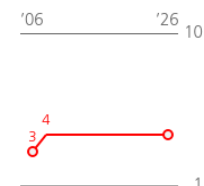
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The Gini coefficient of 56.7 (last updated in 2019) indicates a trend toward rising socioeconomic inequality in Laos. Approximately 2 million people in Laos lived on less than \$3.65 a day in 2018, implying a poverty rate of 32.5%. At the time of writing, this was the most recent data available relative to the international poverty line. Although average household incomes improved during the review period, the nominal incomes of one-third of families lagged behind inflation. Large swathes of the population complain about a loss of purchasing power. High rates of food inflation have undermined food security, particularly among the urban poor.

Question  
ScoreSocioeconomic  
barriers

4



While the official unemployment rate is low, at 1.2%, the Lao labor market suffers from out-migration. The number of registered Lao migrants in Thailand increased by 15% between June 2023 and February 2024.

The country's score on the Gender Inequality Index (GII) remained stable at 0.467 in 2022, with Laos ranked at 78th place among 137 countries. Laos' Human Development Index (HDI) score increased slightly to 0.620, with the country ranked at 84th place. This still marks an improvement of more than 50% since 1990. In the same period, life expectancy rose from 53 to 68 years. Economic gains have led to a decline in the absolute number of people living in poverty in recent decades, with gross national income per capita reaching \$8,610 in 2023 (PPP-adjusted; 2003: \$2,030). However, inequality remains significant and deeply entrenched, and the current economic crisis is increasing the overall poverty risk.

In 2024, heavy flooding, especially in the country's northwest, resulted in decreased agricultural output and increased food insecurity.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	18827.1	15468.8	15843.2	<b>16502.9</b>
GDP growth	%	2.5	2.7	3.7	<b>4.3</b>
Inflation (CPI)	%	3.8	23.0	31.2	<b>23.1</b>
Unemployment	%	2.1	1.2	1.2	<b>1.2</b>
Foreign direct investment	% of GDP	5.7	4.7	11.2	<b>6.0</b>
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	431.6	-458.8	404.5	-
Public debt	% of GDP	92.9	130.7	116.5	<b>100.5</b>
External debt	\$ M	19445.2	19128.3	20350.3	-
Total debt service	\$ M	2301.4	1103.7	1228.3	-
Net lending/borrowing	% of GDP	-0.6	0.2	-	-
Tax revenue	% of GDP	10.4	12.1	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	1.9	1.5	1.2	-
Public health spending	% of GDP	0.7	0.6	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Since the 1980s, Laos has made considerable progress in moving from a command economy to a mixed economy with market features. Prices are set by the market, the Lao kip is convertible, and profits from foreign investments can be transferred abroad. However, competition operates within a weak institutional and regulatory framework. This encourages a “deals-based” business culture, reducing predictability and transparency. When disputes arise, the legal system fails to protect businesses from those with powerful political connections.

During the pandemic and the subsequent economic crisis, macroeconomic vulnerabilities and restricted mobility have affected market participants unevenly, with the service sector suffering the most. The fuel crisis hit small and large businesses equally. The government’s focus on resource-based development has to date failed to create jobs for the population. Not surprisingly, the informal sector remains significant. According to recent International Labour Organization (ILO) estimates, 86.4% of the working population works in the informal economy or is self-employed.

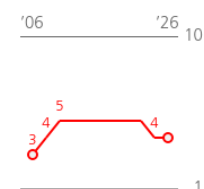
Numerous state agencies implement and enforce the 2014 Law on Business Competition, including the Ministry of Industry and Commerce and the Ministry of Planning and Investment. The latter is responsible for approving and registering businesses in Laos. The competition law addresses four substantive areas: anti-competitive trading practices, anti-competitive agreements, abuses of market power and monopolization, and anti-competitive mergers. One obstacle to further reforms is that the government retains control of many state-owned enterprises (some monopolistic) that it considers strategic or essential for national development. Laos is not yet a member of the International Competition Network. The Lao Competition Commission, established in 2018, enforces the Law on Business Competition.

Laos is now extensively integrated into regional and global markets. Trade liberalization has been guided by the country’s membership in ASEAN. Laos joined the WTO in 2013 and became a founding member of the Regional Comprehensive Economic Partnership (RCEP) in 2020. Participation in these frameworks has required extensive, ongoing reforms in areas including tariffs, non-tariff measures, customs, trade facilitation, taxation, foreign exchange, investment, and import and export procedures.

Laos aims to promote imports of inputs for investment and production, which means that some foreign investments are exempt from import duties on relevant capital machinery and equipment for production. Within ASEAN, Laos observes standard import tariff rates. According to the WTO, the average applied most-favored-nation (MFN) rate is 8.6%, which is considered moderate for developing countries.

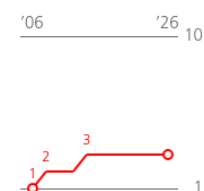
Market organization

4



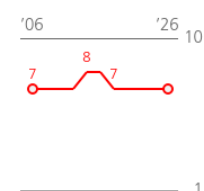
Competition policy

3



Liberalization of foreign trade

7



As it seeks to control national development, the Laotian government maintains significant formal and informal influence over large and medium-size enterprises, reducing trade competition. Nevertheless, Laos has gradually amended non-tariff barriers in accordance with its ASEAN commitments.

The Bank of the Lao PDR serves as the central bank and regulator of the country's financial system, including the banking sector. It is an independent institution established under the Bank of the Lao PDR Law passed in 1997. Under the law, it collaborates closely with government agencies such as the Ministry of Finance.

Legislation governing the Lao banking system is oriented toward international standards. In 2016, the government strengthened key regulations covering asset forfeiture, border declarations and penalties for non-compliant entities. More recently, in August 2018, the government revised the Bank of the Lao PDR Law, enabling the central bank to move toward risk-based supervision and to implement additional reforms in line with international standards. However, implementation remains an ongoing challenge.

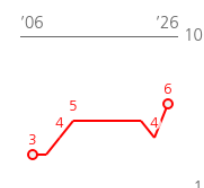
The recent economic and fiscal crisis has left the banking sector under strain, with the sector's capital-to-asset ratio in 2024 only slightly above the minimum regulatory level of 8%. Many banks have incurred higher levels of accrued interest, while return on equity and return on assets, which measure profitability, remain lower than those of regional peers. However, the number of non-performing loans has declined due to improved asset quality in restructured state-owned banks, with the overall share of such loans falling from an all-time high of 3.2% in June 2020 to 1.7% in March 2024.

The central bank responded to depreciation of the currency with monetary tightening (raising the short-term policy rate from 3.1% to 6.5% in 2022 and further to 10% in 2024). Public borrowing from the domestic banking sector increased because of limited access to international capital markets, adding further pressure to bank balance sheets.

Laos has a capital market outside the banking sector; this primarily entails the Lao Securities Exchange (LSX), established in 2010 as a joint-venture between the Lao government (through the Bank of the Lao PDR) and South Korea's Korea Exchange (KRX). The LSX operates as the country's official stock market and is intended to support economic growth by providing an alternative to traditional bank financing. However, the market remains small and illiquid, with limited public participation, and most companies in Laos still rely on bank financing rather than issuing stock or bonds.

Banking system

6



## 8 | Monetary and fiscal stability

The state controls the central bank, the Bank of the Lao PDR, which oversees a managed floating exchange rate with the aim of maintaining nominal stability against the U.S. dollar. However, the current economic and fiscal crisis has put the country's monetary system in a precarious position.

In the two decades before the COVID-19 pandemic, Lao monetary policy kept inflation low, achieving macroeconomic stability. This changed dramatically in recent years. The inflation rate climbed above 40% in 2023 and fell to just under 20% at the end of 2024, following considerable effort by monetary policymakers. Mitigation measures included the implementation of an enhanced exchange rate management mechanism, a tightening of monetary policy, and initiatives to regulate foreign currency flows into the banking system.

Exacerbated by the depreciation of the kip (since 2022, the kip has fallen by 60% against the U.S. dollar), inflation has driven price hikes for fuel, food and consumer goods, most of which are imported. According to World Bank estimates, for every 1% decline in the value of the kip in parallel exchange markets, private consumption drops by 0.6%, eroding domestic welfare and demand.

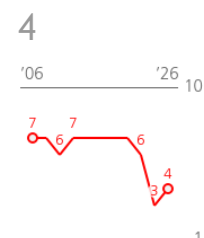
Fiscal deterioration has exacerbated Laos' already troubling debt profile. The country has a high debt burden of \$16.4 billion. Total public debt amounted to 108% of GDP according to IMF forecasts in 2024, while the budget deficit was 2.4% of GDP. Foreign currency reserves are low, leading to liquidity challenges and overall macroeconomic instability.

Debt-service deferrals from China, the country's main lender, have prevented sovereign default. In 2024, the Bank of Laos took advantage of a renewed \$800 million currency swap line of credit from the People's Bank of China. Annual payments of at least \$700 million are expected by 2028 and will consume a large part of the already scarce currency reserves and government revenue.

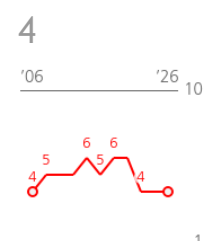
State-owned enterprises (SOEs) are still responsible for over 40% of public debt, with Électricité du Laos (EDL) the primary culprit. The company is infamous for unsustainable debt accumulation and operating losses. As a short-term (and perhaps short-sighted) mitigation measure, EDL accepted a \$625 million capital injection from China Southern Power Grid Yunnan International Company in exchange for a 90% share in the Lao domestic high-voltage electricity transmission grid.

The Lao banking sector has experienced liquidity stress due to inadequate foreign currency reserves and restricted access to international capital markets. Measures taken by the government to address this issue have included issuing domestic bonds (denominated in LAK, THB and USD), receiving repayments from SOEs, using

### Monetary stability



### Fiscal stability



revenues from the natural resource sector and tightening public expenditures. As external financing options remain limited, the government has continued to borrow from the domestic banking sector, which is also under pressure. For instance, in 2024, domestic bond issuances were undersubscribed.

Currency depreciation has exacerbated the country's financial woes, as many enterprises earn revenue in Lao kip but face debt repayment obligations denominated in foreign currencies. Since 2022, Fitch has withdrawn its ratings for Laos after assigning the country's debt junk-level ratings for years.

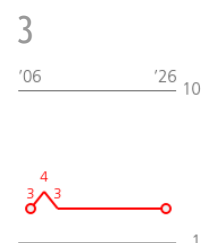
## 9 | Private Property

The Lao constitution formally provides for property rights and charges the state with upholding the rights to use, transfer and inherit land “in accordance with the law.” This vague formulation is clarified in the revised Land Law (2019), which states more pointedly that land is owned by the national community, with the state – as the community's representative – managing it in a centralized and uniform manner. This formulation gives the state considerable powers to seize land and determine compensation, particularly over customary and communal lands.

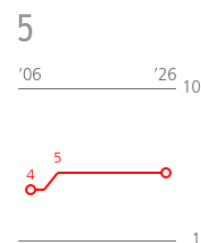
In rural areas, families have user rights to agricultural land that are transferable, taxable and heritable. However, authorities often disregard the rights of local communities or provide insufficient compensation to those who have lost access to or ownership of land classified as “unimproved.” This problem has been exacerbated by the rise in foreign demand for agricultural concessions in recent decades. Despite various moratoria on new concessions, rural land issues remain one of the main sources of social injustice in Laos today. Although there has been local resistance and the matter has been raised in the National Assembly, rural populations have few options for seeking redress.

The government of Laos pursues a market-socialist approach. Domestic and foreign-owned private companies are permitted to operate and, in theory, are protected by the Enterprise Law (amended 2013). Most state-owned enterprises have been privatized, but those that the government considers strategic remain under state control, including the electricity and water sectors. The government is a major local player in the rapidly expanding hydropower industry, partnering with private businesses for this development. The entry of private firms has increased competition in sectors such as telecommunications and drinking water. State employees are poorly paid, and it is common for some family members of high-ranking officials, such as spouses, to work in private business. Government contracts may be awarded to private companies with connections to high-ranking party members. Commercial projects sometimes face difficulties if they lack political support or the right government contacts, and foreign companies at times pay significant amounts for such patronage.

### Property rights



### Private enterprise



## 10 | Welfare Regime

Particularly in the current crisis, the National Social Security Fund, which covers only a fraction of the working population, provides little help in mitigating economic hardships. Government price supports offer only short-term relief. Instead, thousands of young Lao have sought income-earning opportunities abroad, most notably in Thailand. Incentives from the Thai government (which is facing a domestic labor shortage) are fueling this trend. Thus, remittances play an important role in household economies in Laos.

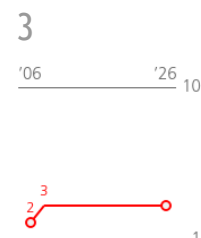
The economic crisis has hindered ambitious programs such as the National Social Protection Strategy, which was developed with the United Nations, ILO and other international partners, and was designed to provide universal access to health insurance, social security and social welfare by 2030.

During the pandemic, many among the urban poor population returned to their villages of origin and relied on the small-scale networks of kinship, villages, ethnicity and patronage that serve as the primary social safety net in rural areas. The state apparatus extends to the village and sub-village level, with strong cultural and official expectations that villagers will care for one another, particularly in cases of sudden setbacks and poverty. Some retirees, especially those who provided distinguished service during the war or in government work, now receive government pensions. Laos is moving toward universal health coverage, with certain services guaranteed free, such as health care for mothers and their children until the child reaches age 5. Private charity is increasingly popular among wealthier Lao individuals, either through religious organizations or local groups like sports teams.

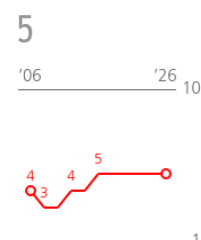
The constitution of Laos states that “Citizens of both genders enjoy equal rights in the political, economic, cultural and social fields and in family affairs” (Article 37). Laos is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and has made several changes to its laws in accordance with CEDAW recommendations. For example, in 2022, the legal status of abortion was clarified, and the circumstances under which abortion is permitted were substantially expanded.

In recent years, representation of women and ethnic minorities in the party-state has improved. Women hold 36 of 164 seats in the National Assembly. However, social inequalities persist. Even though labor market participation rates are almost identical, there are considerable differences between Lao women and men in education outcomes. The literacy rate among adult women remains significantly lower than that among adult men, and the country is ranked 104th out of 146 countries on the educational attainment indicator of the World Economic Forum’s Global Gender Gap Index. As education and health are considered private issues, they do not seem to be included in the Lao PDR’s political program of gender equality (in contrast to

Social safety nets



Equal opportunity



political and economic participation). Ethnic minority populations still have poorer access to education than the ethnic Lao-Tai majority and face more limited political and economic participation.

## 11 | Economic Performance

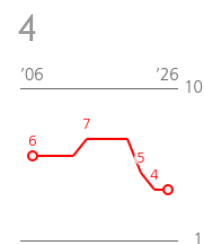
In macroeconomic terms, the Laotian government aims for growth and stability, but has been contending with structural shortcomings in its economy for the last five years. In 2020, the country's GDP contracted by 0.3% after previously steady growth; in 2022 and 2023, the growth rate recovered slightly to a respective 2.5% and 3.7%, reaching 4% by the end of 2024. GDP per capita growth recovered in 2023 to 2.3%. GDP per capita adjusted for purchasing power parity was \$9,326 in 2023, indicating growth of 2.3% and some recovery after the sharp drop of 1% in 2020. At the same time, FDI has exceeded pre-pandemic levels, with net inflows of \$1.78 billion in 2023.

The COVID-19 crisis and the war in Ukraine have exposed structural problems in the Lao PDR economy, including high levels of public debt, low tax revenues and insufficient currency reserves. The situation has been further aggravated by very high inflation rates, which climbed to more than 40% at times in 2023 and fell to just under 20% at the end of 2024. Household incomes in Laos remain under pressure, and thousands of Lao migrants have emigrated to Thailand to take advantage of salaries in baht there. Unemployment statistics in Laos are unreliable, but the combination of low salaries in Laos and high inflation rate explains recent trends toward increasing out-migration, a booming shadow economy and a return to subsistence agriculture.

Overinvestment in infrastructure projects has produced an immense debt burden and related obligations. In April 2024, total public and publicly guaranteed (PPG) debt rose to 130% of GDP, according to World Bank calculations. Laos owes most of this to Chinese banks. Annual payments are expected to reach at least \$700 million by 2028, which will consume a large part of already scarce currency reserves and state revenue. The only way out of the crisis is probably extensive debt relief from China on an unprecedented scale. Laos is already making concessions and selling state assets (such as state-owned companies and mining concessions) to Chinese buyers. In doing so, the country risks countering a temporary liquidity crisis with a permanent solvency crisis. In addition, much investment is flowing into the energy sector, where loss-making state-owned companies are effectively bottomless pits, offering little prospect of sustainable development.

The high-speed rail line from Vientiane to Kunming, the transportation hub of Yunnan province in southern China, is seen as a success and promises to drive economic growth – even if it means China's economic and geopolitical influence will continue to increase. Tourism, particularly from China, has benefited since the opening of the rail link in 2021. In 2024, the UNESCO World Heritage site Luang Prabang almost doubled its visitor numbers compared with the previous year, to an estimated 2 million arrivals.

Output strength



## 12 | Sustainability

Laos has signed relevant international conventions and displayed increased awareness of the issue of biodiversity protection. Domestic policies such as the 2018 Green Growth Strategy reflect the government’s aim of integrating green growth into sectoral and local strategies and plans in accordance with the long-term goals of national socioeconomic development. This ambitious program includes the issues of rural development and poverty reduction, and aims to reduce the economy’s vulnerability to climate change and natural disasters. In the context of the present economic crisis, it is difficult to assess progress in this field.

Lumber exports have decreased in recent years. There are 17 national biodiversity conservation areas in which flora and fauna are protected. However, these areas are also home to local people, and the government remains committed to their right to make a living. The government has struggled to control illegal logging and wildlife poaching in these areas. The government’s main priority with regard to managing natural resources is economic growth.

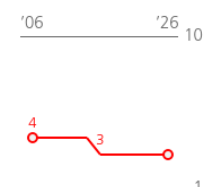
Hydropower and mining also contribute to economic growth while threatening forests and other protected natural areas. The government views these sectors as primary instruments to steer the Lao economy out of the crisis. Because the government uses natural resource extraction to obtain debt-service deferrals, the outlook for sustainable development is bleak.

Experts view hydropower projects as economically infeasible given the trade-off with regard to declining fish stocks, sedimentation and social mitigation costs.

The LPRP has a long-standing policy of “Education for All,” dating back to the prerevolutionary period. This commitment to expanding education has continued since the 1975 revolution, despite significant constraints in terms of funding, personnel and logistics. Three articles in the revised 2015 constitution explicitly mention the state’s role in providing education and recognize education as a citizen’s right. However, Laos’ score on the U.N. Education Index stood at a low 0.48 in 2022 – the lowest among mainland Southeast Asian countries. Insufficient public spending on education has been reduced further recently in response to the ongoing financial crisis. Public spending on education amounted to only 1.2% of GDP in 2023, continuing a decline since 2013, when it was 3.4%. School and university enrollment figures also declined during the review period.

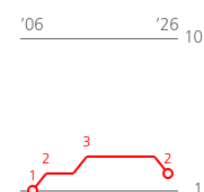
Environmental policy

3



Education policy / R&D

2



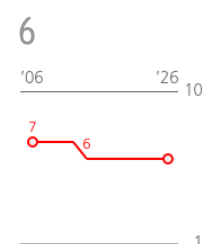
## Governance

### I. Level of Difficulty

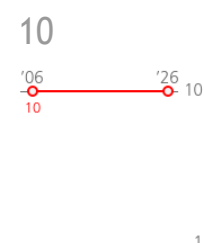
Laos faces significant constraints on governance. Geographically, the country is landlocked, with steep mountains in the north and east. Infrastructure has been a continual priority but has been stymied by “triangle debt” deals, in which contractors promise to build roads at highly inflated costs and with insufficient quality control. The long Second Indochina War left significant wounds that have taken a long time to heal; Laos must still be understood as a postwar country. Unexploded ordnance left by the staggeringly intense U.S. bombardments remains a significant barrier to development and transport. The bombing campaign targeted infrastructure in particular. The population is relatively small, dispersed and economically disadvantaged compared with other countries in the region. Another significant constraint is the low level of human resource development. Educational levels and literacy rates are well below ASEAN averages. Because of the economic crisis, public spending on education has been reduced, and university enrollment has declined. The serious economic downturn has disproportionately affected vulnerable groups. The fiscal and debt impacts of the economic crisis will be felt for several years. HIV/AIDS infection rates, though low by international standards, remain a concern, as do diseases including malaria, dengue and tuberculosis.

The LPRP sees itself as representing all people in Laos; it is a people’s party, and Laos is a people’s democracy. To Western observers, it may seem that there is no civil society in Laos, but party theorists see it differently. Traditions are quite strong, because the LPRP (arguably much more so than in liberal-democratic settings) insists on involving all citizens in politics. Local people are expected and encouraged to be informed about current affairs and contribute to consultations and meetings. After the communist revolution of 1975, the LPRP created mass organizations to mobilize women, young people, workers and other social groups. These organizations continue to play an important role in Lao society. However, they do not constitute an independent civil society. The very concept is anathema to the LPRP, which understands the party and the people as one; there is no politics outside the party. The 2009 decree on associations permitted the formation of social organizations in Laos, but any organization is required to subscribe to the LPRP’s development agenda. A revised decree in 2017 effectively proscribed civil society activity independent of the state and strengthened regulation of the sector through measures such as annual registration renewals and rules on foreign funding. NGOs are required to work closely

Structural  
constraints



Civil society  
traditions



with government agencies. That said, traditions of public participation and social capital are comparatively robust in Laos. There is a strong social fabric of networks and organizations that help solve problems, especially at the local level. Long-standing village communities enjoy a high level of social trust, which is indispensable in remote areas where state institutions and infrastructure are weak. However, resettlement programs in the wake of large-scale development projects bring about considerable social disruption.

The LPRP's overriding values are unity and solidarity. Today there are very few conflicts. Most violence appears related to crime (for instance, drug-trafficking) or business. The recent economic disruptions have prompted a few reshuffles in the party-state's higher echelons, but they did not appear to cause disharmony or open power struggles.

Small-scale protests (only rarely violent) over land appropriation and fuel shortages occur, but these incidents remain isolated and unorganized. Protests are usually met with swift action from the police and the armed forces, and prison sentences are standard for protest leaders. Laos is remarkably free of the ethnic and religious violence that has marked recent history west of Laos' borders.

## II. Governance Performance

### 14 | Steering Capability

The government of Laos coordinates its efforts through the National Socioeconomic Development Plan (NSED), released every five years, which requires each ministry to prepare strategy documents for its sectors. The Ministry of Planning and Investment plays a central role in these processes at the national and provincial levels. Strategy documents undergo lengthy consultations domestically and with international partners before they are finalized. They are expected to contain detailed goals and plans. At the 11th Party Congress in 2021, the LPRP set an economic growth goal of 4% annually (in contrast to 7.5% five years earlier). However, this mark was missed in subsequent years. Due to stabilizing measures, the economic and financial crisis appears to have reached a floor in 2024, and the GDP growth rate reached 4%. However, the crisis is far from over, not least with regard to the immense debt burden. The Lao government is not seeking an IMF-led restructuring process, but is instead relying on Chinese debt deferrals and ongoing investments, thus increasing its dependence. Long-term sustainable development agendas have been postponed for the sake of earning direct revenue from natural resource exports. Although the government has strategy and vision documents that outline goals and aims, in practice there is significant "policy churn" in Laos, as well as policy complexity, with multiple – sometimes contradictory – documents governing the same area.

Conflict intensity

3

'06 '26 10

3

1

Question

Score

Prioritization

5

'06 '26 10

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1

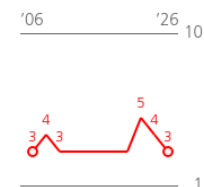
There is a gap between policy and practice in Laos. Policies often look good on paper, reflecting the latest trends in international thinking, but bear little relation to what actually occurs on the ground. Even powerful actors such as the World Bank encounter serious problems influencing implementation in Laos. Part of this stems from the influence of provinces. Although policies are formulated centrally (the “policy directions of the party”), it is widely acknowledged that nothing happens locally unless that policy direction finds a place in provincial planning and budgeting. Policies are also rolled out in a highly experimental way, insofar as consultation, feedback and adaptation are encouraged and expected at all stages, which gives them an unfinished air. Provincial leaders, for example, are expected to adapt policies to the particular needs and capacities of their areas.

The Lao government has met goals for greater integration and connectivity within the ASEAN economic area, especially through large infrastructure projects. However, overinvestment in infrastructure (most notably the Laos-China railway) and the associated debt burden are key drivers of the current economic crisis. Implementation of debt-mitigation measures remains slow.

Laos is adaptable in its formulation of policies. The main policy instruments are strategy documents, visions and plans. These instruments are subject to extensive consultations at the district, provincial and national levels and with international stakeholders. As a result, policies are sometimes sophisticated, reflecting the latest trends in international thinking. Laos, for instance, is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and has moved to implement many of those recommendations at the national level. National Assembly representatives regularly visit their constituents to monitor and follow up on the progress of plans and strategies at the local level and feed this information back into the policy process. The National Assembly is often driven by “hot topics,” issues that suddenly gain popular and political attention and require a fast policy response. This, in turn, contributes to policy churn. This is not always a good thing. Policy churn (a situation in which new policies emerge in quick succession) means that the policy and legal environment can be extremely complex, with multiple and perhaps conflicting sets of regulations applying to any one sector. This has been very noticeable in the forestry sector, for instance. One result is that actors that might be constrained by one set of regulations can appeal to another set to advance their interests. Another detrimental effect of policy churn is that policymakers are extremely busy. Although there is a strong positive sentiment toward evidence-based policy among Lao policymakers, they are often too busy to identify, assess and synthesize evidence in a timely manner. Evidence from external partners is often perceived as untimely, irrelevant to current “hot topics” or not created in a form that is collaborative enough to satisfy Lao standards of consultation.

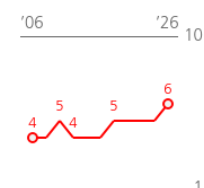
### Implementation

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### Policy learning

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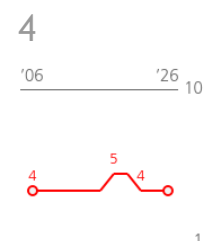
## 15 | Resource Efficiency

The efficiency of government administrative personnel and the efficient use of budget resources in Laos are matters of ongoing concern and debate. The problem may have begun under the French, when Vietnamese and French administrators were favored over local hires. During the revolution, many of the most educated people fled Laos. The LPRP has continually emphasized education and “raising the level” of the population. However, many problems remain with regard to the standards of government personnel. One problem is the “quota” system for hiring staff. This is intended to improve the quality of the civil service by hiring only the best and brightest while also cutting unnecessary government salary costs. Unfortunately, the result is that people who fail to land such jobs often end up working as volunteers and moving to the front of the line when the next quota job becomes available, even if they are not the best or brightest candidates. Another problem is that people view “quota” jobs as something that can be purchased, and once attained, as a means of personal gain. Many civil servants generate their main income from work outside the office. The purpose of a government job is not necessarily the income it provides but the prestige and influence associated with it. In fact, the high rates of inflation during the review period forced many civil servants – who saw the purchasing power of their meager salaries dwindle – to look for other income opportunities elsewhere (self-employment, agriculture, shadow economy).

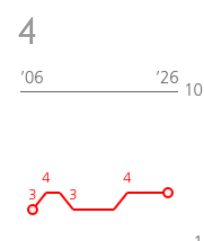
As a result, in any given government office, there are often few if any employees who are actually good at their jobs. These human resources problems, paired with opaque bureaucratic structure, negatively affect the efficiency of administrative organization. Budget discipline has been weak for many years, as the government has neglected the cultivation of state revenues and relied instead on unsustainable borrowing and poorly planned investments. Recent tax reforms and administrative restructuring indicate increased awareness of the problems that have been exposed by the current crisis.

Despite efforts to promote policy coherence through the development of a National Socioeconomic Development Plan (NSED) every five years, coherence remains weak because coordinating the government’s political and economic priorities is difficult, and structural conflicts persist among ministries and between central and provincial administrations. Interministerial task forces have been established in response to crises of national significance, though results have been mixed. Staffing in ministries is highly politicized. Ministers often make appointments as a means of strengthening their patronage networks, and ministries frequently function as autonomous fields of power that ministers seek to protect from outside interference, which limits coordination and cooperation. One prominent example in 2024 was the replacement of Minister of Foreign Affairs Saleumxay Kommasith with Thongsavanh Phomvihane – a move that enhanced the authority of the powerful Phomvihane and Siphandone clans.

Efficient use of assets



Policy coordination



In 2016, the establishment of the Lao State Inspection Authority (SIA) under the Prime Minister’s Office raised hopes that the LPRP would seek to seriously combat corruption and promote transparency and good governance. However, apart from several forced resignations and a considerable amount of confiscated money, anti-corruption campaigns have never matched those seen in China or Vietnam. The SIA has appeared to be more of an instrument of party discipline than a body that addresses the corruption endemic within Lao society. Details of court proceedings usually do not reach the press (again, in contrast to China and Vietnam).

Several structural obstacles impede efforts to prevent corruption among state officials in Laos. One key obstacle is the lack of political will to take strong action against corruption. Many officials may be reluctant to investigate or prosecute other officials for fear of retaliation. The strong inflation seen in recent years has certainly been a factor in the continuing climate of corruption among civil servants, whose salaries cannot keep pace with rising prices despite slight salary increases. Another obstacle is the lack of transparency and accountability in government and business, as well as the lack of an independent judiciary. These conditions make it difficult for citizens to hold officials accountable for their actions and allow corrupt officials to operate with impunity.

## 16 | Consensus-Building

“Solidarity,” “consensus” and “democracy” are core rhetorical values for the LPRP regime. There are times and places in which dissenting views are aired, but the end goal is always unity of purpose. This form of democracy, democratic centralism, differs from the debate and divisiveness of multiparty democracy. The state and many people seem to concur that the stability of Lao politics takes priority over any other political aims. Unsurprisingly, the political elite has been concerned about the spillover effects of the political crises in Thailand and Myanmar and, more recently, the growing public discontent about crisis management in Vietnam. Meanwhile, civil society organizations have not been allowed to flourish outside the structure of the LPRP. Although it is not possible to penetrate internal party dynamics, the LPRP appears to maintain a stable monopoly on political power, suggesting a high degree of internal cohesion. Certainly, no senior party figures can be heard advocating multiparty democratic reforms.

Key decision makers in the party appear to agree that the best way to develop the economy is to maintain the current multisector economy, which combines market-based elements (especially to attract foreign investment) with state economic planning and enterprises. There is broad support within the ruling party and beyond for the political goal of graduating from least-developed country status by 2026 (although the government now indicates that 2030 is a more realistic target due to

Anti-corruption  
policy

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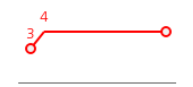
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Consensus on goals

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strains caused by the current economic crisis). Beyond that, there is less consensus on the purpose of economic development. While some leaders and bureaucrats are motivated by the desire to eradicate poverty, develop the country's human resources and reduce inequality, others seem to embrace growth as a means of enhancing business interests and – in some cases – their personal wealth. Many elites, including entrepreneurs and urbanites, place high social value on prosperity and progress, while others seek to promote a more equitable society through human-centered development policies. Since 2012, pressure on civil society organizations focused on social and environmental justice has further restricted discussions of alternative development priorities. As in the political sphere, the relative lack of dissent is more likely an indicator of repression than consensus.

Democratic reform in Laos primarily entails striving to live up to the high ideals of a true people's democracy. Politicians, bureaucrats and party members are constantly encouraged (through training, newspapers and party-led drives) to improve both their understanding and representativeness of “the people” in line with a “correct” and “scientific” analysis based on party doctrine. In this sense, Laos is in a constant state of “reform,” with waves of renewed democratic urgings pulsing out from the center, often in the form of slogans and campaigns. This understanding of democracy differs from the one promoted by liberal multiparty democracy.

Reformers in Laos – in the sense outlined above – control anti-democratic actors (as perceived by the party) such as dissenters and people interested in causing division through a suite of laws that allow surveillance of social media, state control of the media, and a penal code that punishes “disobedience.”

The current crisis in Laos is neither mitigating nor aggravating the country's latent political cleavages. Rather than being ideological, these cleavages arise from competition for resources between powerful patrons and their clients, between provincial and regional interests, and between the dominant lowland Lao and ethnic minorities who believe they are not being treated equitably. The LPRP cannot eliminate these divisions, but it has been relatively effective in preventing them from escalating, not least because of a structure that permeates all levels of society.

Tensions within the party apparatus persist between military and civilian factions and between older career cadres and new-generation technocrats. However, in the face of the current crisis and a looming loss of legitimacy, it appears that such animosities are being set aside for the sake of stability, unity and peace. In the past, cleavages between factions leaning toward either Vietnam or China fueled speculation about internal dissent, but such cleavages now seem less relevant. Prime Minister Sonexay Siphandone and other members of the political elite maintain excellent political and economic relations with both Hanoi and Beijing.

Anti-democratic actors



Cleavage / conflict management



Lao policymaking is highly consultative, but is not conceived of in terms of “civil society.” In Laos, the main actors are “the people,” the party and the government. The party sees itself as representing the people, and the government is tasked with serving the people’s interests under the party’s guidance. In practice, people at all levels – from villages through the districts, provinces and the center – spend considerable time in meetings and in commenting on or contributing to state affairs. Consultation also includes relevant specialists, technicians and international partners (for example, in consultations addressing the current economic and financial crisis).

Some domestic NGOs operate in Laos, but they are small in scale and scope, and the government closely monitors and controls their activities. The hotline to the National Assembly, which individuals can use to raise concerns about political and economic issues, remains one of the few positive examples of participation.

Recently, the Lao government and the LPRP have published a spate of official histories of the war, some of which address traumatic events. Some document apparent war crimes such as sexual violence and massacres perpetrated by the French, the United States and their allies. These histories appear to be the result of consultative meetings in which Lao citizens were encouraged to share details of such events for documentation. However, Laos has not brought these cases to the International Criminal Court.

For years, the LPRP has reached out to overseas Lao communities that fled the country after the 1975 revolution as part of an effort toward reconciliation. These efforts have included encouraging expatriates to return to and invest in Laos, and symbolically inviting overseas Lao delegations to attend high-profile national events. Tourism from the Lao diaspora is on the rise, for example on occasions like Lao New Year or the That Luang Festival, which are highlights of the Lao Buddhist calendar.

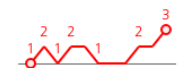
However, reconciliation occurs solely on the regime’s terms, and the regime continues to legitimize its rule by celebrating the history of revolutionary struggle. Although the government does not permit dual citizenship, overseas Lao may visit Laos or relocate permanently for work or business. However, like other former opponents of the regime, they are barred from political involvement.

The government has also sought reconciliation with Hmong and other ethnic minority populations who fought on the Royal Lao side during the “30-year struggle” (1945 – 1975), offering amnesty to all who surrendered. However, those who did not accept this offer remained subject to military repression. Significant injustices perpetrated during the war, such as alleged rapes and forced marriages by Royal Lao government officials in rural and remote areas, have not been officially acknowledged or addressed. Likewise, the “reeducation camps” established after the revolution are viewed by many as unjust (indeed, it is thought that the last Lao king died in such a camp), but there has been no attempt to acknowledge or seek resolution of these events.

### Public consultation

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### Reconciliation

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## 17 | International Cooperation

Laos has been remarkably successful in attracting foreign aid from across the ideological spectrum. To do so, it includes development partners at triennial roundtable meetings (RTMs), which help develop and monitor its five-year NSEDPs. While the government presents itself as willing to consider economic reforms to improve administrative efficiency and transparency, and agrees to make progress sufficient to ensure continued economic assistance, it resists international pressure for political reform.

Increasing aid and investment from Chinese, Vietnamese and other Asian sources – which come with fewer strings attached – have provided an appealing alternative. Such funding sources also suit the Lao government because these donors – having undertaken their own economic transformations in recent years – are generally sympathetic to Lao government priorities of building major infrastructure and maximizing GDP growth. Many of the country’s highest-profile projects in recent years, such as the Laos-China railway and numerous hydropower dams, have been funded with support from such partners.

However, heavy borrowing for large-scale infrastructure projects has resulted in a growing debt burden, which has imperiled the economy. Debt-service deferrals (especially from China) have helped avert sovereign default.

The Lao government continues to carefully balance its warm relations with its larger neighbors, especially China, Vietnam and Thailand. Since major political figures in Laos such as Prime Minister Sonexay Siphandone studied in the Soviet Union, the LPRP leadership also maintains good relations with Russia. As in Vietnam, Russian military aid is a key element in the country’s national defense. Accordingly, both countries abstained from voting on a U.N. resolution condemning Russia’s invasion of Ukraine in 2022.

The Lao government has been considered a reliable partner by international organizations, NGOs and bilateral partners. Laos is a member of numerous international organizations, including the World Bank, the U.N. Food and Agriculture Organization (FAO), the IMF, the ILO and UNESCO. The Lao government has been responsive to advice from UNDP and the WTO, but has appeared less cooperative in relations with the U.N. Human Rights Council (UNHRC). The numerous dams on the Mekong River in Laos, either existing or planned, have strained relations with other members of the Mekong River Commission, an intergovernmental institution with only limited influence over excessive hydropower development in Laos.

In 2024, the ASEAN chairmanship offered the Lao government an excellent opportunity to demonstrate international credibility by hosting multilateral meetings and encouraging negotiations advancing the key ASEAN goals of regional stability and economic cooperation.

Effective use of support

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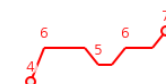


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Credibility

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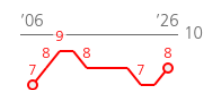
Laos joined ASEAN in 1997 and strongly values its membership. It is also an enthusiastic member of the Asian Development Bank’s Greater Mekong Subregion (GMS) scheme, which includes Yunnan province and the Guangxi autonomous region in China, as well as the mainland ASEAN states. The government has embraced the idea of establishing several “economic corridors” linking GMS members as a way of transforming Laos from a landlocked country into a “land-linked” one. In 2015, Laos joined its mainland Southeast Asian neighbors in the China-driven Lancang-Mekong Cooperation (LMC).

In 2024, Laos assumed the position of ASEAN chair for the third time (after 2004 and 2016). By successfully hosting summits and creating spaces for intergovernmental dialogue, the country shaped its profile as a trustworthy regional partner. For instance, Laos encouraged the participation of war-torn Myanmar in economic meetings. Facing an unprecedented economic crisis, Laos can count on the support of its more powerful neighbors, who have no interest in letting Laos default on its debts. Consequently, both China and Thailand have offered generous debt deferrals and currency swaps.

Because most relevant economic partners are either authoritarian governments or from non-democratic countries, Laos’ political structure does not affect regional relations. Regional integration requires navigating among the political and economic interests of Laos’ powerful neighbors – China, Vietnam and Thailand. All three countries appear to agree on the value of infrastructure investments in Laos in order to promote regional connectivity. Laos is careful to avoid involvement in disputes, such as those between China and Vietnam relating to the South China Sea.

## Regional cooperation

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## Strategic Outlook

Anticipating the 12th Party Congress in 2025 – and the 50th anniversary of the Lao People’s Democratic Republic – the party-state has focused on consolidating the political elite (represented by the powerful Siphandon and Phomvihane clans) and overcoming the country’s protracted economic and fiscal crisis. Short-term remedies include asset sales and limits on public spending, but the state’s revenue-generating capacity remains insufficient. The World Bank has instead highlighted the need to restructure excise duties and eliminate unsustainable tax incentives. Measures to stabilize the national economy and reduce reliance on foreign currencies include new regulations on the management of currency deposits and the use of foreign currency and money transfers from abroad. However, questions of implementation and effectiveness remain.

In 2024, the Lao economy showed signs of recovery, with an estimated GDP growth of 4%. This was driven by booming tourism and logistics. Moreover, the Lao government has identified agriculture and forestry as key sectors in which production can be enhanced and exports expanded, improving self-reliance and the trade balance. Meanwhile, the weakness of the Lao kip and high inflation rates are eroding purchasing power and putting pressure on Lao businesses. Other problems for the economy include a scarcity of skilled labor. While migration to Thailand and South Korea offers better income opportunities for members of the younger generation and makes remittances an important economic factor, it has severe negative effects on domestic economic development. Ignoring questions about the country’s human capital will negatively affect long-term productivity and the ability to compete in regional markets. Reductions in public spending on health and education are also hampering long-term sustainable development goals.

In particular, the debt crisis continues to weigh heavily on the country. Laos will face ongoing debt-service pressure, especially from Chinese banks. While loan write-offs are unrealistic – because state-owned Chinese policy banks operate under financial performance pressures – rescheduling debt might be an option. However, this would require very long maturity extensions that are atypical for Chinese banks. The World Bank has called for the development of a credible debt-restructuring plan and improved debt management in order to restore conditions of debt sustainability. Yet as of the end of the review period, Chinese debt deferrals had offered only short-term relief, leaving Laos in excessive debt to China.

Of further concern are expanding cybercrime, drug-trafficking and human-trafficking activities, especially in the Chinese-controlled special economic zones. Other worrisome trends include the cumulative effects of environmental destruction and climate change, exemplified by annual flood crises. Sustainable development is still an officially recognized goal, but the population of Laos still faces significant challenges.