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**A.I.D.'s Development Assistance Programs in SE Asia
Cambodia, Laos, Vietnam:**

A Summary up until the time of Termination, 1975

**A.I.D./CDIE/DIC
1 October, 1991
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CAMBODIA

1955-1963

A majority of U.S. aid (80% of \$300mil obligated) took the form of a Commodity Import Program and other nonproject aid.

Project programs included small technical assistance activities in health, education, and agriculture, and larger projects in transportation and public works, e.g. the Khmer-American Friendship Highway linking Phnom Penh to Sihanoukville (Kompong Som).

1970-1975

A total of \$581mil in Economic Assistance was expended to enable the Government of the Khmer Republic to withstand the destabilizing effects of war with the Khmer Rouge. The dominant activities were a Commodity Import Program, which was to provide essential imports to sustain prewar levels of production and consumption, and the provision of PL480 commodities under Title I (Food for Peace) and, later, Title II (food disbursements) programs. A.I.D. attempted to maintain a low profile, using primarily Embassy staff.

CIP Programs -- In six grants over five years, A.I.D. committed a total of \$250,202,000 to the Commodity Import Program. Most funding went to the import of capital equipment, raw materials, and spare parts for domestic industry, consumer-type finished products, and some supplies for the transportation infrastructure. Generation of counterpart funds contributed to the GKR military budget.

As the war resulted in the loss of agricultural land and the destruction of factories, more CIP funding went to the selective financing of critical commodities and logistical services. By the last year and a half of the program, 90% of CIP funds went to the procurement of gasoline and other petroleum products, the transportation of PL480 rice, and logistical support for refugee and feeding programs. The remainder largely went to the import of farm tools, tractors, fertilizers, pesticides and seed grains to enable the refugee population (up to 50% of the population towards the end) to support itself.

A Multilateral Exchange Support Fund was set up in 1972 under IMF instigation as a supplementary source of financing for commodity

imports. It played a large role in stabilizing the economy and promoting and maintaining a reasonable exchange rate. The fund was a channel for multilateral assistance to Cambodia from Japan, Australia, Great Britain, Thailand, New Zealand, Malaysia and the United States.

Economic Policy Dialogue -- Both CIP and Exchange Support Fund resources were used to leverage a degree of economic policy reform. Such dialogue was largely oriented toward establishing and maintaining a realistic foreign exchange rate -- a single, flexible, rate for all exports and imports. A foreign exchange auction was promoted by A.I.D. as the most "automatic" and "free market" of the alternatives available. The exchange rate problem was one of the most vital and problematic issues over the four years of A.I.D. involvement in the Khmer Republic.

The PL480 Assistance Program was the second largest A.I.D. program during these years. Commodities with a total value of \$250 mil dollars were disbursed over the course of A.I.D.'s involvement. Rice made up the largest share of the program, but wheat flour, vegetable oil, tobacco, cotton fiber and yarn, and corn were also included.

Prior to the war, rice and rubber had accounted for 80% of the foreign exchange earned; rice alone made up over 60% of total exports. Between 1970 and 1975 production of rice declined, imports replaced exports, and prices spiraled. As the refugee problem became more acute, provision of rice through PL480 programs evolved from pure subsidization and price support under Title I assistance to refugee relief under Title II programs.

Refugee relief -- By the end of A.I.D.'s involvement, the refugee problem had become the single largest economic and logistic challenge to the program. About 1/2 of the population under GKR control was displaced, and their needs became indistinguishable from those of the increasingly needy urban workers and soldiers.

U.S. refugee assistance began with the distribution of food. As the problem grew worse, A.I.D. sponsored programs that were intended to help refugees return to agricultural production. By the end of this period, the problem had become so bad that A.I.D. assistance once again returned to emergency feeding and health care programs.

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The U.S. Government never directly involved itself operationally in these programs, due to Embassy personnel ceilings and policy decisions made by both U.S. and GKR representatives. U.S. assistance was channelled through programs of a variety of American and International relief agencies.

Logistics and Transportation -- By the end of the war, logistics and transportation became major areas of U.S. involvement. Because land routes for the import and movement of essential resources were blocked, U.S. assistance concentrated on keeping the flow of goods moving via air and river. In 1974 an International Transportation Commission was set up which helped provide equipment to conduct periodic airlifts and air drops.

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Laos

U.S. interest and policy in Laos, from its inception in 1954, was determined largely by the geopolitical import of its location. Thus, Economic assistance to Laos was planned within the context of overriding political interests, which required maintenance of economic stability and the effective provision of government services to ensure political stability -- it was not designed for the attainment of long-term social and economic developmental goals. Furthermore, a lack of trained and experienced Lao made it necessary for A.I.D.- financed employees to provide directly many governmental services such as administrative facilities, schools and roads.

The hostilities within Laos continually frustrated goals throughout the 21 years of U.S. economic assistance. Emergency aid and subsistence support to refugees displaced by the hostilities was a major area of concern; within the project portion of the A.I.D. program, the heaviest expenditures (particularly from the mid - 1960's on) were for food, health care, relocation and related costs. After the fall of the Royal Lao Government (RLG) in 1974, the U.S. was increasingly unable to work with the Provisional Government for National Unity (PGNU). This inability eventually led to the withdrawal of support and termination of the program in 1975.

Over twenty-one years, the U.S. provided a total of \$896mil of assistance to Laos, which breaks down into roughly \$212mil of project Cash Grants, \$79mil in the U.S. Import Program, and \$464mil of non-project assistance. The greatest lasting contributions of U.S. economic assistance during these years have been judged to be the contributions education assistance have made to Laos' manpower development; the Nam Ngum dam and power distribution system has been seen as the most significant project completed during these years. The major areas of U.S. assistance in Laos, and their foci were:

Agriculture -- largely forestry, fisheries, crop and livestock development. From 1955, approximately \$3mil/year were provided in this sector for a grand total of \$23 mil from 1954 to 1975.

The largest portion of funding went toward irrigation and extension programs aimed at increasing crop production. From

1965 to 1975, the U.S. sponsored the development of a semi-autonomous Agricultural Development Organization to stimulate agricultural production through project planning, management & monitoring, the financing of inputs, and marketing. During the final years of the program, priorities shifted toward subsistence agriculture for the refugee communities and the exploration of cash crop alternatives to the opium poppy. Other small, unconnected agricultural projects were undertaken for humanitarian or political reasons and were not designed for long-lasting impact. The formation and retention of an adequately trained technical and managerial corps in the agricultural sector was a problem throughout the program due to inefficient management, political pressures, and low salaries.

Development Administration. In 1966, A.I.D. began a participant training program which was expanded in 1967 into a manpower development program. In the 1970's, assistance was expanded into a Development Administration project. There were three sub-categories to the project: Development Administration, Public Administration/Finance, and Human Resources Development.

Rapid inflation in the early 60's led to the formation and support of a Foreign Exchange Operations Fund in 1963, which was to help stabilize the currency and cover the budget deficit. This was supplemented for a time by a Commodity Import Program, which was later phased out. In 1964, the U.S. began to provide advisory assistance to the Ministry of Finance. Administrative reforms were recommended in the tax structure and collection procedure, preparation of the budget, and control of expenditures. This advice was reluctantly received by the Ministry. The U.S. also promoted the development of financial and economic reporting mechanisms, and in 1969 assisted in the writing of the first five-year development plan.

Educational Development. Assistance in this sector began in 1955 as a teacher training program, and was expanded in 1964 to include community education, materials production, and secondary education projects. The two major goals of U.S. assistance to education became assistance to administrative operations and school construction, and curriculum and materials development and training.

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Maternal/Child Health and Family Planning. This was a sensitive topic in Laos, but in 1968 the U.S. assisted in the establishment of a clinical facility for maternal/child health, which later incorporated family planning advice and assistance under the sponsorship of the Lao Family Welfare Association, an affiliate of the International Planned Parenthood Federation.

Narcotics Control. In 1971, the U.S. convinced the RLG to pass a narcotics control law. U.S. assistance was oriented primarily toward enforcement activities until September 1972, when assistance was expanded to include the agricultural and medical sides of the problem with rehabilitation and alternative crops programs. As internal strife mounted after the formation of the PGNU, and the rightist factions within Laos were fighting for their own survival, the political environment became more nationalistic and independent; the PGNU withdrew its support from the "American" narcotics program, and A.I.D. scaled back its emphasis on this area in 1974. The short life of the program ensured that it had little lasting impact.

Public Health Development. Assistance in this area began in 1963 with medical assistance in areas disrupted by war. Assistance evolved to include support for the improvement of existing hospitals; malaria control was attempted periodically and was eventually promoted into a national program integrated into the Lao Ministry of Health.

Other major areas of assistance included Roads construction and Rural Economic Development programs.

Breakdown of Assistance levels by sector in \$mil (total 1954-1975):

Agricultural Development	23,300
Roads	61,570
Public Health	33,359
Education	29,734
Public Administration	7,365
Rural Economy	59,542
Refugee Relief/Resettlement	44,383 (1963 on)
Maternal/Child Health	6,266 (1969 on)
Civil Police Administration	7,120
Small Industry Development	3,326 (before 1972)
Narcotics Control	3,147 (1972 on)

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Viet Nam

Time Line, Major Emphases:

1954-1958: Period characterized by need to integrate over two million refugees from North Viet Nam. Activities include:

- reorganization & retraining of national army.
- maintaining economic stability.
- assisting in rehabilitation and development efforts to integrate refugees from the North.
- strengthening and improving the structure and effectiveness of vietnamese government.
- expanding and improving public information services.

1959-1961: Refugee problem under control, becomes deemphasized.

- attempts to thwart the increasing strength of the Viet Cong through development efforts.

1962-1966: Economic assistance objectives change dramatically; increasing emphasis on counterinsurgency. Objectives evolve through the following stages:

- maintaining economic stability,
- helping to expand and consolidate government control and services in the villages,
- relieving economic and social consequences of military operations,
- expanding the economy in secure areas.

1967-1972: "Vietnamization" (i.e., turning over more economic and developmental control to the government of Viet Nam).

- "pacification" mission transferred from A.I.D. to the military command.
- A.I.D. to provide supportive role in economic stability and war victims programs.
- development of institutions and services in economic and social technical assistance areas (development planning and development progress).

1973-1975: U.S. further scales back its role in Viet Nam.

- humanitarian concerns emphasized -- primarily refugees and uprooted children.
- work towards a transfer to economic self-sufficiency.

Average annual obligations in \$mil:

	<u>CIP</u>	<u>Food for Peace</u>	<u>Project</u>	<u>Total</u>
1954-1958	158.2	9.8	32.7	200.7
1959-1961	131.1	9.8	39.6	180.4
1962-1966	170.3	67.3	80.1	317.6
1967-1972	213.8	113.0	177.4	504.2
1973-1975	234.8	169.3	60.2	464.3
Avg. Overall	182.9	72.8	87.6	343.2

Highlights:

Rural Development. The major common goal throughout all periods was to gain the support and loyalty of the rural population for the central government and to make the population less vulnerable to communist propaganda. This was attempted through programs to improve the economic and social lot of the population by contributing to rural programs, improving the delivery of local government services by strengthening local governments (village level), and encouraging private sector innovation to lead to increased productivity. A major turning point came in the late 1960's, when programs were moved from the hamlet level (programs which sought to make the population more loyal to the central government) to the village level (programs which sought to decentralize government authority to the local level).

Agriculture. A.I.D. program was designed at first to assist the Government of Viet Nam in: developing basic agricultural institutions, reestablishing production (which had declined from the beginning of WWII), agrarian reform, and settlement of North Vietnamese refugees. After a USDA group examined and assessed the program, it was re-organized in 1966 into 9 projects: Agrarian Development, Agricultural Economics and Statistics, Crop Production, Irrigation and Water Management, Fisheries, Forestry, Agricultural Extension and Training, Agricultural Credit and Cooperatives, and Technical Support. After the Tet offensive in 1968, A.I.D. began to restrict its field activities. The introduction of high yield varieties of rice during this period dramatically increased production. Other successes during the latter period were: a livestock program which increased the

production of hogs, poultry and fish for protein consumption and planned and built a Livestock Training Center; an increase in emphasis on export development, which included the training of Commercial Attaches for VietNam's embassies and the development of fish and shrimp as export commodities. In 1967, the Agricultural Credit Bank of Viet Nam began providing loans locally. It established a branch in each province and autonomous city, and was judged a great success.

Child Care. In 1974, A.I.D. began a new program under the War Victims Relief and Rehabilitation Project, which was mandated by Congress. The project aimed at preventing child neglect and abandonment, at improving the health and nutrition of orphans, and at improving orphanage facilities and their management.

Civil Aviation. From 1956 to 1974, A.I.D. helped develop VietNam's civil aviation system, including establishing a national Air Carrier (Air Viet Nam) and improving and building several airports.

Commercial Import Program (CIP). This program was always multifunctional; the expressed role changed to suit the political climate of the times. It started as a program to import consumer goods and raw materials and capital goods for domestic industry. The maintenance of relative price stability was a chief objective throughout.

Development Planning. From 1966, A.I.D. assisted in the establishment of the Development and Resources Corporation, which engaged in development planning for the post-war period. In 1971, A.I.D. also began a participant training activity under this program.

Education. A.I.D.'s education program began by working towards the expansion of the educational system. In 1970, when this was deemed accomplished to a satisfactory extent, A.I.D. programs began emphasizing the improvement of VietNam's education system. A.I.D. program emphases throughout included: classroom construction, teacher training, technical-vocational education, science education, library development, general scholarship program, adult (literacy) education, instructional materials development, agricultural education, teaching of English, and higher education.

Industry. A.I.D.'s program in this area overlapped to an extent with the CIP program. It stressed technical assistance, export development, and institution building. Under this program, many development banks and credit institutions were founded which increased both short and long-term credit opportunities.

Land Reform. A major accomplishment was the Land to the Tiller Program, which took place between 1970 and 1973, and distributed 800,000 hectares of land, free, to over four million former tenants.

Labor. Under A.I.D.'s manpower development project, the following activities were performed: employment services, skills training, research and labor statistics, labor-management relations, manpower planning, participant training, trade union development, cooperatives, land reform.

Public Health. Here the refugee problem and later, the war problem governed the types of activities pursued by A.I.D.

Public Safety. A.I.D. assisted the National Police with training, logistics, communications development, and development of the corrections system.

Public Works. A.I.D. was involved in: the construction of highways and railroads; the development of potable water resources in the cities and countryside; the development of a power (electricity) network; a construction program whereby schools, warehouses, hospitals, housing, agricultural facilities and police facilities were provided; dredging; and telecommunications development.

Other A.I.D. programs included: Logistics, Public Administration, and War Victims Relief and Rehabilitation.

Institutional Legacy of A.I.D. programs:

Major programs existing at the time of termination include:

-Central Pacification and Development Council, a central agency for planning and executing rural programs -- contributed greatly to the secondary road system and the

administrative revolution which stressed greater government performance and decentralized government.

-The Province Development Fund (1969), funded by counterpart currency to subsidize projects of provincial priority.

-The National Fund for Local Development (1969), largely used for the construction of roads, bridges, and irrigation systems.

-Rural Reconstruction program (1972).

-Province Mobile Assistance Teams, which focused on central to local government interaction and communication.

-Village Reconstruction program, which was set up in response to the 1972 North Vietnamese invasion.

-Village Self Development Program (1969) established to promote education, public health, agriculture and fisheries, public works, and handicraft projects.

-Village Credit Program (1970), a revolving fund which accorded loans to individuals at the village level.

-The Industrial Development Bank.

-The National Economic Development Fund, which leant through Intermediate Credit Institutions at the local level.

-The Investment and Development Bank (IDEBANK), reformed in 1973, which accorded medium and long-term credit to industry.

-The National Institute of Standards (1967).

-The Management Association of Viet Nam (1969).

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