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TERMINATION REPORT

USAID LAOS

ASIA/Laos
(1/9/76)

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I. OVERVIEW

THE ECONOMIC ASSISTANCE PROGRAM IN LAOS
An Overview
(1954-1975)

Background

The history of Laos since its establishment as a separate state following the Geneva Conference of 1954 has been one totally dominated by maneuvering and fighting for political supremacy among its internal power factions - rightist, neutralist and leftist. During this period all major governmental policy decisions were based on these political facts. No government, however, became sufficiently strong and cohesive to weld the entire country together and adopt economic policies and programs that were understood and accepted by the majority of Lao citizens. The meager material wealth of the country was controlled and shared among the traditional elite landed family groups.

At independence in 1954, Laos emerged ill-prepared economically to survive as a modern state. During the French colonial period, government expenditures in Laos always exceeded its revenues. Foreign exchange requirements could not be met from Lao exports and deficits in both local currency and foreign exchange were met from surplus earnings of Cambodia and Vietnam. Development efforts were directed toward tin and coffee exports, and construction of a road network to facilitate the political and military administration of Indochina. The effect of these development efforts on the economy was negligible.

Since independence, more than two decades of military and political conflict within Laos' borders have prevented both the accumulation of accurate data and the initiation of a concerted effort to identify, plan and exploit natural resources. As a result, Laos today remains largely underdeveloped.

It is within this setting that the U.S. economic assistance program was designed and implemented.

U.S. Interest and Policy in Laos

U.S. policy was determined primarily by Laos' unique geographic location, its relationship with its neighbors (China, Burma, Vietnam, Cambodia and Thailand) and the geopolitical implications of these relations. For many years, Laos served as a buffer area, separating the communist territories and influences to the north from Thailand and the Mekong River Valley where the U.S., Japan, and other Western and Western-oriented countries predominated. Although the traditional

American humanitarian concerns had a significant influence in the assistance program, normal economic, commercial and mineral interests were relatively unimportant.

Relationship of U.S. Economic Assistance to U.S. Interest

Economic assistance to Laos was planned and implemented within the context of the overriding political interests. These interests required maintenance of reasonable economic stability and of reasonably effective government services in order to ensure the political stability of the Royal Lao Government (RLG). A lack of sufficient numbers of trained and experienced Lao, however, made it necessary for foreign donors, particularly the U.S., to provide what might under normal assistance programs be considered excessive support to government services within Laos. U.S. assistance, for example, included execution by A.I.D.-financed employees of such services as construction of provincial administrative facilities, schools, and roads, as well as prolonged provision of operational supplies and maintenance services.

Emergency aid and subsistence support to refugees displaced by the hostilities was a major area of daily concern during most of the 21 years of U.S. economic assistance to Laos. Within the project portion of the A.I.D. program, the heaviest expenditures - particularly from the mid-1960's onward - were for food, health care, relocation and related support costs for Lao refugees.

Efforts directed uniquely at development during the years of the Indochina war (up to the cease-fire agreement in February 1973) were continually frustrated by the see-saw nature of hostilities in Laos. Reasonable security in any given region of Laos could not be counted upon or guaranteed for a sufficient time period to allow for planning, implementation and maintenance of significant development programs.

Results of the A.I.D. Program

In terms of its predominantly political role in Laos, the economic assistance program was an essential element in the necessary support to the daily functioning of the RLG and was thereby instrumental in assuring the government's continued viability. Maintenance of a viable RLG helped to delay a Pathet Lao takeover and to assure that the area would continue to serve as a buffer between North Vietnam and China to the north and Thailand.

Both the refugee and economic stabilization programs were of paramount importance during the war years. Refugees, dislocated by the continuing hostilities, were cared for and assisted in resettlement areas. Rudimentary health services provided to the refugee population were also made available to the majority of the remaining population under RLG control. The stabilization program made it possible for Laos to import its essential requirements and at the same time to maintain the reasonable economic stability that was necessary to the maintenance of political stability.

Primarily with help from A.I.D., the RLG was also able to provide its citizens with at least minimum governmental services - the number of schools was greatly expanded; teachers were trained and placed; teaching materials were provided; dispensaries for rural health care were established and supplied; some major routes and many minor feeder roads were constructed; agricultural seeds, fertilizers, insecticides and irrigation pumps were made available; and hundreds of Lao were given in-country training and training in Thailand, the Philippines, Taiwan and the U.S. in technical fields required to improve Lao manpower capabilities.

Although economic development, per se, was not a priority requirement for use of A.I.D. security assistance funds, a good deal of economic infrastructure actually was created, manpower capabilities among Lao public servants were advanced considerably, and a few small basic industries were developed with resources provided Laos through the A.I.D. program. The largest development project in Laos, the Nam Ngum hydroelectric power dam and transmission system, completed in 1971, was 50 percent funded with U.S. assistance funds. This dam and the 30 MW generating capacity it provided initially were sufficient to provide all power needs of Vientiane city and some surrounding areas as well as to earn foreign exchange from power exports to Thailand.

Over the years, the A.I.D. program assisted the Lao Government in making the major road artery, Route 13, passable in all weather from Luang Prabang in the north to the Cambodian border in the south. All weather roads were constructed connecting mountainous Ban Xon, Long Tieng, Nam Moh and Moung Cha with Route 13. An all weather road was constructed between Xieng Ngeun and Muong Nane. Although it was designed principally to open up the area between these two towns for refugee settlement, at the same time it increased commercial exchanges between the city of Luang Prabang and Sayaboury City and Province. Hundreds of kilometers of feeder and village roads were constructed in the areas of Pakse, Savannakhet, Thakhek, Borikhane, Vientiane, Sayaboury, Xieng Khouang, Luang Prabang and Ban Houei Sai. And hundreds of water wells were drilled and hand dug to provide potable water for hundreds of rural villages.

With A.I.D. funds, two large warehouse facilities in Vientiane and over a hundred smaller warehouses were built throughout the Mekong valley of Laos. These also were important assets for continuing development.

The total amount of such resources provided to Laos by the A.I.D. program was considerable and could and perhaps may still be utilized in a planned development effort.

The Dissolution of the A.I.D. Mission

On April 5, 1974 the new Provisional Government of National Union (PGNU) was established. Ministerial portfolios for the ten most influential ministries were distributed equally between the political Right, or "Vientiane-side", and the Left, or Lao Patriotic Front (LPF) faction. Two ministries, Justice and Post, Telephone and Telegraph (PTT), were allocated to appointees considered Neutrals and accepted as such by the Vientiane and LPF sides. Prime Minister Souvanna Phouma was accepted politically by both sides as a Neutralist.

The LPF Ministers and Deputy Ministers (Secretaries of State) were inexperienced in governing a state not totally dominated by a single communist or socialist party. They were intially wary, careful, courteous and formally correct in their relations with U.S. and other western representatives.

In June and early July of 1974, the U.S. Ambassador and the A.I.D. Director on several occasions asked both the LPF Foreign Minister and the LPF Minister of Economy and Plan whether the new government desired changes to be made in the manner of administering and the content of the U.S. economic assistance program to Laos. The response from both ministries was essentially that the new government needed time to organize itself, establish its own mode of operation and set its priorities. Until it had accomplished these tasks, the PGNU wished the A.I.D. Mission to continue its current programs and operate in the manner it had during the previous year.

The PGNU, during the late summer and fall of 1974 did, however, state its wish to assume more leadership and management responsibilities for programs assisted by foreign donors. Such statements appeared entirely reasonable and, indeed, desirable for a new government whose task was to unify the country and move it forward in peaceful social and economic development.

Therefore in response, the A.I.D. Mission began to arrange for the transfer to the PGNU of large elements of or total projects it had

been funding and supervising. By July 1974, the independently operated and large construction capability of the Mission was terminated. U.S. Public Works personnel were reduced by 50 percent and further reductions were planned during FY 1975. Over $3 million worth of heavy equipment, as well as maintenance and repair facilities and machinery, were turned over to the PGNU. Management of the Nam Tan irrigation project was turned over to the Agriculture Directorate. Full control and executive management of the Agriculture Development Organization was relinquished to the PGNU. The Mission made plans to reduce regional field offices from six to three, and a four-year phase-out plan for the Operation Brotherhood International medical services contract was negotiated with the PGNU Ministry of Public Health. It was also planned to reduce the American direct-hire and PASA staff to 86 by June 30, 1976, representing a two-thirds reduction since the establishment of the new coalition government.

Mission personnel made known to the PGNU leadership that U.S. assistance policy was flexible and amenable to program changes as soon as the new PGNU established its priorities and made its assistance desires known.

While the foregoing actions by the A.I.D. Mission were proceeding, another set of political events was moving along simultaneously. In late summer/early fall of 1974, Lao students apparently began to realize that if organized they could wield a certain amount of political influence and power. The impetus for this Lao student awakening and initial political action seems to have come from the Thai student actions of the year before (1973) when they actually precipitated the fall of the Thanom Government in Thailand. The closeness of the Lao and Thai languages, the proximity of Thailand, easy movement across the Mekong, and the fact that hundreds of Lao students had received training and advanced schooling in Thailand made it easy for the Lao students to absorb both organizational and tactical methods from their Thai colleagues.

Lao students first began demonstrating against specific school administrators and in most cases got results from the PGNU. On several other occasions, they took the lead in collaboration with other demonstrating groups (samlor drivers, certain civil servants, taxi drivers) and took up economic issues, such as rising market prices; corruption; and gambling casinos in the Savannakhet and Pakse areas. Progressively and quickly the students became more adept at organization and political issues began creeping into their slogans and causes.

During the same period of late summer and early fall of 1974 other groups began to organize for political and economic purposes. A group known as the "21 Organizations" was formed. This group included a variety of small organizations with common interests and causes, such as "Association of Returned Students from Socialist Countries", "Employees of Electricite du Laos", "Royal Air Lao Employees", "USAID Employees", and student groups representing individual secondary and teacher training institutions. These groups assisted each other in strikes and demonstrations. Poster writing and other propaganda dissemination for all groups were handled mostly by the students because they were better educated and more articulate.

In early October 1974, a few platoons of FAR (former RLG army) soldiers stationed at the demarcation line between Vientiane-side/ LPF-side zones in Houa Khong Province rebelled against the Ban Houei Sai regional commander and occupied the city of Ban Houei Sai for three days. They complained of not receiving their pay and food rations. The government agreed to meet their demands and remove the regional military commander. These complaints and demands were generally considered to be justifiable and the uprising itself was believed by observers to be spontaneous.

The government, particularly the FAR command, however, delayed taking the promised action, and by Christmas Eve, 1974, the Ban Houei Sai regional commander had not been removed. On that Christmas Eve the same "rebel" group attacked Ban Houei Sai and took over the military command and the city.

This time, however, there was a great difference. The complaints were political, and the demands included not only the removal of the military commander and other government service chiefs but also such political reforms as free movement and trade between zones. In addition there was a considerable amount of anti-American propaganda. The American A.I.D. employees in Ban Houei Sai were held as hostages for six days before they were released and evacuated to Vientiane.

Two new elements were involved in this second Ban Houei Sai incident: (1) armed Lao student leaders, who were the spokesmen and most powerful element, and (2) Pathet Lao forces who occupied all villages and surrounding areas of Ban Houei Sai. It soon became evident that the students were receiving instructions and support from the LPF. The method of takeover in Ban Houei Sai became a prototype for similar operations throughout the Vientiane-side zone of Laos, culminating in late August 1975 with a formal declaration by the LPF that all of Laos had been "liberated".

By May 1, 1975, the students and other protest and demonstration groups were well organized and, using these groups as implementers of their political goals, the LPF launched a series of demonstrations in all parts of the Vientiane-side zone against both the Vientiane-side leadership and the Americans. It was clear by early May 1975 that the fall of Phnom Penh and Saigon in late April had bolstered the LPF's confidence and accelerated its political timetable.

Through the use of demonstrations (usually spearheaded by students) the LPF managed to force out the principal Vientiane-side Ministers and Military Commanders, as well as the Vientiane-side leadership in all provinces of Laos and to harass A.I.D. operations and employees to the extent that all A.I.D. American and TCN employees were obliged to depart first the provincial posts and eventually Vientiane.

The Ministry of Foreign Affairs' position as spokesman for the PGNU was that the American A.I.D. Mission was too large, too influential throughout the countryside, and operated too independently of "the government". "The government", in LPF terms, was represented by the LPF Foreign Minister, who was the principal LPF public official in Vientiane. The student and other protesters added to these criticisms the charge that the A.I.D. Mission was an umbrella for all US. Government activities in Laos including intelligence gathering and operations. As a result of the demonstrations and harassment of Americans, and particularly of A.I.D. employees, an agreement was finally signed on May 27, 1975 between the PGNU and the American Charge d'Affaires that the A.I.D. Mission would be terminated no later than June 30, 1975. Termination was completed on June 26, 1975 when the Acting A.I.D. Director departed Vientiane and an Embassy Diplomatic Note to that effect was delivered to the Ministry of Foreign Affairs.

In the end, it was the operational involvement, and hence influence of the A.I.D program that was used by the LPF in its propaganda campaign against the U.S., in spite of the Mission's demonstrated willingness to alter its role and adjust its assistance program in accordance with PGNU wishes. The speed and manner in which the U.S. A.I.D. program came to an end was unfortunate but was probably inevitable given the reduction in political stature and precipitate disappearance of Vientiane-side leadership between May 1 and May 15, 1975, following the communist military victories throughout Indochina.

Summary and Conclusion

U.S. economic assistance to Laos, from its inception in 1954, was provided and justified for political purposes. It was not designed

as a program to assist Laos in long-range social and economic development. It did, nevertheless, provide basic economic assets that could in the future be exploited through planned development.

In the education sector, moreover, the A.I.D. program was a successful developmental activity and did contribute greatly to progress in Laos' manpower development. The Nam Ngum dam and power distribution system was the most significant economic project completed in Laos during the period of U.S. aid to that country.

The program was intensively operational and A.I.D. employees were directly involved in normal host-country service and maintenance operations. This modus operandi was necessary during most of the period to provide adequate support to the RLG, which suffered from both manpower shortages as a result of the war and a lack of adequately trained personnel in general.

The A.I.D. program was successful in meeting the major tasks it was given in support of U.S. policy toward Laos: maintenance of reasonable economic stability; humanitarian succor for the refugees created by the war; and maintenance of minimum governmental services within the RLG controlled portion of Laos.

II. PROJECT PROGRAM

AGRICULTURE DEVELOPMENT

Summary

When U.S. assistance to the Kingdom of Laos began in the mid-1950's, subsistence agriculture was the main source of livelihood for some 90% of the population. A farm family typically tilled from one to three hectares of land. The major crop was and still is rice (paddy and upland), although production is perhaps the lowest of any of the rice producing LDC's. Any surplus rice has been used traditionally to barter for other available necessities of the rural, village life. The nations' forests were and have continued to be rapidly exploited with little conservation practiced. Fish (mostly from small streams and rivers) were common, but never adequate to meet minimal requirements. Livestock (including poultry) were maintained on a scavenger basis in most of the country. Buffalo and oxen were the only source of power for the farm, and thus, were seldom used for meat until they were no longer required for draft purposes.

U.S. assistance to Laos in the field of agriculture began in 1954 with limited assistance in forestry, fisheries, crop and livestock production. The first resident U.S. agricultural experts arrived in 1955. Assistance was increased in virtually all phases of agriculture, from about $200,000 to approximately $3.0 million per annum. Between 1954 and 1975 total U.S. assistance directly attributed to agriculture was slightly over $23.0 million. However, in addition to the many technical constraints to improved production (e.g. poor soils, slash and burn agriculture in the highlands area, lack of water for irrigation during the dry season, and virtually no trained professional agriculturalists) Laos suffered from a lack of political and economic stability and the ravages of war for most of this period.

A major portion of the U.S. assistance in agriculture was concentrated on irrigation and extension services to promote increased crop production. Additionally, in the period 1965-75, the U.S. sponsored the development of the semi-autonomous Agriculture Development Organization (ADO) whose objective was to stimulate agricultural production through project planning, management/monitoring, financing of inputs and marketing. U.S. assistance in agriculture was simultaneously provided in other areas, mainly through small, discrete, unrelated projects many of which were undertaken for humanitarian or political reasons and were not designed to achieve long lasting results.

During the final years of the program, the objectives or priorities of the agricultural assistance efforts were to:
(a) assist refugee communities achieve basic subsistence levels of agricultural production; (b) seek acceptable cash crop substitutes

for opium; and (c) assist the Lao Government with its objectives of increasing agricultural production.

To address these objectives, the agriculture program of the early 1970's was formulated as seven sub-projects (see the attached highlights for each sub-project). Because of the continually declining geographic areas available to the former RLG and the persistent movement of food stuffs across the Mekong River from Thailand to meet the food needs of the growing urban population, increased effort was made during 1973-75 in specific production-oriented projects in the food deficit areas (Vientiane, Luang Prabang-Nam Tan, Xieng Khouang). Some of these activities did result in increased food production; however, lack of adequate baseline data restricted project planning capabilities and there remained only a limited food supply for the urban areas of Laos. U.S. efforts to interest the PGNU officials and other donors in undertaking an agriculture sector analysis during 1974/75 were unsuccessful. It was believed this type of study could have better identified production constraints and resulted in planned projects that would have interested and gained support from other donors. The PGNU, however, was slow in defining its development priorities and continued to favor only small discrete projects.

During the several months prior to the termination of U.S. assistance, the Lao officials were becoming dissatisfied with the reduced funding and support to the far-flung U.S.-assisted agriculture activities. This was clearly noticeable in FY 1974 when the Mission discontinued most of the logistical support to the three Directorates (Agriculture, Veterinary-Livestock, and Waters and Forests) and to ADO.

Despite the many years of U.S. and other donor assistance in agriculture, there was still an acute shortage of adequately trained technical and managerial manpower in all of the agricultural services. Only a few of those trained under these assistance programs remained in government services, reportedly due to inefficient management, political pressures, and low salaries.

In summary, there were a few noticeable improvements in agriculture. It should be kept in mind that the primary U.S. objectives in Laos were not of a developmental nature and that the many constraints to increasing agriculture production in Laos might be overriding, even with a stable political situation, in the absence of a wholehearted commitment of the government to address all of them.

Following is a more detailed survey of each of the sub-activities.

Crops and Soils

The activities included during 1973-75 were as follows:

1. Adaptive Rice Research
   Salakham Rice Station near Vientiane (rainfed lowland rice)
   Nam Tan Rice Station
   Rainfed upland rice

2. Crop Production Estimate (Rice): 2nd wet season survey, CY 1974

3. Soils Mapping-Vientiane Plain: Land resource inventory and land classification map

4. Backstopping area coordinators and ADO

5. Coordinating with and assisting other donors.

The institutional development of the Directorate of Agriculture was greatly handicapped by the continued shifting of limited, trained personnel out of the Directorate and into the semi-autonomous agriculture agencies, such as ADO, Agency for the Vientiane Plain, Mekong Committee, and to other special projects. Due to this shifting, adverse political pressures and limited operational funds, the Directorate had become almost sterile. It represented a poorly coordinated, poorly motivated, understaffed and ineffective agriculture production effort. Even though the PGNU supposedly placed major emphasis on agriculture production, only a very insignificant 0.67 of one percent of the national budget was allocated to support all agriculture activities in FY 1975. The uncoordinated thrust of the various agriculture groups splintered the effort and rendered it unproductive.

Despite this, however, some progress was made in increasing food production as a result of the large amounts of A.I.D. contributions: labor costs, commodities, and management during the war years. The production increase was being threatened, however, by the failure of small irrigation dams, pump irrigation projects, and ADO, due to lack of maintenance, indifferent subsistent farmers, unresponsive government officials, and budget constraints.

During 1973/74 in the area of crop research, the major input was advisory assistance in planning and implementing trial work at the stations.

In the area of crop production estimates, there was for a number of years a lack of any factual baseline data. Therefore, detailed field surveys were made in 1973 and 1974. The most difficult unknown was the number of hectares planted. In 1974, an estimate was undertaken jointly by the PGNU and the A.I.D. Mission. The production area was graphically measured on maps, then adjusted by a simple measuring procedure in the field. The methodology for collecting and analyzing the yield samples was closely supervised. All information was computerized for both upland and lowland areas; only the accessible areas were surveyed. The estimate resulting from this survey was probably the most significant one ever made in Laos.

Local dry season production of vegetable crops had increased from approximately twenty percent to fifty percent of the market supply. Wet season vegetable production remained deficit.

Feed grain production, virtually unheard of prior to FY 1973, had increased from an estimated 10 tons sold commercially in 1973 to 600 tons in 1975, and an anticipated production of at least 1,100 tons in 1975. This resulted from providing a market in the form of a modest feedmill and revolving fund made available by A.I.D. through ADO.

Land classification for refugee resettlement was started in July 1970. By May 1975 field studies had been made, reports written, and maps published on 600,000 hectares on various resettlement projects throughout Laos. The soils mapping effort began in early FY 1974 as a first step preparatory to a sector study. The total area to be mapped at this time was limited to the Vientiane Plain. This was to serve as a model for other areas in Laos. The Land Resource Inventory map would have been completed by July 1, 1975.

Irrigation

Assistance was provided to the Irrigation Service, Directorate of Agriculture, in designing, constructing, maintaining, and rehabilitating irrigation and drainage systems.

Prior to 1968, the Mission provided assistance to numerous small widely scattered projects that yielded knowledge of the water resources and acceptance of the program by the water users. During the 1968 to 1971 period, larger projects such as Nam Tan and Dong Kalum were conducted in an effort to increase crop production in excess of needs.

It is estimated that the Mission expended in excess of $7.0 million on physical irrigation works. One hundred sixty-seven irrigation projects, involving 18,000 hectares of land, 1,422 appurtenant structures and 958 kilometers of canals were constructed.

After 1971, the Mission's irrigation section concentrated efforts on assisting the PGNU and Farmers' Water Users Association in management, operation, and maintenance of the irrigation systems that had been constructed.

The Nam Tan irrigation project was begun in 1967 to provide supplemental water for rice production during the rains, and water to grow rice and other crops during the dry season.

The 1974 rice season was the second successive year that Nam Tan produced surplus rice (4,890 MT) for the market. This, in part, satisfied the project goals of producing surplus products for the Luang Prabang market. The production was largely attributed to improved management of the water delivery system. Between 1973 and 1975, the Nam Tan farmers organized themselves into a management group and displayed a sharply increased talent for managing and financing their own water delivery system.

The benefit cost analysis produced four ratios: 0.69:1 at official price excluding secondary benefits; 1.41:1 at free market price excluding secondary benefits; 0.85:1 at official price including secondary benefits; and 1.56:1 at free market price including secondary benefits.

Socially, the Nam Tan Project did represent a notable achievement. It provided a secure place for both residents and refugees to live and farm. Farmers from various ethnic groups and backgrounds lived and worked together successfully despite their unique cultures, religions and attitudes. Social discrimination was greatly diminished over the project lifetime. The objectives of the Irrigation Branch prior to Mission termination were to firm up and make workable the physical irrigation works already accomplished and to plan a few selected projects in support of refugee programs.

Some problems were encountered with the PGNU Irrigation Service due to its inability to conduct its work effectively. The service had a staff of some 60 people. A.I.D. had trained 57 in short-term programs, plus eight in degree programs in Thailand. Because of the low salary scales, however, only a very few of the trainees were employed by the PGNU Irrigation Service.

Extension

The Agricultural Extension sub-activity was started in the mid 50's and terminated at the end of FY 1974. The major objective was institution-building, mainly by improving the capability of the host country extension agents to influence farmers to increase production, principally rice. Throughout the life of the project, training received major emphasis with a total of 137 participants sponsored by A.I.D. Six of these were in degree programs but only two successfully completed their studies and later returned to work in the Agriculture Development Organization. Because qualified degree-seeking candidates were not available, the great majority of participants received short-term training for periods of three weeks to one year in Thailand or the Philippines. The majority of the agents had the equivalent of a sixth grade-level education, and therefore, a limited ability in problem-solving skills. The primary methods used in extending agricultural knowledge to the farmers consisted of field demonstrations, tours and short-term farmer training classes. In fact, many of the demonstrations were in reality "mini" field trials conducted to collect information. Sufficient prior knowledge was not available to establish them in acceptable field plot designs. Thus no statistical analysis to ascertain validity or significance was possible, and the results were of doubtful value. In the absence of an adequate research base the extension service frequently had little valid information to "extend", and hence, became involved in an area the agents were ill-equipped to handle. Too frequently, moreover, the true costs of inputs relative to benefits were too great to encourage adoption by small

producers or the inputs used were not those available to the farmers. Both aspects serving to retard wide-scale acceptance.

During the life of this activity, substantial support in the form of vehicles, POL, per diem, expendables, etc., were provided by A.I.D. However, judging by results, either the support was inadequate or of the wrong type to encourage the needed changes. Inasmuch as virtually everything but the basic salaries were provided by A.I.D., it is very likely that the level of management was inadequate to properly supervise the inputs. The combination of a below-minimum level of host-country budgetary support and a lack of low level dedicated, capable leadership, helped to prevent the expected significant impact from A.I.D.-furnished commodities such as fertilizers and insecticides. Moreover, when farmers were compelled to seek these commodities at "real" market value, they were discouraged.

In addition to the lack of institutional support by the host-country (0.67 of one percent of the national budget in FY 1975 for all agricultural activities), various marketing constraints, such as road check point taxes, also served to retard the value of an extension program.

A history/evaluation of the A.I.D. assistance to the Lao Agriculture Extension Service in Laos was prepared in April 1974 and is on file in the A.I.D./W reference library.

Agriculture Development Organization

The Agriculture Development Organization (ADO) was established by degree in October 1965, which endowed it with legal status and financial autonomy, to stimulate and promote agriculture development. It was initially capitalized in kind by A.I.D. commodity grants, primarily fertilizers and insecticides, and later received equipment grants from the Japanese Government which contributed to the capitalization process. Also, during the first eight years, the organization received operational support from the Mission in the form of transportation, expendables, and borrower-grantee contract funds.

Efforts during the first six years focused upon stimulating increased rice production by providing in-kind credit to individual producers, and purchasing rice frequently at subsidized prices. This method of operation proved highly inefficient as servicing small producer accounts through in-kind collections cost more than the value of the receivables.

In 1971, the basic guidelines governing ADO activities were reoriented from the restrictive position of promoting rice production to encouraging development throughout the entire agriculture sector. This resulted in handling a much broader range of production inputs as well as adopting a more businesslike approach to development. Because grant-in-aid commodities had been exhausted, ADO turned to commercial sources of

supply, purchasing primarily in Thailand for resale under marketing policies established by the Administrative Council. The Council was a Board of Directors, in effect, composed of four Lao and three U.S. officials. Implementation of policy guidelines was entrusted to an Executive Manager, a position filled by a succession of U.S. direct-hire personnel until Septmeber 1973, when a Lao was appointed by the Council.

Because the ADO was assisted and nurtured by the U.S., it was considered primarily a U.S. Mission activity by the Lao and by many U.S. personnel even though the organization was composed predominantly of Lao employees. Starting in 1973, serious efforts were made to reduce the U.S. image. Operational support for vehicles, transport of commodities and expendables were drastically reduced. At the time of the departure of U.S. personnel, the only remaining operational support was in the form of the salaries of six of the original eleven borrower-grantee contractor advisors, all of whom were scheduled for phase-out within the following six months.

The reorganization in 1971 had led to establishment of a dealer network designed to reduce overhead costs and to reduce ADO participation in the costly practice of offering individual credit. Retail margins of dealers were controlled, and dealers were provided wholesale credit. In addition, the Lao Savings and Loan Cooperative was established under the ADO umbrella and partially capitalized with an ADO loan to develop a small farmer credit system. Finally, a Project Development Branch was established, serving the functions of a Research and Development section. At the time of evacuation, the organization consisted of headquarters in Vientiane, five branches located in five provinces, and a dealer network of approximately one hundred retailers.

Progress between 1972 and 1975 was significant. In FY 1973, ADO achieved a break-even operation (excluding salaries for U.S. advisors) for the first time in its eight-year history. Gross sales increased from approximately 140 million kip in FY 72 to over 457 million in FY 1974 and a projected level of approximately 1,000 million for FY 1975. Cash sales represented about eighty-five percent of the total sales volume, indicating that the commodities and prices were attractive to producers. Through participation in pilot commercial operations which originated with a small refugee program, ADO increased layer and broiler chick sales from 400 per week to about 20,000 per week and established a pilot feedmill which was producing approximately 185 tons of blended rations per month. By means of a U.S. grant of 20 million kip, a revolving grain purchase fund was established which resulted in the purchase and use of 594 tons of locally produced corn in the feedmill. Informal agreements made with producers indicated that in excess of 1,000 tons would be produced in 1975. In 1973, a national rice marketing program was developed by the PGNU which resulted in establishment of the National Rice Office, with ADO as the implementing agent. Operation during the initial year demonstrated

that the concept was feasible, reducing retail price fluctuations as well as contributing by-products to the embryo feed milling industry. The major need was for more operational funds on a timely basis so the program could be extended over more months of the year.

A more detailed account of accomplishments may be derived from the ADO Summary Reports for FY 1973 and FY 1974, previously submitted to A.I.D./Washington.

The success of ADO during the last three years demonstrated that a business-oriented institutional approach could give rewarding development results in an environment such as that in Laos. Budgetary and manpower constraints were critical, complicated at times by policy restrictions which were in conflict with sound business principles. Without any doubts, ADO would not have existed or succeeded without the support and encouragement of A.I.D.; but the results demonstrated that ADO was reaching the small producer whereas this was not achieved through the more formal host-government institutions. Capitalization was the single greatest need, and a form of concessional loan might have been profitably used under peacetime conditions.

Lao Savings and Loan Cooperative

This activity initially called for the reorganization of the Credit Department of the Agriculture Development Organization (ADO). The reason for revamping this service was that ADO was ineffective in providing adequate and timely credit to farmers for increasing food production and was faced with a high cost of operation and a poor collection record.

The Credit Union National Association (CUNA) was requested by A.I.D. to appraise the ADO operations and to recommend a solution. CUNA recommended that ADO's operations be converted to cooperatives, beginning with the credit department, and delineated the procedure for doing so. It provided the technical services for putting the program into effect.

The immediate program objectives were:

1. To test the method on a pilot project basis to determine the level of acceptance by the Lao farmers of the cooperative idea of credit extension on a commercial basis.

2. To determine volume levels in terms of both human and capital resources required in order for the program to become viable and self-sustaining.

3. To determine capital needs, human resource requirements and the time frame required for expansion of the program on a nation-wide basis.

4. To develop a system that would in addition to providing credit, mobilize the savings of the rural Lao people, and thus play a role in monetizing and commercializing the economy.

The program was initiated by organizing a new institution known as the Lao Savings and Loan Cooperative (LSLC). It commenced operations under the ADO umbrella until it received its legal charter from the Ministry of Interior on May 10, 1974.

The LSLC head office was located in Vientiane, and branch offices were opened in the outlying areas to serve the farmers and villagers. Branch offices were established to serve from five to 10 villages or about 1,000 families with a land area up to 1,200 hectares of land. Anything less than this amount would not provide a viable economic base for a branch office. Prior estimates indicated that each branch required a 30 million Kip (at 1500 K:$US 1 rate) loan portfolio loaned out on a constant basis at 18 percent per annum or 1 ½ percent per month to earn sufficient interest income to pay for its operating expenses and interest on capital employed and to set aside reserves. It would require five such branches or 150 million Kip to create sufficient interest income to make the whole system viable, including the Head Office operation.

The activity met with its initial objectives in every way, and in some areas surpassed them.

Teams from the Asia Development Bank and the World Bank in search of investment projects in Laos, rated LSLC as a qualified institution for receipt of low cost, soft currency loan funds for its use in agricultural and rural development.

A sample survey carried out in December, 1974, indicated that the average loan was 123,000 Kip in amount, and that each loan had produced 179,000 Kip of income for the borrower or about 138 percent of the loan value after the loan together with interest had been repaid. LSLC had been wholly accepted by everyone involved with it, and the system was growing in a positive manner. New members were joining at the rate of 100 per month. Loan repayments and capital recycling was running at a ratio of 1.65:1 during 1974. Approximately 1 percent of the total Lao population became members of LSLC during this short period of time.

The employees displayed a special kind of loyalty and concern for LSLC, because they came to realize that they were working for and with an institution that not only provided them with better than average salaries but was also an instrument by which technological and attitudinal changes were made, incomes increased and living standards raised.

Livestock

Emphasis in this area up to FY 1973 had been upon operational support for the Directorate of Veterinary Medicine and Livestock (DVML). An evaluation of the overall situation in FY 1973 resulted in a sharp curtailment of direct operational support with emphasis limited to advisory assistance and to improving the operation of the principle PGNU Dong Dok swine station. The majority of the goals for the swine station were realized with production levels comparable to the U.S. achievements. Improved breeding animals from the project were distributed to refugee villages and sold to commercial producers. This project, which had built up a large operational fund of over 19 million kip from sales, was being transferred back to the PGNU when Mission participation was terminated. Commercial swine production had increased modestly, but there existed an unfavorable hog:feed ratio which inhibited any significant expansion until retail price controls on meat were removed.

Two participants had received training in vaccine production, two in livestock nutrition and one at the degree level in animal science. Two laboratories had been equipped, one for diagnostic work but neither functioned effectively due to inadequate budgets and a lack of adequately trained manpower.

Poultry production had increased to near self-sufficiency by FY 1975, but this was primarily a result of activities by the Agriculture Development Organization rather than the DVML.

Pilot forage and training programs were initiated to encourage ruminant production but this work was subsequently assumed by the Australians with whom a close working relationship had been developed. Commercial milled feed production was initiated in 1974 (by ADO) and had reached a production level of approximately 185 tons per month when the Mission was terminated.

In summary, the only significant successes (poultry production and commercially-milled feeds) were achieved in the market-oriented Agriculture Development Organization rather than through the formal host-country institution.

Fisheries

The activity was undertaken to assist the Lao Fisheries Service under the Directorate of Forests and Waters to: (a) produce fingerlings in sufficient quantities to meet demand, and (b) provide advisory services in fish culture to Lao farmers. A.I.D. financed a contract team (U.S. Consultants Inc.) to manage the project.

In FY 1966 work began by rehabilitating three fish hatcheries. By 1974 five hatcheries were producing about a million fingerlings to stock the country's 5,150 fish ponds. The hatchery fish were mainly common carp and some tilapia and kissing gourami.

A limnological survey was completed of the 217 sq. km. Nam Ngum reservoir. As a result of stocking the reservoir with fish, it had been the source of four to five tons of fish a day. Fish and fish products have continued to develop as a major source of protein in the average Lao diet, but despite the increased production efforts, the demand in the Vientiane market was still partially supplied from Thailand.

A Lao inter-agency jurisdictional problem arose in 1973 which adversely affected the program at the Nam Ngum reservoir. This problem was still unresolved in May 1975 when the assistance program was terminated. The fisheries program was believed to be very effective insofar as the five fish hatcheries and distribution of fingerlings were concerned. However, lack of adequately trained management and technical staff was a constant constraint.

Crop Production (Opium Poppy Substitution) and Refugee Program

The Mission Agriculture Division provided technical backstopping in these two areas of the Mission/PGNU programs. An Agricultural Advisor in Vientiane coordinated the endeavors. Funding for both activities, however, was not included in the agriculture budget.

In 1971, the Royal Lao Government enacted legislation prohibiting the commercial production and marketing of opium and its derivatives. This legislation affected the main cash crop and economic base of many hill tribes of Laos. In order to minimize resultant economic and social trauma among the population of the opium growing regions, the Lao Government requested A.I.D.'s assistance in developing a program to redirect the hill tribes' agriculture toward more productive cash crops. The project's goal was to develop alternative agricultural crops or systems which would supplement income lost from cessation of opium production.

The project employed a three-fold approach to the goal of agricultural redirection:

1. Experimentation and testing of new crops and techniques;

2. Training activities to introduce new crops and techniques to hill tribes; and

3. Material assistance in establishing new crops and techniques.

Operational funding of the project was from the Narcotics Control budget (FY 1973 budget was $145,400; FY 1974-$115,200; FY 1975-$150,000). The activity employed two American contract agriculturalists, one Third-Country National, and 10 Foreign Service local employees. The PGNU provided six technicians and a national level counterpart officer. At the Crop Introduction Center situated in Northwestern Laos, with field plots at 3,000 and 4,000 feet, the following were tested: 24 species of fruit and nut trees; three species of essential oil crops. It must be noted that the timeframe was insufficient to identify the most feasible crops.

The crop with the greatest initial potential as a substitute for opium was found to be rice. Many opium producing villages were rice-deficient and had to pack rice up to their villages. However, the potential rice producing areas were limited. Thus, a combination of the following high value agricultural systems were recommended: ginseng, mushrooms, silk, which are easily transportable and non-spoiling; coffee, cardamon, tea or nut trees if the area were relatively accessible (1-2 hours walk to a road); forages and livestock in more remote areas (1-3 days walk to market). Nearly all villages could improve their health and living via improved vegetable gardens, fish ponds and use of dry season upland crops.

By December 1974 training to introduce new crops and techniques had resulted in:

a. The graduation of 264 young tribesmen from a six-week practical training course at the Xieng Ngeun Redirection Training Center,

b. The placement of resident agricultural agents in eight key villages which included the four major tribal groups of H'mong, Yao, Lahu and Akha. This latter activity affected 752 families and resulted over nine months' time in the hand development of four hectares of paddy, construction of 80 fish ponds, the planting of three hectares of coffee and tea, twelve crop demonstrations, and the planting of fruit trees, forage, and mulberry trees for silk production;

c. The development of the Naking Pilot Program which included the relocation of three villages, clearing 180 hectares of land for paddy rice, conducting topographical surveys on 780 hectares, construction of a two-room school, and installation of a clean water system.

Material assistance was provided from the Narcotic's Control budget and consisted of planting material, livestock, training facilities and support, transportation, hand tools, and land preparations.

Some reduction in the area planted in poppies had occurred due to the anti-narcotics law, villager uncertainty caused by insecurity, and the crop substitution program. A comparative study of 1973 and 1974 aerial

photos showed a decrease in hectares planted. In the one area of Houa Khong Province, crop substitution efforts had redirected the agricultural efforts of approximately 152 hill tribe families. This compares with the reduction in opium planting of about 51 hectares (or 340 kg of opium) annually. However, it was gradually believed that increased demand/price resulted in increased production during FY 1975 (November 1974-June 1975).

As a reuslt of a survey in mid-1974 of the graduates of the Redirective Training Center the program was being restructured jointly by the PGNU and A.I.D. to place increased emphasis on practical in-the-village training with resident guidance agents.

In February 1975, the U.N. Fund for Drug Abuse Control signed an agreement with the PGNU to provide $166,000 for initiation of an opium redirection program. At the time the A.I.D. Mission was terminated, the plan was to phase down the A.I.D. redirection program gradually as the UNFDAC program expanded.

DEVELOPMENT ADMINISTRATION

PUBLIC ADMINISTRATION - FINANCE SUB-PROJECT

History-Development of the Sub-project.

At the time of its termination in FY 1975, the Development Administration Project consisted of three sub-projects: 1. Development Administration, 2. Public Administration-Finance, 3. Human Resources Development. In 1966 a General Participant Training (GPT) project was established which supported all participant training activities of the Mission, including those connected with advisory services in the Ministry of Finance. In 1967 these activities in the Ministry of Finance were incorporated into a Public Administration Project and the GPT project broadened and renamed the Manpower Development Project, assuming responsibility for training local employees of the Mission and for advising the Commission General of the Plan (C.G.P.) on manpower and related problems of the Lao Government. In 1969 these two projects were integrated as sub-projects of a Public Administration Development Project and all non-manpower assistance to the C.G.P. was transferred from the Manpower to the Public Administration Sub-project.

To more effectively assist the CGP, an economic development advisor position was created and filled in FY 1970. This led in FY 1971 to the separation of the P.A. Sub-project into the Development Administration and the Public Administration-Finance Sub-projects. The latter concentrated its efforts on the Ministry of Finance, with some occasional assistance provided to other ministries or agencies. The Public Administration Development Project was then composed of three sub-projects: Development Administration, Public Administration-Finance and Manpower Development, later renamed the Human Resources Development Sub-project.

There was no further change in the composition of the project except for a change in name in FY 1974 to the Development Administration Project. All further discussion will therefore be confined to the Public Administration-Finance Sub-project from the inception of advisory activities in the Ministry of Finance in 1964 until the abrupt termination of the entire project in 1975.

To stem the rapid inflation which had developed in Laos following various insurrections and a state bordering on civil war during the early 1960's, a monetary stabilization agreement was signed in late 1963 between the Government of Laos and four countries, namely: Australia, France, Great Britain and the U.S.A. Under these agreements the Foreign Exchange Operations Fund was established, the purpose of which was to support the local currency, or Kip, by providing a fund of freely-accessible foreign exchange and to cover the large budget deficit by sterilization of Kip proceeds from sales of foreign exchange, a device uniquely suited to Laos

because a very high proportion of the budget deficit emerged in the free market as demand for foreign exchange for imports, there being almost no local industry. The Foreign Exchange Operations Fund (FEOF) was supplemented by commodity import programs but these were gradually phased out and FEOF became, apart from some foreign exchange earned from the public, the sole device for providing monetary stability and budget support.

The FEOF Agreements, renewed annually thereafter, stipulated among many provisions, the budgetary expenditure and deficit limits and revenue goals. In order to assist the Government to meet these goals, the Agreements also always specified that the Lao Government would request the services of advisors in the Ministry of Finance. Accordingly, advisory assistance to the Ministry of Finance was introduced under General Technical Support in FY 1964. The original plan envisaged three American advisors and two TCN accounting technicians. The advisors were to be a financial, a budget and a tax advisor. The first of these was in place in March 1964 and the second in July 1965. The two accounting technicians were also obtained during 1965. The tax advisor was not obtained and in 1967, the finance advisor left at his own request on an assignment with the IMF. This left only one advisor and two technicians.

Filling the two vacancies was deferred because after a re-evaluation of the situation in the Ministry it was decided that further missionary work was required to establish a favorable climate for advisory assistance. Another reason was that the United Nations and French Economic and Technical Assistance Mission (M.A.E.T.) had by then provided a short-term economist and a long-term budget advisor. The latter proved very effective and stayed until about 1971. By then the advisory needs of the Ministry had changed and it was agreed that short or medium-term specialized advisors in several fields of expertise should be used instead of the two long-term advisors previously envisaged.

From the beginning, administrative reforms were recommended in the tax structure and collection procedures as well as in budget preparation and control of expenditures but these recommendations were received in the ministry with some reluctance. To stimulate interest in reform, a visit was arranged to the Royal Thai Government (RTG) Budget Bureau by the Lao budget and revenue directors and other top Lao officials, accompanied by an American and French advisor. This visit proved very successful and stimulated constructive discussion which led to acceptance of some of the reforms recommended above during the years 1968 to 1970. This visit also stimulated the first participant training in Thailand, an activity destined gradually to become a major part of the P.A. Sub-project. Nine high-level officials, funded under the General Participant Training project, were sent to the RTG Budget Bureau and Finance Ministry for several weeks of successful study in budget procedures. This stimulated further interest in reform and re-organization for more effective budgetary control.

Considerable difficulty was now encountered by the Mission in administering the growing range of activities being developed by the advisors in the Ministry of France. These activities were then financed by General Technical Support and by the General Participant Training Project. The first of these, in particular, was not designed to support direct assistance to the host government. Creation of the Public Administration Project overcame this problem, gave clearer identity to the assistance activities and provided for a more precisely defined allocation of costs.

II. Development of the Public Administration Sub-project

The initial Project, created in 1967 and which later became a sub-project in the Development Administration Project as already described, received considerable encouragement to expand into public administration activities within and even outside the Ministry of Finance, in the expectation that an improved administration would impinge favorably on politics and economic stability and also result in improved budgetary and revenue performance. This emphasis, which lasted for about two years, was abetted by modified Mission policies brought about by a change in Mission Director. Financial reporting, initially the primary activity in the Ministry of Finance, continued but no longer as the top priority. New activities were actively developed which established the framework of the project for the remainder of its life, although later at a somewhat subdued level. After FY 1970, the Mission again re-emphasized financial reporting in support of FEOF and de-emphasized the importance of public administration as a priority activity in achieving adherence to the FEOF Agreements.

Some of the new activities established during the emphasized public administration period used only A.I.D. resources, others collaborated with international organizations in joint inputs. Some of the activities, though envisaged during this period, were actually implemented only after the end of the period.

To improve the chaotic condition of records files and the irregular distribution of mail and communications, a study of the problem (requested by the Ministry in 1968) was made in 1969 by the Communications and Records supervisor of the A.I.D. Mission who prepared a report with concrete proposals for improvements. This report was implemented between 1971 and 1974 after an advisor had been located.

In collaboration with the Economic and Social Council for Asia and the Pacific (ESCAP), formerly ECAFE, development of Lao trade statistics was initiated (very inadequate statistics were being prepared, with a two-year backlog, under an expensive Lao Government contract with IBM in Saigon) in order to expand their utility and timeliness to both the public and Lao Government, eliminate the backlog and reduce their cost. These

objectives were eventually fully achieved. In collaboration with a U.N. cadastral advisor in the Ministry of Finance and the French aid program, M.A.E.T., assistance was initiated in the creation of a cadastral service in the Ministry. Starting in 1968 with a staff of nine persons obtained from the National Geographic Service where an ineffective cadastral activity had existed for several years, the staff had expanded by 1975 to 100 persons, largely surveying and mapping technicians trained in classical ground survey techniques. The U.N. provided an OPEX advisor who established a cadastral school, largely staffed by French M.A.E.T. teachers. A.I.D. provided classical surveying equipment totaling about $50,000 over several years, A.I.D. also provided three types of participant training. After completion of two years in the Lao Government Cadastral School, novice technicians were sent to Thailand for three months of on-the-job field work with experienced survey teams. Cadastral brigade chiefs spent six weeks with Thai counterparts in provincial offices to improve their ability to plan and supervise the work of the new Lao survey teams who were being used to staff new provincial offices.

Finally, with a view to the future, long-term five-year technical training scholarships were provided to two young men each year at the Bangkok Technical Institute to produce junior engineers to staff future supervisory positions. After formation of the PGNU in 1974, future needs of the Cadastral Service were expanded and plans were made to increase the new annual scholarships to six but restrictions later imposed by the Ministry of Education on third country scholarships prevented this plan from being carried out.

Emphasis on financial and economic reporting in support of FEOF and as an important source of data for the expanded Economic Affairs Division at A.I.D., to whose staff the Public Administration Sub-project staff was now attached, became the first priority of the sub-project in late 1968. After that few new strictly public administration activities were undertaken, though there were some important exceptions.

In 1969, with U.N. assistance, the reorganized Commission General of the Plan developed its first five-year development plan with a Lao budget requirement for the first year of 600 million kip, for which funding had to be found. The then senior economist and Chief of the Economic Affairs Division of A.I.D. proposed several measures for harnessing public savings, one of which was an issue of treasury bonds at attractive rates of interest. The proposal was approved and bonds were procured from an American source in 1970 and sold to the Ministry of Finance. The project also arranged for a short-term advisor on bond sales, the director of bond marketing of the Philippine Government, to spend three weeks in Laos. He wrote an incisive report with precise recommendations, but cast some doubt on the overall wisdom of bond sales in Laos under the unsettled conditons then prevailing. In fact

the bonds were never sold because a monetary crisis in 1971 resulted in a devaluation of the kip that shook public confidence. The time was by then definitely no longer opportune.

A major effort was started in 1971 to develop a government-wide records management program. It extended, with one interruption, from 1971 to 1974.

The records management activity stemmed from a request by the Lao Budget Director in 1969 for assistance in the management of records and control of correspondence. A preliminary study made by the Communications and Records Supervisor of the A.I.D. Mission recommended creation of procedures for the identification and orderly distribution of documents. It also recommended designation of responsibility for action on incoming documents by subject matter, centralization of receipt, distribution and filing of documents and methods for final disposition of documents.

In 1971 the author of the above report retired and was hired for 10 months in 1972 under a personal services contract to carry out the prior recommendations and also to train personnel in the use of the new procedures. Widespread interest developed throughout the Government and the major accomplishments were the intensive in-service training of 240 persons from many government agencies, the creation of a Lao subject numerical filing system for documents and a widespread familiarization throughout the Government with the basic concepts of records management. At the request of the Lao Government the advisor returned to Laos again from May 1973 to October 1974 under a borrower-grantee contract with instructions to reorganize the records and mail procedures in the Ministry of Finance and to assist the Revenue Directorate to develop records and files designed to improve tax collection.

The following was accomplished. An operational mailroom was established and equipped and a competent ex-A.I.D. local employee recruited, trained and placed in charge. It was up-graded from an office to a division in order to give it appropriate stature. It was envisaged as a pilot, demonstration effort to serve as a model for other ministries and agencies. The File Classification/Records Disposal Handbook in Lao was fully revised, the subject numerical file expanded. In the Revenue Directorate, permanent seven-digit tax-payer identification numbers were introduced and also used by the Customs Directorate to identify and cross check importers. Individual tax-payer records were devised with their adoption to follow after the identification numbers. In the Civil Service Agency, personnel history summary cards were introduced, along with a concise manual in Lao, to provide fast access to the qualifications and work history of some 20,000 government employees. Recognizing the need for trained secretaries, a secretarial curriculum in Lao and French was devleoped in conjunction with the records management handbooks referred to above. This course was developed for the Local Training Branch at the Mission which was responsible for providing the training. A pilot group of five secretaries was successfully trained. Further implementation was planned by the Human

Resources Development Sub-project in collaboration with the Lao Civil Service Agency but not completed for reasons explained in the section entitled Training.

Training

Participant training, principally in Thailand, was rapidly expanded and became one of the chief elements of the project. Until FY 1974 short-term training, varying in duration from two to 17 weeks consisted of approximately the following distribution of courses and trainees:

Training field	No. of participants
Budget analysis	3
Tax administration	6
Treasury accounting and audit	10
Cadastral survey	10
Cadastral brigade	5
Land administration	10
Total	54

Other (FY 1973 and FY 1974 only)

Processing of trade statistics at

ESCAP	Total	22

Much of the participant training was completed in FY 1974 and progressive termination of repetitive courses was initiated in FY 1975 with termination of all short-term training planned for FY 1977.

Six new long-term academic scholarships were also provided each year starting about FY 1974 at Thai universities to develop future administrative talent. At first the scholarships were

Public Finance -BA oriented	two per year
Public Administration - BA oriented	two per year
Cadastral Surveying - Junior engineer oriented	two per year

In FY 1973, to reflect changing needs in the Ministry of Finance, the first four scholarships were consolidated into public finance and in FY 1975 it was planned to consolidate all six new scholarships into Cadastral Surveying. However, PGNU education policy aborted all new scholarships in FY 1975.

Short-term participant training was originally envisaged as a readily avaioable means of bolstering the knowledge and enthusiasm of upper

and middle level personnel by demonstrating to them the accomplishments in a neighboring country which had successfully oveecome many problems similar to those then faced by the Lao Government. It was never expected to be better than in-service training which would be the next step.

In-service training was not as easily provided as participant training which was supported by a Mission sub-project and facilities in both Laos and Thailand. In-service training usually required services of specialized advisors. Because few of these were obtained, this form of training did not acquire the dimensions originally envisaged. The following in-service training was provided during the life of the project.

Training field	Number trained
Records management	240
Secretarial training in Lao and French (pilot course)	5
English language training classes (provided by the A.I.D. Human Resources Sub-project)	average number, about 40 in training during 5 years

Records management was the most effective in-service training provided. It inculcated sound, basic knowledge and developed Government-wide familiarity with the subject of records management. More training on these lines would have been desirable in other selected subjects. English language training was provided at a very low cost and established a close appreciation of the A.I.D. effort by a large number of Lao personnel who had little other contact with A.I.D. Many of those trained found it useful in their work even though work orientation was perhaps not its most important achievement.

Starting in about 1974 extensive discussions were held with the Human Resources Development Division Chief and its Local Training Branch Chief to plan and develop in-service training courses for the Lao Government, initially to include supervisory training, bookkeeping and accounting and secretarial training. Such courses already existed in English for local A.I.D. employees and limited access was available to Lao Government employees. Courses needed to be translated and adapted to the needs of the Government. The U.S. advisors believed such courses would be of utmost value in the Ministry of Finance. Believing that responsibility should be assumed by the Lao themselves, the Mission negotiated extensively with the Lao Civil Service Agency in an effort to jointly develop the requisite training. Unfortunately A.I.D. budget restrictions in FY 1974 hampered this development which, following the groundwork achieved through participant training, would have provided a logical forward step.

Commodities

Apart from survey equipment for the cadastral development efforts and copying and reproducing equipment for the new mailroom in the Ministry of

Finance, there was no other planned program of commodity procurement. A minor amount of simple office equipment was procured to bolster the activities of offices which produced financial data related to the fiscal reports prepared by the project staff. Two jeeps were procured for provincial offices of the Revenue Directorate, rather inadequate vehicles for the purpose because they are expensive to operate and maintain and designed for rugged terrain over which they were not to be used. However, no more suitable American-made vehicle, such as the Citroen 2-CV, was available.

Over a period of several years about 50 jeeps were procured by the project and sold to the Ministry of Finance at the official rate of exchange, then 240 kip to US $1, which saved the Ministry about 50% of the cost at the then free rate of exchange of 505 kip/US $1 which the Ministry would indirectly have had to pay through local procurement. Alternative financing through USIP was not approved for jeeps which are quasi utility-passenger vehicles. These vehicles were allocated throughout the Government by the Minister of Finance and were not directly related to project activities although some vehicles were allocated to the Cadastral Service.

To support the Lao Government's decision to issue Treasury Bonds, 500,000 bonds were procured in 1970 from an American source and sold to the Ministry of Finance using the same arrangement as for the jeeps described above.

Advisory activities

It is difficult to separate advisory assistance from strictly project activities since the latter of necessity include advisory help. In the description of the sub-project, advisory assistance included in development activities has been discussed. Other advisory activities are described below. This advisory assistance was provided chiefly in the fiscal areas of the Ministry of Finance.

Initially, emphasis was put on preparing monthly fiscal statements to enable the Prime Minister's Office, the Ministry of Finance and the Donors to FEOF to monitor budgetary performance in relation to the goals agreed upon in the FEOF agreements. This was no easy task because budgetary and revenue accounting procedures were archaic, slow and often inaccurate. However, short-cut methods were developed to obtain data, evaluate and adjust it, and produce statements which were effective for the purpose for which intended. These statements were quickly appreciated by their recipients, became a major activity throughout the 10½ years of assistance to the Ministry and were progressively expanded and improved in timeliness and accuracy. In addition, cash outlays by the Government and net inflationary borrowing statements were added to assist the economists in their work. The statements were much used by the IMF resident representative in Laos and the IMF advisory teams that were sent there periodically. From 1970 on they were routinely transmitted to A.I.D./W and used in monitoring and administering FEOF. The Laos Mission also used selected data from the statements in its expanding economic indicators. Much later after establishment of the Provisional Government of National Union, the new Pathet Lao Secretary of State was

quickly briefed on the state of public finances by means of these statements and thereafter he depended heavily on them and on additional information which he sometimes requested from the advisory team to keep himself abreast of the budgetary and financial situation.

The FY 1968 budget was essentially prepared jointly by the French (M.A.E.T.) and A.I.D. advisors. Budget hearings were held for the first time and the budget format revised into a logical structure. The improved structure was permanently maintained but budget preparation retrogressed somewhat after 1969 to authoritarianism and political pressures, partly as a result of some resentment that had developed against too much relinquishment of budgetary authority to the advisors, a possible indication that change had been introduced too fast.

During this period tax collection authority (except for real estate taxes) was transferred from the ill-staffed Treasury (traditional French tax-collection practice) to the Revenue Directorate. This reduced time-consuming administrative delays between the two services and led to progressive increases in revenues collected because the Revenue Directorate was better staffed and in direct contact with tax-payers who were required to submit tax-related data for tax assessment by the Directorate. Furthermore, the 1968 Tet offensive in Vietnam drastically affected the gold trade through Laos from which the Government earned in FY 1967 up to one-third of its total revenues. New competition from Singapore further cut into the Lao gold revenues. This gave strong impetus to increase other revenues, to which the Revenue Directorate responded with some success. In a further effort to increase revenues the IMF provided a short-term tax advisor in 1969 and again in 1970. In collaboration with the A.I.D. advisor, he restructured certain indirect taxes, principally turnover and sales taxes and shifted the point of collection from retail and service outlets to point of import or issue from the factory. As a result of these changes, revenues increased by over 50% in a relatively short period of time. Changes were also made in corporation profits taxes and personal income taxes with beneficial revenue results in the former.

In collaboration with the M.A.E.T. financial advisor, budget accounting was shifted from old-fashioned registers to large manually recorded cards designed to maintain daily totals so that summaries at the end of each month could be quickly prepared.

In 1969 the expenditures control organization was strengthened by the creation of a pre-expenditures control office (Direction du Visa), followed two years later by the establishment of an essentially post-audit National Accounts Commission (to which the Visa Service was also attached), a body destined eventually to become fully independent of the Ministry and to report directly to the National Assembly. Some good work was accomplished by the Vias Service but, for reasons discussed later, the National Accounts Commission was never granted the authority and respect needed to accompllsh its appointed task.

The Treasury and Ministry of Finance had always experienced difficulty in reconciling their figures, a source of difficulty in preparing fiscal reports. At this time treasury reporting requirements were increased to assist economists in determining the cash flow of the Ministry. They had previously relied on budget appropriations and expenditures, somewhat less precise information for their purpose. To remedy this situation, the services of a short-term accounting advisor were obtained in 1972 (a former employee of the Office of Finance) who prepared in a few weeks a report recommending organizational changes in the Treasury, divestiture of extraneous work performed for the Directorate of bookkeeping and accounting machines at a cost of about $30,000, and provision of in-service training. When the report was approved by the Ministry of Finance, project technicians requested implementation under the sub-project. The Mission, however, did not approve the request, expressing doubt about the ultimate value of the proposal in terms of improved reporting as well as the ability of the Lao to provide trainable personnel and to obtain necessary maintenance for the equipment with the closest service point in Bangkok. An advisor for six months to a year, though not mentioned in the report, would undoubtedly have been necessary but would have had to be recruited as the author of the report retired after its completion.

III. Assessment of the Sub-project prior to formation of the PGNU.

Prior sections complete the description of the principal activities developed during the life of the sub-project. During the last two years of the sub-project no new activities were initiated. Gradually certain activities were phased out or terminated. Short-term participant training was progressively diminished ; the trade statistics activity was completed. No further procurement or training for the cadastral activity was planned after FY 1975.

On the other hand, fiscal reporting was continually improved and expanded to provide increasing direct support to the sectoral goal of monetary stabilization. In the preparation of these reports the PA staff worked continuously with the Lao Budget and Treasury staffs and were very effective in training these staffs in improving their accounting and verification procedures. Serious efforts were made to obtain Lao counterparts for a year's training to eventually assume full responsibility for fiscal reporting and to develop a technical research division in the Ministry. It was urged that a few of the returning BA graduates in Public Finance should be allocated as counterparts to the PA accountants but at the date of termination this had not yet been achieved, though receptivity to the proposal had definitely improved.

After formation of the PGNU, certain changes occurred which merit discussion. Before that, however, a retrospective review of the sub-project up to the PGNU formation in 1974 is appropriate. It will be

recalled that the original plan in 1964 called for a full-time staff of three advisors. This plan was altered with the arrival of a full-time French advisor, and the departure of one of the two American advisors. After a re-evaluation made in about 1969, it was decided to maintain only one American advisor and to supplement his efforts with short-term technical specialist advisors, provided either by A.I.D. or conceivably by international organizations or other bilateral donors. It was conceived that these specialists would develop in-service training and that participant training would be phased out as in-service training was introduced.

Special advisors envisaged included a tax advisor, a budget advisor, a treasury accounting advisor, a records management advisor and a supervisory development advisor and/or others as might be determined by periodic re-evaluations. This plan was only partly implemented. Only two advisors were obtained and both proved fully effective both technically and in their counterpart relationships. The first was the IMF tax advisor in 1969 and 1970. The second was the records management advisor in 1972 and again in 1973 and 1974. Their activities were previously described.

Except for a brief but excellent bond marketing study and recommended Treasury accounting improvements by a former A.I.D. staff member (neither of which was implemented for reasons unrelated to the project) no other specialist short-term advisors were provided. Though restricted to some degree by a somewhat unreceptive environment, the activities of the tax and records management advisors were well conceived and effectively implemented. In retrospect, the short-term advisory plans of the sub-project fell far short of real need despite having proved themselves very effective in limited instances in which approved.

This advisory gap in the implementation of the sub-project resulted in a distinct bias in the balance of its actual development in relation to its planned development. Certain critical activities (viz. budget analysis and planning and Treasury accounting) received little help other than extended participant training. Short-term participant training was prolonged excessively with diminishing returns while advisory assistance and in-service training in key activities were never provided. This imbalance seems to have stemmed from certain Mission constraints which indirectly affected the sub-project. No difficulty was ever experienced in obtaining approval for participant training while, on the contrary, the Mission approved few of the technical advisors recommended for the integrated development of priority activities.

IV. Fiscal Performance in the Ministry of Finance from 1965 to 1968

From 1965 until 1968 a concerted and successful effort was made by the Ministry to remain within the fiscal performance goals in the FEOF agreements and amended budgets were presented for approval to the

National Assembly at the end of each fiscal year as required by the Lao financial statute. In FY 1969 the fiscal goals were not achieved and the budget deficit exceeded the agreed limit, principally because of the drastic fall in gold trade revenues following the Tet offensive in Vietnam and new competition from Singapore gold merchants which required Laos eventually to progressively reduce its gold duty from a high of 8% to 3½%. Gold revenue continued throughout the life of the project, fluctuating in relation to external factors, but never again was a major receipt. Firm efforts were made to replace this loss by increasing the conventional indirect taxes (customs duties excluded) and within two years, with the assistance of a short-term advisor, they were almost doubled. Customs receipts also rose substantially. Despite these efforts, expenditures rose more rapidly and henceforth budget deficit ceilings were usually exceeded in every fiscal year.

Several factors account for this trend: 1. Civil expenditures for education, health and other programs rose rapidly as Donor projects in these areas matured and the Lao Government assumed operating costs for new schools, hired new teachers, nurses etc. 2. For political and traditional reasons, the Government hired each year virtually all the Lao graduates of secondary schools and universities (the latter mostly abroad). Annual additions to the Government civil payroll soon reached 1500 per year (on a total payroll excluding police which rose steadily from 15,000 to 20,000). No effective efforts were made to develop private sector employment for Lao, a sector which traditionally employed Chinese, Vietnamese and Thai. 3. Expenditures for new construction, coronation expenditures (mainly construction) for a perpetually deferred coronation, purchases of government passenger vehicles and a host of other similar expenditures progressively increased and one must suspect that vested interests profited from these expenditures. 4. Pensions and disabled veterans' bonuses rose rapidly and became a significant load charged to civil expenditures, thus giving the impression that military expenditures were relatively static.

As expenditures rose, efforts to increase revenues correspondingly became progressively weaker, particularly after the initiative and incentive created by the 1970 tax reforms had run its course, a matter of some 18-24 months. Throughout the life of the sub-project customs and indirect taxes, both of which were closely linked to imports, remained the major source of revenues.

The Mekong River which forms the border with Thailand is long and difficult to patrol. Local trade between Laos and Thailand largely evaded taxation. Commodities such as cement, rice, petroleum products and manufactured articles (usually imports from overseas) tended to be smuggled across the river whenever the retail price differed significantly between the two countries. This also created an incentive to import by various means at privileged rates below the official tariffs in order to smuggle profitably into neighboring countries, chiefly Thailand, and possibly Burma too.

Cigarettes manifactured in Laos, largely from imported tobaccos, always benefited from concessional raw material duties. By a variety of means many liquors and other luxury products were also imported at low duty rates and smuggled abroad at substantial profits. To benefit local vested interests, the revised indirect tax laws of 1970 were somewhat distorted in the orders and regulations developed for their application.

Directtaxes increased substantially over the years, especially after 1970, but never accounted for over 10% of total revenues. Their chief sources were trade licenses, mainly on importers, and profits taxes, chiefly on foreign companies operating in Laos. The salary withholding tax law was principally applied to Lao Government employees from whose salaries it was withheld at the source. In the private sector little was collected and wealthy Lao paid almost no taxes. Foreign residents were taxed at a flat annual rate but receipts were relatively small as the tax was difficult to collect and responsibility for its collection lay with the Immigration Police.

Real estate taxes, by law all collected by the central government and a major potential source of revenue, were very difficult to collect because landowners were chiefly Lao. The cadastral program contributed little to increasing this revenue because no laws were enacted to require the cooperation of landowners, chiefly Lao citizens, in establishing property boundaries or the issuing of ownership titles. In FY 1973 only about three million kip was collected in all of Laos by the Treasury. On the advice of the PA advisor, collection was transferred to the Land and Real Property Directorate who also assessed the taxes and collection jumped in FY 1974 to about 40 million kip, mostly from foreign tenants of shophouses owned by the wealthy Lao. This was a ludicrously small amount from a tax with a potential of perhaps two or more billion kip.

Up to 1973 the National Assembly could be persuaded and did modify certain taxes or tax rates, including the transfer of the tax on rents from the landowner to a withholding tax payable by the tenant to the Revenue Directorate amounting to 1/12 th of the annual rent. Many foreign missions cooperated actively with this law and significant receipts resulted. Private tenants, however, usually managed to ignore the law successfully. The National Assembly was strongly opposed to an increase in real estate tax rates which had not been altered despite devaluations of the kip from around 30 to 500 kip/US$1 (240 kip/US$1 at the official rate but used only in official transactions). In 1972 it finally approved a new substantially increased schedule of tax rates but exonerated all but commercial property. Lao landowners, exonerated from taxation on their own multiple dwellings, usually required in their leases that tenants of commercial properties pay the real estate taxes, if assessed, rather than the Lao owners themselves.

As a result of the above unimpressive revenue collection effort, total budget revenues collected, including those from gold, never exceeded 50% of expenditures and, while revenues did increase progressively, the rise in expenditures was so much faster that towards the end of the sub-project, budget revenues represented only about 1/3 of total expenditures. In 1972 a foreign exchange transfer tax was established on most non-official purchases of foreign exchange which produced 240 kip/US$1. Very substantial amounts were collected, reaching around 9 billion kip in FY 1974. This could not be properly construed as real budget revenue. It was, in effect, additional kip counterpart obtained from a two-tier exchange rate (600 Kip and 840 kip/U.S. dollar). While useful as budget-support in an overall monetary/economic context, in the Ministry of Finance it tended to obfuscate the perception of the Minister and his administrators who were deceived into believing a solution to low revenue collection was at hand.

Another significant event occurred shortly after the financial crisis in 1969 occasioned by the loss in gold revenues following the Tet offensive. The war effort in Laos was built up and given a higher priority than maintaining monetary stability. Consequently the deteriorating budgetary performance trends reported by the periodic fiscal performance reports did not engender sufficient pressure on the Lao Government by the Donor Governments to obtain effective corrective action. Consequently the terms in the FEOF agreements relating to budget performance (excluding FTT receipts) increasingly failed to meet predetermined goals and shortages in stabilization funds ensued. For some time the Donors found ways to reinforce these funds by direct and even by indirect means, the nature of which lies outside the context of this report.

Increasingly the Lao committed themselves in the annual FEOF agreements to budget performances which could only be achieved by very severe budgetary discipline. Budgetary performance over the following years, however, showed a growing inability to enforce stern budgetary discipline. Consequently, due to excessive pressure on FOEF, several monetary crises ensued, the chief cause of which was the rising budget deficits. These crises were resolved by devaluations of the kip which occurred in November 1971, May 1972 (unification of rates) and March 1975. Freedom of access to foreign exchange for non-essential purposes was progressively restricted and an exchange control commission established in the Ministry of Finance to process foreign exchange authorizations. Other monetary and budgetary reforms were also instituted, the latter consisting chiefly of increases in duty rates on cigarette raw materials import duty contracts (forfait contracts), on luxury products and cars, and on petroleum products to equalize prices with those in Thailand which rose progressively following the world petroleum crisis.

The increases on luxury duty rates were unfortunately sometimes partially negated by specially negotiated arrangements between the Ministry and highly placed Lao importers, such as the creation of bonded warehouses for the re-export of foreign liquors, with the Lao Government collecting a modest service charge for the transit privilege. It was estimated in 1974 by reliable sources in Thailand that about one-third of all hard foreign liquor sold in Thailand was smuggled into the country from Laos. Lao proponents of these schemes contended that the trade was self-financing and did not draw down FEOF resources. This contention could never be fully analyzed because of incomplete information. It is likely, for instance, that some of the liquor found its way into the local market, displacing liquor on which the full duty and taxes would have been paid. It is also likely that profits from this trade may have stimulated capital flight.

The events described heretofore were accompanied by a steadily rising cost of living which required the Government to grant several modest salary increases, either across the board or as rice cost bonuses. In addition, there was considerable reluctance to raise many taxes, receipts from which declined in real monetary terms because of the devaluations. Consequently towards the end of the sub-project, budget deficits rose with increasing speed as an inflationary spiral set in. Compounding these problems were adverse external factors such as devaluation of the dollar, world-wide inflation and increases in POL prices.

With some very significant exceptions, employee morale began to deteriorate in the Ministry of Finance as a result of recurring monetary crises and the inadequate imposition of the corrective measures developed in collaboration with the Donors, the resident advisors and I.M.F. advisory teams sent periodically to Laos. The Budget Director, as an example, frequently complained that his authority was usurped by Cabinet approvals of supplementary expenditures requested by influential minister, with no consideration given to the budgetary impact. The Revenue Director found himself unable to prevent the granting of tax concessions by socially prominent tax inspectors on his own staff. In numerous instances the Customs Director was instructed to accept customs declarations showing only nominal values as a basis of duty calculation for luxury cars imported by influential families.

Increasingly, Ministry officials gave only lip service to advisory assistance and displayed a gradually diminishing interest in cooperating to achieve the established objectives of the sub-project. Treasury cash advances against unbudgeted expenditures increased in amount as did the delays in regularizing them through subsequent budgetary provisions, and required increasing attention from the advisors. Introduction in the Revenue Directorate of tax identification procedures previously referred to proceeded slowly and sometimes reluctantly. Rivalries between the

Director General and the Minister's Chief of Cabinet inhibited granting full authority to the chief of the newly developed mail room.

These are examples of the growing malaise which increasingly hindered the achievement of the real project objectives. Where this malaise did not exist, as in the Customs Statistics Division, sub-project objectives were fully realized. Fiscal reporting did proceed and indeed was expanded in breadth and depth although some difficulties were encountered in a few areas in obtaining information or cooperation in changing to appropriate accounting procedures. This again reflected high-level sensitivities to assumption of responsibility.

V. Impact of the Provisional Government of National Union

In April 1974 a Provisional Government of National Union was established in Laos. In the Ministry of Finance the Minister, from the Vientiane side, was changed from Sisouk Na Champassak to Ngon Sananikone. The Secretary of State from the Vientiane side, Houmphanh Saignasith, was replaced by a Neo Lao Hak Sat or Pathet Lao, Boutsabong Souvannavong, a leftist member of one of the influential Lao families. Contact was immediately established by the A.I.D. public administration advisor with the new Minister and Secretary of State. The former proved to be motivated chiefly by political issues. The latter showed an interest in both political and technical matters. The budgetary situation and fiscal reports were explained to him in detail and for over a year, until the withdrawal of the advisor in May 1975, he displayed a keen interest in learning about the situation, in listening to fiscal advice and gradually, but perceptibly, in introducing some of the recommended reforms in order to stabilize the growing budgetary chaos. He was reputed to have obtained a financial education in France. His knowledge of budgetary practice was weak at the start but developed quite rapidly. He also conferred frequently with the I.M.F. resident advisor. He became familiar with the staff of the Ministry and apparently evaluated for future use the capacities and integrity of each official in key or secondary positions of authority. Despite a heavy work load he began to show interest in the sub-project objectives. He became immediately concerned with assigning Lao personnel as direct counterparts to the advisory staff's accountants.

Politically he was a moderate leftist and showed a disposition to resolve the budgetary and monetary problems to a considerable extent within the framework of the free economic environment in existence. After an initially naive faith in the resolution of the budgetary crisis through receipts from communist country commodity imports, he progressively came to grips with the real nature of the budgetary problems. Time was too short to evaluate whether this attitude was fundamental or merely transitional towards what would eventually become a totally controlled economy. Nor is it within the scope of this report to judge whether the

developing political power structure in Vientiane would permit him for long to resolve fiscal problems without imposition of authoritarian policies and controls.

It was predictable that the formation of the PGNU, starting with political changes, would lead eventually to administrative changes. It might therefore have been hoped that an incentive for budgetary and fiscal improvement would have resulted. In reality, quite the contrary occurred. This may perhaps be explained by an intuitive premonition on the part of those most deeply involved with personal and vested interests which conflicted with good fiscal management. Expenditures continued to rise for non-essential expenditures without a corresponding rise in budget revenues (FTT excluded). The Foreign Exchange Control Commission was put under pressure to grant significantly larger amounts of foreign exchange for certain necessary imports than past experience seemed to justify. These imports were controlled by an influential Lao group. In general, however, this Commission performed creditably.

The end came dramatically and began suddenly on the 8th and 9th of May when several Vientiane side ministers, generals and highly placed administrators left the country precipitately. In the Ministry of Finance some of these returned within a week but those in positions most likely to have been implicated in questionable financial activities stayed away permanently. These included the Minister of Finance, the Director General and the Director of the Budget. The Pathet Lao Secretary of State immediately took over political control of the Ministry and maintained it even after a Vientiane side Minister of inconsequential stature was appointed shortly after. The Secretary of State immediately appointed acting directors to fill the two vacated directorships, appointing the Treasurer-General as Budget Director and a member of the National Accounts Commission, as Director General. Both had reputations for integrity and the former had conducted in past years several successful investigations of Treasury irregularities and successfully prosecuted employees guilty of fraudulent activities. Such prosecutions were rare in Laos.

These events were followed by a series of daily employee meetings apparently instigated by a well organized cell in the Ministry. Demands were made for resignations of directors suspected of collusion, backed up by strike threats. These threats were effective and several directors, including the Revenue Director, did resign. Pressure was also being exerted for all directors to resign, subject to reappointment by popular approval.

Throughout these events the public administration advisor and his staff had continued to work undisturbed in the Ministry. On Wednesday, May 28, 1975, on orders from the A.I.D. Acting Director, the staff was removed and the American project advisor departed Laos. Prior to departure, fiscal reports for April were delivered to the Secretary of State.

VI. Future Prospects

At the time of termination, many recommended administrative changes were well known to the more serious administrators as well as to their subordinates but the political environment had prevented their adoption. Initially some of these administrators were appointed as acting directors and chiefs to replace those who had resigned and who had often hindered administrative progress. If the policy in the Ministry continues to encourage appointment of the employees known for their integrity and ability, it is quite likely that many of the recommended reforms may be adopted, to the eventual benefit of the Government and population. Whether political or administrative considerations receive the higher priority will have bearing on future directions.

The chief short-term effect of the sub-project was a significant contribution through fiscal reporting and improved budgetary accounting to better monitoring of the monetary stabilization program for Laos. Long-term effects were both tangible and intangible. Tangible effects included a logically restructured budget, changes in the tax structure, comprehensive trade statistics, a working records management division with extensive in-service training in this subject throughout the Government, personnel summary biodata cards adopted in all ministries as well as by the Civil Service agency, permanent tax-payer identification numbers (and individual records ready for adoption), a Cadastral Service trained and prepared to conduct a cadastral survey, given the right political changes. Intangible effects of an unquantifiable nature resulted from both short-term and long-term participant training. The full impact of this training is unpredictable but will depend upon the future course of events in the Ministry.

VII. Lessons learned

Sub-project goal and purpose were established sometime after the inception of the sub-project. The goal was: To promote a viable national government in Laos capable of providing basic governmental services and improved economic opportunities to its population.

The Purpose was: To improve resource management and development planning of the Lao Government.

Conditions needed for sub-project success are summarized as follows: Under goals: 1. Security would progressively improve; 2. Profitable commercial enterprises with an impact on domestic and export markets would be feasible; 3. Political and vested interests within the Government would not unduly hinder the application of financially sound policies, procedures and administrative practices. Under sub-project purpose: 1. The Lao Government would give priority to improving fiscal management, tax collection systems and overall conduct of public administration; 2. Merit would be increasingly used in appointments and advancements; 3. National priorities established by the Planning Commission would be accepted as guiding principles

by all ministries; 4. Qualified personnel would be provided for training and subsequently used in the functions for which trained.

In retrospect the goal and purpose appear too broad and ambitious for the commitment the Mission was able to make to what essentially was never more than a small effort, chiefly in the Ministry of Finance, paralleled by a similar small effort in development administration in the Ministry of the Plan.

Apart from fiscal reporting, which was strongly supported by the Mission, other sub-project activities were to a considerable degree selected and developed by the sub-project manager, with varying degrees of success. The integrated support required to develop these activities, particularly in short-term advisers and in-service training was, with one exception, not forthcoming. These activities would have benefited from a more intensive and periodic review, both with the sub-project manager and counterparts in the Ministry to determine whether the limited resources available might not better have been concentrated on integrated efforts in a smaller number of activities.

Substantive Sub-project Agreements could very profitably have been more intensively discussed with the Director-General and Minister and more direct liaison between the Mission Program Office and chief counterparts in the Ministry would have been a valuable support to the sub-project manager. In one fiscal year an enterprising program officer went well beyond his usual area of responsibility and discussed substantive program agreements in considerable depth at the ministries involved at meetings with the Lao counterparts and sub-project manager. The immediate effect was to dispel the anxiety often present among Lao counterparts that the Mission was distant and difficult to approach. Advisors and project managers, alone, found it difficult to dispel this feeling. To this end, a three-way communication proved, when used, much more effective.

Although the goal and purpose were stated in the broadest of terms, in fact the sub-project contibuted little to good administration by the Lao in other sectors of the Mission's program. Consideration could well have been given to providing advisory assistance in other projects such as public health, agriculture, etc. To the extent that such assistance was provided, it came from the projects themselves. A more integrated approach might have yielded better results.

The required conditions for sub-project success were not always met. Under goals security improved moderately (after the formation of the PGNU), commercial enterprises did develop, but political and vested interests distinctly hindered to an increasing degree the activities of both political and top level administrators who were capable and sufficiently trained to apply financially sound policies and procedures and administrative practices. Under Purposes, it is apparent in retrospect that the Lao government did not give priority to improved fiscal management and the tax collection system, that merit was not increasingly considered as an important aspect of employee appointment and advancement. It appears do-btful whether all ministries accepted the national priorities established by the Planning Commission and it is clear that personnel trained were sometimes not used effectively in the functions for which trained.

In conclusion, future projects of this type would benefit from more integrated planning and evaluations, with greater liaison between the Mission, project manager and chief counterparts; by greater flexibility to adapt the activities of the project to those necessary areas where receptivity to improvement exist and to provide integrated support for fewer but more carefully selected activities; by terminating activities when conditions for success do not develop as expected; by broadening the scope of the project to provide appropriate assistance in sectoral areas other than those designated as strictly public administration in the "classical" sense of the term.

DEVELOPMENT ADMINISTRATION

DEVELOPMENT ADMINISTRATION AND PLANNING SUB-PROJECT

Summary

Throughout Laos' twenty years as a democracy its government allocated its resources - national public and private and foreign aid - on an ad hoc basis. An organization existed that carried the appropriate title (Ministry of the Plan, and its planning agency, the Commission-General of the Plan) but which functioned principally as a reviewing office for development aid projects that were planned and largely implemented by foreign personnel.

There was a great dearth of educated manpower in Laos available to staff the planning agency at the outset and very little independent administrative experience under the previous colonial government.

Moreover the planning agency had no role in the preparation of the national budget and was not called upon to provide economic status reports, projections or goals. Implementation of a rudimentary five-year plan was the principal concern of the Commission-General of the Plan (CGP), although a considerable portion of CGP attention was devoted to approving small favorite projects of the operating ministries. The CGP was also a convenient place to send the many missions from national and international aid agencies who arrived in profusion.

CGP personnel were diverse in background, having been trained in both Bloc and non-Bloc countries. During the years 1957 to 1972, the Commission-General of the Plan was a respected and reasonably effective organization. In early 1973, it looked as though hostilities had ceased and hope was felt regarding the possibilities for producing a soundly-based long-range development plan. To this end, a U.S. devleopment planning contract team was hired, and a good start was made. The work ended abruptly in May, 1975.

Introduction

The following report was written with virtually no documentary support because project files were left in Vientiane. Although this report is directed principally to recapitulating significant events in the implementation of the Development Planning Project it is necessary, especially in discussing the period following the formation of the Provisional Government of National Union in April of 1974, to describe the more broad context of activities throughout the Government occurring outside the Ministry of the Plan. The interplay of personalities is given more attention than may seem necessary. However, in a country where the level of professionalism is so low, personality rather than technical competence often becomes the determinant of action.

The scheme of the report is to present a broad brush survey of the principal events, activities, and conditions occurring during four successive periods:

1. Before the start of the Development Planning subproject;

2. Start of the project in December, 1969 to the signing of the Peace Agreement in February, 1973;

3. From February, 1973 to the PGNU in April, 1974; and

4. The final period, from April, 1974 to May/June, 1975.

Following this survey are sections dealing with planning methodology and a summary of changes in the Commission of the Plan resulting from the USAID participation since 1970.

Development Planning in Laos, Basic Chronology

1. Pre-1970 Planning

The planning of economic development in Laos started in the mid-1950's with the creation of the Ministry of the Plan and Cooperation (MinPlan). As originally designed, the MinPlan included a Government Purchasing Office and the Mines Service as well as the more directly development-oriented Commission of the Plan and the National Statistical Service. The U.S. built two buildings to house the Ministry, one of which contained storage space and internal cranes for handling government purchases. The other building housed the remaining planning activities and the Minister's office.

The basic aid agreement between the RLG and the U.S. established the Commission (later Commission-General) of the Plan as the aid contracting agent for the RLG. The Commissioner's signature on "blueprint" documents along with that of the A.I.D. Mission Director committed the RLG and the U.S. to joint implementation of the aid programs. The stage was set for close cooperation between the two countries in the development of the Laos economy and its governmental and social services. One of the first U.S. projects attempted to build an efficient MinPlan Government Purchasing Office, with the objective that all U.S. aid supplies as well as RLG purchases would be handled by this agency.

It should be remembered that at this time, few Lao officials had ever had authority in their own country. The previous administration had been under the top level direction of the French, assisted by an almost wholly Vietnamese expatriate civil service. Because

Laos produced few exportable resources (stick-lac, a few cardamon seeds and a small amount of tin ore) the cost of governing Laos represented a drain on the French exchequer. Consequently, administrative resources allocated to Laos were relatively limited. Few Lao advanced beyond the third grade of grammar school, while only enough Lao elite received high school or university education in France to insure the loyalty of the nominally ruling class.

This was the available manpower when the independent Lao government was formed. The top Ministerial positions were divided among the few educated Lao. The gap in ability and education between them and the rest of the Lao functionaries was large and tended either not to be filled (there were some Division Directors with only a third grade education) or to be filled with French and Vietnamese expatriates. Financial resources available to the government were small.

It was into this environment that the U.S. assistance programs started to bring more supplies and money than the Lao had ever known. At the Government Purchasing Office the temptations were too great to resist. It soon became clear that considerable diversion of supplies was occurring as well as extraction of extra-legal contributions from contractors for goods or services. The U.S. was forced to cease its dealing with the GPO and to expand its own procurement capability. This action did not enhance the relationship between the ComPlan and the Mission, unfortunately. (The GPO personnel were kept in the government budget until 1971 although they were permitted to perform only limited procurement. However, by 1971, the RLG had finally decided that the unit should be disbanded.)

A second disruptive element was the reception accorded by the U.S. to a five-year plan (for approximately 1959-64) that had been created by the ComPlan. The plan was not regarded highly by the A.I.D. Mission, where it was described as "merely a shopping list". In actuality, when seen in the perspective of thesucceeding fifteen years and in the light of the economic information available then and now, the plan was creditable. It summarized and projected governmental revenues and expenditures and tried to place development expenditures in an albeit crude macroeconomic context.

Summaries of the status of the various sectors were attempted and five-year targets set forth. Heavy emphasis was placed on infrastructure development. Detailed project cost estimates were included. Although the plan was unrealistic in its failure to recognize the limited absorptive capacity of the Lao administrative structure and the poverty of Lao manpower at the required levels of skill, it might have been given better marks as a first effort.

The plan had been prepared under the direction of M. Oukeo Souvannavong the second Commissioner-General of the Plan (the first was a Vietnamese who remained a very short time) and his Deputy, a Frenchman named Jean Vermeersch. Both Oukeo and Vermeersch were oriented toward continued French involvement in Lao affairs and tended to disregard the U.S. Mission. Throughout M. Oukeo's tenure as Commissioner-General relations between the ComPlan and the A.I.D. Mission were correct if not always warmly cordial. The main Mission request of the ComPlan was only that it sign the necessary blue-print documents.

During this time the USAID played such a predominant role in both the maintenance of essential government services as well as in economic development that its program office (including an economic analysis activity) performed many of the functions of a central planning facility. Some of the most important functions of such a facility were not under the control of USAID, however, namely designation of targets for internal revenue and governmental expenditures and the allocation of governmental aid resources from all contributing countries. Furthermore, the time constraints under which USAID planning operated - final approval of the funding for an annual plan sometimes was received after the beginning of the year for which it applied - made it difficult to coordinate these plans with host country planning.

Attempts had been made to seek ComPlan and Ministerial participation when plans were being tentatively formulated. Unfortunately, many of the Lao tended to take the tentative plans seriously and to start running with them. Ill feeling and disappointment resulted when USAID's ultimate plans, after Congressional approval, were shown to be quite different from the early drafts. After repeated experiences of this kind, it was found that the Lao technicians in the Ministries, possibly because of their much closer working level relationships with the USAID technicians assigned to the Ministries, adopted a more realistic attitude toward the tentative plans, permitting these technicians' participation at early levels of planning. The ComPlan, on the other hand, did not develop any particular understanding of such USAID problems, making

it more difficult to cooperate with the ComPlan. No U.S. technicians were stationed at the Plan, although the ComPlan was fully equipped with French technicians in every department.

2. Planning, 1970 to February 1973

In approximately 1966 M. Oukeo was replaced as Commissioner-General by Dr. Pane Rassavong who soon established closer working relationships with A.I.D. and a full-time Mission advisor was assigned to the ComPlan.

The duties of the new Special Advisor to the RLG for Planning (SAR) were to: (1) serve as principal liaison between the ComPlan and A.I.D., (2) assist Dr. Pane in all aspects of development administration, (3) aid in expanding the scope and size of foreign aid contributions of other donors, (4) supply material and training support to the Ministry of the Plan, and (5) perform such other duties as the C-G or the Mission Director might designate.

One of the first jobs of the new Commissioner-General was to have a five-year plan (1969-74) prepared under the direction of a French UN Advisor. Called the "Plan Cadre" it was said to be "neither indicative nor determinative, but rather incitative". (See following section on "Planning Methodology".) Each year there was difficulty in securing what could be considered an adequate budget for this Plan. Although some Lao and foreign aid personnel refused to take the Plan seriously, in general it received recognition as a useful Lao enterprise.

The C-G devoted a good deal of attention to the Plan during its first three years, after which he left the entire responsibility for formulating the annual tranches to his first Deputy.

In 1970 the Asian Development Bank began to play an increasingly large role in Lao development. Their first loan was for the Tha Ngone Irrigation project, which had started as a pilot farm project assisted by the Japanese. Over the next four years two more loans and a number of study groups, as well as the Bank's acceptance of the position of Administrator of the Second Phase of the Nam Ngum hydro-electric project attested to their interest in Laos.

The first of the international banks to participate in Lao development had been the World Bank (International Bank for Reconstruction and Development - IBRD) which had been the administrator for the first phase of the Nam Ngum project. The ComPlan had participated only slightly in the planning and implementation of this first phase.

The Lao planning group involved in this work had been the Lao National Mekong Committee (LNMC). However, when tensions developed between the IBRD, the managing engineers that they had hired (Acres International of Canada), and the Lao electricity company, Electricite du Laos (EDL), on the one hand, and the LNMC and the Japanese engineers and contractors on the other, the Commissioner General and the A.I.D. advisor were drawn into the fray as mediators. An Inter-Ministerial Commission was set up with the C-G as its head, to provide guidance to all disputants and to provide a channel to the Office of the Prime Minister (Presidence du Conseil) and the Cabinet in case of unresolvable clashes of opinion. This Commission was later given the responsibility for negotiating the Second Phase of the Nam Ngum project.

The process that resulted in the selection of the ADB as the administrator of the Second Phase of the Nam Ngum project was one of extracting a reasonable course of action from much confusion. When the resident representative of the IBRD left Vientiane on completion of the first phase, he left the clear impression that the IBRD would not be interested in assisting with the Second Phase.

The Lao were quite disappointed at this recommendation and accused the IBRD of continuing to discriminate against Laos. A further evidence of discrimination was felt to be the stated IBRD policy that no loans would be made to Laos until Indochina became more secure. A formula was ultimately reached whereby the ADB was asked to convass its member countries and others for financial support for the project. It was implicit that the ADB would then assume responsibility for the further administration. This was later confirmed when the ADB Board of Governors agreed to accept the responsibility for administration of the project.

It was during this period that the Special Advisor prepared a reorganization of the ComPlan, including documentation supporting and explaining it, that was accepted by the Cabinet and that gave each of the sector planners in the ComPlan a higher rating than they had had previously. This was much appreciated and actually was badly needed. However, the reorganization was not successful in obtaining a better rationalization of the so-called Department of Cooperation, which continued to cut across many operational areas and to create confusion in the minds of the representatives of foreign aid.

During this period the Special Advisor was consulted on virtually all problems that arose in the ComPlan and participated in all meetings involving any aid problems and programs with the exception

of many of the meetings about French aid and international meetings such as the Joint Lao-Thai Committee on Economic Problems. In the latter case, he prepared agenda and briefing materials for the first three meetings for the C-G, who was the head of the Lao delegation.

The transit problem (goods from overseas countries moved by Thai transporters across Thailand tax-free) dominated these meetings. In preparation for discussions of this subject, the Special Advisor, along with the A.I.D./Laos office in Bangkok and Thai port officials, made a detailed operational analysis of the life cycle of a piece of commercial merchandise (as opposed to A.I.D. merchandise), from the moment it was moved from the ship onto the dock until it arrived in Vientiane. The charges levied by the Thai Port Authority, Customs, and Express Transport Organization (ETO) were then indicated for each operation. Briefing charts with diagrams were prepared and were instrumental in securing two reductions in transit costs.

Because of the efficiency of the A.I.D./Laos port operations group, it was recommended that the Lao work with A.I.D. in establishing a similar group for their official and commercial cargo. This turned out to be a mistake. Authority to set up such an organization was delegated to the National Chamber of Commerce which was headed by the largest commercial importers in Laos. With the agreement of ETO, they were given the authority to approve key documents, giving them a stranglehold on the release of Lao commercial merchandise. The Chamber made no attempt to consult with the Mission in order to establish an efficient port-clearing mechanism. Instead, the commercial customs brokers, who had been clearing cargo at a high cost to the importer, were replaced by an organization that performed little or none of the necessary work of the customs brokers, yet extorted even higher fees by threatening to withhold the required clearance. Large importers simply ignored the Chamber. The smaller importers were then worse off then before, even though ETO rates had been reduced. In addition to set charges for prescribed "paper work", the importers were often assessed additional contributions to expedite their merchandise.

By mid-1972, the climate at the ComPlan had changed. A young American-trained Lao economist had accepted a position at the Plan and had become the closest advisor of the Commissioner General.

At this time, many of the more important tasks at the Plan were connected with the negotiations for Nam Ngum Phase II. First there was confusion between the Ministry of Finance and the

Ministry of the Plan as to who was responsible for certifying the validity of the various documents that created the Second Nam Ngum Development Fund, and the several loan documents. The ComPlan performed almost all of these tasks.

Many missions, from the various UN organizations, from donor countries, and from voluntary and other international organizations, invaded Laos, all seeking out the same information. Their parent organizations also felt it necessary to hold meetings and seminars to which planning and related personnel from developing countries were invited.

Frequently such missions, meetings and seminars were time consuming, produced reams of redundant information and did not result in any new assistance activities.

3. The "Peace Agreement" Period, February 1973 to April 1974

The first step in the establishment of the Provisional Government of National Union of Laos was the "agreement to agree" that was signed in February, 1973, by the PL and RLG. The protocol to that peace agreement was signed in September, 1973. The PGNU was invested in April, 1974 and the practical (though not nominal) dissolution of the PGNU became effective in May and June, 1975. This series of events also catalogues the deterioration and destruction of the ComPlan.

The period from February, 1973 to April, 1974 was dominated by skepticism among officials that the formula of the peace agreement that permitted the Pathet Lao to say "What's mine is mine and what's yours is half mine" would work. This skepticism was tempered by the hope that the PL would ultimately turn out to be "true nationalists". At the ComPlan, however, the mixed character of the personnel reflected a broad range of anticipation. Those trained in communist countries appeared confident and became the center of polarization of attitude among some middle-of-the-roaders. The most prominent of these later became a leading demonstrator against the American-tainted personnel at the Plan, and another later was designated deputy chief of the committee to distribute Bloc aid.

Most of the remainder of the officials continued to perform their duties although they did not conceal their opinion that the peace accords were unfavorable to them. The major work tasks were the preparation of the second five-year plan (1975-80) and of the annual plan for the last year of the Plan Cadre, completing arrangements

for the Nam Ngum Phase II project, the development of an overall plan for social development under the guidance of the UNICEF, handling of A.I.D. blueprint documents, and working with other donors, primarily the ADB, UNDP, Japan and France, in program and project development. During this time, no new proposals for industrial investment were submitted to the Investment Commission.

In August of 1973, the Chief of Party of a new contract with Louis Berger, Inc. arrived to begin assisting the ComPlan in development planning. At various intervals thereafter a total of five other team members arrived for tours ranging from three to 16 months. They were experts in agricultural production, manpower, budgeting and fiscal management, and industry. Their contributions were of variable but generally high quality. Their impact was made during the period of the Coalition Government and will be discussed below.

4. <u>The Coalition Government (PGNU) - April, 1974 to June, 1975</u>

The government reorganization found the Ministry of the Plan combined with the Ministry of National Economy, with the title Ministry of Economy and the Plan (MinEcoPlan). The new Minister was Soth Phetrasy, who had been, in effect, the resident representative of the PL in Vientiane for the ten years prior to the signing of the Accords. His accession to the Ministership, however, was felt to be an indication that the Ministry would have little power.

The Minister and the SecState established very quickly that they were in charge. All documents sent to the ComPlan could be logged in, but had to be sent directly to the office of the SecState before any action was considered. This included all A.I.D. blueprint documents, which normally had only to be processed by the ComPlan Department of Cooperation before being presented to the Commissioner-General or one of his deputies for signature.

This occurred at a time when the Mission was being given only quarterly allotments of its budgeted funds, and the new PGNU was unofficially indicating that no action would be taken on A.I.D. blueprint documents until a fundamental re-evaluation of the basic Lao-U.S. aid agreement had been made. Because of the latter possibility, at one time consideration was given to monthly preparation of all A.I.D. blueprints. This possibility was rejected, however, and even the quarterly submission of blueprints began to flood the MinEcoPlan, causing resentment among the long-time employees at the ComPlan.

The new Minister and Secretary of State insisted that they would read all Plan documents, at least for an initial period, in order to learn the operations at the Plan. Considering their many duties connected with other elements of the newly-combined Ministry (which also included Agriculture, Forestry, Livestock, Irrigation, Commerce, Industry, and another planning and research office), the job and the accumulation of action documents became enormous. It later developed that neither the Minister nor the Secretary of State was insistent that the documents be held up, but the Chef de Cabinet was the person who demanded detailed explanations of every document and who held them in his office for inordinate lengths of time. It soon became apparent that the latter had as much if not more PL authority than the Minister and publicly demonstrated this power.

One of the first recommendations of the new Ministry managers was that all aid agreements should be reviewed and revised if found to be disadvantageous to the PGNU. Multiple copies of most of the agreements were reproduced and a meeting held at which it became apparent that the only agreement that the managers were interested in was that with the U.S. When the bulk of the Plan personnel indicated that they thought that all agreements should be reviewed, the managers seemed to drop the idea, possibly with the feeling that the ComPlan was not as subservient an organization as they had hoped.

By May, 1974, the National Political Council of the Coalition had met and had issued 18 points of domestic and foreign policy. The 18 points had been prepared by PL members and presented to the combined PL-Vientiane Side-Neutral membership for approval.

The ComPlan was instructed to use the 18 points for guidance in all of its planning, and especially with regard to the new five-year plan that was in preparation. Guidelines for this plan had been prepared by the ComPlan and approved by the National Planning Council in late 1972 ("System of Priorities for National Development"). The Louis Berger contract team mentioned above had arrived in mid-August, 1973, with the principal objective of assisting with the new five-year plan. The first comprehensive planning document, produced in large part by this team and titled "Policy Guidelines for National Development", was issued in late 1973 and continually revised and expanded over the next 16 months to suit the series of demands for economic and social development plans that were placed on the ComPlan.

This document was essentially the first macroeconomic approach to the exposition of Lao development requirements that had ever been made. In its penultimate form, and based on admittedly incomplete and probably inaccurate statistics, it summarized recent public

revenues and expenditures, the balance of payments and made a very gross estimate of Gross Domestic Product (GDP). These parameters were then projected over the next five years, and an estimate of public and private investment requirements (including support for the Foreign Exchange Operations Fund) to achieve a six percent growth rate in GDP was made. The need for fundamental changes in governmental administration was recognized and a series of specific commitments was set forth regarding means for raising more revenue and reducing expenditures. In both cases, specific measures to correct improper, illegal or wasteful practices were cited. It was hoped that when the document was adopted by the Cabinet, National Assembly (or the PGNU version thereof) and the King, a series of laws or regulations authorizing the corrective measures would flow automatically.

The most difficult problem was to get the PL Ministries and Secretaries of State, or even the Vientiane Side Ministers and Secretaries of State, to read the document. However, a revised version of the "Policy Guidelines . . .," called "External Aid Requirements in the Second Development Plan . . ." was prepared hastily and translated into French to be used by the PGNU delegation in a series of visits to communist countries to seek additional assistance in late 1974 and early 1975. This document also included a second volume comprising 18 public works projects totaling $76.0 million and 53 agriculture projects totaling approximately $140.0 million. In addition to these books, the mission also took lists of commodities that each country was expected to provide.

The kind of aid that was forthcoming from the Bloc countries was responsive to the lists of commodities and did not address any of the problems cited in the planning documents. Because the response was wholly political, economic data probably played little part in forming the decisions by the Bloc countries to donate.

A second team visiting non-Bloc countries did use the volumes prepared by the ComPlan and distributed them to their hosts in the countries visited.

A further revision of the volume was prepared for use at the IBRD-ADB sponsored meeting of donors to Laos held in Manila in April, 1975. In this case, the contract team supervised a major rewrite which was then read by M. Boutsabong, the PL Secretary of State for Finance, who offered comments and corrections.

Throughout this period, the Louis Berger team had been working closely with the ComPlan and also with other Ministries. A higher level of economic analytical professionalism than the ComPlan had

ever had was introduced, including the macroeconomic formulations so widely demanded by international banks and foreign aid agencies. In addition to preparing a development series of planning documents, the team provided assistance to the ComPlan's nascent national income accounts office, and assisted in the compilation of Laos' economic situation and development needs that served as the principal Lao submission at the meeting of the Lao aid donors group held in Manila in April, 1975.

The contract team also contributed a basic manpower study that was designed to be the basis for the manpower chapter in the five-year plan and made transportation surveys which resulted in a series of project recommendations used by the economic aid-seeking missions.

In the summer of 1975, the Cooperation Department was transferred from the ComPlan to the Ministry of Foreign Affairs.

Planning Methodology and Organization

1. Planning Methodology

In 1970, planning methodology followed the French system. Laos was in the first year of the five-year Plan Cadre, which had been prepared largely by a French UN technician. Annual tranches of the Plan Cadre were created through a system of vertical and horizontal commissions. The vertical commissions corresponded in scope and content with each of the directorates under the Planning Department. The three horizontal commissions were for finance, foreign aid, and structural reform of the government. In the latter years there was diminished emphasis on the horizontal commissions, the functions of which were accomplished on an ad hoc basis by the ComPlan.

The Plan Cadre, which had been adopted by the National Assembly and promulgated by the King projected a five-year budget for the Plan, averaging approximately 600 million kip per year which amounted to $2.5 million at the official rate or $1.2 million at the free market rate of the kip. The official rate of the kip was 240 to a dollar. The free market rate of 505 to a dollar held firm from 1964 to 1971 through the mechanism of the Foreign Exchange Operations Fund. The Plan budget target was never actually allocated, but totaled between 300 and 400 million kip per year.

The Plan Cadre budget fund, the "Development Budget", was placed entirely at the disposal of the ComPlan. Each year, a certain proportion of the annual amount was allocated by the ComPlan to each of the vertical commissions. It had became the task of each

commission to decide which projects from the Plan Cadre were to be implemented in the given year and with what level of funding. In the later years, new projects were introduced, although this was not the intent of the Plan Cadre when designed. Each vertical commission was chaired by the senior Director-General of the ministries represented in the Commission, while the secretariat was supplied by the ComPlan. After the projects were approved and in the process of implementation, the ComPlan signed off on requests for budgeted funds. The bills were then relayed to the Ministry of Finance for payment. The ComPlan was also supposed to monitor the progress of projects being implemented. The later function was seldom exercised.

The annual Plan Cadre budget of a maximum $1.6 million kip equivalent represented between two and five percent of the annual average of approximately $70.0 million of total foreign aid resources granted or loaned to Laos each year. The Plan Cadre sometimes provided the kip element in projects funded by foreign aid but by no means supplied all required local currency. Its main function was to serve as a sort of "pork barrel" by which means the ministries could secure funding for favorite projects that had been rejected by foreign aid donors. This availability of funds through the ComPlan enhanced its status with the ministries and operated to induce cooperation between the ministries and the ComPlan and thereby to introduce the concept of national, or multi-ministerial planning to the ministries. However, the Plan Cadre was not, in any sense, a mechanism for determining comprehensive development needs nor for allocating available resources, foreign and domestic, in accordance with a rationalized development scheme. This objective was never met in Laos, either by the ComPlan or by any other organization.

The closest that Laos came to having such an organization was during the time that the Louis Berger, Inc. team was working on preparing the second five-year plan. If the suggested organizational reforms had actually been accepted by the PGNU, the ComPlan would have become the major development planning agency of the Government. Instead, the bulk of the ComPlan functions were transferred to the Ministry of Foreign Affairs while the others were abandoned.

2. Organization of the Plan to April, 1975

In 1970, the Ministry of the Plan had four major subunits; the Commission-General of the Plan, the National Statistical Service, the Mines Service, and the Government Purchasing Office. A service responsible for monitoring the activities of the state-owned and "mixed" (joint private/public ownership) agencies was in existence

on paper but was nonoperative. Within a year or two the GPO was deactivated. The Mines Service was transferred to the Ministry of National Economy in 1973 but did not move from the MinPlan compound until 1975.

The Commission-General of the Plan (CGP) was the largest, the most active and the most important of the two remaining agencies. The National Statistical Service, for the entire period, was headed by an ineffective Director and made minimal contribution to Lao development.

Throughout the period under review, the official Minister of the Plan was Prince Souphanavong, the "Red" prince. Although he had left the RLG zone in early 1963, he was considered to be the official incumbent in order to maintain the balance of ministerial portfolios between the Left, Center, and Right factions within the Provisional Government of National Union that had been formed in 1962. All ministerial appointments to replace the departed Pathet Lao ministers were considered to be "acting minister", if they themselves were of ministerial rank, or "Charge des Affaires Courantes" if they ranked as "Secretaries of State".

From 1970 until the advent of the PGNU in 1974, the Commissioner-General of the Plan, Dr. Pane Rassavong, ran the CGP with little interference from the acting ministers or the "charges". From the time of his appointment in 1967 until approximately 1973, he was held in high respect by other RLG officials and especially by his own staff. Many intelligent and well-qualified young officials had been drawn to the CGP by his reputation for honesty and forceful leadership and it has been generally accepted that the CGP had the best corps of young officials in the RLG.

The CGP had two Deputy Commissioners-General, one who was primarily responsible for planning, and the other who was responsible for administration and "cooperation". Cooperation was a loosely defined area that presumably concerned itself with housekeeping for the technical cooperation analysts from other countries.

The third tier at the CGP comprised the department heads: Economic and Social Analysis, Cooperation, and Administration.

The Planning Department consisted of planning directorates for industry, agro-silvo-pastoral affairs (agriculture, forestry, livestock); physical infrastructure (including electric power, transportation, communications, water supply); social infrastructure (education, health, social welfare, including refugee affairs); and regional development, plus a directorate for annual and multiyear planning.

The Economic and Social Analysis Department was designed to supply top-level analyses of economic and social issues, proposals, and problems. Lacking an effective Statistical Service, it was given responsibility for setting up a system of national income accounts. In actuality, the Director of this department became a close advisor to the C-G and was given a wide range of duties, often overlapping those normally the province of other directorates or departments.

The duties of the Department of Cooperation were conceived by its Director, to comprise responsibility for handling all aspects of "technical cooperation", which he defined as foreign aid supplied by and through foreign technicans, or experts. This was contrasted with "project aid" - which was assumed to be the responsibility of the rest of the CGP. Because of this, there was continuing overlap with the Planning Department regarding relationships with the various foreign aid donors.

The Department of Administration was responsible for personnel matters, procurement, training of Ministry employees, provision of services such as typing and reproduction, for the briefing of RLG employees being sent overseas for various missions, and for disseminating information throughout the country about development matters.

Changes Introduced, 1970-1975

Possibly the principal change that occurred at the Ministry of the Plan as a result of the American presence was that it lost its parochial perspective. In early 1970, the Commission-General of the Plan (CGP), the planning agency in the Ministry, devoted all of its efforts to implementing the five-year plan, the Plan Cadre, which covered the period 1969 to 1974. The combined foreign and local resources devoted to activities comprising the Plan (except for a few "Grand Projects") accounted for approximately 25 percent of the total foreign aid resources being expended in Laos. The CGP was not aware of the character or objectives of the activities pursued by A.I.D., for which it signed the blueprint documents for the RLG, and including those for which the Plan Cadre contributed at least a part of the local currency contribution.

The personnel at the CGP took pride in the fact that they were the national planning organization and that they had a national plan that had been adopted by the National Assembly and promulgated by the King. The fact that the Plan Cadre represented only a fraction of the development effort and that it was based on a very superficial analysis of the Lao economy was ignored. This attitude arose in part because most of the substantive work at the CGP was being performed by French experts, who showed little interest in asking about, or publicizing, the American contributions, but were interested in continuing French influence at the ComPlan.

They knew that although the Plan Cadre was incomplete, it was the only comprehensive planning document that was widely circulated within the Government. In the first annual plan of the Plan Cadre, for the year 1969-70, the French-supported projects were given much more space than other projects. On the other hand, A.I.D. usually planned projects directly with the implementing Ministries. Although each Ministry knew what A.I.D. was doing with it, there was no Lao governmental document that summarized all of these contributions. People in one Ministry knew little of what was being done in the next Ministry.

The first step that was taken to broaden the CGP horizons was to secure accurate figures on the funding by A.I.D. and other foreign donors of projects included in the Plan Cadre. A tabulation was made showing the contribution of each donating country, by category of project. To counteract the complaint that U.S. assistance was not all developmental, a fiscal summary of all foreign aid was published, compiled by A.I.D.-established categories of refugee affairs, monetary stabilization, maintenance of essential governmental services, and development. Although the A.I.D. portion devoted to purely developmental activities was small in comparison with the total, the distribution of other foreign countries' aid funding was also shown to cover all categories, although not in the same proportions.

Although conditions were not yet ripe for CGP participation in all ministerial development planning, the legitimacy of their interest started to be established. Although this objective was never achieved to the desired degree the Plan Cadre began to assume a smaller and more realistic role within CGP planning and operations. By 1973, the Commissioner-General had delegated to a subordinate all responsibility for preparing the annual tranches and concerned himself only with assuring that a reasonable amount of funds was allocated each year to the Plan Cadre budget (officially called the Development Budget) by the budget Directorate and approved by the Assembly. In at least one case he was able to have the Assembly increase his budget after having been allocated an insufficient amount by the Budget Directorate.

In early 1972, a major advance was made toward not only broadening the CGP interest in comprehensive, integrated development, but also in acquainting the individual ministries with the overall development needs of the entire nation. A "System of Priorities" paper was prepared and disseminated throughout the government that had as its objective the awakening of interest in each of the ministries of the full development needs of the nation.

Circulated to all Ministers, Director-Generals and Directors, the report drew some comments and a good amount of approbation. The report was adopted by the National Planning Council as the guideline for preparation of the Second Five-Year Plan.

A second important change was the reduction in the influence of the French experts at the CGP. In 1970, meetings were held almost daily, involving either solely the Plan personnel or Plan personnel plus representatives of other Ministries and foreign aid agencies. The C-G chaired the meetings, flanked by a French advisor on each side although one of these was replaced by the U.S. advisor. Four of the directorates each had a French advisor who sat next to his counterpart at the meetings. Discussions at staff meetings were conducted wholly in French although there could be some byplay in Lao. The meetings were essentially conversations among the French advisors.

With some urging from the U.S. advisor, the Lao eventually became more self-assertive. The transition came full circle when the Mission, together with the Asia Foundation, remodeled a new conference room, fully equipped with conference table and simultaneous translation equipment. From this point on, the internal meetings were held without foreign advisors present except on the rare occasions when special assistance was needed. All of this occurred by 1974, before the advent of the PGNU.

The third major change was the introduction of the Louis Berger planning team. Its expected impact, however, was vitiated by the change in planning philosophy under the PGNU.

Had the Berger contract been able to continue in a friendly political climate, it seems very likely that the Second Five-Year Plan would have been a satisfactory basic working document for the IBRD/ADB-sponsored donors' group for Laos in the realization of a coordinated effort in the development of Laos during the post-war era.

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT

HUMAN RESOURCES DEVELOPMENT SUB-PROJECT

INTRODUCTION

Pre-project conditions in the human resources area were essentially the same as in any of the least developed countries. Existing skilled manpower was insufficient both to maintain essential government services and to work on capital development projects, existing institutions were not able to meet current needs, and manpower planning was highly de-centralized, short-term, and opportunistic if it existed at all.

The establishment of competent manpower planning and development institutions and behavior is always a long-range and comprehensive exercise. It was felt in 1965 that both the A.I.D. Mission and the Lao government needed a central coordinating point for on-going training activities and a central office for collecting manpower information, stimulating needed training, and projecting country-wide requirements. It was understood that the absorptive capacity of the Lao government was minimal and efforts would have to be small.

The Public Administration Development Project including the Manpower Development Sub-Project was established in FY 1969. The Manpower Development (later Human Resources Development) Sub-Project was unusual in that it had both action and advisory functions. This solved an internal A.I.D. organizational problem and provided a central location for training activities,which secondarily demonstrated the Mission commitment to training Lao.

Before examining the details of the sub-project, however, it would be helpful to note certain other influences which governed the decisions creating and maintaining it throughout its existence:

1. The preliminary comment by the Mission Evaluation Officer on the FY 1971 PAR was true for the life of the sub-project: "This project is...important to and in support of U.S. Foreign Policy objectives of a political and security nature. As such, its primary purpose or purposes are not developmental, but rather its input to the economy of Laos serves a larger purpose for which it is one of the many assistance tools. It therefore must be evaluated in this context and not purely as a technical assistance project whose primary purpose is economic and/or social development."

2. The Mission needed an umbrella-type project which could provide funding for participant training of Lao government officials in ministries or services: 1) with which A.I.D. had no project

agreements; 2) that A.I.D. did not desire or need to support through project agreements; but 3) upon which A.I.D. did depend directly or peripherally for certain services, as for example, the RLG Civil Aviation Administration which provided air transport services.

3. The Mission also wished to coordinate in-country training programs and provide centralized training when common needs existed for both Mission local employees and Lao government employees.

4. Lao government officials and Mission local employees sustained through the life of the project a high interest in training Lao to replace the Third Country National (TCN) employees hired by the Mission to compensate for certain skill deficiencies in the Lao labor market.

5. Under wartime and sensitive political conditions, desirable changes to modernize antiquated systems tended to be stifled by top officials who did not wish to upset delicate balances or who had other priorities.

6. Other donors were also deeply involved in human resource development work. It was a practice to encourage and support the activities of others as much as possible to help reduce the need for U.S. involvement.

7. The HRD sub-project was never in the mainstream of war-created (such as refugee relief) or Washington-stimulated (such as population control) priorities, thus no order-of-magnitude escalation in the level of assistance was seriously considered.

The subsequent administrative unit responsible for the sub-project, the Human Resources Development Division, was composed of the Participant Training Branch and the Local Training Branch, with the division chief primarily responsible for the advisory services. As the Mission orientation began to change under peacetime conditions established in Laos in 1974, the programs were being phased into a more development assistance-oriented style. collaboration with other agencies was increasing, a new project with greater emphasis on development goals was to be designed, functions that were really technical support were being transferred back into the management division (such as the local employee training responsibility), and the magnitude of training was being reduced as a result of general A.I.D. staff reductions.

PART I. HISTORICAL DEVELOPMENT

The chronology (attachment 1) and the evolution charts (attachment 2) should be examined before reading this Part and used as reference when needed. The three separate functions of the HRD Sub-Project

were at first relatively independent from each other. But their activities as they developed began to diversify and overlap. The discussion here will attempt to relate the historical development of each, re-tracking at times to incorporate new sub-activities.

A. Local Training:

The growing need for trained local staff that emerged in late 1964 and early 1965 remained through the life of the project to stimulate and sustain Mission training activities. American supervisors were expanding and managing their programs with local staffs having less than the desirable skills. Therefore, the Mission imported employees from India, China, the Philippines, Thailand and Vietnam to compensate partially for this deficiency. While the programs continued to grow, at the same time the Lao government and the Mission local employees, who had just formed their own organization (Association of Lao Employees of the American Mission-ALEAM), began to press for training Lao rather than meeting the needs by hiring from outside Laos.

1. The Local Training Center

The first step was to hire an American vocational training advisor on a personal services contract in April, 1965. He began in-service and pre-service clerical and technical training programs in 1965 and opened the Local Training Center in 1966. This was not a separate project, but was funded under Technical Support.

In FY 1967 the Manpower Development Division composed of the Participant and Local Training Branches was funded under the newly created Manpower Development sub-project of the Public Administration Development Project. Although the principle purpose of the local training program was to meet Mission needs, the scope of the program always included meeting Lao government needs when feasible, such as when duplicate needs existed. The first example of this came in early 1967 when a radio operator training program was implemented to train radio operators for A.I.D., Air America, and the RLG National Police.

English language instruction was always a major function of the training program, and at times as many Lao government officials were receiving English instruction under Training Center programs as Mission local employees. Generally the ratio was more like 60% A.I.D. to 40% Lao government employees. The Lao-American Association

(USIS subsidized) was contracted to teach all English programs.

Progress in the development of Local Training Center programs is presented in the chart on the next page. In preparation for Phase IV, the training center was moved in October, 1974, to a new location and re-dedicated as the Staff Development Center at an official ceremony attended by Lao government officials. The purpose was to re-emphasize the Mission commitment to training.

2. In-Country A.I.D. Training Coordination

An adjunct function of the local training staff was to monitor and report on other Mission training programs, both for local employees and for Lao government employees. This included statistical reporting, establishment of standard methodology and report formats for the Project Management Inventory (PMI) system, and coordinating, studying, evaluating, and reporting on specific programs upon request.

3. Priorities for FY 1975-76

Had the project not been terminated, plans called for developing a small Development Training Project for transferring the training capability developed at the Staff Development Center (Local Training Center) to the Lao government. Considerable collaboration with the Lao government, the United Nations, and Asia Foundation had already begun and some training programs conducted. Specifically, the following activities were begun or projected:

1. With the Ministry of Interior National Institute of Rural Administration: Provided instruction in management principles from material in the Lao language adapted from the A.I.D. Supervisory Management Training Program. Intended to provide additional assistance in training trainers, organizing and integrating training units, and material preparation.

2. With the Civil Service Office: Provided Lao typing and Lao government office procedures course to one group of 75 PGNU officials from 14 Ministry offices in a program coordinated by the Civil Service Office. This program, other clerical programs, and the supervisory management program were to be moved to Civil Service facilities when available and given to the UNDP experts scheduled to arrive and initiate the Civil Service training function in June, 1975.

3. With the Ministry of Public Works: Planned to provide instruction in pre-university mathematics and science to prepare PGNU-selected candidates for engineering scholarships to the U.S.. This training

LOCAL TRAINING CENTER PROGRAMS
PROGRESS: 1965-1975 1/

Phase I Basic Skills (1965-1970)	Phase II Specialized Programs (1971-1972)	Phase III Professional and Tailored Programs (1973-1974)	Phase IV Transfer to Lao Government (1974-1976)
Typing	Advanced English	English Writing	Pre-University Professional Preparation
Office Procedures	Shorthand	Accounting	Civil Service training
English	Supervisory Management	Scholarships to Thailand	Rural Administration
Radio Operation	Pre-University Academic	Secretarial training	
Technical Apprentices 2/		Administrative Ass't.	Supply Management
Correspondence Courses		Specialized U.S. Training	Warehouse Supervision
		Supply Management	

1 Each Phase added the activities listed and maintained the activities of the previous Phase(s).

2 In 1967 a Trades Training Branch was organized in the Management Division to provide specialized training for these and other apprentices.

was to be conducted in a Ministry of Public Works school.

4. With the Commission of the Plan: Conducted a Warehouse Supervisor training program for 20 PGNU employees from several ministries having supply functions. Although this program was coordinated by the CGP because of a UNICEF warehouse project, the Mission urged transfer of the next program (training of 60 employees) to the more logical Civil Service Office.

B. Participant Training:

Participant training programs had been operating for years in the normal manner, funded by the projects and administered by the participant training officer. Initially no relationship existed between the Participant Training Branch and the Local Training Branch. As time progressed, however, in-country training was required for participants and in 1974 the two branches merged under one American supervisor. The local employee staff was capable of handling more responsibility.

Participant training work did begin to take on special significance, however, for the Manpower Planning portion of the Sub-Project. It became a tool for improving Lao government services and stimulating long-term staffing projections. Regular and special participant programs are discussed below:

1. The General Participant Training Project

After the FY 1966 presentations had been completed, a need arose in connection with the newly implemented Foreign Exchange Operations Fund (FEOF) for participant training for Ministry of Finance officials who were involved in the program. Inasmuch as the regulations provided that Technical Support funds could be used for this kind of project support, the transitory "General Participant Training Project" was established during FY 1966 to fund the training required.

2. Special Participant Training.

The Manpower (Human Resources) Development Sub-Project continued to fund miscellaneous participant training programs to improve Lao government services which the Mission considered useful but not to the extent that project agreements were desires. This included such programs as training Civil Aviation radio operators, repair technicians, and aircraft controllers; sending Ministry of Interior District officials to the Thailand Nai Amphur (District Chief) Academy; and

providing training for National Bureau of Statistics officials preparing for national census activities.

3. Regular Participant Training Progress.

A large number of participants were handled annually before and throughout the length of the project. During the early years a large portion of the participants attended short-term training programs in Thailand or in other countries of the region. As time progressed, the returned participants were able to staff or stimulate their own in-country short-term training programs and more Lao with a high school education were available to be sent abroad on long-term scholarships. Thus the program gradually changed from primarily short-term programs to primarily long-term academic programs with the goal of university degrees. A.I.D. participants were beginning to return with university degrees at the rate of 20 to 30 per year at the time of project termination. At the same time, the number of Lao receiving training in-country considerably expanded.

Another reason for the large increase in long-term university degree scholarships was the gradual reduction of resistance within the Lao government to sending participants to Thailand for university study. The RLG objection to Lao studying in Thai universities derived from several reasons: they felt Thailand university study was inferior to that received in Western countries, they feared that Thai culture would corrupt the Lao, they wanted educated officials to have one of the common foreign languages, and they thought there were too many problems in administering the participant program in Thailand. But when responsible Lao officials began to look at the alternatives with an appreciation of costs involved and with an appropriate expectation of results, the objections began to dissolve.

The coalition PGNU, however, in 1974 changed its policy again to one of permitting "countries sponsoring scholarships to send students only to the country of the sponsor." This prohibited any new U.S. scholarship programs to Thailand, although programs already committed could be completed. The decision was probably politically motivated and originated with the Pathet Lao side.

4. Pre-University Training.

The pre-university selection and training program became an important part of the university scholarship program. Lao high school graduates available for A.I.D. scholarships did not have the academic background to qualify for direct entry to Thai universities. In the

initial years of sending Lao to Thai universities they were first required to attend the last year of Thai high schools. In 1970 a pre-university training program was developed and administered at the A.I.D. Local Training Center in Vientiane. Those incapable of university study were selected out during this program. After accepting all certified high school graduate applicants into the program about 15% were dropped. As a result of this program, no Lao going to Thai universities failed their programs.

5. Projected Pre-University Training.

Under the National Roads Development Project the Mission planned to continue to support the ambitious Ministry of Public Works roads program. Funds were being committed at the time of project termination to a significant U.S. scholarship program to train civil engineers to staff the program. Past experience in training Lao to become engineers had been dismal, thus careful planning was required.

As a result of a) the successful Training Center pre-university training program, b) positive results with an in-house professional accounting program, and c) surprising results of Lao high school graduates taking the SAT examination (standard U.S. university entrance examination) in February, 1975, it was felt that candidates could be selected and provided pre-university training in Vientiane which would lay the foundation for completion of training by a large number of engineers after about five-six years.

Another problem also had to be overcome. Because of the timing of the A.I.D. funding process, scholarship money was not in place until considerably after the July selection of candidates for scholarships offered by the Lao government and other donors. As A.I.D. normally announced scholarships in September-October, it frequently got the leftovers. For the engineering scholarships, however, funding was being committed early enough to announce scholarships available in competition with the other donor selections.

Thus although participant training to Thailand was scheduled to be reduced, the participant training program in general would continue to provide educational opportunities to meet skill deficiencies in Laos.

6. Summary

In summary, the Mission's ability to find, process, and educate Lao had progressed considerably during the lifetime of the project. In addition, the ability of the Lao high schools to turn out better qualified high school graduates had also improved considerably.

Much of this was due to the Secondary Education project which helped to develop the Fa Ngum school system. The Fa Ngum graduates taking the 1974-5 pre-university training program (see above) in preparation to go to Thailand finished in four months' time materials which previous groups required seven months to complete.

C. Advisory Services:

1. General

The Public Administration Development Project Proposal (PROP) of July 16, 1969, contains the primary background information on the expansion of the project beginning in FY 1969. Briefly, prior to 1967 the A.I.D. involvement with the RLG Commission General for the Plan (CGP) had been limited to liaison and obtaining project approvals. A new, well-educated Commissioner was appointed in 1966 who requested greater advisory assistance from the U.S.. The reasons included: a growing U.S. assistance program which requred better liaison with the central RLG planning agency, the completion and implementation of Laos' first five-year development plan which required close U.S. collaboration, and the need to balance the numerous French "experts" located at the CGP.

Thus the Development Planning Sub-Project was added to the Public Administration Development Project in FY 1969. The Manpower Development Sub-Project was also expanded slightly to include assisting with the creation of an RLG/CGP Human Resources Bureau for manpower planning purposes and supporting statistical-gathering functions such as census-taking and reporting on people in training abroad.

Comparison of the FY 1969 PROP with the annual Project Appraisal Reports (PARs) will quickly reveal that the greatest changes in the HRD Sub-Project goals and activities occurred in the area of assistance to the RLG manpower planning activities. Initial objectives were developed during a rather enthusiastic period of planning centered around the production of the RLG five-year Plan Cadre by U.N. experts, the RLG/CGP officials, and other advisers. The establishment of ambitious goals was in principle good so long as annual reviews permitted them to be adjusted to meet the realities of implementation.

This, in effect, is what happened. The initial intent of the Human Resources Sub-Project was never to provide unilateral project support to implement manpower planning programs, but more to provide liaison between the RLG and A.I.D. in manpower development activities, to assist in the coordination of these activities,

to catalyze and stimulate activities by other donors wherever possible and in general to monitor, advise and encourage the staff of the newly created CGP Bureau of Human Resources Development.

In other words, the intent of A.I.D. was simply to "become involved" in CGP manpower development activities, and the stated project objectives were both based on U.N. assistance and depended on the U.N. being the primary implementation agent. Certain results were achieved, and they will be discussed in Part II following. The scaling down of objectives, however, was for the following reasons: the CGP was too thinly staffed to be able to devote the effort required to effectively implement a comprehensive manpower planning program; all manpower planning tasks were new departures for the Lao government, and as with all new statistical gathering activities, much time was required in simply describing and explaining the requirements; priorities in the CGP were focused on the immediate coordination of the projects being implemented and meeting with the many experts constantly flowing in and around the CGP; the A.I.D./HRD staff was also small and had competing implementation priorities with limited time for detailed work with the CGP/HRD staff; the U.N. provided no resident human resources development expert or staff, preferring to depend upon visits of short-term consultants, which tended to introduce a certain lack of continuity; and CGP/HRD bureau chiefs changed too frequently.

2. THe CGP/HRD Bureau

Despite the foregoing difficulties, the Human Resources Bureau was established in the CGP, and did function well during certain periods of its existence. An inter-ministerial committee was established to coordinate human resources development, and although it did not function in a decision-making capacity (basic decisions continued to be made in traditional fashion by power and family clique leaders), it served to stimulate thinking in each ministry on manpower planning needs. Most ministries began to establish their own manpower need projections in a decentralized fashion as a result of various influences, including that of the CGP, and to establish training or scholarship programs to meet their projections.

Centralized statistical gathering and reporting by the CGP Human Resources Development Bureau remained weak, however, and greater results in the way of staff development probably were achieved by the Lao Government as a whole than appeared in print. A Mission survey in 1972 showed more people received in-country training in the 1970-72 period than in all previous project years combined.

This survey covered only training in A.I.D. project-supported activities.

3. Coordination with RLG Ministries.

In the initial PROP (FY 1969) reference was made to organizations in the Lao government functionally responsible for staffing Lao government positions. In Part IV.B1.(p.15) of the PROP the proposed approach was "limited and flexible." When opportunity to assist appeared, assistance was provided. If not, pressures were not exerted. Not much work was done with the Royal Institute of Law and Administration (IRDA), for example. The French government was providing assistance to IRDA and seemed to be guarding its prerogatives. Exploratory and liaison activities were undertaken with other organizatioins, however, as described below.

a. Ministry of Interior

In 1969 two A.I.D./RDD Community Development technicians nearing the end of long assignments in Laos were asked to study and report on the problems of rural administration in Laos. It had become apparent and was a matter of great concern to the Mission that much of the rural development activity in Laos was initiated and performed by the Americans and that development of Lao institutions to perform the same kind of work was considerably lagging. The rather lengthy report resulting from the study focused on a key weakness, the relatively untrained and unmotivated Lao Government district chiefs. The authors recommended some significant effort to improve the performance of the Lao Government-appointed district chiefs.

The Nai Amphur (District Chief) Academy in neighboring Thailand was regarded as a model which Laos could follow. However, Laos was not yet ready to create its own academy. There was considerable discussion on the alternatives: expanding IRDA, setting up a government-wide administrative training course, creating a new institution, etc. The Mission waited for the Lao government to take the initiative and develop solid plans but was prepared to consider the possibility of support at that time. Funding was provided under the project to send two Ministry of Interior candidates annually to the Thailand Nai Amphur Academy.

The report was made available to the U.S.-educated chief of the CGP/HRD bureau, who visited the provinces in early 1971 with Ministry of Interior representatives to survey the rural administration needs. He then began working with the Ministry of Interior, A.I.D., and

other organizations to develop plans to meet the needs. By 1973 thoughts had matured and plans were laid for varied activities bearing on the problem of improving rural administration. In 1974 three significant activities were initiated: the model Muong (model district) program which was primarily politically inspired in order to counter the Pathet Lao influence in the province areas; provincial and regional planning activities under provincial council auspices which would be integrated into national planning activities; and a Chao Muong training program in the Ministry of Interior.

The CGP/HRD bureau chief, who was instrumental in coordinating the efforts to begin the Chao Muong training, transferred to the Ministry of Interior to head its new training office and the new Rural Administration Training Center where Chao Muong training programs were conducted. The center facilities had been built previously under a Mission Rural Development activity for training village and country leaders; the staff was composed of the A.I.D.-sponsored graduates of the Thailand Nai Amphur Academy. Planning techniques taught by CGP officials were based on the Project Design framework, and A.I.D. Training Center materials and instructors were used to lead seminar units in management principles. The Asia Foundation was providing equipment and more participant training support, and the Pathet Lao were also participating in leading some of the instructional units. This Center had been operating about one year at the time of A.I.D. termination.

6. Civil Service Office.

The Civil Service Office was virtually ignored until 1974. The reasons were numerous: organizationally it fell under the Prime Minister's office which under other circumstances might be a good location--in this case it meant simply that the establishment could maintain controls to prevent upsetting change; it did not have a permanent staff but employed officials on a loan basis from other Ministry offices who were generally not very competent; although "administrative reform" was often mentioned, no substantial actions were taken to change stagnant personnel practices; and in general nothing ever happened to draw attention to this office.

With the formation of the PGNU, however, several donor agencies noted that the weak Civil Service Office was a key obstacle to creating the kind of government services required in peacetime conditions. The Mission was seeking a way to transfer its training machine to the Lao government. Logically this function belonged in the Civil Service. The Asia Foundation was exploring the possibilities of support which would complement its interest in the Ministry of Interior training. The UNDP continued to pursue previously initiated studies on Lao government staff training needs.

In late 1974 a UNDP study which claimed to have high-level support from both sides of the coalition government, documented considerable underemployment among government officials and recommended stopping new hiring immediately. The study recommended upgrading the Civil Service Office to a Commission. It concluded that the Civil Service Commission should then be responsible for all government official training and recommended the establishment of a national training institution under the Civil Service Commission which would incorporate the Ministry of Interior training programs and initiate specific new programs for clerical and bureau chief personnel. Funding was to come under a previously committed UNDP project agreement. The CGP agreed with the recommendations, and a new era seemed imminent at the time of program termination.

c. Labor Department.

Contact was also maintained with the Lao government Labor Department. However, it had little status in the Lao government, and although the potential existed for a useful relationship in terms of human resources planning, no significant activities were being performed by the Labor Department.

d. Ministry of Education.

Constant counterpart relations were maintained with the Ministry of Education Director of International Studies because of the participant training program. With A.I.D. assistance, this office developed a records keeping and reporting system that was able to provide information on all students studying abroad, including the vital fields of study, date of expected return, and availability.

4. International Voluntary Services, Inc. (IVS).

The IVS contract(s) had existed since 1955, but prior to 1973 had been handled by the Rural Development and Education Divisions. Because its scope had been broadened to provide services to the Lao government in general, at government request, and was not limited to teaching services only, the HRD division was designated the most appropriate office to administer the contract. The chief of HRD became the Contracting Officer's Representative for the IVS contract in 1973.

At the time of the project termination, IVS was attempting to work out development programs jointly with the Lao government, and not necessarily to staff programs initiated by A.I.D.. However, a new relationship with the coalition government had not yet formed, and there was some discussion about the possibility of terminating the contract should the PGNU not request the continuation in writing.

PART II. RESULTS

The objectives below are taken from the FY 1969 Project Proposal (PROP), the project document guiding the course of action. Annual Project Appraisal Reports (PARs) reviewed the progress and altered the objectives when required. The results listed below correspond to the PROP planned courses of action and summarize the PARs.

A new PROP was prepared in FY 1973 as scheduled, but not accepted by A.I.D./W. Major changes in the project were being formulated in FY 1975 at the time of termination and would have been effected by FY 1976.

OVERALL OBJECTIVE:

"To coordinate and assist in the rational utilization and development of the limited manpower resources throughout Laos in a manner which best serves to meet the political, social and economic development needs of Laos."

Changes During Course of Project:

The "coordination" activity was reduced and was finally eliminated in FY 1972 (see FY 1972 PAR, p.4, Part IV), and was replaced by a liaison and advising activity to the Lao Government Human Resources Development Bureau. A.I.D. played a key role initially in assisting with the establishment of the Human Resources Development Bureau in the CGP and in encouraging UN assistance. Once established, it was redundant for the sub-project to continue in a role which essentially had been transferred to the Lao Government.

Accomplishments are listed as they relate to the three PROP objectives.

OBJECTIVE NO. 1:

"Assist the Commission General for the Plan in collecting, developing and centralizing information on manpower resources and demand, and in establishing within the Commission a Bureau of Human Resources."

Changes During Course of Project:

The activities projected to meet this objective were completed by the end of FY 1972. This objective was revised in the FY 1972 PAR to read "To improve RLG efficiency and RLG/A.I.D. project implementation by developing and maintaining a systematic institutional effort within the RLG, coordinated and stimulated by the Division of Human Resources (RLG), to plan and efficiently meet Laos' manpower requirements."

Results Through FY 1972:

The Bureau of Human Resources was established in the Commission

General for the Plan (CGP) with official RLG documents defining its functions and responsibilities. The A.I.D. project manager facilitated the assignment of an ECAFE Regional Manpower Advisor through the UN to work with the CGP/HRD Bureau Chief to plan the activities of the Bureau. A "Work Plan" consisting of 12 tasks was developed and published. Eight of the 12 tasks were completed, with results published.

The forecast of manpower requirements for the Plan Cadre projects was one of the tasks completed under this "Work Plan". This and other projected training requirements led to the request of a UN Vocational Training Advisor to make recommendations to meet these requirements. He recommended the establishment of a Professional Training Center for public and private technician training. This project was subsequently jointly funded by the UN and the RLG and completed in FY 1974 (see below).

The initial chief of the RLG/CGP/HRD Bureau was U.S.-educated, and he was sent again to the U.S. for specialized training to the Department of Labor International Manpower Seminar in FY 1972. The RLG did not, however, immediately find the four qualified staffers required to perform all the functions anticipated for the bureau. The quality of the tasks performed under the "Work Plan" was consequently weak by our standards, yet a data base was established upon which they could move and improve.

A survey of private sector technical and professional personnel was scheduled to be conducted by the RLG Department of Labor (Ministry of Social Welfare) with UN support. Forms were printed and meetings held to implement the survey, but it was indefinitely postponed. (United Nations ESCAP experts conducted an independent survey in FY 1974.)

Results Following Change in Objective in FY 1972 PAR:

The following results were not all directly the result of A.I.D. sub-project support and assistance and were often projects of other donors. But A.I.D. project personnel participated very intensely with RLG and other donor officials in initiating and stimulating planning activities which achieved these results:

1. The first chief of the CGP/HRD Bureau was instrumental in establishing the following:

   a. a Training Division within the Ministry of Interior, to which he transferred as chief in FY 1972, and which included a Training Center for provincial district chiefs (had nearly completed one year in operation at the time of termination), seminars for regional planners in coordination with the CGP, and seminars for deputy province chiefs.

b. training programs in office procedures and administration within the Civil Service Office which were due to be implemented in late 1975.

c. the professional training school (see above) to train specialized technicians for the government and private industry.

2. A civil engineering technician training school was established by the RLG Ministry of Public Works, initially to train technician supervisors, but was developing into an institution which would produce civil engineers. It was a French-supported project to supplement the A.I.D.-supported technician training program, and in its third year of operation at time of project termination.

3. The proliferation of short-and medium-term training programs throughout Laos could in a small part at least be attributed to the manpower planning efforts catalyzed by the A.I.D. "Manpower Profile" activity (see Objective 3) and the CGP/HRD studies.

4. At the time of project termination, one CGP/HRD staff member, who had a year earlier returned from one-year training in France, was actively engaged in manpower planning activities. For example, as a reuslt of a UNICEF requirement for warehouse supervisors, he coordinated with other ministries having the same need, resulting in a training program conducted by A.I.D. for 19 RLG warehouse supervisors from nine ministry offices (FY 1975). Further training was planned. Although the CGP/HRD Bureau Chief position was vacant, other CGP officials were sharing the responsibilities of the position.

OBJECTIVE NO. 2:

Assist the Census Division of the RLG National Statistical Service to undertake a general population census and consolidate and tabulate available statistical data to provide meaningful information for development and manpower planning.

Changes During Course of Project:

No changes were made. Most activities were completed by the end of FY 1972. Activities not completed by that time were monitored by the project manager of the Development Planning Sub-Project.

Results:

The United Nations became highly involved in the census activities of the RLG, reducing the need for A.I.D. participation. No U.S. technicians were provided, as proposed by A.I.D./W and projected in the PROP, because of the UN involvement.

A.I.D. provided participant training programs in census statistics and sampling techniques in Thailand for 18 National Statistical Service employees in FY 1971. The tabulation of results for population census taken in the five main cities of Laos was completed in FY 1972. The population census of the Vientiane Plain was also completed, and it became a pilot project in preparation for the RLG participation in a world census.

OBJECTIVE No. 3:

"To upgrade the skills of A.I.D. and RLG employees through training and evaluate results to meet the needs of trained manpower for A.I.D. projects as well as to support the A.I.D. continuing policy of replacing third-country nationals with qualified Lao employees."

Changes During Course of Project:

This objective remained operative throughout the life of the project. During the post-war period and in preparation for a follow-up project, however, plans were progressing on formulating the following objective: To transfer the training technology, materials, expertise, and administration capability developed by the A.I.D. staff development program to a Lao government institution responsible for civil service training for Lao government officials. Some efforts had already begun as requested by the Lao government and as seemed appropriate.

Results:

1. Training programs for local employees of the A.I.D. Mission to meet A.I.D. staffing needs continued for the life of the project. Several types of programs not projected in the PROP were conducted and the numbers trained far exceeded the numbers projected by the PROP. In addition to the basic training programs of English, clerical procedures, and some technical training, specialized training programs were developed in the following areas: accounting, secretarial skills, administrative assistance, telecommunications repair, English writing, and long-term academic programs in Thailand leading to vocational and university level degrees in accounting, engineering, and electronics.

2. A supervisory management training program was initiated for A.I.D. local employees in FY 1972 and some units used in training programs for Lao government employees beginning in FY 1974. Local employees were trained as trainers and were conducting the programs in Lao language.

3. Technical training for local and RLG employees was continued after the phasing out in 1970 of the Trades Training Branch in the electrical, air conditioning, mechanical, and warehousing fields.

4. The opportunities for training for local employees were sufficient to the extent that many employees were forced to choose among desirable programs opening new career development paths to them

5. The number of third-country nationals employed by the Mission at the time of termination was 103, reduced from 469 in July, 1967, and 395 in May, 1969. Further reductions were projected to 85 by the end of June 1975. The eventual number was to be limited only to those authorized by the Lao government as a result of their highly specialized skills.

6. An A.I.D. certificate of achievement from the Local Training Center, particularly in the clerical skills, was universally accepted within the Lao economy as good qualification for clerical work. The Mission had a high staff turnover rate (25% during periods when the local economy was strong), demonstrating the high regard in the community for A.I.D. as a training and proving ground for office workers. This turnover rate was not considered undesirable, except for its nuisance factor, because it contributed significantly to raising the country's skills level.

7. Coordination of training programs conducted by various divisions of A.I.D. was maintained for statistical record-keeping purposes and for channeling trainees from different Mission divisions and RLG ministries into appropriate training programs.

8. The project manager coordinated the development of a "Manpower Profile" for each technical division which was used to project needs for trained Lao personnel to work on A.I.D. projects into the future. The resultant RLG staffing needs formed the basis for the Mission participant training programs for the next five years. An indirect result was to focus attention in each RLG Ministry office participating in an A.I.D. project and by each A.I.D. project manager on the future staffing needs required in order to continue to improve government services.

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
HUMAN RESOURCES DEVELOPMENT SUB-PROJECT

Preliminary: April, 1965; Vocational Training Advisor hired on Personal Services Contract to initiate training for Mission Local employees in clerical and vocational skills.

During FY 66: Instituted participant training for RLG Ministry of Finance officials under "General Participant Training Project:

FY 67 : Initiated "Public Administration Development Project" to centralize Mission training activities and provide technical assistance services to Ministry of Finance.

FY 69 : Expanded Project to provide increased services to RLG Commission General for the Plan (CGP) in planning and manpower development.

FY 73 : A.I.D. director changed name of sub-project to "Human Resources Development" to support Equal Opportunity philosophy, and IVS contract transferred to HRD sub-project.

FY 76 : Plans projected to dismantle the Public Administration Development Project and create separate smaller projects. A new Development Training Project was being developed to transfer the Mission local training expertise, materials, and perhaps facilities to the PGNU Civil Service office and other PGNU training centers.

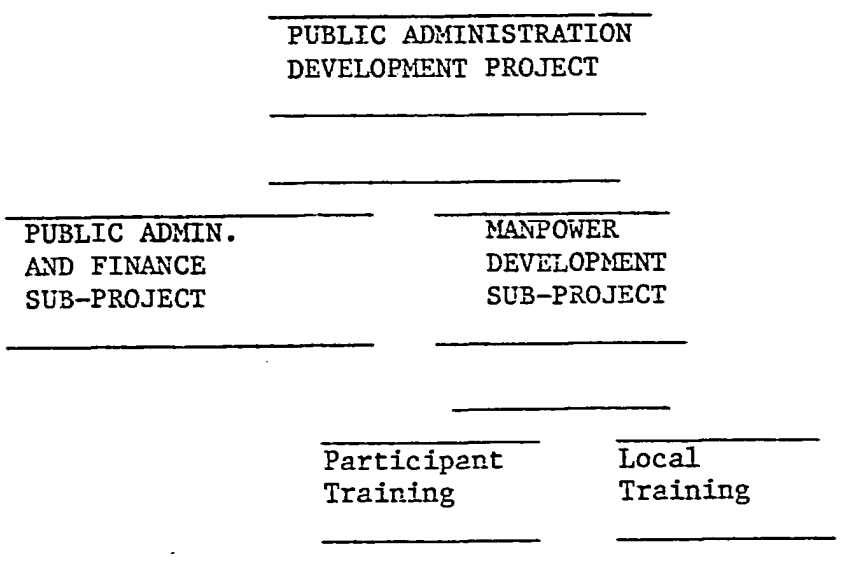
Att. 2

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
EVOLUTION CHART I - FY 1966

GENERAL PARTICIPANT
TRAINING PROJECT

Ptp. Training for
RLG MOF in Support
of FEOF

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
EVOLUTION CHART II, FY 67-68



PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
EVOLUTION CHART III, FY 69-72

PUBLIC ADMINISTRATION
DEVELOPMENT PROJECT

PUBLIC ADMIN.
AND FINANCE
SUB-PROJECT

MANPOWER
DEVELOPMENT
SUB-PROJECT

DEVELOPMENT
PLANNING
SUB-PROJECT

RLG/CGP/HRD
Advisory
Services

Participant
Training

Local
Training

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
EVOLUTION CHART IV, FY 73-75

PUBLIC ADMINISTRATION
DEVELOPMENT PROJECT

PUBLIC ADMIN.
AND FINANCE
SUB-PROJECT

HUMAN RESOURCES
DEVELOPMENT
SUB-PROJECT

DEVELOPMENT
PLANNING
SUB-PROJECT

RLG(PGNU)/CGP/HRD
Advisory Services

Participant
Training

Local Training
(Staff Development)

IVS Contract

Louis
Berger
Contract

PUBLIC ADMINISTRATION DEVELOPMENT PROJECT
EVOLUTION CHART V, PROJECTED FY 76

DEVELOPMENT
PLANNING
PROJECT

Contract

DEVELOPMENT
TRAINING
PROJECT

PGNU
Training
Services

Local
Training

Participant
Training

IVS
Contract

EDUCATION DEVELOPMENT

Historical Setting

In Buddhist Laos the ecclesiastical hierarchy assumed the function of maintaining the traditions of culture, its skills, knowledge, principles of inter-personal conduct, and its religious tenets and values. It mainifested itself on the local level in the village wat where bonzes taught boys only. Evidence indicates that the curriculum of the Lane Xang period was quite extensive and included: study of religious texts; reading; writing; religious ethics; elementary law; medicine; politics; history; elementary geography; calligraphy; and manual work such as smelting, carving and sculpture, painting, architecture, carpentry, metal forging, brickmaking; construction of canoes, domestic and religious objects. The traditional education was content with maintaining the status quo.

The status quo was upset drastically by the arrival of western culture and technology which brought monetization, cheap imported articles to replace items once produced by skilled craftsmen, and disease traveling the newly-constructed roads to villages where principles of health and sanitation were unknown.

The Colonial administrators relied on wat schools to maintain moral authority in the village and they established secular schools in the urban areas to meet the administrative and political requirements of the protectorate. French-speaking Lao secretary-interpreters and, later, minor functionaries were needed while Vietnamese held the higher civil service positions.

By 1917 the Colonial school system was well ensconced in the political and social fabric of Laos; members of the Lao elite, after exhausting the curriculum in French schools in Indo-China, were being sent to study in France while French teachers, in Laos, taught school children exclusively in the French language. Vietnamese instructors in the same schools used a combination of Lao, Vietnamese, and French. The intermediate and higher classes devoted 12 hours out of 27½ hours per week to the study of the French language. French was taught in the elementary grades,too. By 1917, a young man who lacked facility in the French language could not compete in the new administrative hierarchy. Consequently, the wat schools declined.

By 1920, the Colonial schools in Laos were incorporated into a common Indo-China education system in which every "Commune" was to have a primary school. By 1939, another order authorized "village schools", the school building and a house for the teacher to be provided by the village and the teacher, and school materials to be provided by the government. During and after World War II, elementary school enrollments increased; and additional emphasis was placed on the construction of secondary schools ,all in the French tradition.

Primary School Enrollments Under Colonial Rule
(Selected years)

	Enrollment	Schools
1915	260	10
1920	931	28
1925	1,585	39
1930	2,223	55
1935	6,667	87
1940	7,062	92
1945	11,000	187
1950	38,333	581

The Colonial educational system modified the traditional Lao system to the extent that it met the needs of a French protectorate and not of an independent country.

In 1949, Laos became an autonomous member of the French Union and it achieved full independence after the Geneva Conference of 1954, and joined the United Nations in 1955. Independence did not bring peace, however, for intermittent warfare continued in the country. In May, 1961, a fourteen-power conference convened in Geneva to again consider the matter of Laos. On July 23, 1962, a declaration issued by the Geneva Conference powers committed them to "respect...in every way the sovereignty, independence, neutrality, unity, and territorial integrity of the Kingdom of Laos." Despite this declaration, peace did not come to the Kingdom and the burdens of war continued to affect the economy, life, and development of Laos.

The Geneva Accords of 1962 included a statement by the Royal Lao Government which resolved "to build a peaceful, neutral, independent, democratic, unified and prosperous Laos." These words have been often quoted since 1962 and may be taken as a declaration of the government's objectives in all fields including its goals for educational development.

The Education Reform Act

In the same year as the signing of the Geneva Accords, the Royal Lao Government promulgated a significant piece of legislation known as the Education Reform Act of 1962. This Act outlines the objectives of education in Laos and stresses the importance creating economically viable rural and urban communities, with a citizenry literate in the Lao language, and able to participate intelligently in the social, religious and political activities of the country.

Some salient and typical elements of the Act are quoted below:

> "Article 4...the new program of the elementary school should de-emphasize purely academic knowledge and stress what the child should know to live better and work for a better output in his community."

"Article 14...Decrees by the Presidency of the Council will prescribe for:

> ...The measures to be taken to promote the establishment of rural schools built by villagers, with a teacher chosen and suggested by them."

"Article 36...Failure in the French language part of the (Secondary school) examination will not constitute failure in the entrance examination. Pupils who do not have a sufficient knowledge of French will be sent to a preparatory class where they will get intensive and practical training in the French language."

U.S. Assistance to Education

U.S. assistance to the educational program in Laos began in 1955 under a single project which from the outset emphasized the training of adequate numbers of teachers.

In 1964, there was a reorganization and expansion of U.S. educational assistance which resulted in the following sub-projects:

Teacher Training	1964 to 1975
Community Education	1964 to 1975
Materials Production	1964 to 1968
Secondary Education	1967 to 1975

Changes Which have Occurred in Lao Education

In 1955, 17 percent of the Lao National Budget (exclusive of military and police expenditures) was allocated to the Ministry of Education in support of all titles under the Act; in 1975 22 percent was being allocated.

There were 1,040 elementary schools in Laos in 1955 with approximately 75,000 students. In 1975 there were over 3,500 elementary schools with an enrollment of over 249,000 pupils (public schools only). To meet the increased enrollment, A.I.D., in cooperation with the Ministry of Education constructed and repaired over 2,100 elementary classrooms. Eighteen office/warehouses for Primary School Inspectors (PSI) were constructed after FY 1965 and the Mission also financed and constructed a warehouse in Vientiane for Ministry use. This provided much-needed office and warehouse space for the PSIs and facilitated better storage and distribution of textbooks and supplies.

Only 28 percent of the 249,000 enrollees in public elementary schools were in grades 4 through 6, and only one in five of these finished the sixth grade; one in 300 finished the secondary course. This situation can be attributed in part to the fact that only 10% of the students who completed the primary course could be accommodated in the existing 16 secondary and three technical schools. To increase opportunities for terminal education of sixth grade graduates, the Ministry, with

some A.I.D. assistance, had begun to establish a two-year crafts training program in connection with the Groupes Scolaires (six-year elementary schools). The Mission also provided limited assistance to the Savannakhet and Vientiane Technical Schools and major assistance to the teacher training program. In addition, the Mission and MoE established in 1967 the first Fa Ngum Comprehensive High School which conformed more closely to the Educational Reform Act of 1962 than did the existing secondary schools. A contract team from the University of Hawaii provided technical assistance. There was a total of five Fa Ngum Schools in operation. Courses in these schools were taught in the Lao language, and the curriculum was designed to meet the needs for trained manpower in the beginning and middle-level management and technical positions for both the public and private sectors, mainly the latter. The five tracks offered were: academic, agriculture, commercial, home economics, and industrial arts.

Obstacles to Change in the Lao Educational System

Even though the MoE realized the need for radical reforms in the educational system, and did take some steps in that direction, there was an inability to move forward quickly, especially in the areas of administrative and curriculum reform and teaching methodology. Elements of this inability were related to:(1) depth to which the Colonial system of education and culture had ensconced itself; (2) the lack of sufficient funds with which to finance a modified and more effective educational system; (3) preference by villagers for academic courses which lift their sons and daughters out of the village and into government jobs--there was no prestige attached to agriculture or skills training; (4) the lack of sufficient numbers of trained educational leaders.

General Project Objectives

To foster social cohesiveness through better understanding and deeper appreciation of diverse ethnic groups and other sections of the country;

To foster a sense of national pride and national identification through greater awareness of geography, history, and accomplishments both past and present;

To foster an enhanced sense of national self-confidence through a greater awareness of national potential, former glories, and recent accomplishments;

To foster increased loyalty to the Government by presenting it as the heir to the Lane Xang Government and by emphasizing government efforts and successes in improving the welfare of the people;

To foster an enhanced appreciation of democracy on a national level by relating national elections to the traditional system of electing Ban and Tasseng chiefs;

To foster increased allegiance to the national government through better understanding of its organization, functions, and leaders; and

To foster the value of patriotism by expanding the concept of "merit gaining" to include service to the nation as well as to religion.

Statement of Goals

a. To assist the PGNU to develop a hard core of literate, skilled personnel with varying degrees of education to fill positions in government and business, ranging from skilled craftsmen to administrators and members of professions.

b. To assist the PGNU to meet the legitimate desires and needs of the rural population for basic health, social, and agricultural development in such manner as to assimilate them into the social, political and economic streams of the dominant Lao culture. This assistance was to be primarily through education where that rural population was willing to bear a major portion of the costs through self-help inputs in manpower, materials and money.

c. To assist in the establishment of Lao as the language of instruction in Lao schools, as provided for in the Lao Education Reform Act of 1962.

d. To assist the PGNU in changing or adapting curricula and programs at elementary, secondary and technical levels to fit the needs of an agricultural economy and to prepare citizens of all economic and social levels to meet the country's real need for human development.

Project Description

In general, the purpose of the total Education Development Project was to assist with the training of Lao elementary and secondary school teachers and to help improve and expand the Lao elementary and secondary school system. There were two main types of activities: (1) administration, operations, and school construction with special support in this area for the construction and operation of schools for refugee children and (2) curriculum, materials, and training.

Teachers received pre-service training in Laos at eleven A.I.D.-supported secondary level normal schools preparing grade school teachers and one A.I.D.-assisted university-level school, the College of Education, preparing secondary school teachers. The project also supported extensive in-service training activities for teachers, as well as participant training in Thailand in specialized educational fields

and participant training in the U.S. for degree work in the teaching of English and graduate work in school administration. The project contracted with the American Association of Colleges for Teacher Education (AACTE) for the services of one advisor to assist with the improvement of pre-service training for secondary school teachers. This two-year contract was completed in September of 1973. Another A.I.D. contract with the International Voluntary Services provided 25-30 instructors for teacher training and secondary schools, with emphasis on teaching English and training English-language teachers.

The project also had a contract with the University of Hawaii which furnished an eleven-man team to develop suitable curricula and Lao language instructional materials for use at the secondary school level. The new curricula and materials were being utilized in five comprehensive high schools (Fa Ngum) constructed and supported by the project. Some commodity support and technical assistance were also given through the project for the operation of elementary schools and improvement of elementary curricula and materials.

School construction at the elementary level was carried out as a community self-help activity supported by imported materials and construction supervision supplied by the Mission. The project coordinated self-help school construction in rural areas with the Mission's community development, refugee relief and public works activities but took main responsibility for self-help school construction in urban areas. Technical support for the administration and operation of schools emphasized the development of systems and training for improving procedures in budgeting and finance; requisitioning and distribution of supplies; and school maintenance.

Progress to Date of Termination

Largely through A.I.D. assistance, the number of teacher training institutions in Laos grew from one small secondary level normal school in Vientinae in 1956 to eleven institutions ,one of which is a post-secondary school, spread throughout the country in 1971. The level of pre-service training was continuously elevated and in June, 1973 was about 6,000. Lao personnel presently employed in the elementary, secondary, and teacher training systems numbered about 8,000 in 1975--an increase from 3,200 twelve years earlier. About 5,800 teachers and administrators have received in-service training courses and about 1,000 teachers and administrators were given participant training programs of various lengths. The project assisted with the development of approximately 100 Lao language textbooks for various levels of the school program and printed over three million copies of these books for distribution to the schools. Work on curriculum improvement and materials development was undertaken at all levels. Enrollment in elementary schools more than doubled

since 1964, from less then 100,000 to over 200,000 in 1975. Some 2,000 elementary schools were in operation throughout the country. The number of secondary schools increased from six in 1969 to 22 in 1975, including the five Fa Ngum comprehensive high schools constructed by A.I.D. Enrollment in secondary schools increased from 2,750 in 1960 to about 8,700 in 1972.

Prior to termination of the A.I.D. Mission in June 1975, it was proposed that the A.I.D. education program concentrate investment during the next several years on the normal schools and the Lao-language secondary education system. The proposed continued U.S. investment in these institutions was to be based on the precondition that (1) the PGNU would devise and initiate a system of local contributions (voluntary or taxation) which would provide the necessary long-range financing for adequate teachers' salaries and other operating costs of a quality elementary school system, and (2) the Lao Government and educational community would conceptually and materially (including assignment of capable teachers in the latter case) support an expansion of a Lao-language secondary school system.

The Future Education Development Project at the Time of Termination

A.I.D. had made substantial contributions to the development of elementary education and teacher training programs in Laos since the early 1960's and to secondary education programs since 1967. In general terms, the results of the combined A.I.D.-PGNU efforts have been:(1) the creation of an adequate elementary school system that reaches over 50 percent of the children of all levels of society in urban and rural areas throughout Laos, and that had the capacity to continue to grow and improve itself largely with its own resources; (2) the establishment of adequate normal schools to train sufficient numbers of teachers needed to teach through Grade 8 in the public school system, but which was still inadequate for preparing the varieties and numbers of teachers needed beyond that level; and (3) the creation of Laoicized curricula and materials for secondary schools which were being utilized in five high schools and which were being adopted by the 19 other high schools in existence beginning in 1975. The original projects were planned for phasing out by 1976. The main work that remained to be done in FY 1975 and 1976 was the expansion of a unified, Laoicized secondary school system and the improvement of programs to train secondary school teachers.

A.I.D.'s new program directive for the Education Sector stressed the general policy of trying to reach the poorest groups and places emphasis on the areas of (1) education economics and analysis, (2) non-formal education, (3) educational technology, and (4) higher education. The central feature of the new strategy was to "identify

important development problems and work with LDC's using various technologies in formal and non-formal settings to find improvements and alternatives to present patterns of human resource development investment which are financially and technically feasible and socially and economically desirable."

In relation to the new strategy, the Mission had been encouraged to support an analysis of the Education Sector in FY 1975 or 1976. An effort was also underway to begin a non-formal skill training program as an innovative, pilot project which could lead to further development of new "learning systems" in Laos. In the area of educational technology, it was felt that further development of Lao language textbooks and other printed materials was as much "technology" as the Lao school system could handle at that time although it might be possible to begin work with radio education in the future.

Projects in elementary education and teacher training were effective means of providing services to the rural poor. It seems that these systems could be expanded, but other forms of educational programs should also be explored. The project in secondary education also reached rural groups but it was not designed to serve large numbers. Indirectly, however, it should have provided the leadership needed for the development of future educational programs in rural areas.

Status at Termination and Future Requirements of the Formal School System

Elementary Schools had 249,000 pupils and 8,145 teachers, of which 867 were untrained "CREC" (Rural Community Education Centers) 1/ teachers and 212 were "military" teachers. The system could absorb a continuing increase in enrollment at the then current rate of about 7 percent per year. Assuming there were 440,000 children aged 6-12 in the PGNU zone (22 percent of 2,000,000), then 56 percent of the children in this age group were in PGNU schools. The goal was 100 percent enrollment at an unspecified date. The administrative structure was adequate.

Requirements projected before termination:

1. Training for 1,000 CREC and military teachers;
2. Construction materials for about 400 new self-help rural and urban classrooms per year;
3. A system to reprint and distribute textbooks;
4. Chalk, slate, paper and other school supplies.

1/ CREC teachers were untrained primary school teachers without formal preparation who were provided with in-service summer workshops of basic education and teaching skills.

Normal Schools were training about 800 students to be teachers of Grades 1-3 and 1,800 students to be teachers of Grades 4-6. About 600 new graduates entered teaching each year, which was adequate to cover attrition and an annual 7 percent expansion of elementary enrollment. The eight existing normal schools were almost completely Laoicized by 1975. They began elevating the four-year programs to seven-years (already done in Vientiane) and the two-year programs to four-years. The goal was to increase quality rather than quantity. The administrative structure for the normal schools was adequate.

Requirements projected before termination:

1. About 50 more Lao teachers with BAs and 50 with AAs to staff the normal schools by 1978;
2. About 10 more professional teacher training textbooks in Lao;
3. Establishment of a four-year or seven-year ENI in MR II;
4. Annual need for school supplies and instructional equipment.

Secondary Schools (four Lycees, five Fa Ngums, 15 Colleges) enrolled 9,400 students. In 1974, out of 400 teachers, 220 were Lao. The colleges and lycees were moving toward Laoization in October of 1974 by instructing new 7th graders in Lao. Some expansion of the colleges and broadening of their curriculum was also planned. The administrative structure for these schools was weak.

Requirements projected at the time of termination:

1. About 250 more Lao teachers (80 BA; 100 AA; 70 Bac) to staff secondary schools by 1980;
2. Continued development of Lao textbooks for Grades 11-13;
3. Establishment of a Fa Ngum School in MR II;
4. Construction of about 90 classrooms to expand colleges;
5. Annual need for school supplies and instructional equipment.

Technical Schools and Higher Education Schools were predominantly French in orientation and language. A 10th grade graduate could enter Second Cycle schools offering agriculture, pharmacy, nursing, engineering, technical skills, teaching, military and police training. A high school graduate could enter Sisavangvong University, composed of schools of Law, Medicine, and Education.

Requirements projected at the time of termination:

1. About 80 well qualified Lao teachers were projected for 1980 to teach advance technical skills and higher level academic subjects;
2. There were practically no Lao language materials available for this level of education;
3. Laos had no institution to train teachers of vocational or technical subjects.

U.S. Assistance to Education, Course of Action

The tentative A.I.D. strategy encompassed several courses of action designed to improve elementary education and influence the direction of secondary and teacher education.

Teacher Training - There were 100 students in the French-supported normal school in the City of Vientiane in 1955. Shortly thereafter, the U.S. Mission joined with the MoE in planning the construction of a large new plant at KM-9, to which the French teachers and Lao students were transferred, and American IVS teachers added. The addition of four normal schools in 1962-67 brought the number of such institutions to five and the enrollment to over 2,100. A large additional normal school opened at Savannakhet and a smaller one in Ban Keun in FY 1969 and existing schools were to be expanded. While it is true that this expansion still had not quite kept pace with the demand, it was considered to be as much as was feasible in view of the shortage of Lao teacher-training staff and of budgetary funds for teachers and their training. The annual drain on the Lao national budget for the salaries of ever-increasing numbers of teachers was a serious problem. A further increase in teacher-training institution enrollment was envisaged for 1975-76 and at that rate supply should catch up with demand a few years thereafter, provided adequate budget support were available for salaries.

Curricular and Teaching Techniques - Curriculum planning for teacher education made progress. A new seven-year curriculum changed the secondary teacher preparation to place greater emphasis on practical arts and subject specialization. The University of Hawaii team helped the Ministry devise a curriculum for comprehensive secondary schools in accordance with the 1962 Reform Act.

New approaches to teaching and examinations were introduced, especially in the English Section of the Vientiane Teacher Training College and the Fa Ngum schools, and were gaining acceptance in the Lao and French sections. The first aptitude test in Lao was given to the applicants for the 1968-69 school year at the pilot Fa Ngum Comprehensive High School. Fa Ngum was also pioneering in the vocational guidance field in Laos.

Participant and in-service training courses to upgrade teaching skills have been attended by over 3,500 teachers since 1962, comprising approximately one-half of the elementary teachers in Laos.

Comprehensive Secondary School System - An additional school was planned in FY 1975 to open for the 1976-77 school year.

Textbooks, Materials Production - The Mission assisted the Lao in writing, printing and distributing over four million textbooks and other materials in the Lao language. A.I.D. assisted the Ministry in publishing 84 elementary texts. This compared with the approximately 95 books of all types in the Lao language which previously were available in Vientiane. Workshops on teaching aids were held in Luang Prabang, Sam Thong, Savannakhet, Pakse, Vang Vieng, Ban Houei Sai, Paklay, and Vientiane to aid teachers in constructing their own teaching materials. Many teachers were sent to Thailand to study Thai methods in the production and use of educational materials. Moreover, the emphasis in A.I.D. assistance to the Ministry was shifted from elementary texts to teacher training and secondary textbooks and Lao language instruction. In FY 1968 a total of 11 teacher training textbooks were written and published.

Replacing Foreign Teaching Staff With Qualified Lao - Technical school graduates with superior scholastic ratings were being sent to Thailand for further study and training with A.I.D. assistance. It was planned that they would return to Laos to assume teaching positions and replace the foreign teaching staff; the outlook for this same process occurring on the academic secondary school level was much longer term because of the non-availability of a sufficient number of educated Lao.

Experimental parent groups were established in a number of Lao schools. The new Fa Ngum secondary school was testing this method of improving school organization in the Lao environment and results were encouraging. A MoE publication on regulations for elementary schools underscored the need for parents and teachers to work together and all primary school inspectors were officially instructed in January 1968 to move in the direction of parent-teacher cooperation. The number of functioning PTA's was over 800 in 1975.

Changes in Process at the Time of Termination

Requirement for a Sector Study

An early task of the new Provisional Government of National Union was to define and concur on developmental goals for a unified Laos. The paucity of trained manpower at all levels made development of human resources a key element in any over-all development plan. Laos still lacks enough qualified personnel to plan and administer projects, organize and disseminate information, evaluate effectiveness, and do the other tasks needed to carry out any program, whether it be for improved agricultural practices, better child nutrition, family planning, or an extension of elementary education.

Requirement for Non-Formal Education

Laos needed more and better elementary and secondary schools and the teachers and materials to operate them, but it also needed other kinds of educational programs. There needed to be programs for demobilized soldiers, for adults who never had a chance to go to school, and for young persons who dropped out of school or who could not be admitted to the limited number of educational opportunities offered at the secondary level. For these groups, some kind of non-formal skill training program seemed desirable.

Laos had various types of non-formal education programs including traditional apprenticeship arrangements, religious training in the temples, the beginning of a UNESCO-supported functional literacy program for adults in two limited geographical areas, and various programs provided by the military and some government agencies. A.I.D. offered rather extensive courses in various skills at its Local Training Center and at PK-7, as well as through its support to the PGNU for in-service training for teachers, agriculturists, health workers, and so on.

There was not, however, any real government-sponsored functioning program for the out-of-school young adult who was looking for a better life and a way to support himself. At least two proposals were being considered to establish skill training programs for this group, under the direction of the Ministry of Education.

The first proposal was made by the PGNU to the UN Resident Representative for support for establishing about twenty centers for skill training throughout Laos over a five-year period. These centers would offer a more formal type two-year training course for elementary school graduates and various four- or six-month ungraded courses for adults.

The second proposal was to be considered as a pilot project. It was being designed for the needs of refugees, veterans and war widows in the Vientiane area and was in initial stages of planning by the Ministry of Education with support from the U.S. Mission. The project was faced with the immediate problems of a scarcity of qualified teachers for such programs and a complete dearth of any Lao language materials for the step-by-step teaching techniques used in these courses. At the time of project close-out, eight Lao educators had received training in Thailand under A.I.D. sponsorship and were ready to train skills training teachers. Curricular materials were developed in Lao language by the same individuals;

an Activity Plan was written and approved by the PGNU, and receiving final Mission review. The pilot project would have provided for the establishment of a skills training program in Vientiane.

Impact of the University of Hawaii Contract

The Fa Ngum Comprehensive High Schools were developed to assist in the implementation of the Education Act of 1962. Some of the salient features of the contract were: to provide for Lao language instruction, student participation, practical knowledge, the use of modern teaching techniques, and education in the Buddhist tradition.

During the span of the contract five Fa Ngum Schools were constructed with equipped classrooms, laboratories, and practical arts facilities. The University of Hawaii contract team provided technical consultation services to the project.

The scope of the contract focused on carrying out the following general objectives:

--Help develop and revise the total curriculum for seven years of study.

--Help develop, edit, and produce textbooks in the Lao language for this curriculum.

--Plan participant training programs for pre-service training and for upgrading teacher and administrator capabilities.

--Plan and assist local in-service training activities to implement curriculum improvements.

--Provide general school supply and maintenance, logistic support and advisory services at the five comprehensive high schools.

--Plan and assist in the extension of the Lao language comprehensive school concept to existing academic schools.

--Provide a focus for continuing curriculum and textbook production by the Ministry of Education.

The measurable outputs of the contract are presented in detail in the Project Appraisal Report prepared in June 1975. However, there were many significant spinoffs from the project that should be noted for future reference:

--Teacher training institutions had already adopted Fa Ngum textbooks and materials.

--An approved, well-planned, time-phased Activity Plan had been initiated to convert colleges and Lycees to modified comprehensive high schools.

--Slow but pervasive attitudinal changes were taking place within the ranks of the Lao educators which may have far-reaching consequences over future years even though the political complexion of Laos has changed drastically.

The Overall Project

As Part of the U.S. Mission in Laos

The United States Mission in Laos was not what could be termed a "normal" mission in any sense of the word. During the life of the Educational Development Project war was in progress most of the time, regimes came and went; and, in the end, the North-Vietnamese-influenced communist faction prevailed throughout the country. The Project made an important contribution to the overall United States foreign policy throughout some twenty years of assistance.

The educational inputs to the overall effort were interwoven into the total scheme of things in a rather extraordinary manner. There were some salient examples of this in programs undertaken and accomplished.

--The Department of Primary Education, with assistance from A.I.D., provided a really viable social service to the rural poor at the elementary level.

--Through the local Primary School Inspectors, the educational needs of refugee school children were met with dispatch. The Office of Refugee Affairs and the Education Division worked out cooperative programs with the Ministries of Social Welfare and Education which local, GAO, and Congressional investigators all felt met the emergency situation adequately.

--A drastic change came about in the basic concepts, procedures, and operations within the entire educational system, much of which was founded in the large United States cooperative effort.

Counterpart Relationships

Generally speaking, the relationships between A.I.D. and Ministry of Education officials were very good throughout the life of the Project, even immediately before the Mission terminated. However, as the Pathet Lao gained increasing influence MoE personnel became cautious in their dealings with A.I.D. staff members.

Methods of Implementation

Methods of implementation changed from the initial period when almost complete operational control was retained by A.I.D. to the point where the PGNU was handling its own educational affairs with minimal operational support. Elementary Education and Teacher Training activities were almost completely self-sufficient except for limited commodity support and technical advice.

Project emphasis had moved toward improving instruction in the national language; training (both pre-service and in-service) to upgrade the educational system; and, the introduction and development of a meaningful non-formal education system. The underlying goal in terms of implementation was Lao self-sufficiency.

Changes Following the Cease-Fire

The personnel assigned in the Ministry of Education did not change appreciably following the cease-fire since it was not designated as a Pathet Lao Ministry. A new office was created for the Secretary of State for Education, from the PL side, and his small staff. As the Pathet Lao influence grew, the Secretary of State gained control and could disapprove any project or action if he desired. This influence was utilized to the maximum to gain control over student associations, teacher groups, and anything which could be used for political purposes. It appeared that most of the education officials had made an accommodation with the new powers.

After the cease-fire, the Ministry of Education developed a new eighteen-point educational reform document which paralleled the Communist Chinese educational system. The proposal had not yet been approved or started when the U.S. assistance program terminated, but it appeared that it would be implemented in the near future.

It is interesting to note that the majority of schools were in session and related A.I.D. educational activities were functioning well into the month of May, 1975. The Pathet Lao were only using small groups of students and designated schools for relatively short periods of time for political unrest activities.

General Conclusions

A review of the Logical Framework in the Project Appraisal Report reveals that most outputs and project purposes were accomplished in both the qualitative and quantitative sense. However, the program or sector goals were not met in the prescribed time frame after the cease-fire. Obviously this was because of a fundamental change within the government.

The Role of Other Donors

The Agency has stressed repeatedly the importance of other donor support and cooperation and the Lao Mission responded to these directives in a very positive manner. The other donor performance was quite disappointing in both its overall implementation and results. In 1974 UNICEF began a support program to primary education which was poorly planned, lacked any real coordination with other agencies, and had expended considerable funds with no evident accomplishemnts. With the exception of A.I.D., which really had a development program, the other donors appeared to be treading diplomatic water. The French continued thier expatriate teacher program which has a counterparc in most former colonies but this effort had little development potential. The German government had a single successful technical school project which was completed in 1973. Most other donor contributions in recent times were either in terms of commodity contributions or scholarships, many of which were not relevant to the Lao situation.

In a prior section of this report, it was pointed out that a serious sector study and better planning facilities were needed. If these had been accomplished, there possibly could have been an effective other donor system of support established.

MATERNAL CHILD HEALTH AND FAMILY PLANNING

The Laos MCH/FP project was conceived in late 1968 in response to two quite independent developments in Laos and in A.I.D./W. In Laos, a group of highly placed women had begun discussions on the problems which uncontrolled fertility had created for individual Lao families. These discussions were held under the patronage of the Prime Minister's daughter, Princess Moun. Ironically they were conducted during the same week the Prime Minister made an official statement to the press that the Lao people should under no circumstances practice contraception because the latter would deprive Laos of the additional population it needed. The wife of the Secretary of State for Public Health, an M.D. herself, was also active in this discussion group, which was formed in response to the concerns of upper class Lao women over the absence of family planning services and information.

At the same time, the Mission had begun to feel pressures of a different sort from A.I.D./W, as a result of increasingly large congressional appropriations for population programs. The Laos mission was strongly urged to develop interest within the Lao government for a family planning program. However, it was initially unsuccessful in overcoming the official reluctance of the Minister of Public Health and the Commissioner General of the Plan, who had stated that the use of contraceptives was contrary to RLG policy and the Lao religion.

On the Lao side, the early sponsors of family planning had decided to move tactfully on two fronts: 1) to begin providing family planning services as quickly as possible without precipitating official backlash, and 2) to begin discrete attempts to change official thinking on the sensitive subject of population policy. From the outset it was felt that the private sector should take the lead in clinical services in order to minimize controversy within the government, and a local affiliate of The International Planned Parenthood Federation(IPPF) was formed called the Lao Family Welfare Association. The wife of the Secretary of State for Public Health was chosen as its head. At the same time, Ministry of Public Health officials began to develop plans for a greatly expanded maternal and child health system that would be politically acceptable and could provide the medium for provision of family planning services once the population policy question had been settled.

By late November 1968, Mission officials had been able to map out a strategy that was acceptable to the Agency in terms of the pressures for new program starts, and acceptable as well to Lao government officials in terms of the local political environment. A PROP was submitted in December, 1968, and the project was approved by A.I.D./W on January 17, 1969. The PROP gave a good description of the conditions under which the project must be undertaken, and sections excerpted below place the origins of the project in perspective. The PROP noted that:

"...it is not possible for A.I.D. to make a head-on

assault on royal and governmental policy regarding family planning; on the other hand, the highly permissive character of Lao attitudes will permit considerable groundwork to be laid and real progress made under the guise of projects which are in keeping with official policy (as would be the case with this project).

"The proposed project is a workable vehicle for introducing family planning concepts and materials in Laos. The proposal is not a direct affront to official policy but is in accord with discussions and the suggested approach of Dr. Khamphai Abhay, Secretary of State for Health, who is one of the Lao leaders who recognizes the need for family planning in his country."

"...the strategy will be to provide Laos with a central training and clinical facility for mother/child health, and, through this facility, introduce family planning concepts and practices to trainee midwives, nurses and doctors and also to patients as a normal part of their medical consultation. These concepts and practices will then be spread to other urban and rural areas by persons trained in the Vientiane facility and operating out of smaller facilities established in the provinces..."

The PROP also called for third-country training of some MCH/family planning personnel until the central facility at Mahosot could be completed. The PROP also called for medical equipment to equip the national center at Mahosot hospital and for medical supplies, including contraceptives, to sustain the new MCH/FP effort.

On the local scene, the Lao Family Welfare Association--the IPPF chapter --quietly opened its doors in January 1969 and began providing clinical contraceptive services. At the same time, A.I.D./W approval of the project allowed the A.I.D. Mission to begin drawing up plans for renovations and additions to the Ministry's MCH facilities, with assistance in design which was provided by TDY experts under A.I.D. contract with the International Division of the American Hospital Association. The Lao Family Welfare Association soon expanded its role to include the local training of family planning clinical personnel, and the first A.I.D. participant trainees were selected for specialized family planning training.

Renovation of provincial MCH facilities got underway in late 1969, when additions were begun to the MCH center at Ban Houei Sai in northwestern Laos. By February 1971, design work had been completed and construction had begun on the National Maternal and Child Health Center at Mahosot hospital in Vientiane; two rural clinics were renovated in south central Laos (Phone Sim and Savannakhet) during the Spring and Summer of 1971.

Throughout this time, the Secretary of State for Public Health, aided in no small measure by the upper class Lao women who had first pressed for family planning services, continued to work toward modifications of the official opposition to family planning. Almost two years elapsed from the time that Dr. Khamphai, the Secretary of State for Health, had first begun discussions with the A.I.D. Mission, until the time that he was able to achieve the first tentative steps toward a realization of government policy.

In October, 1970, Dr. Khamphai attended the Southeast Asia Ministerial Conference on Family Planning in Kuala Lumpur, and upon his return he was able to persuade the Prime Minister away from a position of outright opposition to a more neutral stance on family planning. In January of the next year, the Prime Minister signed a decree establishing a "Commission for the Study of Family Well-Being," composed of representatives of most ministries, and chaired by the Secretary of State for Public Health. The establishment of this commission coincided with the assignment of a demographer to the A.I.D. Mission. The commission met ten times from March through November, 1971, and the discussions covered fully the problems of excessive population growth rates. The A.I.D. demographer attended as an observer and was able to provide the impartial expert knowledge sought by the commission members by acting as a resource person and by compiling information relevant to questions of population and development. There is no question that he served a catalytic role as a staff member by preparing discussion materials and background papers for the Commission's deliberations, and in this way was able to guide the study toward positive conclusions. By November, 1971, the commission had sent to the Prime Minister a series of enlightened recommendations for an official population policy.

The turning point in the official attitude occurred on January 5, 1972, when the Royal Lao Government formally committed itself to a population policy of reducing the birth and death rates in order to be"...more in harmony with the practical realities of the country in the fields of education, public health, employment, etc., for the socio-economic progress of the Nation over the next 30 years...." The policy statement, Presidential Decree No. 03/PC, also established an implementing mechanism for the policy--the Commission for the Promotion of Family Well-Being. Article 3 of the Decree stated that:

> "The Commission has as its purpose the implementation of the recommendations proposed by the Commission for the Study adopted on November 19, 1971, by the Government:
>
> a. through the reduction of the rate of mortality through the Kingdom.
>
> b. through voluntary family planning, so as to promote harmonious growth of the population and family wellbeing."

The recommendations referred to in the Decree imply a fifty percent reduction within thirty years of 1972 estimated birth and death rates of 48 and 18 per thousand, respectively. The Commission was composed of the heads of the Ministries of Public Health, Social Welfare, Education, Economy, Interior, Information, Justice, Religious Affairs and Plan. Cutting across virtually all civil sectors of government, the new Commission established the nucleus for a broadly based effort that recognized the importance of policies and programs that affected knowledge and attitudes about family size and family planning in addition to the more obvious relationships between health and contraception. The full commission was further divided into two Sub-Commissions: the Sub-Commission for Public Health and the Sub-Commission for Coordination and Information. This division of responsibility represented an awareness of the distinction between the health system which acts as the primary delivery mechanism of family planning services, and the non-health components of the population program, which consist of the broad range of economic, cultural, legal, social and attitudinal factors which affect (and are affected by) population phenomena.

The momentum of the Lao Government's favorable change in population policy was maintained by a three-day seminar on population and family planning held in August of 1972. The seminar, which was funded by the Ford Foundation, was chaired by the Prime Minister and attended by the key officials of the government. The focus of the seminar discussions, including various papers presented by high ranking officials, concentrated on the impact of excessive fertility at the national level, with particular reference to educational and social resources, and to the influence that various rates of population growth would have on the country's future development. The original impetus for family planning in Laos, which came from the upper class women, was now reinforced at the highest political levels in terms of national development goals.

The Ban Houei Sai MCH center opened in March, 1972. This center consisted of a 30-bed obstetrical wing of the provincial hospital, which was jointly funded by several projects.

The National Center at Mahosot Hospital was dedicated a year and a half later, on September 28, 1973. Built and equipped at a cost of $1,174,500, this 226-bed wing added not only modern gynecological, pediatric, and family planning obstetrics facilities for radiology, pharmacy, record keeping, and conferences. The Center was located adjacent to the Royal School of Nursing, on the same grounds with the old offices of the National MCH Service, and quickly assumed its planned role of the central teaching facility and administrative headquarters of the national MCH/FP effort.

The training of family planning workers which had begun by the private Lao Family Welfare Association was gradually overshadowed by the official training programs of the Ministry of Public Health, although the Ministry did continue to send some of its people to LFWA training sessions. By early 1974, the project had provided specialized training in family planning to 362 people in the following fields: rural auxiliary midwives, medics and nurses; graduate MCH nurses; home economics extension agents; medical assistants; graduate midwives; doctors; statisticians; I.E.C. and

In addition to this specialized Family Planning training, about 600 other medical practitioners had formal exposure to family planning methods and techniques as part of their regular training curricula, which had gradually been expanded following the Lao Government's change in population policy. These people consisted of the following major types:

Doctors and Assistant Doctors	46
Registered and Practical Nurses	169
Auxiliary Nurse Midwives	174
Rural (Traditional Village) Midwives	202
	591

For the most part, the in-country training sessions mentioned above lasted several weeks, while the third-country training usually lasted from several months to a year. One of the major other donor inputs to the project consisted of the training programs which were devised in large measure by World Health Organization (WHO) advisors to the Ministry of Public Health, and to the Ministry of Education, under whose auspices the schools of medicine and nursing were administered. The overall thrust of the WHO approach was to emphasize an integrated "polyvalent" approach to the health disciplines most needed in Laos, e.g., nutrition, maternal and child care, family planning, environmental sanitation, etc., as distinct from the specialized, compartmentalized approach which had been borrowed from the French colonial experience. Similarly, WHO focused on medical assistants and auxiliary medical personnel, and tended away from the traditional emphasis on the medical doctor as the centerpiece of the French-influenced curative system in Indochina.

A major source of training outside the RLG's formal academic system consisted of the Operation Brotherhood (OB) in-service courses which were held continuously on a wide variety of subjects. Training under OB was provided for more than 700 Lao staff members in the six OB hospitals, as well as about 700 Lao medics and nurses attached to the A.I.D. Village Health program. The training, which emphasized the practical application of basic health skills, included MCH/FP as one of its core elements.

The provision of actual family planning services and information, as noted above, was first carried out by the Lao Family Welfare Association through its handful of private clinics. During 1969 and 1970, in fact, this organization was the only outlet for FP services, although it is likely that a substantial number of lowland women took advantage of the ready availability of services just across the river in Thailand. By 1971, LFWA had increased the number of its clinics from six to nine, and during the same year, Operation Brotherhood fielded two mobile teams which provided FP services as part of a general rural public health program. During 1972, the year in which the RLG adopted its favorable population policy, the total number of service outlets increased from eleven to forty-six, broken down as follows:

	Urban Clinics	Rural Clinics	Mobile Teams
LFWA	13	0	0
OB	0	0	3
Dooley Foundation	0	9	0
A.I.D. Village Health Program	0	21	0
	13	30	3

By early 1974, further expansion of the service delivery network had brought the number of outlets up to 91, which since the beginning of 1973 had included clinics of the Ministry of Public Health:

	urban	rural	mobile teams	total
Ministry of Public Health	9	4	0	13
Lao Family Welfare Assn.	3	7	0	10
Operation Brotherhood	1	0	13	14
Dooley Foundation	0	9	0	9
A.I.D. V.H. program	4	41	0	45
	17	61	13	91

The number of people accepting contraceptive services rose quite rapidly from the outset of the first LFWA program in 1969. The following table illustrates the increase in the number of new acceptors of contraceptive services:

	NEW ACCEPTORS PER YEAR
1969	290
1970	703
1971	1,467
1972	3,[illegible]00
1973	7,[illegible]52

The long delay in the Lao Government's official entry into the business of providing contraceptive services, a natural consequence of the absence of a clear-cut population policy, meant that through 1973, roughly twice as many family planning acceptors received their first contraceptive supplies from other agencies as they did from Ministry facilities. By July 1974, however, family planning services had become available at all of the Ministry's 15 provincial hospitals, although many of these had only recently come on line, and although only two were engaged in formal post-partum services.

On July 6, 1974, the MCH/FP wing of the Pakse provincial hospital was dedicated, adding a major facility to the Ministry's hospital network. This 100-bed wing, built and equipped at a cost of $490,000, provided the same services as the National MCH/FP Center in Vientiane, although at a slightly lower level of sophistication.

By 1974, the original PROP under which the project had begun was nearing its expiration date (June 30, 1974). The preparation of a new PROP became a very timely activity because of both the status of project implementation and the need to resolve several major issues, between A.I.D. and the Lao Government as well as between the Mission and A.I.D./W. On the Lao side, the Mission felt that more should be done to deliver contraceptive services, particularly since the policy issue had long been resolved, the construction of facilities was proceeding well, and the training of service personnel had been going on for some time. With respect to A.I.D./W, the Mission felt that the original A.I.D./W pressures, to mount a population program in Laos, and Agency agreement on an integrated MCH/FP program as the only appropriate course of action, were being reversed by the Office of Population, which was beginning to program substantial Title X funding reductions in Laos resulting in substantial changes in on-going project implementation.

In an introduction to the PROP revision in 1974, the Mission described its new proposed emphasis on service delivery.

> "1. Expanded clinical coverage will be achieved by providing family planning services through a greater number of existing MCH clinics...
>
> "2. Greater post-partum FP service delivery will be achieved by instituting post-partum programs in all existing hospitals over the two-year period...
>
> "3. Extensive in-service training will qualify existing MCH personnel to provide family planning services and information...
>
> "4. The project will emphasize improvements in the commodity management and logistic network of the Ministry of Public Health to insure a timely and adequate distribution of contraceptives and medical commodities throughout the delivery system.
>
> "5. As a corollary to the training of medical auxiliaries, the MCH/FP project will assist the Ministry of Public Health in expanding the delivery of FP services through this body of para-professional personnel in order to gain maximum effectiveness from all levels of medical manpower.
>
> "6. In addition, the MCH/FP project will pursue the development of non-clinical delivery systems for family planning services and information through such pilot activities as the establishment of outlets on market grounds.
>
> "7. Similarly, the project will examine the roles which it can play in encouraging the spread of FP services through private sector physicians and traditional medical practitioners.

"8. One of the major initiatives which the project will undertake during FY 1975 will consist of a long-term implementation schedule for increasing contraceptive coverage throughout the fertile population. This set of annual targets for acceptors and continuation rates will provide a useful management tool and will allow for ongoing evaluation of project performance. It will also provide specific guidelines for implementing the Lao Government decree on population, which calls for a 50% reduction in birth and death rates by the turn of the century."

The new PROP also noted several other areas of departure which the Mission planned to follow:

" The MCH/FP project during FY 1975-FY 1976 will place greater emphasis on factors designed to increase popular demand for FP services, primarily through the development of more widespread information, education and communication activities.

" Another new emphasis in project direction will stress the integration of related activities, with particular reference to nutrition."

" Finally, the project will continue to stress the long-standing objective of developing the Lao Government's physical infra-structure for Maternal Child Health and Family Planning service delivery by providing for MCH/FP wings at Luang Prabang in FY 1975, and at Savannakhet in FY 1976. The establishment of these two provincial centers, along with continued renovations to rural centers, will complete the project design for delivery system and in-country training facilities."

This latter proposal for additional major construction was, in fact, a pro forma repetition of the Mission's long-standing request for these facilities, and did not represent any strongly felt sentiment within the Mission that these facilities were necessary conditions for the achievement of project purposes.

The Mission did disagree strongly, however, with the reaction of the Office of Population in A.I.D./W to the Laos population program. Basically, Population called for Title X funding cut-offs for the following elements of the MCH/FP project: general medical commodities, except those which directly contributed to reductions in fertility; construction or renovation of physical facilities; hospital or clinical

equipment, except for items which would contribute directly to the reduction of fertility; and funding for the OB Public Health Field Operations Team.

Major differences of opinion between the Mission and A.I.D./W were reflected in a long series of cables, beginning in the Fall of 1973, which were left unresolved to any degree of satisfaction until the January, 1974 visit to Vientiane of Dr. Willard Boynton, Deputy Director of the Office of Population. At that time, the Mission agreed to defer Savannakhet and Luang Prabang construction until non-Title X sources of funding, if any, could be found. A compromise level of general medical commodities was reached, to be split-funded between Title X and IPR, and the OB issue was resolved in favor of the Mission, but on a tentative basis for FY 1975 and FY 1976 only. The most important result, from the Mission's point of view, was continued A.I.D./W acceptance of the notion that the best way to approach family planning programs in Laos was through the medium of an MCH infrastructure, and that it was important to support the nascent MCH system of the Lao Ministry of Public Health.

The PROP also set forth, for the first time, a schedule of fertility reduction which would have to be met in order for the Lao Government to fulfill the reduction in growth rate which its population policy statement had called for:

> "Reduction of the 1972 birth rate of 43/1000/yr. to: 41 by the end of CY 1974 (a 4.6% cumulative reduction), leading to 36.5 by the end of CY 1979 (a 15.0% cumulative reduction), and 22 by the year 2000 (a 50.0% cumulative reduction)."

The PROP also called for a 20% reduction of both infant and maternal mortality rates by the end of 1979. In order to meet the fertility reduction, the project manager and his Ministry counterparts had prepared a detailed schedule which showed, for each year through the turn of the century, the number of couples practicing contraception, the number of new acceptors each year in each age group, and the continuation rates required to achieve the government's goal. These schedules were summarized for the five-year period covered by the PROP:

Indicator	By End of FY 74	79
Contraceptive Users	22,000	95,000
Percentage of Eligible Population Enrolled	5%	16%
New Acceptors per Year	17,000	60,000
First Year Continuation Rate	51%	56%

In order to achieve an increase in acceptors of this magnitude, the number of service outlets was also projected to increase substantially:

Number of MCH/Family Planning Service Outlets in Representative Years

Sponsor	73	76	79
RLG	14	220	300
A.I.D. National Health Development Project 1/	45	-	-
OB Public Health 2/ Field Teams	13	15	N/A
LFWA 3/ (Estimates)	10	20	20
Other 4/	9	N/A	N/A
	91	255	320

This expansion of service availability was scheduled to reach a larger proportion of the Lao population in accordance with the following projection:

1/ To be incorporated into PGNU System by end CY 1975
2/ Operation Brotherhood-A.I.D. Contract Organization
3/ Lao Family Welfare Association (IPPF)
4/ Dooley Foundation, Asian Christian Service

The revised PROP was submitted to Washington in August, 1974 and was approved by A.I.D./W in December, 1974, five months before the termination of the project along with the rest of the A.I.D. Mission to Laos on June 1975. One of the conditions of the A.I.D./W approval of the PROP was that a comprehensive evaluation of progress through December 1974 be undertaken. Although a formal evaluation per se was never completed, the data required for such an evaulation was gathered in the Spring of 1975, and the field work was completed at the same sime. The last project manager of the MCH/FP project, Dr. Alan Mumm, later submitted his analysis of the data, and provided the Agency with an evaluation in draft of the more central elements of the project. Dr. Mumm's evaluation, which was prepared after his resignation from A.I.D., provides the best look to date of the degree to which the project fulfilled its central purpose; i.e., the provision of contraceptive services to Lao couples.

On the central subject of persons accepting contraceptive services, the report notes that by December 31, 1974, there were an estimated 21,621 acceptors. Over 10,000 of these, however, were reported by the LFWA, which did not report dropouts in their statistical submissions. In order to refine this raw data, the evaluation applied drop-out rates from other Lao programs to the LFWA program from the time it began, and arrived at an estimated 4,500 active users in the LFWA activity for a country-wide total of approximately 16,000 people at that time accepting services through an official program. Of these, about 72 percent chose the pill, 10 percent the IUD, 9 percent condoms, 7 percent provera injections, and 2 percent other methods, primarily foam. In addition, it was likely that quite a few women continued to acquire their contraceptive supplies from adjacent towns in Thailand, probably in numbers equal to those in the official programs. During CY 1974, there were 11,096 new acceptors in all programs, up from 7,052 in CY 1973. These levels fell below the acceptor goals in the new PROP, which had called for 17,000 new accpetors and 22,000 active program participants during CY 1974. The most probable reasons for the shortfall were:

1. A six-month delay in the assignment of 10 professional nurse-midwives to Xieng Khouang Province, from August 1974 to January 1975;

2. A long standing policy of charging for contraceptive supplies in LFWA and Lao government clinics, which was not officially stopped until mid-way through 1974, and which continued on a de facto basis throughout most of the year;

3. Political attacks beginning in the summer of 1974 by the Pathet Lao (PL) against family planning in general, and against the Minister of Health and his wife (head of LFWA) in particular, which had a strong impact on the attitudes of field workers. During the last six months of

the year, the number of new acceptors remained stationary at about 850 per month, the first time in the history of the program that there had been no continuous growth in the rate of new acceptors, and despite a substantial increase in the number of outlets during the same period.

Evaluation

Following are the most significant excerpts from the informal evaluation of the Laos MCH/FP project:

Field activities were conducted during January, February, and March of 1975. Clinic records were examined as of December 31, 1974 but no 1975 acceptors are included in the survey.

A total of 25 clinics were surveyed out of approximately 150:

Province	A.I.D. Clinics	RLG Clinics	Total
Luang Prabang	1	4	5
Sedone	5	2	7
Champassak	3	2	5
Wapikhamthong	3	1	4
Sithandone	0	3	3
Vientiane	0	4	4
	12	16	28

Clinic evaluation was limited to the following:
(Estimates made by medics, local political leaders, refugee officers, and the like).

1. Population of village
2. Population of area served
3. Number of acceptors expressed as a percent of eligible couples in the village and service area.
4. Analysis of stock on hand and on order.
5. Analysis of daily records for accuracy and completeness.
6. Analysis of monthly reports for accuracy and completeness.
7. Number of months clinic had been offering services.
8. Price being charged for contraceptives, if any.
9. General discussions with clinic workers, local officials, and villagers.

1. Provincial level: announced visits were made to each provincial MCH office. Inventories of stocks were taken and patient records examined.

2. Village level: Unannounced visits were made. The team usually consisted of a project manager, one A.I.D./Lao local hire, one government official and one or two provincial level officers.

3. Acceptor Data: At each Clinic data were collected on each individual who had ever accepted a method of contraception at that clinic.

A. Data Collected:

1. Age
2. Number of living children (Total number of children had not been taken by some government outlets).
3. Method of contraception
4. Date acceptor entered program
5. Date stopped (if any)

This data was collected on 1,060 acceptors. 1,718 acceptors were surveyed overall but some had to be excluded from this analyiss because all of the necessary data was not recorded. Most of this was due to poor record keeping in the early days of the program.

B. Results: Evaluation of Clinic Performance

1. Provincial Level Center.
   a) All centers were keeping very good records; this was to be expected because the highest quality workers were usually assigned to this level.
   b) All centers had at least four-months' supply on hand.
   c) None had four-months' supply on order.

The original supply and logistics set up was one in which the provincial level officers, using a set of tables based on population, number of current users, and a growth factor, would calculate the amount of pills, condoms, etc. needed and request these from Vientiane. Transportation to the provinces was provided by the A.I.D. medical supply system. However, during the course of evaluation, it was found that the provincial level employees could not accurately use this simple system.

As a direct result of this, the system was changed in late February 1975 during an MCH supervisors' seminar in Vientiane. Under the new system, provincial officers simply sent their regular reports to Vientiane. Officials in Vientiane calculated the estimated needs for each province on a quarterly basis and initiated shipments from the A.I.D. medical warehouse.

2. Local or Village Level Centers and Clinics:
   a) Percentage of eligible couples enrolled.

This portion of the survey looked at the performance of each clinic in terms of success in enrolling eligible women in the immediate village and in the service area.

Overall, the total population of the villages surveyed was 73,200 x 0.2 =14,640 eligible females. The total number of acceptors was 1,718. 11.7% of eligible females had at one time accepted services.

The total estimated population of the service areas was 148,600 x 0.2 = 29,720 eligible females. 1,718 acceptors represented 5.8 percent of eligible females in the service areas who had been enrolled at some time during the period of service availability.

The following table breaks down this data according to type of Clinic.

Villages

Type of Clinic	Population of Villages	Population of Eligible Females	Acceptors	Acc. as % of Eligible Females
Gov't.	56,500	11,300	743	6.6%
A.I.D.	16,700	3,340	975	29.2%
Total	73,200	14,640	1,718	11.7%

Areas

Type of Clinic	Population of Areas	Popolation of Eligible females	Acceptors	Acc. as % Eligible Females
Gov't.	113,000	22,600	743	3.3%
A.I.D.	35,600	7,120	975	13.7%
Total	148,600	29,720	1,718	5.8%

C. Three conclusions emerge from these data:

1. There was a much greater percentage of eligible females enrolled in villages as opposed to area. This was no doubt due to the effects of immediate availability!

2. There was a much higher percentage in A.I.D.-serviced villages and areas than in RLG locations. Average duration of services in A.I.D.-serviced villages was 14 months and average duration of services in Government villages was nine months. Six out of 12 A.I.D.-serviced villages had offered services for more than 12 months and only three of 16 Government villages had offered services for more than 12 months; i.e., the A.I.D. program had been in effect longer. In general A.I.D. Clinics received much closer supervision, with area supervisors making monthly visits.

3. Effects of Prices on contraceptive supplies:

If the acceptance rates of villages (not areas) are examined in terms of those Clinics that were charging for services, and those that were not, the following results were obtained:

	Population of Eligible Females	Acceptors	% of Eligible Females Accepting
No Charges	9,620	1,516	15.8%
Charging 100-300 Kip/ cycle	3,020	202	6.7%

Average duration of services in "No Charge Villages" =11.4 months
Average duration of services in "Charge Villages" = 10.8 months

If these relationships are examined in terms of area population then:

	Population Eligible Females	Acceptors	% of Eligible Females Accepting
No charge	22,220	1,516	5.5%
Charge 100-300 Kip/cycle	7,250	202	2.8%

In those clinics charging 200 Kip or more per cycle the area-wide acceptance rate was 1.7% of eligible females and the average duration of services was 12.5 months.

As suspected, the data confirmed that the price structure was hampering the program. If all clinics were charging 100 kip or less perhaps the PROP goal of 17,000 new acceptors during CY 1974 would have been achieved. This could only be determined, however, if all clinics had been surveyed.

4. Stock on Hand and on Order

Stock on hand and on order was graded adequate, short, or not determined for each clinic visited by counting contraceptive materials on hand and looking at requests for supplies in the clinic or at provincial centers.

Results: Stock on Hand in Village Clinics

	Number of Clinics		
Score	A.I.D. Clinics	Gov't. Clinics	Total
Adequate	12	14	26
Short	0	2	2
Not Determined	0	0	0

The results appear quite good and much better than expected, when the survey began. It is probable that these results reflect the excellent service of the A.I.D. medical-supply system, which delivered the commodities to the location where the workers picked up their salaries.

Almost without exception the Government nurses picked up their contraceptive supplies when they went to the provincial capital to get their wages every two-three months. Usually, they too (like their supervisors), did not understand how to estimate the amount of contraceptives that might be needed (see table on the following page) but they usually erred on the safe side.

Results: Stock on Order in Village Clinics

Score	Number of Clinics A.I.D. Clinics	Gov't. Clinics	Total
Adequate	8	3	11
Short	0	2	2
Not Determined	4	11	15

5. Records and Reports

At each clinic the daily, individual patient records were examined and monthly reports were checked.

These reports were graded on a scale of 0-4

0=Essentially useless
1=Full of errors but able to be corrected by the supervisors.
2=Many minor or two or three major errors
3=A few minor errors
4=Perfect

Results: Daily Patient Records

Score	Number of Clinics A.I.D. Clinics	Gov't. Clinics	Total
0	0	2	2
1	0	1	1
2	1	2	3
3	6	5	11
4	5	6	11

Monthly Reports

Score	Number of Clinics A.I.D. Clinics	Gov't. Clinics	Total
0	0	2	2
1	0	2	2
2	2	4	6
3	6	3	9
4	4	5	9

In looking rather loosely at the data it would appear that the A.I.D. medics were better record keepers. This might be explained by the fact that the last and largest class in the new record keeping

system, conducted by the Mission, was composed entirely of A.I.D. medics.

6. Discussions with Health Workers, Villagers, Local Officials

No really surprising information came out of these sessions. All of the nurses and medics were well versed in giving instructions and knew when to make referrals for complications. However, only three midwives were using pills themselves and three medics were using condoms. That amounted to only six out of 28 using a contraceptive method. Six other nurses were either pregnant or nursing.

In five villages the old Ovral to Norinyl changeover syndrom was found but no serious disruptions or ill feelings were encountered. Most of the women affected were still on Norinyl and doing well.

Discussions on ways to increase program coverage by mobilization of nurses were rather frustrating. The A.I.D. nurses were already using bicycles to visit nearby villages in refugee areas but the Government nurses thought very little of that idea. Most of them claimed to be afraid to travel alone.

7. Continuation Analysis

It is highly probable that the new record system implemented by the Government in 1974 could have provided precise continuation rates if given a chance. But at the time of the evaluation survey the system had not been in place long enough to derive reliable rates.

Nevertheless, some appreciation of acceptor performance can be gained by looking at the data that was then available. It might be useful to first consider overall performance by lumping all acceptors together and classifying them by duration of use.

Duration of use for all acceptors surveyed (January 1972 through December 1974).

Duration	Number	Percentage
less than 6 months	489	46.1
6-11 months	269	25.4
12-17 months	139	13.1
more than 18 months	163	15.4
	1,060	100.0%

This would indicate that 71.5 percent terminated before 12 months. However, this conclusion needs further refinement in that 760 of the 1,060 survey subjects entered the program in 1974 and thus did not

yet have time to make the 12 month circle.

If attention is limited to those who have had a chance to participate for at least 12 months (i.e. entered the program prior to January 1974) a better estimate can be made of the true 12-month continuation rates. However, this figure must be used with caution because these women numbered only 300.

Duration of Use-Acceptors Prior to January 1974

Duration	Number	Percentage
less than 6 months	21	7.0
6-11 months	25	8.3
12-17 months	91	30.3
more than 18 months	163	54.3
	300	99.9%

If these data are further refined, a high continuation rate is still evident. By looking at all surveyed women who entered the program between January 1972 and December 1973, it becomes apparent that 65.7% were still active at the time of the survey date (December 31, 1974).

Even by cohort analysis, a high continuation rate is still evident:

Period of Entry into Program	Number of Acceptors in Survey	Percent Active after 6 months	12 months	18 months
Jan. 72-June 72	19	100	100	84.2
July 72-Dec. 72	33	93.9	81.8	51.5
Jan. 73-June 73	155	93.5	85.2	73.5
July 73-Dec. 73	93	90.3	81.2	(1)
Jan. 74-June 74	300	76.7	(2)	NA
July 74-Dec. 74	400	(3)	NA	NA

(1)="No chance for 18 months" 1/ but 72% of the 93 were active at time of survey
(2)="No chance for 12 months" but 65.3% of the 300 were active at time of survey
(3)="No chance for 6 months", but 78.5% of the 460 were active at time of survey.

The evaluator concluded that the continuation rate in Laos was probably better than the world-wide average and that the Lao, like all basically rural and agricultural societies, were quite conservative and slow to adopt new behavior. Once having accepted the new behavior, however, they did not give it up easily.

1/ "No chance" means some women who entered during that cohort were too late to achieve the specified number of months; e.g., a woman enrolled in August for the July 1974-December 1974 period would have completed only five months by the end of the period.

LAO NATIONAL ROADS

General Background

The Lao National Roads Program began during the late 1950's with a few Bureau of Public Roads (BPR) personnel who began organizational planning. In 1960 the operational staff began to arrive. Late in 1960, there was a "coup d'etat" which developed into a major war situation that was not settled until October 1962. During this period, 1960-62, very little happened because the dependents and a major portion of the staff were evacuated to Bangkok and only a caretaker force remained in the country. Peace was restored after the Geneva Accords were signed in October 1962.

At the end of hostilities, BPR began to build up a new staff as most of the old staff did not want to remain in Laos.

The A.I.D./BPR Assistance and Advisory Program consisted of BPR engineers and equipment specialists who were assigned to major locations throughout the country to assist in technical areas. Assistance was furnished in the form of equipment, spare parts, commodities, construction materials, and POL products. A.I.D. also financed 100% of the cost of road construction of A.I.D.-selected projects.

A contract was let in April 1963 for construction of a 100 Km road project from the Nam Hin Boun to Nam Ca Dinh Rivers on Route 13, the main north-south route through the country. This project was completed in June 1965 at a cost of $8.4 million.

At the completion of the Nam Hin Boun-Nam Ca Dinh Contract Construction Project in June 1965, A.I.D. bought all of the contractor's (Grove-Jones) equipment and assets in Laos. Contractor and BPR personnel began moving all of the purchased equipment and supplies by truck and barge to Vientiane. In September, the equipment began to move by road to Ban Hin Heup, 94 kilometers north of Vientiane, to begin the reopening of the Vientiane-Luang Prabang Road. This project, 279 kilometers in length, was set up as a Force Account Construction Demonstration and Training Project. Construction began in January 1966 with 18 Americans and 38 TCN's who began training the local employees in all phases of highway and bridge construction. The major classifications trained were heavy duty and light duty mechanics, construction equipment operators, truck drivers, labor foremen, carpenters, plumbers, electricians, engineering survey, design, and bridge construction personnel. This project was completed in June 1969, at a cost of $6.5 million. The personnel and equipment from this project continued to operate on a force account basis, constructing access roads for refugee resettlement and other roads requested by the Lao Government and the Mission. Construction in progress at the time the Mission was terminated, included the Xieng Ngeun-Muong Nane Road and several access roads to large villages in the vicinity of, but not served by, the main road project. This project was scheduled for completion

in early June 1975 when all equipment was to be given to the Lao Government. The project was operating with an all Lao staff except for two Americans and three TCN's. This crew had been developed into a very efficient organization capable of constructing any road without direct supervision of any outside element.

In 1967, the A.I.D./BPR-Lao Roads and Bridges Organization began operating on a joint A.I.D./Lao National Roads Program where A.I.D. contributed 100% of equipment, equipment spare parts, construction materials, and POL, plus twothirds of the labor payroll and locally purchased materials. This method gave the BPR more latitude in operations and some control. This system was still in operation when the Mission closed.

The country-wide equipment repair shop, the supply center and the training school were located at the PK-7 complex in Vientiane.

Training was performed at the complex from 1963, in or for light and heavy duty mechanics, auto electricians, welders, fuel injection systems, equipment operators and warehousing classifications. Approximately 1,500 students have received certificates from this training center in the 11-year period. The on-the-job training of these students was performed in the PK-7 shop and also on field training projects of selected road construction in and near Vientiane. Approximately 8 to 10 kilometers of roads and/or streets were completed per year by these trainees.

The PK-7 Central Supply Warehouse performed the on-the-job training of warehousing classifications along with the theory training at the training center. These classifications consisted of receiving, stock control, issues, inventory, and property control records.

The PK-7 Central Shop performed major engine overhaul, fuel injection system repair, body repair, rebuilding of crankshafts, and any other mechanical repairs that could not be performed in the field.

Upon the completion of formal training at the PK-7 Training Center, the trainees were sent back to their respective provinces. Field on-the-job training continued in their home provinces with both Lao and American advisors as instructors. This method produced a well-qualified staff of Lao mechanical maintenance and equipment operator personnel in all provinces. Major provinces also have adequate, though not professional level, personnel to carry out the warehousing operations to adequately administer the flow of spare parts and construction materials to all provinces.

Throughout the period of the training program, the PK-7 warehousing function developed all Lao capabilities in all warehousing operations, except purchasing or resupply. The reasons for this included: (a) lack of Lao tax structure to provide funds for purchase of materials, (b) lack of established credit with manufacturers or supply organization (all funds were A.I.D. grants handled through American systems of resupply), (c) lack of candidates with adequate education to perform or administer such an operation, (d) the Lao government would not, or did not, establish a world-wide organization for the purchasing and shipping of commodities.

To summarize, the Lao Directorate of Roads and Bridges of the Ministry of Public Works and Transportation, did successfully achieve the capabilities to perform all facets of minor highway and simple bridge construction, and their maintenance, except establishing sources of funds and an organization for a resupply system.

History of the Materials Laboratory Development

In 1963, there were two BPR materials people assigned to the project, a Materials Engineer and a Materials Technician. The technician was assigned to do materials investigations and construction control on the Nam Ca Dinh Project and the Materials engineer began working directly to develop the Ministry of Public Works (Travaux Publics -TP) laboratory in Vientiane. The two year Nam Ca Dinh Project produced five Lao technicians who remained with A.I.D. or BPR/FHWA until termination in 1975. Actual training of Public Works personnel began in 1965 after the completion of the Nam Ca Dinh Project. A new laboratory building was completed and equipped by BPR in 1967 and the lab was moved from the PK-7 equipment yard at that time.

TP personnel consisted of five technicians and a laboratory chief over this entire period (1963-1975). There were also other nontechnical people in the laboratory: drivers, casual hire laborers, secretaries, and guards. In 1967, there were about 25 people in the TP laboratory organization and at termination the number had dropped to about 13. However, the same five technicians (Lao civil servants) remained for the full time. The laboratory chief at termination had been in the laboratory for almost seven years but prior to his assignment there had been five chiefs between 1965 and 1967 furnished by TP as counterparts.

Training was generally on-the-job using the laboratory technicians already with TP and also three A.I.D. employees working under the supervision of the FHWA materials engineer. Training was generally in foundation investigations, soil classification, construction control testing (compaction and concrete) and later on in asphalt identification testing. Training projects were the actual testing and investigations requested by A.I.D., Lao Government agencies, and private contractors; TP actually requested little testing, even in the Vientiane area, until about 1970 when they started using the laboratory once they were more familiar with why it was there and what it could do. Bridge foundation studies were being done in almost all the provinces under the government's control but compaction control was limited to the Vientiane area.

Out-of-country training was sponsored by A.I.D. to send four TP technicians to Thailand in 1967 to work with the Thai Highway Department. Two BPR Lao technicians spent more than a year at a Thai University in Bangkok.

It was hoped they could become civil engineers; however, they could not do acceptable work and returned to Laos, one to work with the Mission Public Works Division and the other as the laboratory chief at the Nam Ngum Dam for a Japanese contractor. The last laboratory chief received out-of-country training on two occasions in France.

At the time the project terminated, the laboratory had the capacity to do both design and control testing on earth type highways, including concrete designs and foundation studies for structures. The highway laboratory was not yet ready to do asphalt design testing but did have some training in asphalt identification testing.

History of Training Program Development

From its beginning in 1963 until the project was closed in 1975, the main problem plaguing the training program was that the salary scale of Lao Government workers was not competitive with private industry nor U.S. Government-supported payrolls. After receiving training most anyone with a little initiative could soon find a higher paying job on the outside, leaving no alternative but to start the training process all over again with new personnel.

During the first two years of the program, 1963 to 1965, in-country training courses of 6-12 months duration were set up for mechanics and equipment operators of TP. Trained people were in such demand throughout the country that most students left TP soon after training was completed to seek higher paying jobs.

In 1966 the program was revised with the aim of training masses of people to a minimum level of competence in order to flood the market with semiskilled technicians. Those students that remained with TP would then be brought back at a later date for more advanced training. Courses of 16 weeks duration were set up for automotive mechanics, equipment mechanics, automotive electricians and equipment operators, each course having an average enrollment of 10-12 students. This approach worked relatively well. Even though many graduates of these courses elected to leave TP for better salaries elsewhere, some did remain. The incentive offered to allow good students to return for additional study after specified lengths of on-the-job training prompted some to stay despite low pay. Gradually advanced courses in mechanics, hydraulics and electricity were added to the curriculum as students were recycled through the training center.

After the initiation of preservice and basic skills training, the following Lao personnel received such training in the TP/FHWA program: 418 heavy equipment operators, 201 heavy duty mechanics, 336 light duty mechanics, and 109 automotive electricians. Due to a number of factors,

but primarily the low salary offered by the ministry, only 252 of these people remained with TP. Continuing on-the-job training was provided these employees by field-based direct hire and contract employees, both U.S. and Thai.

In an effort to coordinate our activities with those of other donor countries, foreman trainees of TP studying under a French-sponsored program were given practical training in mechanics, surveying and equipment operation at facilities supported by A.I.D./FHWA. Approximately 90 students were given varying amounts of training under this portion of the program.

In addition to the formal classroom training in-country, the force account projects, i.e., Vientiane-Luang Prabang, Nam Lik-Ban Done, and the Xieng Ngeun-Moung Nane Roads, of FHWA trained large numbers of mechanics, operators, greasers, welders, etc., as they were needed to support that project. The training was conducted almost entirely on-the-job. Even though one of the functions of this project was to be training for TP, only a few of those trained ever went to work for TP because of the salary differences.

Out-of-country training, conducted for the most part in Thailand, included both short- and long-term programs: the short-term in specialized areas such as warehousing, hydraulics and equipment servicing; the long-term training leading to B.S. degrees in Engineering. It was extremely difficult to find qualified Lao to send out of country for any type of advanced study and the failure rate for engineering candidates was very high even though they had been given additional training in-country beyond available high school studies. Third country technican and university training was provided to 88 TP employees and U.S. observational training was provided eight engineers and technicans.

At the termination of the project, only one candidate had successfully completed engineering training and upon his return, he refused to work for TP because salaries and benefits were better in another department of the ministry. Five participants were in their fifth year of engineering studies at Thai universities when the Mission was terminated.

In the beginning, the training program was the responsibility of the Director of Equipment and Materials whose many duties left him little time for active involvement in the training effort. A turning point for training came in 1974 when TP created the position for a Director of Training and appointed a very capable young Lao to fill that position. This move indicated that the government finally realized the importance of a good training program but regretfully it came so late that the new plans could not be implemented. A revised organizational chart for the entire ministry had been prepared showing all existing positions and additional positions needed. A master training chart for the next 8-year

period was drawn up, the in-country training curriculum was being revised and upgraded and the long-term participant program was changed completely with plans being made to select 20 candidates per year for engineering studies at the University of Hawaii. It looked like some real progress was in the making until the country situation collapsed and the financial assistance necessary to support this program had to be withdrawn.

Project Goals

The original concept was to construct major projects by contract. The Nam Hin Boun-Nam Ca Dinh Project was to be the first project under A.I.D. sponsorship. The high cost of American contractor (Grove-Jones, total cost $8.4 million) mobilization and the lack of qualified local contractors proved that A.I.D. could get better results at a lower cost by forming a force account operation for future major construction. A.I.D., thereafter, purchased the contractor's (Grove-Jones) equipment and began mobilizing for the reopening of the Vientiane-Luang Prabang Road which was set up as a construction demonstration and training project. This project, 279 kilometers in length, was successful in both production and training local Lao. The project was completed in June 1969, at a cost of $6.5 million and had trained Lao in every phase of construction, equipment maintenance, repair and operations. The Lao were also trained as carpenters, electricians, plumbers, culvert pipe installers and bridge erectors.

From the above, it is evident that project and subproject goals did change to some extent from year to year. The project changed from contract to force account, from repair and maintenance of bridges and roads damaged or destroyed by military activity, to a situation where roads and bridges could be maintained on a daily routine basis. With the exception of those years when ample funds were provided for construction of the Nam Hin Boun and opening of Route 13 to Luang Prabang, FHWA's budget was not sufficient to allow much development of the Lao National Road Program beyond routine maintenance.

The political and military activities changed almost daily. Military operations were continually interrupting one phase or another of the overall Lao National Roads Program. Between 1964 and 1971, a total of 98 bridges were destroyed by enemy forces and all were repaired or replaced. Traffic continued to operate on Route 13, except for short delays due to military actions and ambushes until after the cease-fire in April 1973. At that time the Pathet Lao took over control of approximately 110 kilometers between Paksane and Thakhek, which cut Route 13 and the southern part of the country from Vientiane. This section was still under PL control when the A.I.D. Mission was terminated.

Following completion of the contract and force account construction and with the crews adequately trained, American and TCN personnel were reduced considerably. Some were placed in the various provinces in training capacities to assist in developing the TP subdivisions in the fields of

administration, supply, mechanics, and operations in support of their maintenance functions. This situation continued to the end of the project when American and TCN personnel departed the country.

The change in political environment (Pathet Lao Minister appointed to head TP) provided an opportunity to change the long-standing FHWA role to an advisory rather than an operational one. Also changed was FHWA's approach to its entire role as advisors. The Lao were required to justify their needs more stringently, and constructive criticism was provided by means of monthly reports to the Division Office. Such reports were then passed on to the Lao Director of Roads and Bridges. Other changes made to meet changing situations will be discussed.

Relationships to Other Projects

Obviously FHWA's project should have and did to one degree or another, compliment most other U.S. projects/activities. The Xieng Ngeun-Muong Nane Force Account Project complemented the Nam Tan Irrigation Project by providing a road and ferry ramps to the principal market at Luang Prabang. Unfortunately, the road was completed long after the irrigation project was completed. Had the reverse been true, construction costs for the road could have been paid for by reduced costs to A.I.D. of transporting equipment, supplies, and materials, to Nam Tan by road rather than by air.

This project's activities enhanced and/or complimented other A.I.D. activities by forming a network of highway access and feeder roads to basically all of the important villages in RLG-controlled areas. This gave the villagers an access to markets for their produce and gave them bus and truck routes to connect them with other areas of the country. It also contributed to other A.I.D. projects such as Education, Agriculture, and Refugee Programs, providing them with a network of roads to better expedite shipment of materials and supplies to project sites.

Because FHWA and TP always enjoyed a true counterpart relationship, attitudes and perceptions of officials of both sides remained unchanged following the cease-fire. A strong attempt was made by FHWA in the last two years of the project to improve work discipline among TP officials. Toward the end this effort began to bear fruit in that the PASA team began to receive copies of the director's admonitions to his subdivision chiefs regarding lax administration. This had not occurred before without considerable urging from FHWA.

Accomplishments and Problems

FHWA's major successes and accomplishments in its projects were the aforementioned contract road construction; the following force account

construction: Improvement of Route 13 north to Luang Prabang (279 Kilometers), realignment of Route 13 from Km. 60 to Km. 80 and Km. 121-Km. 130, construction of Phakanhoun Road (17 Km.), Nam Lik to Ban Done (28 Kms., plus 11 Kms. of access roads), construction of the Xieng Ngeun-Moung Nane-Thadeua Road (60 Kms. and 28 Kms. of access roads), plus the ferry ramp; development of PK-7 warehouse and shop; and operation of the training program.

Major problems consisted of: frequently insufficient RLG control over A.I.D.-provided resources; lack of qualified candidates for participant training; lack of qualified middle and upper management personnel; loss of people once trained to the private and other sectors including A.I.D. (particulary PWD) who could pay better wages or provide more prestigious positions; attitudes and apathetic behavior of Lao TP employees.

Because of the problems outlined above, it had not yet been possible to develop TP into an efficient highway organization capable of doing anything beyond the basic maintenance function.

For a detailed description of the state of the project at time of termination, refer to the FY 1974 Project Evaluation Report required by Program Agreement No. 4010-A. Since the TP Ministry was so busy with politics during all of the FY 1975, little further progress was made. Exceptions to that evaluation are as follows:

1. FHWA's staff was reduced to 15 Americans by January 1, 1975, and remained at that level till near the end of the project;

2. Administration of PK-7 Technical Training School was taken over by TP on January 1, 1975; however, due to budgetary and political constraints very little training was accomplished during the last half of the fiscal year;

3. The uniform Country-wide Equipment Maintenance Policy was completed by FHWA and was being considered for adoption at end of project;

4. The substantive ProAg, which was rewritten to include more details and controls, was negotiated, revised, translated and presented to TP for acceptance but was not signed;

5. A partial set of standard specifications was written and presented to TP for adoption, as were other policies, procedures, and guides.

NARCOTICS CONTROL PROGRAM

General

As a result of increasingly severe drug problems among U.S. forces in Vietnam, as well as mounting domestic drug problems within the U.S., President Nixon announced, in June 1971, an all out attack on drug use, trafficking and production.

A.I.D., in conjunction with other appropriate U.S.G. organizations, was directed to assist in mounting this attack overseas. Laos, as one of the "Goldern Triangle" countries, was a prime target for extensive narcotics control efforts from the outset.

Since Laos did not have an anti-narcotics law at this time, there was no substantive basis for the enforcement (i.e. police, customs, etc.) assistance which the U.S. was prepared, and indeed desired, to provide. Hence the Lao Government was urged to enact a stringent anti-narcotics law and did so in September of 1971.

Although the initial U.S. narcotics control efforts were focused on enforcement, it was soon realized that enforcement addressed only one piece of a multifaceted problem. Therefore in September 1972, the agricultural and medical portions of the project were begun.

By this time the project had been developed to the point where its form would remain essentially unchanged for the duration of the project. The purposes of the project were essentially threefold: (1) to develop an effective Lao Government narcotics enforcement capability to suppress the flow of illegal narcotics within and through Laos; (2) to provide rehabilitation services for Lao addicts which would result in the reduction of the number of Lao addicts who remained dependent on opium; and (3) to establish a program of alternate crop production that would result in a reduction in poppy cultivation. It should also be emphasized that the second and third activities above played a large role in making the interdiction and suppression efforts more acceptable to the Government and population, since the project was generally viewed as being a purely American program of benefit mostly to the U.S. Without the agricultural program, for example, farmers would have been asked, or forced, to stop growing poppies without having an economically viable alternative. As it was, given the short life of the program, many possible alternative crops were tested, but no economically viable alternative crop was definitely confirmed. Again due to

the short life of the program, little if any lasting impact was really made on the extent of poppy production.

It should be noted that all three of the programs, enforcement, agriculture redirection, and detoxification, were started on a crash basis. Personnel, commodity and participant training levels reached their peak in fiscal year 1973 with a complement of: eight U.S. Customs advisors under a PASA agreement with A.I.D., five A.I.D. Public Safety Narcotics advisors, two agriculture contractors, three contract personnel working with the detoxification programs, one A.I.D. program coordinator, and three additional contract personnel who were responsible for the inspection of all U.S. Mission aircraft to see that no illicit narcotics were being transported on them. In addition to these personnel directly supported by A.I.D. with Section 482 funds, the Drug Enforcement Administration (DEA) had stationed in Vientiane two special agents assigned to the U.S. Embassy as Narcotics Attachés. One political officer was responsible to the Ambassador and acted as his representative for all narcotics control coordinating meetings. During the remaining years, 1974 and 1975, U.S. input levels were reduced as the Lao began to improve their own capability to administer a narcotics control program. It was also established by this time that Laos played a minor role as a producer country of illicit narcotics for the international market. Thus, our inputs were reduced accordingly beginning in FY 1974.

With the formation of the Provisional Government of National Union in April 1974, it soon became apparent that the rightist faction previously supported by the U.S. was preoccupied with a fight for political survival within the new coalition government. Partially as a result, many members of the government became increasingly independent and nationalistic and hence, less inclined toward whole-hearted cooperation in what was generally seen as the American narcotics control program.

Also at this time, the Embassy was beginning to press for restructuring of the U.S. presence in Laos in view of the changed, and changing, situation. The U.S. 'profile' was being reduced substantially and the A.I.D. role was being changed from a highly operational to a more traditional advisory one. The Narcotics program was also beginning to be reduced in view of these considerations and the fact that Laos was not believed to be a significant supplier of the international narcotics market.

By FY 1976 the enforcement program was to have been reduced to only one or two DEA personnel working out of the Embassy but still maintaining some contact with the National Police. The agriculture and detoxification program support would also be reduced somewhat but would thereafter remain essentially unchanged for several years.

The following is a descriptive summary of each element of Narcotics Control Project.

Enforcement

The enforcement effort had four components. The U.S. Customs Service provided advice, training and commodity assistance to the Lao Customs Service. The U.S. provided similar assistance to the Lao National (civilian) Police, and to the Military Police. The DEA similarly worked with the Groupe Special d' Investigation (GSI), which was a special investigative organization, composed of officers on loan from the National Police, Customs and Military Police, established specifically for the purpose of narcotics enforcement and attached directly to the Office of the Prime Minister. This organization was established, at the urging of the U.S., to be immune to pressures from various influential civilian and military interests, and was dependent upon U.S. support for its continued existence.

The enforcement program, as stated above, was begun with great urgency. The rapid build-up of personnel and the input of commodities left the Lao standing on the sidelines. However their response to this build-up was quite remarkable considering the task established for them. The Lao civilian and military police, Customs Service and Groupe Special d' Investigation (DEA's counterpart) between 1971 and 1974 did make significant seizures of illicit narcotics in Laos. These seizures did, in fact, reduce the amount of drugs moving through Laos on to Vietnam and other international markets.

As the program increased in size, however, it became obvious that it was beyond the capability of the Lao to continue without U.S. advisory and financial assistance. Although our departure was premature it was very doubtful under the political conditions existing at the time whether the Lao government could begin to assume any of the narcotics enforcement functions started by the U.S.

At the time of termination it was clear that additional time was required for training Lao enforcement officials to do the job themselves, preferably in locally developed training courses.

Agriculture Redirection

This element of the program along with the detoxification program was begun in late 1972 to provide assistance to the Lao who were affected by the anti-narcotics law of September 1971. In reality very few Lao hill tribe farmers stopped growing opium because of the law. The Lao Government was probably unwilling for political reasons to vigorously suppress poppy production in the absence of reasonable alternative crops, and in any case generally unable to take effective action in most cases because of lack of effective control over most poppy growing areas. Many hill tribe farmers did, however, express a desire to plant an alternative crop that would bring similar economic returns for their efforts. The replacement crop for opium, however, has yet to be found. It must be light weight, compact and of high value so that it can be easily and profitably carried out of the hills to markets. A high elevation experiment station was developed at Phou Pha Deng near Ban Houei Sai in northern Laos to investigate the possibilities of potential replacements. Also a training center was constructed at Xieng Ngeun near Luang Prabang to encourage hilltribe farmers to experiment with new crops and small animals that might possibly replace opium. If the U.S. assistance program had not been abruptly terminated, the information gathered from both of these locations over a period of five to ten years might have solved the replacement problem. These were agricultural development programs that were certainly needed in Laos and the success of these programs could only be measured over the long run. Such agriculture programs take many years to develop and many more years to bring returns. For additional details see Annex 1.

Detoxification

This program began in late 1972 when a temporary detoxification center was opened in Vientiane. Utilizing methadone in decreasing doses, two thousand Lao addicts were successfully detoxified since its inception. The rate of recidivism was about 50 percent. These results are quite acceptable if compared with the methadone programs in the U.S. This program was structured so that there was a high involvement of Lao Public Health personnel. Because of this and the fact that an approximately five-year supply of methadone has been turned over to the Lao, the new government may carry on this program.

A second experimental detoxification program was concurrently conducted for Lao addicts under the auspices of Buddhist monks at a nearby wat in Thailand. The success of this program was marginal. The construction of the new National Detoxification Center on the grounds of the Mahosot Hospital in Vientiane was underway, but not completed, at the time the project was terminated. The Lao tended to view the detoxification program as being of some value to them and hence supported it. Further details on this program are contained in Annex 2. (See also Public Safety Termination Phase-Out Study, Laos, May 1974, Agency for International Development.)

PHOU PHA DENG UPLAND CROP INTRODUCTION CENTER

I. Summary

The Phou Pha Deng Upland Crop Introduction Center Activity was begun in March, 1973. Political unrest forced its closure in December, 1974. Despite problems involved in finding a cash crop substitute for the opium poppy -- some unique to this project and some general obstacles -- initial pilot trial results and experience with the project indicate directions for productive future work.

The test center was located at an elevation of 900 meters in a typical opium growing mountain area. Initial test plantings at the Center were established, though some difficulty was encountered due to lack of experience on the part of resident technicians and due to problems in obtaining desired planting stock. Some 124 varieties of 61 crops were planted at the Center. In June, 1974, an extension program was initiated as part of the Center's operation to introduce new crops to farmers in six key village areas. Villager acceptance of the project was good.

The time period elapsed during operation of the Center was too short to obtain concrete results. No one crop substitute for opium was available. Several suitable crops could be introduced as opium poppy substitutes in relatively accessible areas within a three-hour walk of a market road. These include: coffee, red kidney bean, and yellow corn. Cardamom, temperate and subtemperate fruits and nuts, and seed potatoes were possibilities, but would require more study.

Substitute crops for more remote areas presented fewer possibilities. Ginseng and shiitake mushroom were good possibilities. Saffron was not test planted, but appeared to hold good promise. Forages to improve livestock production would provide the best immediate answer for remote areas, but more work was needed on these, too.

The search for an opium poppy crop substitute was not answered, but a number of crops hold promise and deserve more attention.

II. Introduction

In 1971 the Royal Lao Government, in response to international pressure, banned the production and sale of opium. An estimated 30% of the Lao population was composed of ethnic hilltribes who derived almost all of their cash income from cultivation of

the opium poppy. New crops were needed to replace the traditional opium poppy in the hillbribes' economy. Antinarcotics legislation banning production and trade in opium were those related to watershed protection; soil, water and forest conservation; and increasing production and population-carrying capacity per unit area.

The Crop Introduction Center was planned to test and introduce new crops for the highland areas of Laos. Work was initiated on the Phou Pha Deng Crop Introduction Center in March, 1973. The site was selected following aerial survey of the province and discussions with local officials and villagers. In December, 1974, work at the Center was disrupted and the project terminated due to military attack on the Center during the take-over of the provincial government. Records and data on the Center's work were lost at this time and during later disturbances in Laos.

The site of the Center near Ban Phou Deng was selected because of its relative accessibility and the fact that it was an area representative of the highland opium-growing areas of northern Laos. The village of Phou Pha Deng was a White Meo village at an elevation of 900 meters. The village was initially accessible only by helicopter or by a four-hour walk from the Mekong River. In November, 1974, a dry season jeep trail was finished linking Phou Pha Deng to Ban Houei Sai.

Given the difficulties of transportation; the remoteness and relative primitiveness of the site; the lack of trained personnel, and dearth of previous work and data on highland agriculture, an unsophisticated village-style approach was dictated for the Center. Trial plantings of a large number of crops and varieties were made. The trial plantings were to prove adaptability to the highland environment and to provide propagation stock for further trials and for extension plantings in villages.

The staff at the Center consisted of five technicians. The Center Manager was the Lao Government's Provincial Agriculture Service Research Chief. He handled administrative matters and trial work with field crops. Other technicians funded by USAID were: horticulturalist; forage specialist; village industry crops specialist; and coffee-tea specialist.

Six "key villages" around the province were selected to initiate extension work using materials and results from the Phou Pha Deng Center. The "key village" extension project was staffed by a PGNU (Lao Government) agent manager; two USAID-funded administrative assistants in Ban Houei Sai; and six village agents.

III. Discussion and Conclusions

The results obtained from trial plantings at Phou Pha Deng are only those initial pilot plantings, and therefore have not been statistically analyzed. Conclusions must be tentative, but do seem to verify the approach of the Center and indicate direction for future work on the problem of crop substitution.

Problems encountered were many. Some are basic to the problem of redirecting hilltribe agriculture from opium poppy production; some were unique to the USAID/Laos Phou Pha Deng Project. The different problems and obstacles are summarized below. The first nine were unique to the project. The rest are general for crop substitution for opium.

1. Time. The Crop Introduction Center was only in operation from March 1973 to December 1974. This was not enough time to do more than initiate work. A minimum of five years, and, more desirably, ten years, is needed to better test and develop new crops or agricultural techniques to replace opium culture in the highlands.

2. Security. Lack of security resulted in the Center's being closed when it was attacked and one workman was killed in December 1974. Work at the Center had to be shut down on two previous occasions, because of lack of security. A constant security threat prevented many farmers from investing in and trying new crops and methods of production.

3. Political Implications of the Narcotics Project. Due to the political implications of the narcotics project, there was pressure for a "quickie" solution to crop substitution and a very real need for a focal point for interest in the program. The Na Kong Resettlement Project had to be initiated to fill this need.

4. Lack of Trained Personnel. Lack of trained personnel hindered work on the project. Technicians working at the Crop Introduction Center averaged only about seven years of schooling,

and had only two to three weeks' informal training in their respective responsibilities. Training of extension workers was even more limited. It must be pointed out, however, that this is liable to be generally true as a problem with highland agriculture technicians. A knowledge of and experience with upland agriculture; understanding of the languages, customs and cultures of the hilltribes; and knowledge of the forests and mountains is perhaps as important as formal agriculture training. Technicians must be motivated and willing to work under primitive conditons in remote areas. In this respect, as opposed to formal training, the technicians at Phou Pha Deng were outstanding.

5. Opposing Priorities. Lao government and USAID technicians were forced to direct their attention to war-created refugee problems on many occasions. This took time away from the Crop Introduction Center project. Lahu refugees moved into the area of the Crop Introduction Center and caused disruption of work -- seed and tools disappeared; demands were made for assistance, etc.

6. Lao Government Lack of Interest. The Provincial Lao Government Agriculture Service cooperation on the project was good in most cases, but their involvement was not active or on a large enough scale. This was partially because of traditional government lack of interest in the hilltribes. It also stemmed from lack of direction from the Ministry in Vientiane as to what role the Agriculture Service was to play in the Crop Substitution Project. No new agriculture technicians were assigned to the Crop Introduction Center or to the province. Lack of planning and direction from the Ministry caused many problems in day-to-day operation.

7. Back-stopping. During the initial six to eight months of establishing the Crop Introduction Center, back-stopping by both Lao Government and USAID/AGR in Vientiane was limited. This caused delays or neglect in ordering planting stock and materials; obtaining technical information; and approving plans. This problem was solved by new back-stops the last eight to twelve months, but time was lost in the beginning stages of the Center.

8. Scope of Work. Due to the number of crops and varieties planted, and range of activities at the Center, technicians were often "stretched too thin."

9. Village Spirits. The village Ban Phou Pha Deng was a more tradition-oriented Meo village than most. Most families in the village moved there from other villages where they could not get along because of change. Degree of opium addiction was also higher than average. When a viral epidemic broke out, the villagers claimed that the Crop Introduction Center had offended local spirits by: locating a tree nursery near a large boulder; building a barbed wire fence across the slope of the mountain; using a soil auger; or noise from a helicopter circling. Government medics helped to clear up the problem.

10. Transportation/Communication. Difficulty in transportation was basic to work in the mountain areas of Laos. Use of Bell Jet Ranger helicopter was an excellent but expensive solution to this problem. The completion of the Phou Pha Deng road was a more reasonable long-range solution, but this road was used for only one month. Technicians had to be willing to "rough it" and walk and use pack animals for work in mountain areas.

11. Tradition. The life-style of the hilltribes is very much shaped by tradition. Opium cultivation has been accepted as a part of the tribal tradition by some of the tribes. This makes crop substitution very difficult, but not necessarily impossible. Yao-hilltribe oral history maintains that the Yao grew cotton until British and French introduced opium. Presumably, if it could be introduced, it could also be de-introduced. Many hilltribe leaders saw opium addiction as destructive, and would be amenable to an alternative. This was not always readily admitted.

12. One-Crop Misconception. Many expect a one-crop answer to crop substitution for opium. This may be possible, but a more diverse answer is more likely, and many crops suited to specific mountain areas were already available.

13. Misconception of Value of Opium Produced. Many considered opium irreplaceable in the hilltribe economy because of erroneously believing the opium income of the grower to be very large. Conversations with growers indicated that an average family earned only $100 to $150 from opium per year, and this at the cost of high labor input. Another observation was that often two hilltribe villages were found within a short distance

of each other -- one an opium growing village; the other not. The standard of living differed little, or might be in favor of the non-opium growing village.

14. Culture Pattern. A replacement crop for the opium poppy should fit the hilltribe culture pattern. It should be a dry season crop -- or one which requires peak labor input in the dry season. And, it should be one which women can cultivate as they do the poppy.

15. Value Per Unit Weight. Due to lack of transport and need to pack the crop to market by man or animal, an opium crop substitute must have a high value per unit weight. Hill tribespeople would pack a crop to market for a return of about $25 per 50 pounds for a four-hour trip. They would put in quite an effort, but need a minimal sufficient return.

16. Adaptability to Climate. A substitute crop would, of course, have to be adaptable to the upland climate and environment. It must, for example, be resistant to frosts or near-frosts; resistant to alternate dry and wet seasons; and resistant to the rainy, overcast wet season.

17. Ecological Impact. A substitute crop for opium should ideally also address other problems in the hilltribe agriculture environment. Intensive slash-and-burn cultivation destroyed timber resources, damaged the watershed, promoted flooding and silting of waterways, promoted soil erosion, and decreased population carrying capacity per unit area of land. Perennial cash crops should moderate these damages and lead to a more settled social pattern for hilltribe villages.

18. Ethnic discrimination. Crop substitution efforts tended to be directed at the major opium-growing hilltribes -- Hmong, Yao and Akha. This created ethnic tensions and jealousies with other hilltribes and with the politically dominant lowland Lao-Thai peoples. Dissatisfaction with directing crop substitution aid on a tribal ethnic basis was partially justified. Opium poppy cultivation was not limited to the main highland tribes. In Houa Khong Province, all tribes engaged in the cultivation, though some to only a limited extent. Also, the economy of the entire mountain area, including the lowlands, was affected by a ban on narcotics production and trade. The Chinese merchants in the area depended on opium trade for a large part of their income. Officials obtained much "unofficial income" from the opium trade. Lowland cultivators sold rice to

opium growers and obtained employment as guards, pack masters, and small-time traders for the opium trade. These gaps in the economy should be addressed as part of the extension crop substitution project.

Despite these and other problems, the Crop Introduction Center did achieve some positive results. Orchards and planting stock of many crops and varieties were established at Phou Pha Deng. These are available for further trial work and propagation, if the need for such a Center were accepted by the new government. More likely, such plantings reverted to the village, and villagers will care for and cultivate those crops in which they see value. Ginseng, tea, fruit trees, and, possibly, coffee, are examples of these.

Extension work had not progressed very far, but fish ponds, fruit orchards and coffee groves had been established, and might be continued by villagers. Seed of red kidney bean, yellow corn and vegetables were widely distributed, and will likely be retained for propagation by the tribes.

Training was an important part of the project. The approximately 15 agriculture technicians involved working at the Center and in the key villages received intensive on-the-job training in agriculture techniques and organization. The approximately 40 workmen who at various times worked at the Center were selected from different tribes and different areas of the province, and given responsibilities, so they could learn while working. Impact of the extension workers in key villages was perhaps not great, but significant, as they were in villages where agriculture extension personnel had never been before.

The major benefit from the Phou Pha Deng Project was the lessons learned which may be of value for future work in similar highland agriculture development. These are listed below, and include suggested direction to take on work with specific crops.

1. The Crop Introduction Center method of approach seemed good. It made for a fairly staggering number of crops at one location, but this expedited work on a number of crops/ideas in the mountains where communications and travel are difficult. It facilitated screening of many crops and techniques. Centralizing work on many crops also had advantages for training and for receiving official visitors -- who usually found that there was something for everyone.

2. Further work of screening trial plantings of crops can be done at an unsophisticated center using largely village-available resources. A trained agriculture adviser should be assigned fulltime at such a center. Technicians with different areas of specialties -- eg. forages, fruits, field crops, coffee, essential oils (and cardamom), herbs (and ginseng), village industries, shiitake mushrooms -- should be sent for training for six months to two years. Additional scholarships should be provided for personnel to complete university degrees and research in these areas. Consultants for the different areas of specialties should be called in for one to two months' planning and setting up during the first year of operation of a center.

3. The key village extension concept should be retained. Each key village should have only five to ten satellite villages in the immediate vicinity. Extension agents should be able to write the national language; experienced with hill agriculture; and fluent in the hilltribe language of their key village. They should be trained for six to twelve months at the Crop Introduction Center and allowed to hire one assistant. Their own wages can be low. They should be assigned to establish demonstration plots or orchards of crops propagated from the Crop Introduction Center. Only after at least one year of successful demonstrations, orchard establishment or yield checks by the key village agents should the crop be extended to farmers.

4. Differences in crop adaptability to different villages or areas should be recognized when selecting key villages. Highland areas within a one to three hour walk of a road can be assigned extension agents to work with temperate fruit and nut trees; potatoes; legumes or coffee. Remote areas two to four days' walk from markets can work with forages for cattle production.

5. When establishing key villages, the extension agents should survey population, agriculture potential, and problems of the key village and satellite village area. Vegetable seed and fish pond construction projects are valuable to build working relationships in the areas.

6. A valuable addition to the key village agriculture extension agent would be to introduce a "bare-foot doctor"-type medic and

a teacher into each of the key villages. This would allow greater impact on the village, help solve medical dependency on opium, and allow these agents of change to reinforce each other.

7. The project should be jointly planned with the host government at the Ministry of Agriculture level, and responsibilities outlined. Additional personnel should be assigned specifically to the Crop Introduction Center as a long-term commitment by the Ministry of Agriculture.

8. Goals of the project should be reducing watershed deterioration, erosion, forest resources destruction, and shifting cultivation, as well as opium poppy crop substitution. This will make the project more politically acceptable to the host government and increase its potential to make hill agriculture more productive.

9. The Crop Introduction Center should be accessible by road. Air transport costs are too great. A jeep track should connect the Center to satellite fields at different elevations. Optimum elevation for the Center would be 900 - 1000m. Satellite fields should be located at 500-700m. and 1200 - 1400m.

10. Hand tractors, water pumps and electricity may be beneficial for the Crop Introduction Center. They should not be available for key village demonstration plots unless a program is planned to provide them for villagers.

11. When a new crop is to be introduced to farmers, a subsidy should be considered. This can be in the form of an acreage subsidy fee for establishing and caring for a coffee orchard using recommended practices, or a subsidy for volume marketed, as for red kidney beans. In either case, the subsidy may be made dependent on not cultivating opium poppies.

12. The one most interesting crop for an opium poppy substitute in remote areas is ginseng. The crop is known by hilltribes; grew well in initial trials; and has a ready and expanding market demand. Longer term plantings are needed to determine root quality and marketability from the environment of highland southeast Asia. Trials are needed to determine optimal altitude for planting; optimal shade requirement; and to select the best variety from Korean and American stocks.

13. The shiitake mushroom is another good contender for remote area production. The mushroom is grown near Chiang Mai, Thailand. Good mycelial growth was noted on logs at Phou Pha Deng, but no production had begun. Work is needed to determine yield potential and profitability; recommended methods of production; species of log to use for planting; and methods for drying. A deterrent to shiitake mushroom as an opium cash crop substitute in remote areas is the necessity of providing availability of fresh spawn for planting.

14. Saffron planting material is available from Giardino Allegra in Italy. It was not planted yet at Phou Pha Deng, but appeared to be worth trying.

15. Forages hold promise for remote areas for livestock production. Napier grass may be useful near any highland tribal village as a source of cut-and-carry feed for livestock. This is in keeping with local practice. Molasses grass, centrosema, or mung beans may be useful to choke out cogon grass. Molasses grass, guinea grass, centrosema, and silverleaf desmodium proved best initially.

16. A highland crop suited well for relatively accessible areas within a one-to three-hour walk from a road is Arabia coffee. Growth was good at Phou Pha Deng, and production is reported good in many mountain areas of Indochina. Rust-resistant varieties from the Coffee Rust Research Center in Portugal, and from other sources, should be propagated and tested for local adaptability. Extension work with coffee can be started as soon as seedlings can be made available in relatively accessible areas. Robusta may prove more suitable for small farmer plots, and can be introduced in the lower elevations.

17. Local varieties of cardamom grow profusely around Phou Pha Deng, but yield poorly. Commercial cardamom variety planting stock can be obtained through the UN food and Agriculture Organization. Growth of seedlings of a commercial variety was very good. Yields must be checked. A good local market exists for cardamom.

18. Temperate and sub-temperate zone fruit and nuts are of high value in the countries of southeast Asia. Some varieties are likely suited to the highlands. A Burmese variety of pears grew well. Wild peaches occur in the area. Tree crops are

well suited to the mountains. Fruits would have to be produced quite near markets, but nuts and fruits that could be dried could be grown in a wider area. Plantings of selected varieties of: apple, pear, peach, fig, prune, plum, apricot, nectarine, chestnut, pecan, walnut and macadamia nuts should be established on a trial basis.

19. Double cropping of upland rice and corn fields should be tried by introducing dry season field crops following harvest. Red kidney beans do well after corn. They can be readily marketed from the relatively accessible areas. Potatoes also do well, but may be suited to a more restricted area. Production of seed potatoes for lowland areas should be investigated. Peanuts should be tried, and different varieties of soybeans tested with different planting dates. Sorghum gave good results following early upland rice in one trial. Other legumes should be surveyed. A survey of upland rice varieties should be undertaken to locate high-yielding varieties and short-season varieties suited for double cropping.

20. Some other substitutes for opium income for hilltribes have not been worked on, but are worthy of investigation.

- techniques for village extraction of essential oils of mint, patchouli, menthol, and others;

- survey of tribal herbs and medicinal plants for possible commercial pharmaceutical value;

- production and drying of fish from ponds;

- a silk worm variant can be raised on the wild castor bean plant which occurs in the area.

The search for an alternative cash crop to opium for hilltribe farmers was not a simple one. No single crop appeared to fit all requirements, and the time frame of work at the Phou Pha Deng Upland Crop Introduction Center was too short to obtain more than initial pilot test results. There are, however, many cash crops with potential for this area, and there is no reason such crops can not fit the role as a substitute for opium.

A more complete report of crop tests including appropriate data charts is on file at the A.I.D. Reference Center and the A.I.D. Office of International Narcotics Control.

DETOXIFICATION AND REHABILITATION

I. Historical Background

1. Development of Program

Towards the middle of 1971 a dialogue arose between the U.S. Mission to Laos and the Prime Minister's office as well as other elements of the Lao government concerning the establishment of anti-narcotic legislation and furnishing the necessary resources to assist already existing law enforcement agencies in its implementation. Because it was mutually recognized that such legislation would be to the distinct advantage of the U.S., the Lao expressed both deep interest and concern that some attention be paid to the medico-social aspects of any such program.

It was as a direct consequence of Lao government concerns about the area of treatment/rehabilitation that the A.I.D./ Laos Public Health Division retained the services of a consultant around whose inputs a program could be mounted. The consultant's intimate knowledge of both the area and subject matter made him an excellent choice for the task at hand. The first consultation paper 1/ appeared in March of 1972 and delineated three separate courses of action that could be undertaken by the Ministry of Public Health with A.I.D.'s assistance.

The alternative chosen was to develop a small medically and socially oriented program for voluntary opiate addicts that could be easily monitored and fairly flexible in its first year of operation to allow for evaluation and possible modifications at the end of that period.

It was recognized, at that time, by people involved in programing that the increasing social problems caused by opiate addicts in the Vientiane provincial areas were connected to the recent war-related refugee migrations from northern sections of the country. Problems arose when people went from a production-consumption situation with strict mores controlling social and medicinal usage of opiates into a consumption situation with the attendant economic and social hardships caused by becoming a refugee.

1/ Westermeyer, Jr.: Program Alternatives for Treatment and Rehabilitation of Narcotic Addicts in Laos, Nov.,1971.

2. National Detoxification Center

The main thrust of the effort was the establishment of the National Detoxification Center located in two rented villas on the edge of Vientiane. The facilities contained administrative offices, waiting area, pharmacy, conference/activity room and carpentry shop in one building and 27 in-patient beds, day-room area, treatment room, nurses' station, nurses' lounge, patient activity area, kitchen, laundry and dining area in the other.

3. Program Objectives

The program's aim was to help Lao people overcome their addiction to narcotic drugs. Secondary objectives included:

(A) assistance to the Ministry of Public Health in the development of an addiction care cadre that would act as a resource to their fellow professionals and community in the areas of chronic disease care and mental health;

(B) the mobilization of community resources to aid in the creation of new social-psychological environments (life styles) for abstinent addicts. Laos had virtually no social services other than the Ministry of Social Welfare which was primarily involved in the care and feeding of refugees. Therefore, it was imperative that the community be involved in any successful effort.

(C) the development and administration of the Narcotic Rehabilitation Program by Lao Ministry of Health officials with ancillary technical expertise provided through the U.S. Mission that in itself was an exercise in the design and delivery of treatment/rehabilitation care to the community. Activities directed towards the proper feeding and housing of patients, provision of utilities, maintenance and housekeeping, budgeting and financial control, logistics, supply, and personnel management, organization of training and staff, and records maintenance, it was hoped, would inculcate into the Lao director and his staff the type of management skills necessary to deliver these services.

4. Use of Methadone

The choice of methadone to be used in the medically supervised withdrawal of opiate addicts was determined solely on medical and technical grounds. "This drug was selected based on reports in the literature as well as on previous personal experience with various medications in narcotic detoxification (including methadone, morphine, demerol, codeine and barbiturates)." 2/

2/ Westermeyer, Jr.et al : A Program for Opiate Addicts in Laos: The First Six Months Experience, presented at International Council on Alcohol and Addict., Bangkok, Thailand, Feb., 1975.

The use of methadone, then, can be seen as merely fulfilling situational needs within the context of the program. Issues which surrounded the introduction of methadone on a widespread scale for use in drug treatment programs in the U.S. at that time, the abuse and re-sale of synthetic drugs and use of extended methadone maintenance as a treatment modality for opiate addicts, had no relation to the Lao scene.

5. No Diversions of Methadone

The fact that no diversions of this drug were experienced during the life of the project was not the direct result of elaborate security measures scrupulously maintained during the program but rather, at least in part, reflects the lack of familiarity and saleability of such synthetic substances on the Lao drug scene at that time.

6. Well Integrated Treatment Modalities

The treatment modalities used in the Narcotic Rehabilitation Program were well thought out and implemented in a manner that allowed integration of Western medicine/technology and Asian conventional wisdom concerning modes traditionally used by the Lao-Thai folk culture in the treatment of opiate addiction. The appropriate and effective incorporation of such material permitted both unsophisticated patients and staff to better relate to the methods employed at the center and more fully participate in the treatment process.

7. Maximization of Ministry of Health Commitment

There also existed at the inception of the program an informal contract between the Health Administration Advisor and the Director of the National Detoxification Center that stipulated all technically trained personnel including doctors, nurses, pharmacists, lab technicians, etc. would be provided by the Ministry of Health, while support personnel involved in simple housekeeping-related functions would be furnished by A.I.D. and supported under the local currency operating budget used by the center. It was in this way that the program was insured being identified as a total Lao effort, and any gains in knowledge and expertise by staff would appropriately be seen as belonging to the Ministry of Health.

8. Principal Modalities of Treatment Used

(A) In-patient Care at the National Detoxification Center

This consisted of medically supervised withdrawal using methadone in gradually decreasing dosages. As the program progressed, the Lao medical director became expert at determining proper dosage of methadone, treatment time increased from approximately 10 days to an average of 21 days to allow for treatment of accompanying physical problems and for the development of a treatment plan after discharge. This gave the patient some time before discharge to adjust to his/her new state of abstinence and for the staff to create a constructive milieu where the family could discuss with small informal groups of patients and staff the problems to be faced after discharge.

(B) Out-patient Program at the National Detoxification Center

Patients were treated by medically supervised withdrawal using methadone; however, in-patient status was not indicated. This group presented itself as much younger, more sophisticated, involved in a variety of daily activities (school, work), and more amenable to treatment on an out-patient basis. They also tended to be more manipulative of the staff's time and were best managed in conjunction with use of the narcotic detection equipment available at the center to do urinalysis of those patients suspected of abusing the treatment situation.

(C) Neighborhood Branch/Half-way House

This facility accomplished three main functions:

(1) temporary residence for patients awaiting treatment or those having finished, awaiting transportation home;

(2) half-way house enabling patients to receive counseling and/or work assignments aiding in the initial adjustment to abstinence;

(3) a social meeting place to receive support, follow-up treatment, etc. for those returned patients from that part of the community.

The director of the National Detoxification Center developed, using this facility as its base, a unique program consisting of job placements for some of the younger unskilled patients who had no cohesive family ties. The local artisans and shop proprietors, who had

initially agreed to accept placements only on the strength of their friendship with the director, soon started investing a lot of time and interest in their trainees. At the end of several months with this project many of the shopkeepers had developed very warm relationships with their trainees, and one case that started out as an extended apprenticeship ended as a full-salaried position.

(D) Wat Tham Ka Bok

Financial support for this project initially started by the Ministry of Social Welfare in 1970 was continued for an 18-month period during 1973 and 1974. Eight hundred and twenty-four addicts from the Vientiane Plain, Xieng Khouang and Ban Houei Sai areas of Laos received treatment at a Buddhist temple located 300 miles south and west of Vientiane.

Treatment was not medically supervised and constituted a cold-turkey withdrawal. Herbal substances fed to patients at regular intervals aided in this process and people were encouraged to take steam baths and cold showers to help purge their bodies of the opiates within and alleviate the burning sensation that was experienced. The basis for treatment surrounded the religious pledge or oath of abstinence that every person had to exchange with the abbot of the temple upon entrance into treatment. There were favorable aspects in this project and some will be treated in the discussion sections. Suffice it to say that it did enable large numbers of people to get into treatment in the beginning of the program and actually had moderate success among ethnic Lao-Thai populations with whom its belief systems were compatible.

Other examples of utilization of indigenous community resources program-wide were the inclusion of the Buddhist clergy in mental hygiene and educational sessions, the Vietnamese and Chinese Merchants Association in vocational placement and support, and various veterans groups involved in setting up a village for the handicapped.

II. Discussion

1. Numbers of Addicts Treated

During two years and eight months of operation, the combined projects of the Narcotic Rehabilitation Program afforded treatment to approximately 2,500 members of the community. The program contributed significantly in making other facets of the Narcotic Control Project palatable to the government of Laos and

its people and in this manner aided in the overall attainment of objectives.

The number of addicts who received treatment, however, was never really significant in proportion to the total estimated population of addicts in Laos (25,000). Addiction is learnt behavior and chemical dependence a chronic relapsing phenomenon. Without strict social control and isolation, any other objective, other than offering treatment as an alternative for those who would genuinely seek it, is unrealistic.

2. Post Ceae-fire Period

The post cease-fire period was characterized by a burgeoning Lao awareness of the passive and rather impotent role as recipients in the donor-recipient relationship. While the authority was invested in the program's director, the real power which was centered around the allocation and control of the resources available to the program had been retained by A.I.D. This new Lao awareness and attendant activity was directed towards getting direct control over program resources and taking the responsibilities involved in program operation.

3. Completion of Projects

There was a direct correlation between increased Lao participation in administration of resources and decision-making and time necessary for the completion of the particular task towards which they were directed. Projects planned for completion during late 1974 and early 1975, such as the long awaited outreach detoxification branches, a scheme designed to allow provision of services in the more populous rural areas of the country, became beset with an inordinate amount of problems. Hope for the establishment of these branches ended with the increased military activity during April, 1975.

4. Attitude of the Ministry of Health

Although informal overtures were made by the A.I.D./Public Health Division as early as October, 1974, concerning the eventual turnover of the local currency operating budget to the Ministry of Public Health for the Narcotic Rehabilitation Program, there seemed to be no interest within the Ministry in focusing on this issue.

The basic attitude of the Ministry of Public Health towards the Narcotic Rehabilitation Program was one of ambivalence. Faced with

a program that had gained such overwhelming public acceptance and become not only an institution in the community but an integral part of its overall health care delivery system. The Ministry could hardly refuse to accept the continued administrative responsibilities involved. However, given the priority of primary health care in Laos, with which it found itself hard pressed to cope already, it could hardly accept a program involved in the areas of chemical dependence/mental health. For this reason, unless outside assistance is received, the program will cease to function and follow the downgrading of all health services to be commensurate with the general level of development.

5. Negotiations for Transfer of Program Support

Negotiations were in process during May, 1975, and transition to the United Nations Fund for Drug Abuse Control (UNFDAC) in the areas of technical assistance and financial support was projected for 60 to 90 days, were it not for political factors which interrupted these efforts.

6. Condition of Program at Termination of Support

At the time of termination of support, there existed in the program an excellent potential for the formal expansion of services into the areas of education/mental hygiene and rudimentary diagnostics and treatment of psychiatric and neurological disorders. It was hoped that the new detoxification center funded by the USG during FY 1972/3 then under construction on the grounds of the Mahosot National Hospital Complex would have provided the necessary impetus and focal point for these and other related activities.

Successes - Accomplishments

The program must be considered highly successful on:

1. Humanitarian Grounds

Needed health and medical care services were provided in a reasonably economic manner. The program was seen as reflecting the felt needs of the community by the high level display of immediate and continued public acceptance and support for a program that represented an entirely new direction and dimension in health care. Occupancy rate for the 27 bed in-patient unit at the National Detoxification Center averaged 94% for the life of the program.

2. The Program as a Model

This effort illustrated that a program having its complexity can be mounted and made to work in a developing country, such as Laos, by unsophisticated health care personnel. Nurses and medics with marginal training and without any prior knowledge of program subject matter were able to perform and respond to the maximization of their potential within their levels of competence. This last point can be illustrated by the lack of mortalities in the patient population during the life of the program. Despite the fact that over 75% of patients treated were 40 years of age or older, whose condition could be generally characterized as being moderately to severely debilitated, there were less than 10 deaths in a population of 1,500 treated. This represents high quality care.

3. Training

Fourteen persons, including 12 staff nurses, the nursing supervisor and administrator, were sent to BAngkok, Thailand to attend 2- or 3-month courses in Psychiatric Nursing and Administration. It was felt that this training aided in the development of not only formal skills but high morale and an increased interest in the quality of their job performance as well. There was also a unique program entitled, "Summer Work Experience," funded by International Voluntary Services which afforded nursing and medical students the opportunity of doing an informal affiliation at the National Detoxification Center during their summer vacation.

The sending of the director of the National Detoxification Center and certain key members of his staff to an international conference on chemical dependence and observation tours in area countries was seen as the promotion of a regional dialogue and cooperation by pooling existing and potential expertise in the treatment/ rehabilitation field. It was felt that it:

(A) stimulated interest and activity among existing program administrators and policy-making level officials; and

(B) cultivated the proper perspective and orientation to drug-related problems enabling them to relate treatment modalities used in Laos to their own country's needs.

4. Collection of Demographic Data

The collection of demographic characteristics (included in contractor report) on patients treated in projects of the Narcotic Rehabilitation Program was done from Septmeber, 1972 through May, 1975 for approximately 1,500 patients. Data was collected by the administrative and

nursing staff at the National Detoxification Center. This information proved to be of great wealth not only to program planning and evaluation but also in obtaining much needed baseline data concerning the Lao (Asian) addict and associated patterns of addiction.

Factors Conducive towards Success - Indications for Future Programing

1. Utilization of a Consultant

The role of consultant was utilized very effectively in the overall effort. The initial consultation determined parameters, scope, direction, and focused on alternatives available to both the A.I.D./ Public Health Division and the Ministry of Public Health in initial negotiations for a program. Two subsequent consultations were used to evaluate program content as seen by a non-participating observer, define areas of achievement, and delineate future courses of action.

2. Limiting Direct American Involvement

There was only one full-time U.S. position, the Health Administration Advisor, working in association with the Lao Medical and Administrative Director of the Narcotic Rehabilitation Program. One half-time American clinician, who advised the Lao Medical Director of the National Detoxification Center, was phased out in December of 1974. It was felt that this low profile allowed for the maximization of the Lao role in the program effort.

3. High Quality Health Care

Offering comprehensive health and medical care beyond the scope of detoxification services at no or minimal cost combined with the enthusiasm of the staff made patients hold the total care which they received at the center in high esteem. The standard of care received was on a par if not higher than that which was offered at other facilities in the area.

4. Results of Follow-up

A small representative sample of patients were interviewed at their homes within one year of treatment at the National Detoxification Center. All had been treated as in-patients and were geographically distributed in three diverse areas of the country.

In the Vientiane Plain (metropolitan and surrounding rural areas) results showed approximately 40% had returned to usage of opiates. The second area, 80 miles north of Vientiane, consisting of hilltribesmen who were former opium producers showed only 30% return to usage. A subsequent survey completed in April of 1975 for about 70% of all patients having been detoxified in that area, regardless of time elapsed since treatment, indicated approximately 60 % return to usage. The survey was accomplished through the cooperation and logistic support of the A.I.D./Public Health Division's Village Health Program, which had 80 medical dispensaries distributed throughout the area. The third location, which was near the tri-border area of China, Laos, and Thailand, had 100% return to usage.

Overall trends indicated:

a) Sending people who resided together in the same village or who otherwise belonged to the same peer group seemed to be beneficial towards the favorable outcome of treatment. This was first observed in the Wat Tham Ka Bok project, when all the addicts in one village were transported for treatment at the same time for logistic reasons. Random sporadic follow-up of these patients showed a cohesiveness felt among those persons who had undergone treatment together, and strong peer pressure exerted towards the reinforcement of abstinence and censure of relapse.

b) The highest rates of abstinence were seen in areas where there was low availability of opiates with attendant high cost. The cost of opiates in the Vientiane area increased, due to the effects of enforcement and inflation, fourfold in a two-year period. The tri-border area in northernmost Laos, however, experienced almost no fluctuation in the relatively low price and high availability of opiates. Consequences for treatment efforts can clearly be seen; low cost and high availability correlated with lack of motivation to seek treatment and high recidivism once treated.

c) The recognition and acceptance, by all facets of the Lao government involved with medico-social legal aspects of programing (Ministries of Health, Justice, Interior), of the inviolate position of both confidentiality and voluntary status in the treatment situation, lent to the creation of a favorable treatment environment. Lao national police did not harass addicts or set up any programs specifically designed to force people into treatment/prison alternatives.

Problem Areas

1. Lack of Structured Follow-through

This problem was primarily related to leadership and delegation of authority from a central strong medical direction. It made well-ordered expansion of the new creative directions that were defined extremely difficult. Authorization was given only to perform repetitive, well-defined tasks; imagination and initiative were clearly discouraged. The development of competence anywhere else in the system was seen as threatening to the competency of the central authority figure. Although this problem is universal, it's accentuated in a country like Laos, which is paternalistic in nature.

2. Equating Amount of Resources with Treatment Efficacy

There was a propensity to equate the potential efficacy of a treatment modality with the amount of money/bricks and mortor that was to be spent on its implementation. This was clearly seen in the continual emphasis the Lao administrative director of the Narcotic Rehabilitation Program put on the creation of a residential vocational rehabilitation facility.

Almost all patients treated at the National Detoxification Center had vocations or were landed peasants. Experience with rehabilitation centers in other countries in the area (notably Vietnam) indicated they had only succeeded in supporting certain groups of people for extended periods. Patients who succeeded in these artificial environments tended to fail when returned home. Patients who have job skills and existing family relations do much better when treated in their environment or returned to it as quickly as possible. In this way they are able to make an adjustment to the drug-free state with all the support they can muster, under the conditions with which they have to live every day.

3. Obstacles to Ambulatory Care Delivery and Organized Follow-up

While the expansion of services towards ambulatory care was desirable, both from the standpoint of cost-effectiveness and treatment efficacy, there were many problems encountered in trying to move in that direction. Lack of material and transportation resources made it impossible for the majority of people. Treatment often meant uprooting the entire family to go live in the city with relatives, or in a Buddhist temple, until the patient was ready to return home. The solution was to tailor the service to meet the

target population, thereby requiring the construction of low cost outreach facilities serving rural areas which had high population density. This met resistance from professional staff who refused to be isolated from large urban centers where the standard of living and opportunities for professional advancement were better.

Several attempts to mount organized follow-up of patients treated in the program, a specific recommendation of the consultant, met with very limited success. The country had no unified network of roads making whole areas virtually inaccessible during certain times of the year. Furthermore, there were problems because Laos had no definitive system of national identification. Addicts often used false names and addresses, and although pictures were taken and I.D. cards issued, the mobile life style of most addicts made trying to trace former patients a discouraging and fruitless task.

PUBLIC HEALTH DEVELOPMENT

The primary purpose of this project, as conceived at its onset in 1963, was to provide immediate medical assistance in areas disrupted by war. Three factors at the outset determined the initial assistance requirements: (1) the inability of the RLG through its rudimentary civilian health services to provide medical care and health support to areas disrupted by the insurgency; (2) the near complete lack of an effective field military medical organization within the Royal Lao Government; (3) the conditions of the Geneva Accords which precluded U.S. military assistance in the health field.

The major thrusts of the project were immediate medical care at forward locations and development of evacuation systems for more serious cases. The major geographical concentration of services were at the outset in Military Region II, largely in Xieng Khouang and Sam Neua Provinces, with less extensive activities in MR I north of Luang Prabang and Ban Houei Sai, and on the Bolovens Plateau in MR IV. Because of the dearth of doctors and other professional medical personnel in Laos, early and continued emphasis in the project was on training health auxiliaries. By June 1967, the following numbers of health paramedical and auxiliary personnel had received basic health training in-country:

- Medics	1,924
- Practical nurses	208
TOTAL	2,132

Refresher courses had also been given to approximately 200 civilian and military health auxiliaries.

The main instrument for furnishing medical care from the onset was the village dispensary. This was a primitive structure of one or two rooms roughly constructed from locally available material by the villagers. In some cases galvanized iron for roofing was supplied by A.I.D. Typically the village dispensary was staffed by one or two "medics" who were housed in village-type huts. Depending on the military situation and the associated needs for care and evacuation of the warwounded, some of the village dispensaries were expanded into small "bush hospitals". These were actually primitive collecting stations where the less seriously sick or wounded could be held for a few days for treatment. Such collecting stations were usually located close to short improvised air strips for STOL (short-take-off-landing) aircraft which facilitated the delivery of supplies and the evacuation of the seriously sick or wounded.

By 1964 a network of such village dispensaries and collecting stations had been established throughout most of the contested areas of MR II and MR I with selected areas of coverage in the South, particularly East of Savannakhet, the areas surrounding Saravane and on the Bolovens Plateau. In all, the total number of village dispensaries in 1964 was about 180 and by 1972 numbered 250.

By then it was apparent that the existing government hospitals could not care for the large numbers of seriously sick and wounded that had to be evacuated for definitive treatment. Most of the patients, both sick and wounded, were members of tribal minorities, mainly Meo (H'mong) and Lao Thung who lived in the mountainous country which was the most heavily contested battle area. These people have different language and customs than the lowland Lao people and evacuation to hospitals in the lowland urbanized area was very disruptive. Logistical problems were formidable because transit was mainly by air and members of the tribal family always insisted on accompanying the patient. The Mission met the need for decentralized rural hospitals in three ways:

1. Direct A.I.D. support for construction of a regional hospital at Sam Thong, in Xieng Khouang Province, which was the administrative and coordination center for refugee relief activities in the North (MR I and MR II). Smaller units were also constructed at Houa Moung in Sam Neua Province and at Ban Nam Thouei in Houa Khong Province.

2. Support through a contract with Operation Brotherhood International for the staffing and operation of several rural hospitals throughout Laos.

3. Informal support and coordination with the Tom Dooley Hospital operating at Ban Houei Sai. Upon departure of the Dooley team in 1969, this hospital was operated jointly by the RLG and Operation Brotherhood with U.S. assistance.

Although an improvised hospital of thatched huts had been established at Sam Thong in 1963, this was grossly inadequate for care of the increasing numbers of sick and wounded among the tribal people of Xieng Khouang and SamNeua Provinces. In 1964, with A.I.D. assistance, the RLG built a wood-frame hospital adjacent to the STOL strip at Sam Thong. Although the design and the type of construction was not ideal for its purposes, this structure did provide a reasonable base for a forward area treatment center that could accommodate some 150 patients. During 1965 this hospital unit was improved by A.I.D. to include x-ray, laboratory, surgical units and extensions for laundry and kitchen. It subsequently served as the main field-support hospital for MR II until it was overrun by the Pathet Lao in 1970. By that time it was a very

adequate 250-bed, well-equipped and well-staffed facility which also served as the main in-service practical nurse training unit for Meo and other tribal minorities.

The provision of doctor staff for Sam Thong Hospital proved a problem from the outset. In 1964 and part of 1965, it was staffed intermittently by A.I.D. physicians and Filipino doctors detached from Operation Brotherhood and by a Lao surgeon. These arrangements were not fully satisfactory because there was always a lack of continuity in professional directorship, as well as problems of language, communications and interpretation of customs. Late in 1964, by agreement between A.I.D. and the Royal Lao Government, a young, well-qualified, French-educated Lao physician, Dr. Khamneung, was assigned as Director of the Sam Thong Hospital. He proved to be ideally suited for the post and continued as Medical Director for Hospital Services in MR II until 1974 when he was promoted to Assistant Surgeon General for FAR and assigned as Director of the principal FAR Military Hospital at Vientiane. Prior to 1970 two additional Lao doctors and a number of practical nurses were assigned to Sam Thong.

The Philippine-based Operation Brotherhood International (OB) had been in Laos under the aegis of the International Junior Chambers of Commerce since 1957. This private non-profit organization began working under A.I.D. contract in 1963. Their program, in 1964, was based on a community-development approach with a strong emphasis on hospital-based health services. In 1964, the RLG and A.I.D. built or renovated existing facilities served by OB to establish a number of small rural hospitals and one larger general hospital in Vientiane. The OB presence in Laos in 1963-64, was essential to the development and support of the Village Health Project. In FY 1966, at RLG request, Operation Brotherhood dropped its community-development approach and focused thereafter on health services. As RLG medical capacity improved, however, OB again provided community development/public health services in refugee areas.

Similarly the Tom Dooley Foundation was operating a small hospital in Ban Houei Sai, left from Tom Dooley's medical efforts in the late 50's. The Mission provided considerable assistance to the Tom Dooley operated hospital in Ban Houei Sai in order to have a rural hospital to care for referrals from the village dispensaries in the most northern areas of Laos adjacent to the Mekong River.

By 1965 A.I.D., either directly or through contract with OB, was operating a widely dispersed network of health stations with eight rural hospitals and about 180 rural dispensaries. The system was providing about 2 million out-patient visits and caring for over 25,000 in-patients per year. A.I.D. was furnishing nearly all the

drugs, equipment and medical supplies for this operation at a cost of nearly $1.5 million per year. The RLG had no adequate medical supply or logistics system to support an operation of this size and scope.

In order to operate effectively the Mission had to set up its own medical supply procurement, storage and distribution system. As of 1965 this consisted of a medical supply warehouse (old and inadequate) in the That Luang district of Vientiane, a small regional warehouse at Sam Thong and a smaller warehouse at Pakse to supply facilities in the South. All procurement was through GSA and lag time from request until arrival in country was very long, in most cases over one year. There were always numerous shortages of essential items and a cumbersome pipeline. Operation Brotherhood had its own medical procurement and supply system. There was no standardization of supply items and no joint formulary. In 1966 it was agreed to integrate the OB supply system into the A.I.D. warehouse system and change procurement of drugs and medical supplies from GSA to the U.S. military, with shipment from the U.S. Military Medical Depot in Okinawa. The latter action shortened the lag time on common stock items from over one year to 90 days, thereby generally improving off-shore procurement.

The medical supply system of the Village Health Program from 1966 until termination of the project in 1975 remained essentially unchanged in its overall structure and organization. Initially it was run by one American Supply Advisor with considerable assistance from American medical technicians stationed in the field. During the last two years of the project there were two U.S. medical supply advisors while U.S. Field technicians were reduced from four to two as qualified Lao began to replace them. In 1966 the Central Warehouse in Vientiane had only about 12 local employees. In 1975 at termination there were 59. However, in the interim, third-country nationals were curtailed and more responsibility was assumed by the Lao employees. The system for administration and record keeping also was upgraded in response to repeated audit demands and requirements for more elaborate documentation.

Throughout its existence the medical supply system was frequently criticized and faulted; there was always a certain amount of minor thievery both at Vientiane and in the field. In general, however, pilferage and other losses were always below 1% of the gross value of supplies distributed. On the whole the system was effectively and efficiently operated.

Because of the wartime pressures under which the system operated, it was planned, directed and executed entirely by the Mission with

A.I.D.-hired local employees. Near the very end, an effort was made to correlate and integrate this supply system into the RLG Ministry of Health's logistic system. On the other hand, the RLG never had the nucleus of an effective modern medical supply system. It is unlikely that the use of a more collaborative style earlier would have been efficient or effective under the wartime conditions that prevailed until 1973.

From the inception of the project, the Mission was concerned about the severe lack of trained health personnel particularly at the professional and middle levels, but the urgent need for immediate medical services caused by the expanding insurgency, had to receive priority attention. The small available cadre of professional workers and paramedical supervisors could not be spared for longer range training out-of-country. The emphasis therefore was on short-term in-country courses and on-the-spot in-service training which was later developed into regular three-month refreshers every two years. Course content was at first heavily weighted towards simple symptomatic medical treatment, first-aid and care of the wounded, but gradually expanded to emphasize preventive services and data collection.

Except during the height of military activity, the bulk of patients were disabled by medical diseases: primarily malaria, diarrhea and respiratory infections. In areas where the people were constantly being uprooted by military activity, basic problems of food and adequate nutrition were paramount. Nearly everywhere the majority of patients both at dispensaries and hospitals were civilians and dependents of the armed forces. The in-country training courses, which earlier concentrated on war wounds, had to be extended to cover the treatment and management of the common medical complaints, the care of pregnant mothers and problems of infant and child health. With the expansion of hospital-type services there was urgent need for upgrading technical and supervisory skills particularly among nurses and midwives. These interrelated problems were partially ameliorated, though never satisfactorily solved, by limited support of in-country institution building and a small program of third-country training. A significant contribution was also made through the Maternal/Child Health Project. Early in 1971, training of rural health auxiliaries was begun and by 1975 over 40% of the rural refugee dispensaries were providing basic MCH and Family Planning services.

A.I.D. assistance in the third-country training began in 1965 with a program of training in the provincial hospitals in Thailand, mostly in the Northeast where the Thai dialect approximates the Lao language. By June 1968, 57 Lao nurse-midwives had received 6-12 months' training in Thai hospitals. During the life of the project this was increased to a total of 117. Similarly 20 chief ward nurses had received

refresher and improvement courses in Thailand by June 1968. Plans were set to give similar training to 70 more chief ward nurses but the goal of 90 was never reached because of lack of suitable candidates. There were similar problems in finding suitably qualified candidates for continuing education in out-of-country programs to develop nursing educators. Although a life of project goal was set in 1968 for third-country training for 67 nursing educators, only about 15 completed this training.

In FY 1967, A.I.D. initiated assistance to upgrade the existing nursing school at Mahosot Hospital in Vientiane; aid consisted of construction of a new building for the nursing school and contribution of equipment and training aids. Technical advisors were provided by WHO. The new nursing school produced the country's first class of registered nurses in 1972. Despite substantial problems, due mainly to poorly qualified local teaching staff and the outmoded concepts and attitudes of the doctor hierarchy, the school gradually improved over time due to growing RLG capability and increasing inputs from WHO and UNICEF.

In 1968, there were only 14 physicians in Laos, most of whom devoted 80% or more of their time to private practice. At that time there were 29 Lao doctors in France, Canada, and Thailand. The development of a medical school was never a prime goal of this project. However the French Economic Mission was substantially involved in this area while WHO also provided limited assistance. The main contribution of the U.S. project in this respect was to create and upgrade clinical facilities for in-service practice and training of doctors, dentists and medical assistants. Beginning in 1969 and continuing until termination, A.I.D. provided summer internship programs in the hospitals operated under the project. These summer training programs were well received by the students. An attempt in 1968 to provide third-country continuing education for physicians and medical assistants in Thailand was less successful because of the lack of qualified interested candidates. Most of the MDs preferred to seek graduate training in France. On the other hand the small number (about six) who returned to Laos after two or more years' work in Thai hospitals were among the best trained and most effective doctors in the country. In 1972, the program in Thailand was increased to provide ten doctors annually for MPH training.

From 1968 to the cease-fire in 1973, the military-political situation in Laos was characterized by a gradual but steady loss of territory controlled by the RLG to the Pathet Lao forces. In MR I, village dispensaries in the regions around Nam Tha and Nam Bac were withdrawn and shifted with the refugee movements to areas close to the Mekong River north of Ban Houei Sai and to areas near Luang Prabang. In

MR II the loss of the contested area of SamNeua, the Plain of Jars, and essentially all of the area north-westerly and southeast of it restricted the RLG operational area to a small southwest segment approximately 85 by 40 kilometers. The loss of Sam Thong in 1970 and with it the main support hospital there necessitated the relocation of the makeshift hospital base at Long Tieng and Ban Xon. A crude temporary hospital of some 200 beds was improvised at Ban Xon from a pre-existing A.I.D. Public Works camp and this served as the base for Mission medical operations in MR II until the termination of the project.

In MR III the RLG maintained control of an area along the Mekong which was only about one-third the width of the country in the South. The areas around Thakhek were unstable and tenuous. The hospital at Kengkok (operated by OB) and the surrounding network of dispensaries between there and Savannakhet remained in operation except for a brief period when Kengkok was lost.

In MR IV the hospitals established at Attopeu, Saravane and Pak Song were all lost. The newest hospital established at Khong Sedone was severely damaged by enemy attack and operations there were discontinued in 1972. The provincial hospital at Pakse was expanded and Pakse became the base for operations. The shift of refugees from the overrun areas of Attopeu, Pak Song, Saravane and the Bolovens Plateau required the establishment of refugee villages in areas north of Pakse. Dispensaries were established in these relocation areas where operations continued until the cease-fire.

In MR V the hospital at Vang Vieng gained increased importance in support of casualties and refugees when Sam Thong fell in 1970 and Long Tieng was under siege. Once the improved hospital was established at Ban Xon, the activity at Vang Vieng returned to normal. During the enemy's drive on the Plain of Jars and into Xieng Khouang Province, many tribal people were evacuated to Vientiane and later located in resettlement villages adjacent to route 13 between Vientiane and Vang Vieng. A smaller group was relocated southeast of Vientiane. This shifting of war refugees required the establishment of new dispensaries to serve these people.

Thus at the time of the cease-fire in 1973 the project was directly or indirectly operating seven hospitals, the temporary facility at Ban Xon under the Village Health Activity and six others under the OB contract, located at Ban Houei Sai, Sayaboury, Vang Vieng, Vientiane, Kengkok and Pakse. There was a network of about 200 village dispensaries approximately half of which were located in MR II. The dispensaries, although more numerous than in earlier years, were compressed into a smaller geographical area. The A.I.D. local-hire personnel in the village health program numbered about 650. About 125 of these were nurses or nurse-midwives, 450 medics, 60 medical supply and logistics and 15 medical technicians, such as laboratory and x-ray technicians. Total costs of operation including

supplies and transportation of commodities, were provided by the Mission.

Following the cease-fire, and in the period immediately prior to termination, the Mission reexamined its original goals and objectives. The initial project purpose of providing short-term medical care under wartime conditions had become less relevant. The highly operational nature of this project was also inconsistent with the A.I.D. policy of fostering a collaborative style under which the host government would assume prime responsibility for the development and execution of A.I.D. assistance programs. The Health Development Project despite its name was not a development project in the sense of building a lasting institutional base for a long-term health delivery system. It was created and expanded as an expediency in response to humanitarian, military, and political needs. In terms of providing acute medical care for insurgent and refugee areas it was highly successful. The overall problem in 1972 and subsequently was how to adjust this high-impact expedient medical-care program in the light of the changing political reality. In a real sense too the problem was how the United States could gracefully and gradually curtail its involvement and commitment to a large A.I.D.-operated medical program that was providing about two-thirds of the health care services in Laos.

There were many facets of the problem. Foremost, perhaps, was the problem of the large number of Lao health workers employed, paid, and managed by A.I.D./Laos. In addition, to the 650 local health workers in the village-health program, approximately 550 were employed and managed under the A.I.D.-financed contract with Operation Brotherhood. This total body of some 1200 health workers including medics, practical nurses, midwives, supply personnel, technicians, and maintenance and support staff had been trained under a system which did not comply with the standardized qualifications as set by Lao civil service systems and the Ministry of Health. Many of the workers, particularly the practical nurses and medics trained under the Village Health Project were recruited from young people in the areas where they served. Many were from the tribal minorities and most had less than the required amount of preliminary education. The technical training and categories of health workers designed in response to the care of the sick and wounded in war did not correlate with patterns established in the Ministry of Health.

The integration of these A.I.D.-trained health workers into the RLG regular personnel system met with little success until late in 1974 although there were many prior discussions with the Minister of Health on this point.

In April of 1974, the Mission submitted a study paper on this subject to the Ministry summarizing the numbers, types and locations of A.I.D. employed health workers, their preliminary education, technical training, and salary scales. This paper also compared relevant factors with similar categories of employees in the civil service system and suggested ways in which the A.I.D.-employed health workers could be assimilated. Shortly, thereafter, Ambassador Whitehouse sent a letter

to Prime Minister Souvanna Phouma pointing up the problem and urging that the PGNU seek ways of incorporating these A.I.D.-trained workers into the Government's employment system. Souvanna Phouma responded favorably to this request in January 1975. The Ministry of Health, after discussing the question in a series of meetings of the Superior Council of the Ministry of Health, agreed to try to absorb the A.I.D. health workers into the Ministry. In order to accomplish this the Minister of Health proposed an administrative committee with representation from the Ministry of Health, the Civil Service Commission, Budget and Finance, Plan, and the workers concerned. Such a committee was approved by the Cabinet and established by official decree in March, 1975. When the Mission was terminated about three months later this committee was actively engaged in collecting the necessary data and performing studies in an attempt to solve this problem. This effort on the part of the PGNU and particularly of the Ministry of Health seemed to be sincere and integration of the village health workers could probably have been accomplished before the end of CY 1975 if political events had not interrupted.

A similar important general problem was the need to reach agreement with the PGNU on integration of the A.I.D. and OB health facilities into the government's regular health delivery system. At the beginning of CY 1974 A.I.D. was directly operating the 200-bed temporary hospital at Ban Xon and 19 village dispensaries throughout the country. Through its contract with Operation Brotherhood, A.I.D. was also supporting six additional hospitals and supplying primary medical care and general preventive health services to about 40 villages in the Vientiane Plain where refugees had been located during the Pathet Lao advances in 1969 and 1970. About 120 Filipino doctors, nurses, technicians and administrative supply and maintenance people were operating these facilities and services. The contractor also employed about 550 local health workers, most of whom had been trained within OB hospitals. Although a small corps of regular government employees worked in these hospitals the majority of the workers were still employed, paid and directed by OB technical advisors.

Preliminary discussions with the Ministry of Health in 1973 had revealed that the responsible Lao health officials did not believe that more than perhaps 50 or 60 of the A.I.D.-operated dispensaries could be incorporated into the Government's permanent health delivery system. In part this reflected the Vientiane-based health officials' primary concern with developing health facilities only in more populous areas and their relative indifference to health problems in remote areas. Their plans too focused mainly on the lowland areas with predominently ethnic Lao populations and deferred extending out-reach programs into the mountainous areas, the traditional home of the tribal minorities. These officials had severe doubts about their ability to extend health services to peripheral areas with their limited resources and critical shortages of manpower.

During CY 1974 A.I.D. cut back and consolidated village dispensaries, decreasing the total to 135 by December of 1974. Plans were also made to further reduce the number of dispensaries to approximately 90 by June 9, 1975. Implementation of further cuts was deferred in March, 1975, at the request of the Minister of Health, until the previously described Administrative Committee for integration of A.I.D. health workers could complete its studies and make recommendations. This was essentially the situation that existed when political factors precipitously interrupted the project in May, 1975.

With respect to the MR II hospital at Ban Xon, a decision was reached with the PGNU to rebuild and expand the temporary hospital at Long Tieng which was started in 1970 and create a permanent 125-bed hospital there. Construction was to begin in July or August of 1975 with anticipation of completion by August or September of 1976. At that time the Ban Xon hospital would continue as a district health center with limited short-term inpatient care. UNICEF had agreed to construct a district health center at Moung Cha at the southeast end of the triangular area of Xieng Khouang Province controlled by the PGNU. This overall plan for developing a permanent health delivery system for the area was interrupted by closure of the project in June 1975.

After lengthy discussions between A.I.D.,OB and the Ministry of Health during the second half of CY 1974, a four-year plan for the phaseout of Operation Brotherhood and integration of their operations into the government's regular service was accepted and incorporated into a formal agreement in April, 1975. The process of negotiating a contract with Operation Brotherhood to implement this plan was near the final stages when the Mission was closed.

Throughout most of the life of the project, U.S. health professionals working in Laos as well as visiting consultants had been concerned about the lack of preventive measures in the project. The expedient nature of the project, its style of organization and operations and the training of the Lao health workers were all geared towards acute medical care. Preventive health measures were largely limited to routine immunizations, supplementary feeding programs to combat malnutrition and the provision of basic sanitary facilities, mainly water supplies. At most of the village dispensaries in MR I and MR II and at the hospitals located in Ban Houei Sai, Sayaboury, Vang Vieng, Sam Thong and later at Ban Xon, 50% or more of the cases treated or hospitalized were due to malaria. By 1965 and 1966, most of the malaria infections were caused by p. falciparum and by the mid-sixties this parasite had, particularly in the North, become resistant to chloroquine. Subsequently Fansidar or a similar combination of drugs was sometimes used at the hospitals, but because of the higher cost was not widely used in dispensary care. The suppressant effect

of chloroquine, because of drug resistance, became unreliable. By the late 60's it was increasingly apparent that a concerted program for malaria control was the priority health need, particularly in the northern part of Laos.

In the late 50's a previous attempt by the RLG to launch a malaria-control program had failed and was discontinued in the early 60's. The problems encountered in training and organizing a Lao technical staff together with the instability and disruption of the population caused by the increasing insurgency proved insurmountable. Unfortunately, throughout most of the life of the health development project the near constant shifting of the population in the war-torn area precluded the implementation of a conventional malaria-control program based on residual insecticide spraying of houses. By 1972, however, with the area controlled by the RLG much reduced but more stable, the RLG and later the PGNU could anticipate a viable malaria-control program. In 1969 the Ministry of Health with assistance from WHO had conducted a small pilot study of malaria control by residual home spraying with DDT in the Vientiane Plain area around the Nam Ngum Dam. The results were very encouraging and WHO in 1973 entered into agreement with the PGNU to provide technical assistance to a National Malaria Program. The Mission agreed to supply essential commodities including insecticides, anti-malaria drugs, transport and some laboratory supplies. The plan of operations for the first three years of the Program was not prepared until early in CY 1974.

In 1973, the Mission with the assistance of a technical advisor furnished through the International Red Cross conducted a limited malaria-control activity in Xieng Khouang Province using both Fansider anti-malaria drugs and residual spraying of houses. Coverage included only about 30,000 of a total 150,000 population. This was designed as a preliminary study and was not considered a part of the PGNU national malaria program. Unfortunately the areas of Xieng Khouang Province and most of Vang Vieng were not included for spray coverage in the WHO/PGNU Program operational plan for the first three years. A.I.D. protested this omission because the national malaria-control program would bypass the highly malarious Xieng Khouang triangle where A.I.D. had provided considerable assistance to the hospital at Long Tieng and an extensive dispensary network. Finally in December 1974, after repeated meetings and discussions, the PGNU, with WHO approval, concurred in the inclusion of Xieng Khouang Province in the national plan. Malaria spray operations to cover 100,000 people in this area were planned to begin in March, 1975. Despite the short lead time the Mission was able to procure the necessary 25,000 lbs. of DDT and to move it to Ban Xon by mid-March of 1975. Meanwhile, with WHO cooperation, 20 medics from MR II had been retrained in basic malaria-control techniques and were to serve

as spray squad supervisors. A.I.D. had also provided vehicles and anti-malaria tablets.

Thus preparations to begin spraying in Xieng Khouang Province were completed by April 20, 1975, which was one month behind schedule but nevertheless in time to complete the cycle before the onset of the rainy season. Shortly thereafter political events intervened which led to the exodus of a large number of the Meo population from the area and the termination of A.I.D. participation in assistance activities in Laos. The Government stopped the malaria-control efforts that had barely begun in Xieng Khouang Province.

In summary, at the close of the project, substantial progress was being made towards integrating the project activities into the Ministry of Health. Both a mechanism and a detailed plan towards this end had been worked out and was progressing steadily. A promising beginning had been made towards establishing a national malaria-control program in collaboration with WHO technical assistance. Within the young inexperienced but enthusiastic PGNU cadre of health workers organized for the malaria campaign, there was the nucleus for developing an integrated extension program of preventive medicine. Ordinarily one could expect that many of the field workers developed by A.I.D., particularly the male medics would find a useful and satisfying role and employment within some aspect of this expandable program of preventive medicine. It appeared that the Ministry of Health and other technical units of the PGNU were sincerely working towards integrating the practical nurses and other hospital technical staff trained and developed both directly by A.I.D. and by Operation Brotherhood.

There is no question that in terms of its original purposes this project was highly successful. Even if a more collaborative style in the earlier years of the project had been feasible, it is questionable whether it could at that time have produced more lasting results with respect to institutionalizing changes and development in the Laos Health Ministry. However, throughout the life of the project, except for the last two years, there was little pretense and certainly no clearly expressed intent that the project would strengthen and develop a permanent national health organization.

Nevertheless, the structures, system and manpower pool created under the project laid the foundation for development of an effective low-cost civilian health delivery system.

REFUGEE RELIEF AND REHABILITATION
1960-1975

Policy

The following was the official Mission policy regarding the humanitarian assistance to the Lao government:

> "It is the stated policy of the A.I.D.Mission to Laos to assist the Royal Lao Government, both materially and technically, in the provision of timely and adequate assistance to refugees displaced, directly or indirectly, by military actions and political instability in Laos.
>
> The established objectives of the refugee program are:
>
> 1. To demonstrate the humanitarian concern of the Royal Lao Government and the U.S. Government for the victims of the war in Laos.
>
> 2. To insure that the Royal Lao Government (RLG) has the necessary resources to assist refugees.
>
> 3. To promote and assist the reestablishment of civilian government authority and services for refugee groups, strengthening their ties with and loyalty to the RLG.
>
> 4. To assist the RLG to bring the economic, social and political condition of the refugees to a level equal to that of Lao citizens (non-refugees) living in the general area of relocation, whose immediate physical condition and environment have not been directly affected by the war.
>
> Appropriate A.I.D. resources are applied to the refugee program, in collaboration with the RLG, in the following order of priority:
>
> 1. Emergency movements created by or in anticipation of military action. The primary requirements to support this phase are evacuation assistance; emergency medical care and attention; provision of food by surface, air-drop or landed load, and the provisioning and emergency staffing of temporary safehaven and staging areas for displaced refugees.
>
> 2. Relocation of refugees including allocation of land areas; provision of food, blankets, clothing, mosquito nets, utensils, shelter materials, medical care, assurance of

adequate water supply; and movement of refugees into individual family housing constructed on a self-help basis.

3. Assistance in provision of essential facilities such as health, education, police, etc., including the establishing of appropriate agricultural production to bring the refugee groups to a living condition equal to that of non-refugees in the general area where refugee groups are relocated."

History

The first large modern-day refugee movements into and within Laos began after the fall of Dien Bien Phu in Vietnam and the subsequent Geneva Conference in 1954. One ethnic group, the T'ai Dam (Black Thai), moved from the Lai Chau and Dien Bien Phu areas of Vietnam into Phong Saly and Luang Prabang Provinces. Many of these refugees later moved into Xieng Khouang Province, with many eventually settling in the outskirts of Vientiane. In an unrelated move in the early 1950's several ethnic Lü settled in Houa Khong (Nam Tha) Province after fleeing China. The first internal refugee movements in Laos occurred about the same time. Ethnic Lao Neua (Northern Lao) began to move southward from Hua Phan (Sam Neua) Province into the Vientiane City area. Although present-day writers tend to negate the validity of early accounts of North Vietnamese incursions into Hua Phan at this time, refugees from the area maintain such incidents in fact occurred.

Over the years movements of ethnic groups into Vientiane gave rise to "quarters" similar to the quarters in Old Jerusalem, i.e. Hong Kha (the Lao Thung quarter), the Thai Dam quarter, the H'mong (Meo) quarter, the Hua Phan quarter, etc. In addition to the wealthier rural classes, many of these early refugees were officials' families and merchants (Lao and Chinese) who found the proximity to communism untenable. In these early years when refugees evacuated their homes they found their own way out to safety, relocated themselves and eventually became self-sufficient. A small amount of U.S. Government furnished relief was provided through humanitarian organizations.

By the end of 1958 approximately 27,000 H'mong and other ethnic groups, primarily in the northern mountainous areas of Laos, had received assistance in this manner. However, these refugees had to rely mainly on assistance from local villagers.

Active U.S. participation in refugee affairs began after the Kong Le coup in 1960 and his eventual retreat to the Plain of Jars.

Irregular paramilitary units were formed in Xieng Khouang, Hua Phan, Luang Prabang, Phong Saly and Houa Khong provinces in the early 1960's. Recruitment for these units was generally from among the ethnic minority groups such as the various Lao Thung groups, the H'mong (Meo), Yao and later Lü and Akha. These early groups operated in remote villages, deep in the contested mountain areas and revolved around villages or groups of villages rather than around a formal military structure. Being the first line of defense, these small isolated villages were vulnerable to concentrated or prolonged communist thrusts. The primary consideration was to save the population, rather than to save or protect territory. As paramilitary units were forced to retreat from mountain top to mountain top, the villagers, who, for the most part included the families of the paramilitary units, retreated also. In short, entire villages were evacuated in what was to become a slow, 15-year withdrawal to the south.

This combined paramilitary/dependent/dislocated persons exodus needed external support for two reasons. First, as the level of communist pressure continued to increase, the paramilitary could no longer attempt to protect their villages and clear fields and grow rice. Likewise, those villagers displaced were not able to grow sufficient amounts of food to sustain themselves. In evacuating their villages, often under fire from the enemy, villagers could not bring with them large supplies of rice or animals. Neither could non-refugee villagers continue to support a large influx of refugees into their areas. Upland rice fields had to be cleared during January, burned off during February, March and April, planted during May and harvested in late October or early November. Thus the various displaced ethnic groups in the mountains had little chance to support themselves. The entire local economic structure was disrupted as the displaced people could neither grow sufficient amounts of food, nor produce the cotton and flax normally used for clothing. Normal trading routes into China and Vietnam were also disrupted, stopping the flow of salt and other necessities the mountain people could not produce themselves.

It should be stressed here that the A.I.D. refugee program was initiated as a result of the paramilitary efforts in North Laos. The H'mong and other ethnic groups relied strongly on close family and clan bonds. It was quickly recognized that unless material support (food, clothing, tools) was provided to displaced villagers and to paramilitary dependents, the will and means to defend these remote northern areas would be undermined.

This problem of support was recognized early on in the general overall strategy of the Indochina conflict. In order to maintain this front line of paramilitary defense, substantial means of support was organized

within the Rural Development Division of the A.I.D. Mission to co-ordinate and implement delivery of relief commodities to refugees and the paramilitary and their dependents. The initial Project Agreement was signed in 1962 between A.I.D. and the Commissioner for Rural Affairs of the RLG. The initial staff of the Refugee Branch consisted of a few Americans, a Filipino and a Vietnamese who worked with local Lao field assistants.

It was not uncommon for field personnel to come to Vientiane, secure their own commodities, help load the planes and then fly out with them.

Initially U.S. Mission personnel were also assigned to Ban Houie Sai, Luang Prabang and Sam Thong to tabulate numbers of people needing support by category (paramilitary, paramilitary dependent, or refugee). It should be noted that paramilitary dependents were themselves often refugees. For funding purposes within the U.S. Mission it was important to maintain complete and separate food lists.

The care of the program consisted of three or four Americans working out of a makeshift hut at Sam Thong in western Xieng Khouang Province in Military Region II. However, the key to the entire support program was the aerial food delivery system which was perfected in the early 1960's. Rice and PL-480 commodities in triple sacked, 40 kilogram increments were air dropped to remote villages and to paramilitary units. The air-drop program proved highly successful in providing the regular supplies required to maintain these groups.

In 1965 A.I.D. recruited several former Peace Corps Volunteers to help expand the program country-wide. The Refugee Relief Branch stationed two Americans in the Vientiane office, two Americans coordinating the program in Ban Houie Sai, one operations officer in Luang Prabang, four to six Americans in Sam Thong and one each in Thakhek and Pakse. There were many more Americans in the field in Laos, but these were the ones directly involved with refugees.

The Refugee Relief and Rehabilitation Project was operated initially as a branch of the Rural Development Division (RDD) headed by the Assistant Director for Rural Development (AD/RD). The Refugee Project field staffs were responsible directly to the AD/RD and not to the local Area Coordinator (AC). Food for Peace, while not directly under the Refugee Project, was located in the same office.

In September 1970 the RDD was split into two assistant directorships--the Assistant Director for Field Operations (AD/FO) and the Assistant Director for Refugee Arrairs (AD/RA). The AD/RA consisted of a deputy, the Refugee Affairs Officer (RAO) and four separate branches, i.e. the Refugee Relief Branch (RRB), Refugee Affairs Administrative Branch (RAA),

the Refugee Relocation Branch (RRL) and the Food for Peace (FFP) Branch. The functions of these branches were as follows:

1) Refugee Relief Branch (RRB), which provided emergency relief to refugees as they were initially displaced, carried out requirements for refugee censuses; determined commodity requirements, including medical supplies, coordinated logistics requirements, and monitored refugee supplies.

2) Refugee Affairs Administrative Branch (RAA) organized, monitored and served as a central repository of all information relating to refugee affairs, including evaluation of conditions of refugee groups, problems, progress, and potential for phase-out of assistance.

3) The Refugee Relocation Branch (RRL) planned, monitored, backstopped, and acted as liaison with other Mission elements to assure implementation of steps designated as second and third priorities.

4) The Food for Peace Branch (FFP) programmed and monitored the use of PL-480 commodities.

In December 1973 the AD/FO was abolished and a new office, the Office of Refugee and Rural Affairs (ORRA) under the Assistant Director for Refugee and Rural Affairs (AD/RAA) was created. The Refugee Relocation Branch had become increasingly more important since 1970. By 1973 the primary emphasis in the refugee program was on relocation. The Branch Chief of the RRL became the deputy to the AD/RAA. A Project Support Branch was later added which was essentially the old Refugee Relief Branch, but with increased responsibility for logistical control of all ORRA commodities. This branch was later reorganized and the logistics control was put under the FFP branch chief.

It should be noted here that while the basic goals of the refugee program remained constant, the implementation methods changed. The initial phase involved primarily emergency relief and organization of basic infrastructure in remote villages. That phase ended about 1970. The second phase was directed mainly toward relocation of selected groups of refugees in areas where they might become self sufficient in foodstuffs. There were integrated projects providing land, housing, schools etc. Both phase one and phase two relied on a large number of American technicians with operational control of the program. Phase two ended in December 1974 when the Provisional Government of National Union, in conjunction with the United Nations High Commissioner for Refugees, began to canvass the refugees for eventual return to their original villages.

In phase one, the area of major emphasis in the program was in the north and concentrated chiefly on relief support to paramilitary dependents and refugees actively caught up in the burgeoning war. The procedures for providing the support to refugees and paramilitary dependents followed a rather regular pattern. New refugees would be reported through Lao military or civilian channels. Depending upon the location, an American and a H'mong A.I.D. assistant would visit the location, either on foot or by helicopter or airplane, the same day or at the latest the following day. Village leaders would be interviewed to determine all details regarding the refugees' former village, people who might still be there, and nature of the action that forced them to leave. After all data was gathered, name lists by family were broken down by sex and age. If the group were large enough and no rice were immediately available in the village, a portable SSB radio was used to request a rice drop from Vientiane. Normally the American and H'mong assistant would remain overnight with the refugees for further discussions regarding immediate relocation. When the name lists were completed the amounts and types of commodities needed were compiled. Depending upon the situation, the U.S. personnel could order the commodities by radio or return to Sam Thong with the list. By 1968-69 the pressures of sustaining large numbers of people in widely scattered areas became so great that the A.I.D. operations officer would usually move to other sites and return later for name and commodities lists. In other cases the operations officer might remain with the refugees overnight to emphasize to the refugees that support was coming and in general to give them moral support. When the commodities arrived at the refugee site the refugees were assembled by name to receive relief commodities. A normal distribution would be computed as follows:

1 large pot per family
1 small pot per family
1 saute pan per family
1 bowl per two people
1 plate per two people
1 spoon per person
1 waterpail per family
1 blanket for 1-4 people (2 for 5-7 people, 3 for 8-11, etc.)
1 ax per family
1 knife per family
1 bar soap per family
1 mosquito net (same as blankets)
1 mat per family
1 can salad oil per family
clothes for men - one set shirt/trousers
clothes for women - one set blouse/sin (skirt)
clothes for boy - one set boys shirt/trousers
clothes for girl - one set blouse/girl's sin (skirt)
other assorted items as available

Iron bars were often substituted for knives and axes if the refugees had time to make their own. Refugees coming in January through March would be given tools immediately to be used for clearing rice fields. Vegetable seeds were also distributed. For the H'mong bolts of black cloth were distributed at the rate of three meters per person so that they could fabricate their individual ethnic dress which was totally different from Lao dress. Food was computed on the basis of 15 kilograms of rice per person per month and salt at 500 grams per person per month. Canned meat, when available, was distributed on the basis of immediate need -- one can per two people per day, later reduced to roughly two cans per family per week, depending on how much food the refugees were able to grow themselves.

For any given drop zone (DZ) the amount of rice and salt needed for a month was figured on a total cumulative basis and the actual percentage breakout was made on the ground by local leaders. The rice drop planes, normally C-46's flying from Vientiane, were given a set of UTM coordinates and signal in order to locate and identify the DZ. As each individual DZ had a distinctive signal panel, such as a red "A" or white "T", the refugees would place the panel on the DZ as they saw the plane approaching. Pilots were instructed not to drop unless they saw the panel being put into place. If a signal panel were left in place permanently, the pilot would have no way of knowing if the people were still there or if the site were still friendly. By seeing the refugees place the panel it was assumed the site was friendly.

Once emergency relief was provided attention was given to relocation. If the area were secure enough, the people were encouraged to remain in place. All such decisions were closely coordinated with General Vang Pao, Commander of MR II, and the governors of Xieng Khouang and Hua Phan provinces. These same procedures were followed in certain areas of Luang Prabang and Houa Khong provinces which tactically fell under MR II command, even though located geographically in MR I. If the refugees were in an area too insecure to build villages, they would walk, if possible, to more secure areas. If this were impossible, air lift of the refugees to more secure areas would be undertaken.

Support in phase one was basic in nature alghough food was always abundant. PL-480 butter and salad oil were extremely popular. Corn meal was accepted by some H'mong from the Nong Het area. While other PL-480 foodstuffs were regularly shipped out from Vientiane and Sam Thong, there was really no program to integrate these foods into the diet of the refugees. Physical debilitation was not yet the

problem in phase one that it later became. The larger problem was primarily the emotional shock and trauma generated by a sudden and unexpected exodus from a village. As in any situation of this nature the very young and very old were usually the first to succumb to disease or illness.

When it was determined where the refugees would relocate, they were assisted and urged to build small air strips capable of taking STOL (short-take-off-landing) aircraft such as the Helio Courrier and the Pilatus Porter. These strips were from 450 feet to 1800 feet in length. Most were situated on high ridge lines or mountainsides and were usually buffeted by strong, unpredictable winds and often shrouded in fog or mist. Planes coming into these strips carried A.I.D. or Lao Government personnel, medicine, food, school supplies, and the like. They were also used to evacuate wounded or seriously ill. Attempts were made to set up simple village infrastructure, including bamboo schools and dispensaries. Teachers and teaching material were sent to the village. If no Government teachers were available, qualified paramilitary who may have had from one to three years' schooling would conduct classes. Much of the early support for the schools came from private donations of money, pencils, paper and other supplies. Neither A.I.D. nor the RLG was initially interested in supporting these schools. By the late 1960's this situation had changed in most areas. Dispensaries were usually staffed by a medic who was trained and paid by A.I.D. although occasionally a Government or military medic was available. Medicine was furnished by the A.I.D. Mission. In the vast majority of cases the mountain people in the north had never had schools or dispensaries in their villages. The limited resources of the RLG had not allowed such luxuries prior to this time.

The refugees were encouraged to maintain village life as closely as possible in their new locations. For the most part village leaders, both formal and informal, were retained. For security purposes overall authority for the village rested with local military commanders. All of these efforts, including the encouragement to continue traditional village life, were directed towards sustaining morale during the war.

The mid-1960's was a period where the Area Coordinator of Xieng Khouang, Mr. Edgar "Pop" Buell and his staff had a broad mandate from the Ambassador. As a result, a very young staff was able to coordinate a fast moving program, gather information not readily available elsewhere and make positive decisions with little or no supervision. There are probably very few situations in which a group of highly motivated, but junior grade personnel received such broad support and confidence from their superiors.

In 1966-1967 the RLG, while losing a few key areas such as Hua Muong (LS 58) in the north, actually gained some ground. Earlier losses in 1965 south of the Plain of Jars (PDJ) were not recovered although Muong Ngan (LS 236) was occupied in 1967. By late 1967 a half-hearted attempt was made at Operation Link-Up to draw Vietnamese troops away from the Nam Bac (LS 203) Valley. The list of gains and losses are too many to enumerate. However, in each instance more refugees were generated.

December 1967 saw the beginning of large-scale communist offensives in northern Laos including an abortive air attack by three Vietnamese biplanes on Phu Pha Thi (LS 85). Vietnamese troops mopped up one small outpost after another in north central Hua Phan Province. On March 6-7, 1968, after an all night intensive shelling and early morning ground assault, the keystone of north Laos, Phu Pha Thi (LS 85) was abandoned by the RLG. The following day an A.I.D. refugee operations center at Houie Kha Moun (LS 111) was hit by the Vietnamese. Prior to the attack 4,000 refugees were on the strip awaiting helicopter evacuation under the direction of an American operations officer, Extremely accurate mortar fire hit the small A.I.D. shack destroying the radio and generator. About half of these refugees were able to walk to RLG-held villages while the remainder were captured. Attempts were made to relocate 15,000 H'mong, Lao Thung, Lao Neua and T'ai Dam at Phu Loi near LS 184 but poor security made that plan unfeasible. In March 1968 the U.S. Ambassador approved the evacuation of some 12,000 civilians from Sam Neua to points south of Long Tieng. This first airlift tacitly acknowledged that those people could never return to secure villages in Hua Phan Province. It also implied that the U.S. government would assist in moving refugees from insecure areas to places where they could be safely relocated.

In September 1968 an offensive to retake Phu Pha Thai was launched. After heavy Lao-H'mong casualties, the operation was called off at the end of December. Another 10,000 refugees were air-lifted to Phu Lao. These people remained there until January 1970, when they were all evacuated to the Sam Thong-Long Tieng area. In March 1969 Na Khang (LS 36) the center of support for the Houa Phan area was overrun with heavy RLG casualties including the military commander and the governor. Small enclaves north of Nong Het held out until mid-1970 when they were overrun. A few hundred civilians were evacuated but the refugee program in Houa Phan Province was effectively dead.

In 1968 other parts of northern Laos were faring no better. Sites in southern Phong Saly Province were lost as were territories in northern and western Luang Prabang Province. Inhabited largely by Lao Thung tribal groups, the loss of these lands did not generate the number of refugees expected as people were either cut off or elected to stay behind. The same was true after the fall of Nam Bac in January 1968. Confidence in RLG leadership in Nam Bac was minimal due to mismanagement of the area by local commanders.

By the end of 1968 the original conceptual relationship between the paramilitary, their dependents, the refugees and local villagers was nearly finished. Long before official air evacuations had been sanctioned, thousands of civilians had managed to flee north Laos into the Sam Thong-Long Tieng area on returning aircraft.

The military campaign on and around the Plain of Jars in 1969 had far reaching effects on the refugee program and introduced a new phase of evacuation and resettlement activity. In April and May of 1969 RLG forces captured Xieng Khouangville and later, in June-August, the entire Plain of Jars (PDJ) area. Approximately 20-25,000 civilians fled or were initially evacuated to safer areas near the PDJ. There was no clear-cut overall policy regarding these refugees by either the RLG or the Mission. Because General Vang Pao, Commander of MR II, would not allow the civilians to remain on the fringe areas of the PDJ, all refugees were initially air evacuated a short distance away to Tha Tham Bleung (LS 72). This small STOL strip and surrounding tiny valley could not safely absorb all the incoming refugees. Black plastic for roofing and plastic tubing for water systems was used here on a large scale for the first time. Later as the RLG consolidated its hold on the PDJ, new relocation areas were set up on the Plain. Although there was some recruitment among the refugees, many were Pathet Lao sympathizers with sons or husbands in the PL army. Approximately 1,000 non-Lao civilians, primarily Chinese and Vietnamese, with some Indians and Khmer were air evacuated to Vientiane where they were taken in by their respective ethnic, social or political societies. By January 1970, however, the military situation had deteriorated on the Plain to the extent that the refugees could be neither trusted nor adequately protected. In February the civilian refugees were airlifted from the Plain of Jars area to Vientiane and located in the surrounding areas.

Then Sam Thong fell on 20 March 1970. Prior to that work had begun on a fall-back strip near an old Lao village, Ban Xon. A large airstrip and support facilities, such as warehouses, offices, and a small hospital were constructed. The A.I.D. support center for what was left of the old program was then conducted out of Ban Xon.

The complete disintegration of the original concept of the paramilitary civilian relationship was ended when three important decisions were made. The first was to attack and attempt to hold the Plain of Jars; the second was to relocate the civilian population found there; and the third was to integrate Government's village paramilitary (ADC's) into the more structured Special Guerrilla Units (SGU's).

The important features of the 1969 PDJ campaign which affected the refugee program were first of all, that a large scale military operation was undertaken to foil future enemy advances southward and to hold

territory. This was a clear divergence from the past when the civilians had been an integral part of the overall plan. Secondly, the requirement to relocate such large numbers of civilians was relatively new. The third departure from previous practices involved the relationship between the civilians in contested areas and their paramilitary defenders.

Nearly every village in the northern area had paramilitary units (ADC's). These groups, in theory, protected only their own areas. The Special Guerrila Units (SGU's), however, were widely recruited and their dependents were allowed to settle in Long Tieng for safety as these units might be sent anywhere in MR II. In order to bolster the sagging SGU's during this campaign, ADC units were converted to SGU's or simply taken from their villages to help defend the PDJ. This again broke down the conventional paramilitary and civilian relationship and contributed to the fall of the few isolated villages in northern MR II. Thus Long Tieng and Sam Thong became virtually the front lines. Only two RLG enclaves remained north of the PDJ.

Other areas of northern Laos were faring no better. Nam Bac fell in January 1968 (above). By 1970, RLG areas in western Luang Prabang, the Nam Houn Valley and Nam Beng Valley were lost. In November 1969 the fall of the last RLG position on the Mekong between Pak Ou and Pak Tha closed that river for shipping between Luang Prabang and Ban Houie Sai. This in effect isolated both towns in different ways. Luang Prabang had to rely upon either Route 13 or the Mekong from Vientiane. Commercial cargo and rice could not be barged in from Thailand. Ban Houie Sai, on the congrary, could receive commodities from Thailand but was cut off from the rest of Laos.

Thus by early 1970 all of northern Luang Prabang Province was gone, as well as the area west to the Nam Tha (River). Luang Prabang itself was nearly encircled. With a record high of 48,000 people on the food support rolls, land was at a premium. Villages on the Mekong which had always been secure, were swiftly overrun. The struggle during the next two years virtually destroyed all the old villages up the river including Ban Pak Ou.

Although not with the same intensity, other portions of Laos also felt the impact of the war. In 1961 three important areas in central Laos were lost -- Mahaxay, Xepone and Khamkeut. In the southern panhandle the North Vietnamese consolidated their hold on the Lao-Vietnam border area during the mid and late 1960's. In 1970 the military encroachments by South Vietnam into Laos forced the North Vietnamese to move further west to protect their old trail system and to open up new trails into the Khmer Republic. Large numbers of civilians were displaced. However, except for the Saravane and

growing area and home of many high ranking Lao officials. Nong Bok, near Thakhek, was raided as was the Seno refugee relocation site, and 145 people were abducted.

RLG forces quickly retook Kengkok and the 3,000 or more civilians who had fled were soon able to return home. No moves were made around Nong Bok nor did the Seno raid displace anyone other than those abducted. The capture of Nam Thorne was more serious. In 1967-68, 7,000 civilians, who had previously fled Khamkeut in the early '60's, were relocated near Nam Thorne along RLG 13. These people were again displaced along with several thousand other villagers. Four to five thousand of these Khammoune people eventually came as far north as Vientiane and were relocated at Pak Sap on the Vientiane Plain.

During the first half of 1973 several thousand civilians continued to filter out of Vietnamese-held areas of central and south Laos. Although the ceasefire formally took effect in February 1973 sporadic fighting continued into the early part of 1974. Most notable in the south was the fall of Paksong after the ceasefire and serious Vietnamese incursions around Hin Boun.

By the time the Provisional Government of National Union was formed in April 1974 the refugee situation in the south had stabilized somewhat. Some movement of peoples back into the Lao Patriotic Forces (LPF) zone was occurring primarily in the Saravane region.

In the north during the years 1970-73 the Vietnamese continued to press against the outskirts of Luang Prabang, several times hitting the airport area with rockets, although the enemy was never able to effectively penetrate the inner city defenses. By the time of the ceasefire in February 1973, the RLG had regained the villages along the Mekong River up to Pak Ou and several kilometres up both the Nam Ou and Nam Xuang (Rivers). This allowed several thousand villagers to return home to attempt to rebuild their war-ravaged villages. The A.I.D. Mission began an ambitious program to build schools and install gravity-fed water systems in this area. Several villages along the Nam Xuang formed a buffalo cooperative with funds provided by the USAID. The cooperative closely followed a successful swine cooperative in Muong Khai several years previously. In both cases a certain amount of money was put up by both A.I.D. and the villagers for the initial purchase of the animals. Under the terms of the agreement a fixed number of offspring were retained to form a new cooperative in another village. After the initial obligation all other offspring belonged to the original association.

Most refugees in the Luang Prabang area stayed in place during the 14-month interval between the ceasefire and the formation of the Provisional Government of National Union in April 1974. However by the end of 1974, substantial numbers of refugees had returned to their original homes in the PL-controlled zone of north Laos. The modus operandi was worked out locally for their return. Each family was given a "grubstake" kit which aided in both rebuilding their old villages and clearing land.

Other parts of northern Laos also received heavy pressure before the ceasefire. The ancient Lao villages of Ban Done (LS 28), the residence of the second ranking Buddhist monk in Laos, was overrun in December 1970. In this same general area along the Lao-Vietnamese borders in north central Laos, Muong Mok (LS 46) and Muong Nham (LS 63) came under heavy pressure. By January 1971 5,000 civilians were milling around the latter two villages while 2,000 civilians fled to Paksane from Ban Done. Muong Nham fell on April 1, 1971; it was later retaken and lost again on January 10,1972. Most of the civilians along the Vietnam border remained in place. Some H'mong made their way southwest to Nam Heo (LS 360) and adjacent areas northeast of Paksane. This small enclave was still loyal to the RLG up to the very end.

While southeastern MR II was crumbling, the northwest section of MR II where it abuts MR I was also coming under heavy attack. Several thousand Lao Thung from LS's 96 and 178,the old original "Operation Linkup" sites, tried unsuccessfully to leave when those areas were attacked and fell. The civilian population, as well as the para-military, were trapped. In March 1971 another 8,000 Lao Thung and Meo from Lima Sites 57 and 180 north of Route 7 headed in the direction of Route 13. In addition 2,000 civilians formerly at the old neutralist center of Muong Souie began moving southwest. When that area fell on February 4, general uncertainty brought about by Vietnamese incursions around Long Tieng put 30-40,000 refugees into a confused flight.

North of the PDJ Phu Bia fell on June 28, 1971. In December, during the initial days of H'mong new year, the Vietnamese launched massive attacks against the PDJ. In one day the entire Plain was overrun. The refugee population crowded into the "crescent" from Long Tieng south of the PDJ panicked. An estimated 40,000 people evacuated their villages, many not in direct danger of the Vietnamese thrust. However thousands of refugees had been warned by the Vietnamese that if they were caught again they would be killed. This was especially true of the Thai Dam and Lao Neua, many of whom fled as far as the Vientiane Plain. Some 3,400 civilians fled from the Ban Xon area itself to Vientiane.

North of the Plain of Jars only two enclaves survived ,Bouam Long (LS 32) and Phu Cum (LS 50). While the courage and tenacity of the H'mong and Lao Thung were equally outstanding at both places Bouam Long has received deservedly more attention. Situated in a small bowl with one open end, Bouam Long is surrounded by hills, each topped by a small, but well dug-in position. For two years Bouam Long was subjected to continuous ground and rocket attacks by the Vietnamese. Scores of civilians, as well as troops, were killed or wounded. In several instances Vietnamese sappers penetrated the

airstrip, only to be killed or driven out. The most remarkable thing was that there was never a day when the 4,000 civilians and 500 troops lacked food or supplies. Air America and Continental Airlines crews braved incredible batteries of 12.7 mm anti-aircraft guns to drop 70-80 metric tons of food stuffs per month. Pilots were given extensive briefings on the situation before each flight. On several occasions the A.I.D. refugee relief logistics officer from Vientiane flew north to observe and coordinate rice drops into Bouam Long.

By the time of the ceasefire in February 1973 the situation had stabilized. RLG troops had moved back into some areas previously lost, north and east of Sam Thong, and an area southwest of Muong Souie. There were considerable population shifts into these areas in a continual effort to find land to plant rice. There were clashes with Pathet Lao troops, but the civilian populations remained. With two relatively quiet planting seasons, the refugees in MR II cleared land for rice at an unprecedented rate. Entire mountains were stripped bare. As a result, the food support rolls were reduced drastically so that all refugees from MR II were removed from the rolls after the 1974 harvest.

Although not so intense as activity in MR II, the events in Houa Khong in the northwest were also extremely important. As noted above, the years 1967-70 found Vietnamese and Pathet Lao forces putting heavy pressure on the area. In 1971 the northern panhandle which jutted into China and Burma began to crumble. Several small sites fell as well as LS 194. This set several thousand ethnic Akha fleeing south. Most walked for several days until they reached the larger Lü-Akha village of Muong Meung, LS 93. Several refugee sites were established around Muong Meung as land was getting scarce. The USAID had constructed a small dam to increase wet rice hectarage and a second was planned. Even this was inadequate to handle the numbers of people arriving.

In late 1972 the entire province was under pressure, particularly the eastern portion. Vieng Phu Kha (LS 135), the keystone of the upper Nam Tha (River) area, was overrun. This spelled the effective collapse of the interior. It was obvious that Nam Yu (LS 118A) was next. Just prior to the signing of the ceasefire agreement Nam Yu was attacked and fell the following day. The entire population, military and civilian, panicked. Muong Meung changed hands twice with the final fall occurring after the ceasefire agreement. Thousands of villages evacuated en masse along the Mekong River, including the center of the ethnic Yao, Nam Khreung (LS 150). Many of these refugees fled to Thailand and some to Burma and received no assistance. The number of food recipients in the Ban Houie Sai area jumped to 20,000. The majority of these refugees, along with old refugees and indigenous

villagers, were crowded into a thin strip of land along the Mekong. Small groups of refugees continued to filter into RLG-held territory up to the time of the formation of the PGNU in April 1974.

RELOCATION PHASE

The earliest A.I.D.-assisted relocation effort in Laos occurred in 1963 when 544 H'mong refugees from Luang Prabang Province were flown into Nam Hia in Sayaboury Province. Although simmerings of discontent always permeated the relationship between these H'mong and the Lao officials, these people and later arrivals were successfully resettled. One group is pictured in the January 1974 issue of National Geographic with a tractor they had purchased.

Houie Nam Phak

The first real integrated relocation project in Laos was located at Houie Nam Phak, 25 kilometres south of Pakse. The project was approved in 1968 after security conditions forced large numbers of people off the Bolovens Plateau. Orginally planned as an experimental project in agriculture and community development, the first 70 families moved into their new homes in April 1969. In a unique social experiment, three ethnic groups were relocated in the same project. Nine hundred hectares (2,223 acres) of the National Forest Reserve were allocated to the project. Houses and physical infrastructure such as schools, dispensaries and offices were constructed for the settlers. A dam was built which needed a lengthy canal system in order to achieve the intended benefits. In October 1970 plans for irrigation canals were postponed and never revived. As a result, the project never achieved its intended objectives in terms of permanent self-sufficiency. Some 1,400 refugees were relocated in this project.

As stated above Houie Nam Phak was attacked by the enemy in March 1971 with several thousand dollars worth of property and equipment destroyed. The project remained static as no further subprojects were authorized.

Although not a real integrated relocation project in the same sense as Houie Nam Phak, the relocation villages in Paksane were considered as one project. These people, about 75% of whom were Lao or tribal Thai (Thai Dam or Thai Daeng) and 25% H'mong and Lao Thung, fled south from the southern fringe areas of the Plain of Jars during the heavy fighting in 1970. These people, primarily following the Nam Nhiep (River) and Nam Sane (River) first grouped around the provincial

town of Paksane. Twenty-one separate villages were constructed in two long areas, one running 50 kilometres west from Paksane and the other area extending 27 kilometres north of Paksane. Over 1,800 hectares of land were put under rice cultivation.

This area was generally free from enemy harassment. However, the town of Muong Cao (Borikhane) was raided in mid-1972 In November 1972 many of the villagers, fearing for their personal safety, fled to Paksane and camped out around the airstrip there after Pathet Lao troops raided two of the refugee villages. Seven hundred twenty-eight refugees from Muong Ngam in Xieng Khouang province went with the Pathet Lao. It was not known whether these people were abducted. However some days prior to the raid many of these refugees had been seen selling off household items and newly-harvested rice.

Seno

In late 1969, nearly 3,000 civilians were evacuated prior to the battle for the strategic town of Muong Phine astride Route 9. These refugees were first brought into the Seno Military Camp east of Savannakhet. In early 1970, 14,820 acres of land in the Seno Military Camp were reserved for the relocation of the Muong Phine refugees. Houses were built for the refugees and each family was given land for a garden plot plus 5 acres of cropland. By October 1970, 400 of the 500 projected families had moved into Seno.

Eight villages were established with appropriate schools, water, storage ponds, roads and basic medical facilities. Charcoal became a major project at Seno. The land was not of good quality, however, and as a result these refugees never achieved the degree of self-sufficiency that was expected. This was despite an extensive program initiated in April 1971, whereby refugees could buy water buffalo with money provided by the USAID to the Ministry of Social Welfare.

Security in Seno was normally good. However, in October 1972 enemy forces abducted 145 people from the project.

Vientiane Plain

The next official relocation project was in the Vientiane Plain area. The initial project relocated 27,000 refugees in 27 villages, later expanded to 58, on 79,000 hectares (195,000 acres) of land reserved by the Lao Government. The initial settlers were Lao Phuan who had been airlifted from the Plain of Jars in February 1970.

During the next year several thousand other refugees fled the Long Tieng area to the relative safety of the Vientiane Plain. These people were also incorporated into the project, except for one site at Hin Heup which was designated as a separate relocation site.

As individual parcels of the 79,000 hectares were designated by the RLG, land classification teams followed, as well as survey teams who laid out village sites and rice fields. Land disputes between refugee and indigenous villagers were common, and committees were formed to adjudicate such disputes. For administrative reasons the project was divided into 10 areas.

Unlike Houie Nam Phak and Seno, no attempt was made to build each family a wooden house. Each family was responsible for constructing its own modest wood/bamboo house in the traditional manner. Heavy duty equipment was used to clear land for rice fields. An extensive system of roads was constructed and wells were drilled in the villages.

One persistent problem in the relocation of large numbers of refugees in Laos was the availability of suitable land for cultivation. In one area, Relocation Area 5, five flood gates and 13 miles of road dikes were constructed in order to protect land previously unuseable due to perennial flooding.

From a technical point of view, i.e., planned villages, roads, schools, wells, etc. the Vientiane Plain project was a success. However, the RLG never really addressed the problems the refugees created as an enclave responsible to their own province officials in exile. In addition, the refugees, as well as indigenous villagers, were victims of local military and civil leaders who "taxed" produce and livestock along the market route to Vientiane. The existence of this practice adversely affected the incentive to produce more, and also raised the price of produce in the market. The RLG took no steps to correct these abuses.

Thasano

In 1971 several relocation sites were begun. In Savannakhet in July 1971, the RLG reserved a 31 square mile tract of land located between Ban Tha Sano and Ban Houa Xang for the relocation of refugees from the Muong Phalane area. During the remainder of 1971 access roads were constructed, five dam sites were selected and laid out. Three years later an extension was added to the Thasano project, primarily for refugees from the Dong Hene area. The project eventually

relocated 11,500 people. As the situation stabilized in 1973-74, refugees began to trickle back to Dong Hene while still maintaining residency in Thasano in order to retain food support from A.I.D.

Hin Heup

The Vietnamese capture of the Plain of Jars in December 1971 and the subsequent pressure on the Long Tieng area during 1972 produced a flood of panicked civilians, many formerly from Hua Phan province, onto the Vientiane Plain. In order to accommodate many of these people, a new relocation area was designated on the Nam Lik (River) opposite Hin Heup, which ran for 19 miles to the west. This area had good soil and extensive groves of bamboo suitable for constructing houses. At least during the initial year the Nam Lik (River) yielded extraordinarily large numbers of fresh fish. Ten relocation villages were laid out along a 12 kilometre (7 mile) road. Approximately 6,000 people were relocated in these villages. (The road was later extended over the mountains to the Ban Done Valley.)

In general, the Hin Heup project was a success among the refugees themselves. A chicken co-op was organized with Agriculture Development Organization (ADO) support. Several farmers were involved in raising and reselling chickens primarily to markets in the northern Vientiane Plain areas and areas north of the Nam Ngum Dam. Unfortunately the Lao government withdrew the duty-free status of imported chicken feed which pushed the price of feed so high that these small entrepreneurs could no longer afford to raise chickens profitably. Entreaties to the Lao government to reinstate chicken feed on the import list were to no avail.

Long Nam Khan

As outlined in the historical narrative above, over 40,000 refugees were crowded in and around Luang Prabang by 1971. Although there were many who could, and eventually did, return to homes along the Mekong, there were several thousand refugees from northern Luang Prabang province who could not return. These people were primarily ethnic Lao Thung who were finding life very difficult around the city. To alleviate the problems of this group, a project was drawn up in late 1971 reserving 86,000 acres of land for a relocation project in the Long Nam Khan between Xieng Ngeun and Muong Nane. Plans were made to build a road between these two villages with the refugees to be settled along the road. Work was delayed for several months due to poor security in the area, but a rough trace was pushed through by May 1972.

This project, on the whole, was successful. Some problems were encountered regarding land reserved for veterans which was within the refugee reserve. The most important offshoot of this relocation site was the 25 mile road which linked Xieng Ngeun and Muong Nane. This all-weather road gave Sayaboury province direct access to the urban market

area of Luang Prabang City, thus eliminating the necessity to barge commodities up or down the Mekong.

Phu Ba Chiang

In August 1971 sites were under review for relocation areas in the Pakse area. Phone Thong on the west of the Mekong in Champasak Province was considered and surveys were made. However in October 1971, a decision was reached to locate a relocation project in a forest preserve at the foot of Phu Ba Chiang (Mountain). Soil surveys showed this land to be extremely fertile.

Work began on village sites, road construction and dams for water storage. In January 1972 work was temporarily suspended as Vietnamese troops pushed near Pakse. Two months later work resumed. Security remained uncertain during the year. Many refugees fled the relocation site for areas along the road into Pakse. By the time of the ceasefire everyone had returned.

Thakhek-Khammouane Province

The relocation efforts in this Province were directed towards assisting several thousand civilians who fled following the attack on Nam Thorne (LS 141A) on 28 October 1972. This relocation effort was never a coordinated project like the others. There was no attempt to put in roads, dams, and other infrastructure. The villages could be considered only semi-permanent due to poor soil at their locations. The number of people at any given time was very fluid as many refugees saw definite advantages to moving to the relocation sites in Borikhane Province or to Pak Sap, designated a formal relocation site within the Vientiane Plain project. Many of these refugees had originally been relocated from the Kamkheut area in the early 1960's and relocated along Route 13. Other than minimal assistance, primarily relief, there were few formal relocation programs in the area.

Houie Nam Ngam

The Houie Nam Ngam project, officially designated a relocation project in early 1974, was set up to handle the large influx of refugees generated during the enemy push on Houa Khong Province in late 1972 and 1973. This relocation site was just getting under way with roads and agricultural experiments being the primary projects.

Ban Xon: LS 272

This area was never an official relocation site although several extensive projects were undertaken.

In general the entire relocation effort never was successful in the same sense that the relief effort was. It must be pointed out that the relief project had primarily short-term, immediate objectives based on clear-cut criteria. The relocation effort was an open-ended attempt to relocate selected groups of refugees in specific localities, with the specific objective of becoming self-sufficient. The major problems were that most available soil was not good and that there was no way to determine how long the people might have to remain in these relocation villages before they could return to their original villages. Moreover the Mission was not consistent in determining when a relocation project was self-sufficient and no longer needed food support. No attempt was made to integrate relocation projects into overall area development or rural self-help projects, partly because refugee assistance qualified for available funds more readily than did development aid.

It was also often difficult to accurately judge what should be short-term versus long-term objectives. The "outer trappings" such as permanent concrete or wooden schools, dispensaries, roads, and dams were long-range undertakings, some essential, others not. However, the Mission was reluctant to engage in long-term agricultural endeavors with the refugees. During 1974 criteria for relocation stages were developed as follows:

Relocation Stages

I. Resettlement
II. Development of Core Infrastructure
III. Development of Economic, Social, Political Infrastructure
IV. Self-sufficiency
V. Phase Out

In December 1974 the Mission had classified the relocation sites as follows:

Houie Nam Phak	Phase out
Paksane	Phase out
Vientiane Plain	Phase out
Seno	Phase out
Thasano	Phase out
Long Nam Khan Valley	Phase out
Phu Ba Chiang	Phase out December 1974
Thakhek	Phase out
Houie Nam Ngam	Phase out

The Role of the UNHCR

The terminal phase of direct A.I.D. operational involvement in the refugee program began with the arrival of the representative of the United Nations High Commission for Refugees (UNHCR) in Laos in mid-1974. Prior to his arrival direct A.I.D. operational control of the refugee program by the A.I.D. was being questioned by the Provisional Government of National Union. By late 1974 the UNHCR representative was closely involved with the PGNU in conducting surveys for the eventual return of the refugees to their original villages. During this period in late 1974 much advice was discreetly passed on to the UNHCR representative by the Mission regarding the operational aspects of supporting and moving refugees as well as cost accounting procedures for the leasing of Royal Air Lao aircraft.

During this time A.I.D. was still providing certain foodstuffs and commodities to the refugees. Unfortunately, the distribution of refugee commodities became a political issue as donations from other countries had to be divided between the two political zones. One example was that neither side wanted to assist refugees returning home from the Vientiane side to the PL side. The PL claimed that their share of the goods was for people within their zone. The Vientiane side believed that if they helped the returning refugees then all the commodities would end up in the PL zone.

The U.S. Ambassador was concerned about any U.S. refugee commodities going into the PL zone for fear that they would be misused. Since the Mission did not have rights of inspection, an agreement was made whereby the UNHCR would verify that the U.S.-furnished commodities were being used properly.

In late 1974 Joint Mobile Teams (JMT) under the jurisdiction of the Joint Central Committee for the Implementation of the Agreement (JCCIA) began to canvass refugees in various parts of the Kingdom about their intentions to return home. Refugees returning to their original homes numbered 3,580 during December, 16,352 in January, 18,391 in February and 19,938 in March. The most dramatic move was the return of 21,340 refugees airlifted from Vientiane to the Plain of Jars area. Three hundred forty-two flights were made, primarily by the Royal Lao Air Force (RLAF) and leased Royal Air Lao (RAL) planes, with assistance of planes supplied by the governments of Australia and the Soviet Union. The UNHCR provided the funds, which included a U.S. contribution, for the leasing of aircraft and for the cost of POL for the RLAF planes. There was no direct U.S. involvement in the movement of these people. In other areas of Laos, there was some isolated U.S. assistance in helping refugees return to their homes. But for the most part the JMT and JCCIA coordinated their program with local officials.

Perhaps the most dramatic refugee policy decision issued by the U.S. Mission in 1974 was the A.I.D. Food Support Policy of November 21. This policy eliminated rice, except in certain specific cases, from the U.S. food assistance program in Laos as a result of increasing rice crops and widespread self-sufficiency among various refugee groups by that time. In fact in some areas, this rice policy may have been long overdue. However, it came at a time when the communist faction in the PGNU was beginning to flex its muscles and provided potential ammunition for the LPF to use against both the A.I.D. Mission and the Department of Social Welfare.

General Conclusions

In the short-term, the overall refugee program was a success in providing the support and the means necessary to sustain a large refugee population in a small country whose own resources were woefully inadequate to handle the problem. In the long-term the program failed to consider how the Lao Government would or could continue a large Department of Social Welfare once large-scale U.S. aid was curtailed. During FY 1975 the D of SW was essentially the only Lao Government department to continue to receive POL supplies and monetary supplements to its budget from A.I.D. Just prior to Mission termination, vehicles were still being granted to the D of SW. It was becoming more clear during 1975, however, that as refugees returned to Pathet Lao zones the need for a large Department was diminishing. Other elements of U.S. aid to refugees outside the immediate purview of the Social Welfare Department, were the expanded medical and educational systems which the Lao Government was hard pressed to maintain.

The D of SW had a rather extensive staff with offices and personnel in all the provinces controlled by the Vientiane side. During the period when the war was at its height nearly all operational decisions were implemented directly by A.I.D., either through Americans or local employees. There was a justifiable argument for this in that the Lao decision-making process was so cumbersome that direct implementation was necessary to get programs going. This was an effective means of operation. There can be no denying the fact that the refugee program was almost completely free of scandal and corruption, simply because the USAID controlled nearly all commodities from the time they entered Lao customs until the final distribution to the refugees in their villages. While this provided a good image for A.I.D., it did little to improve or strengthen the D of SW or to strengthen the RLG or later the Vientiane side of the PGNU.

It can be argued that when the PGNU was formed in April 1974, more direct control of project commodities should have been extended immediately to the proper Lao officials. Plans could also have been made to slowly reduce the total amount of money and commodities going into the refugee program and to accelerate reductions in personnel. Even with a reduced program, direct control of project commodities by Lao officials could have strengthened their position with respect to charges by the Pathet Lao that the Americans controlled not only the program but also the types of projects that were implemented. Ultimately, however, it is unlikely that such steps could have affected the political transformation that took place in Laos.

DEVELOPMENT OF RURAL ECONOMY

Background

Historically the Development of Rural Economy (DRE) Project was designed to fulfill the planning and execution of all construction activities, including both drilled and dug wells, sponsored under the auspices of A.I.D. in the rural areas. The construction was intended to serve as a vehicle to train villagers and village leaders in community development techniques as well as provide the physical assets needed to provide a base for economic and social development. Training courses, demonstrations, observation tours and information programs were also designed to develop government and community leaders.

Initially, the key word used in A.I.D.-sponsored rural development work was "counterinsurgency" which was considered to be an effort to "win the hearts and mind" of the rural people to the side of the RLG by helping them to develop social and economic infrastructure and to improve their lives. Work was concentrated in rural villages and it was only at a later date that work was done in key provincial towns--in fact, work did not truly begin in urban centers until 1969 and this was the result of a worsening security situation more than a recognition of the political and economic importance of Lao cities.

Over the years the direction of rural development in Laos has evolved through several distinct phases. During the early and mid-1950's rural development, under the sponsorship of several U.S. agencies, emphasized improvements in the rural population's standard of living as a means of obtaining villager support for their government. In 1959 rural development became more action oriented with the introduction of a six-man civic action team concept as a counter to similar teams employed by the Communists in northern Laos. This approach led in 1962 to the introduction of self-help projects by A.I.D. as a means to accelerate the rate of social and economic change by developing the necessary social and economic infrastructure in the rural countryside. Actually, substantial A.I.D. involvement in rural development began in 1958 with the initiation of the DRE Project. The RLG Commission for Rural Affairs (CRA) was set up in the same year to coordinate rural activities throughout the country. The Rural Self Help (RSH) subproject was begun in FY 1962 and in 1964 a second subproject was added, entitled Support for the CRA. This subproject was designed to give administrative support and guidance to the CRA, and to aid in the creation of an RLG provincial, village-based corps of rural development personnel. These two subprojects were combined into the existing RSH subproject in FY 1970. The three

remaining subprojects under the DRE Project in 1975 were: Rural Self Help (RSH), Rural Public Works (RPW), and Well Drilling (WD).

The A.I.D. rural development program emphasized the "Cluster Village" concept (introduced in late 1963), "Forward Area" teams (introduced in 1965), and self-help activities as the primary vehicle for promoting social and economic change.

The RSH subproject began in force with the "village cluster" concept in 1963. These "clusters" consisted of centralized groupings of villages selected for a concentrated development effort. The first clusters included Lakhonepheng, Muong Phieng, Xieng Ngeun, Phone Hong, Muong Gao (Borikhane), Kengkok and Ban Houei Kong. Additional clusters later added were: Vang Vieng, Ban Keun, Ban Lao, Dong Hene, Lahanam, and Champassak. Community Development Area Advisors (CDAA's) and contract personnel of International Voluntary Services (IVSers) were stationed in each cluster to work with RLG officials in the planning and implementation of coordinated programs for the entire area.

The Forward Area concept was instituted as a parallel program when it was realized that the cluster program reached only main lowland centers but that more isolated areas and those closer to battle fronts were largely untouched by development. To meet this need, Forward Area teams carried out a limited "impact" type of development program. Such areas included Xieng Lom, Hong Sa, Nam Bac, Muong Phalane, Lao Ngam and others.

Although A.I.D. activities have continued in many of these areas when security has permitted, the original clusters are no longer distinguishable as separate entities within the overall development program. U.S. personnel were eventually withdrawn from forward areas for security reasons.

The attitude toward self-help in Laos changed from the time when villagers were expected to provide all the inputs that they possibly could, to the more recent period when they were expected to provide only the more readily available inputs within a reasonable time frame. For example, it took villagers so long to saw lumber by hand under the older philosophy that they frequently lost interest in the activity before its completion. Later, however, they either bought the lumber or A.I.D. provided it and the villagers provided other inputs, resulting in more timely construction.

In the early years, program planning and initiative for activities under the RSH subproject were the responsibility of the CDAA's

assigned to the Rural Development Division. The implementation of these activities then became a joint responsibility with the CDAA's assuming the responsibility for the organization of villagers and labor inputs and for the control of commodities while the RPW subproject was responsible for technical support such as the provision of skilled construction technicians and necessary construction equipment.

Well Drilling, the third subproject under the DRE project, was originally established with the Commission of Rural Affairs as the RLG office responsible for its activities. Commodity and operations control was decentralized to eight geographical areas each with its own jeep-driven well drilling rig and team. Supervision and maintenance were poor and output was low. In 1968 the Ministry of Public Works assumed the RLG responsibility for the Well Drilling subproject and A.I.D. Public Works Division (PWD) well drilling advisors in the field assumed commodity and technical operations control at the local level.

PWD reduced the number of drilling teams, provided better and more sophisticated equipment, and maintained overall commodity and operations control from Vientiane. CDAA's were responsible for planning acitivties at the local level and acted as activity managers for implementation of the individually approved well drilling activity plans. Subsequently, activity planning was assumed by Province Development Committees in some geographic areas but the CDAA remained responsible for management and the RPW Area Engineer for commodity and technical operations control. In most provinces Lao participation in planning, let alone Lao control, began only very recently.

The Well Drilling Project Appraisal Reports (PAR's) indicate that an attempt was made in 1968-69 to interest private entrepreneurs in well drilling in order to assist private parties to make a commercial enterprise of well drilling. This attempt was not successful and no further efforts along this line were made at that time. It was then hoped that third country participant training and further incountry training would allow the RLG to assume management of well drilling by FY 1973, but this goal was not reached. The technical training was fairly successful but progress was much slower in the area of training middle management.

Thus, although initiated as a consolidated DRE Project, the two main elements involved (RPW and RSH) evolved in 1962 as subprojects under two separate divisions. The RPW assumed responsibility for the physical construction of all Self-Help and Force Account activities sponsored by RSH and by other projects, as well as force account

activities fostered for security-related reasons separate from the rural development program. Since RPW was responsible for the physical construction activities of all operational divisions within the Mission (Public Health, Agriculture, etc.), it was, as stated in RPW PAR's, acting as a construction agency for all operational divisions of A.I.D. The RPW relationship to the RSH subproject was no more specially connected by reason of similar goals than was its relationship to other projects, except that both related to all A.I.D. field work in their own special ways, with the RPW servicing all field construction to varying degrees and RSH often providing field management for activities funded by other projects. This latter function of RSH was one that developed through the personal direction of the Assistant Director for Field Operations (AD/FO) and the press of daily business. It was not reflected in any project agreements.

Field Organization

The basic structure of the field organization of RPW underwent very few, if any, changes from its inception. An Area Engineer was assigned to each field post and was responsible for the technical aspects of all construction activities, supervising a contingent of locally-hired personnel such as carpenters, masons, mechanics, heavy-equipment operators, etc. He was responsible for technical advice in the initial planning of projects and in their final implementation. He served in the capacity of engineering consultant and construction supervisor at the same time.

The field organization of the Well Drilling Project underwent one minor change after 1970. That was in the reduction of field-level American well-drilling supervisors. The general supervision of the well-drilling supervisors, who were employees of the RLG, was assumed jointly by the CDAA's and the Area Engineers (the CDAA was responsible for the day-by-day direction and the Area Engineer was responsible for their material and technical backstopping). The normal responsibility of RLG Public Works at the field level consisted of recording the sites that had already been drilled and in receiving the token payment of 36,000 Kip per well which the villagers were obligated to pay.

The A.I.D. field organization of the Rural Self-Help subproject underwent several changes over the years. Under the original Rural Development Division (RDD) the CDAA's were considered primarily as professional community development technicians concentrating their endeavors on activities related to that field. In practice, however, the CDAA's initiated, implemented and advised on activities related to all of the other technical divisions within their geographical

area of responsibility. Their specific field activities were under the direct supervision of their Area Coordinator (AC) although they received their technical program guidance from RDD.

In 1970 the Rural Development Division was abolished and two new offices created. The refugee functions of RDD were transferred to the Office of the Assistant Director for Refugee Affairs (AD/RA) and the Office of the Assistant Director for Field Operations (AD/FO) absorbed the remaining functions within its new and expanded responsibilities of overall coordination of field operations. The Community Development Staff (CDS) was created as an internal section of the Office of the AD/FO and given backstop responsibilities for what little remained of traditional and professional community development activities. At least 40 percent of the CDAA's time was directed toward refugee activities alone and some of the remaining 60 percent was spent coordinating and directing the work of technical divisions in the field. In practice, although the CDAA's were members of the Community Development Staff, they reported directly to the Area Coordinator and the Area Coordinators directly to the AD/FO. The CDAA's functioned as unofficial assistant AC's coordinating the operational efforts of A.I.D. field activities within their geographic area.

In reality the term Community Development Advisor was a misnomer and the CDAA's were program operations officers. The emphasis of the RSH subproject was on the immediate provision of physical infrastructure facilities, and the academic discipline underlying community development theory played only a very minor role in the RSH operations.

Counterpart Relationships

The counterpart relationships of the various A.I.D. elements comprising the DRE project varied according to changes in the security situation and field organization. In some instances they were quite limited.

Most of the construction undertaken by the RPW subproject was contracted. Because most RPW construction was sponsored by other A.I.D. projects which were counterparted to various RLG agencies, a RPW counterpart relationship was considered redundant. There were no regular counterpart relationships between the RPW subproject and the RLG Ministry of Public Works. However, on the national level PWD was counterparted to the Ministry of Public Works and after 1972 RPW was concerned with improving RLG construction bidding and inspection capabilities.

The working relationships of the RSH subproject with RLG counterparts was one of expediency. The changing war situation prompted the A.I.D.

Mission to personally control urgently needed developments in communications, resettlement and basic government services. Thus, there was no concerted effort applied towards the establishment of functioning counterpart relationships. This resulted in a situation where the field level personnel of A.I.D. counterparted themselves informally with the Provincial and District administrators (Chao Khouangs and Chao Muongs) who belonged to the Ministry of Interior while the Vientiane staff counterparted themselves with the Ministry of Rural Affairs.

Some of the counterpart relationships which existed simply consisted of obtaining the approval of the local administrators to proceed with activities which were planned, managed and implemented by A.I.D. American and Lao employees. Until 1970 no large effort had been made to train the responsible RLG officials at the local level in the techniques of program planning and management.

The Commission for Rural Affairs (CRA) under the Ministry of Rural Affairs was the formal counterpart in the RLG at the Vientiane level for the RSH subproject. However, until 1972, this relationship consisted of less than full time advisory assistance between the two agencies and some material support to the CRA. At the field level, the CRA officials who were responsible for the RLG self-help program conducted their own program with inadequate facilities and commodities.

CDAA's had informal counterpart relationships with whatever local official they deemed necessary in order to get the job done. In some instances the relationship was only to obtain RLG approval signatures on A.I.D.-planned, sponsored and managed activity plans. In other instances, the relationship included participation in planning and providing some resources, and in a few cases, it involved actual participation in the management of the activity. The officials thus informally counterparted could be district chiefs, province officials, or in some cases, field-level CRA workers.

The CRA was created in November 1958 as an operational arm of the Council of the Cabinet in the Prime Minister's Office and was incorporated into the Ministry of Rural Affairs upon creation of the Ministry in 1961. Its creation was mainly at the instigation of the U.S. Mission and for many years it was considered as an American institution by many Lao officials. Originally, the village level workers of the CRA were only afforded the status of daily-hire employees and their very small salary was augumented by A.I.D. per diem payments. This coupled with the control which CDAA's exercised over their work

re-enforced the notion of an American agency. In 1969 the village level workers were elevated to the status of civil servants. A.I.D. per diem payments were discontinued and higher officials were assigned at the provincial level to assume operational control. With these actions, the image of the CRA changed and it gained acceptance as a legitimate arm of the RLG although it never gained prestige as an important agency.

The Mission provided much material support for the construction of RSH activities while the RLG was not able to provide the CRA with a large program budget. Hence the CRA officials at the provincial level received nominal support from RLG resources and were dependent upon A.I.D. for the major portion of their material inputs. Without this external support the CRA would have been able to implement only a token program.

In most instances, CDAA's did not work through provincial level officials for a variety of reasons, one being the felt need "to get the physical job done", and work was done with the knowledge of, and in a few cases through, local officials below the province level. Since A.I.D. in Vientiane worked with Ministries, except for the Ministry of Interior, the important area of middle management at province level was not counterparted in the field of development planning and management. However, after 1971, more emphasis was placed upon the Provincial Development Councils (the Provincial Governor and all of the Provincial Service Chiefs). The general plans for the season's development work were channeled through this council for approval. The result of this was that by the time of the cease-fire there had not been developed, within the RLG, in either the local level of the Ministry of Interior or the CRA, a competency in planning and program management for the continuation of this type of work.

Final Two Years

The last two years of the project, 1973-1975 were very frustrating times for both Lao Government and A.I.D. officials involved in the day-to-day routine of that nebulous concept, rural development. The CRA was marked by continued apathy in the higher levels of the Lao Government, culminating in April 1974 with the loss of ministerial rank of the Ministry of Rural Affairs. The Ministry became an uncertain appendage to the Ministry of Interior and Local Affairs under the Director General of the Ministry of Social Affairs. The Secretary of State for Rural Affairs was appointed Ambassador to India and the Commissioner for Rural Affairs, who ran the daily CRA operations, was appointed to the National Political Council.

These events coupled with subsequent A.I.D. actions outlined below left the CRA (Department of Rural Affairs--DRA--as some Americans preferred) very demoralized.

It was becoming increasingly clear that A.I.D. interest and support for rural development, not related to refugees, was waning rapidly. Following the cease-fire, there had been no real change in direction of the project. In 1974 the same typesof local activities were being undertaken, albeit on a much reduced geographical scale, as were undertaken in 1964. There were no new and well-defined project goals. As a result, there was no solid justification for the continued existence as a rural development project per se. As stated above, during the 1960's the A.I.D. overshadowed the RLG, and CRA in particular, in conducting the rural development program. In 1969 the CRA received its own budget within the RLG and thus received funds to conduct its own rural programs without massive A.I.D. domination. Unfortunately the quality of A.I.D.-assisted projects was far superior to the CRA projects that were conceived with much less money, material and expertise. During the early 1970's efforts were made by the Mission to initiate joint rural projects in conjunction with the local CRA. Each of the individual elements involved--A.I.D., the CRA and local villagers--would agree to provide a specific amount or kind of materials and/or labor. This would allow the CRA to participate actively in a wider range of projects despite its meager budget.

The projects that were implemented were usually recommended by a Provincial Committee chaired by the governor and attended by all the provincial service chiefs, district officials (Chao Muong) and other local officials. Much ground work preceded the meetings because for each project presented at the meeting, the village presenting the request had to agree to provide labor, lumber and other local material. By February 1974 this was the prevailing modus operandi for all projects and also included CRA approval at the Vientiane level. During the Mission's Dry Season Approval Conference held prior to the Dry Season construction period, the programs of all Area Coordinators and project managers were reviewed and approved or disapproved.

It should also be pointed out that the support role that A.I.D played on the village level was such that even a slight change in Mission operational procedures could have great impact on implementation of self-help activities. Any significant delays in Mission implementation of a proposed activity could cause significant delay in a project for which all the local labor and other self-help resources had already been mobilized.

In this way, a Lao planning process could be thwarted due to the internal A.I.D. procedures. The delays in the approval process meant that except for those projects where village interest waned, they were carried over to the 1974-75 (December-May) dry season.

In late 1974, the Mission decided not to approve any new projects except on a case-by-case basis. It should be pointed out that the CRA was an uncertain element within the PGNU. With the formation of the PGNU the Ministry of Rural Affairs had been absorbed into the Ministry of Interior. Political maneuvering within the Ministry delayed the naming of a Deputy for Rural Affairs under the Director General of Social Welfare. Pathet Lao elements in the PGNU had quietly said that they considered rural development or rural affairs to be within their political sphere and not that of the Vientiane side.

During the early months of 1975 there were several discussions within the PGNU regarding the future role of CRA or a successor department. There were two dominant themes regarding rural development and A.I.D. participation. One, the Pathet Lao professed to welcome continued U.S. assistance in the rural areas of Laos. However, the PGNU did not want direct U.S. personnel involved in development activities in the countryside. The PL contention was that Americans in the field were there to "spy" on Lao villagers. Friendly government officials stressed that the Lao administrators must be given more authority to manage and implement certain programs in order to counter accusations by the PL that the U.S. dictated to the Lao Government what should be done.

Another event, the increase in the UNICEF program for Laos, also affected the Mission's decision to curtail its rural activities. While significant in itself that another donor was interested in assisting the rural segment of Laos, there were several weaknesses in the UNICEF program. Nevertheless, the Mission agreed to assist in transportation of UNICEF commodities in early 1975 although there was no participation in program implementation.

UNICEF was the only other donor outside of A.I.D. directly involved in local rural development. The Thai government normally gave roofing sheets each year to the Prime Minister, a portion of which were allotted to CRA for rural construction. Other than that there was no real direct input into rural activities. The RLG and later the PGNU never made a serious attempt to solicit direct aid to the CRA even when foreign donors were seeking to identify rural development projects.

In addition to their identity problems within the Lao Government, the CRA was never able effectively to utilize trained personnel

within their own organization. Approximately half of their 160 employees had had training, primarily in Thailand. Several staff members had advanced training in Japan, the Philippines, France and Australia. However the basic planning and management techniques needed to conduct any program were completely missing.

For FY 1976 a draft Project Paper (PP) had been prepared in the Mission which would have changed the entire RSH project. Direct U.S. involvement in implementing projects would have been eliminated to the extent possible. Emphasis would have been more on training CRA personnel to acquire the managerial skills needed to plan, implement and manage any rural self-help project. A small group of CRA workers (4-5) would have been given training, probably in Thailand, in managerial procedures, this cadre would then be utilized to instruct their colleagues within the CRA.

In addition, monetary support would have gone to the CRA to conduct seminars for 150 local leaders per province on how to initiate requests to the Provincial government for local projects and how to manage them effectively. These courses would have taken perhaps a Chao Muong or a Tasseng with several leaders from different villages under his jurisdiction and put them together in the same course. This vertical leadership approach, rather than a horizontal "peer" approach where all Naibans were trained in one group and all Tassengs trained in another, seemed more in keeping with the purpose of the seminars, i.e., to show local leadership how to get things accomplished through the system.

Although there would have been monies granted to the CRA to implement small local construction projects, this would not have been a major feature of the proposed program. Moreover this proposal would have eleminated all American personnel from the RSH project. Whether or not this new approach would have been successful under a coalition government is now academic.

III. MILITARY REGIONS - FIELD OPERATIONS

A.I.D. MISSION FIELD OPERATIONS

To facilitate administration of its highly operational program, the A.I.D. Mission maintained major area offices headed by Area Coordinators in each of the five Military Regions of Laos. Activities, as well as administrative problems connected with the program, varied from region to region, particularly as they related to the volume of refugee assistance required, ease of communication and transport, and existing resource endowment and development.

The following sections describing activities in each of the Regions (including only a part of Region I) are intended to provide a brief historical survey of the assistance program in each of these regions that will illustrate some of the differences among areas with respect to program activities and problems.

MILITARY REGION I: HOUA KHONG

Economic and military assistance to Houa Khong Province (then known as Nam Tha Procince) began in 1957. The period from 1957-1960 was generally characterized by military advisory assistance at Luang Nam Tha, the provincial capital. A few small civic action community development programs were concentrated in Nam Tha itself with no assistance extending beyond that at Nam Tha Village. The multi-ethnic population prior to 1960 was concentrated at Muong Sing, Nam Tha and areas located along the Nam Tha River. Ban Houei Sai had a population of less than 700 persons.

The modern Laotian conflict that engulfed the entire country for 13 years began in 1960 when hostilities broke out between pro-communist elements -- Neo Lao Hak Xat (NLHX) or Lao Patriotic Front (LPF) -- and non-communist elements in areas along the Nam Tha River. These hostilities led to the military take-over of the Provincial capital, Luang Nam Tha, in February of 1962, by the NLHX. Non-communist (loyalist) troops and American military advisors were forced to flee to the Ban Houei Sai garrison and across the Mekong to Thailand.

As a result of the Geneva Accords of July 1962, and the subsequent formation of a new Coalition Government, Houa Khong Province was divided, with nearly three quarters of the geographical area under NLHX administration and one quarter under Royal Lao Government (RLG) control. Significant numbers of refugees from NLHX areas fled to the RLG areas and emergency relief was needed to care for the continuous, influx of refugees from the NLHX areas as the NLHX administration tightened its control and consolidated its power. From 1962-1964, A.I.D. efforts were directed largely towards providing emergency relief to refugees with only a few minor community development projects.

In 1964, the Coalition Government collapsed and hostilities resumed on all fronts. The RLG offensive in Houa Khong Province resulted in recapture of considerable territory and nearly three quarters of the Province passed to RLG control.

The 1964-1968 period was characterized by two significant developments: a realization that economic and development assistance had to be extended and increased to the isolated mountainous hilltribe areas for political reasons, and a significant RLG mobilization of conscriptable age males was initiated to defend the new perimeter. The result of the latter action altered radically the available labor force and had a great impact on economic production and family self-sufficiency.

During this period, A.I.D. economic and development assistance was increased substantially. It included community development activities, construction of schools, training of teachers, well drilling, small irrigation projects and dams. Hostilities were insignificant during the four-year period except for a major offensive in 1966 when communist forces captured areas from Ban Hou Kha to Tha Fa along Route 3. In 1968 the two towns were retaken by the RLG which pushed FAR troops into Luang Nam Tha for a two-day occupation.

The inability of the RLG to hold Nam Tha and the subsequent withdrawal to positions surrounding Nam Tha precipitated the flight of thousands of persons from the area. This massive influx of an estimated 18,000 persons to the vicinity of Ban Nam Yu and along the Mekong particularly at Ban Dan once again required A.I.D. emergency refugee relief programs. Once settled in the Nam Yu and Mekong areas, programs of permanent community development were planned and implemented including permanent school construction, drilled wells, dug wells, construction of dispensaries, markets, and roads, and some irrigation projects. Considerable efforts to upgrade and develop the human resources was made; Naiban-Tasseng training, creation of Village Development Committees, farmer training, medics and nurses training, and the CREC (Community Rural Education Centers) program in teacher training designed to improve the qualifications of uncertified teachers. These broad-gauged development activities in human and natural resources began in 1968 and continued at increasing levels, emphasizing the self-help concept, until the 1973 cease-fire.

Beginning in the fall of 1973, when communist elements began a general offensive to acquire as much territory as possible before the cease-fire, A.I.D. operations were once again concerned primarily with refugee relief operations. A steady influx of refugees ultimately brought 21,000 new persons into those areas controlled by the RLG on the day of the ceasefire. A.I.D. was also emphasizing a joint narcotics program which may have come at an unfortuante period given the political and military realities at the time.

The rationale of USG assistance to the area of Houa Khong Province during the period is probably best explained by: its geographical location in an isolated border area, the sizable Military Assistance Program, the war-generated refugees, and anti-narcotics effort. Given the demographic make-up with over 15 major groups of ethnic minority hill tribes of the area (only

7% were ethnic Lao), the tremendous factionalization, lack of common leadership and national purpose, and the extremely meager communication/transportation/development resources at hand, any assistance program had formidable obstacles. A.I.D. field personnel recognized these constraints and for the most part attempted to formulate a multi-disciplined assistance program which would encompass all of the ethnic minorities at a "grass roots" level. Middle echelon civil servants, particularly village leaders and village council representatives appeared to make excellent use of the U.S. resources which were channeled to that level. Unfortunately a leadership vacuum existed at the top and the Government was unable or not willing to make personnel changes which would rectify the problem.

MILITARY REGION II.

The Region II program was the most unique in Laos inasmuch as it was overwhelmingly devoted to movement and support of Meo refugee groups. The region is composed of Xieng Khouang and Houa Phan Provinces, is located in the northeast sector of Laos and in the same general direction from the administrative capital, Vientiane. The region is totally bordered on the east and north by the Democratic Republic of Vietnam, to the west by MR I and to the south by MR's V and III. The area is extremely mountainous and has elevations from approximately 600 feet above sea level to 9,400 feet above sea level. Within the mountains are small plateaus and plains of which the Plain of Jars is the largest. The area is drained by four rivers - the Nam Ngum and the Nam Nhiep which flow into the Mekong and the Song Chu and Song Ma which flow through North Vietnam and empty into the Gulf of Tonkin.

The peoples of this region consist of many tribal and linquistic minorities. The largest groups are primarily the Xieng Khouang Lao, Meo, and the Lao Thung. Other minorities include the Kha, Black Thai, Yao and the Khmer. Even though the groups live within the same geographical area, they live separated mostly by elevation. The Lao live mostly in the plain and plateau areas where paddy rice cultivation is possible. The Lao Thung live in the middle areas on mountain sides between the elevations of 1,500 feet to 3,000 feet. The Meo or H'moung, live in the high altitude areas mostly above 3,000 feet where they are not bothered by malarial mosquitoes.

The Lao Thung have traditionally used the slash and burn method in growing rice, but as the availability of forested areas decreased, they increasingly converted to the paddy method of rice culture in the valleys and along streams. The Meo are exclusively slash and burn farmers. Along with rice cultivation most of the people also plant small gardens which produce only enough for local consumption. The Meo also produce opium for their own use and as a cash crop.

U.S. Policy and Activities (Pre-Cease-fire)

Active U.S. participation in refugee affairs began in early 1960 in response to military activity in Northern Laos. Irregular military units were formed in Houa Phan and Xieng Khouang Provinces, primarily among minority ethnic groups such as the various Lao Thung groups and the Meo. These groups operated initially in remote villages that were usually deeper in contested mountain areas than the RLG Army units (FAR) and were organized around villages or groups of villages rather than into

a formal military structure. As a result, smaller isolated villages were vulnerable to prolonged communist thrusts and, in fact, one hill top was often evacuated in favor of another for strategic reasons. This meant that entire villages were moved rather than abondoned to the mercy of their adversaries. Thus deprived of their old villages and fields, the tribal refugees required immediate external support. It was in this context that the A.I.D. refugee program was developed. Because most of the moves involved entire villages, it was easier to relocate refugees in temporary villages in areas of relative safety. Village infrastructure and leadership was maintained, and dispensaries and schools were established even in the most precarious locations. Villagers led as "normal" a life as possible under war time conditions. In the MR II area small STOL airstrips were built by the villagers in each refugee location permitting A.I.D. and the RLG officials to make regular visits. Medicine, PL 480, salad oil, cornmeal, salt, school supplies, etc. were delivered by small aircraft. Rice was dropped by C-46 cargo planes.

By 1963 much of the population of eastern Xieng Khouang Province had been forced south and west. This resulted in a vastly overpopulated Long Tieng, Ban Xon, Moung Cha cresent. North of the Plain of Jars, civilians were also trickling into irregular RLG enclaves. As a result of political events and military action in 1964 the Plain and adjacent towns came completely under Pathet Lao and dissident neutralist control. The loss of the strategic Plain gave North Vietnam a central logistical base from which it could operate in any direction and was to affect refugee moves and hinder resupply efforts in the North up until 1969 when the Government army retook the Plain for a brief period.

In Houa Phan, sustained North Vietnamese attacks in March 1968 virtually eliminated RLG presence there. Lao counter attacks in late 1968 were briefly successful but as they ultimately failed, two large evacuations were made to the Sam Thong and Long Tieng areas involving about 20,000 people.

In June 1969 the neutralist enclave of Muong Souie fell and 5-6,000 civilians were airlifted or walked to Vang Vieng. Prior to that the RLG forces had taken Xieng Khouangville and 8,000 civilians were relocated in RLG territory. Some 15,000 persons from the Plain of Jars were airlifted in early 1970 to Vientiane and relocated on the Vientiane Plain on land set aside by the RLG for refugees. The Meo tribesmen and the Lao Thung groups who did not want to be resettled on the low lands made their way to the mountain area around Ban Xon in southwest MR II where they lived in temporary villages and farmed whatever land was available.

1970-1973 were not good years either for the RLG. The RLG/A.I.D. refugee center at Sam Thong was lost on March 20, 1970. Seven to eight thousand people fled south to the Vientiane Plain. Others moved into the densely packed "crescent" mentioned above bringing the population in that area to over 135,000 persons as compared to the estimated 15,000 in 1960. Continuous attacks against Long Tieng failed as did months of siege by Vietnamese troops against the enclave of Boum Lom north of the Plain of Jars. Five thousand civilians and 1,000 irregulars held out against overwhelming odds, sustained by air drops for virtually everything required to stay alive. The action in these two places did much to stiffen morale in the Region and some of the lost territory was regained in 1972.

Military Region II bore the brunt of the war for almost fifteen years. Nearly 80% of the refugee population in Laos originated in MR II, including the refugees on the Vientiane Plain. Almost the entire population of Houa Phan and Xieng Khouang Provinces was gradually forced south into the Long Tieng, Ban Xon, Moung Cha crescent.

The situation became acute after the fall of Sam Thong in March 1970. Sufficient food resources were not available without massive outside assistance. Forests were depleted as the refugees cleared land for gardens and upland rice fields. Villagers traditionally augmented their diet with forage from the forests, along with fish and game. These resources were soon depleted, however, leading to poorer nutritional conditions which increased the vulnerability of the population to endemic diseases. As a result of prolonged provision of food and diet supplements under the A.I.D. refugee project, however, at the time of the cease-fire there was very little malnutrition.

In 1970-71, the A.I.D. established MR II as a "High Priority" area for economic and support programs. Roads were being built through the mountains to open up remote refugee villages and to connect them to market areas. The school and dispensary programs continued at an even faster pace. In order to improve agriculture in the area, experiments with various types of crops were conducted, fruit trees were planted in several areas, and a fish hatchery and forestry station were constructed. With the increase in roads, it became possible to market crops from remote areas. Four "farm service centers" were constructed for the sale of seeds, fertilizer, rice, animal feed, and other farming and household needs. These

centers also bought and sold at controlled prices which greatly benefited agricultural production.

In summary, the pre-cease-fire period in MR II was a very difficult and traumatic one for the people of that area. Very little economic development could take place. The basic A.I.D. goal was the humanitarian one of easing to the extent possible the hardships of daily living for these people.

Post-Cease-fire MR II

With the signing of the cease-fire in Laos on February 21, 1973, the policies in MR II changed. Irregular forces were integrated into the FAR; refugee moves were not forced by hostilities; and the A.I.D. program could change from one of total concentration on emergency-type assistance for the people of the region.

As a matter of country team policy, MR II continued to receive "High Priority" within the country but the emphasis shifted to economic development with the goal of assisting the refugees to approach self-sufficiency. At the time of the cease-fire, there were approximately 135,000 refugees on the food support rolls. Most were located in the Long Tieng, Ban Xon, Moung Cha crescent area. The first priority was to find land that was cultivable and to disperse the refugees throughout the area. This task proved very difficult. First of all, communist military actions had left only one tenth of the original land area of the Region. Secondly, the land had never been surveyed to determine its production potential. To overcome the latter deficiency, aerial photography and interpretation were undertaken.

When the activity was completed in early 1974, several facts were evident. While many areas were underpopulated, many areas were heavily overpopulated. Much of the land could be paddy farmed if terracing and irrigation were available. There was enough land in the Vientiane side zone for all the refugees if new agricultural practices and new crops were introduced. Besides its usefulness in planning resettlement and new assistance activities, the aerial survey proved helpful in estimating the region's rice harvest, determining its population density and locating the population centers. The most important factor in the rice production survey was that it substantiated local surveys which showed the MR II area to be a producer of excess rice.

One of the first priorities in the post-cease-fire period was to complete a road network which would obviate the need for costly air transportation of construction materials, medicines, and

refugee relief commodities. To make the area accessible from Vientiane, an all weather road was completed from Houie Pamon on Route 13 to the A.I.D. depot at Ban Xon. This eliminated the necessity of flying all the A.I.D. commodities from Vientiane to the warehouse in Ban Xon. It also allowed the resupply of food for the refugees located in the valley south of Ban Xon to be delivered by truck. Thus cost savings resulted from fewer air drops and reduced loss of food commodities due to breakage.

The second section of all weather road was built from Ban Xon across the Nam Ngum river to Ban Nam Moh (LS 207). This again opened a densely populated area for easier access to markets for the people and to truck transportation of commodities for the refugees.

The third phase of all weather road construction connected the remaining high density population centers with Ban Xon and southward with Vientiane. Other small feeder roads were built during the construction of the main roads but in most cases they were only passable in the dry season. The roads were of great economic importance to the area. Once completed, local entrepreneurs initiated bus services to the main towns, affording villagers the means to transport their excess goods and livestock to market centers and further promoting a cash economy in the area.

Of prime importance to the area was the Xieng Khouang Development Cooperative (XKDC) - a private co-operative for the region approved by the PGNU. It was established in order to provide agriculture and household commodities within a price range accessible to the people; to act as a buying agent for all excess commodities within the region; and, through profits gained in its commercial enterprises, to provide public services needed in the area. A.I.D. provided advisory assistance to the various enterprises upon request from the co-operative.

The first purpose was met by the establishment of four "farm service centers" located at Long Tieng, Ban Xon, Moung Cha, and Nam Moh. These centers provided a wide variety of farm, and household supplies, including fertilizer, seeds, insecticide, rope, soap, dishes and cloth. The centers also purchased produce from farmers with excess supplies at a fair market price.

Cheap commodities were not the only concern of the XKDC. In order to develop a supply of inexpensive meat and protein two chicken farms were built, in the area, each of which was capable of producing an average of 5,000 birds for market every 8 weeks. These chickens were considerably less costly than those tranported from Vientiane.

Two pig farms were also planned. One was completed at Nam Ngua which produced approximately 300 pigs per year. Most of the pigs were sold to the villagers either for improved breeding purposes or for fattening purposes. As a result of this activity, the price for pork at the local markets was usually 25% cheaper than at Vientiane markets. In early 1975 a plan was drawn for a pig feeding farm at Nam Yen. construction was completed in the spring of 1975. It was programed for a total of 3,000 hogs per year. It should be mentioned here that both the chicken and pig projects along with the farm service centers were profit making ventures and that the profit was turned into the co-operative for developmental purposes.

Another activity of the organization was the Xieng Khouang Savings and Loan Cooperative. This financial enterprise received advisory assistance from CUNA, a contractor to A.I.D., and was responsible for issuing low interest development loans to the people. It also provided a safe place to deposit extra cash with a means of drawing interest on the deposits. The cooperative promised considerable success and at the time of the Pathet Lao take over in May, 1975, it had well over 300 members in the Long Tieng Valley. A cattle improvement project was also undertaken by the cooperative. During the war, most of the cattle and buffalo, which were used for draft purposes, were either killed for meat or killed in the heavy fighting. At the time of the cease-fire, it was noted that due to the lack of draft animals, much of the heavy farm work could not be accomplished. Two hundred fifty buffalo and 250 cattle were brought from the Vientiane Plain area to the MR II area. The cattle were ultimately distributed to disabled veterans and demobilized troops in areas where cattle were scarce. In addition, three Brahma bulls were purchased from Thailand to be used in an improvement breeding program. This program had just begun in the spring of 1975.

With the various animal production projects in the area, feed became a problem. Over 90% of the feed had to be imported. To reduce these costs by expanding local feed production the Cooperative purchased twenty tons of corn seed for distribution to farmers in the area in early 1975. The farmers did not have to pay for the seed or promise to sell back the crop to the XKDC. It was felt that this amount of seed would provide a plentiful supply of corn for local use and that the excess would be sold to the XKDC at a fair market price. By May of 1975, all the seed had been distributed and planted.

Advisory assistance was also provided in developing payment schemes for a new public utility and water system in the Long Tieng Valley during the spring of 1975.

As is evident from the foregoing, the principal A.I.D. input into the area both in the pre-and post-cease-fire periods was in the support of refugees. At the time of the cease-fire in February 1973 over 147,000 persons were on the refugee food support rolls. Support was given on a monthly basis at that time and usually contained all or part of the following: rice, noodles, salt, cornmeal, canned meat, bulgur wheat, corn-soya-milk, soya oil, and wheat-soya blend. With the exception of rice and canned meat, these foodstuffs were supplied through the PL 480, Title II Program. In most cases the PL 480 Title II foods were staggered over the months with only one item being issued per month. Rice purchased by A.I.D. was issued at a rate of 8 kilograms per month per person. In all cases each person received 15 kilograms per person per month. The most popular items with the refugees were rice, vegetable oil, salt and cornmeal. Whenever possible, relief commodities were delivered by road. All other deliveries of the relief commodities were by small aircraft, either to dirt air strips or by drops at drop zones. In areas of large concentrations of refugees, C-46 aircraft were used to drop the monthly supplies.

Another important aspect of the refugee program was the resettlement or the return to village program. This program was responsible for supplying the basic commodities to the refugees so that they could work and become self-sufficient in as short a time as possible. These commodities included clothing, bedding materials, cooking and eating utensils, hand tools which included axes, hoes, machetes, shovels and other tools, vegetable seeds and, of prime importance, rice seeds.

Families located in areas with high population density could be moved to sparsely populated areas. Once situated, the refugees would clear large tracts of land and cultivate rice. This program was a success. By harvest time in October 1974 every family that had planted rice harvested a sufficient amount for its needs for the ensuing year. Surveys were undertaken to establish the size of harvest. Three independent surveys were conducted which showed that the MR II area had rice surplus of approximately 15,000 tons. Even though small deficit areas existed, sufficient amounts could be purchased in nearby markets.

As a result, the PGNU and the Mission decided to eliminate rice support to refugees after November 1974. From that point on the responsibility for feeding refugees became that of the PGNU provincial social welfare office. Only those who could demonstrate a real need to the PGNU social welfare officials would be entitled to receive rations. This system worked very well and the only

problems encountered were with the war widows. Even they in most cases had been remarried and no longer required government support. When U.S. assistance was terminated in May-June of 1975, there were no refugees or widows on the refugee food support rolls.

A.I.D.'s post-cease-fire education program in MR II was also very successful. Education for the people of MR II was very difficult during the war years. With the constantly required moves of the refugees, elementary schools were established on a temporary basis. All of the secondary and the teacher training schools were moved to Vientiane. After the cease-fire, a more permanent education system was required. The first step was to reestablish in MR II the Sam Thong College (secondary school) which had been moved to Vientiane when Sam Thong fell. Permission was granted to use a former military training center at Moung Cha. With some financial assistance from A.I.D. this facility was repaired and put into use as a school.

Trained teachers were another problem. Since most of the students in the area were of an ethnic minority, a teacher training school for these people needed to be reestablished. An area with some buildings for classrooms was found near Nam Moh (LS 207). The facility was renovated, instructors assigned and by the first of the school year 1974 over 200 students were enrolled.

Elementary schools were more difficult. All the elementary schools up to the time of the cease-fire were temporary, i.e. constructed from bambo and plastic sheeting, with the exception of Long Tieng and a few villages in and around Ban Xon. After the cease-fire, it became important to construct more permanent buildings. With the help of the A.I.D. engineers, plans were drawn, commodity lists prepared, and carpenters hired. Activity plans were prepared to help fund the construction on a villager self-help basis. The A.I.D. Mission in all cases provided a sawmill to saw the logs felled by the villagers, cement, hardware, tin roofing and carpenter foreman. By November 1974 over 80 permanent classrooms had been constructed since the cease-fire.

By January 1975 it was decided that the local self-help input was not sufficient and that the construction of permanent schools was too slow and expensive. A new construction plan was drawn which was called a "kit" school. This new concept was both faster and less expensive, and it gave the villagers a basic structure to which they could add improvements as time went by. The kit included

tin roofing as well as footings, columns, and roof trusses, prefabricated at Ban Xon. The villagers were responsible for the siding, doors, windows, and flooring. Twenth-four classrooms were programed for the dry season of early 1975. At the time of the Pathet Lao take-over in May, all the footings and columns had been prefabed, the trusses were 50% complete and a total of six classrooms had been delivered to a new site at Moung Ohm (LS 22).

Text books and school supplies were also provided under the refugee programs and were distributed by the Primary School Inspector.

As stated before, properly trained teachers were very difficult to find. For this reason semi-trained teachers, who were called CREC teachers, were hired. These teachers were usually people with only three years of formal training in the elementary school. Because they had so little education, they were permitted to teach in grades 1 through 3 only. They could, however, qualify as regular teachers with Ministry of Education status through special A.I.D.-assisted summer training courses. During the war and immediately after the cease-fire MR II had over 190 of these CREC teachers. Because the Lao government had no means of paying them, the U.S. Government provided their salaries. Finally after lengthy negotiations the Lao Government in April 1975 accepted responsibility for their salaries and a total of 137 CREC teachers were placed on the PGNU rolls at that time.

The A.I.D. Health program in MR II was the largest of any Region in Laos. The center of the program was the 200 bed hospital at Ban Xon. This hospital was originally located in Sam Thong but military action in the area forced its evacuation. The hospital was jointly administered and staffed by Lao civilian and military as well as A.I.D. personnel. It was a complete health center with inpatient and outpatient services. A new surgical wing was added in 1973. Services offered were x-ray, laboratory, maternal/child health, dental and sick call.

The hospital functioned in conjunction with over 60 field dispensaries in the area. These dispensaries were staffed by A.I.D.-trained and paid medics and nurses. A dispensary was located in all population centers and in large remote villages. Medicine was provided through the A.I.D. program. Because the villages were located in such remote areas, helicopters were often required for their resupply. In cases of serious illness the patient was usually sent to the Bon Xon hospital.

Some of the more prevalent cases handled at the hospital were malaria, dysentery, tuberculosis, and wounds from exploding ordinance left over from the war.

The hospital at Ban Xon was a temporary wooden structure with the exception of the surgical wing. Prior to termination of the A.I.D. program, plans were made and approved to remodel the stone hospital complex at Long Tieng, previously a military hospital, and move the Ban Xon hospital there.

In addition to the activities of the Cooperative described previously, there were other agriculture programs receiving A.I.D. assistance in the post-cease-fire period. The basic agricultural goal was to develop surplus instead of subsistence farmers. Fish culture was an important activity. A.I.D. assisted with the construction of a fish hatchery station in Nam Moh (LS 207). From this station fish fingerlings were distributed to farmers in the area who had dug fish ponds on their land. Two types of fish were spawned: Chinese carp and the tilapia. By May of 1975, there were over 3,000 local fish ponds ranging in size from 10 square meters to over a hectare in size.

Extensive work was also done in irrigation. Eight surveys were conducted to determine feasibility of various projects. In January 1975 construction had begun on an irrigation scheme at Moung Cha which when completed would irrigate over 80 hectares of wet and dry season rice. In May of 1975 the work was 95% completed.

Due to the massive destruction of the forests by slash and burn farming methods, reforestation became a necessity. In conjunction with a PGNU/Australian forestry project, A.I.D. helped to build and equip a nursery station at Nam Moh. The Australians brought in eucalyptus seeds and by the end of 1974 over 300,000 trees had been planted in the MR II area. By May 1975, another 500,000 trees were ready for transplanting.

Work was also being done in the area on development of cash crops. Training programs set up by the Government and the A.I.D. Mission were teaching local farmers new methods of growing rice, coffee, fruit, vegetables and potatoes. Due to the high altitude and good soil all these crops were doing well and the farmers had no problem in finding markets for their produce in Long Tieng, Ban Xon or Vientiane. An experimental farm was established at Nam Ngua where work was being done on essential oils, stick-lac, and pigeon peas. Work had progressed enough to determine that the pigeon peas could be grown easily in the area and used as human or cattle feed.

The last aspect of the A.I.D. program in MR II was the community development program. All requests for development activities from the villages came to the Governor and then were discussed with A.I.D. to determine whether commodity or advisory assistance could be provided. In all cases, the activities required village participation. Projects completed in the post-cease-fire period included: schools, wells, village water systems, dispensaries, small water catchment dams, village maternal/child health centers, small bridges across streams, trail development and markets. In May of 1975, the following projects were programmed or started: 24 kit school rooms at three locations, two rural markets, one suspension bridge at Phu He (LS 255) one MCH Center for Long Tieng, a 150 bed hospital at Long Tieng, a PSI office warehouse at Long Tieng, and a Detoxification Center at Ban Xon.

MILITARY REGION III

The Savannakhet Region, consisting of Khammouane and Savannakhet Provinces (Champhone Province was added in 1974), corresponded to the territorial boundaries of the Military Region III. The first A.I.D. office was opened in Savannakhet City in 1960 and consisted of only three American personnel plus a locally recruited staff. By 1966 the A.I.D. staff had grown to 17 U.S. direct hire and contract employees plus 18 International Voluntary Service Volunteers. During the period from 1966 to 1974, the monthly roster contained as many as 62 Americans. Backing these personnel were as many as 50 Third Country Nationals (TCNs), most of them Filipinos, attached to the Requirements Office to manage military equipment distribution and to the OB Hospital Staff in Kengkok. The Region also had as many as 200 local employees, depending upon the number and size of earth moving projects being accomplished.

Although the Regional Headquarters was in Savannakhet City, rural development advisors were stationed in Thakhek, the capital of Khammouane Province, and in the four development clusters of Kengkok, Dong Hene, Lahanam and Nong Bok. IVS personnel were assigned to five locations, designated as Forward Areas. The intent of program activities in those days was toward development of the cluster areas and implementation of high impact projects in forward areas. Scatterization of projects throughout the Region was avoided. Counterinsurgency was a part of the U.S. political goal and many of the projects implemented were intended to either develop or strengthen villager loyalties to the Royal Lao Government.

The Regional Headquarters, headed by the Area Coordinator, had a Field Support Officer and expertise in agriculture, irrigation, education, refugee relief, public health, public works, well drilling, road and bridge construction, heavy equipment maintenance, and public safety.

The Area Coordinator, functional counterpart of the Provincial Governor, was the nominal head of all American activities in the Region; however, in fact he had no responsibility for planning or supervising activities of other U.S. Government organizations outside of A.I.D.

In 1966, projects were being implemented by Americans who were in direct contact with villagers requesting the assistance and immediate efforts were made to stimulate more involvement on the part of both District and Province level officials.

In the early years of A.I.D. operations in Laos, the Lao officials frequently did not want to get fully involved in such activities. Therefore implementation of projects was accomplished by A.I.D. employees (American, TCN and Lao) working directly with villagers or other beneficiary groups. A counterpart relationship was usually just a friendly relationship while the Governor's and District Chief's main involvement in projects was simply his signature on the draft activity plan. In late 1968, this changed radically in Savannakhet Province following the arrival of a new Governor. By 1970, local officials, the Provincial Council and the Governor were all deeply involved in both program proposals and the project approval and implementation process. Although no regular meetings were scheduled, most American employees saw their counterparts on a daily basis, a practice which continued following the ceasefire agreement.

By 1970, it also became apparent that restricting projects to clusters and forward areas was becoming increasingly embarrassing to Lao officials and more emphasis was given to implementing projects according to merit rather than by location. As a result, U.S. rural development and IVS personnel were withdrawn to Savannakhet and Thakhek, where they continued to handle development activities, but with broader geographic scope. Deteriorating security conditions also contributed to the determination to bring Americans back to the Provincial capitals.

By the time of the cease-fire, the Region had only two rural development personnel and had already lost its agriculture, irrigation, public health, education, well drilling and public safety advisors. By July 1974, the A.I.D. American staff consisted of the Area Coordinator and field support officer, with two community development officers, an economic advisor, one FHWA roads and bridges engineer, and a heavy equipment specialist. Three IVS volunteers remained in the Region and all were involved in English language programs at secondary schools. Only three 3rd country nationals remained on the roster, in addition to the OB Team in Kengkok.

During the period between July 1, 1974 and March 1, 1975, plans had been made and approved to combine the Savannakhet and Pakse Region, with headquarters in Savannakhet, and a total of only five American personnel were scheduled for retention in the area. All TCNs were to be terminated by the end of June 1975 and local personnel ceilings for the combined Region were set at 128. Termination of the entire A.I.D. Mission in June of 1975 superseded those arrangements.

RURAL DEVELOPMENT

The Rural Development program was perhaps the single most important contribution of A.I.D. in the development of local leadership and in assisting to improve the living standards of the rural populace.

Provincial governors had little budget control and even fewer funds for the responsibilities they carried. As a result, they normally embraced A.I.D. as a means of accomplishing projects requested of them. During the middle 1960's, these governors were no more than rubber stamps because most projects were developed by American personnel working directly with villagers. As stated earlier, this direction was reversed by 1970 and annual programs were being submitted by subordinate officials to the governor for his and the Provincial Council's approval before support from A.I.D. was requested. Provincial leaders were finally moving about the countryside where villagers had hardly ever before seen such officials. The Lao, rather than A.I.D. personnel, were beginning to receive credit for projects being implemented and in general most villages with project assistance seemed to be favorably disposed toward the RLG.

During much of this period war activities made working in the countryside fairly dangerous for A.I.D. employees. Pathet Lao forces roamed the countryside and it was almost impossible to determine where they would appear. As a result, rural development workers had to be constantly alert to information from villagers on the location and activities of PL units.

One of the problems encountered, however, in the rural or community development effort, was the lack of counterparts within the Ministry of Interior which was the chain of command for both governors and district chiefs. The Commission of Rural Affairs (CRA) was established for this purpose but its personnel did not assume field responsibilities until about 1969. Even then, they proved to be young, inexperienced people, who had difficulties in working with officials or in convincing them of villagers' needs. A.I.D. development personnel worked with these CRA agents to increase their knowledge and capabilities and by 1971 a portion of the dug well program could be transferred to them.

In 1972, they were able to program a few school and dispensary construction projects. However, they worked directly with villagers in this effort, without coordinating with the responsible Ministry representatives to assure that teachers, medics, medicines, etc.,

were available at the appropriate time. During FYs1973 and 1974 there was much improvement in their program activities. Unfortunately, they frequently lacked the equipment with which to carry out their programs and turned to the A.I.D. office for assistance, mostly for truck transportation.

In FY 1975 the CRA received a promise of project support from the UNICEF; however, it was very slow in arriving and A.I.D. was again requested to provide transportation assistance. With the advent of peace and reduction in A.I.D.'s operational role, the Region recommended lateral transfer of all dug well equipment, sawmills, and sufficient truck transportation to enable the CRA to operate with some degree of independence and efficiency.

In Savannakhet Region, rural development personnel made possible broad flexibility in operation. They readily involved themselves in all programed activities, although often without the necessary expertise. They became programers, implementers and administrators and, in some cases, jacks of all trades. As technical expertise was withdrawn from the Region to Vientiane, responsibility to cover the field usually went to an area development advisor and by the time the program was terminated, all field activities were backstopped by the Coordinator and two development advisors.

Many of the local employees engaged in rural development work were promoted to positions within the Regional Area Coordinator's staff and, here again, afforded a great degree of flexibility in program coverage.

Economy

The adverse effects of the war on the economy consisted mainly of the dislocation of the rural population, abandonment of farm lands, loss or neglect of physical assets and the great dependence of much of the economy, particularly the urban centers and refugees, on external aid. During that period, military activities and the requirements of economic stabilization had diverted attention from development objectives. Following the peace agreement and installation of a coalition government, there was not sufficient Lao agreement on development priorities to enable A.I.D. to reverse its old priorities completely in favor of significant development activities.

Despite the war, however, some important projects were carried out in Region III. Most of those were related to agricultural production and are discussed below. Others were the result of Thai and Chinese investments in small industrial enterprises such as plywood manufacturing, furniture and wood products, and rice mills.

Even before the war, the Savannakhet Region was predominantly a rural, segmented, subsistence economy. The war not only aggravated the problems of internal transport but also greatly dislocated agricultural production. As a result, the feeding of the urban centers and other consuming areas became a major problem. Food supply deficits had to be met by imports, especially from neighboring Thailand. Population in the cities expanded greatly during the war as a result of the influx of increased military personnel, government civilian employees and refugees. The incomes of the first two groups indirectly stimulated the service, industrial and commercial sectors. The availability of cheap food products from Thailand, however, had an adverse effect on incentives to become more agriculturally sufficient.

Agriculture

1. General

During the period of FYs1966 and 1967, an effort was made to bring 2,000 hectares of dry season rice under cultivation. This involved heavily subsidized irrigation projects throughout the country. Thirteen of these projects were implemented in the Savannakhet Region and 10 of them did very well during the two years. As a result, most of the cooperatives that had been formed to make the projects possible paid off a substantial part of the loan that had been granted them through the Agriculture Development Organization (ADO). The formation of cooperatives was unique in itself because villagers tended to be individualists as far as farming was concerned and were very cautious with respect to money matters.

ADO had been created for the purposes of aiding the farmers in increasing agricultural production and of assisting in forming coops, buying pumps and in furnishing POL, machine parts and even mechanics. It also bought the paddy rice at a subsidized price. ADO built six warehouses within the Region to store rice purchased and used A.I.D. trucks to do the hauling of both commodities and the rice. At that time, the IR 8 miracle rice developed in the Philippines was introduced to help increase production.

In the spring of 1968 several factors contributed to lack of success in these projects, including significant POL price increases, surplus rice available from Thailand and apparent lack of Lao enthusiasm for the taste of IR 8 rice.

During the fall of the same year both the ADO subsidy on rice and the marketing assistance to farmers were removed. As a result, dry season rice growing utilizing pump irrigation ceased to be a profitable endeavor and dry season planting ceased that year under all but two of the pump irrigation projects.

In 1973 and 1974, there was some revived interest in pump irrigation projects among the farmers and the Mission proposed to channel new assistance through the Ministry of Economy and Plan. At the same time some cooperatives and individual farmers managed to undertake pump projects without outside help.

2. Extension Service

Most extension projects were national in nature and administered from Vientiane. Most trial and demonstration projects were unsuccessful because of poor soil conditions or the lack of knowledge and expertise on the part of the Lao Extension Service Agent. Though successes were achieved in green beans, melons and corn in some parts of the Region, in general, the demonstrations turned out to be examples of what could not be grown by the Lao farmers in that area. Often, when successes were achieved, the input costs were too great for individual farmers to sustain and still realize a profit from his venture.

In 1971, extension personnel started collecting soil samples of all prospective trial or demonstration sites. Throughout the Region, there were large expanses of land with low productivity soil and covered with scrubby scattered tree growth. Soils were largely very deep, fine sandy loams with some heavier soil found in paddy rice areas. Examination of samples usually showed high acid conditions, low nutritional values and poor water retention qualities. It became habitual to turn down 75 to 80 percent of the projects recommended. A search was also instigated for various agricultural products that could grow in poor soil By 1975 Lao and U.S. advisors had persuaded most refugee resettlement residents and many other farmers to plant cassava, kenaf, chicken peas, sugar cane or pineapples on these poor, high acid soils.

Some definite successes were achieved in the Kengkok area where watermelon production was introduced on the river banks. The villagers did so well that their success inspired others to try the same.

Commercial truck gardens in Savannakhet City also did well and some large producers were competing favorably with Thai imports.

3. Fruit Production

The orchard industry was developed fairly well in the Savannekhet area and, between 1965 and 1975 numerous large farms developed. The farms were equipped with modern machinery and most of them were owned by high ranking public officials or army officers. The farms featured excellent fish ponds and some very fine orchards, mainly of bananas, mangoes, jackfruit, tamarind, litchi, limes, jujube, longan and pineapple. Bananas were being extensively cultivated and occupied the major portion of the cultivated land; mangoes were a close second, followed by jackfruit, limes and tamarind. Some starapples were also grown in the Kengkok area where production was good and prices excellent in the market.

Even though the large landed estates had been developing fruit as one of their chief products, cultural practices were found to be inferior. Insects and fungus disease took a serious toll of fruits and this trouble could have been avoided by application of a few timely sprays. Tree spacing was also found to be poorly and inefficiently accomplished. However, there was a great need for orchard development in Laos to reduce its dependency on Thailand for citrus and other fruit, to save foreign exchange, and to improve nutrition for the average Laotian.

4. Fishponds

In 1966, there was no program for fish production in the Region and an investigation of the potential was initiated. Because it was difficult to interest farmers in undertaking such a project, an effort was made to assist a willing military officer in establishing some fish ponds in the Kengkok area. The initial investment for the project was $100 to purchase carp fingerlings from the Pakse nursery. Assistance and advice was provided by Japanese fishery consultants, under a Mission contract. The interest was so great that 20 military personnel were sent to Pakse for training and during the first two years of this development, 16 ponds were established by a military commander in that area. Eight others were established by him in cooperation with villagers in the Phoumachedy area while five private farmers who had noted the success built small ponds of their own. The total commodity contribution by A.I.D. was less then $500. By 1975, an estimate by the Fisheries Branch of Provincial Forestry Service indicated that there were more than 120 ponds in the Region, only about half of which had received A.I.D. advisory assistance and three fourths of which had received no A.I.D. commodity assistance. Although the majority of these ponds contained carp and tilapia, cat fish were being introduced in greater numbers. Japanese Peace Corps Voulunteers, working with the Provincial Agriculture Service also became involved in some of the smaller projects and assisted more than 12 farmers in developing fish ponds.

5. Home Economics

Home economics activities were popular during the period from 1965 to 1972, promoted partly by the several female IVS personnel who were in the countryside. During that period many Laotian women were trained to be Agents and assigned to the various Provincial Agricultural staffs. However the program lost momentum when IVSers were pulled from the field in 1969. Probable reasons were the poor economic conditions, lack of adequate water and fuel supplies and the fact that the average Lao woman was kept constantly busy with a new child. Cultural practices also affected achievement of any real objectives and though Home Economic Agents have achieved some successes in refugee programs, they have had little or no impact on the vast majority of either rural or urban Lao.

6. Child Nutrition

Although there was a valid need for child nutrition centers in most parts of Laos, the program that was implemented had little success except in some refugee areas. Five centers were established in the Region with A.I.D. assistance. However, with the exception of one at the Seno Relocation Project, the centers were located in more sophisticated and better economic areas such as Kengkok, Phoumachedy, Thakhek and Ban Phonsim. The centers never really caught the imagination of the populace and both their support and child attendance were poor. As of 1975, only the center in Seno remained in operation. Overall, these centers failed to achieve desired objectives of introducing nutrients into child diets or to furnish the information for intended studies of the effect of such nutrients on the child's health, behavior, habits and intelligence development.

7. Poultry Development

During the early program years following 1965 only a few projects introducing ducks and chicks were implemented. There seemed to be no scarcity of fowl in the countryside and the major problems appeared to be upgrading the existing fowl and creating larger poultry farms for supplying the city markets. In 1967, one project was undertaken in Savannakhet City in which the cooperator bought 1,000 layers and all of his own feed. Mission input was purely technical. The project included vaccines from the Veterinary Services. This project was very successful; perhaps the presence of the large foreign community contributed to its rapid success and was the basis for the establishment of a larger poultry farm. In this case, the cooperator received his incentive and technical advice from ADO personnel, paid cash for the construction of a facility to house 10,000 layers and purchased all of his feed through ADO sources.

Eggs were sold on the Savannakhet market and shipped to Vientiane daily by air. It was an excellent samll enterprise but unlikely to last after LPF factions gained political supremacy. Another successful poultry activity was the broiler-feed program in which ADO provided both the chicks and the feed on a credit basis to cooperators. Five such cooperators were found in the Savannakhet area and all did exceptionally well until the increase in feed prices forced three of them out of the market.

Again, this program was targeted to urban areas and found its market among both the western community and restaurants.

8. Animal Husbandry

There were many projects introduced to improve local swine and both the Berkshire and Duroc pigs were imported to do this job. Because these boars were so much larger than the average local variety, only scattered success was achieved in the Region. There were some farmers, however, who did very well with the Duroc/local mix and some bought pairs of both Berkshire and Duroc to raise. By 1974, there was at least one large pig farm in each of the three provinces, each raising from 65 to 100 pigs for sale to the market and also as breeders. Many of these pigs were sold to Thai buyers who later sold them in the Vientiane market as Thai imports.

Very little effort was made in cattle production because it was acknowledged to be a long-term development effort unsuitable to wartime conditons in Laos. Some technical advice was made available to larger beef growers and the Australian Government had also become involved in forage grasses as well as technical assistance. These efforts assisted slightly in the development of four herds of 100 cattle or over. Because such a large part of the Region lay unproductive due to poor soil conditions, the potential for developing this into rangeland was examined and it was found that, along with native grass development, other grasses could be introduced and flourish on this kind of soil. Bringing in good bulls for breeding or introducing artificial insemination, along with technical advice on culling stock, would then have served as the basis for developing large herds that could furnish meat for the Vientiane market which imported almost all of its needs from Thailand.

Education

During the period from 1966 to 1975, perhaps the most popular rural development projects were schools. Few, if any, of the villages had sufficient classroom space for the education of the children; many had no school at all and more had old and dilapidated buildings that were considered safety hazards. As a result, the Region's classroom construction assistance averaged about 110 per year. Many of these were replacement buildings. However, attendance figures from the Ministry indicated that 44,000 more children attended grammar school in 1974 than did in 1967.

Secondary education was also enhanced by the A.I.D.-assisted Teachers' Training College and a Comprehensive High School (Fa Ngum) in Savannakhet City. A.I.D. funding was also used to expand and improve the existing Technical College facility in Savannakhet City so that it could offer commercial, auto mechanics, masonry and woodwork training. As a result of improved educational opportunities, however, many graduates from the secondary schools became disillusioned with the lack of job opportunities or the small salaries connected with those offered. Because of the high construction standards required by A.I.D. for the projects it funded, the Mission was continually asked to meet maintenance requirements of the projects upon completion.

Public Health

Although the Operation Brotherhood Hospital (OB) in Kengkok was the only one completely supported in the Region, A.I.D. had assisted in the repair of government hospitals in both Savannakhet and Thakhek sites. In addition, limited assistance was given to the Asian Christian Service Hospital in Ban Paksong-Nongkeung to include land levelling, driveway installation, deep well drilling and provision of roofing sheets for a later building addition.

Although conditions were well below U.S. standards, the OB Hospital enjoyed an excellent reputation and attracted patients from all parts of the province. In general, it was preferred over the French-assisted hospital at Seno or the Provincial Hospital at Savannakhet.

The A.I.D. also supported 28 dispensaries in the Region including eight in refugee areas, all of which were constructed on a self-help basis. These dispensaries were popular among the population. They were guaranteed a minimum supply of essential medicines on a regular basis and the staff were encouraged to undertake public health education programs. As was generally true of the A.I.D.-assisted health sector, the dispensaries elevated the population's

expectations beyond the economic capability of the Lao Government to support without external assistance.

Public Works

Public Works projects during the period from 1966 to 1969 were restricted to irrigation, school, dispensary and market construction, and well drilling. In 1969, because of the influx of refugees from the Muong Phine area, the Region obtained its first heavy equipment to assist in the development of the Seno Relocation Project. The equipment was left in the Region until 1975 when the bulk of it was turned over to the Lao Travaux Publique (TP). However, no new earth moving projects were approved for the Region after FY 1974.

From 1969 to 1975, construction included four roads (82 kilometers), five wooden bridges, and 18 improved borrow pits, the Seno Relocation Project and Thasano Resettlement Project village streets (39 kilometers), four fish ponds, and six water storage dams. One hundred sixty-five hectares of forest land were also cleared for agriculture.

The drilled well program accounted for approximately 40 wells per year and was the major reason why refugee resettlement projects could be established in three locations. Rock strata and low water level tables in many areas of the Region, made it impossible to dig wells in many villages and these had to rely on streams or rivers that normally dried up during the months of April and May. The drilled well program was able to bring water to these areas and better yet, potable water. In the early period of the program, villagers apparently felt no real need for the wells because they rarely reported malfunctions in the pumps which often remained inoperable for many months before detection. However by FY 1975 a steady stream of pump repair requests was being sent through responsible officials to the well drilling crew.

In FY 1973, the responsibility for the well rigs was turned over to the Lao; however, POL and maintenance parts were still furnished by A.I.D. The efficiency of the operation did not suffer appreciably from the transfer of these responsibilities. All assistance to the program was to be cut off at the end of FY 1975.

Federal Highways

Under a PASA arrangement with the Federal Highway Administration the Mission provided personnel to counterpart road and bridge officials within the Ministry of Public Works and Transportation and to assist in the administrative, logistics, and maintenance support required in such programs.

Yearly program activities, approved by the Governor, the Provincial Council, the A.I.D. Area Coordinator and the FHWA Advisor to the Region, were submitted by the Lao Public Works Sub-division Chief. Often these submissions were wishful thinking and they were screened in Vientiane to fall within monies allocated for the program. Once this was accomplished, activities followed normal channels for approved support through the Ministry. As a result, the U.S. Advisors had very little leverage over the Lao Sub-division Chiefs, who seemed inclined to implement as desired.

Refugees and Refugee Resettlement

Prior to 1968, there were few refugees being permanently supported by A.I.D. within the Region and most of these were in Khammouane Province. In the fall of 1968, 3,400 people were assisted out of the Muong Phine area and the first resettlement project was initiated. With the assistance of Lao military personnel, Provincial Social Welfare and A.I.D. representatives were able to obtain the use of part of the Seno Military Camp to house the refugees until acceptable land could be found for resettlement. An area that had been reserved for military veterans was investigated, proposed and finally accepted for the above purpose, and became known as the Seno Relocation project. Ministry of Social Welfare personnel made village designs and Mission technicians investigated the farming potential. Though the soil was declared minimal, the Area Coordinator, with advice from the refugee farmers, pressed for acceptance. Refugees were trucked on a daily basis from the Seno Camp to clear land and construct housing. A meadows sawmill was moved into the area to provide minimal lumber for house frames. Two school buildings of 14 rooms, and two dispensaries were constructed using self-help labor. Two deep wells were drilled in each village area and one at each of the school sites. The A.I.D. Public Works Division constructed village roads and three dam sites for water storage facilities. In addition, two hectares of land were given to each family and agreement was reached to have half of it cleared by A.I.D. and machine plowed by the Ministry of Social Welfare.

In designing the villages, each family was given a 40 x 40 meter plot. This deviated from normal Lao village construction but was done in order to accommodate the women, who did most of the gardening and animal raising, and were usually confined to the area of the house because such a large proportion of their time was spent in bearing or raising children. The home gardening venture proved very practical and successful.

During the initial planting season, rice seed, fertilizer and insecticide were distributed and a better than average first crop was produced in both upland and lowland rice. This success led to the self-help construction of an administrative building to house the Tchepone delegate and his administrative staff, the introduction of carp and tilapia fish stock in the reservoirs, and to the eventual self-help construction of four Wats, one for each two villages in the project.

Original successes also succeeded in attracting voluntary agency support from the Asian Christian Service and World Vision Inc., to work with refugees in nutrition, public health and weaving. A weaving project building was constructed in 1970 and its products were sent to Vientiane for export to Europe. Charcoal kilns were also introduced and because of the great amount of clearing that had to be done, they served as the basic means of support for many of the families.

A.I.D. continued to issue food supplements through FY 1972, but all support was cut off following the 1973 rice harvest. The 1974 harvest was very good and, by that time, many of the refugees had improved their original houses. When surveys were taken following the signing of the peace agreement, most of these refugees stated that they would not go back to Muong Phine. They reaffirmed that decision in 1975 after being visited by the Joint Mobile Team of the PGNU.

During the latter part of 1970, severe fighting broke out in the Muong Phalane/Dong Hene area and resulted in the movement of some 6,000 refugees toward Savannakhet. In this case, there was no place to house the people temporarily. However a suitable area 14 kilometers north of Savannakhet, along the Mekong River, was secured by Social Welfare for possible resettlement. The A.I.D. Public Works Division hastily constructed six barracks type buildings to house the new arrivals. Meanwhile, plans for sixteen villages and an access road from Savannakhet City were submitted and approved. Villages were designed similar to those in the Seno Project and refugee families were provided bamboo and thatch for their homes.

Village roads were constructed, as were six temporary dispensaries. A.I.D., however, provided no land clearing or plowing assistance to this project, a lesson learned from the Seno experience where villagers awaited A.I.D. clearing assistance before even undertaking any activity at all. Deep wells were installed in each village area. Yields were measured against population so that there were at least two and as many as four wells at each village site. Four temporary schools, consisting of 26 classrooms, were also constructed.

During the rice growing season of 1971, all refugees planted the upland rice seed that was given to them around their houses and in whatever land they could clear. This process was repeated in 1972 on a much larger scale. By 1974, many of the residents had converted their farms to paddy fields. During this same period, cassava, kenaf, chicken peas and sugar cane were introduced. All seemed to do well in supplementing refugee needs and income. A.I.D. Public Works completed one water storage reservoir and three borrow pits along the new road that also became reservoirs.

By 1973, three permanent dispensaries were constructed to replace the temporary buildings; the Overseas Mission Fellowship had already built one and the Asian Christian Service medi-mobile unit was visiting the area twice a week. One 11-classroom cement block school building was begun in the center of the project but not yet completed in May 1975.

In 1971, because of heavy fighting in Khammouane Province, approximately 4,000 people came to Savannakhet. These people were initially housed in the same temporary barracks established for the original Seno project and plans were made to extend the Thasano project northeast to Route 9A. This would require construction of nine additional kilometers of road. When more refugees arrived from the Dong Hene/Phakhanhia area, the entire project was approved. In this case, only three temporary villages were planned in the hope that the people would return to Khammouane Province and the Dong Hene area when the fighting stopped. Unfortunately, this did not occur until 1974, when many did return to Dong Hene and enough to Khammouane to allow for planned redistribution of land and conversion of the temporary villages into permanent sites. Although plans and surveys were completed, the plan was not implemented as of May 1975.

During the construction of the new road, one large water storage reservoir was made and nine borrow pits were also turned into water storage tanks.

In order to assist the villagers in improving their homes within the original project, one sawmill was utilized to cut lumber for flooring and siding. The project was begun in FY 1972 and continued through FY 1974. In 1974, following the peace agreement, however, activity was purposefully slowed down pending evaluation of the project and determination whether the refugees would return to their native villages if given the opportunity. In FY 1975, though the project completion date was extended, the sawmill was removed from the Thasano project to work on the Dong Hene Reconstruction project. It was returned to Thasano in May to complete cutting lumber for the last two villages included in the Activity Proposal, but A.I.D. activities were terminated before the mill could be placed into operation.

In 1972, the Asian Christian Service started a cassava production program and also assisted selected refugee families in raising pigs. ADO poultry projects were introduced in three villages and doing well. Three farmers were given training in rabbit raising and though the project did not get the expected results, the farmers had managed to raise some for sale as well as increase the basic stock. In 1974, the Tschen Poultry Farm started to work directly with some refugee farmers in an attempt to produce feed locally. Results were fairly good; however, imports from Thailand were still required. The Thasano Resettlement Project, one of the most successful in Laos, had succeeded in resettling and achieving self-sufficiency for more than 8,000 refugees. The location of the project close to Savannakhet City gave a boost to the local economy and the road, originally constructed as an access road, became the major highway from Savannakhet to Thakhek because it by-passed Seno and was 17 kilometers shorter.

Several other refugee projects were undertaken but most were intended to be temporary. One such project was established in Khammouane Province on acceptable land for upland rice production. Seven villages totalling approximately 2,000 people were resettled in the project and they were given only minimal bamboo, thatch and hardware assistance in building their houses. All villages were placed on major road nets and therefore only three kilometers of access roads were put into the project. Each village was given two deep wells; three temporary dispensaries and six temporary schools were built. Food distribution continued for two years, after which the refugees were judged self-sufficient and only some PL 480 supplements were provided. Most of the inhabitants had grown only minimal rice crops; however, the bulk of the men had obtained work in the lumber industry and were earning enough money to support their families.

Because lumber was available, many of the residents of this project had improved their homes with wooden siding and, in two villages, they had built permanent wooden school buildings to replace the temporary structures. A.I.D. furnished the cement and hardware for both of these buildings.

Following the peace accords, it was anticipated that most of these refugees would return to their villages in the LPF zone; however, by May 1975 less than a quarter of them had returned.

There were other small refugee projects, including one in Kengkok, where a military camp was used to house approximately 400 refugees who came from Wapikhamthong Province. These were supported with food stuffs for one year before most of them either returned to their native villages or were absorbed by the local population.

When the peace accords were signed, only one small group of refugees was in temporary status. These people, approximately 300, had come from the Ban Xieng Kha area because of the fighting there. Later, because their villages had been occupied by the PL, they refused to return. About 260 of these refugees were still in the temporary refugee camp on Route 13, just south of the Sebangfai River, and were receiving 12 kilograms of mixed rice and PL 480 foods per person each month.

There were many other small groups that were supported with clothing and foodstuffs during the war years but most of these efforts lasted only from five days to one month. In most cases, the refugees were housed in local school buildings and Wats, or built crude huts for their temporary shelter. One such group of approximately 260 came from the Ban Done Wai area of southern Savannhakhet in March 1975. Most had not returned by May of 1975. They were not being fed by A.I.D., however, because some were able to return to their villages for rice stores and the Lao Social Welfare was taking care of others' needs with rice supplies by other donors.

In addition to the refugee relief and resettlement programs there was a modest reconstruction program. The only major effort in the Region was the reconstruction of government buildings in Ban Dong Hene. All such buildings had been destroyed by war and the self-help projects approved in FY 1973 for school buildings, a dispensary, market, district chief's office and police post were finally begun in FY 1975. Poor security caused the delay. At the time the A.I.D. Mission was terminated, three classrooms and the market had not yet been completed.

In summary, assistance provided to refugees was more than adequate by local standards. In Laos where living standards are generally poor, the Mission assisted in the establishment of refugee villages that turned out to be above the standard of other villages in the same area; fed the inhabitants better; provided better school facilities, medical facilities, fresh water wells and also farming assistance.1/ While the effect was a happy one for the refugees, the local villagers who could look into this showcase sometimes questioned the interest of their government in their own welfare.

PL 480

Regional use of PL 480 products was confined mainly to refugee feeding. Products used were bulgar wheat, cornmeal, soya-milk and vegetable oil, with bulgar making up the major portion of such distribution. All PL 480 products were used originally to supplement rice issues and, in many cases, they were used as animal fodder. By 1971, much of this was corrected by a food preparation course taught by local home economics personnel at each refugee location. The recipients were shown how to cook the issued foods and to incorporate them into the daily diet. There was a gradual reduction in rice issues and eventually PL 480 foods became a part of, rather than a supplement to, the rice distribution to refugees. By this time, PL 480 flour was available and being made into noodles. These noodles were already known to the Lao diet and therefore readily acceptable as a substitute for rice.

1/ This situation in several locations of Laos was explored in "A Comparative Study of Refugee and Nonrefugee Villages" Parts 1 and 2, R. M. Wulff, USAID Mission to Laos (Aug. 72 and Feb. 74, respectively). ARC #LA 301.35 W 961 and W 961a.

MILITARY REGION IV

Southern Laos, the area referred to as Lao Army Military Region IV, consisted of three provinces -- Champassak, Saravane and Attopeu. In 1956, the Mission assigned one American and one local employee to Pakse. Several years later the boundaries of Champassak and Saravane were readjusted to create the new Provinces of Sedone (Pakse), Wapikhamthong (Khong Sedone) and Sithandone (Khong Island). By 1968 there were approximately 18 officers of USAID assigned to MR IV. By 1972 the number of A.I.D. personnel had dropped to 12. At the time the post was evacuated on May 17, 1975, the number of official Americans had dropped to six -- the Area Coordinator (AC), the Field Support Officer (FSO), two Area Development Advisors (ADA), one Federal Highways Administration (FHWA) heavy equipment advisor and one University of Hawaii contract Secondary Education Advisor (SEA). Political events forestalled the planned merger of the Savannakhet and Pakse offices that was to result in further cuts to one or two ADAs for the South.

At the height of its involvement, the U.S. Government operated a school, a garbage disposal system, a telephone system, a private electricity plant and a water system, plus several warehouses, a motor pool and fleet to support the program effort and personnel.

By 1972 the Pathet Lao (PL) and North Vietnamese Army (NVA) forces had occupied all of Attopeu with the exception of a small enclave (Khong Mii), Saravane, and parts of Wapikhamthong and Sedone Provinces. The provincial capital of Khong Sedone was captured by the NVA and later retaken by the Forces Armees Royales(FAR). A Royal Lao Government (RLG) campaign in late 1972 temporarily resulted in the recapture of the provincial capital of Saravane and the district town of Paksong on the Bolovens Plateau. This campaign did succeed in pushing back the NVA/PL lines from their position 16 kilometers from Pakse.

Population of the six southern provinces was estimated in 1973 at more than 600,000. Local Lao officials estimated that two thirds of these people were under the control of the RLG, while the other side had effective control of three quarters of the territory. Large parts of Sithandone and Champassak Provinces were under the control of whichever side was on the ground at the moment. Both sides had sympathizers from the other behind their lines, while a great majority of the population remained politically uninvolved.

Commerce between the two zones went on before and after the cease-fire of February 1973.

The cease-fire was generally effective in MR IV. Only hours after it went into effect, the NVA did push Thai irregular troops out of Paksong. This was countered by the last big bomber raid of the war. Otherwise there were only small unit actions and some attacks by fire on FAR outposts. The Thai irregulars were sent out of the country on schedule. The merger of Special Guerrilla Units (SGU) with FAR was begun, albeit slowly.

With the wind down of the military struggle, the war of the market place commenced. The loss of this uneven struggle by the former RLG faction within the coalition probably did more than anything else to bring about its downfall. In the month of April, 1975, for example, prices of selected staples in Pakse went up more than 30 percent. Rice that went for Kip 5,500 in April 1973 was selling for 19-20,000 per sack, when it was available. The former RLG faction, which was called the Vientiane side of the Provisional Government of National Union (PGNU), had neither the strength nor the will to control inflation. Hardest hit were the soldiers and low and middle level civil servants, teachers, police, utility laborers and the like. The desire for some kind of change welded these groups together.

Southern Laos was the ancestral home and power base of the Na Champassak family, headed by Prince Boun Oum Na Champassak, Inspector General of the Kingdom and, according to protocol, third in line for the throne after the King and Crown Prince. A loose confederation of relatives by blood or marriage controlled, to one extent or another, most of the commerce of the area, along with the Rajphaks, the Abhays from Khong Island and the Insixiengmais of Savannakhet. At one time this commerce included, but was not limited to, control of truck traffic from the Thai border to Pakse, control of the largest Mekong River ferries, large interests in the lumber business, control of the meat business and charcoal production through the local Veterans Association, and operation of gambling casinos in Pakse, Savannakhet and on the Thai border. Boun Oum also believed that his droit de seigneur included first claim on all lands in his father's old kingdom. While there may be argument about how deeply the Prince was directly involved in some of the corruption that occurred, there can be no argument that the name of Champassak had come to mean all that was wrong with Lao society, even among students from relatively well off families.

Although causes of inflation in the south also included outside influences, such as the worldwide petroleum crisis, the control of transport of rice and timber exports for personal profit were visible to all. Even though the problems of the rice market were compounded by PL restrictions on transport of paddy, the Vientiane side was never able to shift the blame for inflation to the PL.

In February 1974, Pakse secondary school students from the Lycee, the Ecole Normale, the Fa Ngum and the Colleges of Pakse, Attopeu and Saravane began a demonstration by occupying the Sedone River bridge that connects the town of Pakse. Targets of the demonstration were the manipulation of gasoline and food prices, illegal export of timber and the operation of gambling casinos. Although no other groups joined the demonstrators, overt sympathy was offered by a large part of the general population. When local officials claimed inability to meet the demands of the demonstrators, PGNU representatives from Vientiane, headed by Defense Minister Sisouk Na Champassak, a nephew of the Prince, met with student leaders and in general agreed to all their points. Hoarded gasoline was confiscated and put on the market, rice prices were set, the casinos were closed. However, the reforms were only temporary.

Another demonstration took place in October 1974. Although economic issues were still the main point, there was the addition of national political issues, questions that were beyond the power of local authorities to handle, even if the desire had existed. This lost the students some of their general public support and, in fact, split the students into three groups, small left and right wings and a large, disturbed center.

By now it was open talk that the leaders of the left were receiving assistance from the PL and the Lao Student Federation in Vientiane. Vientiane side politicans attempted to counter by organizing a counter demonstration headed by the students from the establishment families. This maneuver was not only dismally unsuccessful, but it served to infuriate the left and to alienate the center. The radicals ended up stronger than before.

The final demonstration in Pakse began the morning of May 5, when several thousand students, workers, cyclo drivers and unemployed marched in an orderly fashion and surrounded and then occupied the Sedone provincial offices and residence. From then until the end of the week the governor, his deputies and the governors-in-exile of Attopeu and Saravane were virtually prisoners of the group. The radio station was occupied the same day.

On May 6, a delegation of ministers and their deputies (half Vientiane side and half PL) arrived from the capital to meet with the demonstrators. After a half-day of argument on where the discussions would take place, the government representatives gave in to the demonstrators' demands and agreed the meetings would be at the provincial offices. All of the visitors made introductory speeches to the crowd, and Defense Minister Sisouk, who had been applauded at the first demonstration, was heartily booed. He departed for Thailand the next day.

The crowd occupying the government offices was never smaller than several hundred. Public "confession sessions" were staged with rice millers explaining how they bribed province officials to do business and retailers explaining how much in "taxes" they had to pay to corrupt officials. Cyclo drivers handled messenger and "town crier" duties. The only area where restraint and discipline were not evident was the radio station. As the week went on the tone of the broadcasts became increasingly anti-American and anti-A.I.D. Because of these broadcasts the decision was made to remove the A.I.D. dependents from Pakse on May 9.

The next day these attacks became more virulent and were also the subject of speeches by demonstrators. For this reason it was decided to evacuate most other A.I.D. and all Filipino Operation Brotherhood personnel.

The demonstration ended on Sunday, May 11, with the departure from Pakse by special plane of the governors of Sedone and Saravane Provinces, the Sedone Police Chief, the Deputy MR IV Commander, the Sedone Subdivision Commander and several other officials. The governors of Sithandone and Champassak reportedly had abandoned their posts before being ousted by the protest group. Prince Boun Oum, who had been out of the city when the demonstration began, was said to be in Thailand. Overall power in the region was invested in the MR IV Military Commander. A committee of protestors and civil servants began to set up a method of running the local government, A.I.D. local employees and operations were not hindered, and permits to ship commodities for projects were issued by the general's office, with the approval of the provincial committee. However, on Saturday, May 17, because of events in other parts of the kingdom, the departure of all official American personnel in Pakse was ordered by Washington. No A.I.D. personnel were able to return to Pakse before the termination of the A.I.D. Mission to Laos on June 26, 1975.

Cluster and Forward Area Projects

Two of the original "cluster" projects in Laos (see Development of Rural Economy project) were located in MR IV, Houei Khong in Attopeu Province and Lakhongpheng in Wapikhamthong. In 1967, the latter was expanded into a multisector project called the Sedone Valley Development Program. A third "cluster" in the Done Talat area of Champassak Province was started in 1968. The Lao Ngam Forward Area Program, in Saravane Province, was begun in August 1967. By 1972, Lao Ngam and Houei Khong were under NVA control.

Wapikhamthong was liberated from the NVA later that year. Done Talat, the birthplace of Boun Oum's mother, contained a new urban Groupe Scolaire, a showplace wat and a guest house complex for friends of the family. It was the most important market center in the southern part of the province. And it was the borderline between RLG and PL control.

Obviously none of these projects was able to provide the security that was envisaged in their planning. However, that planning had not taken into account the size and power of the NVA effort. They were not meant to and could not resist main force attacks.

The following remarks are based on evaluations of the results of these activities at the time. A Rand Corporation evaluation, written in 1965, praised the cluster and forward area concepts. It concluded that the focus of USAID's rural program should be its import on leadership in rural Laos, rather than on carrying out projects. As noted above, while lip service was paid this precept, much more attention was paid to the number of projects and the commodity inputs into them. There is little evidence to show of notable improvements in the overall or specific quality of local leadership. It could be argued that American support outside the framework of the RLG, and American assumption of responsibility, due to the exigencies of the war, actually weakened the structure. Weakness of leadership, especially at the district (muong) and sub-district (tasseng) level, apparently was the main obstacle the projects faced. It seems in some cases that because of time constraints this was met by USAID officers or IVS volunteers taking over the planning and accounting functions of the local officials. Higher level inefficiency and corruption became important as the security situation worsened.

Having said that, there were also some positive results attributable to these projects. The firm economic come-back from the NVA invasion, in Wapikhamthong Province, resulted in the profitable functioning of the rice, lumber and cattle businesses within approximately one year. This could hardly have been accomplished without the inputs of the Sedone Valley Development Program.

Doubters about the effectiveness of Houei Khong did not include the NVA or PL. According to interviews with people traveling between zones, the NVA/PL population control was most restrictive among the tribal people in the Houei Khong area. The NVA believed that the development work accomplished there had resulted in positive support for the Vientiane side and the U.S.

Refugees

Refugee relief and resettlement was the largest program in MR IV during the 1971-75 period.

No figures were available to either Lao or Americans about the total number of refugees in the Region because no records were kept of people who did not receive or qualify for humanitarian assistance, such as civil servants and military personnel and their families. People who chose to live in the Pakse urban area were not assisted. Refugee population figures reflected only people receiving direct food support from A.I.D. via the RLG Social Welfare (SW) Service. Once a refugee reached self-sufficiency status, even temporarily, he was dropped from the reporting rolls.

In early 1973 the relief rolls in MR IV reached their highest level, 52,000. These included some 10,000 Saravane people driven from their villages by the last days of fighting, Wapikhamthong people who had returned to their home areas after the PL/NVA were driven from that area, people who were in resettlement areas but had been unable to become completely self-sufficient, and refugees who had been driven from resettlement areas one or two times by PL/NVA advances. All these people with their different requirements needed different programs at the same time. For example, refugees from Saravane were coming into Khong Sedone at the same time that natives of the area were returning to their original homes. A staging area at Selabam was being filled by the Saravane people as the Wapi people departed for home.

Generally this situation was handled successfully. Despite difficulties posed by Mission orders that all rice for MR IV had to be purchased within the region, and despite the unrealistic RLG price controls that had to be obeyed, there were no serious hunger problems and no demonstrations by the refugees. PL 480, while never popular, received its maximum use during this period.

Following the 1974 harvest, there were no refugees receiving food support in MR IV. Steps were being taken to give limited support to an estimated 6,000 persons from July to November 1975.

Return-to-village efforts in Wapikhamthong were limited to distribution of hand tools and plastic roofing for temporary housing construction and rice seed and tractor loans to put fields back in production. No massive re-building program was undertaken in Khong Sedone. As the countryside stabilized, merchants and civil servants gradually returned to the town, sawmills got back in operation and an internally generated reconstruction came about. Reconstruction of the Khong Sedone schools damaged by the fighting was completed. Construction of a new college, a project halted by the fighting in 1972, was being revived when the final termination of the Mission occurred.

Phou Ba Chiang

This was the largest and most successful refugee project in MR IV. Located approximately 12 kms. east of Pakse, it was begun in the latter part of 1971 as old refugees and new ones were driven from the Bolovens Plateau by NVA advances. Even Phou Ba Chiang was partially evacuated and work on the project temporarily halted when the NVA pushed to within 16 kms. east of Pakse. Two A.I.D. hourly hire employees were wounded when several truck loads of workers were ambushed on their way to the project.

As of April 1975 there were approximately 11,900 persons living in the project, all of whom had at least temporary housing and some land cleared for planting. Temporary schools and dispensaries were being replaced by permanent structures, work was progressing on a community center, and a district office had been completed. An Activity Proposal (AP) for farmers' training and delivery of seeds and animals for both fruit and vegetable and small animal production was being processed in Vientiane. This Combined Regional Agricultural Program had been developed in conjunction with PGNU Agriculture and Veterinary Services and had already received unofficial approval from the PGNU officials. A home economics nutritional program was being planned for possible implementation by IVS volunteers and Catholic Relief Services. Phou Ba Chiang had many advantages. According to the A.I.D. soil experts it had some of the best agricultural land in Laos. The 22 kms. of A.I.D.-constructed all-weather roads tied in with existing roads to connect with other villages and with Pakse, providing easy access to markets. Many small streams drained the area, and at least four provided a year-round irrigation source. Estimates were that at least 50 percent of the refugees in the project would remain, especially those from the poorer parts of the plateau, based on the resources the people were devoting to

fields and homes. Although it will never be known what the outcome would have been, fewer people than had been anticipated responded to the Coalition Government's offers of return-to-village assistance. This was due partially to the closeness of the planting season when the survey was made, and partially to the unsatisfactory responses by the PL representatives to questions about freedom of movement by the refugees. Much remained to be done at Phou Ba Chiang, however. Because of the haste with which the project was implemented and the pressures of the changing security situation, a good land use survey was never made. A cadastral survey, dividing the area into four hectare plots was completed late in 1974. Readjustment of the survey markers according to existing land use by the refugees and by occupants of original villages was underway in April 1974. The primary purpose of the survey was to protect the refugees from potential land grabs by military or civil officials, although it is not certain that such a survey and granting of cultivation permits would have prevented this. As mentioned above, plans were being formulated to increase irrigation and agricultural diversification and production in the area when all A.I.D. activities were terminated.

Houei Nam Phak

Houei Nam Phak, located approximately 25 kms. south of Pakse, had the advantage of time for planning. Land use and cadastral surveys were conducted. Inhabitants of the project were chosen from volunteers comprising a mixture of Lao and tribal people and a cooperative organization was set up at the outset. However, it was not, in the opinion of many observers, as successful as Phou Ba Chiang. Sawed lumber was provided for construction of standard houses; land was cleared for the farmers; a diversion dam was built.

Despite these expenditures of approximately $1,500 per family, the project never showed signs of taking root. Toward the last, many of the more than 200 families in the project started to move away, some of them trying to dismantle or sell their houses in violation of the cooperative agreements. Very little extra land was cleared by the refugees themselves. Inaction on construction of the irrigation canal system was given as an excuse, but there was no evidence from any source that the expensive canal system would result in improved local production. The prior surveys did not prevent squabbles over land ownership claims in and around the project. The Lao and Lao Thung communities never

merged into one. By comparison, Phou Ba Chiang, where less was done for the refugees, appeared to be the more viable community.

Most of the inhabitants of Phou Ba Chiang arrived in village groups, accompanied by village leaders. The social structure was therefore largely intact. But many observers believed that the heavier commitment required of the people was a major factor in the success of the project.

General Activities

At the end of April 1975, Pakse was working on 26 active projects. These included two in refugee relief, six in reconstruction and 18 in development. One of the development projects, assistance in providing thatch roofing for refugee homes, would have been completed in May. All but one of the reconstruction projects were located in Wapikhamthong Province. These were mainly to build new, permanent schools to replace those destroyed or damaged in the 1972 fighting. Development projects included rural self-help schools, markets and bridges in Sedone, Champassak and Sithandone. One wooden school had been approved for construction in the Khong Mii enclave in Attopeu Province. Other than some collection of lumber by villagers, no work had begun on this.

Special attention was given to self-help projects on borderlines between Vientiane-and PL-controlled zones. There was not enough time to evaluate whether this policy was worthwhile. In parts of Champassak Province there was no interference by the PL after they had approved work in the area. In some parts of Sedone the PL later refused to permit work to continue, apparently due to fear that FAR was moving into the contested areas at the same time. In hindsight, it is doubtful that there would have been any significant impression on the attitudes of either the villagers or the PL resulting from these projects.

The Phone Sikhay Skills Training Center was inactive from late 1974 onward, due to PGNU difficulties in releasing funds to the Commission of Rural Affairs (CRA) who were implementing the activity. After many delays, the release of funds was approved for May. The Center had been started by A.I.D. and turned over to the Lao Government in 1974. As a final step, A.I.D. had financed the installation of electricity to service the facility. The A.I.D. contribution to the six-month training cycles had become limited to payment of four instructors and cost of the carpentry and blacksmithing tools that were provided to trainees after graduation. The CRA paid for per diem and food and training materials from government funds and revenue from sale of products manufactured by the trainees.

Efforts to evaluate training were inconclusive. One study found that 75 percent of the former trainees were using skills in their home villages. The remainder had either been caught up by the Lao Army or had gone back into farming. Only one case was found where the ex-trainee had sold his school-provided tools. However, due to security and social conditions, it was not possible to contact more than 50 percent of the graduates. Also, no cases were found where graduates had been able to use their skills to establish any kind of small business to produce significant quantities of items for market sale. The latter had been one of the hopes of the original plan for the Center.

At the request of the MR IV Commander, the May class would have included some demobilized soldiers as well as some active duty soldiers who would assist demobilization/resettlement activities.

While the provision of tools to successful graduates obviously helped them to make use of their new skills, many found it difficult to get funds for the raw materials to get started. Also, as was pointed up in this and other programs, the necessary simple management skills simply were not there. This lack of management skill was especially evident in the history of the Southern Weavers Association, a program that the Mission abandoned in early 1972, after two years of support. The project had good instruction, earnest students and a good product. However, there was no one to manage funds, supply and merchandising. Many observers thought that another year or two of A.I.D. support and direction would have made the Association self-supporting. Both the UN and some voluntary agencies were showing interest in reviving some sort of weaving cooperative in 1975.

The Phone Sikhay facility also saw use as a center for village leadership and development training. This was a good program of short courses and the level of instruction by local standards was good. The information from participants on village attitudes and problems was a useful side result provided to the A.I.D. employees. But, again, it would be difficult, if not impossible, to demonstrate that the training made specific contributions toward Mission goals. A plan to tie self-help projects into the program as a follow-up activity was studied, but was not implemented. Use of the Center for other PGNU meetings was growing, and it was hoped that the facility would evolve into a general training center for the South.

Force Account Projects

Two major force account projects were completed in Pakse in the 1972-75 period. Both of them were satisfactorily completed and in use in May 1975. The Pakse Maternal and Child Care Hospital was completed in the spring of 1974 at a cost of some $400,000. Plans to build a generator shed and install backup electricity for the surgery and delivery rooms were awaiting approval when the Mission closed, while construction of a fence to limit pedestrian travel through the hospital area was about to begin. Except for some modifications of the ventilation system (the building was designed for air conditioning which was later deleted from the plans) and repainting, there was no other work to be done.

An Operation Brotherhood (OB) surgical team was assigned to the hospital to work with and under the Lao hospital administrator. The problems at the hospital were those found for years in other hospitals and other projects in other parts of Laos. OB was supporting (through the Mission) a staff of some 50 Lao nurses and maintenance personnel. There were no signs of Government ability or willingness to assume these costs or responsibilities, according to OB personnel. Administration of the hospital took second place to the private practice of the Lao Medecin Chef.

Visitors called the Pakse school the most impressive of the Fa Ngums (comprehensive Lao language high schools) in Laos because of its location on the Mekong, facing some low mountains across the river. Operationally, it had a U.S.-educated director and deputy director, as well as a full time University of Hawaii vocational education advisor. It was the only Fa Ngum in the country that had a surplus of teachers.

Student demonstrations and unrest throughout the secondary school system during the term make it impossible to evaluate progress of the institution's operation. Several of the instructors were active organizers opposing the Vientiane side faction, with at least the passive approval of the director. Activist students in the school used school supplies and equipment to turn out pro-strike propaganda. However, the depth of the Fa Ngum student involvement was less than that of most lycee and teacher training school students.

Another force account project which had been completed in the early 1960's was the Ecole Normale (ENI). As late as 1972 additional funds were requested for correction of errors in toilet construction and drainage in the original work. Construction of a fence around the school and dormitory buildings was being finished in May 1975.

ENI's biggest functional problem was psychological. From a prestige standpoint it ranked at the bottom of the list, far below the Lycee, the colleges and the Fa Ngum. Students unable to pass entrance exams into any of these entered the ENI. This low morale resulted in a 1972 student riot that damaged all the buildings and frequent demonstrations against alleged misuse of education and food support funds by the staff.

The Pakse Fisheries station was a well-designed installation financed by A.I.D. with Japanese and IVS contract personnel providing direction. The station provided technical assistance and stock for several village fisheries, including one in the Phou Ba Chiang refugee area, and sold fish for consumption to the local market. Its activities were reduced following looting of its stock by FAR soldiers and a deterioration in management efficiency after the non-Lao technicians were withdrawn.

With the occupation of Khong Sedone by the NVA in 1972, the Operation Brotherhood Hospital was abandoned, and the OB personnel fled to Pakse where they set up a surgical wing at the provincial hospital. (This group, or its replacements, later moved into the new MCH Hospital.) Damage, at that time, to the Khong Sedone Hospital was limited to that caused by several mortar rounds and the requisitioning of some drugs and surgical tools by the occupiers. Systematic looting of the hospital, including destruction of generators and other equipment to get the copper wiring, followed by aimless vandalism, such as smashing toilet fixtures and surgery lights, only commenced with the reoccupation of the town by FAR. USAID employees, Lao and American, were prevented from working in the area for "security" reasons, although by that time the fighting was several kilometers away. It was possible to trace the progress of the looting through visitors to the area and reports of private trucks hired by FAR officers to haul the material away. Later it was possible to save some 30 hospital beds and some other equipment.

Repair work on the hospital was limited to patchwork of roofs and walls to minimize weather damage to the still sound structures. Irregular supply of Lao Public Health medicine was augmented from Mission supplies, and the provincial health staff cleaned up the debris and opened a dispensary-level operation handling about 50 patients per day. Some POL support was provided by A.I.D., including ambulance service to carry serious patients to Pakse. Americans attempted to have the RLG make use of the buildings for education purposes (a new college was needed) or

as government offices. Reconstruction assistance for either purpose was offered. Inter-ministerial lack of communication and cooperation prevented any Lao from backing the suggestion. The Mission considered refusing to support any construction plans until the Lao produced a feasible plan, other than having USAID rebuild the hospital, for use of the existing four structures. However, it was decided that the presence of a reconstruction program, with its psychological spin-offs, was more important to the goal of return to normalcy.

Agriculture

Two extensive irrigation projects were attempted in the Pakse area in support of the national rice program. One entailed construction of a dam and main canal east of Pakse. This did provide a year-round supply of water, but the secondary canal system was never developed. The project mainly benefited some large land owners along the main canal. (Some of them became land owners after the canal was completed.) The second was northeast of Pakse and entailed creation of a cooperative to maintain gasoline pumps for irrigation. The problems of management and cooperation became too great, however, once direct U.S. supervision was removed. Neither made more than one season's contribution to the goal of double cropping. More modest attempts to have second rice crops also were unsuccessful, because entrepreneurs were unwilling or unable to make the necessary investments in fertilizers and insecticides.

In the late 1950s an agricultural experiment station was established at Km. 42 on the Pakse-Paksong road. Its purpose was to introduce arabica coffee as a replacement for the existing robusta stock. This initially met with apathy from the plateau growers, since the latter is a hardier growth that is more resistant to disease and requires less care. Experiments with different strains of fruit trees also were conducted at the station. Although reports are scarce, it appears that again the value of the station decreased in direct relation to the decrease in U.S. technical and financial support. It would be difficult to equate the profitable coffee trade in the south with A.I.D. assistance.

USAID Administration

A reassessment and phase-down of the A.I.D. Mission in Laos was started in 1974. As mentioned above, this was to result in Pakse

becoming a sub-post of Savannakhet in 1975, staffed by one or two ADAs and an undetermined number of local employees. The Pakse station had already begun to reorganize its staff and functions to make any transition easy and efficient.

While the Area Coordinator (AC) had the overall responsibility for all activities in his area, direct control of some employees and some program activities remained under different Mission divisions. The trend, from late 1974 on, was to put everything directly under the AC. This was found, in Pakse, to be much more efficient. Ways were found to cut out duplicating activities, such as separate payrolling. It became easier to identify and reduce overlapping reporting. At the same time, it became easier to give more authority and responsibility to local employees, looking toward the day when there would be fewer Americans.

By the spring of 1975 every American in Pakse had a local employee counterpart who could act for him in his absence. During the period when the AC was the only official American in Pakse, the Lao Area Field Assistants (AFAs) proved to be able to carry on both normal and emergency operations. Between the May 17 departure of all Americans to the cut-off in communications with Pakse on May 23, normal USAID activities were conducted, projects visited, and commodities delivered. Giving more responsibility to senior local employees earlier might have resulted in greater efficiency and substantial savings. It also would have contributed to the greater development of local employees who, under other circumstances, should have been absorbed into the Lao Government in administrative positions.

A.I.D. technicians were able to work successfully with the local government process in Sedone and Champassak Provinces, to a lesser extent in Wapikhamthong and less successfully in Sithandone. The last case was due to the fact that Sithandone could only be reached by air, and it was not blessed by a Chao Khouang (Governor) and a deputy interested in working with their constituents. Work with the provinces-in-exile was mainly limited to refugee and relocation affairs. All ADAs had geographic as well as other assignments. Each one worked with the provincial governors and the deputy governors for development, as well as the Commission for Rural Affairs (CRA), the district chiefs (Chao Muongs) and others. A.I.D. personnel, first Americans and gradually Lao employees, regularly attended provincial council meetings. Requests for assistance, no matter whether the source were a national assemblyman or a village chief, had to be submitted first to the provincial development council. The purpose of this was to improve the quality of Lao administrative processes and to assure the self-help nature of projects, with contributions from the RLG and the people as well as A.I.D.

While this effort showed considerable progress, it is doubtful that it had much lasting effect. A.I.D. further became tarred with the image of the corrupt officials with whom it was necessary to work. Although constant monitoring did keep pilferage of A.I.D.-supplied commodities to a minimum, the Americans were on the side of the establishment because they had to work with it. When the protest movement started, good officials were attacked as well as the bad.

Other Donors

Third country contributions in the region were limited to specific projects, usually of an infrastructure development nature. The biggest of these was the electrification of Pakse. This entailed construction of the Selabam Dam on the Sedone River north of Pakse by the French, construction by the French of the generating plant at the dam site, and installation of the distribution system by the Germans. Although the plant narrowly escaped serious damage in the flood of August 1974, the system was working well and supplying adequate power to the Pakse area. French technicians continued to provide periodic assistance to the maintenance of the system.

French, Lao and some U.S. assistance went into the construction of the Pakse city water system. This work included a Mekong pumping station and chemical treatment plant, plus a central delivery system to all parts of the municipality. The plant was working well, but the distribution system was only serving a limited number of people by May of 1975.

The local radio station was built with Colombo Plan funds, and technical assistance was provided by a series of British Voluntary Service Organization volunteers. A small forestry experimental station in the area was supported by the Australian Government.

MILITARY REGION V

Setting

The A.I.D. AC/VTE Office covered the area of Vientiane City and the provinces of Vientiane, Vang Vieng and Borikhane. It covered essentially the same area as the Lao Government (Vientiane Side) Military Region V except for the hilltribe refugee population of Muong Phoune in Vang Vieng Province which was under MR II. The MR V population was estimated at 400,000 in 1975, although there had been no real census taken and the population fluctuated constantly with refugee movements.

Objectives

The primary U.S. objectives through the war years were to stabilize the Lao economy, provide an adequate level of humanitarian assistance for displaced persons, support the non-communist Government of Laos in its efforts to provide public services, stimulate development, and indirectly to support the war effort.

With the 1973 cease-fire, the objectives remained essentially the same except that emphasis shifted toward final resettlement of refugees and longer term social and economic development. U.S. efforts were also directed towards strengthening the cease-fire and where possible supporting the fragile coalition government. By late 1973, A.I.D. activities in MR V were being targeted specifically to the development of the capability of government officials and village leaders, and of their administrative structure including budgeting and support systems. The Mission was purposefully moving away from the direct operational role it had played to an advisory one. Even though A.I.D. continued several existing activities and subprojects, the new purpose and goal radically changed the operational style of the Area Coordinator and his staff.

Military Region V

Military Region V was unique in that it contained the administrative and military capital of the Royal Lao Government, in which approximately one fifth of the population was located. Vientiane City was also the major import area ($7-10 million annually in food products) despite the fact that the Vientiane Plain and nearby valleys had the most immediate potential for increased productivity. This potential became the basis for MR V development planning discussed later.

Region V had its share of routine projects or programs typical of the entire country. Because it included the administrative capital, MR V was an intense political arena and received a high proportion of foreign visitors -- especially during early resettlement of

refugees in the Vientiane Plain. Thus because of the location and visibility of MR V, coupled with its economic position and political sensitivities, new initiatives there were encouraged by the Mission especially after the cease-fire.

Post Cease-fire Period

By mid-1973, security incidents were few and of little consequence. The stage was set to revise Mission priorities and programs but this proved to be a difficult and slow process. Rice support is a good example.

The influx of new refugees had almost stopped and the bulk of dislocated people (70,000) had already been in place for two years or more. They had raised an adequate rice crop or worked for daily wages so could no longer qualify for A.I.D. food relief. The main exception was 10,000 hill tribes people who had moved from Regions I and II to better rice lands in Region V. They were provided moderate food assistance for one additional year. Although the political pressure mounted to restore 60,000 Lao resettled refugees back to temporary rice rolls three or four months prior to the 1974 rice harvest, the A.I.D. Mission did not do so. In fact, all rice support stopped in October 1974 except for a leper village. Refugees who were on poor land or who had not thus far produced sufficient rice were stimulated to seek permanent rice land. At the same time, Catholic Relief responded to A.I.D.'s recommendation that they provide PL 480 food assistance to the truly needy categories (among former refugees) which included widows and farmers who had lost crops due to floods or insect damage and the like. They provided several hundred tons of excess PL 480 foods which filled villagers' supplementary requirements as well as the Government's political need, and effectively dropped USAID from the non-essential support role. Similar actions were taking place in other regions and by January 1975, the U.S. Mission had established a country-wide no-rice policy except for emergency situations.

New Directions in MR V

In late 1973, the Mission determined that a major shift in staffing, A.I.D. organization, support procedures, and operational style should be initiated in MR V. As a result of detailed analysis and approved action recommendations, the following changes were instituted:

1. U.S. personnel were reduced from eight to one by December 1974. The intention was to abolish the Area Coordinator function and retain only an Area Development Advisor under the Office of Refugees

and Rural Affairs. All technical positions were to be covered on a need basis from the Vientiane technical division itself. All TCN positions were eliminated (5) and Lao employees were drastically reduced form 85 to 20 by mid-1974.

2. All U.S. -owned and/or-operated warehouses, motorpools and offices, including furniture, office equipment, and some vehicles were formally transferred by grant-in-aid to the Lao Government. Only two small A.I.D. field offices with communications equipment were maintained for the Region in Lao Government facilities in Vang Vieng and Borikhane Provinces. This low key phase-down initiated in early 1974 was particularly timely inasmuch as it occurred well in advance of demonstrations against A.I.D. by dissidents in other areas. Despite the reorganization in MR V the actual aid level was maintained while housekeeping tasks were reduced 90%.

3. Beginning FY 1975, development activities formerly administered by the Area Coordinator Office were shifted to the Lao Government to the degree possible. Conceptually, all efforts became Lao Government activities assisted by A.I.D. and the Activity Proposals (APs) were explicit in describing this relationship. For example, where an AP had previously been used to document one "USAID" school at a specific location, the new style AP provided inputs to the Provincial Government for its multiple school self-help program. For rural schools, U.S. inputs were reduced from $1,500 to $125 per classroom and more classrooms were built under the school kit concept described elsewhere in this report. Where the stated objective in the FY 1973-74 AP had been to physically "build a school," the FY 1975 AP primary objective was "to strengthen the capability of the provincial government to carry out a successful school construction program", regardless of the donor. Corollary objectives were to meet the education needs of the population, strengthen the government in the eyes of the people and also to train government workers and villagers in low-cost school construction and maintenance. Governors and their service chiefs replaced A.I.D. staff as project managers and physical construction of the school became the objective of the local government rather than the A.I.D. Mission. In a second example, all provincial warehouses were transferred from A.I.D. control to that of the respective governors and indirectly the provincial social welfare service chiefs. The Social Welfare Ministry commodity request forms were translated into Lao for the first time. The response by the Lao Government officers was very positive and their initiative increased significantly under these administrative

changes. These kinds of modifications set the stage for further longer term development planning exercises which were well underway by May 1975.

Major USAID Activities in MR V

The major A.I.D. efforts in MR V, based on funds and management time expended, were divided into: Refugee Relief, Refugee Resettlement, Agricultural Development, Education, Public Works, Public Health, and Development Planning.

Several discrete country-level A.I.D. projects covered by ProAgs were implemented in MR V but since, from the field perspective, actual implementation was carried out under sub-projects and activities, the above functional breakdown is more applicable.

Refugee Relief - The number of refugees on partial or full relief support fluctuated over time depending on the state of the war. For historical purposes, A.I.D. began providing limited relief assistance in the mid-1960s, but the significant assistance began in 1970 with the arrival of the Plain of Jars refugees usually recorded at 27,000 although evidence suggests many were not from the Plain. By 1973, the number on part or full time food and commodity support in the three MR V provinces was approximately 60,000. This was reduced to 15,000 after the 1973 October harvest. By October 1974, all relief operations including grant rice to refugees in MR V were phased out. By refugee standards anywhere in the world, refugee groups were well provided with food and clothing. They had been outfitted with basic household commodities and often some construction materials, and they were provided with basic health services, primary schooling and a potable water source. If a group had clearly met the Lao and U.S. Government criteria as true displaced persons, support was generally adequate for the period up to the first full rice harvest. Problems occurred when the rationale for continued assistance was political and the appropriate status could not be clearly defined. If there were questions, relief was generous for both political and health reasons. In many instances, those groups who were provided with the most assistance, were those who exhibited the least initiative in becoming self-sufficient. There were some notable exceptions, however, usually among groups who were strongly opposed to ever returning to Communist-controlled areas.

Refugee Resettlement

By definition, resettlement in MR V often began with or even preceded arrival of refugees and provision of relief assistance. In Vientiane Province, because of its high visibility, considerable effort was made

by the Lao Government and A.I.D. to establish reserve land tracts for refugees, set up village sites, and register family rice land.

The A.I.D. Public Works efforts were significant in physically developing access roads to these sites, clearing village areas and in some cases clearing crop land. Heavy clearing and cultivation were jointly carried out by the Mission and the Social Welfare Ministry equipment pool. Where required and feasible, wells were drilled or dug by hand and cased. Various forms of agricultural assistance were provided, especially rice and vegetable seed and tools. For example, in 1974, 9,000 families received garden vegetable seed. Schools also received seed, tools and fertilizer for student gardens. In 1974, the Lao Government agricultural and social welfare offices fully participated in the effort for the first time.

After two or three years, most of the resettlement proved to be unsuitable for sustained production. Several key sites near Vientiane were only marginal at best for rice or upland crops. Although there were other factors involved, refugees from these areas were the first of the 20,000 to return to the Plain of Jars in March and April of 1975 by U.N.-assisted airlift. The remaining 20,000 refugees consolidated the river levee resettlement areas or moved to new sites of their choice.

A total of 25,000 refugees returned to the PL zone from MR V under various efforts just prior to the 1975 rice season, primarily to the Plain of Jars and Northern Borikhane Province. Most of the refugees originally from Xieng Khouang had no choice but to resettle in safe areas of MR V during the war, but never intended to stay. Most Hua Phan refugees, on the contrary, were determined to stay, sought out new land, and maintained a cohesive administrative structure. Although there was some good will shown by the local population when refugees first came into various MR V sites, by 1975 some frictions had developed with local villagers and leaders, many of whom were relieved when the refugees left. Generally, refugees were not accepted into the social milieu but were always considered outsiders. The few permanently resettled refugee villages included (1) groups with high level support (a patron), (2) groups that consolidated into larger groups, usually on resettled land of their choice, and (3) groups that retained a social/administrative structure intact from their original area.

Agriculture

Development efforts in agriculture in MR V were largely unsuccessful. Grant inputs for refugees, while excessively expensive, gave acceptable results under the circumstances, unlike most institutional efforts and the longer term development projects such as investment in irrigation systems, inputs for second cropping of rice, efforts to upgrade the extension system, and attempts to increase swine production. There were some limited successes, e.g., micro-chicken project, accelerating silk production, and the introduction of soybeans and some new varieties of rice and vegetable crops. However, the lack of adequate incentives for the individual farmer and serious marketing problems precluded any sustained progress in Agriculture.

In one exception, a well designed road/dike system ($600,000) followed up by a subsidized plowing program to reclaim top quality rice land in the Dong Kalum area of Vientiane Province repaid its investment cost in flood protection within three years.

The potential did exist for agricultural projects. However, a professional assessment of the agricultural sector within the Vientiane Plain was essential before addressing marketing bottlenecks and other constraints on development. The Lao Government was not yet prepared to do this, however. The Mission in the meantime was conducting some discrete studies, such as a soil classification survey, but a clear Lao Government policy on agricultural production and development had yet to be formulated. By 1975, international agencies were suggesting the sectoral study approach and had programed resources to assist the Directorate of the Plan, again focusing on the Vientiane Plain. A clearly defined agricultural policy and farmer support program (including an understanding of the dependency on Thailand for inputs and market pricing) was required before any real progress could be made in the agricultural sector. The Lao Government made the mistake of viewing the larger capital investments by the French and Japanese in irrigation dams and resettlement clearing schemes as agricultural development. However, they achieved no more than limited success and contributed very little to real expansion of production.

Education

The education component of refugee resettlement was one of the most effective programs in MR V. Construction of permanent schools (although excessively expensive), textbooks, school supplies, teacher training, and teacher support were most adequate.

The demand for additional classrooms increased commensurate with the rapid buildup in population of Vientiane City, province capitals and some district towns. Because of the acute need and partly because of high political visibility, a heavy schedule of permanent school construction and supporting activities were undertaken, i.e., urban groupes scolaires (full primary schools), rural self-help schools, secondary schools, development and expansion of teacher colleges, and the Fa Ngum comprehensive high schools. The cumulative progress was impressive. It was, however, not uncommon to be constructing 100 to 150 classrooms of all types in MR V each year, yet facing a continuing requirement for new and replacement classrooms. One joint study indicated that 100 classrooms would be required per year in Vientiane Province alone. A new approach to construction needs was essential.

Since the cost of standard classrooms by 1974 was prohibitive ($1,500-2,000), a new, low-cost design was developed in MR V, jointly with the Vientiane Province staff, called a "Rigid Frame School Kit". If A.I.D. inputs were only 10% of the standard design 50 classrooms or better could be constructed instead of five. The model was tested and evaluated in a refugee village and a native village near Vientiane. The Lao Government agreed to proceed with this method and by May 1975, the materials for 50 classrooms were ready to be shipped to school sites. The kit consisted of pre-poured concrete columns, essential hardware and lumber provided by the Mission, with roofing material provided by the Lao Government. The essential feature was a stable frame on which temporary (grass and bamboo) or permanent (wood and concrete) construction could be added -- over time. If it were initially constructed in a refugee village that later relocated, the school could be dismantled and moved. The project also represented the new operational style with the governor assigned to be the program administrator. The Social Welfare and Rural Affairs Services assigned competent construction engineers or technicians to the program as the managers, again a first. Most important, A.I.D. was in a supporting, advisory role. From all indications, the program package could also be supplied by other donors. UNICEF representatives had expressed some interest in undertaking such a program in FY 1976.

Engineering and Public Works - (Roads) - Although the cost would be prohibitive in a true economic development situation, USAID inputs into the national road program (FHWA/PASA force account construction unit; and commodity, financial, and advisory assistance to the Ministry of Public Works), was essential in keeping roads open and

constructing certain special purpose roads (e.g., Route 13-Ban Done Valley Road).

The USAID Public Works Division constructed over 200 kilometers of roads in MR V, again at a very high unit cost. Based on security, humanitarian, and political judgments at that time, this construction appears to have been justified. After the formation of the coalition government, the war-oriented rationale for force account work no longer existed, and the Mission rapidly phased out such construction. This proved sound even though it was difficult for client users and beneficiaries to accept. The strongest criticism against secondary road construction per se was that an adequate system of maintenance was not built in for or by the host government and thus the potential benefits were critically reduced.

Public Works - (Other Activities) - Well drilling support in MR V was essential in providing water sources for some refugee sites and for some key American and Lao Government offices and institutions. In MR V, A.I.D. support requirements had been met by 1973 so in retrospect the program could have been transferred to the Lao Government at that time rather than 1975. A heavy A.I.D. input had also been made into irrigation systems in the late 1960s, but due partly to low rice prices and to the cultural difficulties of introducing new technology, double cropping failed and irrigation inputs gave poor returns both economically and psychologically. There were some positive exceptions where a system provided guaranteed single crop water but most gravity systems and pump systems stopped functioning with lack of maintenance. The technical and commodity inputs to schools, health facilities, and other construction were generally acceptable under the prevailing conditions, including high U.S. visibility. In many cases, the cost and quality were too high and the sophisticated construction could not be reasonably maintained.

Public Health

Health assistance activities were significant in MR V. They included the national hospital and medical school inputs in Vientiane City, two hospitals assisted by Operation Brotherhood (OB) and an OB mobile team for Vientiane Plain refugees. A flexible rural health program with A.I.D.-supervised medics or support to Lao Government medics was essential in the war years, especially for refugees. The structure proved difficult to integrate into the government system. However, by May 1975, only five medics were being supported

and they were to be phased out by June 1976. Maternal, child health and family planning assistance programs were in their early stages in MR V and malaria suppression activities were underway. Progress was being made in reducing the dependency on the U.S. for health finances, commodities, and personnel (especially OB) but another two years were planned for phase-out or phase-over to other donors, principally international organizations. Other donor assistance from some source is still required in order to maintain a reasonable level of health services.

Development Planning

From necessity, most of the emergency and development resources within Laos were provided and controlled by the U.S. Mission over the war years. As the emphasis shifted toward normalization of government services and a normal development process with multilateral and other bilateral donors, it became important to work within the framework of a national plan and to plan from the bottom up. Area coordinator offices and A.I.D. in general made the decisions, often indirectly, concerning the allocation of development resources among programs and within programs, often down to specific project sites. For A.I.D. to move into a true advisory role and at the same time to develop the capability of host country officials, a systematic planning process integrating the existing Lao Government administration and technical structure was required.

A governor's office was the logical institution to carry out this function and by mid-1974, discussions were underway in MR V provinces to strengthen the development planning process from villages up. The focus was on Vientiane Province because of the agricultural production and marketing potential.

Initial planning exercises covered rural roads, small irrigation systems and primary school construction. The results of the study of primary schools and the resulting school kit program was discussed above. A more comprehensive planning effort would have followed an agricultural sector analysis. By May 1975, the Ministry of Plan still had not agreed to develop the scope of even a more limited rice and secondary crop assessment in the Vientiane Plain.

The Government, however, was interested in component parts of a comprehensive province development plan. A special province planning group and district planning groups were organized to develop a list of roads to be upgraded or newly constructed over the next ten years based on (1) population density and (2) agricultural

land potential. The district lists were integrated into a province listing, by numerical priority, after which they were to receive a preliminary engineering review and rough cost estimates. The process in Vientiane Province had been informally discussed with the Directorate of Plan and was in the provincial priority working stage. With the possibility of external support for construction, the Province was seriously involved in revising the rural road planning study.

By 1974, there was revived interest in double cropping on the part of farmers' groups who were asking for assistance in rehabilitating or enlarging systems constructed earlier. The Asian Development Bank planned a separate irrigation team visit to Laos in 1975 and the Japanese and Canadian Missions had already expressed their interest in small irrigation systems. The problem was identifying feasible projects and a government structure with which to work.

To address this problem, a planning group similar to the one on roads was organized - with the technical backing of the A.I.D. Agriculture Division and the Lao Directorate of Agricultural Engineering. The purpose was to survey all existing small irrigation systems plus potential sites and to establish a priority listing for any interested donor with supporting feasibility data. This activity was limited (in phase I) to the Vientiane Plain. A special Activity Proposal (AP) was jointly developed specifying the responsibilities of each agency. Work was underway by May 1975. The Asia Foundation had also provided funds directly to the governor's office ($500) to support per diem and administrative costs of the study. These funds were also made available for the road study. Although technical assistance and field transportation provided through the Activity Plan probably suffered with the withdrawal of the A.I.D. Mission, the concept of using the governor's office as the clearing house for development planning was at least initially successful in motivating local Lao Government officials to involve themselves in the development process. They had also begun to build practical implementation plans and develop a commitment. Structured properly, with low key advisory inputs and carefully placed financial resources directly through the local government, development planning and identification of feasible projects, especially for other donors, was the most promising USAID input in MR V following the cease-fire.

IV. STABILIZATION PROGRAM: FOREIGN EXCHANGE OPERATION FUND

FEOF AS A CHANNEL FOR U.S. SUPPORTING ASSISTANCE

Introductory Statement

The purpose of this history of the Foreign Exchange Operations Fund (FEOF) for Laos, which is part of the overall termination report on U.S. economic assistance to Laos, is firstly to record the background and evolution of FEOF, so that if called on to do so the Agency will have a basis on which to account for its conduct of a program involving direct U.S. contributions of nearly $160 million and a major investment of energy and talent as well. Beyond that, its purpose is to point to such lessons as may be afforded by the experience of FEOF, which had bold and innovative elements, and which may have applications elsewhere. Before proceeding, however, certain observations should be made.

To begin with, as indicated by its title, this history is written primarily from the U.S. standpoint, as is appropriate for a termination report on a U.S. activity. This focus has the effect, however, of obscuring the role played by the other FEOF donors and by the International Monetary Fund. In fact the other donors not only contributed a significant resource and policy input, they also provided a multilateral framework, without which FEOF probably could not have functioned. Further, the IMF originated a major part of the FEOF concept, and it facilitated the participation of the other donors and provided a continuing analytical framework as well.

So far as recording the significant aspects of the FEOF history is concerned, a serious data problem exists. According to informed sources, USAID/Laos maintained complete files of FEOF documents going back to its inception, retaining them in Vientiane rather than sending them to storage to assure their accessibility. In the course of the occupation of the USAID compound and the siege of the main USAID building by pro-Pathet Lao demonstrators in May 1975, these records, along with other classified documents, were destroyed. Considerable documentation is available in AID/W, in the files of the Laos Desk and in the general files which USAID/Laos did retire and which can be retrieved from storage. On account of the volume and diversity of these files, however, a large expenditure of time is required to utilize them. Even after this has been made, substantial gaps in the data remain. These pertain not only to the FEOF predecessors, the cash grant and the commodity import programs, but also to such basic matters as the genesis of the FEOF concept and its acceptance by the non-U.S. participants. Although the circumstances in which the prime FEOF records were lost may be unlikely to recur, the situation still suggests the desirability of writing interim histories of programs such as FEOF at regular intervals,

say every three to five years. Such a procedure might in any case assist in clarifying their status and prospects.

Despite deficiencies in the data, the main outlines of the FEOF experience, and also the lessons to be drawn from it, seem reasonably clear. These lessons are important, for despite the presence of some highly unusual factors in Laos, the economic forces that operate elsewhere, especially in the less developed countries, operated there also; and in Laos their operation is in some ways unusually apparent. It is the general principles rather than the precise structure of FEOF which may be susceptible to application elsewhere, however. The particular constellation of circumstances in which the FEOF mechanism functioned, and which made possible its success, is probably unique. Further, if it now appears that more favorable economic results might have been obtained by FEOF policies somewhat different from the ones actually followed, this does not mean that those responsible for these policies were in error. It was necessary for them to take political as well as economic considerations into account, and political considerations frequently were overriding. In addition, they lacked certain knowledge that we now possess; and the state of the art of economic stabilization may be said to have advanced in some respects since FEOF was established. For example, a managed exchange rate float, which has become commonplace in recent years, was rare in the mid-1960's.

In assembling the data for this history, recourse has been had to a wide range of airgrams, reports, memoranda, and other documents in the available files. Only two categories of these appear to form a consistent series relevant to the subject, however. These are the Annual Reports of the FEOF Manager, especially for the earlier years of FEOF, and the Action Memoranda for the Assistant Administrator or the Administrator concerned with the funding of FEOF and with authorization to sign the annual FEOF Agreements.

In view of the shortcomings of the documentation, interviews were conducted with as many persons as possible who had been associated with FEOF. Fortunately a number of these were accessible, and they provided particularly valuable insights and perspectives. A list of these persons, and the positions they occupied, follows. In addition, the section of the history dealing with developments from 1971 to 1975 was contributed by Walter F. Stettner, Chief of the Economic Affairs Division and Senior Economic Advisor in USAID/Laos for the period in question. Dr. Stettner provided valuable comments on other sections as well.

Charles A. Mann, Director, USAID/Laos, 1962 to 1965 and 1969 to 1975

James B. Chandler, Education Advisor, USAID/Laos, 1960 to 1963; Assistant Director and Deputy Director, USAID/Laos, 1965 to 1974

Gordon B. Ramsey, Program Officer and Assistant Director, USAID/Laos, 1969 to 1973; Deputy Director and Acting Director, USAID/Laos, 1972 to 1975

Peter M. Cody, Deputy Director, USAID/Laos, 1965 to 1967

Leroy S. Wehrle, Overseas Intern, USAID/Laos, 1959 to 1961; Deputy Director, USAID/Laos, 1962 to 1964

Norman L. Sweet, Program Officer, USAID/Laos, 1963 to 1967; Director, Office of Laos-Thailand Affairs, 1973 to 1974

John E. Diller, Program Economist, USAID/Laos, 1969 to 1974

Herbert B. Woolley, Senior Economic Adviser, USAID/Laos, 1968 to 1971

John S. Benz, Program Officer, USAID/Laos, 1959 to 1962

John Gunther Dean, Political Officer, American Embassy, Vientiane, 1956 to 1958

C. Hoyt Price, member, 1958 State Department economic mission to Laos

Aldo Guetta, member, IMF technical mission which visited Laos in June-July 1963

Sven Cronquist, IMF Resident Representative, Vientiane, 1965

Jean-Francois Garnier, UN Advisor in Ministry of Finance, Vientiane, 1963 and 1964

Paul Chabrier, Chief, Southeast Asia Division, Asia Department, IMF, currently

Howard Handy, Laos Desk Officer, Asia Department, IMF, currently.

Although the above persons deserve credit for merits of this FEOF history, they should in no way be held responsible for its shortcomings and errors.

SUMMARY AND CONCLUSIONS

The present report is a history and appraisal of FEOF, which is an acronym for Foreign Exchange Operations Fund, a multilateral economic stabilization fund in Laos in which the U.S. played a leading part. It covers the 12-year span from the beginning of FEOF's operations on January 1, 1964 to its formal termination on January 1, 1976 and, in addition, takes account of the preceding period, including aspects of U.S. assistance to Laos since that country became a separate economic entity in 1955. Certain principal conclusions are suggested by this survey. Firstly, the economic imbalance that FEOF was designed primarily to deal with, which had various aspects but which may most usefully be discussed in terms of negative domestic savings, is by no means confined to Laos, although it may have taken an especially acute form there. Secondly, FEOF may be regarded as one of the modalities under which the U.S. has extended supporting assistance to offset such imbalances, its distinguishing feature being the extent of its reliance on market forces. Thus despite the special circumstances of Laos it may afford lessons with implications for supporting assistance programs elsewhere. Thirdly, FEOF was relatively successful in maintaining economic stability, an achievement which suggests the desirability of relying on market forces rather than administrative controls. Fourthly, if there was any way of making FEOF more successful than it actually was, this probably lay in an even greater degree of innovation and economic liberalism, especially with regard to exchange rate variation. Thus not only the degree of reliance on market forces but exchange rate policy may deserve consideration in connection with other supporting assistance programs. In addition to the foregoing, this history as a whole gives the impression that although a multilateral framework such as FEOF's introduces some complications, in certain circumstances it can have distinct advantages especially in conjunction with an international institution like the IMF. Before elaborating on the above conclusions, however, it would be useful to summarize the background and history of FEOF.

Pre-FEOF Background

Laos came under French control only towards the end of the 19th century, considerably later than the other states of Indochina. For this reason, and perhaps even more because of its remote, landlocked

location and lack of obvious natural resources, the French made little investment there. Some roads were built - which deteriorated heavily in the hostilities following World War II - but virtually no modern education or public health infrastructure was established. Modern industry was nonexistent, and most agriculture, which was hampered anyway by soil and water problems, continued to employ traditional techniques and inputs. On top of this, entrepreneurial and administrative skills were not developed, at least among the Lao themselves. Thus the end of the French era saw Laos still with one of the least developed economies in the world.

In this connection, mention should also be made of the economic relations of Laos with Thailand, across the Mekong River. In the period of French control, despite strong cultural affinities a considerable degree of separation was maintained between the two countries. Laos shared its currency and financial institutions with Vietnam and Cambodia, and such imports as there were generally came up the Mekong from Saigon. After the departure of the French, and also the extension of the Bangkok-Udorn railway to Nong Khai, on the River opposite Vientiane, the much larger volume of imports, supported mainly by foreign assistance, came almost entirely through or from Thailand. Thai economic influence in Laos was enhanced by the superior resources and organization of Thai producers as compared with their Lao counterparts and by the fact that the urban centers of Laos were river towns, with much easier access to Thailand than to other parts of Laos.

The withdrawal of the French in the mid-1950's, coupled with the serious external and internal instabilities that existed at the time, obliged Laos to establish and maintain armed forces which, though not large by ordinary standards, were far beyond the capacity of its primitive economy to support. In addition, the Lao Government (RLG) felt obliged to make at least some efforts towards modernization of the country. This situation resulted in massive budgetary deficits coupled with soaring inflation and a yawning foreign trade and payments gap - or at least would have so resulted in the absence of foreign assistance. The only country both willing and able to supply such assistance at the time was the U.S., which was concerned with the wider stability of Indochina as well as with developments in Laos.

U.S. assistance to Laos dates back to the early 1950's, when Laos was still part of the French-controlled Indochinese Federation. However, the amount of U.S. assistance attributable to Laos can be determined only from 1955 on, the year in which Laos became a separate monetary and fiscal entity. This assistance, which was

devoted primarily to the stabilization of the hard-pressed Lao economy, began under a program known as cash grants. At first these apparently consisted of funds turned over to the RLG for the financing of imports necessary to their economy. Serious problems of administration under the auspices of the RLG and also of absorptive capacity developed, however, and in addition, imports traditionally were too low to generate the local currency required for budget and project support, at least at the prevailing exchange rate. As a result, prices began to rise rapidly. Accordingly in 1958, on the recommendation of the IMF as supported by the U.S., the currency was devalued substantially and a regime of free convertibility was instituted.

When cash grants under the new system were turned over to the RLG, the National Bank in return issued the local currency equivalent, which was then applied to the RLG budgetary deficit. Usually about half of expenditures were covered in this way. The size of the cash grants, which was determined on a somewhat ad hoc basis, tended to approximate that of the military budget, although in fact they also supported civilian expenditures. In this form they were more successful than previously in containing prices. Nevertheless certain problems remained, in particular the apparent limitation of convertibility by the RLG and the resulting accumulation of its foreign exchange holdings. These problems, and even more certain political considerations arising at the time, led the U.S. to take the politically as well as economically drastic step of suspending cash grants in January 1962. When the RLG in turn suspended convertibility, a sharp upswing in prices and in the free market exchange rate resulted. U.S. assistance was resumed the following October after a resolution of the political problems, but this time in the form of a commodity import program, known as USIP for U.S. import program. The USIP was designed to leave administration of assistance in Lao hands but to assure appropriate use of resources by providing for reimbursement of import expenditures only after certification that they were in accordance with U.S. regulations.

Despite efforts at simplification, procedures under the renewed import program turned out to be cumbersome for all but the largest importers. Even more serious was the prolonged tying up of the importers' capital occasioned by long shipping times from the U.S. and most other authorized sources. The result was lagging utilization of available funds and, in turn, a failure to arrest the rapid increases in prices and the free market exchange rate that had been set off by the suspension of cash grants in early 1962. In fact by October 1963, the free market exchange rate was in excess of 600 kip per dollar, more than seven times the official rate of

80 per dollar. In addition, there emerged a traffic in the re-export to Thailand of goods imported under USIP. This traffic had not been significant under the cash grant program with its accompanying regime of relatively free convertibility at the official rate. However, the divergence between the official rate, applying to imports under USIP, and the free market rate made such re-exports highly profitable.

Enter FEOF

It was in this situation of severe economic crisis, threatening even collapse, that FEOF emerged. The origins of the FEOF concept are not entirely clear, but it would appear that the economic principles on which it was based were those put forward by an IMF team which visited Laos in July 1963, as shaped and refined in discussions with members of the U.S. Mission. The administrative arrangements were evidently mainly the contribution of the U.S. Mission and reflected the lessons of previous difficulties with stabilization assistance. After some hesitation in Washington, the U.S. accepted FEOF in principle, and the agreement of the other original donors - the U.K., France, and Australia - as well as of the Lao Government itself was obtained in the ensuing months. The negotiations through which this was accomplished must have been strenuous, in view of the limited time involved, but few records of them are now available. The FEOF agreements covering the calendar year 1964 were signed by the four donors and the RLG on December 24, 1963; and operations began the following January 1.

The manner of FEOF's functioning was the following. The donors deposited their annual contributions into an account maintained in a New York bank and operated by a non-Lao manager provided by the donors. The donors themselves exercised policy control through regular meetings of the Donor Advisory Board, of which they were the members. The foreign exchange available through FEOF was sold to holders of kip through the commercial banks without restriction, so that the only constraints on its use for imports or other transactions were market forces. The exchange rate at which sales were made, approximately 500 kip per dollar, was determined essentially by the equilibrium of foreign exchange demand and supply, including FEOF supply, in the year 1964. Thereafter until 1971, demand and supply were kept in balance through varying the availabilities of foreign exchange rather than through exchange rate adjustment. The kip proceeds of FEOF sales were largely, though not entirely, retired from circulation or sterilized, thereby offsetting a major part of consistently large monetary expansion, which was attributable primarily to the budgetary deficit.

These two factors - the budgetary deficit on the expansionary side and FEOF kip absorption, net of donor desterilizations in whatever form, on the contractionary side - were of course not the only elements in the monetary equation, which is set forth, so far as data are available, in Table 7. Movements in bank credit to the private sector, in time and savings deposits, and in foreign exchange reserves also played a part, especially in the shorter run; and kip absorption through USIP and the Invisibles Program and kip expenditures in support of USAID projects were additions to contractionary and expansionary factors, respectively. In the longer run, however, the above elements tended to be relatively stable, as in the case of the first three, or else to offset each other, as in the case of the last two. Thus from a historical standpoint interest centers on FEOF absorption and the budgetary deficit. In the text of this study the discussion is conducted mainly in terms of these factors, with others being noted where they are significant.

With regard to the foreign exchange system following the inception of FEOF, it should be noted that the USIP, the coverage of which was quite broad in view of its expected role as the primary stabilization assistance channel, and also the relatively small U.K. and Australian commercial import programs were not terminated immediately but were phased out only gradually. Further, from 1962 to 1969 the U.S. made considerable foreign exchange available under the Invisibles Program, which financed RLG expenditures for its missions abroad and for such other purposes as health and educational travel. Thus in effect there was a two-tier exchange system: an official rate of 240, up 300 percent from the previous rate of 80, available for approved imports and other transactions, and a free-market rate approximately twice the official rate. FEOF was the main supplier of the free market, although in later years non-FEOF foreign exchange, consisting largely of "sales from the public", became nearly as important. The purpose of this two-tier structure was to make essentials available at a preferential rate, thereby limiting the devaluation-induced increase in the cost of living, while at the same time providing for capital transfers and luxury imports at a penalty rate, thereby draining off excess liquidity in the economy. In practice the convenience and simplicity of FEOF led to its use for many essentials even before the phase-down of USIP. This circumstance suggests that the effect of USIP and the other commercial import programs on the cost of living was less than the difference between the official and the free-market exchange rates would indicate.

FEOF Evolution, 1964-1970

Apart from some uncertainties in the initial months, FEOF passed the test of its first year with flying colors. Foreign exchange sales remained approximately within availabilities at the exchange rate established in the first few months and, more importantly, prices according to the official index rose only 51 percent, entirely in the first half of the year, despite the depth of the devaluation. This compared with a price increase of 147 percent the previous year. In 1965, its second year, FEOF was reinforced by the adhesion of Japan. In addition, its scope was extended by the restriction of USIP in September of that year to the financing of only four categories of imports, albeit important ones: rice, POL, machinery, and utility vehicles. This was the first step of a process, continuing by stages until 1972, by which all commodities were removed from the USIP list. As this took place, the commodities and also the funds provided for them were shifted to FEOF financing. This development accounted for part of the increase in the annual U.S. FEOF contribution in the mid-1960's. It also broadened the application of the FEOF exchange rate, so that essential imports as well as luxuries and capital flight were covered directly by it. Another effect was to give variation in the exchange rate wider political as well as economic consequences than it would otherwise have had.

A further consequence of the shift from USIP to FEOF financing was the reduction of kip counterpart generation below the level required to support USAID activities. Thus in most years after 1965 a portion of the U.S. contribution to FEOF was devoted to kip purchase. Sales from the public, which were dollar purchases of kip in support of non-USAID U.S. activities through the banking system outside of FEOF, became increasingly large after 1965 and, as previously mentioned, contributed correspondingly to overall foreign exchange supply. Since these generated an approximately equivalent foreign exchange demand, they may be regarded as of lesser significance from a stabilization standpoint, at least prior to the institution of a dual FEOF exchange rate in 1972. They did, however, broaden and thus steady the foreign exchange market and, on occasion, they tided it over temporary exhaustions of FEOF supply.

The year 1965 was remarkable also for a development which foreshadowed later difficulties for FEOF. This was the doubling of the basic wage rate in response to pressures arising from previous price increases and the sharp rise in the budgetary deficit - 73 percent

from FY 1965 to FY 1966 - to which this contributed (see Table 5). The effect of increased expenditures on the deficit was masked in part by a rapid rise in customs receipts from the gold trade, which involved the importation of gold into Laos for smuggling into neighboring countries, especially South Vietnam. In fact after its initial rise the deficit actually declined slightly. But the gold trade collapsed in 1968 as a result of the Tet Offensive in South Vietnam and efforts to make up the revenues thus lost from other sources were only partly successful.

That FEOF was able to meet foreign exchange demand in 1968, 1969, and 1970 was due to a larger gross input into FEOF by the U.S. on the one hand (see Table 2) and also, apparently, to the willingness of kip holders to increase their holdings. Despite larger FEOF sales (Table 3), money supply rose substantially in those years (Table 5). The increased willingness to hold kip may be attributed, apart from confidence that FEOF had instilled, to the behavior of prices at the time. For in 1968 and 1969 Lao prices declined relative to those in most other countries and in 1970 they declined absolutely as well as relatively. This price behavior was evidently due not to developments in Laos, where money supply expanded faster than real economic growth, if any, could explain, but to lower prices for Thai commodities, particularly rice, by which prices in the Lao market were largely determined.

During these years the U.S. authorities were heavily preoccupied with efforts to increase RLG budgetary receipts, which seemed to center on higher customs rates for gold and gasoline; to assure the continuation of other donors' contributions if not the enlistment of additional donors; and to obtain necessary increases in the U.S. contribution. Consideration was also given to wider economic issues such as the level of the exchange rate, but at times it may have been overshadowed by the above concerns.

Final Phase of FEOF, 1971-1975

In 1971, however, holders of kip ceased to be willing to go on increasing their balances. Once the tipping point was reached, a band-wagon effect was produced as the extra foreign exchange demand cast doubt onthe adequacy of FEOF resources. In an effort to redress the situation, the U.S. offered to contribute an additional $4 million to FEOF for the calendar year, conditional upon acceptance of a devaluation by the RLG. The RLG permitted a devaluation to 600 per dollar in November 1971, and the additional U.S. contribution was duly deposited.

Even with these measures, however, the containment of foreign exchange demand appeared uncertain. Accordingly, in May 1972 a two-tier exchange structure was instituted, consisting of the official rate, which by now had been unified with the basic 600 to 1 FEOF rate, plus an 840 rate comprised of the official rate plus a 240 kip per dollar "financial transfer tax" (FTT). This new two-tier system was in many ways similar to the structure existing in the early stages of FEOF. Imports of essential commodities and also certain financial transfers were provided for at the 600 rate, which required prior approval of a Foreign Exchange Authorization Commission (FEAC) instituted at the time, so as to minimize the impact of the new arrangement on the cost of living, much as such imports and transfers had been provided for at the 240 rate under the USIP and other commercial import programs and under the invisibles program. And much as FEOF itself had originally been intended to do, the 840 FTT rate served as a penalty outlet for less essential financial transfers, for capital flight, and for the financing of luxury imports. Likewise, as commodities were transferred successively from USIP and other commercial import programs to FEOF financing, so also the list of imports and other transfers eligible for the 600 rate was successively reduced until by July 1973 some 85 percent of transactions were at the FTT rate. This produced a progressive upward movement inthe average effective exchange rate, much as the phasing down of USIP had done. Finally, as FEOF in its original form achieved a large measure of success, so the new two-tiered system also met with considerable success initially. It was less effective in restraining the increase in prices, which rose 28 percent in 1972 and 42 percent in 1973, a development in which external factors played an important role. But FEOF resources were nevertheless sufficient to meet foreign exchange demand in 1972 and 1973 despite the fact that donor contributions, instead of increasing as from 1964 to 1971, fell below their 1971 level in real terms.

Along with similarities there were of course differences. Since imports financed by FEOF sales at the 600 rate were not restricted as to origin, they presumably constituted a greater drain on the U.S. balance of payments than USIP did. On ther other hand, shipping times and administrative procedures were less of an obstacle, so that it was possible to operate with a spread of only 40 percent between the lower and upper rates, instead of 108 percent as before.

This circumstance increased kip absorption and also reduced the danger of re-exports to Thailand. Further, the dual FEOF exchange rate meant that USAID kip purchases from FEOF and also kip purchases

through the banking system outside FEOF could have some stabilization impact, inasmuch as dollars bought at the 600 rate from these sources were sold at an average rate substantially higher than that.

The success of the new two-tiered system was, however, shorter lived than that of the original FEOF. In addition to the failure of the donors to maintain the real value of their contributions, favorable circumstances such as the rise in gold customs receipts from 1965 to 1967 and the externally induced price stability from 1968 to 1970 were lacking. The basic cause of renewed difficulties was again the budgetary deficit. Despite the exercise of considerable budgetary discipline in the latter half of 1972 and especially in 1973, the deficit began to swell in early 1974, mostly for reasons connected, directly or indirectly, with the formation of the coalition government (PGNU) in April of that year. The expansionary effects of the budgetary deficit were strongly reinforced by a massive if temporary increase in bank credit to the private sector which occurred at the same time.

The result of these developments was mounting foreign exchange demand in the second quarter of 1974, culminating on July 18 in a run on FEOF which forced the closing of the banks. When the banks reopened three weeks later, the 600 and 840 exchange rates remained in force but applications for foreign exchange at the latter as well as the former rate were made subject to FEAC approval. The institution of full exchange controls which this constituted made possible the containment of foreign exchange demand within the limits of availabilities. It meant, however, that FEOF was no longer based on free foreign exchange sales. The results for the economy were similar to those experienced when cash grants were replaced by USIP in 1962 and in 1963. A free market rate separate from the official rates arose and rapidly diverged from the latter; prices were set by the free market rate rather than the official rates and increased accordingly; re-exports burgeoned; and export proceeds coming into official channels dried up. (Exports of timber were banned anyway in late 1974 as the PGNU sought to bring them under more effective control.) Some adjustment was made in the system in March 1975 when the two official exchange rates were devalued to 750 and 1200, respectively, and the list of eligible imports was expanded. The system of full controls, however, remained in place.

Frictions between the U.S. and the PGNU following the assumption of pre-eminence by the Pathet Lao in the wake of the fall of Cambodia and South Vietnam led not only to the suspension of U.S. assistance and the withdrawal of the USAID by June 30, 1975 but

also to a limitation of the U.S. contribution to FEOF for 1975 to $5 million, the amount supplied through April 1 as interim financing. Nevertheless the U.S. signed the FEOF agreements for 1975 on July 15, along with the other donors, thereby maintaining formal participation. The U.S. signature was to confirm the limitation of the U.S. contribution to $5 million and also to facilitate the participation of the other donors. The other donors continued their contributions at the level of the previous year with the exception of Japan, which reduced its contribution by 50 percent. Thus there was a substantial reduction in the resources available to FEOF for the remainder of the year; but since sales were also greatly reduced, the year ended with a substantial balance in the FEOF account, which was turned over to the PGNU on the formal dissolution of FEOF on January 1, 1976.

Discussion of Conclusions

The main points emerging from the history of FEOF, which were mentioned at the beginning of this section, may now be discussed briefly. An economic imbalance such as existed in Laos and with which FEOF was designed primarily to deal is by no means unique but has existed - or exists - in several other countries. It is conceptually distinct from the problem of economic development, although it tends to be associated with a lack thereof, in that it calls more for a return to or maintenance of a status quo than for progress beyond that point. Development may also be a goal for the country, but for the most part additional efforts would be required to achieve it. For the imbalance in question here is the result of exceptional rather than normal circumstances. Examples that come to mind, in addition to the superimposition of a military effort on a primitive economy as in Laos, are insurgency, as was the case in South Vietnam; the necessity of maintaining defense forces against an external threat, as in South Korea; partition and the disruptions that it entailed, as in Pakistan; and recent independence leading to the departure of administrators without suitable replacements, as in Zaire. These circumstances usually do not occur singly, of course, but instead in varying combinations, as was in fact the case in Laos.

This imbalance typically manifests itself in a budgetary deficit, as the government faces the necessity for increased expenditures and also, frequently, a shrunken revenue base. This deficit is not offset by savings in the private sector, where production will at best do little more than equal consumption. Thus there will be an overall excess of consumption over production, or a condition of negative domestic savings. This imbalance manifests itself also in a trade and payments gap, in which imports outweigh exports - in Laos this has been by a factor of ten or more. It is not unnatural to look on this foreign gap as primary, since part of it may be occasioned by necessary imports which the country cannot produce for itself and since, in addition, stabilization assistance serves to finance imports. But on the whole it is more satisfactory to take the domestic savings gap as primary. An increase in exports will not by itself reduce the foreign gap, since the proceeds of these exports may serve as the basis for increased import demand. On the other hand, an increase in production or a reduction in consumption will reduce not only the domestic savings gap but also the foreign gap. For, other things being equal, it will make more goods available for export or reduce import demand.

Just as the condition that FEOF was primarily designed to deal with is not confined to Laos, so the U.S. has extended assistance to several other countries also in connection with it. Such assistance consists in essence of the transfer of foreign savings, the surplus of another country's production over consumption, which have the effect of offsetting negative domestic savings. It may also be termed supporting assistance, whether or not it falls within the formal A.I.D. category known by that name. Supporting assistance has most often taken the form of commercial import programs, under which the U.S. has provided foreign exchange to finance specified imports, generally of commodities considered to be essential and generally limited to the U.S. and certain other sources. These restrictions accord with the U.S. objectives of benefiting the poorer majority rather than the privileged few and of minimizing the balance of payments drain of assistance. At the same time they require a considerable degree of administrative regulation. Thus they may conflict with another U.S. objective, namely encouragement of reliance on market forces operating in a free economy, which in general make for greater efficiency in the use of both aid and domestic resources.

Under certain conditions, in particular administrative competence on the part of the government and also frontiers that can be controlled, commercial import programs can be reasonably effective in promoting welfare and balance of payments objectives, albeit probably with at least some loss of economic efficiency. In Laos, however, administrative competence and also control of the long frontier with Thailand were inadequate to permit a commercial import program to accomplish even welfare and balance of payments objectives very well. The massive difficulties encountered when such a program was attempted are evidence of this. It was therefore appropriate to seek to devise an alternative form of supporting assistance which would give priority to maximizing the efficiency of aid, particularly from a stabilization standpoint. This was the situation out of which FEOF, with its primary reliance on market forces, developed. But even though FEOF had its origins in circumstances that were somewhat unusual, it, or at any rate some of its features, may be worth considering for application elsewhere, in countries like Laos and also in more sophisticated areas, where there is a requirement for supporting assistance. For market forces could have an application to stabilization objectives in other situations too.

The above possibility gives special interest to the results obtained through FEOF. In terms of maintaining price and general economic stability while avoiding administrative problems and limiting increases in overall cost, FEOF was a clearcut success. It was

successful first by comparison with available alternatives, in particular the commercial import programs previously tried out in Laos. As for the cash grant program relying similarly on market forces, which also preceded FEOF, the multilateralism of FEOF not only shifted some of the aid burden from the U.S., it resolved the problem of administrative and policy control in a way probably not possible in a bilateral context. It was successful also by the standard of what could reasonably have been expected of it at its inception. No specific objectives were in fact set other than the maintenance of substantial economic stability. But seven years of substantial price stability followed by four more years in which the economy was kept at least from falling apart is an impressive achievement, even if the cost, especially in dollar terms, was somewhat higher in the later years than in the beginning. This success would appear to have more than offset such financing of capital flight and luxury imports and drain on the U.S. balance of payments as FEOF gave rise to; although these are the aspects that the critics of FEOF seemed to focus on. To be sure, a considerable measure of the success of FEOF during the initial seven years was attributable to the fortuitous rise in gold customs receipts from 1964 to 1967 and to the externally-induced decline in relative prices from 1968 to 1970. Even without these developments, however, FEOF in all probability would have ranked as a success by the above criteria.

Although these were not its primary concerns, a glance at the effects of FEOF on production and development and also on income distribution may also be in order. In promoting a reasonable degree of stability in the economy and in providing foreign exchange for the importation of equipment and raw materials, FEOF undoubtedly made a contribution to development. Even so, development is unlikely to proceed very far unless demand is sufficient to make production profitable. The inflow of imports financed by FEOF in the course of stabilizing the economy could scarcely have avoided a dampening effect on demand for some Lao products. Rice and other agricultural production are perhaps the chief cases in point. Therefore FEOF probably had negative as well as positive effects on development. As for income distribution, FEOF evidently benefited the urban populations in Laos, especially in Vientiane, who were the main consumers of imported goods brought in with the foreign exchange it provided and whose incomes derived mainly from government expenditures rather than production. On the other hand it may have been of some disadvantage to the rural population, whose consumption of imported goods was less and whose income was dependent on their own production.

The question arises of whether FEOF, though a success, could have been made even more successful and, if so, how. It seems unlikely that this could have been done through a greater degree of administrative restriction and control, although this is what those who criticized FEOF for financing capital movements and nonessential imports logically would seem to have desired. The gains in terms of welfare and balance of payments objectives that these would have produced, if any, would have been more than offset by losses in other areas. If FEOF could have been made more successful, it is likely to have been through a greater degree of innovation and economic liberalism, not through a lesser.

One aspect of FEOF in which there might have been scope for this is the FEOF exchange rate. To be sure, the 500 kip per dollar rate which prevailed from 1964 to 1971 was determined by the equilibrium of supply and demand at the beginning, and until 1972 there were no restrictions on sales, which were kept within availabilities mainly by increasing supply. Nevertheless this was not the active exchange rate policy, or managed float, evidently envisaged by the IMF at the outset and recommended by the IMF, with the support of the donors, in 1974. The appropriate criterion for the amount of movement of the rate, as provided for in the IMF recommendation and also as reflected in this study, would have been the amount of the budgetary deficit.

The 1974 recommendation failed of acceptance by the Lao Government, whose prerogative the setting of the FEOF rate was by that time regarded to be. There is reason to believe, however that a managed float would not have been objected to particularly by the RLG during the first year or two of FEOF's existence. For one thing neither the Prime Minister nor the Finance Minister protested when the FEOF rate turned out substantially higher than they announced it would be. For another, the rate did fluctuate over a wide range before finally settling down. Therefore it is interesting, although inevitably speculative, to inquire what might have happened had the donors decided to press for a managed float at that time.

Upward movement of the FEOF rate in itself might not have had a very strong political impact so long as FEOF was being used primarily for capital transfers and luxury imports. It would, however, have widened the spread between the official and the FEOF rates and thus have led to an intensification of the problem of re-exports, which evidently was reduced if not eliminated by the inception of FEOF and the measures which accompanied it. This in turn would have necessitated a shift of commodities from USIP to FEOF financing, such as in fact took place. (Another possibility would have been

to raise the official rate, but this seems less likely.) At this point political as well as economic repercussions might have been expected, inasmuch as the higher FEOF rate would then have applied directly to some essentials. These repercussions could have resulted in political difficulties or even collapse. To be sure, the presumably more drastic step of suspending assistance completely in 1962 did not produce a collapse, but the risk was still there. Alternatively, if the political structure had come reasonably intact through these difficulties, the RLG would have had a direct and powerful incentive, through the link between the rate and the deficit, to improve its budgetary performance and thereby minimize further upward movement in the rate. If this incentive had proved effective, where other measures that were tried never fully succeeded, it could have enhanced and prolonged the stabilization impact of FEOF.

The effects of a managed float of the FEOF exchange rate on development and income distribution, although not of primary concern, might also have been favorable on the whole. It would have made imported capital equipment and raw materials more expensive, insofar as the float resulted in a higher effective exchange rate, but output based on Lao factors of production, most notably the land and labor employed in agriculture, would have become relatively cheaper. As for income distribution, it might have disadvantaged urban consumers of imports, who tended to be relatively well off, but it would probably have benefited Lao producers, mainly in the rural areas.

If a managed float of the sort described could have led to worthwhile results, it may be asked why such a float was not adopted. The reason was not failure on the part of the U.S. officials concerned to consider the question of exchange rate movement. On the contrary, this was considered carefully and repeatedly, both in the field and in Washington, and in fact was accepted with regard to the average effective rate resulting from the distribution of import financing between USIF and FEOF, change in which appeared less sensitive. The main reason for rejection of variation in the FEOF rate, prior to 1971, was the political risks cited above. Although political risks had been run in 1962, by the mid-1960's the situation had changed, not only in Laos but elsewhere in the area, especially in South Vietnam, and it was felt that too much was at stake to take them then. A secondary reason was the fear that exchange rate change would upset confidence in commercial circles and lead to a run on FEOF which would exhaust available resources. It would appear, though, that the sort of exchange rate variation considered at the time was a one-shot devaluation rather than a managed float. Had present knowledge of the results of managed

floats, in such places as Korea, South Vietnam, and Indonesia as well as in more advanced countries, been available then, this fear might not have loomed so large. A final reason, presumably, is that although the FEOF donors on the whole worked well as a group, there was necessarily uncertainty as to what the attitude of the other donors towards such a measure would be.

The decision of the officials concerned with regard to the FEOF exchange rate was therefore reasonable and appropriate under the circumstances. The experience of FEOF nevertheless suggests that in the administration of supporting assistance not only is reliance on market forces desirable but exchange rate policy deserves close attention.

FEOF PREDECESSORS

Cash Grants, 1955 to 1962

The initial and most important form of pre-FEOF financial assistance was the so-called cash grant program. This goes back to 1955, the year in which U.S. assistance to Laos as such began. Prior to that time some U.S. assistance was received by Laos as one of the Associated States of Indochina, but since Laos lacked a separate fiscal system, separate monetary institutions, and even a separate currency, it is not possible to distinguish the Lao share prior to that year. Cash grants were large in the beginning, averaging $29 million for the fiscal years 1955 through 1958 (see Table 1). The method of their operation is, however, not entirely clear. This is especially so for the above years. According to summary descriptions written in 1962 and 1963, cash grants were administered initially through procurement authorizations. But in this same period, 1955 through 1958, a U.S. commercial import program is also shown by the records to have been in operation, averaging about $6 million a year (again see Table 1). How this was distinguished from procurement authorizations under the cash grants has not been established.

In any event, procurement authorizations evidently functioned poorly in the Lao environment, which was characterized by rudimentary administrative capabilities and long, virtually impossible to control land frontiers, especially with Thailand. The situation led to large accumulations of RLG foreign exchange reserves (averaging $35 million from 1955 through 1958) and to large-scale administrative problems and corruption. In addition, prices rose significantly during this time. Finally, according to a U.S. official who visited Laos in 1958, the traditional level of imports was not sufficient to generate the local currency required for U.S. programs, at least at the current exchange rate of 35 kip per dollar inherited from the French. For all these reasons the attempt to achieve U.S. assistance objectives, which included support of local activities as well as stabilization, through procurement authorizations was abandoned.

A new approach was instituted by the monetary reform agreement of October 10, 1958, which was arrived at after long negotiations between the U.S. and the RLG and which was largely

based on recommendations of an IMF mission earlier in the year. By the terms of this agreement the official exchange rate for the kip was devalued from 35 to 80 per dollar. Another feature of the new system was that the cash grant funds were deposited into an account of the National Bank of Laos in the Chase Manhattan Bank in New York. The National Bank thereupon issued the kip equivalent of these funds, which was used for budgetary support. The amount of this support which was provided on an almost month-to-month basis, was generally keyed to the size of military expenditures and so came to be regarded as applying to the military budget. Of course it could have been regarded as applying also to civilian expenditures.

Along with these changes a regime of free convertibility was instituted by the October 1958 monetary reform, with the dollars made availabe to the RLG being turned over to the commercial banks for sale to the public, much as was the case later with FEOF. There is some question about how free this convertibility was in practice, however. Foreign exchange reserves were lower than in the previous years, averaging about $24 million in the years 1959 to 1962. Nevertheless, they remained considerable. Further, money supply more than doubled in this interval, and prices continued their upward trend, albeit at a relatively slow rate. Finally, there are indications of a free market exchange rate significantly in excess of the official one. The RLG apparently suspended convertibility on at least two occasions and it may be inferred that restrictions of other sorts were at least in some cases attached to dollar sales.

The cash grant program was suspended in January 1962, never to be resumed. The reasons for the suspension were partly economic. In the first place it was desired to oblige the RLG to draw down its excessive accumulation of foreign exchange reserves. Further, criticism about the financing of capital flight, luxury imports, and imports of non-U.S. origin through cash grants had arisen. But there were also political reasons, involving the reluctance of the rightist General Phoumi Nosavan, then the dominant figure in the RLG, to accept a tripartite, substantially neutral government for Laos. The political reasons are considered by some to have predominated. The suspension of the cash grants did

in fact produce a rapid draw-down in the foreign exchange holdings of the RLG, which fell from $20.7 million in January 1962 to only $0.5 million in August 1963. In part at least, these reserves were used for interventions by the National Bank in the free foreign exchange market. (According to reports circulating at the time, Phoumi Nosavan himself made off with a portion of them.) Despite these interventions, the free exchange rate reached 150 kip per dollar by January 1963. More spectacular was the movement in the price level, which doubled between 1962 and 1963. Accordingly, it was considered urgent to resume non-project economic assistance, though preferably in a form not involving the drawbacks of the cash grant program.

U.S. Import Program

The next approach to the problem of maintaining financial stability in Laos was worked out in August 1962 by the newly arrived USAID Director, Charles A. Mann, and by a visiting White House staff member, who subsequently became Deputy Director, Leroy S. Wehrle. This involved reversion to commodity imports as opposed to cash grants. The scope of the U.S. import program (USIP) evidently was broad with respect both to eligible commodities and to sources from which they could be imported, so as to enhance its stabilization impact. (The list of eligible commodities appears not to be available, however.) In addition, it was set up in such a way as, hopefully, to avoid some of the pitfalls encountered previously. In particular, it provided for reimbursement of the RLG, which still kept the allocation of foreign exchange for imports in its hands, only after it had submitted documentation showing that the imports it had authorized complied with A.I.D. regulations.

The program still encountered a host of problems, however. Considerable delays were involved in the delivery of goods from the United States and most other authorized sources, up to eighteen months from the time of ordering, according to one source. This was an important consideration in a country where interest rates on the curb market, as distinct from the commercial banks, were more than 30 percent a year. Goods from Hongkong, Singapore or Japan could, however, arrive in a few weeks, and those from Thailand needed only to cross the Mekong, often without paying customs. In addition to the slow utilization of USIP to which this situation gave rise, there was the further problem of re-exports. Goods coming in under the USIP were often sent across the river into Thailand almost immediately on arrival in Laos to take advantage of higher prices there. Finally, there was over-invoicing of imports, a device which made the difference between the declared and the actual value of goods available to be left abroad. On top of this there was considerable administrative confusion and corruption on the part of the RLG. Although the USAID made strenuous efforts to deal with these administrative problems, especially with respect to customs collections, they only partly succeeded.

The USIP was announced as a replacement for cash grants on November 16, 1972, and $14.5 million was provided for the 1963 fiscal year under the program. In the first six months of

operation "very little" of this was utilized, however. As a result of the slow arrival of goods, and also of the limited capacity of the RLG to intervene in the free foreign exchange market, prices rose rapidly and the free exchange rate, which had reached 150 to 1 already in January 1963, rose further to 370 to 1 on June 30 of that year. The inadequacy of the USIP by itself to meet the demands of the situation thus became evident.

THE FOREIGN EXCHANGE OPERATIONS FUND

Establishment of FEOF

The seriousness of the economic situation that had developed following the suspension of the cash grant program, and which the USIP turned out to be insufficient to rectify, is understood by the fact that by mid-1963 the National Bank had run out of reserves with which to intervene in the free exchange market. As a result the depreciation of the kip on the free market accelerated, and it reached a peak of over 600 to 1 in October. By that time, however, the elements of FEOF were beginning to take shape. The steps by which the concept was developed and the operating machinery put in place appear to have been the following.

In March 1963 an IMF mission visited Laos for one of their regular consultations with a member country. This mission produced a general survey of the Lao economy without, so far as is known, making specific recommendations. Nevertheless, their visit to Laos may be regarded as laying the groundwork for further developments. Then in early June, 1963 a committee of economic experts was convened on the initiative of the RLG, in particular of the Prime Minister, Souvanna Phouma. This committee included, in addition to Ministry of Finance and National Bank representatives, two UN advisers, the USAID Deputy Director (Wehrle) and the Chief of the USAID Office of Economic Affairs. The latter two served in their personal rather than their official capacities. This committee was of necessity circumspect in the formulation of its conclusions, but they nevertheless foreshadowed basic elements of FEOF. They may be summarized as follows:

(a) Budgetary balance, at least after allowing for absorption of kip through foreign assistance.

(b) Stabilization of essential commodity prices.

(c) Provision not only for essential financial transfers but also for some reduction of residual demand for foreign exchange (as for capital transfers) so that this will not weigh unduly on the monetary system.

(d) Exchange rate adjustment.

The committee felt the above objectives would best be served by a return to free convertibility.

The conclusions of the committee of experts evidently received further refinement in discussions with the Lao authorities. According to an A.I.D. FE/CP paper dated August 19, 1963, the Prime Minister and the then Finance Minister, General Phoumi Nosavan, agreed to the following recommendations:

(a) Hold budget expenditures at the present level.

(b) Devalue the kip from 80 to 180 to the $1.

(c) Sell foreign exchange provided by donor countries on the open market at the highest attainable rate (underscoring added).

The crucial element in the setting up of FEOF, so far as can be determined, was the two-man IMF technical mission, consisting fo Edgar Jones and Aldo Guetta, which arrived in late June and left on July 9. The report which Guetta and Jones wrote on the basis of their visit is not now available, and the exact part that they played is difficult to determine. Important elements of the FEOF mechanism were in any case contributed by the USAID itself. Nevertheless, the role of the IMF mission and especially that of Guetta, appears to have been a key one. This may be judged from the fact that up to that point the USAID's discussion and reporting, as reflected in internal memoranda and in airgrams, were in terms of a limited access rate above the USIP rate, for capital transfers and nonessential imports. When FEOF emerged, however, it provided for sales on the open market, without any limitation of access. Thus the economic principles by which FEOF operated may be regarded as having been contributed primarily by the IMF. The USAID's contribution evidently lay more in the area of administrative arrangements. Features of these arrangements which were distinctive from those for the previous cash grant program were:

(a) The holding of FEOF funds in a bank account which was not only outside Laos (in the case of FEOF primarily the Irving Trust in New York) but also not subject to RLG control.

(b) The day-to-day operation of FEOF by a non-Lao manager and the retention of policy control by the donors, acting through the Donor Advisory Board.

(c) Direct dealing with the commercial banks by the FEOF manager, without passing through RLG intermediaries.
A third element of FEOF, its multilateral character, not only distinguished it from the previous cash grant program but made

it notable in its own right. This may be regarded as a contribution of both the IMF and USAID. Certainly both played an important part in bringing the multilateral aspect of FEOF into being.

Despite the collaboration of the IMF with the USAID in the design of FEOF, philosophical differences between the two evidently existed. According to statements by Guetta in September 1975, the IMF envisaged FEOF as providing foreign exchange not just for capital flight and luxury imports but for a broad range of commodities, essentials as well as nonessentials. Further, the IMF considered that the rate of exchange for FEOF sales should float, that this float should be a managed one, and that its management should not just be passive, smoothing out temporary fluctuations in demand, but active, anticipating and offsetting long-term trends in the economy and in resulting foreign exchange supply and demand. The USAID's concept of FEOF, as analyzed by Guetta and confirmed by statements of key USAID personnel both then and recently, was that the role of FEOF was to supply foreign exchange at a penalty rate basically for captial transfers and luxury imports, while USIP and the non-U.S. commodity import programs served to assure supplies of essentials at a substantially lower rate.

In practice FEOF turned out to embody elements of both the IMF and the USAID conceptions. FEOF-supplied foreign exchange was in fact used for a fairly wide range of imports, especially after September 1965, when the categories of commodities eligible for USIP financing were progressively restricted. Even before that time the simplicity of FEOF financing had caused some importers to utilize it, despite the fact that they had to acquire the foreign exchange at a higher rate even for commodities that were eligible under USIP. On the other hand the IMF view about floating the exchange rate did not prevail. After fluctuating somewhat in the initial months, the FEOF rate settled within a narrow margin around 500 to 1 and remained unchanged until November 1971, more than seven years later. This combination of features from the two conceptions was a portentous one, as we shall see from subsequent developments.

Despite the collaboration of the IMF and USAID in developing the FEOF design, the initial Washington reaction was unfavorable.

In fact, the Action Memorandum of July 26, 1963 from Rutherford M. Poats, AA/FE, to the Administrator, which lists concurrences as the same date by C.A. Mann, USAID/Laos; L.E.Gordon, AA/PC; and R. Smith, FE/DP, forcefully rejects the proposal of the "IMF study team" to create a "multinational stabilization fund to control the black-market and thereby stabilize the Lao economy." The reasons given for this rejection are the following:

(a) The inflationary situation must be dealt with immediately, an impossibility under a multinational fund since it would require months to find a fund executor and obtain donations.

(b) Based on past experience it is extremely unlikely that we could obtain significant participation from other countries.

(c) In the present fluid and uncertain situation existing in Laos we do not wish to have our freedom of action limited by a multinational mechanism which might well be unresponsive to our policy objectives.

Despite the categorical nature of these objections, on August 19, 1963, a cable was sent to Vientiane in which it was anticipated that A.I.D. would make up to $4 million available for a "foreign exchange operations fund" and in which it was stipulated that "we should attempt to obtain the participation of the governments of France, the United Kingdom, and Australia in the fund." What sort of discussions transpired between July 26 and August 19 to bring about this change in policy is not now known.

In order to obtain agreement with the other donors and also with the Lao in the relatively short time between August and December 24, 1963 when the FEOF accords for the calendar year 1964 were signed, intensive negotiations must have taken place. Relatively little evidence of these remains, however. According to the Action Memorandum from Seymour J. Janow, AA/FE, dated November 23, 1963 informal discussions were held by our Embassy in Vientiane with the representatives of the U.S., France, and Australia. As of that date, the U.S. and France had agreed to contribute $1.7 million each and Australia $0.4 million. Accession of Japan to the agreement was not to come until the following year. Evidently the IMF played a significant role in the discussions. Mr. Guetta stated that he traveled to the capitals of

several countries to discuss their participation, and of course the association of the IMF with the project enhanced its acceptability.

The only sticky issue in the negotiations with the other donors, apparently, concerned the utilization of the kip counterpart of their contributions. The U.S. wanted to require the unanimous agreement of the donors before it was used, thereby effectively sterilizing it. France, however, held out for the right to decide unilaterally on its use, a position to which it adhered throughout the existence of FEOF. As for the Lao, some tough bargaining was required to get them to accept the principle of control and management of the fund outside the RLG, according to a September 1975 statement by then USAID Director, Charles A. Mann. Nevertheless they eventually acceded to the proposed arrangements.

The first FEOF agreements were signed on December 24, 1963 as previously mentioned. As in all subsequent years they consisted of three parts: an open letter setting forth certain undertakings of the Lao Government, a confidential minute, or letter, containing additional specifications relating to these undertakings, and a memorandum of understanding. The open and confidential letters were exchanged bilaterally between the Lao Government and each of the donors, whereas the memorandum of understanding was a joint declaration on the part of the donors. By and large the FEOF accords for 1964 followed the lines set forth in the previous discussion, although of course they go into considerable detail. Nevertheless, certain key specifications are worth citing here.

(a) The RLG undertook to limit its budgetary deficit to 4.9 billion kip for the 1963-64 fiscal year and to 5.8 billion kip for the 1964-65 fiscal year. In addition, effective budget procedures and controls were to be established, and tax performance was to be improved.

(b) Specific credit ceilings were not set, but the RLG was to exercise appropriate control over both public and private credit, the latter in consultation with the donors.

(c) Of particular importance, the official exchange rate, applicable to USIP and also government transactions, was raised from 80 to 240 per $1. This compares with a rate of 180 discussed the previous July. How the 240 rate was arrived at is not known

precisely, but presumably it was intended to reflect what had transpired in the exchange market in the meantime.

(d) The contributions of the original four donors were listed as anticipated: Australia - $0.4 million; France - $1.7 million; U.K. - $1.7 million, and the U.S. - $4.0 million. No exchange rate was specified for sales of these funds, which were to be on the open market. Instead, the only provision was that they should be at rates (implying variability rather than a fixed rate) that would bring the current free market exchange rate down somewhat so that they would reduce the incentive to re-exports but would still not be so low as to compete with the 240 rate applied to the relatively restrictive commercial import programs.

(e) Administration of the fund was put largely in the hands of the donors. A stabilization consultative committee on which Lao representatives were included was set up and served, at least in later years, as a forum for the discussion of RLG stabilization performance. But operation of the fund was reserved to an advisory board restricted to representatives of the donors. The donors were likewise to propose and to be responsible for a professionally competent FEOF manager, subject to RLG approval.

The First Year of Operation

As FEOF embarked on its first year of existence, two basic questions presented themselves, the answers to which there was almost no way of knowing in advance. One of these was the rate or rates of exchange at which funds would be sold. As has been indicated, the FEOF agreements gave only vague guidelines as to the rate and its degree of flexibility. The other concerned the adequacy of FEOF resources. For if the funds available to FEOF should be exhausted before the year-end, serious questions would be raised about the viability of the economy, more serious perhaps then if FEOF had never been established. Additional questions related to the extent to which the RLG would live up to its commitments and the general effect of FEOF on money supply and prices. By the year-end these uncertaintities had been resolved, by and large favorably, and FEOF was established as a promising approach to the problem of stabilizing the Lao economy.

The uncertainty surrounding FEOF was perhaps greatest in its first days of operation, but it continued on into the second quarter of the year. An early FEOF manager, Yves Gouzerh, has left a vivid account of this time, which is worth summarizing. Prior to the end of 1963 the Prime Minister and the Finance Minister had announced a FEOF exchange rate of 400 per $1. On the first day that FEOF was open for business, January 2, 1964, few buyers of foreign exchange were willing to test the market, and FEOF did not intervene. By the third day of operation the rate had risen to 475 despite a modest amount of FEOF dollar sales, and by the sixth day the rate had gone all the way to 540. The management of FEOF was reluctant to commit resources at a pace faster than could be sustained to the end of the year. Nevertheless if the exchange rate was not to go unduly high, some risks had to be taken. Accordingly, FEOF intervened actively in the market, and by the end of January the rate had settled within a narrow band around 500. FEOF demand nevertheless continued heavy during the first two and one-half months of the year. Evidently this reflected an overhang of foreign exchange demand arising from an expectation that had prevailed since the previous September of lower rates following the inception of FEOF. The uses of this foreign exchange included the importation of goods not eligible under USIP and other commercial import programs then in force, imports that were eligible under these programs but which could be obtained more conveniently from sources other than they allowed, capital flight, and the importation of perishable foodstuffs from Thailand, which did not allow for compliance with USIP regulations. FEOF, together with the devaluation of the official rate to 240 and the imposition of a perequation tax on goods ordered prior to this devaluation, appears to have largely shut off re-exports to Thailand.

In April, 1964 a coup carried out in the city of Vientiane obliged FEOF to suspend operations for three weeks. Paradoxically this shut-down afforded a respite for FEOF, as the level of demand did not rise commensurately when operations were resumed in May. In June a developing shortage of liquidity on the part of importers, occasioned by restrictions on bank credit and also the effects of the perequation tax applied to imports paid for the pre-devaluation exchange rates, contributed to a dampening of demand. Thus FEOF ended the first half of the year with virtually half its resources still intact. Sales for the entire year totalled $7.9 million, compared with the $7.8 million provided by the donors. The extra amount was made available, with a considerable margin, through the sale of $2.8 million to FEOF by the RLG, which obtained this sum through the liquidation of the previous USIP working fund. At the same time money supply rose only 4 percent during 1964, compared with 50 percent the previous year.

Prices rose 51 percent according to the official index, largely on account of the deep devaluation of the kip. This rise compares with nearly 150 percent in the previous year, however, and nearly all of it took place in the first six months.

A major factor in the favorable outcome was the budgetary discipline maintained by the RLG, which kept the deficit within the limit prescribed in the FEOF accords. Some expansion of credit to the private sector occurred, but the results of this were not serious.

Events of 1965 to 1967

The success registered by FEOF in its first year was maintained in 1965. At the end of 1964 the four FEOF donors did not let their participation lapse but instead continued it into 1965, thereby establishing that FEOF was more than a one-time operation. Early in 1965 Japan acceded to the FEOF agreements, a development which broadened the donor group's membership as well as providing additional financial support. The signature of the FEOF agreements was in fact held up until April of that year in order to permit Japan to be included. Financing in the meantime was made possible by the sale to FEOF of $2.8 million deriving from the liquidation of the USIP working fund by the RLG, as mentioned previously.

A significant role in the Japanese accession was played by the IMF. Prior to 1965 Aldo Guetta, a member of the team from whom the original proposal for FEOF had come, made a trip to Tokyo in this connection. Then in late 1964 and early 1965 extensive discussions were carried on with Japanese representatives in Vientiane by the then IMF resident representative in Laos, Sven Cronquist. The point at issue in these discussions was whether the Japanese would retain control of the kip generated by the sale of their contribution or whether it would be sterilized, either by being held in the FEOF account at the National Bank or by being used to repay National Bank advances to the RLG. This issue had arisen in the original FEOF negotiations, in which the U.S., the U.K., and Australia had undertaken to sterilize the kip proceeds of their contributions but the French had stoutly maintained their ownership of these kip and their right to use them for local expenditures after a lapse of no more than a year from their generation. The resolution of this issue in the case of Japan came through formal recognition of the Japanese right to utilize these kip along with an understanding that such utilization would in fact be minimal. The Japanese respected this understanding, by and large, for the remainder of their participation in FEOF.

The Japanese pledge for 1965 was $500,000. The net increase in the original pledges of the donors for that year was only $100,000, despite the maintenance of their contributions by the other donors, as the French reduced theirs from $1.7 million to $1.3 million.

Two further developments of considerable significance for the future of FEOF also took place in 1965. The first was the

shifting of a substantial number of commodities from USIP to FEOF financing. At the outset a wide range of imports had been eligible for financing under USIP, not only of U.S. origin but also, in many cases through waivers, of non-U.S. origin. (The original list of eligible commodities appears not now to be available.) As of September 1, 1965, however, eligibility for USIP financing was restricted to four categories: rice, POL, machinery, and utility vehicles. To compensate for the additional FEOF demand resulting from this shift, the U.S. turned over to FEOF $1.2 million which had been allocated to USIP. This development was to some extent a recognition of the effectiveness which FEOF had demonstrated, both in administrative simplicity and in kip absorption. Nevertheless, it had an implication which may not have been fully apparent at the time. The goods removed from eligibility for USIP financing included some fairly essential ones, bearing on the cost of living of a relatively broad segment of the population. The fact that these were now to be imported with FEOF funds, or at any rate at an exchange rate determined by FEOF, meant that the FEOF exchange rate played a larger role than before in the general cost of living. This being so, the pressures against changing the FEOF exchange rate, both political and economic, were presumably greater than if FEOF had served mainly to finance capital transfers and less essential imports. This consideration was probably an element in the maintenance of the FEOF rate at 500 to 1 for a relatively long period, until 1971.

The other particularly significant development in 1965 was the trend in the budgetary deficit. One of the reasons for the initial success of FEOF in leveling off price increases while remaining within foreign exchange availabilities was that the deep devaluation at the beginning of 1964 resulting from the new official exchange rate and the FEOF rate was not followed by substantial wage increases, at least in the government sector. This situation involved a sharp reduction in the purchasing power of government employees by comparison with 1962, however, and by mid-1965 the government felt unable to withstand the resulting pressures. The basic wage scale was thereupon doubled, and expenditures rose almost proportionately without, however, a corresponding increase in receipts. As a result the deficit, which had risen by 30 percent and 25 percent, respectively, in the fiscal years 1964 and 1965, increased 73 percent in the fiscal year 1966. The effects of this money on supply were damped down, after an initial spurt, by a doubling

of FEOF kip absorption the following year; and prices remained resaonably steady. Nevertheless, a precedent was set for subsequent wage increases which, together with the constantly increasing number of government employees, especially on the civilian side, led to mounting budgetary expenditures. Since these were not fully or consistently offset by increasing revenues, the deficits mounted too. This laid the basis for the troublesome monetary overhand (increase in real money supply without a corresponding increase in economic activity) of 1969 to 1971.

Despite efforts to conclude the negotiations for the CY 1966 FEOF agreements prior to the end of 1965, signature did not take place until January 29, 1966. Foreign exchange requirements in the interim were met by drawing on the year-end balance of about $1 million and, when that ran out, by borrowing $0.5 million from the RLG. As indicated by the sum of these two amounts, the relatively high level of FEOF demand that prevailed during 1966 was already apparent at the beginning of the year. In contrast to the $13.6 million orginally pledged by the donors, net sales in CY 1966 reached $20.6 million. A major element in this increase was of course the sharp jump in the budgetary deficit resulting from major wage increases in 1965 and the monetary expansion stemming from this (see Table 5). Other factors apparently were an expectation by the business community of a short-fall in FEOF avialabilities for the year, lagging utilization of USIP even after allowing for the shift of commodities to FEOF, and unusual import requirements arising from the Mekong River flood of September of that year.

The gap between the originally pledged $13.6 million and eventual net sales of $20.6 million was covered by, in addition to the draw-down of the FEOF account balance and supplementary contributions of other donors, a U.S. supplementary contribution of $4.9 million. Of this amount $4.2 million was not a pure stabilization contribution but instead was in effect a kip purchase arrangement at 240 kip per dollar (see Table 2). The U.S. purchased the kip at the 240 rate from the RLG, which in turn sold it to FEOF at the 500 per dollar rate, using 240 of these to reimburse itself and sterilizing the remaining 260 through applying them to repayment of central bank advances. Although this was in a sense contrary to the U.S. no-desterilization undertaking, the other donors accepted it on the grounds that it applied only to the supplementary and not to the basic U.S. contribution.

This arrangement was occasioned not only by FEOF's need for extra foreign exchange but also by requirements for kip in support of USAID projects and other needs. These had been met previously with counterpart generated by USIP and the invisibles program (see below). But with the shift of commodities from USIP to FEOF, and also lagging utilization of USIP, this counterpart no longer sufficed. Thus, although the full $4.2 million was regarded as part of the U.S. contribution for the year, in effect only 52 percent of its served stabilization purposes. This kip purchase arrangement continued to be applied to a substantial part of the U.S. contribution until 1972. It had the effect of making both stabilization requirements and the U.S. contribution thereto appear larger than they actually were.

Total net FEOF sales declined slightly in 1967, to $19.8 million. Since donor contributions for the year rose to $19.5 million, a gap of only $0.3 million remained, which was covered with relative ease by an advance of U.S. funds intended for kip purchases in 1968. The improvement in performance was attributable at least in part to a reduction in the budgetary deficit. This was occasioned by the fact that although expenditures continued to rise somewhat in fiscal year 1967, receipts rose considerably more. This rise consisted mainly of an increase in gold customs receipts, however, a fact which was to lead to later complications as discussed below.

Although neither contributed particularly to stabilization, two other elements of the monetary situation should be mentioned at this point. One was the invisibles program, which began in FY 1963, along with USIP (see Table1). The object of this was to provide foreign exchange to the RLG for expenses of missions and embassies abroad, for subscriptions to international organizations, for medical and educational travel, and for certain other purposes. The kip counterpart of this foreign exchange was made available for the support of U.S. projects, but since the foreign exchange itself was used abroad rather than for imports, it increased the supply of goods and services in Laos only indirectly. The program reached a peak in FY 1965 but was phased out by FY 1970. The other monetary element of note was the "sales from the public." These were sales of dollars to the banking system to generate kip primarily in support of U.S. non-economic assistance activities. This non-FEOF supply of foreign exchange jumped from $4.0 million in 1966 to $14.6 million

in 1967, reaching a peak of $22.5 million in 1969 (see Table 7). Since these sales tended to generate an equivalent foreign exchange demand, the net stabilization effect was presumably not significant prior to the institution of a dual FEOF exchange rate in 1972. Nevertheless they served to broaden the exchange market and, on occasion, to tide it over when FEOF availabilities temporarily ran out.

Developments in 1968, 1969, and 1970

The year 1968, which saw the first serious difficulties for FEOF, began auspiciously. During the first quarter of the year FEOF sales amounted to only $4.2 million, implying an annual total of about $17 million, or a reduction of more than $2 million from the level of the previous year. Actual sales in 1965 reached $23.4 million, however. This upsetting of expectations resulted largely from a swelling of the budgetary deficit, and consequently of foreign exchange demand, as expenditures continued to rise as in previous years while receipts abruptly declined. This decline in receipts in turn was the result of the sharp falling off in the gold trade which occurred at this time.

The connection between budgetary receipts and the gold trade was through the customs collected on gold imported legally into Laos but largely smuggled into South Vietnam. In the 1964-1965 fiscal year gold customs receipts had been insignificant. But the next year they amounted to 28 percent of total receipts, apparently became of increasing trade volume, and in 1966-1967 they rose further to 43 percent. By virtue of the major role in the budget which they had assumed the deficit had been kept in hand, even declining somewhat from 1965-1966 to 1966-67. But this dependence on gold customs turned into a liability when in early 1968 the smuggling of gold from Laos into South Vietnam was largely cut off by the consequences of the Tet Offensive. In 1967-1968, the year in which the effects of this cut-off began to be felt, gold customs still constituted 33 percent of total receipts. In 1968-1969 they were only 16 percent, however. Although the gold trade underwent some subsequent revival, the downward trend in the receipts deriving from it continued, and by 1971-1972 they were only 3 percent of total receipts.

Efforts were made to offset the loss of gold revenues by increasing other revenues, both in 1968 and in subsequent years, but they were only partly successful. Consequently foreign exchange demand rose, and the prospective short-fall in FEOF supply had to be made up by additional funds supplied by the donors. Of these, the USAID rice purchase scheme undertaken that year provided $1.7 million, and the U.S. made a supplementary contribution of $1.9 million as well. Other donors provided $0.6 million, and a final $1.2 million accrued to FEOF from the shifting of petroleum products from USIP financing

to FEOF. In addition to the rice kip purchases and the transfer of funds from USIP to FEOF, the U.S. increased its contribution to $16.1 million in 1968, compared with $13.8 million the previous year. This figure, with the exception of 1971 when the U.S. made a special emergency contribution of $4 million in connection with the devaluation of the kip, was maintained as the nominal annual contribution through 1974 (see Table 4).

In 1969 net FEOF sales totaled $25.4 million, approximately $2 million more than in 1968 despite efforts to reduce them. The U.S. supplemented its basic $16.1 million contribution by a shift to FEOF of $0.5 million in project funds. This was made possible by Japanese assistance, which supplied commodities in this amount which would otherwise have had to be purchased with USAID project funds. Other donors' contributions were not increased, however, so that the total of donor contributions in that year was only $22.4 million. The difference between this and net sales was made up through rice kip purchases of $2.1 million plus the $1.2 million transferred from USIP to FEOF in 1968 but not drawn on in that year.

The year 1969 was notable in that the date of the signature of the FEOF accords, August 9, was the latest in any year of its operation, including 1975. The delay was occasioned by an extensive revision of the FEOF agreement texts that was carried out at that time. Matters dealt with included the setting of quarterly as well as annual limits on central bank advances to the RLG, the ineligibility of entities in which the RLG had an interest to repay foreign loans through FEOF, the right of the U.K. and Australia to desterilize up to 10 percent of their contributions, and the completion of the U.S. contribution for CY 1969 out of FY 1970 funds. The process of obtaining agreement to these revisions among all five donors was necessarily slow. Despite this, there was no spurt in demand for foreign exchange in the interim. Interim funding sufficient to meet demand was supplied by the U.S. rice kip purchase, by interim contributions from all the donors except Japan, and by drawing on the beginning-of-the-year balance. In addition, as mentioned previously the 1969 non-FEOF foreign exchange supply to the free market amounted

to $22.5 million, or approximately the total of the donors' regular contributions. This circumstance no doubt assisted in keeping demand within availabilities, which was barely managed.

In 1970, FEOF net sales fell slightly, to $24.1 million. Since the level of the donors' contributions was substantially maintained, this permitted an improvement in the year-end balance in the FEOF account. This development was not occasioned, however, by a reduction in the budgetary deficit or in the money supply, both of which continued to increase at a rapid rate. Evidently it was due rather to an increased willingness to hold kip balances, which is to say a decline in the velocity of circulation. This seems in turn to have been occasioned by the fact that under FEOF prices had been stable in relation to those in other countries, particularly since 1967, and in 1970 fell absolutely as well as relatively. An element in this fall was evidently the decline in the Lao price of rice, which was determined mainly by Thailand as the supplier at the margin. Thus the improvement in FEOF sales was essentially an externally induced phenomenon. The continued injection of liquidity into the economy by the Lao budgetary deficit, and the consequent build-up of monetary overhang, still constituted the potential for a surge in foreign exchange demand, which could be set off by lesser developments.

In this connection it might be mentioned that by 1970 the intensive efforts which the U.S. had been making for several years to recruit additional FEOF donors had still not borne fruit. These efforts had been directed particularly at West Germany, New Zealand, and Canada. Of the existing donors only Japan showed willingness to increase its contribution materially. Thus any additional burden that might accrue to FEOF was left to fall primarily on the U.S.

Before leaving this period, the failure of the RLG to bring the budgetary deficit under control, which played so large a role in the history of FEOF, deserves some discussion. Although the revenue base of the RLG was severely limited by the condition of the economy, and the demands on its resources were heavy, lack of willingness to take available measures to increase revenues and curb expenditures also played a part. This unwillingness persisted despite the provision by USAID of extensive

advisory and training assistance to the Finance Ministry, which materially improved its technical capabilities in public finance, and despite what the files show to have been continual representations by the USAID Director and others to the RLG on this score. The chief public finance advisor, Charles Wilding-White, made the following observations about the RLG budgetary process in his project termination report:

"From 1965 until 1968 a considered and successful effort was made by the Finance Ministry to remain within the fiscal performance goals in the FEOF agreements. In FY 1969 the fiscal goals were not achieved and the budget deficit exceeded the agreed limit, principally because of the drastic fall in gold trade revenues following the Tet Offensive in Vietnam and new competition from Singapore gold merchants, which required Laos eventually to progressively reduce its gold duty from a high of 8 percent to 3-1/2 percent. Firm efforts were made to replace this loss by increasing the conventional indirect taxes (customs duties excluded) and within two years, with the assistance of a short-term advisor, these were almost doubled. Customs receipts also rose substantially. Despite these efforts, expenditures rose more rapidly and henceforth budget deficit ceilings were usually exceeded in every fiscal year.

"Several factors account for this trend:

1. Civil expenditures for education, health and other programs rose rapidly as donor projects in these areas matured, and the Lao Government assumed operating costs for new schools, hired new teachers, nurses, etc.

2. For political and traditional reasons, the government hired each year virtually all the Lao graduates of secondary schools and universities (the latter mostly abroad). Annual additions to the government civil payroll soon reached 1,500 per year (on a total payroll excluding police which rose steadily from 15,000 to 20,000).

3. Expenditures for new construction, coronation expenditures (mainly construction) for a perpetually deferred coronation of the King, purchases of government passenger vehicles and a host of other similar expenditures progressively increased, and one must suspect that vested interests profited from these expenditures.

4. Pensions and disabled veterans' bonuses rose rapidly and became a significant load.

"As expenditures rose, efforts to increase revenues correspondingly became progressively weaker, particularly after the initiative and incentive created by the 1970 tax reforms had run its course, a matter of some 18 to 24 months. Customs and indirect taxes, both of which were closely linked to imports, remained a major source of revenues. Cigarettes manufactured in Laos, largely from imported tobaccos, always benefited from concessional raw material duties. By a variety of means many liquors and other luxury products were also imported at low duty rates and smuggled abroad at substantial profits. To benefit local vested interests, the revised indirect tax laws of 1970 were somewhat distorted in the orders and regulations developed for their application.

"Direct taxes increased substantially over the years, especially after 1970, but never accounted for over 10 percent of total revenues. Their chief sources were trade licenses, mainly on importers, and profits taxes, chiefly on foreign companies operating in Laos. The salary withholding tax law was principally applied to Lao government employees from whose salaries it was withheld at the source from 1965 on. In the private sector little was collected and wealthy Lao paid almost no taxes.

"Real estate taxes, by law all collected by the central government and a major potential source of revenue, were very difficult to collect because landowners were chiefly Lao. The cadastral program contributed little to increasing this revenue because no laws were enacted to require the cooperation of landowners, chiefly Lao citizens, in establishing property boundaries or the issuing of ownership titles. In FY 1973 only about 3 million kip was collected in all of Laos by the Treasury. On the advice of the Public Administration Advisor, collection was transferred to the Land and Real Property Directorate which also assessed the taxes, and collection jumped in FY 1974 to about 40 million kip, mostly from foreign tenants of shop houses owned by the wealthy Lao. This is a ludicrously small amount from a tax with a potential of perhaps two or more billion kip.

"As a result of the above unimpressive revenue collection effort, total budget revenues collected, including those from gold, never exceeded 50 percent of expenditures and, while revenues did increase progressively, the rise in expenditures was so much faster that towards the end of the subproject budget revenues

represented only about one-third of the total expenditures. In 1972 a foreign exchange transfer tax (FTT) was established on most nonofficial purchases of foreign exchange, which produced 240 kip per dollar. Substantial amounts were collected, reaching around 9 billion kip in FY 1974. This could not be properly construed as a budget revenue. It was, in effect, additional kip counterpart obtained from a two-tier exchange rate (600 kip and 840 kip per U.S. dollar).

"Increasingly the Lao committed themselves in the annual FEOF agreements to budget performance which could be achieved only by very severe budgetary discipline. Budgetary performance over the following years, however, showed a growing inability to enforce stern budgetary discipline.

"In the Ministry of Finance the Budget Director frequently complained that his authority was usurped by Cabinet approvals of supplementary expenditures requested by influential ministers, with no consideration given to the budgetary impact. The Revenue Director found himself unable to prevent the granting of tax concessions by socially prominent tax inspectors on his own staff. In numerous instances the Customs Director was instructed to accept customs declarations showing only nominal values as the basis of duty calculation for luxury cars imported by influential families. Increasingly, ministry officials gave only lip service to advisory assistance and displayed a gradually diminishing interest in cooperation to achieve established objectives. Treasury cash advances against future budgetary obligations increased, as did delays in regularizing them. Introduction in the revenue directorate of tax identification procedures proceeded slowly and sometimes reluctantly.

"These are examples of the growing malaise which increasingly hindered achieving the real objectives of the subproject. Fiscal reporting was able to proceed and indeed to expand in breadth and depth but encountered some difficulties in obtaining precise information. This again reflected high-level sensitivities to assumption of responsibilities."

As a final note on budgetary performance, when an IMF mission visited Laos in October 1975, they were impressed with the competence of the Lao officials with whom they discussed the

budgetary situation. These had previously been inconspicuous third and fourth echelon staff members on the Vientiane Side. Although this cannot be verified it is not unlikely that they received training under USAID auspices.

FROM A FREE TO A CONTROLLED FEOF
(1971 to 1975)

The period of substantial price and economic stability which had prevailed, by and large, in the late 1960s, in part because of steady or falling prices for rice, came under considerable stress in the second half of 1971. Inflationary pressures deriving from the budgetary situation discussed above grew as the world monetary system was being subjected to severe strain. The sharp expansion of money supply resulting from increasing budgetary deficits was reflected in rising demand for foreign exchange which threatened to exhaust FEOF resources before the end of the calendar year. (Nevertheless the cost-of- living index remained substantially stable and in October, 1971, it was only 1.7 percent above the level of a year earlier.)

The November 1971 Reforms

In mid-October the shortfall in FEOF resources for the year was estimated at $4.5 million. Since little, if any, further contribution appeared to be forthcoming from the other donors, steps were taken to make available an additional US contribution of $4.0 million. By early November when an IMF mission arrived in Laos for a regular end-of-the-year assessment, the situation required immediate remedial action. The mission recommended devaluation of the kip, a step in which the donor countries concurred. The U.S. thereupon pledged an increase of $4.0 million in its FEOF contribution for 1971 to help Laos weather the immediate foreign exchange crisis.

The kip was devalued on November 8, 1971 by 20 percent from 505 per dollar to 600, and the commercial banks, which had remained closed for a week, reopened. Customs duties were increased by 50 percent on a large number of non-essential imports, the offices of the unofficial money changers were ordered closed, and foreign exchange accounts of Lao nationals with the commercial banks were abolished.

The immediate effect of the devaluation was favorable, and official foreign exchange demand declined from $3.1 million in October to $2.5 million in November. The improvement, however, did not last. Prices increased by 6 percent in November, and during the 6-month period ending in April 1972 rose by 18 percent, in effect matching the extent of the devaluation. The prices of rice, beef and vegetables rose much more rapidly.

The Reforms of April/May 1972.

During the first quarter of 1972 a substantial increase in the budget deficit and a marked deterioration of the security

situation, coupled with adverse rumors about the course of negotiations for the renewal of the FEOF Agreements for 1972, led to a renewed upsurge in foreign exchange demand and heightened pressure on FEOF. FEOF operations had to be suspended for ten days on March 24, and when foreign exchange sales were resumed on April 4 further changes in the system had been introduced.

A Foreign Exchange Authorizing Commission (FEAC) was established, chaired by a representative of the Ministry of Finance. Other members were representatives of the National Bank, the Customs and Internal Revenue Directorates, and the Department of Commerce. The task of the Commission was to approve foreign exchange applications by checking on the reputability of the applicant and the validity of the request. Importers had to register and pay a fee depending upon the scope of their operations. Only certain financial transactions were authorized, and foreign exchange allowances for travel were limited, e.g. $200 per person for travel to Thailand. The official rate of exchange, which had remained at 240 kip per dollar since 1964, was unified with the FEOF rate of 600. Earlier, in January 1972, gasoline imports, which had been brought in at the official rate of 240 kip were transferred to the 600 rate.

Within a month after the April exchange reforms were introduced it became evident that they did not go far enough to contain foreign exchange demand within available resources. To remedy this situation the RLG in May introduced a financial transfer tax (FTT) of 240 kip per dollar on most financial transactions. Applications for such transfers were made directly to the commercial banks, which could approve them and collect the tax without referring them to FEAC. These receipts, which were transferred into a special account at the National Bank, were considered as additional revenue by the RLG, although they might more appropriately have been regarded as counterpart. Import applications continued to be subject to prior FEAC approval and remained eligible for foreign exchange at the kip 600 rate.

Reflecting their concern about the rapidly rising budget deficit and the consequent increase in demand for foreign exchange, the donors insisted on the inclusion of quarterly ceilings on net inflationary borrowing and on foreign exchange drawings from FEOF in the 1972 Agreements. In case either ceiling was exceeded the RLG was expected to take immediate remedial measures, including an adjustment in the exchange rate. The purpose of these provisions was to prevent the need for a further contribution from the U.S. to safeguard the viability of the system. In addition the RLG agreed to contribute $2 million to FEOF in 1972. The FEOF Agreements for 1972, which were signed on June 13, provided also for the desterilization by the U.S. of up to 30% of its contributions (at the 600 rate).

In September 1972, in order to dampen import demand and facilitate the collection of import duties an advance deposit requirement was instituted. Imports from Thailand, Hongkong, Singapore and Taiwan became subject to a 40 percent desposit upon approval of the application by FEAC, and imports from other countries to a 30 percent deposit requirement. These deposits were refundable upon proof that the commodities had arrived and customs duties and other charges paid.

These measures succeeded in keeping foreign exchange demand within availabilities, and by the end of CY 1972 FEOF drawings had remained within the ceilings set in the Agreements. The RLG price index for Vientiane rose 28% in 1972, however, compared with 3% in 1971.

The Stabilization Performance in 1973.

Continued budgetary pressures and increases in the prices of many Lao imports, while foreign exchange supply remained relatively stable, made necessary a further increase in the price of foreign exchange. Beginning in 1973 FEAC established lists of commodities eligible to obtain foreign exchange at the 600 rate according to essentiality. Those commodities not on the list had to be paid for at the 840 rate (600+240). The list of eligible commodities at the 600 rate was further substantially reduced effective April 1, and sales of foreign exchange for imported commodities at the 600 rate were limited to $400,000 to $450,000 a month. By July 1973 approximately 82 percent of all legal imports had been shifted to the 840 rate. This amounted to an effective devaluation of the kip of 18 percent since January. The increase in money supply for the year was moderate (9%), thanks largely to increased kip absorption resulting from this shift to the 840 rate.

The FEOF Agreements for 1973 which were signed in two stages - France, the U.K. and the U.S. on March 20 and Australia and Japan on June 1, 1973 - again incorporated quarterly ceilings on net inflationary borrowing and on FEOF drawings of foreign exchange. In addition, credit to the private sector was at least in principle limited to 1.4 billion kip, the amount outstanding in February 1973. Another provision included in the Agreements was designed to limit access to FEOF foreign exchange by the RLG and to discourage the incurring of external indebtedness on onerous terms. Only the servicing of loans which

met the criteria established by the Development Assistance Committee of the OECD, i.e. very soft terms, was allowed through FEOF. Such servicing amounted to between $600,000 and $800,000 a year.

The U.S. FEOF contribution remained unchanged in 1973 at $16.1 million a year. Total legal market foreign exchange sales nevertheless amounted to $45.8 million, $5.5 million above the sales of the previous year. The increased availabilities were provided in part by larger contributions to FEOF by some of the donor countries (Australia, France, and Japan), and the Lao contribution also increased from $2.0 to $2.3 million. In addition, heavier sales of foreign exchange to the commercial banks, primarily for U.S. support operations, further increased availabilities by $2.7 million over those of the previous year.

In the second half of 1973 world inflation conditions worsened and prices of imports from Laos' major suppliers (Thailand HongKong, Japan) rose, and the demand for foreign exchange increased correspondingly. Contributions from the major donor countries, on the other hand, were denominated in U.S. dollars and increased only slightly. In addition the devaluation of the dollar in 1973 reduced the purchasing power of the foreign exchange availabilities of Laos. The situation was further and significantly aggravated by the fourfold increase in POL prices in November 1973 and January 1974 as well as a sharp increase in world market prices of rice.

Developments in the First Half of 1974

In the face of rising import prices contributions to FEOF remained substantially unchanged. In part to compensate for this, the U.S. announced in the course of the negotiations for the renewal of the FEOF Agreements for 1974 that it was prepared to forego the local currency equivalent of 30 percent of its FEOF contribution reserved for project related expenditures and that henceforth one hundred percent of the local currency corresponding to the U.S. contributions would be sterilized. No other significant modifications were proposed by any of the donors in the 1974 Agreements. The Lao contribution was raised from $2.3 million to $3.0 million, and it was further increased duirng the course of the year to $6.0 million, largely on the basis of the very good export performance of lumber during the first half of CY 1974.

The Provisional Government of National Union (PGNU), a coalition of the Lao Patriotic Front and the Vientiane Side, was sworn in on April 5, 1974. The PGNU approved the FEOF Agreements for 1974 as drafted, and the Agreements were signed on April 30. Soon thereafter the provision in the Agreements requiring the PGNU to take remedial measures in case the ceilings on FEOF drawings were exceeded were put to the test by pressures that were severe and in the end insupportable under the existing system.

These pressures stemmed only in part from the increase in the foreign exchange cost of imports. More important as factors were probably the deterioration in budgetary performance, the expansion of credit to the private sector, and the lack of further movement in the average effective exchange rate, all of which bore on developments in the first half of 1974.

As for budgetary performance, the deficit, before exchange taxes (FTT), rose from 8.7 billion kip in July-December 1973 to 13.0 billion kip in January-June 1974. (After exchange taxes the figures were 4.5 and 8.0 billion kip, respectively.) This shift resulted partly from the diversion of the attention of the fiscal authorities from budgetary performance by the problems and consequences of the formation of the PGNU and partly from extra expenditures occasioned by the PGNU itself, which involved the installation of new ministers and additional personnel. Meanwhile, credit to the private sector rose by 1.5 billion kip from January to June, despite a provision in the FEOF Agreements designed to prevent expansion. The basis of the rise was largely the desterilization of French FEOF kip counterpart, which was held in a commercial bank account at the beginning of the year. French desterilization had occasioned expansions of private credit in previous years, despite the FEOF Agreements, but not of this magnitude. Finally, the proportion of foreign exchange sales at the 840 rate, and hence the average effective exchange rate, did not increase after July 1973 despite an increase in retail prices of approximately 50% in the period from July 1973 to June 1974..

In the light of these developments, subsequent events are perhaps understandable. FEOF foreign exchange sales, which had increased during the first quarter of 1974 to $3.4 million a month, accelerated further during the second quarter and averaged $4.2 million a month.

On June 17 the quarterly ceiling on foreign exchange sales was breached, and on June 30 the excess foreign exchange sales amounted to $1 million. However, in view of the impending arrival of an IMF mission in connection with the regular annual Article XIV consultations the donors agreed that the PGNU could postpone taking remedial action until the mission had had an opportunity to assess the situation and submit its recommendations to the government.

In the meantime, however, pressure on FEOF worsened, sales of foreign exchange in the first 18 days of July amounted to $4.5 million, and on July 19 the PGNU government closed the banks while it was studying measures for dealing with the crisis.

Imposition of Full Exchange Controls

The IMF mission arrived in early July and, after assessing the economic situation and outlook, made a number of recommendations in the field of fiscal, monetary and foreign exchange policy. With respect to the latter it recommended the unification of the exchange rate at a substantially depreciated level and the adoption of an active exchange rate policy. Specifically, the mission suggested that there should be adjustments in the rate at monthly or other regular intervals on the basis not only of foreign exchange supplies but also of foreign exchange demand, as determined chiefly by the size of the budgetary deficit. One of the important considerations for suggesting a devaluation and the unification of rates was the mission's view that it would provide the necessary incentives to achieve greater self-sufficiency through increased agricultural output and exports.

After considering the mission's recommendations, which were strongly supported by the donor countries, the PGNU informed the IMF that it was prepared to implement the fiscal and monetary recommendations but could not go along with the proposed exchange rate policy. It pointed out that a devaluation at this time would have serious political repercussions which were unacceptable. The Pathet Lao members of the government, in particular, feared that they would bear the brunt of public criticism if a devaluation took place so soon after they joined the coalition.

Instead, when the commercial banks reopened on August 4, full exchange controls had been put into effect. The official exchange rate was kept at 600 kip per dollar -- but only five essential commodities were eligible to obtain foreign exchange

at that rate: milk, sugar, insecticides, agricultural tools and fertilizers. Other imports were included in a list of essential imports in order of priority and were eligible for foreign exchange at the 840 rate after approval of import applications by FEAC. Commodities not included in that list could be imported but had to obtain foreign exchange on the free market. Following the introduction of these exchange controls the free market exchange rate rose gradually from around 840 kip to 1260 kip at the end of December.

This exchange control system was effective in keeping foreign exchange demand within availabilities for the balance of the year. Actually, beginning in August, FEAC approvals and FEOF sales declined substantially, averaging $2.2 million a month for the remainder of the year. This amount was below the informal monthly ceiling which the Commission had set for itself. Net FEOF sales increased from $28.2 million to $31.1 million, in large part because of the higher Lao contribution ($6 million). Non-FEOF foreign exchange supply, on the other hand, amounted to $7.6 million in 1974 as against $17.6 million the year before, as kip purchases for US support activities declined following the signing of the cease-fire and implementing protocol in 1973.

The increase in the free market exchange rate exerted an upward pressure on the price level, particularly of foodstuffs imported from Thailand which were largely ineligible to obtain foreign exchange at the 840 rate. By the end of December, the consumer price index had increased by about 47 percent over the previous year. Additional effects of the divergence between the free and official rates were the stimulation of re-exports to Thailand to take advantage of price differentials and the drying up of export preceeds coming into official channels as surrenders to the National Bank at the official rate became increasingly unprofitable.

The Devaluation of March 1975

The IMF Mission which arrived in December 1974 for its regular end-of-the-year visit suggested a number of modifications in the PGNU's financial policy, particularly on exchange rates, as a step in the direction of greater realism. Specifically, the mission suggested that the two legal rates be unified at 840 kip which would be the official rate for certain transactions. Commercial imports would, in addition, be subject to a financial transfer tax of 460 kip, bringing the effective import rate to 1200 kip.

The mission further suggested that the import regime be liberalized by making most imports eligible to obtain the 1200 rate and maintaining only a small negative list. In order to prevent an upsurge in demand for nonessential imports the mission also recommended that custom duties be significantly increased.

Early in January the PGNU government addressed a letter to all the FEOF donors in which it asked for their continuing support of FEOF in 1975 and, if possible, an increase in their contributions. The Prime Minister and the Foreign Minister in conversations with the various donor-country representatives made it clear that for approximately two years stabilization assistance through FEOF would still be required while the country was binding the wounds of war. A further reason for asking the FEOF donors for continued contributions was that the Lao aid-seeking missions which visited a number of European and Asian countries, beginning in September 1974, had only limited success in obtaining pledges of assistance. By the spring of 1975 the only actual arrivals were some low-grade rice and cement from North Vietnam. None of the countries approached indicated a willingness to participate in FEOF.

In the early months of 1975 the increase in the free-market exchange rate and in the cost-of-living index continued. In response to the PGNU's request the donors indicated that before considering the renewal of the FEOF Agreements for 1975 they wanted to have a clearer understanding of the government's stabilization policy.

The donors' approach helped to focus the PGNU's attention on its stabilization policy, including, in particular, the question of exchange rate adjustments. After intensive debates within the Cabinet, the official rate of the kip was devalued by 25 percent from 600 to 750 kip. The financial transfer tax was increased from 240 to 350 kip and applied to all commercial imports with the exception of the five commodities previously eligible to be imported at the 600 rate. The list of eligible import commodities was expanded and the importation of commodities not included in the list was forbidden. The customs valuation base was increased from 840 to 1200 kip, which amounted to a substantial increase in customs duties. Further, FEAC thereafter authorized only 30 percent of the required foreign exchange when an import application was approved with the balance to be made available when the commodities arrived in Laos.

Under the new system exporters were allowed to convert their proceeds at the 1200 rate. Individuals (tourists, members of diplomatic missions, etc.) also could purchase kip at authorized banks and exchange facilities at the 1200 rate. Official conversions by embassies and international organizations, however, had to be made, as before, at the National Bank and at the official 750 rate. The kip equivalent of the donors' FEOF contributions was also computed at this rate. Imports and financial transactions ineligible to obtain foreign exchange at the 1200 rate were forbidden and no longer allowed to be financed at the free market rate. Exchange transactions by authorized money changers were also prohibited. Thus the free-market rate became an illegal rate and, in effect, a black-market rate. Also at the end of March the PGNU increased the price of POL imports in order to align them with those of Thailand.

The FEOF Agreements for 1975

The donors recognized that the financial measures taken by the PGNU were a significant step in the right direction, and in April they all informed the Minister of Finance that they were prepared to continue their support of FEOF with contributions approximately those of the previous year, and were ready to start active negotiations looking towards the early conclusion and signing of the FEOF Agreements for 1975. The fall of Cambodia and Vietnam, however, and the events which were thereby triggered in Laos led inevitably to a slowdown in the negotiations as the U.S. reconsidered its participation in FEOF, particularly the amount it was prepared to contribute for 1975. When the Agreements were signed on July 15 the U.S. contribution was limited to $5.0 million, the amount which had already been advanced since the beginning of the year, and Japan reduced its contribution to $1.8 million or 50 percent of the prior year's amount. Australia, France, and the United Kingdom kept their original pledge and agreed to contribute 50 percent immediately. The balance was to be deposited after a review later on of the economic outlook with IMF participation.

During the first five months of 1975 FEOF foreign exchange sales averaged $2.0 million a month, half of it for the payment of POL imports. The funds were derived from the U.S. and Lao contributions, $5.0 million and $3.0 million respectively, and from a substantial

FEOF carry-over ($2.5 million) into 1975. U.S. purchases of kip from FEOF during this period amounted to an additional $1.2 million. The contributions made by the other donors immediately following the signing of the agreements amounted to approximately $4 million.

The review of the economy envisaged in the FEOF Agreements did not eventuate -- the visit of an IMF mission to Laos in October was in another connection -- and as of November 22, 1975 the U.K., France, and Australia still had not contributed the second half of their subscriptions for the year. Nevertheless FEOF sales remained generally low following the signature of the Agreements, averaging $148,000 a week, or roughly $600,000 a month, between the end of June and November 22. In view of the introduction of general controls and other developments in the Lao economy in the months following the events of May 1975, a continuation of this low rate of sales seems likely. This would leave a considerable balance in the FEOF account on January 1, 1976 when, according to the consensus of the donors reached in October, FEOF will come to a formal end. The donors anticipated that this balance would be turned over to the Lao Government.

Table 1

U.S. NONPROJECT ASSISTANCE TO LAOS
FY 1955-1975 ($000,000)

	Cash Grant	FEOF FY	FEOF (CY)	USIP	Invisibles	TOTAL
1955	35.2	--	--	3.0	--	38.2
1956	26.7	--	--	11.5	--	38.2
1957	32.7	--	--	6.9	--	39.6
1958	21.9	--	--	3.2	--	25.1
1959	17.0	--	--	2.9	--	19.9
1960	28.7	--	--	1.3	--	30.0
1961	26.3	--	--	--	--	26.3
1962	21.1	--	--	--	--	21.1
1963	2.0	--	--	14.5	2.0	18.5
1964	--	4.0	(4.0)	11.0	1.8	16.8
1965	--	4.0	(5.2)	7.4	3.7	15.1
1966	--	10.0	(13.7)	5.0	2.5	17.5
1967	--	13.8	(13.8)	1.9	1.5	17.2
1968	--	18.6	(16.1)	4.5	1.0	24.1
1969	--	19.2	(16.6)	2.5	0.8	22.5
1970	--	16.6	(16.1)	1.5	--	18.1
1971	--	16.1	(20.1)	1.5	--	17.6
1972	--	17.8	(16.1)	0.4	--	18.2
1973	--	16.1	(16.1)	--	--	16.1
1974	--	15.4	(16.1)	--	--	15.4
1975	--	8.1	(5.0)	--	--	8.1

SOURCE: A.I.D. records.

Note: Figures for USIP, and consequently total, assistance should be used with caution. They represent funds made available, and on account of difficultues of absorption utilization was much lower in the earlier years though higher in the later years. For example, of the $14.5 million provided for FY 1963, "very little" was utilized in that year. And openings of letters of credit under USIP reportedly totaled $7.8 million in CY 1964 but $8.4 million in CY 1965. Unfortunately, figures for utilization appear to be now unavailable, except as reflected in Table 7, line 4b.

Table 2

FEOF DOLLAR ACCOUNT (000), CY 1964-75

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1. Receipts	8,890	11,184	20,232	22,566	24,810	26,138	27,965	29,253	29,326	29,786	34,603	
a. Contribution of donors	7,800	7,900	14,800	12,200	17,996	22,214	22,217	22,554	25,289	25,981	31,035	
U.S.A., original	4,000	4,000	8,800	6,900	11,700	16,100	16,100	16,100	16,100	16,100	16.100	5,000
Direct	4,000	4,000	8,800	6,900	11,700	10,114	16,094	8,100	16,100	16,100	16,100	5,000
Kip purchase	-	-	-	-	-	5,886	6	8,000	-	-	-	
U.K.	1,700	1,700	1,700	1,700	1,696	1,694	1,702	1,728	1,784	1,782	1,701	1,491
France	1,700	1,300	1,700	1,700	1,700	2,000	1,700	1,700	1,700	1,889	2,711	
Japan	-	500	1,700	1,700	2,100	1,700	2,000	2,300	2,600	3,000	3,600	1,800
Australia	400	400	800	600	800	720	715	725	745	920	923	
Laos	944	1,806	-	-	-				2,360	2,300	6,000	
b. U.S.A., supplementary	-	1,200	4,700	8,400	3,086	500	-	4,000	-	-	2,500	-
Direct	-	1,200	-		3,086	500	-	2,000	-	-	-	-
Kip purchase	-	-	4,700	8,400	-	-	-	2,000	-	-	-	-
c. Sale by USAID (rice kip, etc)	-	-	-	-	1,720	2,065	2,831	1,861	745	801	2,500	
d. Purchases on free market	140	210	100	1,545	1,985	1,335	2,910	830	3,254	2,917	965	
2. Expenditures	7,932	11,122	21,094	21,478	25,348	26,729	27,054	29,590	28,655	31,158	32,116	
a. Sales on free market	7,926	11,112	20,596	21,358	25,324	26,060	26,682	29,396	28,637	31,113	32,065	-
b. Sales to oil companies	-	-	-	-	-	645	366	189	-	-	-	
3. Year-end balance	959	1,019	650	650	1,200	609	1,519	1,182	1,854	485	2,977	
Change in balance	-	+ 60	-369	-	+ 550	-591	+ 910	+ 337	+ 672	-1,369	+2,492	

Source: Annual reports of FEOF Manager

Notes: Discrepancies between the US figures and the FEOF Manager's figures for the US contributions in 1966, 1967, and 1968 are attributable to a different allocation among the three years. Purchases on the free market (1.d) represent the difference between gross and net FEOF sales. Sales to oil companies (2.b) involve a transitional arrangement giving the oil companies direct access to FEOF in connection with the phasing down of USIP. Minor receipts and expenditures are not shown; hence components do not add up exactly to totals.

Table 3

FEOF KIP ACCOUNT (000,000), CY 1964-75

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1. Receipts	3,922	5,540	10,338	10,787	12,801	13,498	13,662	15,441	17,326	18,832	19,409	
a. Proceeds of dollar sales on free market	3,919	5,535	10,327	10,777	12,789	13,160	13,474	15,344	17,325	18,824	19,399	
b. Proceeds of dollar sales to oil companies	-	-	-	-	-	326	185	95	-	-	-	
2. Expenditures	546	4,678	6,385	12,308	6,999	15,508	13,625	13,627	8,834	8,104	7,373	
a. Payment to Lao Treasury - U.S., U.K. and Aust. kip	-	3,010	3,132	6,333	3,949	8,999	6,481	5,804	1,212	1,392	3,630	
b. Payment to Lao Treasury - Oil Company kip	-	-	-	-	-	326	185	95	-	-	-	
c. Purchase dollars from RLG	473	931	2,372	4,240	-	2,972	2.942	5,250	823	-	-	
d. Utilization by France	-	630	830	880	970	898	859	944	1,887	1,143	1,640	
e. Utilization by Japan	-	-	40	65	202	588	253	141	484	339	-	
f. Purchase dollars from USAID	-	-	-	-	867	1,043	1,430	967	2,450	3,456	1,512	
g. Purchase dollars in free market	70	104	5	780	1,002	674	1,470	419	1,967	1,765	584	
3. Balance at year end	3,375	4,237	8,191	6,673	12,475	10,465	10,502	12,316	20,808	31,536	43,572	
Change in balance	+3,375	+862	+3,954	-1,518	+5,802	-2,010	- 37	+1,814	+8,492	+10,728	+12,036	
4. Kip absorption (Receipts less sum of 0.48x2c, 2d, 2e, 2f and 2g)	3,376	3,870	8,324	7,027	9,760	8,868	8,238	10,450	10,142	12,121	15,663	

Source: Annual Reports of FEOF Manager for year in question.

Note: Payments into Lao Treasury (2a and 2b) represent sterilizations of kip through debt retirement, so far as is known. Utilization and dollar purchases from USAID and the free market (2d through 2g) represent returns of kip to circulation. Dollar purchases from the RLG (2c) represent, except in 1964 and 1965, the portion of the U.S. FEOF contribution that was used for kip purchase. Since for each dollar, 240 kip were turned over to USAID and 260 kip were sterilized, a factor of 0.48 is applied to this item in calculating kip absorption (4) except in those years, when the full amount is to be subtracted from receipts (1).

Table 4

NET STABILIZATION INPUTS TO LAOS BY U.S. AND OTHER FOREIGN DONORS, 1964-1975
IN DOLLARS (MILLIONS) WITH KIP EQUIVALENTS (BILLIONS) IN PARENTHESES

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1. U.S. contribution	4.0	5.2	11.7	11.3	14.8	13.2	16.1	15.3	13.0	16.1	17.5	
	(2.0)	(2.6)	(5.9)	(5.7)	(7.4)	(6.6)	(8.1)	(7.7)	(8.4)	(12.3)	(14.0)	
a. Nominal FEOF	4.0	5.2	13.7	13.8	16.1	16.6	16.1	20.1	16.1	16.1	16.1	5.0
b. Actual FEOF	4.0	5.2	11.7	11.3	14.8	13.2	16.1	15.3	11.9	12.2	15.0	5.0
	(2.0)	(2.6)	(5.9)	(5.7)	(7.4)	(6.6)	(8.8)	(7.7)	(7.7)	(9.3)	(12.0)	
c. Other	--	--	--	--	--	--	--	--	1.1	3.9	2.5	
	--	--	--	--	--	--	--	--	(0.7)	(3.0)	(2.0)	
2. Other donor contribution	6.9	5.7	7.3	6.8	5.4	4.3	4.4	4.5	3.0	5.3	5.6	
	(2.6)	(2.0)	(2.8)	(2.6)	(2.4)	(2.2)	(2.2)	(2.3)	(2.0)	(4.0)	(4.5)	
a. Nominal FEOF	3.8	3.9	5.9	5.7	6.3	6.1	6.1	6.4	6.8	7.6	8.9	
b. Actual FEOF	3.8	2.6	4.2	3.8	4.4	4.3	4.4	4.5	3.0	5.3	5.6	
	(1.9)	(1.3)	(2.1)	(1.9)	(2.2)	(2.2)	(2.2)	(2.3)	(2.0)	(4.0)	(4.5)	
c. CIP/UK and Australia	3.1	3.1	3.1	3.0	1.0	--	--	--	--	--	--	
	(0.7)	(0.7)	(0.7)	(0.7)	(0.2)	--	--	--	--	--	--	
3. Totals:												
a. Nominal FEOF (1a + 2b)	7.8	9.1	19.6	19.5	22.4	22.7	22.2	26.5	22.9	23.7	25.0	
b. Actual FEOF (1b + 2b)	7.8	7.8	15.9	15.1	19.2	17.5	20.5	19.8	14.9	17.5	20.6	
	(3.9)	(3.9)	(8.0)	(7.6)	(9.6)	(8.8)	(10.3)	(9.9)	(9.6)	(13.3)	(16.5)	
c. Grand total	10.9	10.9	19.0	18.1	20.2	17.5	20.5	19.8	16.0	21.4	23.1	
	(4.6)	(4.6)	(8.7)	(8.3)	(9.8)	(8.8)	(10.3)	(9.9)	(10.4)	(16.3)	(18.5)	

Sources: FEOF managers' reports, FEOF sales reports.

Note: Exchange rate used for CIP is 240. Exchange rates used for converting "U.S. Other" are 651 for 1972, 763 for 1973, and 802 for 1974. These are computed average effective rates. "Other" consists of stabilization component of U.S. kip purchases and sales from public, deriving from differential between official rate, at which purchased, and average effective rate, at which sold. USIP is not included on grounds that kip counterpart was not sterilized but used for project support, albeit with some time lag. Actual FEOF input (3b) tallies closely with FEOF kip absorption (Table 3, item 4) over the years 1964 to 1972. The discrepancy in the years 1973 and 1974 is evidently accounted for by the build-up of the dollar balance in the FEOF account, which at the end of 1974 was $3.0 million (see Table 2).

Table 5

Budget Performance, Money Supply, Prices
1955-1975
(Budget figures are actuals for July-June fiscal year, bip billions)

		1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Budget receipts								0.5	0.6	0.8	1.6	3.4	4.7	6.4	7.3	7.1	8.2	6.8	8.6	9.0	13.3	
Gold customs:	amount											-	1.3	2.7	2.4	1.2	1.8	0.8	0.2	0.2	1.4	
	percent											-	28	43	33	16	22	12	2	3	11	
Budget expenditures								3.4	3.7	4.3	6.1	8.9	14.6	15.3	16.0	16.9	18.2	19.0	21.3	26.5	36.0	
Military:	amount							2.0	2.3	2.4	3.5	6.4	8.4	8.3	8.3	8.3	8.5	8.9	9.5	10.3	13.3	
	percent							59	62	56	57	72	58	54	52	49	47	47	44	39	37	
Budget deficit								2.9	3.1	3.4	4.5	5.6	9.7	8.9	8.7	9.8	10.0	12.2	14.6	17.9	22.7	
Money supply							1.9	2.7	4.9	7.5	7.8	10.3	10.7	11.3	12.4	13.8	16.2	18.8	24.4	26.7	36.7	
Increase:	amount							0.8	2.2	2.6	0.8	1.9	1.7	0.5	1.2	1.5	1.6	3.6	5.7	2.3	10.0	
	percent							+44	+82	+52	+12	+26	+16	+5	+10	+12	+12	+24	+30	+9	+38	
Price change	percent	+1	+14	+23	+8	+6	+2	+1	+29	+147	+51	+8	+9	+9	+4	+3	-3	+3	+28	+42	+47	
Thailand wholesale grain price change	percent															-8	-9	-9	+19	+45	+28	

Sources: IMF Reports, USAID/Laos annual program submissions, Bank of Thailand Monthly Bulletin.

Note: Figures other than for budget are on calendar year basis.

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Table 6

BUDGETARY DEFICITS, FEOF KIP ABSORPTION
TOTAL STABILIZATION INPUT, MONEY SUPPLY
AND PRICE CHANGES, LAOS, 1964-1975
(KIP BILLIONS)

	Budgetary deficit (as in Table 7)	FEOF kip absorption (from Table 3)	FEOF plus non-FEOF donor stabilization input, kip equivalent (from Tables 3 and 4)	Money supply growth (%)	Price change percent
1964	6.8	3.4	4.1	0.8 (12)	+51
1965	8.3	3.9	4.6	1.9 (26)	+8
1966	9.6	8.3	9.0	1.7 (16)	+9
1967	8.8	7.0	7.7	0.5 (5)	+9
1968	10.3	9.8	10.0	1.2 (10)	+4
1969	9.7	8.9	8.9	1.5 (12)	+3
1970	9.8	8.2	8.2	1.6 (12)	-2
1971	14.1	10.5	10.5	3.6 (24)	+3
1972	16.6	10.1	10.8	5.7 (30)	+28
1973	18.2	12.1	15.1	2.3 (9)	+42
1974	26.0	15.7	17.7	10.0 (38)	+47
1975					

SOURCES: As stated; IMF reports from Lao authorities.

Note: The total growth in money supply shown from 1964 through 1974 (30.8 billion kip) accords closely with the excess of the cumulative budgetary deficit (138.2 billion kip) over cumulative donor stabilization inputs (106.6 billion kip), which is 31.6 billion kip.

MONETARY ACCOUNTS FOR LAOS, CY 1964-75
(KIP BILLIONS)

Table 7

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Factors pertaining to Laos	6.8	8.8	9.4	8.7	10.7	10.7	9.8	14.7	18.0	19.5	31.6	
. Net inflationary borrowing (ex-FTT)	6.8	8.3	9.6	8.8	10.3	9.7	9.8	14.1	16.6	18.2	26.0	
. Claims on private sector	n.a.	0.5	-0.2	0.1	0.6	0.8	-0.1	0.7	1.2	0.8	-0.1	
. Foreign position of banks	n.a.	n.a.	n.a.	-0.2	-0.3	0.3	0.3	0.1	0.4	0.8	6.2	
. Private time /savings deposits	n.a.	n.a.	n.a.	—	—	-0.1	-0.2	-0.1	-0.2	-0.3	-0.5	
2. Donor expenditures of kip	1.9	4.6	3.1	3.6	3.0	4.3	4.5	4.3	4.8	4.4	4.1	
a. France	—	0.6	0.8	0.9	1.1	0.9	0.7	0.9	0.9	1.0	0.1	
b. Japan	—	—	—	0.1	—	0.6	0.2	0.1	0.5	0.3	1.7	
c. USA (FECF, USIP & Invisibles)	1.9	4.0	2.2	2.7	2.0	2.8	3.6	3.3	3.4	3.1	2.6	
3. Total expansionary factors	8.8	13.4	12.5	12.3	12[illegible]	[illegible]5.1	14.3	19.0	22.8	23.9	35.7	
Contractionary factors	6.5	9.0	12.3	11.7	13.0	13.6	12.5	15.5	16.9	22.0	24.0	
a. CIPs (US, UK, Aust.) & Invisibles	2.7	3.6	2.0	1.7	1.2	0.8	0.3	0.5	0.2	—	—	
b. Net FECF sales	3.9	5.4	10.3	10.0	11.8	12.8	12.2	15.0	16.7	22.0	24.0	
Difference (3-4)	2.3	4.4	0.3	0.6	0.7	1.5	1.8	3.5	5.9	1.9	11.7	
Errors and omissions	-1.5	-2.5	1.4	-0.1	0.5	—	-0.2	0.1	-0.2	+0.4	-1.7	
Money supply increase	0.8	1.9	1.7	0.5	1.2	1.5	1.6	3.6	5.7	2.3	10.0	

SOURCES: USAID/Laos annual program submissions, Economic Indicators (airgrams).

V. MISCELLANEOUS: TERMINATED PROJECTS; AIR SUPPORT; NAM NGUM DAM; OTHER REGIONAL PROJECTS

MILITARY TECHNICAL SUPPORT AND REQUIREMENTS OFFICE

Between 1962 and 1969 A.I.D. bore the full cost of foodstuffs for regular military and paramilitary forces and for paramilitary dependents in Laos, and half the airlift cost of these foodstuffs. Beginning in FY 1969 the Department of Defense assumed the funding of food and delivery costs for the above forces and dependents in the northern Military Regions (I and II) which involved air delivery. Beginning in FY 1971 DOD assumed funding of the remainder of the above types of costs previously borne by A.I.D. In addition, DOD assumed funding of the personnel costs of the USAID Requirements Office which was responsible for assisting the Lao Armed Forces to receive, warehouse, allocate and distribute all Military Assistance Service Funded (MASF) equipment and supplies for Laos.

Pursuant to the terms of the Laos peace agreements, the Requirements Office was abolished following the establishment of the PGNU and the reduced volume of military assistance in FY 1975 was provided through the Defense Attaché Office under a Military Assistance Program.

CIVIL POLICE ADMINISTRATION
(Terminated 1974)

Developing the capability of the Lao National Police to maintain order and internal security was the primary purpose of the Civil Police Administration Project. Technical assistance, equipment, and training were provided to the police force with special attention given to improving administration and management, the National Police Training Center, police communications and mobility, and enforcement methods and techniques. As a result of U.S. congressional action, the project was terminated in 1974.

A Termination Phase-Out Study (May 1974) was prepared by the Office of Public Safety and is on file.

INDUSTRY DEVELOPMENT
(Terminated 1972)

Promoting the growth of small- and medium-sized industry sectors of the Lao economy, particularly those industries which would reduce dependence on imports or increase foreign exchange earnings through exports, was the purpose of the Industry Development Project in Laos. The project, which commenced in 1967 and was cancelled in FY 1973, 1/ provided: (1) technical assistance in industrial technology; (2) financing for feasibility studies of selected industries; (3) advisory assistance in industrial and agricultural loans and commercial banking; and (4) assistance to the Lao Development Bank in evaluating and granting local currency loans from the Industrial Loan Fund.

By 1970, a ten-fold increase in Lao foreign exchange earnings from timber exports to nearly $1 million a year was achieved. With the assistance of Australian and Canadian technicians, an inventory of accessible forest areas was completed as a basis for a comprehensive forestry development. Other accomplishments of the Industry Project included the establishment of a tire recapping plant in Vientiane.

1/ Upon termination of this project, residual agro-industry and credit and banking functions were absorbed within the Agriculture and Public Administration Projects.

AIR TECHNICAL SUPPORT

The purpose of this project was to provide for the movement of personnel and commodities for all of the project activities in Laos, especially for refugee assistance. The need for air transport resulted from difficult terrain, the absence of railroads, and a limited network of roads that were often impassable during the rainy season and frequently insecure. Construction of a road into Military Region II and changes in the food assistance program resulted in a dramatic decrease in the funding required for this project by the end of 1975.

Funding of the A.I.D. contracts required for this project were shared by other U.S. agencies utilizing the air and support services available. As required, A.I.D. utilized services available under contracts or through other U.S. agencies on a reimbursable basis.

NAM NGUM DAM

Phase I of the Nam Ngum Hydropower Project which was completed in 1971 was administered by the World Bank. The U.S. contributed one-half of the construction costs on an untied grant basis. The other half of the project costs came from eight other nations. The Dam, completed in December 1971 at a cost of $28,815,000 is located 40 miles north of Vientiane and generates 30 megawatts of power. The Thai and Lao Governments have an agreement by which Thailand buys from Laos all the excess energy produced by the Dam.

At the request of the Lao Government, the Asian Development Bank agreed in June 1973 to assist in mobilizing funds for the second phase of construction of Nam Ngum hydropower facilities and to act as coordinator of project execution. Phase II 1/ of the Dam was proposed to expand the capacity to 110 megawatts with the installation of two additional 40 megawatt turbine generators and the construction of spillway gates and related transmission line and substation improvements. The additional energy should ensure available energy for Laos for many years to come and benefit the Lao economy by providing badly needed foreign exchange through continued sales of inexpensive energy for northeast Thailand. The U.S. contribution to Phase II was proposed on a loan basis, in the amount of $5,000,000. After the termination of the A.I.D. program in June, 1975, the loan offer was withdrawn by the U.S. Government. Other donors continued their commitment to support Phase II under the administration of the Asian Development Bank.

1/ Additional information available in:

"Project Review Report on Nam Ngum Hydropower Project - Phase II in Laos," Asian Development Bank, Manila, Philippines, Sept. 1973 (64 pp).

"Capital Assistance Paper, Laos - Nam Ngum II Loan, A.I.D., Washington, D. C., May 21, 1974.

"Nam Ngum Project, Proposed Additional Generating Units," Acres International Limited, Niagara Falls, Canada, Jan. 1970.

See also Bibliography Section E.

OTHER REGIONAL FUNDED PROJECTS AFFECTING LAOS

The United States through its Office of Regional Economic Development (RED) agreed to provide $100,000 to investigate the feasibility of developing in Laos a "backbone" telecommunications system. This system was designed to link all the major cities of Laos for the first time with a modern communications system and connect the Lao system to other Southeast Asian countries. As a result of this study; RED agreed to provide $630,000 for necessary equipment and installation. All but the final $190,000 of equipment was installed.

Another regional activity of direct interest to Laos was the Mekong Ports Improvement Project. The project consisted of improving Mekong River ferry crossings and river port facilities in Laos and Thailand. The U.S. through RED provided $241,000 to finance the project, $161,000 of which was for seven facilities in Laos.

The reservoir created by the Nam Ngum dam (discussed above) has proved to be Laos' richest fishery resource. The U.S. through RED granted a total of $57,000 to provide the resources necessary to ensure the rational exploitation of the fishery potential. Under this grant, carp fingerlings to stock the reservoir, equipment to establish government fishery agents at the reservoir, and construction of carp breeding facilities were provided. The U.S. also provided financing for a study of Mekong water-borne diseases, in particular shistosomiasis. The study was carried out by the Smithsonian Institution, and most of the field research for the first phase was performed at Khong Island, Laos and Ubol, Thailand. The second phase for a pilot control project is being done by the Lowell Technical Institute and TROMPMED, with completion scheduled by June 30, 1976.

The U.S. granted $67,000 in 1972 through RED for the Mekong River Keng Kabao Channel Improvement Project. Blasting of rock shoals from this channel will allow year-around safe navigation on the Mekong River between Vientiane and Savannakhet. This project was 90% complete in mid-1975 with all U.S. imports delivered. The Mekong Committee is expecting to complete the rock-blasting in 1976.

Other projects funded by RED which affected Laos include: the Regional Air Pooling Project which concerned maintenance services of the region's airlines; an Indochina Transportation Survey; the

Regional Scholarships Program; the Nam Ngum Post-Impoundment Study [1]; a Hydrologic Spare Parts Project ($44,000 for Laos); Mekong Navigation Aids ($60,000 for Laos); the Potash Exploration Activity on the Vientiane Plain ($45,000); and the Mekong/Vientiane Dike Study ($150,000) by the Asian Institute of Technology and the U.S. Army Corps of Engineers.

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[1] "Post Impoundment Assessment of the Ecological Effects of the Nam Ngum Dam and Reservoir, Laos." Report submitted to the Committee for Coordination of Investigations of the Lower Mekong Basin by the Office of International and Environmental Programs, Smithsonian Institution, Washington, D.C., 1 April 1975, 129 pp.

VI. FUNDING SUMMARY CHARTS

U.S. ECONOMIC ASSISTANCE PROGRAM TO LAOS

($000)

Fiscal Year	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	Project Total
[illegible]s	46	580	202	125	237	160	165	—	—	552	891	1,632	3,735	2,621	2,680	1,970	1,977	1,797	1,464	1,187	1,238	23,299
[illegible] f Lao [illegible]s	38	2,869	2,326	605	1,840	8,894	1,083	1,249	1,474	1,735	4,777	3,666	5,578	4,884	3,915	2,127	2,537	2,902	3,206	2,325	3,340	61,570
Public Health Development	4	320	324	511	382	468	206	152	460	1,704	2,789	2,790	1,698	2,667	3,444 1/	3,643	3,743	1,872	2,345	799	3,038	33,359
Education Development	27	118	172	298	243	302	338	741	997	889	824	1,256	1,506	1,940	1,736	1,690	1,557	1,281	1,699	943	1,157	19,71[illegible]
Public [illegible]ministration [illegible]opment	353	154	204	43	36	89	87	—	—	137	92	98	254	202	275	523	893	960	1,231	820	914	7,365
Development of Rural Economy	—	204	272	294	288	1,218	1,032	2,834	4,061	1,576	2,527	5,465	5,855	7,136	4,362	4,103	4,288	3,715	4,145	3,666	2,499	59,542
Refugee Relief & Resettlement	412	—	—	—	—	—	—	—	(2,200) 2/	1,979	4,534	4,112	4,554	3,566	2,117	5,329	3,405	3,342	5,252	4,113	1,668	44,383
Maternal & Child Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(990) 3/	1,112 4/	925 4/	500 4/	780 4/	400 4/ 200 5/	349 4/	4,266
Civil Police Administration	247	758	303	156	134	141	145	—	—	—	895	557	654	501	466	547	481	356	396	383	—	7,120
[illegible]tems Advisors	—	—	—	—	—	—	—	—	—	100	100	100	—	—	—	—	—	—	—	—	—	300
[illegible]l Industry [illegible]elopment	—	67	438	887	96	87	70	211	32	51	—	—	71	231	340	372	244	129	—	—	—	3,326
Technical [illegible]	—	—	—	—	—	—	(335) 6/	(1,220) 6/	7,741	9,177	8,676	8,810	6,395	6,400	3,060	5,823	6,282	6,973	3,501	3,351	2,023	78,212
[illegible]	—	—	—	—	—	—	—	—	1,350	2,816	3,304	3,459	3,799	3,413	2,242	2,021	—	—	—	—	—	22,404
[illegible]	284	1,052	1,173	1,442	2,843	1,839	2,505	1,740	1,830	3,008	4,205	6,216	5,389	5,239	4,915	4,578	3,003	5,800	5,681	—	—	64,742
[illegible]trol	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,100	2,047	(1,614) 7/	(924) 7/	3,247
Project Total	1,411	6,122	5,414	4,561	6,099	13,198	5,631	6,927	17,945	23,724	33,614	38,161	35,488	38,800	29,552	33,840	31,335	30,727	31,727	18,187	16,286	432,749

[illegible]ncludes obligations of $990,000 for Maternal and Child Health.
[illegible]bligated under Development of Rural Economy.
[illegible]bligated under Development of Public Health.
[illegible]amily Planning — Title X.
[illegible]evelopment Assistance.
[illegible]bligated under Development of Rural Economy.
[illegible]epartment of State) International Narcotics Control Funds administered by A.I.D.

Year	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	Project Total
1a																						
2a	35,200	26,700	32,700	21,900	17,000	28,700	26,300	21,100	2,000	—	—	—	—	—	—	—	—	—	—	—	—	211,600
	—	—	—	—	—	—	—	—	—	4,000	4,000	10,000	13,800	18,600	19,186	16,600	16,100	17,750	16,100	15,400	8,050	159,586
Import program	3,000	11,500	6,900	3,200	2,900	1,300	—	—	14,500	11,000	7,400	5,000	1,900	4,475	2,500	1,500	1,500	450	—	—	—	79,025
Invisibles	—	—	—	—	—	—	—	—	2,000	1,800	3,700	2,500	1,545	1,025	783	—	—	—	—	—	—	13,353
Project	38,200	38,200	39,600	25,100	19,900	30,000	26,300	21,100	18,500	16,800	15,100	17,500	17,245	24,100	22,469	18,100	17,600	18,200	16,100	15,400	8,050	463,564
Total	39,611	44,322	45,014	29,661	25,999	43,198	31,931	28,027	36,445	40,524	48,714	55,661	56,733	62,900	52,021	51,940	48,935	48,927	47,827	33,587	24,336	896,313
Misc. Services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,127 3,055	7,240 (Mission) 3,040 (AID/W) 1,700 (Mission Closeout)	12,367 6,095 1,700
Country Total	39,611	44,322	45,014	29,661	25,999	43,198	31,931	28,027	36,445	40,524	48,714	55,661	56,733	62,900	52,021	51,940	48,935	48,927	47,827	41,769	36,316	916,475

CE: FY 1955-1969 - USAID/Laos (adjusted for deobs)
FY 1970-1975 - Laos Desk (obligations)

Laos ermin

VII. BIBLIOGRAPHY

A SELECTIVE BIBLIOGRAPHY ON LAOS

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A. GENERAL BACKGROUND

B. AGRICULTURE, FISHERIES, FORESTRY, COOPERATIVES, IRRIGATION LIVESTOCK, NUTRITION

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