

# **FACTS ON FOREIGN AID TO LAOS**

**EMBASSY OF THE UNITED STATES OF AMERICA  
U.S.A.I.D.  
MISSION TO LAOS**

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**APRIL 1971**

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## INTRODUCTION

Over the past years, the United States Agency for International Development Mission to Laos (USAID) has welcomed many visitors and has received many requests for information about its activities, about the government and economy of Laos, and about all matters on which an office of the United States Mission in Laos might be queried. We have been glad of these visits and we have been pleased to answer these questions.

But since there is never quite enough time to say all that we would like to, and since visits, by definition, are limited in duration, I felt it would be useful to assemble in printed form some of the information which has consistently been requested.

A question all too frequently not asked is: Why are you here? Although visitors may be too polite to ask such a blunt question, it is the essential one, and I shall answer briefly.

The answer is almost as blunt: Without the assistance of many friendly nations, of which the United States is one, it is extremely unlikely that the country of Laos could survive, since it must devote those resources normally available for political and economic development to a life-and-death struggle against foreign aggression. It is in the interest of United States foreign policy that this nation should survive, and it is in the interest of the Royal Lao Government to receive assistance from the United States and from other friendly nations. In a rather formal way, a bilateral agreement was signed between the Royal Lao Government and the United States in 1951; each year that agreement is reaffirmed by joint Royal Lao Government and United States signatures on agreements which spell out in detail each and every assistance project for the next twelve months.

The United States gives its economic assistance in a great many forms. There are currently, for example, 24 broad projects in various fields such as education, health, roads and the like; there are some 145 activities going on to implement these programs and some 550 different individual "jobs" (a school, a drilled well, a dispensary, an access road, a training program) going forward at the

time of writing. All of this activity, however, can be more easily understood if classified in accordance with the principal purposes for which it takes place. These categories are:

Economic Stabilization: Stabilization of the local currency and restraint of inflation in the monetized economy. (See Foreign Exchange Operations Fund for Laos.)

Security-related Program: assistance to refugees; medical assistance; assistance in air and surface transportation (for example, repair of bridges blown up by the invaders).

Maintenance of governmental services: hospital operation; dam repair; building and maintenance of community schools; teacher training; public administration; logistic and training assistance to public safety forces for the preservation of law and order; maintenance of the highway system.

Social Infrastructure: community education; nurse training; maternal and child health programs; comprehensive secondary schools; local, third-country and U.S. training programs.

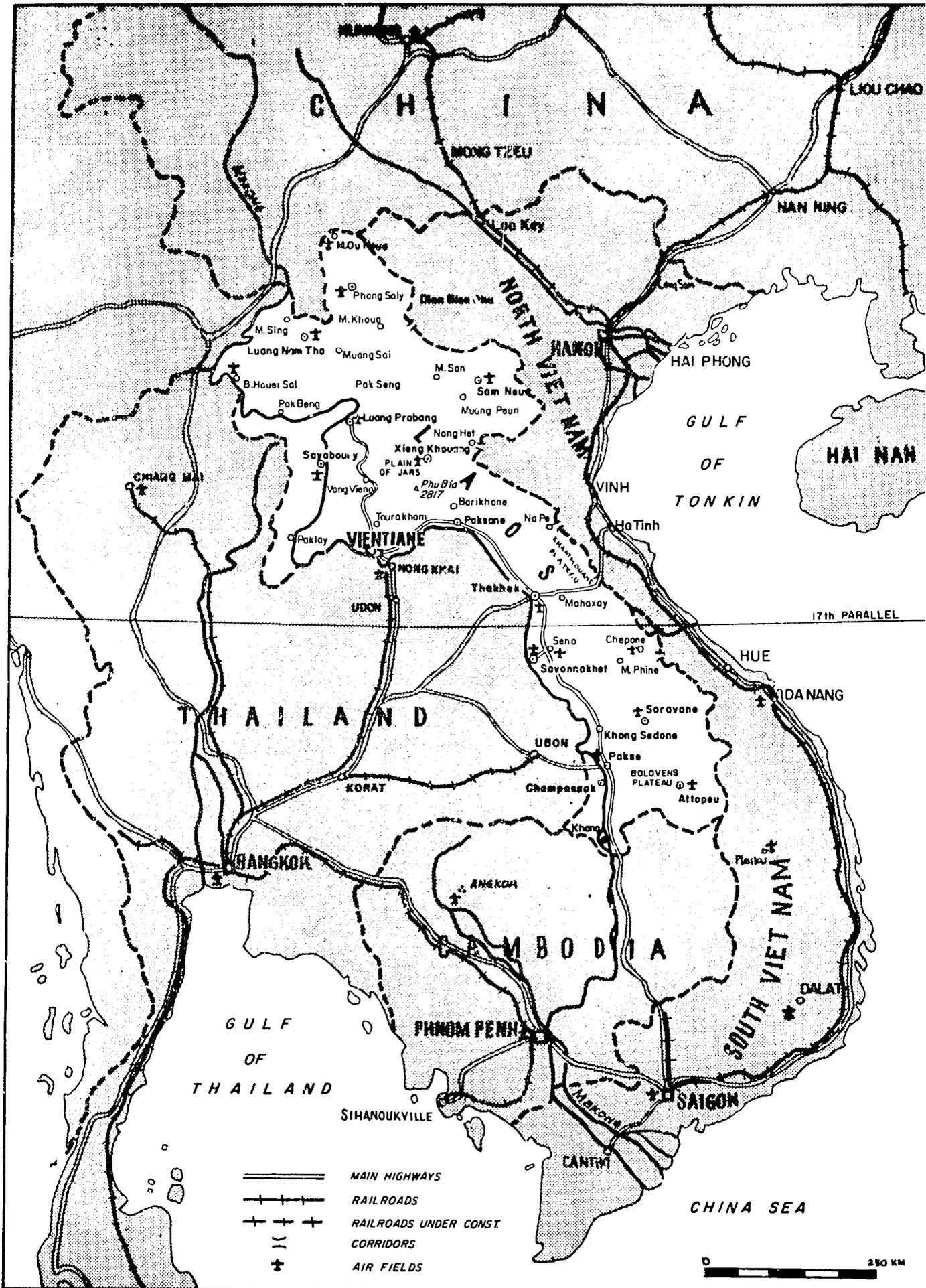
Economic Development: accelerated rice production in the Vientiane plains; fisheries; agricultural research; the Nam Tan and other irrigation projects; power; industry; feeder roads to connect farm to market.

These, in very brief form, catalog U.S. economic assistance to Laos. In order, however, that the U.S. program can be understood in perspective, this booklet provides information on recent history (since the inception of the aid program), a sketch of the structure of the Royal Lao Government, a brief analysis of the Lao economy, a summary of assistance given by other friends of Laos, and, of course, more detailed information about the U.S. program.

We did not prepare this book to discourage inquiry, and most certainly not to reduce the number of our visitors, because we like to answer questions about the country and the program and we thoroughly enjoy receiving visits. We simply hope that perusal of this material will make answers more understandable and visits more profitable.

A handwritten signature in cursive script, reading "Charles A. Mann".

Charles A. Mann  
Counselor of Embassy  
for Economic Affairs  
and Director, USAID/Laos



## LAOS SINCE 1954: A POLITICAL PERSPECTIVE

Confined within the irregular contours of its border, Laos is a landlocked country of about 91,000 square miles inhabited by some three million people. Geography has tended to isolate the Lao from one another and from the rest of the world. The predominantly mountainous terrain accounts for the survival of a great number of distinct and more or less unassimilated ethnic groups. Laos' lengthy border with North and South Vietnam extends through the Annamite mountain chain, a mountainous, sparsely inhabited region, where a few passes offer a limited number of communication links. Massive mountain barriers separate Laos from China and Burma to the north; the plains of the Mekong River provide fairly easy access southward to Cambodia. To the west, most of the frontier is defined by the Mekong River, which serves, however, as a link rather than a barrier between the Lao and the ethnically related inhabitants of north-east Thailand.

In 1949, Laos became an autonomous member of the French Union and it achieved full independence after the Geneva Conference of 1954. The Pathet Lao, or left wing of the Lao nationalist movement under Prince Souphanouvong, became increasingly involved with the Vietnamese Communists. Intermittent civil war has existed since 1953 when Viet Minh and Pathet Lao forces crossed into northeastern Laos into provinces contiguous with North Vietnam.

In 1954, after the French defeat at Dien Bien Phu, the major Communist and non-Communist powers met in Geneva to negotiate "the cessation of hostilities" in Vietnam, Laos, and Cambodia.

### The Geneva Conference of 1954

The Conference was convened primarily on the initiative of the Governments of Great Britain and the Soviet Union who, as co-chairmen of the Conference, acted as intermediaries between the opposing groups. In addition to Great Britain and the Soviet Union, France, United States, Communist China, Cambodia, North Vietnam, South Vietnam, and Laos were represented. The Conference produced

separate agreements on Laos, Cambodia, and Vietnam. The participating powers agreed to refrain from intervention in the internal affairs of these countries.

The position of the 1954 Geneva Agreements concerning Laos called for withdrawal of all foreign troops, with Pathet Lao forces to regroup in the two northern border provinces of Sam Neua and Phong Saly pending their incorporation into the Lao National Army. The Royal Government would administer the two provinces until elections were held to reintegrate the country. Although the United States did not join in the final declaration of the Conference, it declared its acceptance in principle.

The Geneva Conference also established the International Commission for Supervision and Control (ICC), composed of representatives of India, Canada, and Poland which was to supervise withdrawal of the foreign forces and to report any violations of the terms of the agreement.

#### 1955-1960

Progress toward effecting a political settlement within Laos was slow. The Royal Government held elections in 1955 and, despite a Pathet Lao boycott, succeeded in forming a government under Prince Souvanna Phouma. In 1956, he and Prince Souphanouvong agreed, in principle, to establish a Government of National Union, which would include Pathet Lao representatives. The Pathet Lao political organization, the Neo Lao Hak Sat (NLHS) would be recognized as a legal political party.

The Government of National Union under the premiership of Prince Souvanna Phouma and including Prince Souphanouvong was approved by the National Assembly in 1957. This government fell in an anti-Communist reaction to Pathet Lao gains in the 1958 elections. It was succeeded by one in which a rightist coalition under Phoui Sananikone was dominant; no members of the NLHS were included. In the summer of 1959, Pathet Lao forces in Sam Neua province began an offensive and the Royal Lao Government brought charges of North Vietnamese aggression before the United Nations.

When Phoui Sananikone resigned at the end of the year, General Phoumi Nosavan, the dominant power of the strongly anti-Communist Committee for the Defense of National Interests and a member of the rightist coalition under Phoui Sananikone, announced that the army would assume power until a new government was formed. Military spokesmen denied the imposition of a dictatorship, and the King appointed a caretaker government pending the 1960 elections. No NLHS candidate was returned to the National Assembly in the April election that followed. Imprisoned NLHS leaders, including Prince Souphanouvong, escaped from Vientiane to rejoin the Pathet Lao, which denounced the elections as fraudulent. A new government was formed in June under Tiao Somsanith.

The situation rapidly grew more complex. Captain Kong Le, a young paratrooper commander, seized Vientiane on August 9, 1960. He announced his support for a neutral government that would be dedicated to integrating the Pathet Lao. With the approval of the National Assembly, Kong Le handed over administrative power to Prince Souvanna Phouma. Although offered a post in the new government, General Phoumi Nosavan left Vientiane for Savannakhet where he set up a "revolutionary committee" under Prince Boun Oum Na Champassak. When Prince Souvanna Phouma's government fell in December, the National Assembly joined the King in asking Prince Boun Oum to form a government. The Boun Oum government, with General Nosavan as deputy prime minister and minister of defense, was recognized by Thailand and the Western powers. Captain Kong Le retreated to the Plain of Jars where he was joined by the Pathet Lao. In late January 1961, a leftist government claiming authority from a minority of the Assembly and Prince Souvanna Phouma, whom it allegedly supported, was formed at Xieng Khouang. This government was recognized by India and the Communist powers.

On March 23, the British Government in a note to the Soviet Union proposed a cease-fire, the reconvening of the ICC, and an international conference to end the hostilities in Laos.

### The Geneva Conference of 1961-1962

On May 16, 1961, a fourteen-power conference convened in Geneva

to consider the matter of Laos. In addition to the countries represented at the Geneva Conference of 1954, Burma, Canada, India, Poland, and Thailand sent delegations. The United States, which had supported the rightist government of Prince Boun Oum, and the Soviet Union, which had supported the Pathet Lao and the neutralist government of Prince Souvanna Phouma, agreed to accept a neutralist coalition of the three Laotian factions represented at the Conference: Rightist, neutralist, and Pathet Lao. Final Conference action awaited the formation of this coalition government.

On June 11, 1962, Prince Souvanna Phouma formed the provisional Government of National Union in which he assumed the posts of prime minister and minister of defense. General Nosavan became deputy prime minister and minister of finance, and Prince Souphanouvong, deputy prime minister and minister of economic planning.

On July 23, 1962, the Geneva Conference issued a declaration which incorporated the Laotian Declaration of Neutrality and a protocol. The Declaration of Neutrality, which rejected the protection of any alliance, reaffirmed support of the five principles of peaceful coexistence, pledged not to permit foreign intervention in the country's internal affairs, and announced that unconditional foreign aid would be accepted from any country.

The declaration committed the Geneva Conference powers to "respect... in every way the sovereignty, independence, neutrality, unity, and territorial integrity of the Kingdom of Laos." They agreed to consult with the Laotian government and among themselves in the event of any threatened violation of the sovereignty or neutrality of Laos. The protocol strengthened the role of the ICC in its peace-keeping functions. It authorized the Commission acting with the concurrence of the Laotian government, to investigate alleged violations of the cease fire. Commission recommendations were required to be unanimous, but investigations could be initiated by majority vote.

In October, the Commission confirmed the departure of 666 American and 403 Filipino military and civilian personnel. It reported the withdrawal of 40 North Vietnamese troops. The prisoners taken by both sides were released, and the neutralist officers accepted their promotions: Captain Kong Le became a major general. In

late November, the Pathet Lao, neutralists, and rightists agreed to form a single army of 30,000 men and a police force of 6,000 to be drawn equally from the three factions. The coalition government formally accepted the continuation of U.S. aid. As the winter of 1962 passed, however, rifts began to appear among the members of the coalition government which were to spread even to its neutralist center.

### 1963-1970

On February 12, 1963, a left-wing neutralist assassinated Colonel Vongsouvanh Ketsana of the moderate neutralist forces of General Kong Le, and minor skirmishes occurred between the two neutralist factions in Xieng Khouang. Following the assassination on April 1 of the left-inclined Foreign Minister, Quinim Pholsena, minor skirmishing broke into open hostilities when the Pathet Lao attacked Kong Le's troops. On April 18, Kong Le withdrew from the Plain of Jars airfield which was now within easy range of Pathet Lao positions, to Muong Phan, six miles to the northwest. Here, he was joined by Phoumist reinforcements and the two forces set up a joint headquarters.

Attempts by the ICC, by the British and Russian ambassadors, and by Prince Souvanna Phouma to stop the fighting failed. The Plain of Jars became a battle front. There were repercussions elsewhere in Laos: Pathet Lao forces began to penetrate southern Laos and, with the assassination in Vientiane of two left-wing neutralists, the Pathet Lao ministers began to leave for Pathet Lao headquarters at Khang Khay where Prince Souphanouvong was already in residence. Some neutralist ministers followed. Members of the NLHS withdrew from the government; their posts remain unfilled.

Military provocation and reaction by both sides continued and increased in intensity; however, political talks among the members of the three factions had begun on the Plain of Jars when in April 1964, a group of right-wing troops, the Pathet Lao attacked. Kong Le and his forces during May and June of 1964 were pushed off the Plain of Jars. In 1966, Kong Le went into exile.

Prime Minister Prince Souvanna Phouma publicly denounced "premeditated Pathet Lao aggression. . . with the aid of North Vietnam," and the Royal Lao Government asked the United States to increase its economic and military aid and to undertake armed air reconnaissance over Pathet Lao territory. The Prime Minister addressed the General Assembly of the United Nations, deploring North Vietnamese intervention in Laos and the concept of "wars of national liberation." The Prime Minister has repeatedly announced that the air operations would stop when the Pathet Lao agreed to a cease-fire and North Vietnam withdrew its troops from the country. The Pathet Lao made new allegations of government collusion with the United States and the Royal Lao Government has replied that the military aid was necessitated by Pathet Lao and North Vietnamese violations of the Geneva Agreements.

The work of the ICC has been hampered by its lack of recognition by the Pathet Lao and their refusal to allow the ICC into Pathet Lao territory, by the failure of ICC members to achieve unanimity, and by lack of funds. Reports of violations, compiled by the Canadian and Indian members of the ICC and based largely on the evidence of North Vietnamese prisoners, have been circulated unilaterally by the British Government to members of the 1962 Conference. The Prime Minister Prince Souvanna Phouma has made several offers over the years in an effort to achieve an understanding with the other side. Among his proposals are his offer to travel to Sam Neua or to Hanoi for discussions, the neutralization of the Plain of Jars, and a standstill cease-fire with international supervision.

On February 28, 1970, after the reoccupation of the Plain of Jars by Pathet Lao forces, the Prime Minister officially asked Great Britain and the Soviet Union, as co-chairmen of the Geneva Conferences, to request consultations among the fourteen signatories of the 1962 Agreement, which under Article Four provides for consultations "in the event of a violation or threat of violation of the sovereignty, independence, neutrality, unity, or territorial integrity of the Kingdom of Laos." A similar proposal was made to the co-chairmen on March 6 by President Richard Nixon. In his letter, the President urged them to work with the other Conference members and pledged the full cooperation of the United States.

The British Government proposed to the Soviet Union that the Prime Minister's letter in which he requested consultations be circulated with a covering message deploring the upsurge in fighting and regretting "that this should have taken place instead of consultation between the parties concerned upon proposals... aimed at neutralization of the Plain of Jars and a reduction in tension in Laos." The message invited the views of the countries that had participated in the Geneva Conference on actions that might be taken to bring about peace. As the Soviet Union did not agree to the proposal, this message and the Prime Minister's letter were circulated on March 19 by the British Government.

The Prime Minister and Prince Souphanouvong have since exchanged messages concerning arrangements for negotiations between two representatives and, eventually, a wider Lao political conference. The Pathet Lao appear to have dropped, or at least to have ignored for the time being, their long-held demand for a complete bombing halt before any discussions could start. That negotiations are desirable has been agreed upon by all Lao factions as well as by North Vietnam. The opening of negotiations has been delayed by disagreement over the status of the representative of the Prime Minister; the Lao Patriotic Front claims not to recognize the legitimacy of the present Royal Lao Government.

On October 7, 1970, President Nixon in an important message to the United States and the world, sought to break the deadlock of the Paris peace conference by putting forth a five-point proposal for peace throughout Indochina. The points include an internationally supervised standstill cease-fire throughout the area, a widened Indochina peace conference, a negotiated timetable for the withdrawal of all U.S. forces, a fair political solution in South Vietnam, and an immediate release of all prisoners of war. These proposals involve Laos; they would parallel, not preclude, negotiations among the Lao for a solution of internal affairs.

# GENEVA CONFERENCE

## INDO-CHINA

### AGREEMENT ON THE CESSATION OF HOSTILITIES IN LAOS

#### CHAPTER I - CEASE-FIRE AND EVACUATION OF FOREIGN ARMED FORCES AND FOREIGN MILITARY PERSONNEL

##### Article 1

The Commanders of the armed forces of the parties in Laos shall order and enforce the complete cessation of all hostilities in Laos by all armed forces under their control, including all units and personnel of the ground, naval and air forces.

##### Article 2

In accordance with the principle of a simultaneous cease-fire throughout Indo-China the cessation of hostilities shall be simultaneous throughout the territory of Laos in all combat areas and for all forces of the two parties.

In order to prevent any mistake or misunderstanding and to ensure that both the cessation of hostilities and the disengagement and movements of the opposing forces are in fact simultaneous.

(a) Taking into account the time effectively required to transmit the cease-fire order down to the lowest echelons of the combatant forces on both sides, the two parties are agreed that the complete and simultaneous cease-fire throughout the territory of Laos shall become effective at 8 hours (local time) on 6 August 1954. It is agreed that Peking meantime shall be taken as local time.

(b) The Joint Commission for Laos shall draw up a schedule for the other operations resulting from the cessation of hostilities.

Note: The cease-fire shall become effective 15 days after the entry into force of the present Agreement.

##### Article 3

All operations and movements entailed by the cessation of hostilities and regrouping must proceed in a safe and orderly fashion:

(a) Within a number of days to be determined on the spot by the Joint Commission in Laos each party shall be responsible for removing and neutralizing mines, booby traps, explosives and any other dangerous substance placed by it. In the event of its being impossible to complete the work of removal and neutralization in time, the party concerned shall mark the spot by placing visible signs there.

(b) As regards the security of troops on the move following the lines of communication in accordance with the schedule previously drawn up by the Joint Armistice Commission in Laos, and the safety of the assembly areas, detailed measures shall be adopted in each case by the Joint Armistice Commission in Laos. In particular, while the forces of one party are withdrawing by a line of communication passing through the territory of the other party (road or waterways) the forces of the latter party shall provisionally withdraw two kilometres on either side of such line of communication, but in such a manner as to avoid interfering with the movement of the civil population.

#### Article 4

The withdrawals and transfers of military forces, supplies and equipment shall be effected in accordance with the following principles:

(a) The withdrawals and transfers of military forces, supplies and equipment of the two parties shall be completed within a period of 120 days of the entry into force of the present Agreement.

The two parties undertake to communicate their transfer plans to each other, for information, within 25 days of the entry into force of the present Agreement.

(b) The withdrawals of the Viet-Nameese People's Volunteers from Laos to Viet-Nam shall be effected by provinces. The position of those volunteers who were settled in Laos before the hostilities shall form the subject of a special convention.

(c) The routes for the withdrawal of the forces of the French Union and Viet-Nameese People's Volunteers in Laos from Lao-tian territory shall be fixed on the spot by the Joint Commission.

(d) The two parties shall guarantee that the withdrawals and transfers of all forces will be effected in accordance with the purposes of this Agreement, and that they will not permit any hostile action or take action of any kind whatever which might hinder such withdrawals or transfers. The parties shall assist

each other as far as possible.

(e) While the withdrawals and transfers of the forces are proceeding, the two parties shall not permit any destruction or sabotage of any public property or any attack on the life or property of the local civilian population. They shall not permit any interference with the local civil administration.

(f) The Joint Commission and the International Commission shall supervise the implementation of measures to ensure the safety of the forces during withdrawal and transfer.

(g) The Joint Commission in Laos shall determine the detailed procedures for the withdrawals and transfers of the forces in accordance with the abovementioned principles.

#### Article 5

During the day immediately preceding the cease-fire each party undertakes not to engage in any large-scale operation between the time when the Agreement on the cessation of hostilities is signed at Geneva and the time when the cease-fire comes into effect.

### CHAPTER II - PROHIBITION OF THE INTRODUCTION OF FRESH TROOPS, MILITARY PERSONNEL, ARMAMENTS AND MUNITIONS

#### Article 6

With effect from the proclamation of the cease-fire the introduction into Laos of any reinforcements of troops or military personnel from outside Laotian territory is prohibited.

Nevertheless, the French High Command may leave a specified number of French military personnel required for the training of the Laotian National Army in the territory of Laos; the strength of such personnel shall not exceed one thousand five hundred (1,500) officers and non-commissioned officers.

#### Article 7

Upon the entry into force of the present Agreement, the establishment of new military bases is prohibited throughout the territory of Laos.

#### Article 8

The High Command of the French forces shall maintain in the

territory of Laos the personnel required for the maintenance of two French military establishments, the first at Seno and the second in the Mekong valley, either in the province of Vientiane or downstream from Vientiane.

The effectives maintained in these military establishments shall not exceed a total of three thousand five hundred (3,500) men.

#### Article 9

Upon the entry into force of the present Agreement and in accordance with the declaration made at the Geneva Conference by the Royal Government of Laos on 20 July 1954; the introduction into Laos of armaments, munitions and military equipment of all kinds is prohibited, with the exception of a specified quantity of armaments in categories specified as necessary for the defence of Laos.

#### Article 10

The new armaments and military personnel permitted to enter Laos in accordance with the terms of Article 9 above shall enter Laos at the following points only: Luang-Prabang, Xieng-Khouang, Vientiane, Seno, Pakse, Savannakhet and Tchepone.

### CHAPTER III - DISENGAGEMENT OF THE FORCES--ASSEMBLY AREAS--CONCENTRATION AREAS

#### Article 11

The disengagement of the armed forces of both sides, including concentration of the armed forces, movements to rejoin the provisional assembly areas allotted to one party and provisional withdrawal movements by the other party, shall be completed within a period not exceeding fifteen (15) days after the cease fire.

#### Article 12

The Joint Commission in Laos shall fix the site and boundaries:

--of the five (5) provisional assembly areas for the reception of the Viet-Nameese People's Volunteer Forces.

--of the five (5) provisional assembly areas for the reception of the French forces in Laos,

--of the twelve (12) provisional assembly areas, one to each province, for the reception of the fighting units of "Pathet Lao".

--The forces of the Laotian National Army shall remain in situ during the entire duration of the operations of disengagement and transfer of foreign forces and fighting units of "Pathet Lao".

#### Article 13

The foreign Forces shall be transferred outside Laotian territory as follows:

(1) French Forces: The French forces will be moved out of Laos by road (along routes laid down by the Joint Commission in Laos) and also by air and inland waterway;

(2) Vietnamese People's Volunteer forces: These forces will be moved out of Laos by land, along routes and in accordance with a schedule to be determined by the Joint Commission in Laos in accordance with principle of simultaneous withdrawal of foreign forces.

#### Article 14

Pending a political settlement, the fighting units of "Pathet Lao", concentrated in the provisional assembly areas, shall move into the Provinces of Phongsaly and Sam-Neua, except for any military personnel who wish to be demobilized where they are. They will be free to move between these two Provinces in a corridor along the frontier between Laos and Viet-Nam bounded on the south by the Line SOP KIN, NA MI-SOP SANG, MUONG SON.

Concentration shall be completed within one-hundred-and-twenty (120) days from the date of entry into force of the present Agreement.

#### Article 15

Each party undertakes to refrain from any reprisals or discrimination against persons or organizations for their activities during the hostilities and also undertakes to guarantee their democratic freedoms.

### CHAPTER IV - PRISONERS OF WAR AND CIVILIAN INTERNEES

#### Article 16

The liberation and repatriation of all prisoners of war and civilian internees detained by each of the two parties at the coming into

force of the present Agreement shall be carried out under the following conditions:

(a) All prisoners of war and civilian internees of Laotian and other nationalities captured since the beginning of hostilities in Laos, during military operations or in any other circumstances of war and in any part of the territory of Laos, shall be liberated within a period of thirty (30) days after the date when the cease-fire comes into effect.

(b) The term "civilian internees" is understood to mean all persons who, having in any way contributed to the political and armed strife between the two parties, have been arrested for that reason or kept in detention by either party during the period of hostilities.

(c) All foreign prisoners of war captured by either party shall be surrendered to the appropriate authorities of the other party, who shall give them all possible assistance in proceeding to the destination of their choice.

## CHAPTER V - MISCELLANEOUS

### Article 17

The Commanders of the forces of the two parties shall ensure that persons under their respective commands who violate any of the provisions of the present Agreement are suitably punished.

### Article 18

In cases in which the place of burial is known and the existence of graves has been established, the Commander of the forces of either party shall, within a specified period after the entry into force of the present Agreement, permit the graves service of the other party to enter that part of Laotian territory under his military control for the purpose of finding and removing the bodies of deceased military personnel of that party, including the bodies of deceased prisoners of war.

The Joint Commission shall fix the procedures by which this task is carried out and the time limits within which it must be completed. The Commanders of the forces of each party shall communicate to the other all information in his possession as to the place of burial of military personnel of the other party.

#### Article 19

The present Agreement shall apply to all the armed forces of either party. The armed forces of each party shall respect the territory under the military control of the other party, and engage in no hostile act against the other party.

For the purpose of the present article the word "territory" includes territorial waters and air space.

#### Article 20

The Commander of the forces of the two parties shall afford full protection and all possible assistance and co-operation to the Joint Commission and its joint organs and to the International Commission and its inspection teams in the performance of the functions and tasks assigned to them by the present Agreement.

#### Article 21

The costs involved in the operation of the Joint Commission and its joint groups and of the International Commission and its inspection teams shall be shared equally between the two parties.

#### Article 22

The signatories of the present Agreement and their successors in their functions shall be responsible for the observance and enforcement of the terms and provisions thereof. The Commanders of the forces of the two parties shall, within their respective commands, take all steps and make all arrangements necessary to ensure full compliance with all the provisions of the present Agreement by all military personnel under their command.

#### Article 23

The procedures laid down in the present Agreement shall, whenever necessary, be examined by the Commanders of the two parties and, if necessary, defined more specifically by the Joint Commission.

### CHAPTER VI - JOINT COMMISSION AND INTERNATIONAL COMMISSION FOR SUPERVISION AND CONTROL IN LAOS

#### Article 24

Responsibility for the execution of the Agreement on the cessation of hostilities shall rest with the parties.

#### Article 25

An international Commission shall be entrusted with control and supervision over the application of the provisions of the Agreement on the cessation of hostilities in Laos. It shall be composed of representatives of the following States: Canada, India and Poland. It shall be presided over by the representative of India. Its headquarters shall be at Vientiane.

#### Article 26

The International Commission shall set up fixed and mobile inspection teams, composed of an equal number of officers appointed by each of the above-mentioned States.

The fixed teams shall be located at the following points: Pakse, Seno, Tchepone, Vientiane, Xieng-Khonang, Phongsaly, Sophao (province of Samneua). These points of location may, at a later date, be altered by agreement between the Government of Laos and the International Commission.

The zones of action of the mobile teams shall be regions bordering the land frontiers of Laos. Within the limits of their zones of action, they shall have the right to move freely and shall receive from the local civil and military authorities all facilities they may require for the fulfilment of their tasks (provisions of personnel, access to documents needed for supervision, summoning of witnesses needed for holding enquires, the security and freedom of movement of the inspection teams etc....). They shall have at their disposal such modern means of transport, observation and communication as they may require.

Outside the zones of action defined above, the mobile teams may, with the agreement of the Command of the party concerned, move about as required by the tasks assigned to them by the present Agreement.

#### Article 27

The International Commission shall be responsible for supervising the execution by the parties of the provisions of the present Agreement. For this purpose it shall fulfil the functions of control, observation, inspection and investigation connected with the implementation of the provisions of the Agreement on the cessation of hostilities, and shall in particular:

(a) Control the withdrawal of foreign forces in accordance with the provisions of the Agreement on the cessation of hostilities

and see that frontiers are respected;

(b) Control the release of prisoners of war and civilian internees;

(c) Supervise, at ports and airfields and along all the frontiers of Laos, the implementation of the provisions regulating the introduction into Laos of military personnel and war materials.

(d) Supervise the implementation of the clauses of the Agreement on the cessation of hostilities relating to rotation of personnel and to supplies for French Union security forces maintained in Laos.

#### Article 28

A Joint Commission shall be set up to facilitate the implementation of the clauses relating to the withdrawal of foreign forces.

The Joint Commission shall form joint groups, the number of which shall be decided by mutual agreement between the parties.

The Joint Commission shall facilitate the implementation of the clauses of the agreement on the cessation of hostilities relating to the simultaneous and general cease-fire in Laos for all regular and irregular armed forces of the two parties.

It shall assist the parties in the implementation of the said clauses; it shall ensure liaison between them for the purpose of preparing and carrying out plans for the implementation of the said clauses; it shall endeavour to settle any disputes between the parties arising out of the implementation of these clauses. The joint groups shall follow the forces in their movements and shall be disbanded once the withdrawal plans have been carried out.

#### Article 29

The Joint Commission and the joint groups shall be composed of an equal number of representatives of the commands of the parties concerned.

#### Article 30

The International Commission shall, through the medium of the inspection teams mentioned above, and as soon as possible, either on its own initiative, or at the request of the Joint Commission, or of one of the parties, undertake the necessary investigations both documentary and on the ground.

### Article 31

The inspection teams shall submit to the International Commission the results of their supervision, investigation and observations; furthermore, they shall draw up such special reports as they may consider necessary or as may be requested from them by the Commission. In the case of a disagreement within the teams, the findings of each member shall be transmitted to the Commission.

### Article 32

If an inspection team is unable to settle an incident or considers that there is a violation or a threat of a serious violation, the International Commission shall be informed; the latter shall examine the reports and findings of the inspection teams and shall inform the parties of the measures which should be taken for the settlement of the incident, ending of the violation or removal of the threat of violation.

### Article 33

When the Joint Commission is unable to reach an agreement on the interpretation of a provision or on the appraisal of a fact, the International Commission shall be informed of the disputed question. Its recommendations shall be sent directly to the parties and shall be notified to the Joint Commission.

### Article 34

The recommendations of the International Commission shall be adopted by majority vote, subject to the provisions contained in article 35. If the votes are equally divided, the chairman's vote shall be decisive.

The International Commission may make recommendations concerning amendments and additions which should be made to the provisions of the Agreement on the cessation of hostilities in Laos, in order to ensure more effective execution of the said Agreement. These recommendations shall be adopted unanimously.

### Article 35

On questions concerning violations, or threats of violations, which might lead to a resumption of hostilities, and in particular,

- (a) refusal by foreign armed forces to effect the movements provided for in the withdrawal plan;

(b)violation or threat of violation of the country's integrity by foreign armed forces,  
the decisions of the International Commission must be unanimous.

#### Article 36

If one of the parties refuses to put a recommendation of the International Commission into effect, the parties concerned or the Commission itself shall inform the members of the Geneva Conference.

If the International Commission does not reach unanimity in the cases provided for in article 35, it shall transmit a majority report and one or more minority reports to the members of the Conference.

The International Commission shall inform the members of the Conference of all cases in which its work is being hindered.

#### Article 37

The International Commission shall be set up at the time of the cessation of hostilities in Indo-China in order that it may be able to fulfill the tasks prescribed in article 27.

#### Article 38

The International Commission for Supervision and Control in Laos shall act in close co-operation with the International Commissions in Viet-Nam and Cambodia.

The Secretaries-General of these three Commissions shall be responsible for co-ordinating their work and for relations between them.

#### Article 39

The International Commission for Supervision and Control in Laos may, after consultation with the International Commissions in Cambodia and Viet-Nam, having regard to the development of the situation in Cambodia and Viet-Nam, progressively reduce its activities. Such a decision must be reduced unanimously. These recommendations shall be adopted unanimously.

## CHAPTER VII

#### Article 40

All the provisions of the present Agreement, save paragraph (a)

of Article 2, shall enter into force at 24 hours (Geneva time) on 22 July 1954.

**Article 41**

Done in Geneva (Switzerland) on 20 July 1954, at 24 hours, in the French language.

**STATEMENT BY THE UNDER SECRETARY OF STATE  
AT THE CONCLUDING PLENARY SESSION OF THE  
GENEVA CONFERENCE, JULY 21, 1954**

As I stated on July 18, my Government is not prepared to join in a declaration by the Conference such as is submitted. However, the United States makes this unilateral declaration of its position in these matters:

Declaration

The Government of the United States being resolved to devote its efforts to the strengthening of peace in accordance with the principles and purposes of the United Nations takes note of the agreements concluded at Geneva on July 20 and 21, 1954 between (a) the Franco-Lao-tian Command and the Command of the Peoples Army of Viet-Nam; (b) the Royal Khmer Army Command and the Command of the Peoples Army of Viet-Nam; (c) Franco-Vietnamese Command and the Command of the Peoples Army of Viet-Nam and of paragraphs 1 to 12 inclusive of the declaration presented to the Geneva Conference on July 21, 1954 declares with regard to the aforesaid agreements and paragraphs that (i) it will refrain from the threat or the use of force to disturb them, in accordance with Article 2 (4) of the Charter of the United Nations dealing with the obligation of members to refrain in their international relations from the threat or use of force; and (ii) it would view any renewal of the aggression in violation of the aforesaid agreements with grave concern and as seriously threatening international peace and security.

In connection with the statement in the declaration concerning free elections in Viet-Nam my Government wishes to make clear its position which it has expressed in a declaration made in Washington on June 29, 1954 as follows:

In the case of nations now divided  
against their will, we shall continue to  
seek to achieve unity through free elec-  
tions supervised by the United Nations to  
insure that they are conducted fairly.

With respect to the statement made by the representative of the State of Viet-Nam, the United States reiterates its traditional position that peoples are entitled to determine their own future and that it will not join in an arrangement which would hinder this. Nothing in its declaration just made is intended to or does indicate any departure from this traditional position.

We share the hope that the agreements will permit Cambodia, Laos and Viet-Nam to play their part, in full independence and sovereignty, in the peaceful community of nations, and will enable the peoples of that area to determine their own future.

## DECLARATION ON THE NEUTRALITY OF LAOS

The Governments of the Union of Burma, the Kingdom of Cambodia, Canada, the People's Republic of China, the Democratic Republic of Viet-Nam, the Republic of France, the Republic of India, the Polish People's Republic, the Republic of Viet-Nam, the Kingdom of Thailand, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America, whose representatives took part in the International Conference on the Settlement of the Laotian Question, 1961-1962;

Welcoming the presentation of the statement of neutrality by the Royal Government of Laos of July 9, 1962, and taking note of this statement, which is, with the concurrence of the Royal Government of Laos, incorporated in the present Declaration as an integral part thereof, and the text of which is as follows:

### THE ROYAL GOVERNMENT OF LAOS,

Being resolved to follow the path of peace and neutrality in conformity with the interests and aspirations of the Laotian people, as well as the principles of the Joint Communique of Zurich dated June 22, 1961, and of the Geneva Agreements of 1954, in order to build a peaceful, neutral, independent, democratic, unified and prosperous Laos,

Solemnly declares that:

(1) It will resolutely apply the five principles of peaceful co-existence in foreign relations, and will develop friendly relations and establish diplomatic relations with all countries, the neighbouring countries first and foremost, on the basis of equality and of respect for the independence and sovereignty of Laos;

(2) It is the will of the Laotian people to protect and ensure respect for the sovereignty, independence, neutrality, unity and territorial integrity of Laos;

(3) It will not resort to the use or threat of force in any way which might impair the peace of other countries, and will not interfere in the internal affairs of other countries;

(4) It will not enter into any military alliance or into any agreement, whether military or otherwise, which is inconsistent with the neutrality of the Kingdom of Laos; it will not allow the establishment of any foreign military base on Laotian territory, nor allow any country

to use Laotian territory for military purposes or for the purposes of interference in the internal affairs of other countries, nor recognise the protection of any alliance or military coalition, including SEATO.

(5) It will not allow any foreign interference in the internal affairs of the Kingdom of Laos in any form whatsoever;

(6) Subject to the provisions of Article 5 of the Protocol, it will require the withdrawal from Laos of all foreign troops and military personnel, and will not allow any foreign troops or military personnel to be introduced into Laos;

(7) It will accept direct and unconditional aid from all countries that wish to help the Kingdom of Laos build up an independent and autonomous national economy on the basis of respect for the sovereignty of Laos;

(8) It will respect the treaties and agreements signed in conformity with the interests of the Laotian people and of the policy of peace and neutrality of the Kingdom, in particular the Geneva Agreements of 1962, and will abrogate all treaties and agreements which are contrary to those principles.

This statement of neutrality by the Royal Government of Laos shall be promulgated constitutionally and shall have the force of law.

The Kingdom of Laos appeals to all the States participating in the International Conference on the Settlement of the Laotian Question, and to all other States, to recognise the sovereignty, independence, neutrality, unity and territorial integrity of Laos, to conform to these principles in all respects, and to refrain from any action inconsistent therewith.

Confirming the principles of respect for the sovereignty, independence, unity and territorial integrity of the Kingdom of Laos and non-interference in its internal affairs which are embodied in the Geneva Agreements of 1954;

Emphasising the principle of respect for the neutrality of the Kingdom of Laos;

Agreeing that the above-mentioned principles constitute a basis for the peaceful settlement of the Laotian question;

Profoundly convinced that the independence and neutrality of the Kingdom of Laos will assist the peaceful democratic development of the Kingdom of Laos and the achievement of national accord and unity in that country, as well as the strengthening of peace and security in

**South-East Asia;**

1. Solemnly declare, in accordance with the will of the Government and people of the Kingdom of Laos, as expressed in the statement of neutrality by the Royal Government of Laos of July 9, 1962, that they recognise and will respect and observe in every way the sovereignty, independence, neutrality, unity and territorial integrity of the Kingdom of Laos.

2. Undertake, in particular, that
- (a) they will not commit or participate in any way in any act which might directly or indirectly impair the sovereignty, independence, neutrality, unity or territorial integrity of the Kingdom of Laos;
  - (b) they will not resort to the use or threat of force or any other measure which might impair the peace of the Kingdom of Laos;
  - (c) they will refrain from all direct or indirect interference in the internal affairs of the Kingdom of Laos;
  - (d) they will not attach conditions of a political nature to any assistance which they may offer or which the Kingdom of Laos may seek;
  - (e) they will not bring the Kingdom of Laos in any way into any military alliance or any other agreement, whether military or otherwise, which is inconsistent with her neutrality, nor invite or encourage her to enter into any such alliance or to conclude any such agreement;
  - (f) they will respect the wish of the Kingdom of Laos, not to recognise the protection of any alliance or military coalition, including SEATO;
  - (g) they will not introduce into the Kingdom of Laos foreign troops or military personnel in any form whatsoever, nor will they in any way facilitate or connive at the introduction of any foreign troops or military personnel;
  - (h) they will not establish nor will they in any way facilitate or connive at the establishment in the Kingdom of Laos of any foreign military base, foreign strong point or other foreign military installation of any kind;
  - (i) they will not use the territory of the Kingdom of Laos for interference in the internal affairs of other countries;

(j) they will not use the territory of any country, including their own for interference in the internal affairs of the Kingdom of Laos.

3. Appeal to all other States to recognise, respect and observe in every way the sovereignty, independence and neutrality, and also the unity and territorial integrity, of the Kingdom of Laos and to refrain from any action inconsistent with these principles or with other provisions of the present Declaration.

4. Undertake, in the event of a violation or threat of violation of the sovereignty, independence, neutrality, unity or territorial integrity of the Kingdom of Laos, to consult jointly with the Royal Government of Laos and among themselves in order to consider measures which might prove to be necessary to ensure the observance of these principles and the other provisions of the present Declaration.

5. The present Declaration shall enter into force on signature and together with the statement of neutrality by the Royal Government of Laos of July 9, 1962, shall be regarded as constituting an international agreement. The present Declaration shall be deposited in the archives of the Governments of the United Kingdom and the Union of Soviet Socialist Republics, which shall furnish certified copies thereof to the other signatory States and to all the other States of the world.

In witness whereof, the undersigned Plenipotentiaries have signed the present Declaration.

Done in two copies in Geneva this twenty-third day of July one thousand nine hundred and sixty-two in the English, Chinese, French, Laotian and Russian languages, each text being equally authoritative.

## PROTOCOL TO THE DECLARATION ON THE NEUTRALITY OF LAOS

The Governments of the Union of Burma, the Kingdom of Cambodia, Canada, the People's Republic of China, the Democratic Republic of Viet-Nam, the Republic of France, the Republic of India, the Kingdom of Laos, the Polish People's Republic, the Republic of Viet Nam, the Kingdom of Thailand, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America;

Having regard to the Declaration on the Neutrality of Laos of July 23, 1962;

Have agreed as follows:

### ARTICLE 1

For the purposes of this Protocol

- (a) the term "foreign military personnel" shall include members of foreign military missions, foreign military advisers, experts, instructors, consultants, technicians, observers and any other armed forces in Laos, and foreign civilians connected with the supply, maintenance, storing and utilization of war materials;
- (b) the term "the Commission" shall mean the International Commission for Supervision and Control in Laos set up by virtue of the Geneva Agreements of 1954 and composed of the representatives of Canada, India and Poland, with the representative of India as Chairman;
- (c) the term "the Co-Chairmen" shall mean the Co-Chairmen of the International Conference for the Settlement of the Laotian Question, 1961-1962, and their successors in the offices of Her Britannic Majesty's Principal Secretary of State for Foreign Affairs of the Union of Soviet Socialist Republics respectively;
- (d) the term "the members of the Conference" shall mean the Governments of countries which took part in the International Conference for the Settlement of the Laotian Question, 1961-1962.

## ARTICLE 2

All Foreign regular and irregular troops, foreign para-military formations and foreign military personnel shall be withdrawn from Laos in the shortest time possible and in any case the withdrawal shall be completed not later than thirty days after the Commission has notified the Royal Government of Laos that in accordance with Article 3 and 10 of this Protocol its inspection teams are present at all points of withdrawal from Laos. These points shall be determined by the Royal Government of Laos in accordance with Article 3 within thirty days after the entry into force of this Protocol. The inspection teams shall be present at these points and the Commission shall notify the Royal Government of Laos thereof within fifteen days after the points have been determined.

## ARTICLE 3

The withdrawal of foreign regular and irregular troops, foreign para-military formations and foreign military personnel shall take place only along such routes and through such points as shall be determined by the Royal Government of Laos in consultation with the Commission. The Commission shall be notified in advance of the point and time of all such withdrawals.

## ARTICLE 4

The introduction of foreign regular and irregular troops, foreign para-military formations and foreign military personnel into Laos is prohibited.

## ARTICLE 5

Note is taken that the French and Laotian Governments will conclude as soon as possible an arrangement to transfer the French military installations in Laos to the Royal Government of Laos.

If the Laotian Government considers it necessary, the French Government may as an exception leave in Laos for a limited period of time a precisely limited number of French military instructors for the purpose of training the armed forces of Laos.

The French and Laotian Governments shall inform the members of the Conference, through the Co-Chairmen, of their agreement on the question of the transfer of the French military installations in Laos and of the employment of French military instructors by the Laotian Government.

#### ARTICLE 6

The introduction into Laos of armaments, munitions and war material generally, except such quantities of conventional armaments as the Royal Government of Laos may consider necessary for the national defence of Laos, is prohibited.

#### ARTICLE 7

All foreign military persons and civilians captured or interned during the course of hostilities in Laos shall be released within thirty days after the entry into force of this Protocol and handed over by the Royal Government of Laos to the representatives of the Governments of the countries of which they are nationals in order that they may proceed to the destination of their choice.

#### ARTICLE 8

The Co-Chairmen shall periodically receive reports from the Commission. In addition the Commission shall immediately report to the Co-Chairmen any violations or threats of violations of this Protocol, and also any other important information which may assist the Co-Chairmen in carrying out their functions. The Commission may at any time seek help from the Co-Chairmen in the performance of its duties, and the Co-Chairmen may at any time make recommendations to the Commission exercising general guidance.

The Co-Chairmen shall circulate the reports and any other important information from the Commission to the members of the Conference.

The Co-Chairmen shall exercise supervision over the observance of the Protocol and the Declaration on the Neutrality of Laos.

The Co-Chairmen will keep the members of the Conference constantly informed and when appropriate will consult with them.

#### ARTICLE 9

The Commission shall, with the concurrence of the Royal Government of Laos, supervise and control the cease-fire in Laos.

The Commission shall exercise these functions in full co-operation with the Royal Government of Laos and within the framework of the Cease-Fire Agreement or cease-fire arrangements made by the three political forces in Laos, or the Royal Government of Laos. It is understood that responsibility for the execution of the cease-fire shall rest with the three parties concerned and with the Royal Government of Laos after its formation.

#### ARTICLE 10

The Commission shall supervise and control the withdrawal of foreign regular and irregular troops, foreign para-military formations and foreign military personnel. Inspection teams sent by the Commission for these purposes shall be present for the period of the withdrawal at all points of withdrawal from Laos determined by the Royal Government of Laos in consultation with the Commission in accordance with Article 3 of this Protocol.

#### ARTICLE 11

The Commission shall investigate cases where there are reasonable grounds for considering that a violation of the provisions of Article 4 of the Protocol has occurred.

It is understood that in the exercise of this function the Commission is acting with the concurrence of the Royal Government of Laos. It shall carry out its investigations in full co-operation with the Royal Government of Laos and shall immediately inform the Co-Chairmen of any violations or threats of violations of Article 4, and also of all significant steps which it takes in pursuance of this Article in accordance with Article 8.

#### ARTICLE 12

The Commission shall assist the Royal Government of Laos in cases where the Royal Government of Laos considers that a violation of Article 6 of this Protocol may have taken place. This assistance will be rendered at the request of the Royal Government of Laos and in full co-operation with it.

#### ARTICLE 13

The Commission shall exercise its functions under this Protocol in close co-operation with the Royal Government of Laos. It is understood that the Royal Government of Laos at all levels will render the Commission all possible assistance in the performance by the Commission of these functions and also will take all necessary measures to ensure the security of the Commission and its inspection teams during their activities in Laos.

#### ARTICLE 14

The Commission functions as a single organ of the International Conference for the Settlement of the Laotian Question, 1961-1962. The

members of the Commission will work harmoniously and in co-operation with each other with the aim of solving all questions within the terms of reference of the Commission.

Decisions of the Commission on questions relating to violations of Articles 2, 3, 4 and 6 of this Protocol or of the cease-fire referred to in Article 9, conclusions on major questions sent to the Co-Chairmen and all recommendations by the Commission shall be adopted unanimously. On other questions, including procedural questions relating to the initiation and carrying out of investigations (Article 15), decisions of the Commission shall be adopted by majority vote.

#### ARTICLE 15

In the exercise of its specific functions which are laid down in the relevant articles of this Protocol the Commission shall conduct investigations (directly or by sending inspection teams), when there are reasonable grounds for considering that a violation has occurred. These investigations shall be carried out at the request of the Royal Government of Laos or on the initiative of the Commission, which is acting with the concurrence of the Royal Government of Laos.

In the latter case decisions on initiating and carrying out such investigations shall be taken in the Commission by majority vote.

The Commission shall submit agreed reports on investigations in which differences which may emerge between members of the Commission on particular questions may be expressed.

The conclusions and recommendations of the Commission resulting from investigations shall be adopted unanimously.

#### ARTICLE 16

For the exercise of its functions the Commission shall, as necessary, set up inspection teams, on which the three member-States of the Commission shall ensure the presence of its own representatives both on the Commission and on the inspection teams, and shall promptly replace them in the event of their being unable to perform their duties.

It is understood that the dispatch of inspection teams to carry out various specific tasks takes place with the concurrence of the Royal Government of Laos. The points to which the Commission and its inspection teams go for the purposes of investigation and their length of stay at those points shall be determined in relation to the requirements of the particular investigation.

#### ARTICLE 17

The Commission shall have at its disposal the means of communication and transport required for the performance of its duties. These as a rule will be provided to the Commission by the Royal Government of Laos for payment on mutually acceptable terms, and those which the Royal Government of Laos cannot provide will be acquired by the Commission from other sources. It is understood that the means of communication and transport will be under the administrative control of the Commission.

#### ARTICLE 18

The cost of the operations of the Commission shall be borne by the members of the Conference in accordance with the provisions of this Article.

- (a) The Governments of Canada, India and Poland shall pay the personal salaries and allowances of their nationals who are members of their delegations to the Commission and its subsidiary organs.
- (b) The primary responsibility for the provision of accommodation for the Commission and its subsidiary organs shall rest with the Royal Government of Laos, which shall also provide such local services as may be appropriate. The Commission shall charge to the Fund referred to in sub-paragraph (c) below any local expenses not borne by the Royal Government of Laos.
- (c) All other capital or running expenses incurred by the Commission in the exercise of its functions shall be met from a Fund to which all the members of the Conference shall contribute in the following proportions:

The Governments of the People's Republic of China, France, the Union of Soviet Socialist Republics, the United Kingdom and the United States of America shall contribute 17.6 per cent each.

The Governments of Burma, Cambodia, the Democratic Republic of Viet Nam, Laos, the Republic of Viet Nam and Thailand shall contribute 1.5 per cent each.

The Governments of Canada, India and Poland as members of the Commission shall contribute 1 per cent each.

#### ARTICLE 19

The Co-Chairmen shall at any time, if the Royal Government of Laos so requests, and in any case not later than three years after the entry into force of this Protocol, present a report with appropriate recommendations on the question of the termination of the Commission to the members of the Conference for their consideration. Before making such a report the Co-Chairmen shall hold consultations with the Royal Government of Laos and the Commission.

#### ARTICLE 20

This Protocol shall enter into force on signature.

It shall be deposited in the archives of the Governments of the United Kingdom and the Union of Soviet Socialist Republics, which shall furnish certified copies thereof to the other signatory States and to all other States of the world.

In witness whereof, the undersigned Plenipotentiaries have signed this Protocol.

Done in two copies in Geneva this twenty-third day of July one thousand and nine hundred and sixty-two in the English, Chinese, French, Laotian and Russian languages, each text being equally authoritative.

## GOVERNMENT OF LAOS

A remarkable and significant feature of the government of Laos is the continuity of its ruling royal family. This family is probably the oldest ruling dynasty in the world today. According to legend, the Khoun Lo dynasty was founded in Muong Land Xang Hom ( Land of the Million Elephants) about 1000 years ago by King Khoun Boulom who, seated on a white elephant which had black lips and eyelashes, descended from the Celestial Empire (China) on a mission of conquest, followed by a vast retinue carrying royal coronation insignia for himself and his successors. Laos is today ruled by a monarch of the original dynasty. The present King, Sisavang Vatthana, succeeded his father, Sisavong Vong, who died in 1958.

The present constitution, adopted in 1947, preserves the traditional method of succession to the throne by specifying that the King may appoint and subsequently annul his successor, who shall be the Crown Prince or any male descendant. Should he fail to do so, the successor is proposed by the Privy Council and proclaimed by the National Congress, i. e., the two houses in joint session.

### The King and the Constitution

At the end of World War II on the departure of the Japanese, a strong independence movement (the Lao Issarak) proposed a constitution to the King. The elements of this first constitution have persisted and have been incorporated in the present constitution, which was drafted by a constituent assembly in 1947, accepted by the King and promulgated by him on 11 May 1947. Since the Prince of Champassak had previously agreed to renounce his sovereign rights (he was appointed Inspector-General of the Kingdom in return), Laos was truly unified again, after over 200 years, under a single constitutional monarchy. In 1953 Laos was granted full independence within the French Union. An amendment to the Constitution in 1956 removed the reference to the French Union, which was dissolved in 1958.

Modifications to the Constitution in 1949, 1952, 1956, 1957, 1961, and 1965 have considerably strengthened the King's power. He may

now dissolve the Assembly if proposed by the Council of Ministers and approved by the Privy Council. Under unusual circumstances he may promulgate legislative measures by Royal Ordinance, with prior approval of the Standing Office of the National Assembly, subject to subsequent ratification by the Assembly. During national emergencies, by request of the Privy Council and Assembly, he may assume leadership of the Government or appoint a Government of Exception. Under similar circumstances, or when war makes elections difficult, he may, in consultation with the Privy Council and Council of Ministers, preserve the old Assembly, call an election by a reduced electorate, designate new deputies or appoint additional deputies.

The Preamble of the Constitution affirms loyalty to the Crown, expresses the desire for democratic government, recognizes equality before the law, freedom from wants, and freedom of religion. Prescribed duties are service to the nation, tolerance towards all, solidarity, family obligations, work and study, integrity, and respect for the law. Further responsibilities are specified in a Bill of Rights outside the Constitution. Of particular importance in the context of Laos, and unusual among constitutions, is the obligation of tolerance towards all. Closely related to the Buddhist influence which is deeply ingrained in the people of Laos, this provision is significant in explaining the continuity and stability of a government which is backed by a constitution only 13 years old in the face of almost continuous crisis. This continuity has been achieved through progressive adaptation of the Constitution to circumstances and the tolerant acceptance of extra-legal government organization in preference to the upheaval which a more dogmatic interpretation might have entailed.

Beside his emergency powers and conciliatory role, the King's routine duties are to appoint or annul his successor, appoint the President of the Council of Ministers (in effect, the Prime Minister), and preside at meetings of the Council, appoint six members to the Privy Council (Conseil du Roi), promulgate by Royal Ordinance (Ordonnance Royale) laws adopted by the National Assembly and recommended by the Privy Council, confer civil and military grades, pardon and commute sentences, declare war subject to two-thirds vote of the National Assembly, and act as High Protector of Buddhism.

## Structure of the Government

The Government of Laos consists of these elements: the King, who is Chief of State, the Council of Ministers, the Council of the Cabinet (an expanded Council of Ministers), and two chambers--the Privy Council and the National Assembly, which, in joint sessions, form the National Congress.

The Council of Ministers is the inner sanctum of the full Cabinet. The King presides over its formal sessions but, in fact, these are held rarely. The Council of the Cabinet (often abbreviated to Cabinet) is an expanded Council of Ministers which includes the Secretaries of State. The President of the Council of Ministers (often called the Prime Minister) presides over sessions of the Cabinet. In practice, the distinction between the composition of the two councils is not adhered to and the full Cabinet also attends the occasional meetings of the Council of Ministers when the King presides. These occasional sessions occur only when matters of extreme national urgency are to be discussed or when the King expresses a wish to preside. Because of the traditional esteem in which the King is held by the political leaders of the country, they may request his appearance to help resolve critical domestic issues. Since Laos is in a chronic state of undeclared civil war, the Chief of Staff of the Armed Forces, or his representative, is usually invited to all sessions of the councils to report on the military situation. In forming a Council of Ministers, the President is appointed by the King after due consultation with political leaders. He, in turn, selects the Council Members or Ministers. Prior to investiture by the King, approval of the entire Council by a simple majority vote of the National Assembly is required. Provision is made for a Vice-President of the Council and in 1962 two Deputy Presidents (or Prime Ministers) were appointed in the new government which followed the Geneva settlement. Ministers may be chosen from within or outside the Assembly. If Deputies, they may not vote on motions of censure or confidence. Should the Prime Minister die, power reverts to the King who must appoint a replacement, subject again to Assembly approval. Ministers normally head one or more large government agencies called Ministries. Secretaries of State are inferior in rank to Ministers and head smaller agencies, called Secretariats of State, or major subdivisions of Ministries. Ministers and Secretaries of State provide the major

political and executive link between the Ministries and Cabinet and often the National Assembly.

The National Assembly is the chief legislative body in an essentially one-camera legislature. The entire Assembly is reelected every five years by general suffrage. The conditions of suffrage, representation, and apportionment are fixed by an electoral law which has been modified by each Assembly. The present law (Ordonnance Royale No. 300 of 12 October 1967) provides for 59 deputies who represent the country as a whole but are elected from individual districts apportioned by registered voters. It grants universal suffrage to men and women from the age of 18.

The Assembly is convened annually by the King on May 11 for a five-month session. Special sessions may also be convened. Each session elects its President and Vice-President and a Standing Office of five Deputies who maintain contact with the actions of individual Ministers of the Council of Ministers while the Assembly is not in session. It can enact emergency laws subject to later ratification.

Bills are usually introduced to the Assembly by the Council of Ministers. They may also be introduced by the Privy Council or by individual Deputies. These are usually referred for study to standing or ad hoc committees, the latter predominating, before a vote is taken. The Constitution requires that the Assembly must deliberate on the following laws: The budget, national loans, budget accounts, civil service statutes, modifications of legal codes, organization of the kingdom, amnesties, ratification of treaties. Laws passed by the Assembly are sent to the King by way of the Privy Council, which may recommend promulgation or modification by the Assembly but has no power to deny the ultimate wishes of the Assembly. Laws not promulgated by the King within two months may be promulgated by the President of the Assembly. Finally, the Assembly is sole arbiter of the Constitution and participates in its amendment in a joint session with the Privy Council, called the National Congress.

Most sessions of the Assembly are public. A summary of its deliberations and proceedings are published in the Journal Officiel du Royaume by the Direction des Archives Nationales. It is also the official record of laws, ordinances, regulations, and of executive

and judicial proceedings. It is currently far behind schedule, but efforts are being made to close the gap.

The Privy Council (King's Council) is an upper chamber with substantial prestige but little power. It has twelve Councilors appointed by the King of which six are designated by him and six by the Assembly. Length of office and timing of sessions conform to Assembly practice, but the Council assumes the role of Chief of State and remains in session during the King's absence.

The Council is essentially an advisory body to the King on matters of legislation. It can introduce bills to the Assembly, but it seldom does. It can review, revise, remand, but not veto legislation approved by the Assembly. Its revisions can be accepted or overruled by the Assembly by a simple majority. The Council renders opinions at the request of the Cabinet. As High Court of Justice, the Council may try impeachments preferred by the Assembly.

The judiciary is based on French juridical principles but incorporates some local practices adapted to French legal codes. Prior to 1953 non-Lao were covered by a separate jurisdiction but since then all residents, except a small number with diplomatic immunity, are subject to trial by Lao courts. French law emphasizes resolution of litigation through facts and logic; Anglo-Saxon law depends more on the rival presentation of evidence by prosecution and by defence, weighed by a jury. Hence, French law makes less use of juries and greater use of investigating judges. The grand jury is unknown. It is replaced by a juge d'instruction (examining magistrate) whose responsibility it is to determine the facts and to present them to the procureur (prosecutor) who decides what action to take. It is to the juge d'instruction that one should address oneself, if possible, to obtain specific information concerning an individual held in prison for an alleged crime.

The Constitution guarantees independence of the judiciary from interference, provides for the control and discipline of judges through a Superior Judicial Council, and leaves the organization, authority, and scope of the courts to be established by law. The basic law was passed in 1950 (No. 67, dated March 31) and subsequently modified

in 1952, 1954, 1956, 1963. Since 1964, a government commission has been revising, harmonizing, and codifying the laws.

At the village (ban) level justice is usually dispensed by the Headman in the presence of the village elders. At the district (muong) level, there are some 70 justices of the peace, whose extended jurisdiction is intended to reach all the villages in the district, but has not so far achieved this goal. Prior to 1953, appeals could be made by foreign residents from provincial justices of the peace to higher courts in Saigon, Hanoi, and eventually Paris.

Above the justices of the peace, who deal only with misdemeanors, there are courts at two levels: provincial and national. The provincial courts (Cour de Premiere Instance) are located in all provincial capitals and hear both civil and criminal cases, as well as cases referred by justices of the peace. Of these, the courts in five provinces (Luang Prabang, Vientiane, Khammouane, Savannakhet, and Sedone) are first class courts, presided over by a president and two judges. The others are second class courts with only a single magistrate presiding. In Luang Prabang, Vientiane, and Pakse there are criminal courts separate from the civil courts but at the same level.

There are two national courts: One, the Court of Appeals (Cour d'Appel) is located in Luang Prabang, Vientiane, and Pakse. It reviews appeals from first-instance courts and is exclusively appellate. Three judges, assisted by four counselors, sit on each of these courts. The other, the Court of Nullification (Cour d'Annulation) is the supreme national court in all nonconstitutional cases. It is located in Vientiane and is composed of a president and four counselors. Administrative courts, a significant feature of the French judiciary system, have not been introduced in Laos.

## Civil Administration

The basic structure of administration in Laos follows the French model very closely. Its chief characteristics are a high degree of centralization and a legalistic rather than an administrative approach to making the structure function. All over Laos (except temporarily in the occupied areas) education, public health and welfare, the courts, revenue collection, agricultural services, provincial administration are administered from the central government. All teachers and police work for the central government. All taxes and accounts are collected and disbursed by employees of the central government. With the exception of a few large communities, all highways, roads, and streets are constructed and maintained by the central government. Even town planning and construction permits are centrally administered.

The Executive Branch of the Government is divided for administrative purposes into a Presidency or Prime Minister's Office, an Inspectorate and Ministries (17 of them in 1970), which correspond to Departments in the U.S. Government. Ministries consist of a group of related functions. Heads of Ministries are Ministers, who provide the direct political-executive link with the Prime Minister and his Cabinet. Two other political officials are common to many Ministries: a Secretary of State and a Chief of Cabinet. The former may act as Deputy Minister or he may head a major subdivision of the Ministry. The functions of the latter are described later.

Ministries are subdivided into a hierarchy of administrative units shown below. For budgetary convenience, Ministries are assembled into related groups. The standard terms for the complete hierarchy, in English and French, as well as the title of the responsible official at each level, follows:

<u>Name of Administrative Unit</u>		<u>Responsible</u>	<u>Type of</u>
<u>In English</u>	<u>In French</u>	<u>Official</u>	<u>Authority</u>
Ministry	Ministère	Minister	Political
Secretariat of State	Sécretariat d'Etat	Secretary of State	Political
Minister's Cabinet	Cabinet du Ministre	Chief of the Cabinet	Politico- Administrative
Inspectorate- General	Inspection- Générale	Inspector- General	Administrative
Inspectorate	Inspection	Inspector	Administrative
Directorate- General	Direction- Générale	Director- General	Administrative
Directorate *	Direction	Director	Administrative
Service *	Service	Director	Administrative
Division	Division	Chief	Administrative
Bureau	Bureau	Chief	Administrative
Section	Section	Chief	Administrative

\* Often used interchangeably.

A few ministries have their own traditional terminology, notably the Ministry of Justice and the National Police. Other unorthodox terms sometimes encountered include: Commissariat, Office, Sous-Direction.

A list of Royal Lao Government Ministries (assembled by current budgetary groups) follows: A more complete list, showing the major subdivisions of each ministry, is given in Appendix D.

#### General Administration

Presidency of the Council of Ministers  
Inspectorate-General of the Kingdom  
Ministry of National Defence  
Ministry of Veterans' Affairs  
Ministry of Information  
Ministry of Finance

**Foreign Representation**

Ministry of Foreign Affairs (and 13 Embassies)

**Internal Security**

Ministry of the Interior (and National Police)

Ministry of Justice

**National Economy**

Ministry of the Plan and Cooperation

Ministry of Rural Affairs

Ministry of National Economy

**Cultural**

Ministry of National Education

Ministry of Religious Affairs

Ministry of Youth and Sports

**Social**

Ministry of Public Health

Ministry of Social Welfare

**Infrastructure**

Ministry of Public Works

Ministry of Posts and Telecommunications

As might be expected, the functioning of the Royal Lao Government follows French practice fairly closely. Information and authority flow principally in a vertical direction with minimum horizontal coordination. In a typical Ministry each major division, usually a Directorate, reports directly to the Minister or Secretary of State. Coordination of the Directorates at the Directorate-General level is generally relatively minor. The principle function of the Directorate-General (in some ministries the Secretariat-General) is usually to provide internal administration: personnel, finance, accounting, maintenance, communications facilities, etc. To a lesser degree, it deals with broad ministerial problems that fall outside the scope of operational Directorates.

Most RLG Ministries have a Cabinet and Chief of Cabinet but these are usually small (sometimes only the Chief himself) and fulfill a much smaller role than in France. Because of this and because the Government in Laos is relatively small and intimate, there is usually daily contact between each Minister and the Director of each Directorate. In at least one Ministry, the Cabinet has recently been eliminated and the Directorate-General is assuming some of the coordinating and supervisory functions normally carried by the Cabinet. A technical staff is also being planned to keep the Director-General informed on the technical situation of each Directorate and to assist in obtaining a better implementation of Directives.

The Chief of Cabinet fulfills another role--that of liaison with the public. It is to him that a member of the public should address himself when he has matters of business which require administrative attention.

#### Documentation of Authority

In keeping with its legalistic approach to administration, authority in Laos is expressed through a number of documents:

- Ordonnance Royale
- Ordonnance Loi
- Arrete du President du Conseil or Arrete Presidential
- Arrete Ministeriel
- Decision du Gouverneur Provincial or Gouverneur Municipal
- Circulaire d'Interpretation) or Instruction de Service
- Circulaire d'Application )
- Note de Service or Ordre de Service

The first document sanctions important government decisions or actions; the second is an ordinance with force of law; the next three are formal juridical orders manifestly intended to carry the full authority of law with legal redress for noncompliance. Circulaires straddle the dividing line between juridical and nonjuridical documents, with legality determined more by the content of each document than by definition. Notes or Ordres de Service are used to transmit administrative instructions or actions with no juridical implications.

All Ordonnances and most Arretes are published in the Official Journal while very few Circulaires and no Notes or Ordres de Service are so published.

In keeping with their juridical character, all Ordonnances and Arretes follow a distinctly legalistic form, consisting of three sections: The preamble lists by number and date all prior or related texts, each preceded by the word Vu (Seen). This is followed by the new text, divided into articles, which define the terms followed by the method of application of the document. The formalistic character of these and other documents is further emphasized by the proliferation of official seals, usually in red ink, which are required in addition to the signature of the authorizing official. To be legally valid, documents must usually bear the original signature and seal (photostatic copies are valid only for information) or be official facsimiles. Thus, officials spend considerable time signing multiple copies of documents, usually at the end of the work day, and therefore requests for appointments at such hours may not be favorably received.

The Ordonnance Royale is signed by the King. Reference is always made to applicable portions of the Constitution, pertinent laws or prior ordonnances. Its principal uses are:

1. To promulgate laws approved by the National Assembly;
2. To enact regulations drafted by the Privy Council for the application of certain laws when called for in the law;
3. To convene, close or dissolve the National Assembly;
4. To appoint the President of the Council of Ministers and the Privy Councilors;
5. To make civil and military appointments to ranks and grades;
6. To commute or reduce sentences.

The Ordonnance Loi is also signed by the King. It is a variation on the Ordonnance Royale. Its principal use is as a royal decree to promulgate emergency laws approved by the Standing Office of the Assembly and subject to subsequent ratification by the full Assembly.

The *Arrete du President du Conseil des Ministres* or *Arrete Presidentiel* is signed by the President of the Council of Ministers (Prime Minister). Reference is always made to authorizing laws, statutes and decrees as well as laws, statutes and decrees affected by the *Arrete*. It corresponds roughly in the U. S. Government to an Executive Order. The purpose of this *Arrete* is to regulate by Cabinet decision the application of laws and statutes which broadly affect all Government ministries.

The *Arrete Ministeriel* is signed by an individual minister. Reference is always made to appropriate laws and decrees. Its purpose is to regulate, with proper reference to law, matters affecting usually only a single ministry, particularly matters of personnel management and personnel authorizations (appointments below certain grades, official travel, leave, etc.).

The *Decision du Gouverneur Provincial* or *Gouverneur Municipal* (Prefect) is signed by a provincial governor or a prefect. This document has an exceptional character defined by implicit or formal statutory or by governmental delegation of authority. Reference is always made to the delegation of authority in the pertinent statute or ministerial authorization. Its purpose is to regulate matters of personnel, provincial or municipal budgets, or urgent problems of hygiene or reprovisioning.

The *Circulaire* or *Instruction de Service* is, as its second and newer title suggests, the most commonly used document to officially disseminate instructions or policies within the Administration. Its original name stems from the days when documents could only be issued in limited numbers. Instructions were then circulated for each official to read and note. Now such instructions are disseminated in multiple quantities. This document corresponds approximately to the Manual Order in U. S. Government administration but probably covers a wider range of topics. Some idea of the scope of the *Circulaire* is given by the following three uses to which it might be put:

1. As a ministerial commentary, the Circulaire interprets, clarifies, explains a law or decree thus establishing the official doctrine.
2. The Circulaire may amplify a law or decree by adding legally valid regulations for its application.
3. In its simplest form, the Circulaire may be an instruction to subordinates intended to deprive them of practically all freedom of action.

In general, Circulaires are not uniform, their nature is determined by the content and they normally regulate matters of internal administration. Some examples include:

1. A Circulaire from the Minister of Finance to all tax collectors of the Revenue Service interpreting new provisions of the tax laws.
2. A Circulaire from the Minister of Defence defining the procedure for general mobilization, within the framework of current laws and regulations. Such a Circulaire could be drafted to discuss various interpretations of the laws or could simply provide instructions to be followed by subordinates and/or conscripts without offering justifying explanations.
3. A Circulaire from the Minister of Education to high school principals instructing them how to organize the education of students serving in the army.

The Note de Service or Ordre de Service is used for giving an internal instruction of minor significance, usually related to matters of personnel or material, which do not significantly affect the status of a civil servant or other employee. Examples are a temporary appointment or transfer, allocation of an official vehicle to an official.

## Territorial Administration

Territorially, Laos is subdivided into four basic types of units shown in Table 1.

Table 1

### TERRITORIAL SUBDIVISIONS

<u>Subdivision</u>	<u>Number of Subdivisions</u>	<u>Head of Subdivision</u>	<u>Derivation of Authority of Head</u>
Khoueng (Province)	16	Chao Khoueng (Governor)	Designated by Ministry of Interior, appointed by King (Royal Ordinance)
Muong (District)	115	Chao Muong (District Officer)	Designated by Chao Khoueng with approval of Ministry of Interior, appointed as above.
Tasseng (Canton)	910	(Nai) Tasseng (Canton Chief)	Elected by Naibans, under Chao Khoueng supervision.
Ban (Village)		Phoban or Naiban	Elected by villagers, under Chao Muong supervision.

The lower subdivisions and their chiefs do not always adhere in composition, name or title to the standard terms in the above table. In addition, assistants to chiefs, village councillors and staff still retain special local titles. Some of these follow:

Names in common use

For a group of cantons (district)	<u>Muong</u>	<u>Kong</u>	<u>Dane</u> (Administrative post)
For its chief	<u>Chao Muong</u>	<u>Nai Kong</u>	<u>Nai Dane</u> (Post Chief)

Sometimes the head of such a unit may be the Chao Khoueng himself, as specified by Royal Ordinance, if the Khoueng headquarters are in the District.

Titles in common use

For a group of villages (canton)	<u>Tasseng</u>
For its chief	<u>Tasseng</u> or <u>Nai Tasseng</u>
Elderly village councillors	<u>Krommakane</u>
Village secretaries	<u>Samien</u>

A village chief may also be assisted by a community Samien. When a village chief is responsible for 10 or less registered inhabitants, he is granted the rights and privileges of a councillor or Krommakane. Canton, village and certain other officials are collectively referred to as Notables. They receive no salary from the Government. However, in recent years it has been customary to grant them a small, honorific, annual stipend. The National Budget for the fiscal year 1970-71 shows 24,699 Notables and provides 151 million kip for their stipends, an average of about 6,000 kip per year each.

Other terms sometimes used are:

King Khoueng (Delegated Provincial Circumscription) consisting of a group of Muongs or Kongs administered through delegation of certain of the Governor's powers to one of the Chao Muongs.

**King Muong** (Delegated District Circumscription) consisting of two or more cantons administered through delegation of certain of the Chao Muong's powers to one canton chief.

The organization of urban areas is shown in Table 2.

Table 2

URBAN SUBDIVISIONS

<u>Subdivision</u>	<u>Names of Subdivisions</u>	<u>Head of Subdivision</u>	<u>Derivation of Authority of Head</u>
<u>Khampheng Nakhorn</u> , 1st Class (1st Class Municipality)	Vientiane Luang Prabang	Prefet (Prefect)	Same as Chao Khoueng
<u>Khampheng Nakhorn</u> , 2nd Class (2nd Class Municipality)	Thakhek Savannakhet Pakse	Municipal Administra- tor	Same as Chao Muong
<u>Khampheng Muong</u> (Integrated Urban Center)	Xieng Khouang Saravane Attopeu Namtha Sayabouri	Resident Chao Khoueng or Chao Muong	Same as for Chao Khoueng or Chao Muong

Territorial borders between and within provinces, districts, and cantons are by no means precisely fixed yet. Correcting this situation is a recognized continual process. To promote the process and to establish the legal validity of new or modified borders and circumscriptions, the central government has defined the authority required to fix legally borders of political subdivisions.

## POLITICAL SUBDIVISION

	<u>Authority for Territorial Change</u>
Province, regional group of provinces, or a first-class municipality	By law
District, group of districts, second- class municipality, or an urban center	By Royal Ordinance
Group of Cantons	By Presidential Arrete
Canton	By Arrete of the Minister of Interior
Group of villages or hamlets (excluding cantons)	By Decision du Gouverneur approved by the Minister of Interior

In common with French practice, the provinces and local communities of Laos are subject to a very high degree of central government authority and control. Even cantons and villages are subject, in theory at least, to supervision by central authorities.

### Khouengs (Provinces)

In each provincial capital is reproduced on a small scale the executive structure of the central government. The Governor (Chao Khoueng), designated by the Ministry of the Interior and appointed by the King, is the central government executive representative responsible for administration of the province in accordance with laws passed by the National Assembly, the executive decisions of the Council of Ministers or Cabinet, and the orders of the Minister of the Interior.

Each Ministry which performs activities affecting the country as a whole, is represented by a Provincial Service Chief (Chef de

Service Provincial) and suitable staff to carry out his functions in the province. In some Ministries, the Provincial Service Chief traditionally carries a different title but the responsibility is the same. All Ministries are not necessarily represented in every province, but where they are, the following are the titles of the Provincial Service Chiefs:

Chef du Service Provincial de l'Education  
Chef de Subdivision Provincial des Travaux Publics  
Chef du Service Provincial de la Sante Publique  
Chef du Service Provincial des Affaires Sociales et du Travail  
Chef du Service Provincial de l'Information  
Tresorier Provincial  
Controlleur Provincial des Impots et Contributions  
Receveur Provincial des Douanes et Regies  
Conservateur du Domaine et de la Propriete Fonciere  
(Land Officer for Crown and Private Lands)  
Receveur Provincial de l'Enregistrement du Timbre et des Assurances (Registrar of Deeds, Collector of Stamp Tax and Controller of Insurance)  
Chef de Subdivision Provincial du Cadastre (Provincial Chief of Land Surveys or Cadastre)  
Commissaire Provincial de Police (Provincial Superintendent of Police)

In addition to Provincial Services, some Ministries have also established regional administrations. Thus, the Customs Service has a Northern and Southern Inspectorate and the Revenue Directorate has three Inspectorates. These regional administrators are primarily for intraservice coordination. Despite their regional competence, they are subject, in most matters, to the authority of the Chao Khoueng. They also assist him by sitting on the provincial councils. With rank equivalent to that of a Director-General, the Governor outranks the Provincial Superintendent of Police and all Regional and Provincial Service Chiefs, who have the rank of Director. The Governor has undisputed authority and disciplinary power over all provincial chiefs with the exception of the courts and the Army Commander, though the latter is required to maintain close liaison with the Governor. The Governor may order administrative investigations on his own authority. He may order police investigations

and criminal proceedings but such orders must be transmitted through the provincial Superintendent of Police. The power of public prosecution before the provincial courts (Cour de Premier Instance) is retained by the Provincial Superintendent of Police.

In theory, all communications between Provincial Services and their headquarters are supposed to pass through the Chao Khoueng's office. In practice, just as in France where this system originated, the high degree of control accorded to provincial governors has proved difficult to impose and direct communications with home Ministries by each provincial service tends to be the rule rather than the exception, with the Chao Khoueng acting more as a coordinator. Modern communication facilities and increasingly technical aspects of many government services have reinforced this direct communication in recent years.

The Chao Khoueng also fulfills certain other important functions. He directly represents the Minister of the Interior in his province and carries out the Minister's orders in all matters of security. He directs the administrative offices of the province, such as personnel, payroll, accounting and is responsible for the effective operation and coordination of all provincial services but does not interfere with their technical operations. He has supervisory authority over Muongs, second-class municipalities and urban centers as well as over cantons and villages, to the extent that these have been granted executive or administrative powers. Such power applies in particular to community services which are provided by custom in the absence of any official text establishing cantons and villages as independent collectivities. The Constitution grants the Chao Khoueng executive independence but in the absence of provincial budgets, this independence is theoretical rather than actual. Only the prefects of first-class municipalities, who have the same status as provincial governors, with their small independent budgets, are able to exercise some executive independence.

In another, and perhaps one of his most important functions, the Governor is the representative of the Minister of Finance, Chief Certifying Officer of the Kingdom (Ordonnateur Principal), with the title of Sub-Certifying Officer (Sous-Ordonnateur). All funds spent in a province emanate from the national budget and are allocated periodically to the Chao Khoueng in lump-sum obligations (delegations)

in amounts necessary to meet the planned needs of individual provincial services. All requests for expenditures against these funds by the provincial services must be approved and certified correct by the Chao Khoueng, after which the actual disbursement is made by the Provincial Treasurer. Since there are at present no provincial revenues and all taxes collected revert to the central government, the Chao Khoueng and Provincial Treasurer, together, control the purse strings of the province.

The Provincial Governor is assisted by two councils, both created since the independence of Laos: the Provincial Consultative Council, established in November 1949, and the Provincial Administrative Council, established in June 1961. These councils correspond in embryonic form to a provincial legislature and cabinet, for it must be emphasized that provincial government remains today essentially only an arm of the central government. Only when taxing and spending authority through an independent budget is granted to the provinces will they begin to acquire political independence. Since widespread education is of very recent origin and communication between areas of the same province is often interrupted by the present state of war, it is very doubtful whether the country is ready yet to undertake such a move. On the municipal level, where the territorial problems are minor, progress is being made in developing political and fiscal independence. Experience gained here should be useful in extending greater autonomy to the provinces.

The Provincial Consultative Council is composed of

**Ex-officio members:**

The Chao Khoueng, Chao Muongs, Naikongs and Nai Danes of the Province.

**Appointed members:**

1-3 Counsellors, representing non-Lao mountain tribes, appointed by the Chao Khoueng.

**Elected members:**

2-4 Counsellors from each Muong or Khong elected for 4-year terms by electors from circumscribed villages.

By invitation:

Chiefs of provincial services, Tassengs whose presence is pertinent.

The Consultative Council is essentially an advisory body on administrative matters but excluding political matters. Subject to restrictions of applicable national laws, the Council may act on changes of provincial or intra-provincial borders, establishment of administrative posts or delegated circumscriptions, the public works program, use of requisitioned labor, additional matters subsequently authorized by law. The Council meets annually at a session held at the provincial capital. One special session may be convened. Between sessions it is represented by a standing committee consisting of the governor, civil servant members, and all council members who reside in the provincial capital.

The Provincial Administrative Council or Kong Pasoum Phokong Khoueng was created in 1961 with the object of strengthening the Governor's control over Provincial Service Chiefs and reducing their habit of operating as extremities of their central Ministries, in isolation of other Provincial Services. These councils replaced other bodies previously created for the same purpose, the most recent being the Provincial Coordinating Committees established in 1957. Members of the Administrative Council are, ex-officio:

The Chao Khoueng or Governor	President
The Commander of the Military Subdivision	Vice President
The Provincial Superintendent of Police	Vice President
The Chiefs of Government Provincial Services	Vice President
An official of the Governor's office	Secretary

Meetings of the Provincial Administrative Councils are called weekly or more often if necessary by the Council's President. The Councils are intended to act as executive cabinets and as coordinating bodies between the Provincial Services.

### Muongs (Districts)

A Muong is a political circumscription grouping several cantons, usually of ancient and traditional origin. It is the smallest territorial

area directly administered by a government civil servant--the Chao Muong or District Chief. His rank corresponds to that of a director in the civil service, his position is a particularly sensitive one because he represents the power of government not only at the district level but also, to a limited extent, at the canton and village levels.

In matters of order, general administration, public works or services of national interest, canton and village chiefs are agents of the central government and subject to orders of and even disciplinary action, in certain cases, by the Chao Muong. In administrative matters and public works of purely local concern, the chiefs retain their traditional autonomy which the Chao Muong must respect, support, and physically assist when appropriate. As an example, he may request assistance from the central government in both material and personnel for a worthy local project such as the construction of a school or dam.

In other matters the responsibilities of the Chao Muong parallel, at a lower echelon but with a few exceptions, those of the Chao Khoueng. He directly represents the Chao Khoueng and the Minister of the Interior in the Muong. He is the lowest echelon territorial representative of the government except, where they may exist, for Khongs or King Muongs where one district chief has been delegated authority over others. He is responsible, to the extent that they may exist, for effective operation, coordination and political impact of Muong branches of provincial services of central Ministries, but not for their technical operation. Normally, service branches would include education, public health, internal revenue and, of course, police and army posts.

Invested with police responsibility, the Chao Muong is responsible in his own right or under orders from the Chao Khoueng, for order, security, and compliance with laws and regulations. These laws and regulations are enforced as a general matter by the district branch of the National Police, but always under direct orders of the Chao Muong. He may assume the authority of canton and village chiefs when they fail to exercise their police powers. He may initiate judicial investigations and report his findings to the provincial governor and public prosecutor. He may make administrative investigations and discipline civil servants within his competence except for judiciary personnel, unless he is a justice of the peace, a

power which has in fact been conferred upon most Chao Muongs. Executive power has not been conferred upon the Chao Muong and he may not, therefore, issue regulations. He must only issue and enforce regulations emanating from the Chao Khoueng.

The Chao Muong is assisted by a District Administrative Council or Khong Passoum Pokhong Muong, created in 1961 at the same time as the Provincial Administrative Councils. Members of the District Administrative Council are, ex-officio:

The Chao Muong or District Chief	President
The Commander of the Military Company	Vice President
The District Chief of Police	Vice President
The Representatives of Provincial Services Chiefs	Vice President
An official of the District Office	Secretary

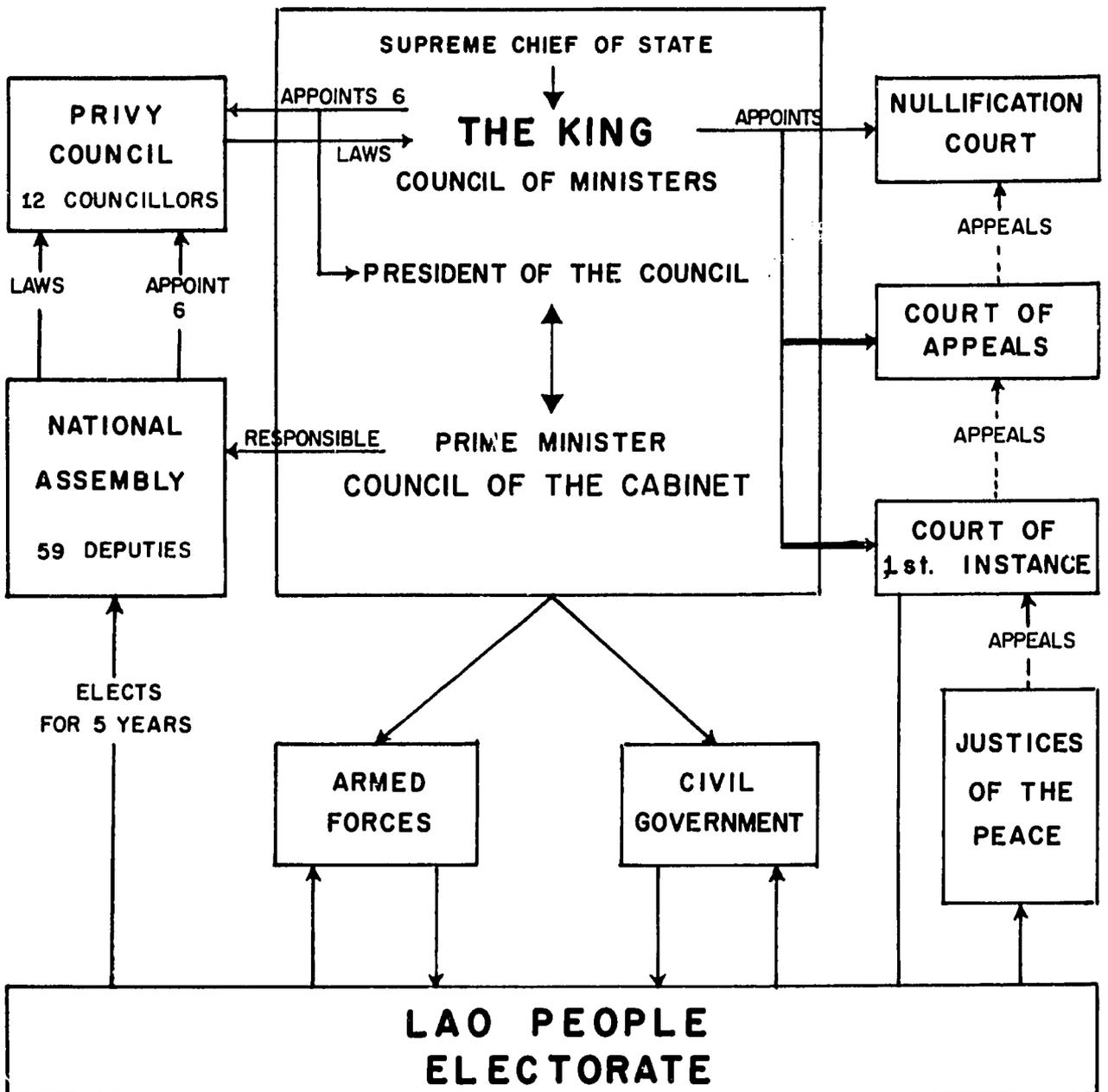
These councils exactly duplicate in purpose and practice the Provincial Administrative Councils.

# ROYAL LAO GOVERNMENT

## LEGISLATIVE

## EXECUTIVE

## JUDICIARY



## Appendix A

### SUMMARY OF PROVISIONS OF THE LAO CONSTITUTION

The Constitution was adopted on 11 May 1947 and amended in 1949, 1952, 1956, 1957, 1965.

#### Preamble

The Constitution affirms loyalty to the Crown and to the ancient dynasty of His Majesty Sisavang Vong, King of Laos. It expresses the desire that Laos be governed by a democratic government. It recognizes as basic human rights equality before the law, freedom from want, freedom of religion; and as duties, service to the nation, tolerance toward all, solidarity, family obligations, work and study, integrity and respect for the law. Other rights are specified by law.

#### Fundamental Principles: Articles, 1, 2, 6, 7

Laos is a unitarian, indivisible, and democratic kingdom with its capital at Vientiane. Its flag is red with a three-headed elephant (the Erawan) at its center, standing on a five-step pedestal under a seven-tier white parasol (symbol of royalty). The national anthem is the Xat Lao (Lao Nation). The official language is Lao. Buddhism is the state religion and the King its High Protector.

#### The People of Laos: Articles 3, 4, 5

The Sovereignty of Laos emanates from its People. Lao citizens comprise persons of all races definitively established on Lao territory who no longer possess any other nationality. Acquisition and loss of nationality is specified by law. Voting rights, subject to legal provisions, are enjoyed by all Lao citizens of both sexes who are of age.

The King and the Government: Articles 3, 8, 9, 10, 13, 14, 15, 17,  
19, 20, 21, 22, 30, 33

Succession to the throne passes to the Crown Prince or a male descendant of King Sisavang Vong in accordance with dynastic rules and the customary law of succession. The King may appoint, and subsequently annul, his successor. Should he fail to do so, his successor is proposed by the Privy Council and proclaimed by the National Congress, i. e., the two houses in joint session. Should the King be physically or juridically incapacitated, a regent (normally the Crown Prince) shall reign in his place.

The King is the Supreme Chief of State and of the Armed Forces. His person is sacred and inviolable. He is the High Protector of Buddhism. He confers all civil and military grades. He has the power to pardon and to commute sentences. He may declare war, but only with the approval by a two-thirds majority of the Assembly.

The King exercises his powers through Ministers appointed by him and presides at the Council of Ministers or delegates this prerogative. (Actually, he seldom presides.) The King, in consultation with Government leaders, appoints the President of the Council who selects a Government of Ministers and submits it to the approval, by vote of confidence, of the Assembly. The King then appoints the Ministers. During national emergencies, by joint request of the Privy Council and National Assembly, the King may assume leadership of the Government or appoint a Government of Exception, with a life fixed by the National Assembly. The King may dissolve the Assembly when proposed by the Council of Ministers and approved by the Privy Council. New elections must follow within 90 days.

By Royal Ordinance (Ordonnance Royale) the King promulgates (with a two-month maximum delay) laws adopted by the National Assembly and recommended by the Privy Council. He enacts regulatory provisions proposed by the Government and countersigned by responsible Ministers. Under unusual circumstances, and with the approval of the Officers of the National Assembly, he may promulgate by Royal Ordinance (Ordonnance Loi) legislative measures subject to ratification by the Assembly.

Ministers and Secretaries of State may be appointed from within or outside the National Assembly. Ministers must direct one (or more) Ministries and may propose new laws. The President of the Council and all Ministers are jointly and individually responsible for Government policy and their own individual actions. Defeat of the Government by the Assembly on a motion of no-confidence (or on key legislation, such as the National Budget) requires the resignation of the entire Government.

The Privy Council (King's Council): Articles 12, 25, 30, 37, 38

The Privy Council has 12 members, appointed by the King. Six are designated by the King and six by the National Assembly. They may not simultaneously be Ministers or Deputies. Length of office, the calling of sessions, and their duration conform to Assembly practice except that in the King's absence, the Privy Council remains in permanent session and assumes the King's responsibilities as Chief of State.

The Privy Council examines laws approved by the Assembly and recommends promulgation by the King or recommends modifications to the Assembly. The Privy Council serves as an advisory body on proposed laws and other matters submitted for study by the King or the Assembly. The Privy Council serves, when necessary, as a High Court of Justice.

The National Assembly: Articles 24, 25, 28, 30, 31, 32

All Deputies are elected every five years and represent the entire country, not merely the electorate alone. The Assembly is convened annually on May 11 for five months, subject to modification by the King. Special sessions are called on the authority of the King, of the Council of Ministers, of the Standing Officers of the Assembly, or of 50 percent of the Deputies.

During states of national emergency or war when safety of the polls cannot be assured, election of deputies may be deferred by a special National Congress convened by the Government. During

this period the King may, in consultation with the Privy Council and Council of Ministers (1) preserve the old Assembly, (2) call an election by a reduced electorate, (3) designate new deputies following popular consultation. The King may also appoint additional deputies, not to exceed by one-third the number fixed by the electoral law (Art. 25, amended in 1965).

Specific laws that must be approved by the Assembly are the budget, national loans, the budget accounts, civil service statutes, modifications of legal codes, organization of the kingdom, amnesties, ratification of treaties. Deputies may propose laws and appoint commissions of inquiry or investigation of public services.

Approved laws must be promulgated within two month (one month for urgent laws) or returned to the Assembly by the Privy Council for reconsideration. The Assembly may override the recommendations of the Privy Council. Otherwise, they are adopted obligatorily.

The Assembly elects at each session a Standing Office. While not in session, this Office studies and supervises the emergency proposals and actions of the Government and assures their eventual ratification. (Emergency laws put into effect by this means are called Ordonnances Lois until ratified.)

#### Administrative and Judicial Organization: Articles:: 39-42

Provinces are administered by a Chao Koueng, assisted by an elected Provincial Council. Provinces may have autonomous budgets. The revenues, expenditures, administration and control of such budgets will be established by law. Large urban centers may have a special organization.

The organization, authority, and scope of the Courts over judicial, administrative, and jurisdictional matters are established by law. The discipline, rights, and duties of judges are assured through a Superior Judicial Council. Independence of judicial authority from legislative and executive power is guaranteed.

Amendments: Articles 43, 44

Amendments may be proposed by the Privy Council, Council of Ministers, or the National Assembly by absolute majority. Such proposals must be deliberated on by a joint session or National Congress of the Assembly and Privy Council convened by the King. Approval requires a two-thirds majority vote. The form of Government and the guarantees of freedom and equality may not be amended. Final interpretation of the Constitution is by the National Assembly.

Appendix B

MEMBERS OF THE PROVISIONAL GOVERNMENT  
OF NATIONAL UNION, 1962

Note: N - KK (Neutralist - Khang Khay)      R (Rightist)  
      N - VT (Neutralist - Vientiane)      L (Leftist)

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President of the Council of Ministers, Minister of Defence, Veterans' Affairs, and Rural Affairs	Prince Souvanna Phouma (N - KK)
Vice-president of the Council, Minister of National Economy and of the Plan	Prince Souphanouvong (L)
Vice-president of the Council, Minister of Finance	Phoumi Nosavan (R)
Minister of Interior and of Public Welfare	Pheng Phongsavan (N - KK)
Minister of Foreign Affairs	Quinim Pholsena (N - KK)
Minister of Information, Propaganda and Tourism	Phoumi Vongvichit (L)
Minister of Education, Arts, and of Sports and Youth	Leuam Insisiengmay (R)
Minister of Religious Affairs	Bounthan Songvilay (N - VT)
Minister of Posts and Telecommunications	Prince Sisoumang Sisaleumsak (N - KK)
Minister of Public Works and Transportation	Ngon Sananikone (N - VT)

<b>Minister of Public Health</b>	<b>Khamsouk Keola (N - KK)</b>
<b>Minister of Justice</b>	<b>Khun One Voravong (N - KK)</b>
<b>Secretary of State for Finance</b>	<b>Phouangphet Phanaret (R)</b>
<b>Secretary of State for Social Welfare</b>	<b>Keo Viphakone (N - VT)</b>
<b>Secretary of State for Arts, Sports and Youth</b>	<b>Bounthong Voravong (R)</b>
<b>Secretary of State for Economy and Plan</b>	<b>Khampheuang Tounarom (L)</b>
<b>Secretary of State for Public Works and Transport</b>	<b>Tiao Souk Vongsak (L)</b>
<b>Secretary of State for Veterans' Affairs</b>	<b>Heuang Mongkholvilay (N - KK)</b>
<b>Secretary of State for Rural Affairs</b>	<b>Khampheng Bhouphe (N - KK)</b>

Appendix C  
MEMBERS OF THE GOVERNMENT OF NATIONAL  
UNION, 1970

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<p>Prime Minister, President of the Council of Ministers, Minister of Defence, Foreign Affairs, Veterans' Affairs and Rural Affairs (as of 30 October, in charge of Ministry of Information)</p>	<p>Prince Souvanna Phouma (N - KK)</p>
<p>Vice-president of the Council of Ministers, Minister of National Economy and of the Plan</p>	<p>Prince Souphanouvong (L) Absent</p>
<p>Vice-president of the Council, Minister of Education, Arts and Sports and Youth</p>	<p>Leuam Insisiengmay (R)</p>
<p>Minister of Information, Propaganda and Tourism</p>	<p>Phoumi Vongvichit (L) Absent</p>
<p>Minister of Interior and of Social Welfare</p>	<p>Pheng Phongsavan (N - KK)</p>
<p>Minister of Public Works and Transportation</p>	<p>Ngon Sananikone (N - VT)</p>
<p>Minister of Religious Affairs</p>	<p>Boun Om Na Champassak (R)</p>
<p>Minister of Posts and Telecommunication (in charge of Information* and Public Health)</p>	<p>Sisoumang Sisaleumsak (N - KK)</p>
<p>Minister of Justice (in charge of Plan and Cooperation)</p>	<p>Ingpeng Suryadhay (R)</p>

\* Transferred on 30 October to Prince Souvanna Phouma.

<b>Minister of Finance (in charge of National Economy)</b>	<b>Sisouk Na Champassak (R)</b>
<b>Secretary of State for Public Works and Transport</b>	<b>Souk Vongsak (L) Absent</b>
<b>Secretary of State for National Economy and for Plan and Cooperation</b>	<b>Khampheuang Tounalom (L) Absent</b>
<b>Secretary of State for Public Welfare</b>	<b>Keo Viphakone (N - VT)</b>
<b>Secretary of State for Veterans' Affairs</b>	<b>Soukan Vilaysarn (N - KK)</b>
<b>Secretary of State for Finance (in charge of National Economy)</b>	<b>Houmphanh Saignasith (R)</b>
<b>Secretary of State for Rural Affairs</b>	<b>Souk Upravan (N - KK)</b>
<b>Secretary of State for Public Health</b>	<b>Khamphai Abhay (R)</b>
<b>Secretary of State for Sports and Youth</b>	<b>Lien Phravongviengkham (R)</b>

**Appendix D**

**MINISTRIES OF THE ROYAL LAO GOVERNMENT  
AND MAJOR SUB-DIVISIONS**

**General Administration**

**Presidency of the Council of Ministers**  
**Secretariat-General**  
**Investigation Service**  
**Directorate of Civil Service**  
**Directorate of National Archives**

**Inspectorate-General of the Kingdom**

**Ministry and Cabinet**  
**Ministry and Cabinet**  
**Directorate-General**  
**Inspectorate-General of the F. A. R.**  
**Chiefs of Staff**  
**Directorate of the Military Budget**  
**Directorate of Military Finances**  
**Directorate of Military Justice**  
**Military Academy**  
**Directorate of Civil Defence**  
**Directorate of Logistics**  
**Directorates (4) of Special Studies,**  
**Organization, Administration**  
**and Control, Military Security**  
**Directorate of Military Pensions**  
**Joint Support Services (10)**  
**Psychological Warfare Service**  
**Social Welfare Service**

**Ministry of Veterans' Affairs**  
**Ministry and Cabinet**  
**Secretariat of State for Veterans' Affairs**  
**Directorate-General**  
**Directorate of Pensions and Social Affairs**

**Directorate of Reclassification  
and Coordination**  
**External Services**  
Orthopedic Center  
Veterans' Cooperative  
Center for the Disabled  
Re-education Center  
Center for Special Discharges

**Ministry of Information, Propaganda and Tourism**  
Ministry and Cabinet  
Directorate-General  
Directorate of Information  
Directorate of Tourism  
Directorate of the Lao- Presse  
Directorate of Broadcasting

**Ministry of Finance**  
Ministry and Cabinet  
Secretariat of State for Finance  
Inspectorate-General  
Directorate of Debt and Foreign Finances  
Directorate of the Budget  
Directorate of Internal Revenue  
Directorate of Customs and Excise  
Directorate of Accounts  
Directorate of Housing and Property Accounting  
Directorate of Registry, Lands and Stamp Tax  
National Cadastral Service  
National Insurance Service  
National Pension Service  
Treasury-General  
National Bank  
Development Bank of Laos

## Foreign Representation

### Ministry of Foreign Affairs

Ministry and Cabinet  
Secretariat-General  
Lao Embassy at London  
Lao Embassy at Washington  
Lao Embassy at the U. N.  
Lao Embassy at Canberra  
Lao Embassy at Bangkok  
Lao Embassy at Tokyo  
Lao Embassy at New Delhi  
Lao Embassy at Phnom Penh  
Lao Embassy at Saigon  
Lao Embassy at Rangoon  
Lao Embassy at Paris  
Lao Embassy at Moscow  
Lao Embassy at Peking

## Internal Security

### Ministry of the Interior and National Police

Ministry and Cabinet  
Inspectorate of Internal Affairs  
Directorate-General  
Directorate-General and Cabinet of National  
Police  
Inspectorate-General of Police  
Administrative Service  
Police Training Service  
Special Police Service  
Judicial Police Service  
Immigration Police Service  
Urban Police Service  
Territorial Police Service  
Commissariat of Police in each Province (16)

**Ministry of Justice**

Ministry and Cabinet  
Inspectorate-General  
Directorate-General  
Court of Nullification  
Courts of Appeal (Vientiane, Luang Prabang, Pakse)  
Courts of First Instance in each province  
Penitentiary Service

**Economy**

**Ministry of the Plan and Cooperation**

Ministry and Cabinet  
Secretary of State for the Plan  
Office of Research and Liaison  
Office of Research and Valuation  
Commissariat for the Plan  
Purchasing Office  
National Statistical Service  
Service of Mines

**Ministry of Rural Affairs**

The Ministry  
Secretariat of State for Rural Affairs  
Ban Amone Rural Training Center

**Ministry of National Economy**

Ministry and Cabinet  
Secretariat of State  
Directorate-General  
Commerce Service  
Agriculture Service  
Forestry Service  
Veterinary Service  
Crafts and Industry Service

## Cultural

### **Ministry of National Education**

- Ministry and Cabinet**
- Directorate-General**
- Directorate of Higher Education**
- Directorate of Secondary Education**
- Directorate of Technical Education**
- Directorate of Primary Education**
- Directorate of Teacher Training**
- Directorate of Museums and Libraries**
- Directorate of Arts and Crafts**

### **Ministry of Religious Affairs**

- Ministry and Cabinet**
- Directorate-General**
- Directorate of Religious Affairs**
- Directorate of Religious Education**
- Directorate of Historic Monuments**

### **Ministry of Sports and Youth**

- Ministry and Cabinet**
- Secretariat of State for Sports and Youth**
- Directorate-General**
- Sports Service**
- Youth Service**

## Social

### **Ministry of Health**

- Ministry and Cabinet**
- Secretariat of State for Public Health**
- Directorate-General**
- Pharmaceutical Service**
- Hygiene and Preventive Medicine Service**
- Maternal and Child Care Service**
- Laboratory Service**
- Hospital Service**
- Leprosy Service**

**Ministry of Social Affairs and Labor**  
Ministry and Cabinet  
Secretariat of State for Social Affairs and  
Labor  
Directorate-General  
Directorate of Refugee Relief  
Directorate of Social Welfare  
Directorate of Labor

Infrastructure

**Ministry of Public Works**  
Ministry and Cabinet  
Inspectorate-General  
Directorate-General  
Directorate of Roads and Bridges  
Directorate of Equipment  
Directorate of Waterways and Navigation  
Directorate of Urban Development  
Directorate of Civil Aviation  
Meteorological Service  
Geographic Service

**Ministry of Posts and Telecommunications**  
Ministry and Cabinet  
Directorate-General  
Inspectorate  
Directorate of Posts  
Directorate of Telecommunications

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## ECONOMY OF LAOS

At independence in 1954, Laos emerged as a country ill-prepared to survive economically as a twentieth-century state. French rule in Laos was far less sophisticated than in Vietnam and Cambodia. During the French colonial period, Laos became part of the Indochina economic complex. As such, the need for internal development was viewed in the context of Indochina as an economic whole. Government expenditures always exceeded the revenue which the economy of Laos could yield, and international payments were always greater than the foreign exchange that the economy of Laos could earn. The deficits in both instances were met out of the surpluses derived from earnings in Vietnam and Cambodia. Developmental efforts were directed primarily toward construction of a road network to facilitate the political and military administration of Indochina. There was some investment of French private capital--for example, in tin and coffee, both for export--but the effect of these enterprises on the overall economy was slight. Sixteen years after independence, Laos remains largely undeveloped, with most of its natural resources unexploited or unsurveyed. The many years of conflict within its borders have prevented gathering the basic data that are needed to identify, plan, and exploit these natural resources.

### Manpower Resources

Laos has a population of about three million of which more than 80 percent live in rural areas and engage in subsistence agriculture. The population is spread unevenly throughout the country, with the greatest concentration in the valleys of the Mekong River. Only about 10 percent of the people live in the five largest towns: Vientiane, Savannakhet, and Pakse along the Mekong and Sayaboury and Luang Prabang to the north. The population under the control of the Royal Lao Government (RLG) consists of about 1.2 million people who are engaged primarily in subsistence agriculture and 500,000 people who live in places where economic activity is largely monetized.

Per capita income for the country as a whole is about \$66 and the Gross National Product (GNP) in 1968 was estimated at \$188 million. Per capita annual income in the monetized sector is estimated

at \$180, or \$1.080 for the average family of six persons. This estimate includes the foreign goods and services that have become available because of stabilization aid supplied by friendly foreign governments. In the nonmonetized village economy, per capita income is estimated at \$55.

Table 1 shows the manpower resources of that area controlled by the Royal Lao Government, the number of people of working age, and the distribution by monetized and subsistence sectors. On the basis of an estimated 42 percent of the population under 15 years of age and 4 percent over 59 years of age, 54 percent of the population make up the total work force, of which an estimated 50 percent are male. An estimated 20 percent of the males of military age are in the armed forces. Of the male work force of 135,000 in the monetized sector, an estimated 40,000 are engaged in civil, police, and military activities. Nongovernmental employment in the monetized sector engages about 95,000 men. Their services are augmented by the number of women who work outside the home.

Military demands on the work force have made male workers comparatively scarce in Laos and the country has attracted a substantial number of foreign workers who have the skills that the monetized sector requires. In the most recent sample census survey, the proportion of foreigners in the population was particularly high for Vientiane and Pakse (27 percent and 28 percent, respectively), about 14 percent for Savannakhet, and 10 percent for Luang Prabang.

Workers who are literate and have a degree of education have a marked advantage over those with no schooling. Demand for education in Laos is strong and tends to outrun educational facilities. Over the five-year period ending 1969, enrollment grew 42 percent or an average of 7.3 percent per annum, which is nearly three times the 2.4 percent estimated rate of population increase. Of the 22 percent of the population of primary school age (6 to 14), 58 percent were enrolled in school in 1970. Enrollment in the sixth grade grew 83 percent over the past five years or an average of 12.8 percent per annum. Enrollment in the higher grades grew almost as fast--76 percent or an average of 12 percent per annum. Lao workers with a sixth-grade or better schooling are increasing in numbers twice as fast as the 6-percent-per-annum growth rate of the monetized economy.

Table 1

**DISTRIBUTION OF MANPOWER RESOURCES  
UNDER RLG CONTROL**

Estimate, 1970

Manpower Distribution	Monetized Sector	Subsistence Sector	Total
Total population <sup>a/</sup>	500,000	1,200,000	1,700,000
Work force <sup>b/</sup>	270,000	650,000	920,000
Males <sup>c/</sup>	135,000	325,000	460,000
Government employees <sup>d/</sup>	40,000	70,000	110,000
Nongovernment	95,000	255,000	350,000

<sup>a/</sup>

The total population of Laos includes 200,000 to 250,000 refugees who are a part of the subsistence sector of the economy.

<sup>b/</sup>

Estimated to be the 54 percent of the population in the age group 15-59.

<sup>c/</sup>

At 50 percent of the work force.

<sup>d/</sup>

Civil, police, and military.

Government employment offers a good market for those entering the labor force with secondary education or advanced training. The civil service is growing at about 3 percent per annum. At present, the government can employ the secondary school and university graduates, but this may not be the case after a few years if a more rapidly growing number of these workers outstrips a more slowly growing governmental sector.

The less well educated who enter the labor force with a sixth-grade qualification or less are absorbed in the private sector, where they are preferred over the much larger numbers of unskilled workers. The quality of the Lao labor force is constantly being upgraded by education. The strong demand for education that is reflected in the growing numbers enrolled in school indicates that the people believe that education gives them an advantage in life and provides a way to success.

### Refugees

Among the people of the subsistence economy are between 200,000 to 250,000 refugees who depend on the government for support. The impact that this refugee population will eventually have on the economy of Laos is at present a matter of speculation. The refugee population consists almost entirely of elderly people, women of all ages, and young children of both sexes.

The most promising areas for refugee integration into the monetized economy of Laos are those relocation areas near commercial centers--on the Vientiane Plain and near Pakse, Savannakhet, and Luang Prabang. At present, about 46,000 people are relocated in these areas. The plan for the economic integration of these refugee groups consists basically of two steps: First, to provide the seed and tools that will help them become self-sufficient in food production; and secondly, to introduce handicrafts, such as textile weaving, or small commercial undertakings, such as silk production or cash crops which have a market value. The degree to which these measures are successful will determine the extent to which the refugee becomes a contributor to the economy and a market for its products.

The problem of integrating the approximately 100,000 Meo and other hill-tribe refugees into the economy of Laos remains unsolved. Their traditional homes in the mountains around and north of the Plain of Jars are denied them by the presence of the Pathet Lao and North Vietnamese. They can no longer, to the extent possible in the past, follow their traditional pattern of slash-and-burn agriculture, which depends on their access to the mountains and their freedom to move

from hillside to hillside every two to three years. In effect, the future of this group of people appears at present to depend on the cessation of hostilities; there is little hope of integrating them into the economic life of Laos so long as the war continues.

### Agriculture

Although Laos is potentially self-sufficient in agricultural production, armed conflict and inadequate transportation facilities have prevented development of a country-wide marketing system; urban centers must depend on imports, mainly from Thailand, to meet most of their food requirements. For rice alone, these imports have required the expenditure of an estimated \$4.5 million in foreign exchange each year.

Most of the farming population of the country live in villages of 50 to 200 inhabitants. Farms in Laos total about 350,000 and the units of land worked by a family are small, usually one to three hectares. Families ordinarily till only enough land to meet their immediate needs; any surpluses are usually traded for a few necessary items, such as metal implements, textiles, and salt. Farmers in the vicinity of Vientiane and near other centers of population participate to some degree in the buying and selling that characterize the money economy. Even in these areas, however, trade of goods and services for money is not substantial and the market system is not well organized.

Rice is the major crop and the dietary staple. The decline in rice production began to assume serious proportions as early as 1960 as political disorder and armed strife forced thousands of people, particularly in the north, to move with such frequency that they were unable to plant and harvest. The critical shortages that occur in the northern areas cannot be alleviated by southern rice surpluses because of poor transport facilities. With the introduction of improved varieties of seeds and new methods in farming, rice production has steadily increased over the past three years; however, areas in which production does not meet demand remain, notably in the Vientiane Plain and the northern provinces.

## Industry

Industry is limited to a few enterprises: Tin mines, sawmills, rice mills, transport operations, a match factory, building-materials plants, shoe factories, soft-drink factories, two oxygen plants, three cigarette factories, a garment factory, and a few other small-scale local manufacturing plants make up the present industrial base.

Tin is the most valuable mineral under exploitation and the country's leading export commodity. Phontieu, the most important mine, is the main French private economic interest in Laos and the largest single industrial operation. Production of tin-in-concentrate averages some 1200 tons per year.

Sawmilling is the largest manufacturing industry. Lumber ranks second after tin concentrate as an export commodity although commercial exploitation of the forests is limited because of insecurity in many forest areas. Most of the 70 to 80 sawmills are old and require substantial modernization if the lumber-export potential of Laos is to develop and grow. Because the lumber produced is seldom cured properly, it is not entirely satisfactory for either construction or woodworking. One wood-treatment plant was installed in 1970 near Vientiane.

Electric power now serves only a small proportion of the population; however, major increases in power production are taking place with the development of the country's very large hydroelectric potential. Under the auspices of the Mekong Committee with contributions from nine countries (with the United States as major contributor), a dam and hydroelectric plant are under construction on the Nam Ngum River in Vientiane Province. This hydroelectric complex will have an initial capacity of 30,000 kilowatts and an ultimate capacity of 135,000 kilowatts. Other hydroelectric development projects include dams and power plants on the Nam Dong for Luang Prabang and the Selabam dam on the Se Done for Pakse. These projects have been undertaken with the assistance of long-term credits from the French Government.

The Development Bank of Laos, the government-operated lending institution, has various industrial development functions, such as making industrial loans from its own resources, soliciting foreign credits, and participating in the financing of industrial enterprises. To assist investors, a new investment code has been formulated that, in addition to tax exemptions for the first five years of operation and exemption from duty on capital imports, provides a guaranteed period of unchanged taxation, no obligation to reinvest tax-free profits, and no sales tax.

### Transportation

Laos is a country of about 91,000 square miles, however, its geographic location and topography are such that the country faces many transportation problems. Landlocked, Laos must depend on other countries to transit exports and imports. With passage through Vietnam and Cambodia denied, Thailand is at present the only surface transit route.

From northwest to southeast, Laos extends over 500 miles with the Mekong River as its western boundary. There are no railroads. The highway system is made up of about 6,000 kilometers of primary and secondary roads of which about 20 percent can be classified as all-weather. Few roads extend inward to the more mountainous regions. Aircraft are used extensively to carry both passengers and commodities throughout Laos; in most cases, the landing facilities will accommodate only smaller-type planes. Sporadic hostilities disrupt ground transportation and force heavy reliance on air service.

Water transport is an important means of moving goods and people among those sections of the country that are near the Mekong River. The Mekong is navigable for moderate-size boats and barges from Ban Houei Sai in the north to Savannakhet, but rapids below this point and at other locations during the dry season make long-distance hauling difficult.

### Trade Within Laos

To a marked degree, Laos is segmented into distinct geographic regions. Long distances by road and water between centers of population and military actions curtail trade within the country and shape the pattern for the production and distribution of farm products. In effect, each region is a separate entity. There is little movement of goods from one region to another, and serious marketing problems often arise when a particular product is not produced, processed, and consumed within a single area.

### Trade with Thailand

For some time, Thailand has been supplying a major portion of the crop and livestock products consumed in population centers in Laos along the Mekong River. Despite tariff schedules, a large part of these commodities move tax free. Thailand has had a comparative advantage in that price levels in the two countries are such that it is more profitable in many instances to move Thai goods to Laos rather than the reverse. No reliable data are available on the magnitude of the traffic because much of it is not reported. Live animals, eggs, rice, fruits, and vegetables are smuggled in quantity.

### Foreign Economic Relations

Foreign trade relations are characterized by a large and persistent trade deficit. The small volume of exports, valued in 1969 at \$2.0 million, consists mainly of tin, wood and forest products, and green coffee. A consistently high level of imports, valued in 1969 at \$42.2 million, consists primarily of manufactured goods, petroleum products, machinery and transport equipment, and since 1962, foodstuffs.

Since independence, the trade deficit has been financed by foreign economic assistance. In 1969, 67 percent of the country's imports were financed by a commodity import program of the United States and by the Foreign Exchange Operations Fund (FEOF) established in 1964 upon recommendation of the International Monetary

Fund (IMF) by the United States, United Kingdom, France, Australia, and joined in 1965 by Japan.

Trade in gold is authorized and provides a major source of revenue to the government. The government collects a 5.5 percent customs revenue on these imports. In 1969, revenue from the gold trade amounted to \$2.3 million.

### Financial and Monetary System

Since independence, the government has had to maintain an extensive and costly military effort. The budget is dominated by a necessary security expenditure that in itself equals total government receipts. The civilian budget deficit is covered for the most part by FEOF which has been particularly effective in maintaining the value of the country's currency since 1964. There are two legal rates of exchange for the country's currency, the kip. The official rate of Kip 240 per \$1 covers purchases of goods under commodity import programs financed by foreign aid and purchases of kip by foreign governments for administrative purposes. All other transactions occur at a FEOF-supported free-market rate of Kip 500-505 per \$1. FEOF has been successful in maintaining the stability of the kip during the past six years and in keeping inflationary pressures under control.

Budget revenues are derived from customs duties, fees, and to a lesser extent, direct taxes. Of these sources, over two-thirds are derived from customs duties and of this sum more than one-half has for the past several years come from duty on gold. Direct taxes provide less than ten percent of the total revenue, but have shown a steady increase in recent years.

## Trends

Although security conditions have prevented the expansion of mining, timber and coffee production, the war has stimulated economic growth within the Mekong River valley. Internationally supported development activity has focused on the Vientiane Plain with the construction of the Nam Ngum dam, increases in domestic electric production and distribution, planning for the Pa Mong dam, and proposals to irrigate and to increase the cultivated area of the plain.

The war has brought about significant shifts in the population and has produced a tight labor market in the urban centers. Population is increasing in the towns at the per annum rate of 10 percent in Vientiane, 7.5 percent in urban areas generally, and 6.3 percent in the monetized sector. The per capita income level of \$180 in the monetized sector provides a growing market for motorcycles, radios, and other industrial products. As the rural areas are subsistence rather than market-oriented, the growth of the urban areas has left Laos increasingly dependent on imported foodstuffs.

In summary, the war has accelerated growth in the monetized urban sector and, at the same time, it has held back development in the isolated rural areas. The war has thus increased the potential for imbalance between the rural and urban economy and between Laos and its trade partners.

## **STATISTICAL APPENDIX**

**Selected Economic Indicators**

**Key Economic Trend Indicators, July 1970**

**Education**

**Number of Students Studying Abroad Under Foreign**

**Donor and RLG Sponsorships**

**Public Health**

**National Road System**

**Agriculture**

**RLG Expenditures and Receipts, FY 1965-FY 1971**

SELECTED ECONOMIC INDICATORS

<u>Area</u>	<u>Laos</u>	<u>Thailand</u>	<u>South Vietnam</u>	<u>Cambodia</u>
Total area (thousand sq mi)	91	198	66	70
Agricultural land				
Percent of total area	7	22	33	20
Acres per capita	1.4	0.8	0.8	1.3
				-
<u>GNP</u>				
Calendar year 1969 <sup>a/</sup> (\$ billion)	0.2	6.0	3.1	1.0
Average annual increase, 1964-69 <sup>a/</sup> (%)	2.8	8.4	19.1	0.2
Per capita <sup>a/</sup> (\$)	66	166	175	74
Per capita average annual increase 1964-69 <sup>a/</sup> (%)	0+	4.9	16.0	n. a.
<u>Population, Health, and Education</u>				
Mid-year population, 1970 (million)	3	37	17	7
Current population growth rate (%)	2.6	3.3	2.6	2.2
Life expectancy (years)	35	56	35	44
Students as % 5-19 age group	27	44	52	42
Students as % 5-14 age group	37	48	83	53
Literacy (%)	20	68	60	41
People per physician (thousand)	24	7.4	10	22
<u>Government Expenditures and Revenues, 1969</u>				
Defense expenditures (\$ million)	17	180	396	65
Defense expenditures as % of GNP	14	3	17	7
Tax revenues (\$ million)	15	774	315	168
Tax revenues as % of GNP	12	13	14	17
<u>Trade and Foreign Exchange</u>				
Commodity exports 1969 (\$ million)	3	711	15	70
Annual increase exports, 1964-69 (%)	25	4	-20	-4
Commodity imports 1969 (\$ million)	42	1257	668	60
Imports from U.S. 1969 (\$ million)	6	148	n. a.	4
Commercial imports from U.S., 1969 (\$ million)	1	126	n. a.	4
Gold, foreign exchange, July 1970, (\$ million)	5	966	242	66
Leading exports	Tin	Rice/Rubber	Rubber	Rice/Rubber
Percent 1966-68 exports	68	42	87	69
<u>Production and Production Factors</u>				
Electric power per capita 1968 (kwh)	11	85	44	20
Roads per 1000 sq mi	30	50	120	40

	<u>Laos</u>	<u>Thailand</u>	<u>South Vietnam</u>	<u>Cambodia</u>
<u>Prices</u>				
Increase prices 1968-69 (%)	3.9	2.1	19.5	n. a.

SOURCES: "Selected Economic Data for the Less-Developed Countries," Office of Statistics and Reports, Bureau for Program and Policy Coordination, Agency for International Development, Washington, D. C., May 1970.

"Principle Economic and Financial Indicators," National Bank of Vietnam, Saigon, July 1970.

Vietnam Statistical Yearbook, National Institute of Statistics, Directorate General of Planning, Saigon, 1969.

Monthly Bulletin of Statistics, No. 5, National Institute of Statistics, Directorate General of Planning, Saigon, 1970.

Monthly Bulletin, Vol. X, No. 4, Bank of Thailand, Bangkok, April 1970.

a/ Laos 1968 and 1965-68 at 1965 prices.

**KEY ECONOMIC TREND INDICATORS, JULY 1970**

Item	Unit	1965	1966	1967	1968	1969	1970
<b>GNP, 1965 prices</b>	<b>\$ Million</b>	173	-	-	188	-	-
Subsistence sector		124	-	-	130	-	-
Monetized sector		49	-	-	58	-	-
<b>GNP, per capita</b>	<b>Dollars</b>	66	-	-	66	-	-
Subsistence sector		55	-	-	55	-	-
Monetized sector		122	-	-	122	-	-
<b>Money supply, end period</b>	<b>Kip Billion</b>	9.07	10.74	11.26	12.36	13.82	15.36
At constant (1964) prices (deflated by Lao index only)		8.05	8.37	8.18	8.48	9.21	10.37
<b>Private term deposits, end period</b>	<b>Kip Million</b>	58.2	51.8	89.6	73.0	144.9	245.0
<b>Private credit outstanding, end period</b>	<b>Kip Billion</b>	1.34	1.14	1.25	0.99	1.29	1.70
<b>Production</b>							
Tin concentrate	MT Thousand	573	782	1230	1173	1262	
Timber	cu m Thousand	77	72	115	67	117	
<b>Consumption</b>							
Electricity, 6 cities	Million kw/hr	16.5	21.0	24.7	26.2	37.6	
Petroleum products	Million liters	---	83	104	102	113	
<b>Passenger vehicle registration</b>	<b>Thousand</b>	6.4	8.1	9.5	10.6	11.4	
<b>Utility vehicle registration</b>	<b>Thousand</b>	2.3	2.6	2.9	3.4	2.9	
<b>Motorcycle registration</b>	<b>Thousand</b>	2.1	6.1	8.6	10.4	11.2	
<b>Air transport</b>							
Local		80	95	68	92	94	
International		34	33	37	41	43	
<b>Manpower</b>							
Students passing Primary Education Certificate	Thousand	4.33	5.05	5.54	6.77	7.61	7.57

Item	Unit	1965	1966	1967	1968	1969	1970
Average price index	1964 = 100 <sup>a/</sup>	112.7	128.3	137.6	145.8	150.1	150.7
Average exchange rate	Kip per \$ <sup>b/</sup>	358	425	443	460	480	480
Stabilization aid	\$ Million	23.2	24.3	27.0	28.3	28.7	26.7
Total foreign exchange utilization	\$ Million	30.9	35.4	43.9	48.9	52.7	49.7
Foreign trade	\$ Million						
Total exports, FOB <sup>c/</sup>		0.5	0.7	2.1	2.9	2.0	
Total Imports, CIF <sup>d/</sup>		34.4	40.8	42.0	40.9	42.2	
Exports from U. S. to Laos <sup>d/</sup>		9.5	10.1	9.2	8.5	5.9	
Exports from Thailand to Laos <sup>d/</sup>		10.7	13.0	12.6	5.5	6.0	
Foreign exchange reserves, end period	\$ Million						
Blocked		3.1	3.3	2.7	2.5	1.7	1.3
Free		1.6	1.5	1.1	1.4	1.1	1.6
IMF tranche		1.9	1.9	1.9	1.9	2.5	3.5

<sup>a/</sup> RLG Vientiane Lao Household consumer price index.

<sup>b/</sup> Average of official and free market exchange sales. Since January 1, 1964, the official rate has been K240 = \$1; average free market rates were K498 = \$1 (1965); K502 = \$1 (1966); and K505 = \$1 since.

<sup>c/</sup> Recorded exports converted at K500 = \$1 to the U. S. were less than \$0.1 million in any year.

<sup>d/</sup> As reported by trade partners with 10% added to exports FOB (except from Thailand). 1969 estimate based on 7 to 11 months. Main Imports from U. S. (\$ thousands): Transport equipment, \$857; Non-electrical machinery, \$811; Electrical machinery, \$235; Iron and Steel, \$324; Metal Manufactures, \$152; Tobacco, \$134; Cereals, \$109 (cumulative January - August 1969).

## EDUCATION

Note: School-age population, 6 to 14, figured at 22 percent of the 1970 estimated 1.7 million population under control of Royal Lao Government: 374,000

Percent of school-age population enrolled in school (public and private) 58 percent

	<u>FY 60</u>	<u>FY 70</u>
<u>Enrollment</u>		
Elementary Education	99,615	193,795
Secondary Education	2,742	6,352
Vocational Education, Fine Arts	293	1,352
Teacher Training	541	3,036
Higher Education	86	517
Private Schools (all types)	<u>8,224</u>	<u>25,751</u>
Total	<u>111,501</u>	<u>230,803</u>
 <u>Number of Schools</u>		
Elementary Schools	1,573	1,939
Secondary Schools	6	18
Vocational Schools, Fine Arts	4	5
Teacher Training Schools	1	9
Higher Education	3	3
Private Schools (all types)	<u>59</u>	<u>116</u>
Total	<u>1,646</u>	<u>2,090</u>
 <u>Personnel</u>		
Elementary Education	3,028	6,020
Secondary Education	143	393
Vocational Education, Fine Arts	10	291
Teacher Training	18	448
Higher Education	6	56
Private Schools (all types)	<u>(unknown)</u>	<u>698</u>
Total	<u>3,205</u>	<u>7,906</u>

Number of Students Studying Abroad under Foreign Donor and RLG Sponsorships<sup>a/</sup>

JUNE 1969

	U. S. A.	France	Canada	Australia	Great Britain	Japan	West Germany	Philippines	New Zealand	India	U. S. S. R.	Cambodia	Thailand	Hong Kong	Malaysia	Czechoslovakia	Yugoslavia	TOTAL
Medicine		40	1			1					3	4	6					55
Dentistry		4																4
Pharmacy		11				1												12
Secondary Studies	20		2	28		1			2		2			3		2		60
Economics Sciences	7	18																25
Law	1	11																12
Public Administration		8	2															10
Arts		10			3				1							1		15
Hydroelectricity		2																2
Teaching - Arts	1	8	2															11
Electronics		2																2
Agriculture	1	5	4		1	1		2			2		8					24
Political Sciences	1	2																3
Teaching - Mathematics		4	1															5
Sciences		45				1												46
Pedagogy	6		10	3									4					23
Commercial Studies	2				2	3												7
Engineering	1	2				2				3			3			1		12
Business Administration		1																1
Textiles		1																1
Fine Arts		1										9	1					11
Statistics		3																3

	U. S. A.	France	Canada	Australia	Great Britain	Japan	West Germany	Philippines	New Zealand	India	U. S. S. R.	Cambodia	Thailand	Hong Kong	Malaysia	Czechoslovakia	Yugoslavia	TOTAL	
Telecommunications			2																2
Taxation		1																	1
Hydrology	1																		1
Civil Engineering						1						1							2
Mining			1								4								5
Teaching-Draftmanship		1	1																2
Dev. Planning		2																	2
Teaching - Science		11																	11
Buddist Studies					1					3			7						10
Vocational Studies		1	2				18						1			2	4		29
Public Works		4									5	2							11
Forestry		2																	2
Technology		3		1															4
Electricity			1								8					4			13
Architecture		1	1								2	4							8
Physical Education															7				7
Miscellaneous	1								1		11		2						15
	42	204	30	32	7	11	18	2	1	6	37	20	32	3	7	10	4		469

a/

Source: Human Resources Division, Commission for the Plan, Ministry of the Plan.

## PUBLIC HEALTH

<u>Medical Facilities</u>	<u>1960</u>	<u>Number</u>	<u>1969</u>
Hospitals	5		7
Dispensaries	89		250 <u>a/</u>
Midwifery	246		269
 <u>Medical Personnel</u>			
Lao Medical Doctors	4		13
Medical Assistants	32		42
Foreign Medical Doctors	9		49
Lao Registered Nurses	0		0
Lao practical nurses, male	322		411
Lao practical nurses, female	109		265
Midwives	246		269
Dentists	0		1
Pharmacists	1		4

a/ The number varies with security conditions.

## NATIONAL ROAD SYSTEM<sup>a/</sup>

Item	Unit	1962	1970
Roads	km		
Asphalt		586	784
All weather gravel or laterite		1,234	2,481
Dry season, earth		1,300	3,127
Bridges	Number	680	829

<sup>a/</sup>

Under control of Royal Lao Government.

## AGRICULTURE

<u>Item</u>	<u>Unit</u>	<u>1960</u>	<u>1970</u>
Cropped area	ha Thousand	1670	1420
Irrigable area		1	19
Area under rice cultivation	ha Thousand		
Paddy			258
Upland		356	117
Production			
Crop			
Rice, paddy	MT Thousand	Not available	541
Corn		10 to 15	Not available
Coffee		Not available	1.5 to 2.5
Forestry			
Timber	cu m Thousand	29	111
Charcoal		695	992
Fish	MT Thousand	Not available	7.6 (1968)
Livestock	Head Thousand		
Buffalo		Not available	398
Cattle			280
Hog			522
Horse			15
Elephant			1
Goat			4
Poultry			2761

**RLG EXPENDITURES AND RECEIPTS**  
**FY 1965 - FY 1971**

(Kip Million)

	FY 65	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71
	Actual	Actual	Actual	Actual	Actual	Actual	Budget
	(1) <sup>a/</sup>	(2) <sup>a/</sup>	(3) <sup>a/</sup>	(4) <sup>a/</sup>	(5) <sup>a/</sup>	(6) <sup>b/</sup>	(7)
<b>Expenditures</b>							
Civil	3,165	4,824	5,780	6,565	7,489	8,554	8,173
Police	761	1,173	1,185	1,159	1,160	1,220	1,231
Military	6,389	8,393	8,345	8,260	8,253	8,534	8,869
<b>Total Expenditures</b>	<b>10,315</b>	<b>14,390</b>	<b>15,310</b>	<b>15,984</b>	<b>16,902</b>	<b>18,308</b>	<b>18,273</b>
<b>Receipts</b>							
Customs							
Gold	500 <sup>c/</sup>	1,345	2,723	2,382	1,164	1,793	1,300
Trade	1,516 <sup>c/</sup>	1,882	2,026	2,846	3,812	3,952	4,500
Taxes and Fees	826	1,364	1,606	2,029	2,128	2,432	3,673
Extraordinary Revenues <sup>d/</sup>	488	130	36	21	-	-	-
<b>Total Receipts</b>	<b>3,330<sup>e/</sup></b>	<b>4,721</b>	<b>6,391</b>	<b>7,278</b>	<b>7,104</b>	<b>8,177</b>	<b>9,473</b>
<b>DEFICIT</b>	<b>6,905<sup>e/</sup></b>	<b>9,669</b>	<b>8,919</b>	<b>8,706</b>	<b>9,798</b>	<b>10,131</b>	<b>8,800</b>

<sup>a/</sup>

Columns 1, 2, 3, 4, and 5: Treasury payments.

<sup>b/</sup>

Column 6: Civil expenditures include the new Development Budget of Kip 515 million; all expenditures in this column are obligations. Receipts are final.

<sup>c/</sup>

FY 65 division of customs revenues is approximate.

<sup>d/</sup>

Perequation receipts (i. e. from revaluing inventories).

<sup>e/</sup>

The deficit was met in part by the sale of K1.4 million of USIP assets to FEOF.

## STABILIZING THE ECONOMY

Since 1964, the Foreign Exchange Operations Fund (FEOF) has played the key role in the economy of Laos in stabilizing the exchange rate, in neutralizing the inflationary impact of the government's large budgetary deficits, and in creating economic conditions that favor a modest rate of growth even under stresses of war. When FEOF was established, the economy of Laos was in the midst of a series of inflationary spirals, each more intense than the preceding one. Political upheavals, budgetary deficits, and interruptions in the flow of foreign aid combined to drive the price level up by 17 percent between 1961 and 1962, by 91 percent between 1962 and 1963, and by 98 percent between 1963 and 1964. The exchange rate rose from Kip 80 per \$1 in 1961 to Kip 660 per \$1 in 1963. In this economic environment, FEOF began operations on January 2, 1964.

FEOF is an international venture in which five countries participate: Australia, France, Japan, United Kingdom, and United States. In late 1963 with foreign-exchange black marketing at its height, a program of monetary reform for Laos was drawn up by the International Monetary Fund. The Fund proposed:

- (1) A once-for-all increase in the official kip exchange rate from Kip 80 per \$1 to Kip 240 per \$1;
- (2) Establishment of a legal open market for foreign exchange in which rates of exchange would be determined only by supply and demand;
- (3) Organization of a stabilization fund supported by donor governments to sell foreign exchange to the public as necessary to maintain a stable market;
- (4) Commitment by the Royal Lao Government to limit the level of its deficit financing to a specified maximum in any period of time; and
- (5) Agreement by donor governments in return that kip proceeds of sales by the fund would be sterilized, thereby neutralizing the inflationary effect of the government's budgetary deficit.

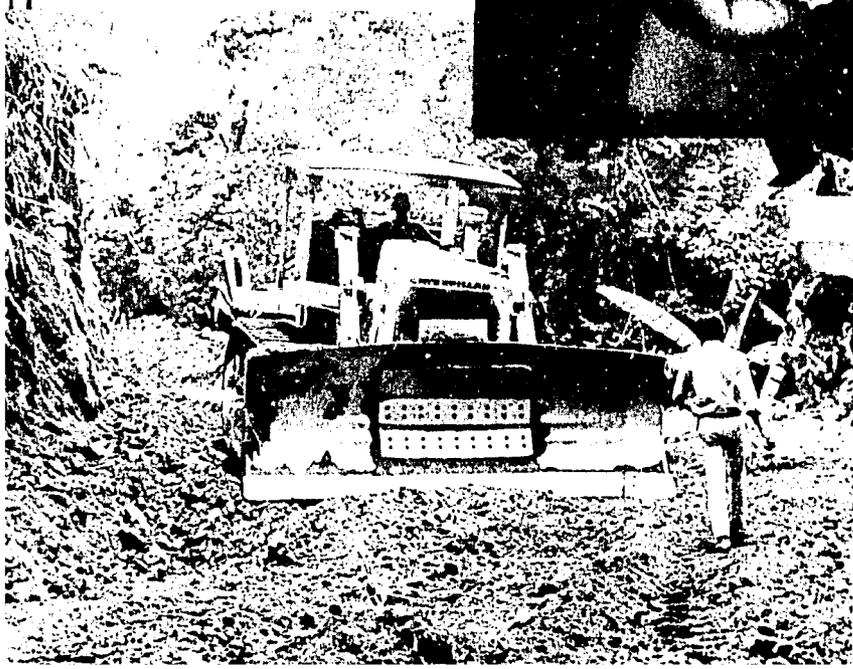
FEOF was established on the basis of the International Monetary Fund proposals. Each year since 1964, four or more contributing governments have renewed their agreements with the Royal Lao Government to maintain FEOF. In drafting these renewals, the governments take into account, on the one hand, the budgetary performance of the Royal Lao Government in the preceding year and, on the other hand, the funds that the donors will be able to provide. On the basis of these consultations, simultaneous bilateral agreements are signed between the Royal Lao Government and each of the donor governments. These set an upper limit for the budget deficit and guidelines for Royal Lao Government financial and budgetary performance during the terms of the agreement. Table 1 shows the contributions of each of the participating governments from 1964 through 1969, and pledges for 1970.

Table 1  
CONTRIBUTIONS TO FEOF 1964-1970  
BY SOURCE

(\$ Million)

	Contributions						
	1964	1965	1966	1967	1968	1969	1970
United States	4.0	5.2	13.7	13.8	16.0	16.6	16.1
France	1.7	1.3	1.7	1.7	1.7	1.7	1.7
Japan	-	0.5	1.7	1.7	1.7	1.7	2.0
United Kingdom	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Australia	0.4	0.4	0.8	0.6	0.8	0.7	0.7
Royal Lao Government	-	2.9	-	-	-	-	-
<b>Total</b>	<b>7.8</b>	<b>11.9</b>	<b>19.6</b>	<b>19.5</b>	<b>21.9</b>	<b>22.4</b>	<b>22.2</b>

U.S.  
ASSISTANCE  
TO  
LAOS



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# REFUGEES

## FROM THE PLAIN OF JARS

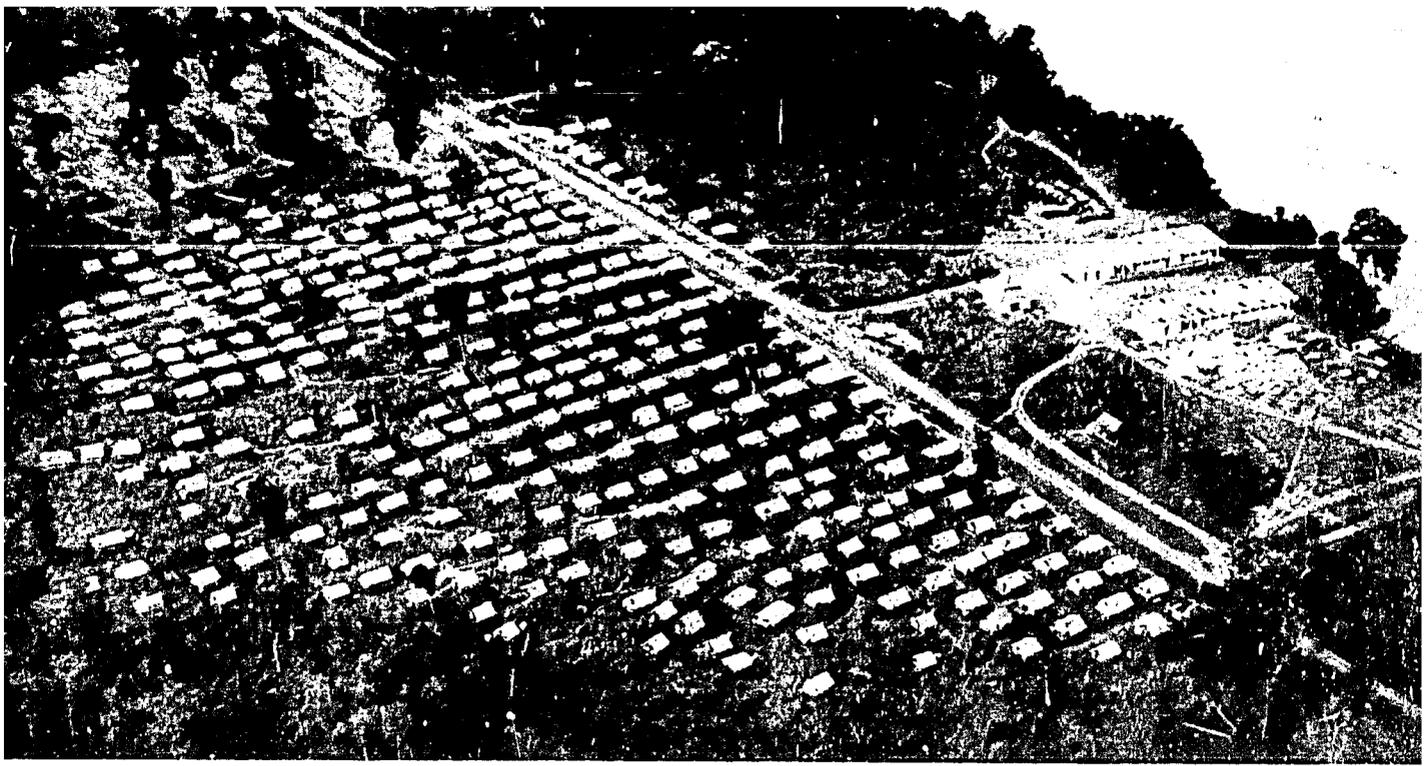
## TO THE VIENTIANE PLAIN

### FACES OF REFUGEES

A Buddhist monk awaits the arrival of the plane that is to take him away from the Plain of Jars.

... At Wattay Airport, Vientiane





Ban Veun Kham on the Nam Ngum River, one of 17 refugee villages on the Vientiane Plain. During the one year since their evacuation from the Plain of Jars, the over 2,000 people who live in this village have built their houses, planted their rice fields, and harvested their first crop.



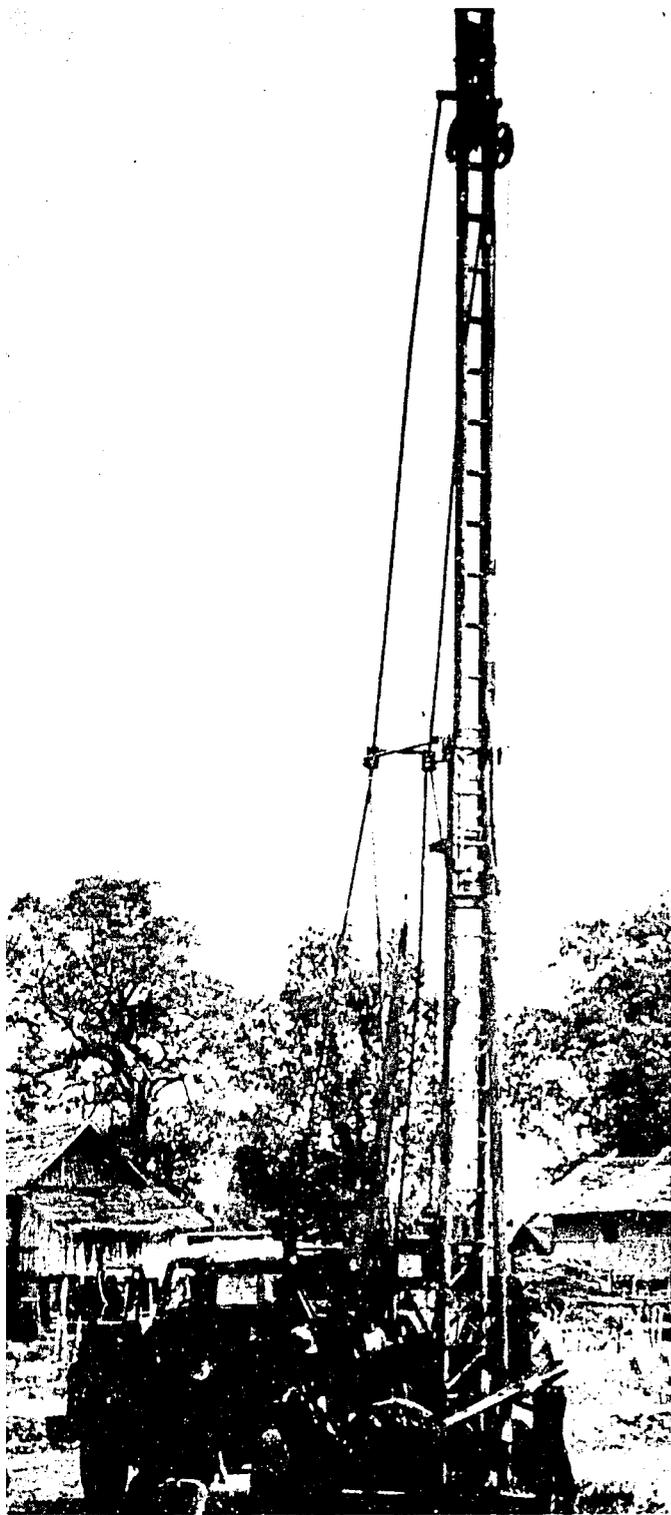
The refugees board the trucks that are to take them to a reception area and then to the villages on the Vientiane Plain. At the reception center, government workers and volunteers registered the refugees, gave them inoculations and malaria suppressants, and a three-day food supply.

Wattay Airport, Vientiane. Royal Lao Government civil service employees, military men, police, and volunteers help the refugees carry their possessions--pots and pans, here and there a sewing machine, chickens, clothes in bundles. In eight minutes, the plane unloaded, began its flight back to the Plain of Jars.

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# RURAL

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USAID provides three rotary and two cable tool well rigs to bring water to the villages of Laos. Although lack of security limits the number of villages where well-drilling crews can work, over 1,000 wells have been drilled; in most cases, these wells are the first source of potable water that the village has known.



A new road leads from village to market on the Vient Plain. This is one of the 80 km of new roads that USAID is constructing to provide access to refugee villages and promote economic activity in rural Laos.

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# ECONOMY

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Self help in the villages provides schools for village children. USAID has contributed the technical help and materials not locally available to construct 1,751 classrooms in rural communities. In 1970, these classrooms accommodated over 70,000 pupils.

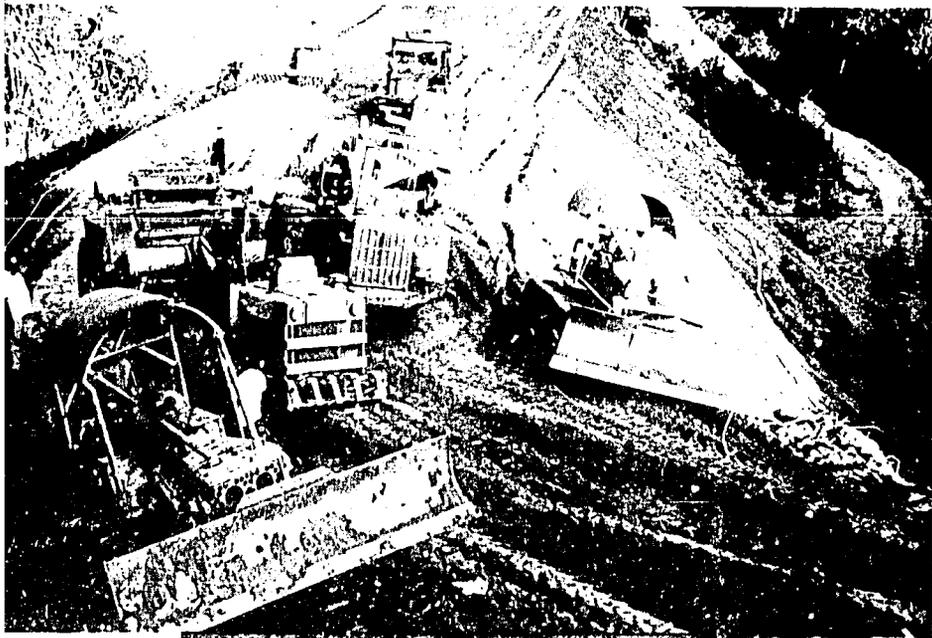
Well-drilling crews are trained on the job with experienced crews. Five field crews have been trained to the point of proficiency that requires only specialized technical advice from USAID technicians.

# PUBLIC HEALTH

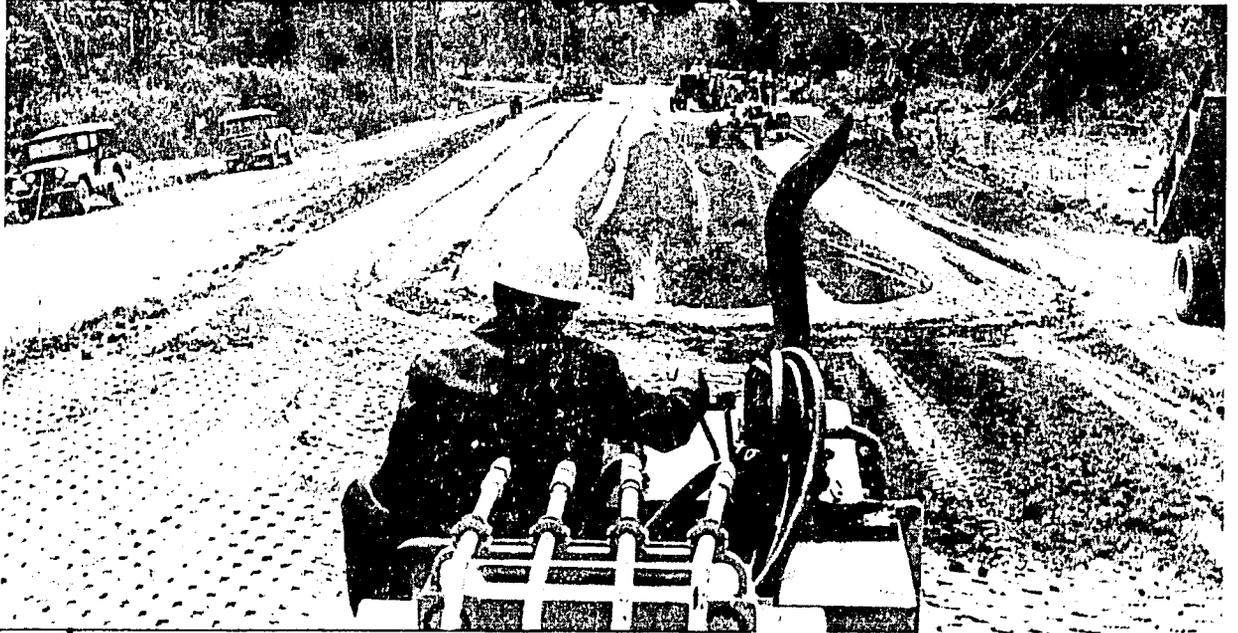
A Lao nurse who has trained for two years at one of the six Schools of Practical Nursing in Laos. Until 1969, when classes began at the School of Nursing, Mahosot Hospital, Vientiane, nurses received only two years of training. Thirty-eight student nurses are now in training in a three-year program under which they will qualify as registered nurses.



A medical team at a rural dispensary. USAID provides medical supplies and equipment for approximately 250 rural dispensaries (their number varies with security conditions) and training for doctors and practical nurses.



# ROADS



Often, the roads of Laos are cut through jungle and thick underbrush. Construction crews operate from base camps near the construction site. Of the present road network of 6,392 km of asphalt, gravel or laterite, and earth roads, USAID has constructed or improved 3,272 km over the past eight years.

Drafting class in the industrial arts major. Other courses include woodwork, electricity, power mechanics, general metals. Twenty five percent of the students chose the industrial arts major.



## FA NGUM SCHOOLS

The name commemorates the Lao King Fa Ngum who ruled the Land of a Million Elephants and White Parasol, 1353 - 1373.

Fa Ngum schools are an innovation in Lao education. At present, they number three comprehensive high schools that offer a choice of five majors: academic, agriculture, commercial home economics, and industrial arts. Because the Fa Ngum schools have shown the advantages of combining academic and pre-vocational education, the Ministry of Education has announced that pre-vocational courses will be added to the traditional curriculum at the Lycees as instructors and textbooks become available.



Transplanting rice.



Typing class. Students learn both English and Lao typing. Other commercial courses include office management, bookkeeping, office machines (and the abacus), shorthand, business law. Twenty percent of Fa Ngum students

# E D U C A T I O N



Children in a village school illustrate the problem and the promise of education in Laos--an ever-increasing demand for schools. Today, 2,055 elementary schools enroll 218,000 pupils--an increase of 484 percent in enrollment over the past 15 years. USAID in cooperation with the Ministry of Education has constructed and repaired over 3,500 classrooms to help meet the demand for education in rural Laos.



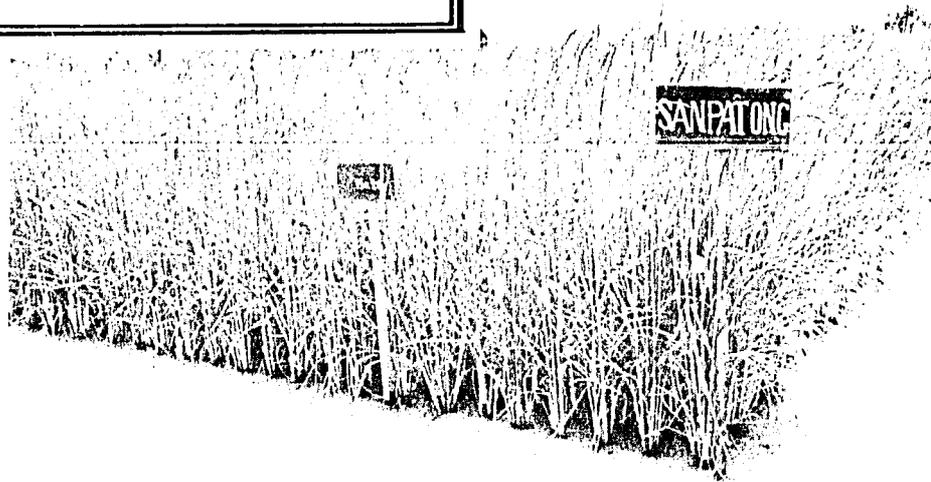
ewing class. Other home economics courses include cooking, child care, nutrition, hygiene. Twenty two percent of Fa Ngum's students chose the home economics major.



Textbooks for distribution. USAID has helped the Ministry of Education to write, print, and distribute over three million textbooks in the Lao language and to publish 84 elementary texts.

# AGRICULTURE

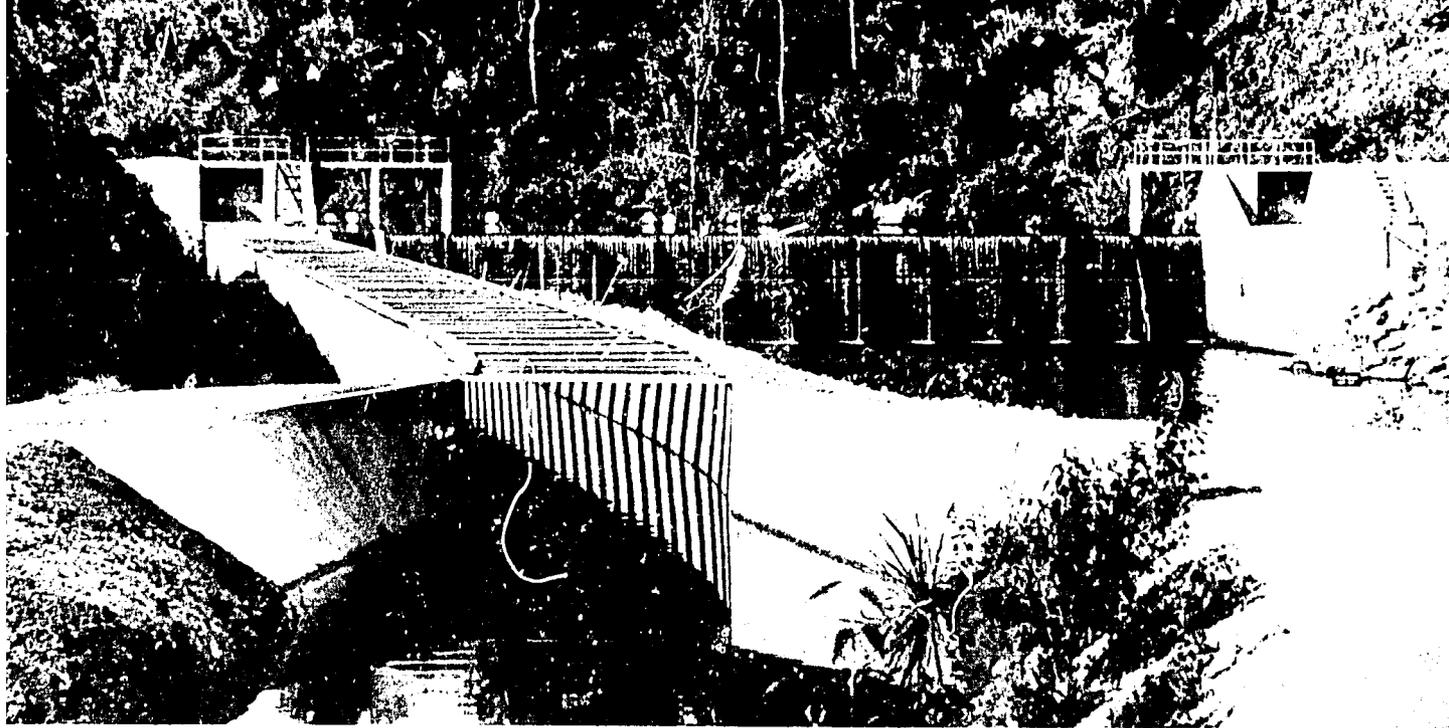
The rice fields at Salakham Research Center, Vientiane, are planted in test plots of new rice strains that are the result of crossings between native Lao rice and the high-yielding varieties developed at the International Rice Research Institute, Philippines. From these test plots come the seeds that the Lao farmer uses to increase his rice yield.



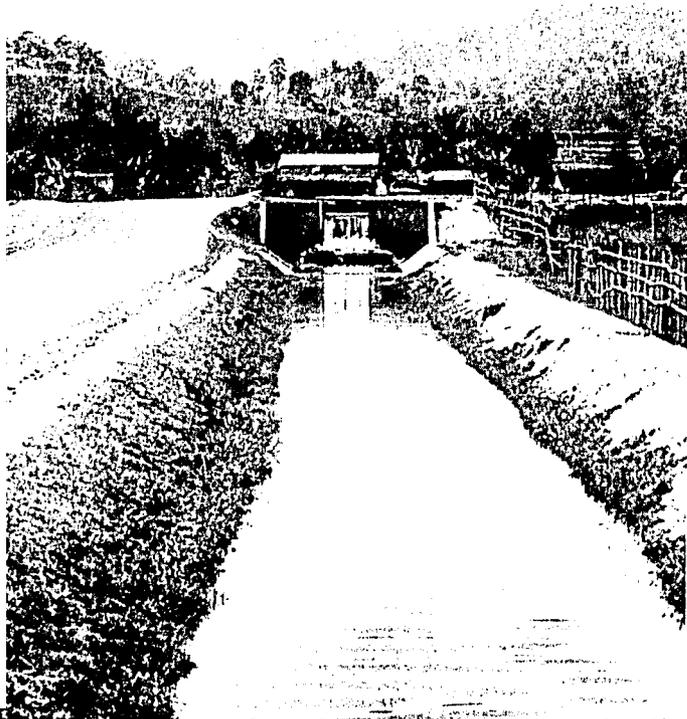
Vegetables grown in Laos appear in increasing quantity in the market. Since 1962, when extension agents began to distribute vegetable seeds and conduct demonstrations, the Lao farmer has become increasingly aware of vegetable gardens as a source of additional income. About 60 percent of all vegetables for sale in the Vientiane Market are now produced in Laos, an increase of 40 percent over the past eight years.

Extension workers introduce farmers to the new methods of production-oriented agriculture. Here, farmers tour a demonstration site to observe the increase in rice production that can be achieved by planting the new high-yielding varieties.





The dam and right main lateral canal of the Nam Tan irrigation system. A 7-meter high dam diverts water into distribution canals on the right and left banks of the Nam Tan River. The canal system will irrigate 3,000 hectares in the wet season and 1,000 hectares in the dry season.



Distribution canals branch off from the main canals to deliver water directly to the rice paddies. With the system in full operation, 23,000 MT of rice can be produced each year on the land that the irrigation system serves.



Rice harvest at Salakham Research Center, Vientiane. Adaptive research has produced a "package of rice technology" of improved seeds, fertilizer, insecticides, and modern farming methods that increases the farmer's yield from one to two tons of rice per hectare to four to six tons per hectare.

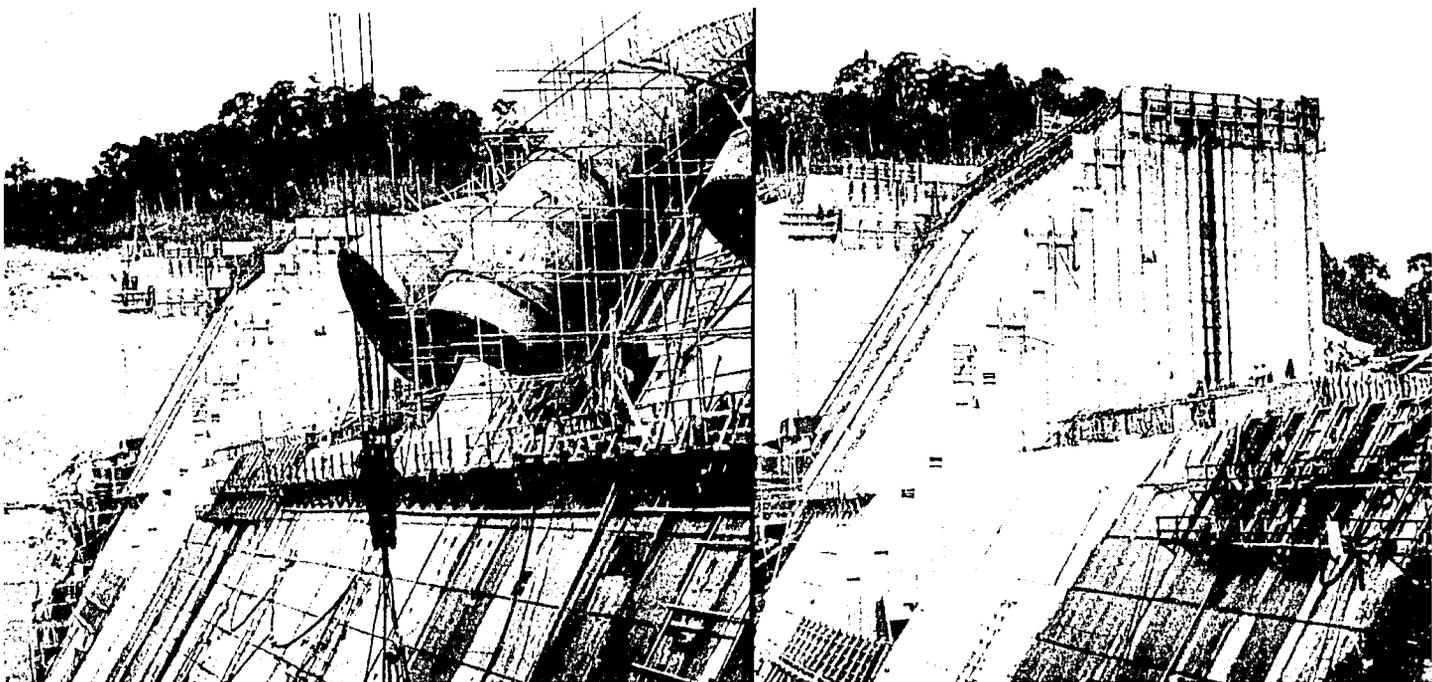


Nam Ngum dam, the first major multilateral regional project to be implemented under the auspices of the Mekong Committee, is now under construction 40 miles north of Vientiane. The dam is financed by grants from a consortium of nine nations.

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# FOREIGN ASSISTANCE

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Downstream face of the dam and power penstocks. The dam is a concrete gravity-type structure 75 meters high. With its accompanying powerhouse, it will be capable of producing 30,000 kw of energy in the initial stages of the project. Construction has been underway since 1968 with completion scheduled for December 1971.

As a stabilization program, FEOF depends equally for its success on the contributions of the donor governments and on the fiscal discipline of the Royal Lao Government and its willingness to control domestic credit. FEOF permits a free market and relies on fiscal and monetary policy to limit inflationary pressure and demand for foreign exchange rather than direct controls over exchange supplies. Under FEOF, Laos has two legal exchange rates: the official rate of Kip 240 to \$1 at which imported aid goods are priced into the economy and at which all government transactions are financed, and the free market rate of Kip 500-505 to \$1 at which FEOF sells its exchange and all remaining transactions are financed. Since 1967, FEOF has observed the rate of Kip 505 to \$1 for all its transactions.

### The FEOF Record

The major contribution of FEOF to the economy of Laos is its success in controlling the inflationary pressures of the government's large budgetary deficits that are a concomitant of the war. FEOF has permitted the reduction of price increases in Laos to annual rates equal to or lower than the rates of increase in the most advanced of the world's economies: 5.8 percent in 1968, 3.9 percent in 1969, and for 1970, the forecast is no increase or a very small one.

FEOF ended foreign-exchange black marketing in Laos. All commercial transactions after 1964 were made at a free-market-determined rate of exchange, and all incentive to black-marketing operations disappeared. FEOF operates solely as an adjunct to the free-market system. It provides greatly increased resources to the Lao economy, but allocates them through free-market channels. It strengthens the value of the kip, but leaves to the free market the determination of its distribution and use.

FEOF has not replaced existing sources of foreign exchange, but instead has stimulated their expansion. Non-FEOF free-market exchange earnings have improved regularly and at present equal or exceed donor contributions to FEOF. The maintenance of a stable exchange rate through FEOF has provided security and development incentives to foreign commerce in Laos. This record of stability has permitted traders and investors interested in Laos to have confidence in the future value of their transactions and has helped export, import, and investment planning.

## Commodity Imports as a Stabilization Measure

As a further contribution to stabilizing the Lao economy and as a stimulus to development, the United States finances a commodity import program which consists of sales of essential commodities at the official exchange rate of Kip 240 to \$1. Prior to establishing FEOF, the import requirements of the Lao economy (consumer items as well as capital goods such as machinery and equipment) were financed by commodity import programs of the United States, United Kingdom, and Australia. As shown by Table 2, the United Kingdom and Australia terminated their programs after 1967; the United States Import Program (USIP) has continued in greatly reduced amounts.

Table 2

### COMMODITY IMPORT PROGRAMS BY SOURCE FY 1964 - FY 1970

(\$ Million)

	Actual Obligations						
	1964	1965	1966	1967	1968	1969	1970
United States	10.7	7.3	5.0	1.9	4.5	2.5	1.5
United Kingdom	2.8	2.8	2.8	2.8	1.0	-	-
Australia	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	13.8	10.4	8.1	4.9	5.5	2.5	1.5

USIP as a stabilization measure is limited in its effectiveness: First, the market for essential items of U.S. origin that can be economically imported into Laos is limited; and secondly, before FEOF was established, pressures were strong to re-export goods imported under USIP because of the price differential between Lao imports at the official exchange rate and the cost of similar imported items in Thailand. By establishing a free-market rate at approximately Kip 500 to \$1, FEOF reduced the difference between the free-market rate and the official rate and thus reduced the margin of profit that could be realized by re-export.

Since September 1, 1965, the kinds of goods that can be imported under USIP have been restricted to those that are considered essential to developing the economy: petroleum, oil, and lubricants, agricultural machinery, and trucks and busses. Petroleum products are gradually being shifted to free-market financing.

Table 1 and Table 2 illustrate the trend of stabilization assistance in terms of financing. Since 1964, contributions to FEOF have been increasing and commodity import programs decreasing. FEOF has proved to be a highly effective stabilization instrument; direct financing in the United States of commodity imports has served, first, as an incentive to development through financing capital goods and, secondly, but nonetheless importantly, as a measure that has helped to stabilize the kip.

## REFUGEES

Seen from a helicopter at 1200 feet, the Vientiane Plain changes from the dark green of forests to the red earth of cleared land and the scattered geometric patterns of rice fields and villages. Among the villages, some are new. The thatch of the roofs is still the color of straw; the houses are pale stripped bamboo, not yet weathered to the gray of the older villages. For 70 miles north on the plain and 60 miles east, the new villages appear at intervals, sometimes near an older settlement, sometimes in relative isolation. The people who live in the new villages are refugees. About 15,000 are from the Plain of Jars, evacuated between February 4 and February 10, 1970, a few days before the Pathet Lao attacked and reoccupied the Plain. With the fall of Sam Thong, Xieng Khouang Province, in March 1970, their numbers increased to over 24,000 people. They live in 17 new villages on land provided by the Royal Lao Government as part of its effort to relocate the hundreds of thousands of people who have been uprooted by the war in Laos.

As early as 1954, after the signing of the Geneva Agreements, refugees began moving southward from the northern provinces of Laos: Phong Saly, Houa Khong, Houa Phan. Most of the refugees were Meo, inhabitants of the mountains of northern Laos, who practice a slash-and-burn agriculture and who find it difficult to live at altitudes lower than 3000 feet. For the most part, they moved southward into the mountainous regions of Luang Prabang and Xieng Khouang provinces. During these early years of independence in Laos, the refugees had little help other than that they received from the villages. A small amount of U.S. Government-sponsored relief was provided through humanitarian organizations. Teams airdropped blankets, cloth, cooking utensils. By the end of 1958, approximately 27,000 Meo and other mountain tribes had been helped in this way. By late 1959, the refugees numbered approximately 40,000; in 1960, after the Kong Le coup d'etat and his subsequent retreat to the Plain of Jars, their number increased to 90,000. It was at this point that USAID began to help the Royal Lao Government in refugee relief and relocation.

With the cease-fire of the 1962 Geneva agreements, the Royal Lao Government found itself host to approximately 125,000 people

who had moved from the northern and eastern provinces to that part of Laos under control of the Royal Lao Government. By this time, an organization and procedures had been developed to carry out refugee relief. This relief, then and now, consists of commodities: rice, salt, blankets, mosquito nets, cooking utensils, hand tools, vegetable seeds, and medicines. Many of these commodities, then and now, are airdropped at sites marked by the refugees in the remote and isolated parts of Laos that cannot be reached by road.

Over the years, the movement of refugees back and forth across Laos has continued. In any given year, 25,000 to 30,000 people become refugees in Laos. Also, in any given year, a portion of the refugees become self-sufficient and no longer depend on the government for support. The Royal Lao Government estimates that since 1962 over 600,000 people have been displaced by the war in Laos.

#### USAID Assistance

Because of the nondeferrable, life-or-death nature of refugee requirements, refugee relief receives first priority among USAID projects in claims on USAID resources. These resources are, in turn, allocated in the following order of priority:

1. Assistance on an emergency basis to refugee movements created by or in anticipation of military action, providing help in evacuating people if required, and emergency medical care and food supply;
2. Assistance in relocating refugees, providing transportation to relocation sites, food, water supply, shelter materials, medical care;
3. Assistance in providing basic facilities (schools, dispensaries, roads, wells) to bring refugee groups to an economic and social level equal to that of the non-refugees in the area.

People become refugees under varying circumstances, and they are placed in three categories according to their needs. In the first

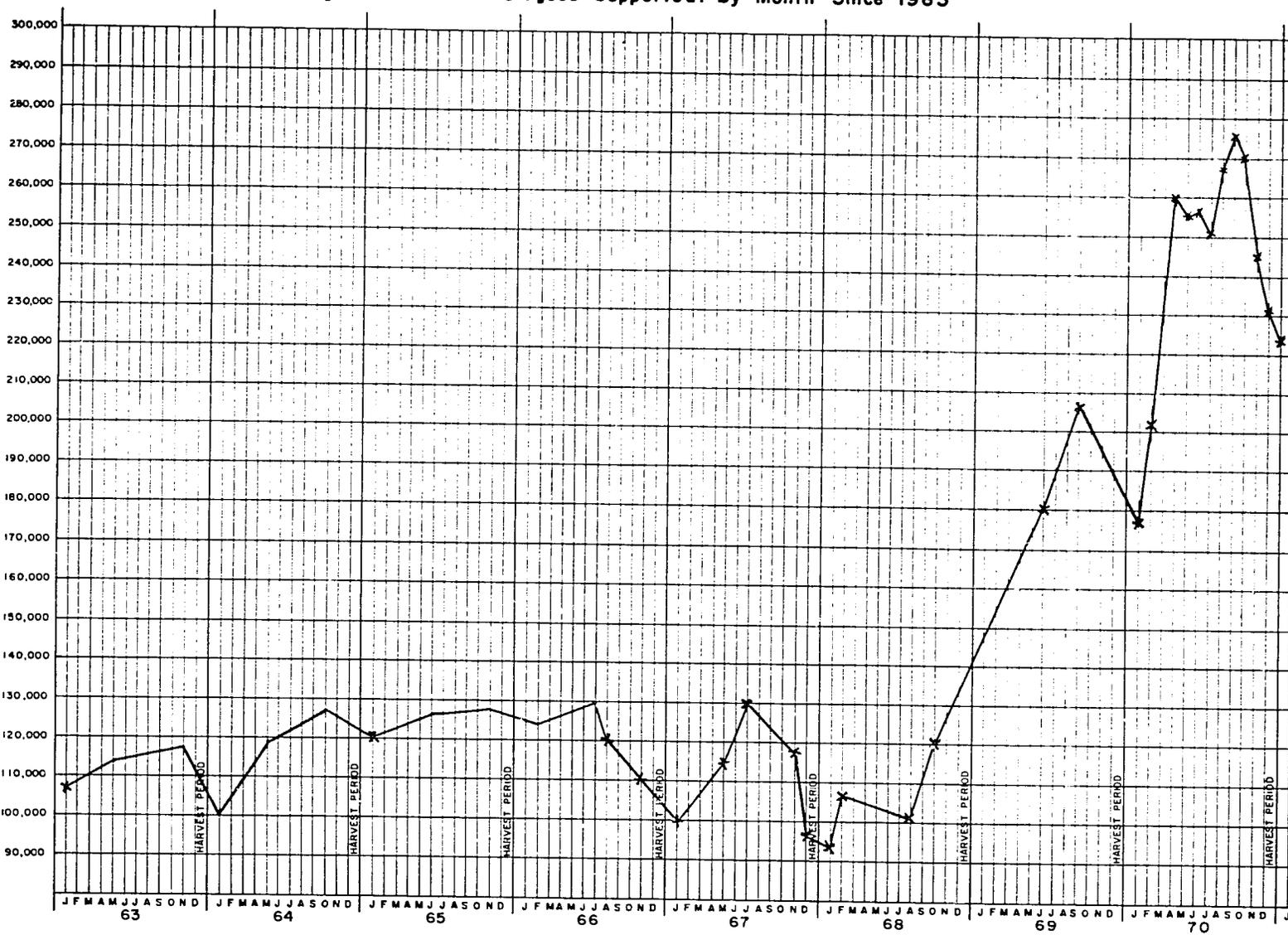
category are those refugees who have been forced to leave their homes and villages in such haste that they have neither food, household goods, nor the means to acquire either when they arrive in that part of Laos controlled by the Royal Lao Government. These refugees require full support. Figure 1 shows by month and year the number of people who have been displaced in Laos and who fall into the category of those groups who require full support.

In the second category are those who have managed to become partially self-sufficient, usually as the result of help in relocating on land that they now have under cultivation. Also in this category are those refugees who, when they left their homes, had sufficient time to gather their belongings--tools, seeds, animals, and household goods. The location of their new homes, the time of year that they arrive (because planting and harvesting are bound to the seasons), and the quality of village leadership determine the degree of self-sufficiency achieved and how quickly.

The Royal Lao Government has developed a formal plan of assistance for those refugees who wish to remain in that part of Laos controlled by the Royal Lao Government or for those who feel that there is little hope of returning to their native villages. Initiated in 1966 in an effort to reduce in number the mass movements of people back and forth across Laos, the plan includes the distribution of land to groups of refugees, such as those who are now relocated on the Vientiane Plain. In this, the initial phase of their relocation, USAID and the Royal Lao Government emphasize the goal of self-sufficiency for the refugees, which, to the Lao translates as "Enough to eat and enough to use."

In these refugee villages on the Vientiane Plain, the people now live in houses that they have built, they have planted rice and vegetable gardens and harvested their first crops; the some 4000 children of the villages are now in school. During the second year, more land will be cleared, paddy fields prepared, roads built, and houses and schools improved. In terms of USAID assistance, once permanent schools, dispensaries, roads, wells have been built and agricultural production assured to a level equal to that of the nonrefugee villages, people relocated on the Vientiane Plain will no longer be considered refugees. Any further USAID assistance will be given as part of

Fig. 1 - Number of Refugees Supported: By Month Since 1963



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USAID's work in developing the rural economy: e. g., present plans to organize training programs in blacksmithing, charcoal-making, carpentry, animal husbandry, vegetable raising, and farming techniques.

"The most promising areas for refugee integration into the economy of Laos are those relocation sites near commercial centers, such as these villages on the Vientiane Plain and those near Pakse, Savannakhet, and in Sayaboury Province. At present, about 46,000 people are relocated in these areas. The plan for integration of these refugee groups consists basically of two steps: First, to provide the seeds and tools that will help them become self-sufficient in food production; secondly, to introduce handicrafts, such as textile weaving, or small commercial undertakings, such as silk production or cash crops that have a market value. The degree to which these measures are successful will determine the extent to which the refugee becomes a contributor to the economy and a market for its products.

As relatively successful as refugee relocation has been to date, there remain approximately 100,000 Meo and other hill-tribe groups who are in temporary relocation sites where they must depend on the rice drops for enough to eat. The problem of integrating this group of refugees into the economy of Laos remains unsolved. Their traditional homes in the mountains around and north of the Plain of Jars are denied them by the presence of the Pathet Lao. For almost 15 years, these people have been caught in the offensives and counter-offensives of the conflict that has divided Laos. They have stripped the mountains of game, their livestock has disappeared, they can no longer practice their traditional pattern of slash-and-burn agriculture which depends on their access to the mountains and their freedom to move from hillside to hillside each two to three years. In many cases, the rice drop is their only source of food.

Depending on weather or on the presence of Pathet Lao or other enemy forces, aircraft drop approximately 50 tons of rice each day at a total of 120 drop sites. The refugees mark the sites with panels of red or white cloth which remain on the ground only for the length of time that the aircraft circles above the site. The rice is packed in triple-sewn 40-kilo sacks and dropped from an altitude of about 1000 feet from the aircraft moving at about 140 miles an hour. These 120 drop sites are served from subsupply centers where USAID stores the rice in quonset huts or in warehouses of split bamboo.

## Causes and Motives in Refugee Movements

On February 1, 1970, the governor of Xieng Khouang Province and his staff of five district chiefs met with the Headmen of the villages of the Plain of Jars to present the Royal Lao Government's offer of evacuation before the Plain was once more retaken by Pathet Lao forces. The people of the Plain of Jars had lived under Pathet Lao rule from 1964 until 1969 when the Plain of Jars was recaptured by Royal Lao Government forces. The motives that prompt a people to choose between two kinds of rule are not always clear, but three conditions of life under the Pathet Lao appear to have prompted the choice of evacuation: the rice tax, portage, and the draft. The people grew more rice than they had ever grown before, but they had less for themselves. They paid it out in the form of taxes--rice to help the state, trading rice, and rice from the heart. The Pathet Lao devised an elaborate labor system of convoys and work crews. They drafted all the young men for the army. The refugees from the Plain of Jars say that primarily for these reasons they chose to leave their homes.

The years of experience with refugees in Laos make it possible to predict with reasonable accuracy the extent of refugee movements and their cost if the extent of Pathet Lao and Royal Lao Government military action can be projected from reported military activity. The military events of 1969 and 1970, which included the liberation and eventual evacuation of the Plain of Jars, reached a peak with the loss of Sam Thong in March 1970 and culminated with the loss of Attapeu and Saravane during April and May 1970. As shown by Fig. 1, the number of refugees increased rapidly during this period of unusually heavy offensives by Pathet Lao forces and counteroffensives by Royal Lao Government forces. By the end of October 1970, approximately 276,000 refugees required assistance. Since October, 60,000 refugees have become self-sufficient; however, many of this number will require additional assistance to reach full self-sufficiency. Figure 2 shows the location of these refugee groups and the number of people in each group. Because of territorial losses, the refugees are crowded into relatively small land areas. For example, over 112,000 refugees (one-half of the total refugee population now being supported) are concentrated in a narrow strip of land south of the Plain of Jars and near the village of Ban Xon.

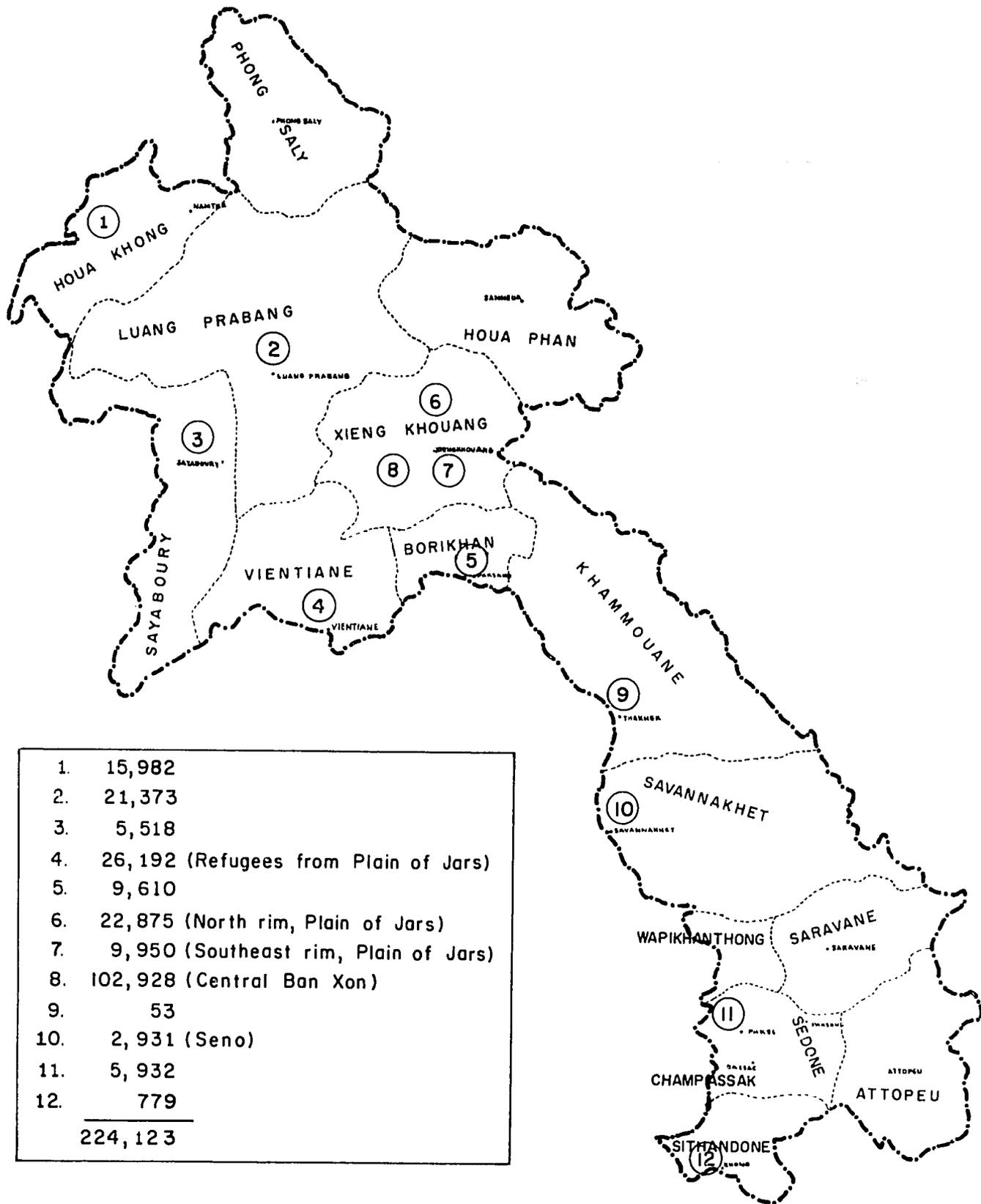


Fig. 2- Number of Refugees and Location of Refugee Groups, January 1971

## FOOD FOR PEACE, PL-480

The PL-480 food donation for FY 1971 has been substantially increased over that of previous years, and the range of foodstuffs widened to give the program greater flexibility in meeting the requirements of food for refugees. In addition to corn meal, nonfat dried milk, and vegetable oil, the FY 1972 program includes wheat flour, bulgur, wheat soya blend (WSB), and corn soya milk (CSM). Table 1 summarizes the PL-480 program, FY 1968 - FY 1971.

Table 1  
PL-480 FOOD DONATION  
(MT Thousand)

	FY 1968	FY 1969	FY 1970	FY 1971
Voluntary Agencies	0.7	0.75	0.8	1.3
Refugee relief	3.0	3.0	3.0	8.5
Total	3.7	3.75	3.8	9.8

All-purpose flour and WSB are processed into dry noodles by a local manufacturer to provide a dry high-protein food for refugees. Currently, the noodles are being trucked to refugee villages, but as production increases, they will be included in the airdrop. Home economists from the Ministry of Agriculture and International Voluntary Service personnel have developed recipes with PL-480 foods. They have trained home economics teams in the preparation and use of these foods; the teams, in turn, are training local leaders in the refugee villages on the Vientiane Plain.

PL-480 cotton cloth (518,000 meters) will be distributed to refugees as both finished clothing and piece cloth. Yard cloth will be provided those refugees who have the means and the ability to make their own clothing. Clothing manufacture has begun in Thakhek with programs planned for Pakse and Ban Houei Sai.

The Catholic Relief Services program has been extended to help meet the food needs of the increased refugee population on the Vientiane Plain. UNICEF continues to provide nonfat dry milk to Maternal and Child Health Centers in Vientiane and in the provinces.

## DEVELOPING THE RURAL ECONOMY

Over 80 percent of the estimated 1.7 million people in that part of Laos controlled by the Royal Lao Government live in villages or in the countryside. For the most part, they are bound to the traditional pattern of subsistence rice farming. Economic progress in the rural areas is slow when compared with that of the urban centers, and the lack of security has further retarded development.

Fundamental in all USAID activities directed toward developing the rural economy is the effort to stimulate a social and community consciousness on the part of village leaders and among the people of the village. The goals are two, both equally important: To introduce social and economic change through projects that are chosen and carried out by the village, and to involve the village increasingly in the political and administrative fabric of government. The organization that USAID has developed to achieve these goals consists of three projects: rural self help, rural public works, and well drilling. These projects are closely interrelated; they interact with each other and with other USAID projects: agriculture, irrigation, community education, teacher training, village health.

### Self Help in the Villages

In the political hierarchy the village is the smallest administrative unit. Village social organization is traditionally democratic, with the village leader retaining his position by popular acceptance. Village organization for social development, however, has been largely nonexistent. Village people, in general, do not identify with institutions outside their family and village, and the concepts of cooperating in self-help activities to improve their environment and of participating in processes of the national government are not prevalent.

USAID introduced the first self-help projects in 1962. These were small undertakings such as school construction, dispensaries, and wells. In the self-help project, the people of the village contribute labor and local materials; USAID contributes technical help and materials that are not locally available; the Royal Lao Government

contributes the services of its technicians and land. The USAID community development advisor acts as a social catalyst in planning and carrying out the projects. His is a multifaceted approach that is accomplished through conducting village surveys, assessing the nature and potential of the leadership in the village, and helping to develop those indigenous institutions that contribute to improving economic and social conditions.

Development work in a village consists of three overlapping phases: The first is the construction phase during which roads, dispensaries, schools, dams, wells, and training centers are built. In addition to calling upon the resources of rural public works and well drilling, this phase requires the close cooperation of other USAID projects: community education, teacher training, and village health. Table 1 shows the accomplishments of this first phase in terms of the number of construction projects completed by 1965 and the increase in that number by 1970.

Table 1

RURAL SELF-HELP CONSTRUCTION PROJECTS

Construction Projects	Number of Projects Completed	
	<u>By FY 1965</u>	<u>By FY 1970</u>
Classrooms <u>a/</u>	180	1751
Dug wells	40	569
Drilled wells	28	1039
Dispensaries	3	117
Roads (km)	261	499
Bridges	34	58
Markets	8	18
Small irrigation projects	15	60
Training centers	-	11

a/ In terms of student capacity, the 180 classrooms completed by FY 1965 accommodated 7200 students; the 1751 completed by FY 1970 accommodate 70,040 students.

In the second phase, emphasis shifts to training sessions for village leaders and for the people of the village: For the leaders, to strengthen their ability to identify problems and to work with the people toward solving them; for the people, to teach new skills such as blacksmithing and carpentry, and to introduce agricultural practices that increase production. The training sessions for the village leaders inform them of the services that the government provides and of their responsibilities to the government. From these training sessions, village development committees have emerged that are beginning to originate their own self-help projects and to administer them.

In the third phase, emphasis is placed on increasing agricultural production. The work that has been done to increase rice production has stimulated the organization of farmer groups who share farm animals and machinery; embryonic credit and marketing enterprises are emerging. In cooperation with the Agriculture Extension Service, farmer association training sessions are organized; extension workshops and field trips stress the advantages of group cooperation and modern farming techniques.

Over the past four years, progress achieved has enabled the villages to increase their contribution to self-help projects from 34 percent to 64 percent of the cost of the project. USAID participation in self-help projects is shifting from its early emphasis on demonstration and construction to the training and advisory phase, with increasing demands placed on local and governmental initiative.

### Public Works

Rural public works participates in developing the rural economy by providing skilled workmen and equipment to help construct schools, dispensaries, training centers, roads, airstrips, and irrigation systems. In one phase of its operations, rural public works acts as a construction contracting organization within USAID which provides its services to other USAID projects. For agriculture, rural public works constructs rice storage warehouses, fish ponds, irrigation systems; for public health, hospitals, maternal and child centers, dispensaries; for education, teacher training facilities, dormitories, primary and

secondary schools. This construction ranges from small village water systems to irrigation canals and pump installations; from masonry hospitals to one-room dispensaries built with split bamboo; from 12-classroom masonry school buildings to one-room schools with bamboo walls and thatch roofing. The accomplishments shown in Table 1 would not have been possible without the assistance that rural public works gives rural self-help projects.

In a second phase of its operations, rural public works provides plans, estimates, and supervision of the 25 to 30 construction projects that are built each year by private construction companies. Basically, the purpose of this phase is to develop within Laos contracting organizations that can take over the construction work that is now carried out by USAID. During the years since 1964 when Rural Public Works was established as a technical service organization within USAID, as many as 20 contracting organizations have acquired the experience that permits them to perform building projects varying in cost from \$20,000 to \$250,000.

Training is a fundamental component of all rural public works activities: To train unskilled labor as construction equipment operators, mechanics, carpenters, masons, plumbers, and electricians; to train people in the villages in more efficient use of local materials and in construction techniques; to train surveyors and draftsmen on airfield and road construction projects. Over the past five years, training programs have brought about a 40-percent increase in efficiency in the operation and maintenance of construction equipment.

### Wells

Sources of uncontaminated water were rare in the villages of Laos in 1963 when USAID brought the first well-drilling equipment to Laos and began to train well-drilling crews. Although lack of security limits the number of villages where well-drilling crews can work, over 1000 wells have been drilled, in most cases, providing the first source of safe, potable water that the village has known. Currently, three rotary and two cable tool well rigs are in operation; five field crews have been trained to the point of proficiency that requires only specialized technical advice from USAID technicians, and five field crews are in training, working on the job with the experienced crews.

By far, most of the wells drilled are for village use or, as increasing numbers of refugees are relocated, to provide water for the new refugee villages. Unless they are refugees, the people pay for the well pump and provide sand, gravel, and other local materials to construct the well; they are responsible for its maintenance. Wells for commercial enterprises are also drilled when these enterprises contribute to economic development; the enterprise is required to pay the full price for drilling and installation.

## PUBLIC HEALTH

Since 1963, when USAID began to help the Royal Lao Government meet the health needs of its people, medical care for the refugees, victims of war, and the people of the villages has been and continues as the most immediate need. This medical care is given for the most part through dispensaries for which USAID provides medical supplies and equipment and training for medics and practical nurses. At present, there are 250 of these dispensaries (their number varies with security conditions). The dispensaries are located predominantly in those parts of Laos where there are large numbers of refugees, where they serve both refugees and the nonrefugee population. In most cases, the dispensaries are the first source of medical care that the people have known.

### Operation Brotherhood

In 1963, USAID contracted with Operation Brotherhood, a Filipino nonprofit organization, to continue the medical services that its teams had been providing in Laos since 1957. These services now include assistance to the Royal Lao Government in operating seven government hospitals located in municipal centers. In total, the hospitals have about 350 beds, are staffed by 103 Filipino medical, administrative, and support personnel, and 384 Lao employees. They provide in-patient and out-patient care for about 240,000 people a year and public health services for the communities in which they are located. An additional 17 Filipino technicians have been added to public health teams to assist in providing services in refugee relocation areas.

The USAID goals for the work carried out by Operation Brotherhood are two: To replace the Filipino personnel with trained Lao sufficient in number to keep the hospitals in operation and to transfer to the Royal Lao Government the administrative and financial responsibility for operating the hospitals. USAID, Operation Brotherhood, and the Royal Lao Government have developed a plan to phase-out the Operation Brotherhood contract gradually, but in a manner that will not unduly disrupt hospital services. The first step in the phaseout plan was taken in 1969 with assumption by the Royal Lao

Government of expenses of local personnel and daily operational costs for two of the seven hospitals.

Laos has never had sufficient trained medical personnel to care for its people. At present, there are about 13 Lao doctors; however, 24 Lao will complete medical training abroad between 1969 and 1974. Within Laos, the Royal School of Medicine graduates each year about 30 Doctor's Assistants who have a knowledge of most phases of medicine but have not had the full training to qualify for the medical degree. By 1972, 15 of these graduates, sponsored by USAID, will have received an additional two years' training in Thailand and will be available for staffing hospitals. With assistance from WHO and from the French Mission d'Aide Economique et Technique, the Royal School of Medicine is being expanded to provide full medical-degree training. Nurses are training in-country at the new Mahoset Nursing School, which was constructed with USAID assistance. The first class began in 1969.

#### Maternal and Child Health

Ban Nong Nieng is a village about six kilometers from Vientiane. Occasionally, a Vientiane taxi moves along its narrow, dusty streets, and some of the young men and women of the village work in Vientiane. Ban Nong Nieng is nevertheless a village of rural Laos. The people grow rice in the fields around the village; they catch fish in rice-paddy fish ponds; the boys drive the water buffalo to and from the fields. For the most part, the children of the village grow up in the traditional way. During the first months of their lives, their mothers tend them until they are replaced by another child. The older children then care for the younger. They develop immunities to the endemic diseases, they survive despite malnutrition, or they sicken and die. Most village children and the poor children of the urban centers are born and go through life without adequate medical care. With a mortality rate estimated at 30 to 50 percent, depending on areas, the babies that survive are handicapped by ritualistic taboos, although the people of the villages near urban centers are in a transitional stage and new concepts of medicine are being assimilated. Many of these new concepts are brought to them by maternal

and child health (MCH) teams that work out of Vientiane and the provincial capitals. The work of these MCH teams is one example among several Ministry of Health programs that, with WHO and USAID assistance, bring medical care to mothers and children of Lao villages.

USAID expanded its assistance in the field of public health in 1969 to include a project to improve the level of maternal and child health care for expectant and nursing mothers and their families. Under this MCH project, medical facilities are being constructed, medical commodities provided, and staff trained.

At Mahosot Hospital in Vientiane, the site has been cleared for the construction of a National Maternal and Child Health Center that will provide a full range of obstetric, gynecologic, and pediatric care and serve as a training center. Construction of this 200 bed facility began February 1, 1971. In addition, 10 rural medical facilities will be renovated to serve as maternal and child health centers, and MCH centers will be constructed in Luang Prabang, Ban Houei Sai, Savannakhet, Pakse, and Sayaboury. The medical commodities that are being provided include vitamins, minerals, steroids, infant formula, and other drugs and biologicals.

To develop a corps of MCH workers, training within Laos, in Thailand and in the Philippines is provided. Training within Laos consists primarily of short-term, in-service training in midwifery, home economics, and nursing. Four midwifery schools provide two-year training and the rural midwife of the village receives six to eight months' training. Training in Thailand and in the Philippines is more specialized and technical; for example, administration of child nutrition centers, advanced training in midwifery, nursing, and family planning.

As there has never been a formal census in Laos, such standard factors as population growth rate, sex and age distribution, average family size, remain estimates. The MCH project is concerned with obtaining as many of these basic data as possible. Two pilot census surveys have been carried out on the Vientiane Plain and a demographic team is presently evolving the methods of sampling and census techniques to be used for future data gathering.

## ROADS

Seen from the air, the roads of Laos are slashes of the red of laterite or the pale indeterminate color of hardpacked earth cutting across a green land. These are the roads that connect village to town, farm to market, or the new roads that lead to refugee villages. Route 13, originally built by the French, winds along the Mekong River from the Cambodian border north to Savannakhet, Thakhek, and Vientiane. From the Cambodian border to Savannakhet, the road is asphalt; from Savannakhet north, with the exception of small stretches in the vicinity of Thakhek and Vientiane, the road is surfaced with laterite. The 400 km of Route 13 north from Vientiane to Luang Prabang (which had by 1965 deteriorated in many places to a footpath through the jungle) has been rebuilt and is open to traffic.

These roads make up the highway system at present under control of the Royal Lao Government. They consist of 784 km of asphalt, 2481 km of gravel or laterite which are all-weather roads, and 3127 km of earth roads which can be travelled in the dry season only. The roads leading east through central Laos to Vietnam are closed.

USAID's work with the Royal Lao Government's Ministry of Public Works is carried out by personnel of the U.S. Department of Transportation, Federal Highway Administration (FHWA) in a project with two goals that are interrelated and that are equally important: To assist the Royal Lao Government maintain and improve its present road system and, at the same time, through advisory services and training, to assist the Ministry of Public Works achieve its goal of developing an administrative and technical organization that can plan, construct, and maintain a national road system in Laos.

FHWA personnel and their counterparts in the Directorate of Roads and Bridges share the same offices in the Ministry of Public Works, Vientiane headquarters. FHWA personnel are assigned to Pakse, Savannakhet, and Luang Prabang. In Vientiane and in the field, FHWA engineers advise on highway planning, methods of road and bridge construction, scheduling and using equipment. Equipment specialists advise and instruct personnel engaged in servicing, operating, and repairing equipment and in requisitioning and accounting

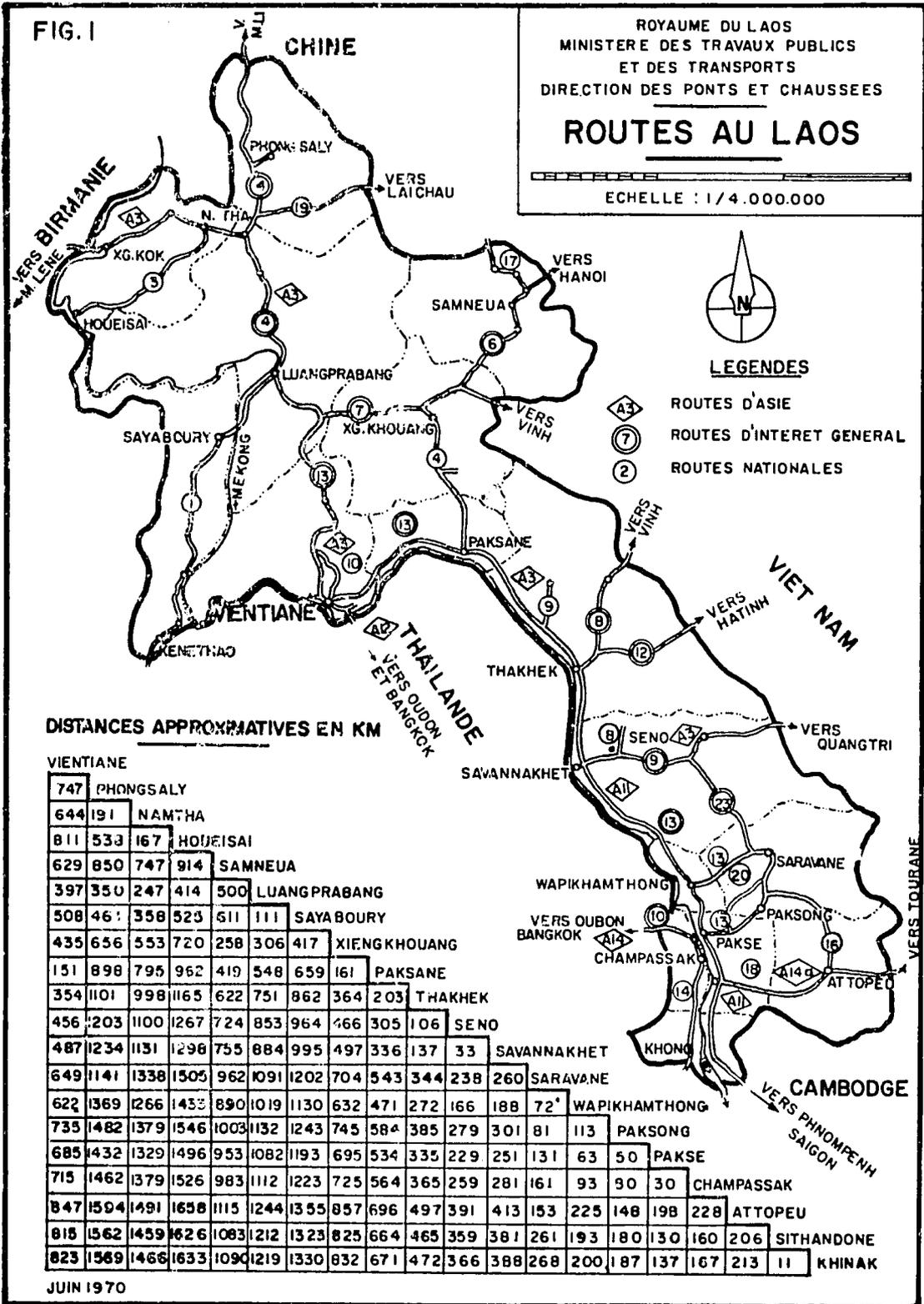


FIG. 1

ROYAUME DU LAOS  
 MINISTERE DES TRAVAUX PUBLICS  
 ET DES TRANSPORTS  
 DIRECTION DES PONTS ET CHAUSSEES  
**ROUTES AU LAOS**  
 ECHELLE : 1/4.000.000



**LEGENDES**

- A3 ROUTES D'ASIE
- 7 ROUTES D'INTERET GENERAL
- 2 ROUTES NATIONALES

**DISTANCES APPROXIMATIVES EN KM**

VIENTIANE

747	PHONGSALY										
644	191	NAMTHA									
811	533	167	HOUEISAI								
629	850	747	914	SAMNEUA							
397	350	247	414	500	LUANGPRABANG						
508	461	358	523	611	111	SAYABOURY					
435	656	553	720	258	306	417	XIENGKHOANG				
151	898	795	962	419	548	659	161	PAKSANE			
354	1101	998	1165	622	751	862	364	203	THAKHEK		
456	203	1100	1267	724	853	964	466	305	106	SENO	
487	1234	1131	1298	755	884	995	497	336	137	33 SAVANNAKHET	
649	1141	1338	1505	962	1091	1202	704	543	344	238 260 SARAVANE	
622	1369	1266	1433	890	1019	1130	632	471	272	166 188 72 WAPIKHAMTHONG	
735	1482	1379	1546	1003	1132	1243	745	584	385	279 301 81 113 PAKSONG	
685	1432	1329	1496	953	1082	1193	695	534	335	229 251 131 63 50 PAKSE	
715	1462	1379	1526	983	1112	1223	725	564	365	259 281 161 93 90 30 CHAMPASSAK	
847	1594	1491	1658	1115	1244	1355	857	696	497	391 413 153 225 148 198 228 ATTOPEU	
815	1562	1459	1626	1083	1212	1323	825	664	465	359 381 261 193 180 130 160 206 SITHANDONE	
823	1569	1466	1633	1090	1219	1330	832	671	472	366 388 268 200 187 137 167 213 11 KHINAK	

JUIN 1970

for supplies and materials.

Of the present road network, USAID has contributed to the construction or improvement of 198 km asphalt, 1247 km all-weather, and 1827 km earth road. Present security conditions prohibit any major expansion of the road network; however, approximately 100 km of new farm to market roads are constructed each year to promote economic activity in rural Laos.

Ministry of Public Works employees receive classroom instruction at a training school in the central repair shop in Vientiane. Courses include the theory of combustion engines, automotive electricity, and hydraulic systems. They also receive instruction in English and mathematics, which they must know to work with the service manuals and parts books. From the classroom, the employees go to the central repair shop if they are to be mechanics, or to field sites if they are to be equipment operators. In the repair shop, the mechanics disassemble, reassemble, and operate gasoline and diesel engines in on-the-job training. At the field sites, the equipment operators learn to operate and maintain highway construction equipment and, at the same time, construct and repair roads during training. One of the most important training programs carried out by FHWA personnel was the reconstruction of 275 km of Route 13 north to Luang Prabang. When construction work began, the equipment operators and skilled laborers were for the most part technicians and workers from other countries. By the time construction was complete, the equipment operators and skilled laborers were Lao who had been trained on the project.

Despite the war and the limitation on new road construction, the work that has been carried out has contributed to economic growth in urban centers and in the communities that the roads serve. With the reopening of Route 13 between Vientiane and Luang Prabang, trucks now carry cargo that formerly was flown at far greater expense. Trucks are now available for hire from commercial carriers in Vientiane, an expansion of private enterprise that is a direct result of highway construction and maintenance. With the completion of 42 km of road off Route 13 to the site of a USAID warehouse and dispensary, rice can now be trucked rather than flown, with a consequent reduction in cost.

The many Lao who have trained and worked on Ministry of Public Works projects have acquired skills that will contribute to their own economic future and to that of the country. Not only employees of the Ministry of Public Works but also people in the villages who knew only to farm and to hunt have learned to operate equipment units. They have learned to mix and pour concrete; to cut, bend, place, and tie reinforcing steel; to wire buildings and to install plumbing. These workers are providing skills that, although still in insufficient supply, have reduced the need to import skilled labor from other countries.

## LAO NATIONAL POLICE

USAID's purpose in working with the Lao National Police is easily defined and clearly delineated: To help the Lao National Police improve its ability to maintain public order and safety. Created by Royal Ordinance No. 375 of 7 December 1965, the present Lao National Police is a force of over 5000 men under the Ministry of Interior. Its mission is "to maintain public security and the execution of laws and regulations and to insure the maintenance of order in collaboration with the armed forces and public services of the realm." Lao National Police are stationed throughout the country; in some places, they are the only representatives of the civil administration.

USAID began a police assistance program in 1955 which, however, was suspended in 1961 when the police were absorbed into the Ministry of Defense. During these first six years of the program, the police forces were consolidated into a single Lao National Police, a headquarters staff was organized, and the Lao National Police Training Center was established.

In 1965, when the Lao National Police were again established under the Ministry of Interior, the police assistance program was resumed in what, in effect, was a second beginning. The Lao National Police did not exist as an effective independent unit: It was stripped of equipment, its records for the most part destroyed, its facilities deteriorated, and there had been little or no police training for four years. Under the reorganization, which was completed in 1966, most of the changes that were made were designed to strengthen civilian control. Organizationally, the Lao National Police consist of a central headquarters, called the Directorate General of National Police, the metropolitan police of Vientiane, and the territorial police who are stationed in the 16 provinces. The Directorate General, as the central headquarters, determines policy and directs all the country's police components; however, the territorial police report on operational matters to the provincial governor as the senior civil official in the province as well as to the Directorate General. A radio communications network has been installed between the Lao National Police headquarters in Vientiane and provincial police headquarters. Radio communications with mobile or portable units exist

Table 1  
LAO NATIONAL POLICE

<u>Manning</u>	<u>1965</u>			<u>1970</u>		
	<u>Officers</u>	<u>Men</u>	<u>Total</u>	<u>Officers</u>	<u>Men</u>	<u>Total</u>
Headquarters	154	534	688	267	625	892
Vientiane Police	74	579	653	177	608	785
Provinces	265	2,702	2,985	426	3,156	3,582
Cadets	-	-	-	-	90	90
Grand Total	493	3,833	4,326	870	4,479	5,349

<u>Installations</u>	<u>1965</u>		<u>1970</u>	
	<u>Vientiane Metropolitan Area</u>	<u>Provinces</u>	<u>Vientiane Metropolitan Area</u>	<u>Provinces</u>
General Headquarters Province or City	1	-	1	-
Headquarters	-	13	1	16
Districts and Precinct				
Headquarters	4	89	4	112
Posts and Boxes	<u>38</u>	<u>136</u>	<u>48</u>	<u>156</u>
Total	43	238	54	284

<u>Communications</u>	<u>1965</u>	<u>1970</u>
Repair facilities	2	4
VHF short-range net	52 <sup>a/</sup>	192 <sup>b/</sup>
SSB long-range net	<u>18</u>	<u>77</u>
Total radios	70	269

<sup>a/</sup> Includes 4 bases, 13 mobiles, and 35 portables.

<sup>b/</sup> Includes 68 bases, 39 mobiles, and 85 portables.

only in Vientiane and in a few major provincial towns. Table 1 illustrates in terms of manning, installations, and communications the development of the Lao National Police over the past five years.

USAID acts in an advisory capacity to the Lao National Police in organizational procedures, operations, and local training, and provides participant training and equipment. USAID advisory assistance at the Directorate General level focuses on organizational planning, administration, budgeting, and personnel. Training encompasses all facets of police operations. High-ranking police officers attend the senior course at the International Police Academy and middle-level officers attend the general course at the Academy. When training in communications, vehicle, and weapons maintenance and in other specialized fields cannot be accomplished in Laos, participants train in Thailand. Over 1000 men have trained at the Lao National Police Training Center where the courses fall into four categories: recruit training, cadet officer training, advanced courses for senior staff and noncommissioned officers, and specialist training in such fields as fingerprint classification and communications. Training continues at other installations on the maintenance of communications equipment, vehicles, generators, weapons, and in warehousing and logistics. Table 2 summarizes USAID assistance to the Lao National Police in construction of facilities, commodity support, and training.

During the past five years, USAID assistance has focused on the support fields--training, communications, maintenance--with only limited advisory assistance to the police operational units. To derive full benefit from the progress that has been made, the program is now broadened to increase advisory services to the Vientiane police force who work directly with the people in enforcing the law.

Table 2

USAID ASSISTANCE TO LAO NATIONAL POLICE

	<u>Cumulative FY 1970</u>
<u>Construction</u>	
Police Installations	
Training academy (Lao National Police Training Center)	1
Police posts	10
Maintenance Facilities	
Vehicle	1
Communications	4
Supply System Warehouse	1
<u>Commodity Support</u>	
Vehicles (number)	130
Communications equipment (sets)	269
Weapons (units)	3141
<u>Training</u>	
Participant	
U. S.	55
Third Country <sup>a/</sup>	140
In-country	
Police Training Center	1641
Other	663

a/  
Twelve communications and 4 outboard-motor mechanic trainees still in training, FY 1970.

## EDUCATION

The Lao school system is in a time of transition, a movement away from its French colonial tradition toward a national school system that will offer opportunities for education at all levels of society. That there is progress is evident. In 1955, there were 944 elementary schools (ranging from one to twelve classrooms in size) in Laos. In 1970, there are 2055 elementary schools with an enrollment of 218,000 pupils, which represents a 484-percent increase over the past fifteen years. To provide facilities for the rapidly increasing number of public school students, USAID in cooperation with the Ministries of Education and Rural Affairs constructed and repaired over 3500 elementary classrooms. Enrollment has also increased rapidly in secondary schools and teacher training institutions, which are now located throughout Laos. In 1960, there were 2742 students enrolled in secondary schools; in 1970, there are 6352. In 1960, there were 541 students enrolled in teacher training institutions; in 1970, there are 3036. Special attention has been given to schooling for refugee children, in response to current fluctuating population displacements caused by the war.

The new schools and increases in enrollment would not have been possible without foreign assistance, but that much has been achieved is the result in part of the Education Reform Decree of 1962, which gave Lao education its present focus and direction.

### The Education Reform Decree of 1962

In Buddhist Laos, the priests were the teachers of the whole way of life, and education was carried out within the compound of the wat or Buddhist temple. Education was eminently practical. Boys were taught basic subjects and manual arts in the wat schools so that they could become heads of families in a subsistence economy. The colonial administration relied on wat schools to maintain moral authority in the village and it established secular schools in the urban areas to meet the need for French-speaking Lao secretary-interpreters and, later, minor functionaries.

The French educational pattern, the reliance on French as the language of instruction for secondary education, and the practice of seeking higher education at institutions in France continued after independence in 1954. The most dynamic influence on the development of an educational system to meet the needs of society in the 1970s is the government's effort to fashion a school system distinctly national in orientation and in which Lao replaces French as the language of instruction at the higher levels of education. The Education Reform Decree of 1962 defines the Lao school as "...no longer an academic institution, but a system in the service of the country's economic development." The Decree stresses the nonpolitical national role of education, the need for practical training for economic and social improvement, and the importance of community-oriented school activities and curricula. From 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."

The Ministry of Education is now undertaking the task of translating the principles of the Education Reform Decree into courses of study and teaching materials. At the elementary level, subjects such as health and agriculture, which are crucial to the needs of Laos, are gaining greater emphasis. More prestige is attached to training in agriculture and vocational skills than in former years when competition to enter technical schools was weak compared with efforts to enter a lycee. With the exception of the new comprehensive high schools, instruction in secondary schools is still in French, but foreign nationals are being replaced by qualified Lao teachers as rapidly as possible, and the goal of providing instruction in the native language in all secondary schools should be accomplished during the 1970s.

### Fa Ngum Schools

In 1967, the Ministry of Education established, with U. S. assistance, the first of three comprehensive high schools that conform more closely to the Education Reform Decree than other secondary schools.

The Fa Ngum Vientiane Comprehensive High School is now entering its fourth year, Fa Ngum Phone Hone its second, and Fa Ngum Savan-nakhet opened in 1970. The three schools enroll 760 students.

Courses in the Fa Ngum schools are taught in the Lao language, and the curriculum is designed to meet the need for personnel in the beginning and middle-level management and technical positions in government and in business, as well as to prepare students for advanced study in professional fields. The five majors offered are academic, agriculture, commercial, home economics, and industrial arts. Six such schools are planned. The programs in the seventeen other secondary schools in the country will gradually be converted to follow the Fa Ngum example.

### Teacher Training

In 1955, there were about 100 students in the Normal School in Vientiane. That same year, USAID joined with the Ministry of Education in planning the School of Pedagogy, to which the French teachers and Lao students were transferred in 1959. International Voluntary Service teachers joined the staff in the same year. The subsequent establishment of eight normal schools between 1962 and 1969 brought the number of such institutions to nine and the enrollment to over 3000.

This expansion does not keep pace with the demand for teachers, but progress is considered satisfactory in view of the rate of development of Lao teacher-training staff and of Royal Lao Government budgetary limitations on expansion of teaching staffs. A major annual problem for the Royal Lao Government is the requirement on the Lao national budget for the salaries of ever-increasing numbers of teachers. A further increase to 3300 in teacher-training institution enrollment is envisaged for 1971; at this rate, supply should catch up with demand in a few years, provided adequate budgetary resources are available.

## Curriculum and Teaching Techniques

Ministry of Education and USAID staff members work together on revisions of elementary and secondary curricula to insure that they conform to the provisions of the Education Reform Decree. A University of Hawaii team under contract with USAID has helped the Ministry devise a curriculum for the Fa Ngum schools. Curriculum revision and improvement is also a continuing process in the teacher training schools, where greater emphasis is being placed on practical arts and subject specialization.

Annual inservice training courses have been attended by over 5000 teachers since 1964, or over 80 percent of the number of elementary teachers in Laos; 989 participant programs have been provided for education personnel. Most are sent for training courses in Thailand, including many short-term study programs for ten to twelve weeks during vacation periods in various fields of specialization.

## Textbooks and Teaching Materials

USAID has helped the Ministry of Education to write, print, and distribute over three million textbooks in the Lao language and to publish 84 elementary texts. Teachers learn to construct their own teaching materials in workshops. Many teachers are sent to Thailand to study Thai methods in production and use of educational materials.

As instruction in the Lao language increases at the normal school and secondary levels, emphasis is shifting from the production of elementary textbooks to teacher-training and secondary texts. A total of 15 teacher-training textbooks have been written and published. The Lao faculty of Fa Ngum Vientiane is converting its carefully researched and prepared classroom lessons into the first secondary textbooks in the Lao language.

## Directions

The immediate future of education in Laos promises to be a time of continuing national development. An increasing number of young, qualified Lao educators will find a new excitement in researching their own customs and history and in classifying and describing their own environment, drawing from their research the materials to make up curricula and Lao textbooks that are responsive to the needs of Laos. Foreign aid and foreign advisors are available to provide resources and training when needed, but only the Lao can complete the work of establishing an indigenous educational program.

While continuing to implement the Education Reform Decree the Ministry of Education must also administer an inevitably expanding school system. Schools are a governmental service particularly close to the political process; whether in urban area or refugee village, children cannot be turned away from school. Additional classrooms are needed for the later elementary level of education after the fourth grade. Some foreign aid will be needed to construct new classrooms, but the principal factor in the construction of schools will continue to be the self-help contribution of the Lao people, both in rural and urban areas.

The training of teachers qualified to carry out the educational programs will be another demanding task for the Ministry of Education. With some foreign assistance, inservice and preservice training programs will be up-graded and more supervisory personnel will be assigned to assist the classroom teachers. Plans will go forward for the establishment of a degree-granting College of Education from which the secondary schools in the country will receive qualified instructors. Particular attention must also be given to the training of teachers qualified to teach prevocational and technical subjects.

The increased numbers of teachers, the expansion of the school system, and the improvement of the quality of the educational program will lead to further heavy demands on Lao fiscal resources. The Ministry and the various supporting aid missions must continue to strive for the most efficient administrative and educational use of the national and foreign resources that are available.

## INSTITUTIONS AND PEOPLE

In working with the institutions of government in Laos, USAID focuses on helping the Royal Lao Government move toward its goal of planning, developing, and administering its economic and social programs; in working with people, on the goal of developing a staff who increasingly assume responsibility and leadership in these programs. Two USAID projects are concerned specifically with achieving these goals: public administration, through providing advisory assistance to the Ministry of Finance and to the Ministry of the Plan; and manpower development, through helping the Royal Lao Government assess and coordinate its manpower resources and demands and through sponsoring training within Laos and abroad.

### Ministry of Finance

The agreements signed in 1963 which created the Foreign Exchange Operations Fund provided that the Royal Lao Government request the services of financial advisors to assist it in complying with the budgetary commitments required by this international effort to achieve monetary stability in Laos. USAID has provided advisors to the Ministry of Finance since 1964. In 1968, this assistance was expanded to provide training and equipment to key divisions of the Ministry. In 1969, these activities were further expanded to provide assistance to the Commission General for the Plan.

Assistance to the Ministry of Finance has two major goals: The first is immediate support to the monetary stabilization program. Advisors assist the Ministry to analyse its revenues and expenditures and prepare reports and periodic financial statements which are discussed at the monthly meetings of the Stabilization Consultative Committee. Assistance is provided in the complex annual problem of preparing the budget and in controlling expenditures after the budget is approved. In cooperation with International Monetary Fund representatives, help is provided in analyzing the tax structure and finding means of increasing tax yields. Customs trade and revenue statistics are being improved by working in close cooperation with ECAFE, which now processes Lao import declarations by computer

and returns printed bulletins and special customs revenue analyses. These are used by customs officials and advisors in determining and acting on causes of revenue losses.

The second goal is medium-and long-range institution building to develop the professional capability that the Ministry of Finance will need to cope in the future with its financial problems. This is done through short-and long-term training. Each year since 1968, some 40 to 50 carefully selected, low, middle, and high-level officials have received training ranging between 2 and 22 weeks, primarily in the Thai Ministry of Finance, Budget Bureau Revenue Department, and Land Department.

In cooperation with a United Nations technical surveying advisor, a cadastral survey of the major town in Laos is developing. Shortly, this survey will be extended to new agricultural lands such as the Vientiane Plain. Economic development has required that many communally owned lands pass into individual ownership, and precise measurement and location of each owner's land is a prerequisite to valid and incontestable land titles. These, in turn, are required by banks before loans to farmers and business men that are secured by land. Land titles have thus become a necessity.

Each year, a cadastral school at the Ministry of Finance gives basic training to 20 or 30 young Lao student surveyors. USAID then sends them to Thailand for four months to acquire practical experience with Thai field teams and buys surveying equipment to equip the new Lao teams.

Long-term training will provide future professionals in public finance to man the increasingly complex positions of leadership in the Ministry of Finance. USAID sends four new students each year to study in Thailand for BA degrees in public finance or administration. Similarly, two future surveying professionals are sent each year to Thailand for five years of study.

### Ministry of the Plan

The Ministry of the Plan performs a number of functions in support of the national-level ordering of priorities. The Ministry is

responsible for preparing the national development plan, collecting and publishing national statistics, maintaining liaison with neighboring countries in matters of economic cooperation, and coordinating human resources studies. The Ministry participates for Laos in the International Committee for the Development of the Lower Mekong Basin. USAID has provided assistance in all of these areas.

The Plan Cadre, the national five-year development plan, was adopted by the National Assembly in 1969. Its primary goal is to build a productive sector that will enable the Lao economy eventually to support the economic and social institutions that have been developed with the help of foreign assistance. USAID provides advisory services to assist the Commission General for the Plan in evaluating Plan Cadre proposed and current projects, in determining priorities for the allocation of funds and in choosing projects, and in coordinating foreign assistance programs. The advisory assistance has served to define the relationship of the Plan Cadre program to the USAID program and that of other foreign assistance to the Plan Cadre and to USAID assistance. In working with the national representatives of the Mekong Committee, USAID has helped to assess the Lao interest in various projects.

There has never been a national population census in Laos; however, urban and agricultural censuses have been taken to which USAID has contributed personnel and material. A USAID demographer will arrive in early 1971 to help organize a health census.

USAID provides advisory assistance to the Human Resources Division, established within the Ministry of the Plan and responsible for collecting and centralizing information on manpower resources and demand. The Director of the Human Resources Division has received and is continuing to receive training in manpower analysis, and USAID provides assistance as required for special surveys, such as the recent survey of personnel of the Ministry of Interior.

### Manpower Development

The USAID goal is to make manpower development in Laos a smooth continuum of in-country and participant training in a program

which takes into account these aspects of the training environment: First, the relatively scarce supply of trained manpower and training resources within the country; secondly, the growth of these over the past few years, and thirdly, the existence of generally adequate training facilities to the graduate level in Thailand.

When the training program began, it was necessary to send substantial numbers of Lao to Thailand for low-level training. As these Lao have returned with new skills, it has become possible to increase technical training within Laos at the lower levels, to shift the resources available for training in Thailand to longer-term professional training, and to decrease substantially U.S. training which is now used only for graduate-level or highly specialized study. Table 1 shows the number of participants by fields of training and illustrates trends in the length of participant training programs.

Table 1

NUMBER OF PARTICIPANTS BY FIELD OF TRAINING <sup>a/</sup>  
FY 1966 - FY 1970

	Duration of Training in Months			
	Less than One	One to Three	Three to Six	Six and Over
Agriculture	126	59	110	128
Education	220	146	26	119
Industry	9	1	-	11
Public health	68	10	-	58
Public administration	16	77	41	36
Refugee relief	-	6	20	1
Public safety	14	76	85	52
Federal Highway Administration	1	4	8	30
Rural development	16	21	17	27
Manpower development	-	-	-	61
	<u>470</u>	<u>400</u>	<u>307</u>	<u>523</u>

<sup>a/</sup> Data are based on participant departures during Fiscal Year.

Within Laos, the transfer of technical and administrative skills is accomplished by the systematic training of intelligent people, whether or not they have the full academic background normally thought necessary.

A study has not yet been made to evaluate the results of training in general terms; but, because most training programs were devised to meet specific needs, the fact that these needs are being met is an indication of success. People are now performing tasks which they were formerly incapable of performing; they are using newly acquired skills in institutions that did not exist a short time ago. Although some of the results shown in Table 2 may seem unrelated to training (e. g., increased rice production), these results could be obtained only because of training in new techniques and new skills.

The basic problem of manpower development in Laos is that skills have had to be created at all levels simultaneously, from highly skilled to semi-skilled. Today, past investment in training abroad provided by USAID, by the Royal Lao Government, and by other countries, is beginning to pay off in an increase in in-country training facilities and in administrative and technical competence.

Table 2

USAID-SPONSORED IN-COUNTRY TRAINING  
1965-1970

Field	<u>Less than One Month</u>		<u>One to Three Months</u>		<u>Over Three Months</u>		<u>Part-time Training 1-3 hours a Day</u>	
	Adminis- trative	Technical	Adminis- trative	Technical	Adminis- trative	Technical	Adminis- trative	Technical
Agriculture <u>a/</u>	-	2865	30	1804	-	120	-	-
ADO	-	-	90	-	8	-	-	-
Irrigation	-	-	-	-	-	126	-	-
Education <u>b/</u>	349	179	146	3714	-	-	-	-
Public health <u>c/</u>	-	-	-	-	-	1200	-	-
Public works <u>d/</u>	-	-	-	-	30	75	-	-
Public safety <u>e/</u>	-	130	34	73	40	1065	7	281
Federal Highway Administration <u>f/</u>	-	-	-	-	55	644	-	-
Rural development <u>g/</u>	2251	-	-	9607	300	-	-	-
USAID local employees <u>h/</u>	<u>18</u>	<u>426</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>148</u>	<u>1717</u>	<u>175</u>
Totals	2618	3600	300	15,198	596	3378	1724	456
Total, all fields								27,870

a/ Agriculture: Rice imports reduced from approximately 74,000 MT to 30,000 MT. Lao:Thai vegetable production ratio increased from 40%:60% to 60%:40%.

ADO: Marked improvement in records kept by field agents.

Irrigation: Field survey teams now operating independently with Lao crew chiefs.

b/ Education: Improvement in teaching methodology and use of training aids in primary schools; improvement in administration by provincial education officials.

c/ Public health: Now over 700 medical technicians serving in areas where modern medicine unavailable previously.

d/ Public works: 40% increase in efficiency in use of equipment.

- e/ Public safety: An additional 1000 trained police operating in Laos, 750 in rural areas; communications much improved.
- f/ Federal Highway Administration: Ninety RLG employees completed 16-week training courses at the FDWA Training Center.
- g/ Rural development: A greater awareness in the rural areas of government-villager relationship and how to cooperate in development activities.
- h/ Number of foreign nationals employed by USAID decreased by about 150, or from 15% of the work force to less than 10%. Quality of work performed by local personnel markedly improved.

## INDUSTRY LOAN FUND

In 1967, USAID established the Industry Loan Fund (ILF), which is administered by the Development Bank of Laos. The Fund's purpose is to assist in developing the private industrial sector of the economy through loans granted on the basis of the technical, economic, and financial feasibility of a proposed enterprise.

In general, the Fund should not be compared with a commercial loan fund as its purpose and loan terms differ. As a development fund, it is intended to promote private enterprise and, at the same time, to contribute to stabilizing the economy. ILF is also designed to assist the Development Bank of Laos in developing procedures for industrial loans, such as methods of loan appraisal to assure that financial planning and management of proposed enterprises are adequate.

The Fund makes five-year loans to private investors at an interest rate of 11 percent. ILF is a revolving fund that requires, on repayment, 40 percent of the loan funds to revolve for other loan issuances after a reserve of 10 percent has been set aside from loan repayments to cover loss contingencies. Thus, approximately 60 percent of the loan funds return to the USAID counterpart fund for subsequent use. The bulk of revolved loan funds will return to the counterpart fund after 15 years, with full principal returning in 25 years. Loan terms require that investors make 30 percent investment, with an ILF loan providing the balance. Between 70 percent and 80 percent of the loan must be used to finance commodity imports under the U.S. Import Program (USIP).

The number of ILF loans has been relatively small; however, ILF has supported the USAID goal of stabilization by drawing equity funds from the private sector, thus reducing the amount of money available for consumption spending. The loan projects also increase employment and the productive capacity of the economy.

In 1969, ILF was expanded to include financing of mechanized farming loans that would bring into cultivation new farming lands to increase rice production. The Mechanized Farming Loan Fund covers

the purchase of land-clearing tractors which, after being used to clear the borrower's land, could perform custom land clearing at a profit to be applied to repayment of the loan interest and principal. These loans are limited to equipment financing based on 30 percent down payment by the borrower.

USAID has financed preinvestment studies of industries that are considered priority in the view of USAID and the Royal Lao Government. Based on the results of a 1968 study of a proposal by the Lao Wood Industries Company, Ltd., a loan of Kip 40 million was made to finance two-thirds of the cost of a model furniture factory. Four preinvestment studies have been made by the Development and Research Corporation under contract with USAID: agricultural industry, which covers manufacture of sugar, rice flour, animal feed, vegetable oils, and meat processing; an industrial park at Vientiane; footwear industry; and a preliminary appraisal of a small scale pharmaceutical industry.

## AGRICULTURE

Years of conflict in Laos have changed the production and marketing pattern for rice and other farm products. At the time of independence in 1954, 90 percent of the people produced their own food. In 1970, not more than 60 percent of the people who live under the Royal Lao Government grow the food that they eat. Agricultural production ceased to meet demand as increasing numbers of men were taken into the armed forces and increasing numbers of people were displaced by military actions. These shifts in the population have been accompanied by a movement of the people away from the rural areas and into occupations that are agriculturally nonproductive. The result in terms of the production and marketing of rice is the presence of areas of rice deficit which, in the absence of a marketing infrastructure, cannot be economically supplied from areas of rice surplus. This new production and marketing pattern for rice shapes the direction of agricultural development in Laos today. Rice as the staple of Laos and its most important crop continues to be the focus of agricultural development, but work to increase production now centers in those areas where supply does not meet demand. Where rice grows in plenty, emphasis is shifting to other crops that have a market value. These changing emphases are reflected first, in research as the prerequisite to the new and better technologies that transform traditional to modern agriculture, and secondly, in extension as the fundamental method of introducing change in an agricultural economy.

### Research

USAID assistance to the RLG Directorate of Agriculture began in 1955. The Directorate then consisted of two Lao officials who had been trained in the plantation agriculture introduced by the French. The commercial agriculture of Laos was primarily one of export crops with markets in the Vietnamese ports of Hanoi, Da Nang, and Saigon. There were no data on production methods and problems that could be used to assess the agricultural needs of Laos.

During the years between 1955 and 1957, new staff members were added to the Directorate. USAID undertook a training program that

was well worked out and met its quantified goals, particularly in extension. In 1957, the first elaboration of the management structure formed the three sub-Directorates Research, Extension, Irrigation, with new lines of specialization.

In research, the years between 1955 and 1966 are best characterized as a period during which a research infrastructure evolved and a limited technical competence developed. In 1967, the Bureau of Agricultural Research established the single priority goal of increasing rice production, and USAID joined with the Bureau in the effort to achieve a new technology that would help to meet the goal.

Today, agricultural research in Laos is a process of applied technology that uses the results of basic analytical work in the biology of the rice plant and adapts these results to Lao soil and skill. The rice fields at Salakham Research Center near Vientiane are planted in test plots of new rice strains that are the results of crossings between native Lao rice and the high-yielding varieties developed at the International Rice Research Institute in the Philippines. From these test plots come the seeds that the Lao farmer uses to increase his rice yield.

The process of adaptive research and training in adaptive research that began in 1967 produced a "package of rice technology" illustrative of the increase in rice production that can be achieved with improved seeds, fertilizer, insecticides, and modern farming methods. At the Salakham Research Center, 6.1 metric tons of rice per hectare have been produced under the same soil, climatic, and water conditions that yield the Lao farmer about 2 metric tons per hectare. The farmers' yield with the new technology can average between 4 metric tons to 6 metric tons per hectare. The farmers of about 60 villages now plant the improved seeds and use the fertilizer and insecticides that make up the "package of rice technology."

Salakham has now become a center for teaching rice technology. Personnel from the Bureau of Agricultural Research and extension agents train there for six months under a staff headed by two Lao instructors who studied at the International Rice Research Institute. They follow a course that simulates instruction at the Institute. In the classroom, they learn theory which they put into practice on demonstration plots that duplicate the growing cycle of rice from seedbed

to threshing. They work with the improved varieties of rice that are the most productive for Laos; they analyze the results of varying amounts of fertilizer used on new varieties and on native rice; they work with insecticides and pesticides to determine their effectiveness against plant infestation and plant disease. The method that was followed in the first class continues: The participants are tested at the beginning and end of the course. The results of training show that even with limited educational backgrounds that average about four years of elementary school, a staff trained in the methods of adaptive research can be developed.

During the past three years, training at Salakham has expanded to include a two-week course in seed technology, multiplication, and certification; a two-week seminar on program planning and evaluation; a two-week rice technology course for participants returning from studies abroad; and a one-month course for new recruits from the Israeli-sponsored Hat Dok Keo Experimental Farm who will become crop specialists.

Research at Salakham now enters a new phase that can be undertaken only because of the skills that were acquired in working with rice. Work in research shifts this year from its strict focus on rice production to encompass multiple-cropping techniques--the 365-day-a-year cultivation of a plot of ground planted to rice, vegetables, and other crops. About 10 hectares at Salakham are now planted to test plots of upland rice, corn, sorghum, soybeans, peanuts, sweet potatoes, and five kinds of vegetables. The varieties are the improved strains that have been developed in basic research programs in the United States, Thailand, Taiwan, and Indonesia. Following the selection of the most promising strains from the Salakham trials, these varieties will then be tested at other experiment stations: Nam Tan, Hat Dok Keo, Tha Ngon, and Se Done, where their performance under other soil and climatic conditions can be evaluated. Salakham will continue its function as the center for applied research in developing and distributing screened, improved strains of new crop varieties that are adapted to the soil of Laos.

## Extension

Agricultural extension agents are concentrated in those parts of the country that have the greatest potential for economic development in terms of markets, transportation, and security. On the Vientiane Plain, their work focuses on increasing rice production. In southern Laos, a region agriculturally renowned for the wide spectrum of crops that can be produced, emphasis is on introducing methods that will decrease costs of production and developing those crops that now must be imported to meet the demand.

During the years since the Agricultural Extension Service was established in 1956, the organization has become one with well defined goals and with training programs directed toward achieving those goals. To learn the new methods that increase rice production, once each year on a staff-rotating basis, eight extension agents attend the six-month course at Salakham Research Center. To learn to increase the production of crops other than rice, three extension agents work for three months at Hat Dok Keo Experimental Farm; eight extension agents are training in Thailand. Each year, 115 extension agents attend two-week inservice training courses in the field where specialized instruction of Salakham Research Center, Hat Dok Keo, and Thailand is repeated in miniature.

To teach the farmer how to produce more rice, the extension agents conduct training courses in the villages where for six days during the rains when the farmers are not working in the field, the growing cycle of rice is duplicated on a one-acre plot.

On the extension agent's skill, knowledge, and the results of the new methods that he introduces depend the farmers' acceptance of new agricultural techniques. With paddy-rice-field and farm demonstrations, the extension agent has convinced the farmer that he can produce more rice. On land that formerly produced one metric ton of rice per hectare, the yield is four metric tons when high-yielding rice seeds are planted and fertilizer and insecticides are used. On native rice, the yield is increased by 20 percent when fertilizer and insecticides are used. On land where no rice was produced during the dry season, the yield with irrigation can be four metric tons per hectare.

Most farmers grow vegetables for home consumption; however, since 1962 when extension agents began to distribute vegetable seeds and conduct demonstrations, the farmers have become increasingly aware of vegetable gardens as a source of additional income. The result has been a reduction in the import of vegetables from Thailand. About 60 percent of all vegetables for sale in the Vientiane market are now produced in Laos, an increase of 40 percent over the past eight years. Total vegetable production has increased 20 percent over the past two years near cities and towns where there is a market. On a limited scale, fruit, peanuts, cotton, hemp, tobacco, and coffee are now grown for home and commercial use.

Home economics extension work complements food production through village training courses in nutrition, home gardens, child care, and sanitation. Child nutrition centers have been established on a trial basis and they have proved successful. Their number is increasing.

### Irrigation

New large-scale irrigation projects no longer appear necessary to reach the goal of producing enough rice to meet the demand. On the Vientiane Plain, the increase in rice production that has been achieved through extension methods, fertilizer sales, and small irrigation systems indicate that the rice deficit can be met through more intensive wet-season farming. In rice-surplus regions such as southern Laos, new irrigation projects involving USAID support will be constructed only on land that is clearly intended for the cultivation of crops other than rice. In 1971, the emphasis in irrigation will be on operating, maintaining, and improving existing systems and on establishing water users' associations among farmers.

Irrigation in Laos has followed much the same evolutionary pattern as in other countries. The first irrigation systems were simple, easily constructed gravity diversions created by small dams of rocks, stones, and logs such as the Lao have built across streams for centuries. The first USAID contribution to irrigation in Laos consisted of construction materials and technical assistance in building

concrete and masonry dams or weirs to replace the less permanent structures. Over 170 small irrigation systems now provide water for about 18,600 hectares, of which about 9400 hectares can be fully irrigated during the dry season to produce a second crop. Twenty small systems which cover some 3000 hectares are now under construction; about 50 sites are under study to determine if development is economically feasible.

In cooperation with the Agriculture Development Organization, pumping projects have been installed in areas where farmers have organized associations to maintain the systems. Twenty-nine farmer associations operate systems that can irrigate approximately 1000 hectares. The 39 pumps that are installed were supplied by the British Government.

### Nam Tan

The people who live in the small villages of the mountain valley through which the Nam Tan and the Nam Phieng rivers flow are subsistence farmers who grow paddy and upland rice and hunt in the forest for food. Rainfall is inadequate to grow paddy rice without irrigation. In the past, the farmers have channeled hillside run-off water to their fields; they have built many short-lived brush dams on the Nam Tan and the Nam Phieng to divert water from the rivers.

The Nam Tan irrigation project was started in 1967 to alleviate the rice deficit in the Luang Prabang area. The canal system will provide supplemental water for rice production during the rains and water to grow rice and other crops during the dry season. A diversion-type dam of reinforced concrete was completed in January 1970; by May 1970, the 43 kilometers of distribution canals on the left bank of the Nam Tan River were completed and the 36 kilometers of distribution canals on the right bank are scheduled for completion in May 1971. The canal system will irrigate 3000 hectares in the wet season and 1000 hectares in the dry season. The farmers of the valley grew their first dry-season crop during the first four months of 1970.

Nam Tan has two distinct contributions to make to the economic development of Laos: First, as an area where agricultural production

can be increased through irrigation, and secondly, as an area of sufficiently high production potential to settle some 500 to 600 families to contribute to increasing agricultural production. A land committee of the Royal Lao Government grants each new farm family three hectares of land. The indigenous farmers can now claim the paddy fields that they have farmed as their own, and farmers with less than three hectares are granted additional land. Cadastral surveys of farms, old and new, are being carried out to establish farm boundaries.

As the irrigation system nears completion, the second developmental stage of the project begins. Extension workers are training farmers in the new methods of a production-oriented agriculture. At the Nam Tan Experiment Station, 30 hectares of land are reserved to develop multiple-cropping techniques. The farmers of the valley have been introduced to the concept of farmer organizations in the context of operating and maintaining the canal system; farmer organizations to cope with problems of credit, purchasing, and marketing are the next step.

### Fisheries

In Laos, where the average annual income per capita is about \$70 a year, fish sell in the market at a price often higher than that of competing meats, and the demand is high. Among the Lao, fish are the most important source of protein and protein deficiency is the single most important factor in Lao diet. At present, about 946,000 kilos of fish, or about 25 percent of the fish consumed, are imported annually.

Fish ponds were not unknown in Laos in 1967 when USAID entered into a contract with U.S. Consultants, Inc. to increase fish production in Laos; however, they were few in number. In those towns and villages where extension agents have demonstrated fish culture, the number of ponds have increased rapidly. They have proved not only a good source of protein, but also a source of additional income for the farmer. A spectacular increase in the number of ponds has occurred in Xieng Khouang where, from an isolated few in 1966, they have increased in number to over 4000 to meet a monthly average

demand for 40,000 to 50,000 fingerlings. Extension agents are now demonstrating fish culture in rice paddies as another readily available method of increasing fish production.

The three most important fish hatcheries in Laos are now equipped to produce their quota of fingerlings to stock fish ponds: Vientiane, 1,300,000; Pakse, 1,000,000; and Luang Prabang, 500,000. To meet the demand among farmers, the work at the hatcheries has focused on producing fingerlings. Emphasis is now shifting to the production of fish for the market. The goal for Vientiane is 35 metric tons; for Pakse, 30 metric tons, and for Luang Prabang, 5 metric tons. The proceeds from these sales plus a modest charge for the fingerlings will provide funds to operate and maintain each station.

### Livestock

The new breeds of swine and poultry that USAID introduced in Laos between 1963 and 1968 have significantly affected methods of livestock production. The swine breeds, which are now predominantly raised in urban areas, provide a foundation stock for the development of a livestock industry on the Vientiane Plain. USAID participation in increasing livestock production is now limited to assisting management and improving feeding practices at the Vientiane Swine Cooperative organized in 1970. There are now fifteen members; ten are distillers of rice alcohol who use mash for animal feeds and who are now feeding a total of 1500 pigs daily.

USAID assistance in maintaining animal health has had good returns. Outbreaks of animal disease can be properly handled by the Veterinary Medicine and Livestock Directorate. Diagnostic work that was formerly done in Bangkok can now be carried out at the laboratory in Vientiane and the Directorate is equipping the laboratory to produce bacterins and vaccines.

### Agriculture Development Organization (ADO)

In July 1964, with the rice deficit in Laos placed at 70,000 metric tons, the newly established Agriculture Development Organization

(ADO) distributed improved rice seed to farmers as its first official function. Today, ADO functions cover credit to farmers at reasonable rates, sale of fertilizers, insecticides, farm equipment, tools and machinery, and the warehousing, distribution, and marketing of rice. Organized in April 1964 as a joint venture of USAID and the Directorate of Agriculture, ADO was established by Presidential Decree of October 1965 as an organization "... to stimulate and promote development of agriculture in Laos."

Since its beginning, ADO has functioned under the broad policy of the Presidential Decree, emphasizing rice production and marketing rather than other agricultural products. Between 1965 and 1968, ADO established six provincial bureaus to manage credit sales of fertilizers, insecticides, and farm equipment and to advise farmers on their use. ADO has succeeded in encouraging the individual farmer to increase his rice production and in providing the agricultural inputs that increased production requires. For example, ADO began a fertilizer sales campaign in 1967. During the first year, 100 metric tons of fertilizer were sold; sales in 1969 totalled 2200 metric tons. ADO has made its contribution to reducing the 70,000 metric-ton deficit of 1964 to 23,000 metric tons in 1970; however, problems of marketing and distribution remain.

ADO is now concentrating its resources where rice production still does not meet demand. On the Vientiane Plain, approximately 22,500 hectares of relatively good soil with a progressive farmer population were chosen for a saturation program during the 1969 wet season. ADO and extension agents concentrated their efforts in this area to promote fertilizer usage, to introduce the most productive cultivation techniques, and to maintain market outlets for increased production. Although floods destroyed the crop on 3000 hectares, production increased by six percent over 1968.

Outlets for the sale of fertilizer and seeds have been established at nine locations on the Vientiane Plain. Beginning with the 1970 wet season, kits containing all the biological inputs needed to increase rice production became available for sale.

In July 1970, an important change took place in USAID's relations with ADO. Because of the new managerial skills that have been acquired by ADO's Lao staff, the concept of co-direction by the USAID

Chief of Agriculture and the RLG Director of Agriculture has been abandoned in favor of a seven-member administrative council. The four Lao and three USAID members now formulate ADO management policy and delegate day-to-day operations to an Executive Manager approved by the council.

### Agricultural Industry

Among its natural resources, the forests of Laos are the source of products that play an important part in the domestic economy and in export trade. Commercial exploitation of forests, for internal and export purposes, has focused on a few luxury and high-grade woods, and secondary forest products such as stick lac and benzoin. Except for teak, nearly all lumbering has been directed at the local market, with, until 1966, limited exports of lumber across the Mekong River to northeast Thailand. By opening up markets in Thailand, USAID participated in a dramatic expansion of lumber exports between 1966 and 1969:

<u>Year</u>	<u>Export Value</u>
1966	\$ 80,000
1967	746,000
1968	1,014,000
1969	917,882

Lumber exports have declined since 1968 because of the reduced demand in the Thailand market. Measures that might be taken to establish a lumber export market are an important part of a current USAID evaluation of the forestry sector.

Because of the lumber-export potential, the first loans approved by the USAID-financed Industry Loan Fund (ILF) were granted to three logging companies: Lao Timber Company, Vientiane; Lane Xang Timber Company, Savannakhet; and Se Done Timber Company, Pakse. The Lane Xang and Se Done timber companies are in their second operational year. Their logging roads are multipurpose: They are designed for the extraction of logs for several years; they then may be used for forest administration and management as well

as for general access to the forest areas. The logging companies have proved of economic benefit to the surrounding communities by providing employment for villagers and increasing rural economic activity.

Unlike the Lane Xang and Se Done companies, the Lao Timber Company has not proved a successful venture. Lack of security in its operating area has forced the company to suspend operations. A decision to liquidate was made by the company in January 1970.

A fourth ILF loan was granted in 1970 to the Lao Wood Industries Company, Ltd., Vientiane, to finance two-thirds of the cost of a model furniture factory. With the purchase of equipment imported in 1962 under the Australian Commodity Import Program, this Lao company has opened the first wood-treatment plant in Laos. In addition to meeting an immediate need for treated lumber, the plant introduces an important new industry that will permit the less expensive, plentiful varieties of wood to be substituted for the more costly, scarce varieties that are now being used for common construction purposes.

In 1969, the Royal Lao Government and USAID approved the establishment of a Mechanized Farming Loan Fund which, on the same terms as the ILF, will advance up to five-year loans to farmers or farmer groups to buy mechanized equipment including tractors and land-clearing machinery. This equipment will be used to expedite clearing and cultivation to increase agricultural production mainly on the Vientiane Plain.

## Appendix

### STATISTICS ON U. S. ASSISTANCE TO LAOS, FY 1970

U. S. assistance to Laos in FY 1970 totalled \$52.5 million. The purposes that these funds have served are illustrated by Fig. 1, which shows their distribution by category:

Stabilization, or those measures that have been taken to stabilize the currency and to control inflation in the monetized economy;

Security, or that assistance that is given to alleviate the effects of the war in Laos;

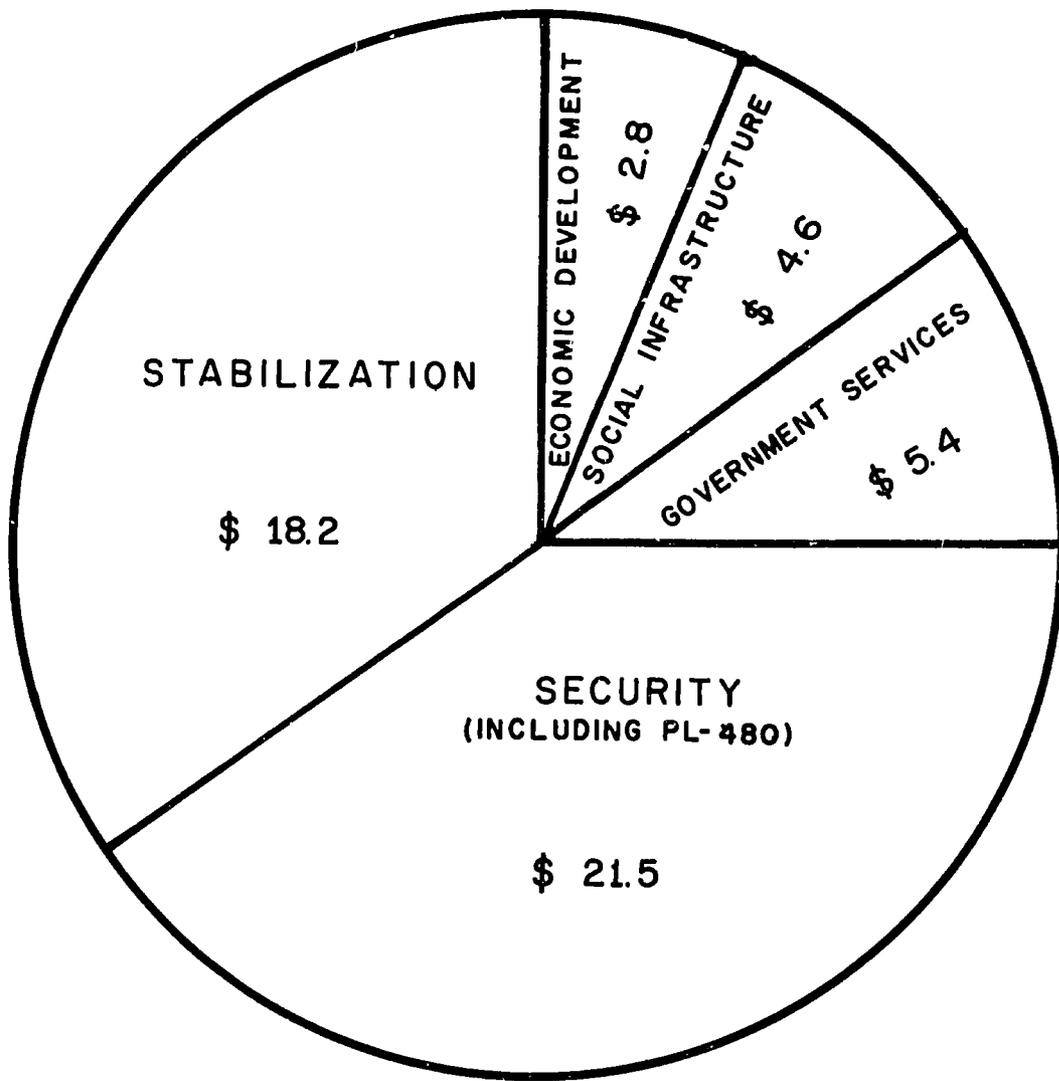
Governmental services, or those measures that are taken to assist the Royal Lao Government maintain a minimum level of services for its people;

Social infrastructure, or those measures that are taken to develop manpower resources and social institutions;

Economic development, or that assistance that contributes to increasing productivity in both the monetized and nonmonetized economy.

The statistical data that follow illustrate use of the funds that have been provided and results that can be expressed in quantitative terms.

The United States participates in those measures that are taken to stabilize the economy of Laos through its contribution to the Foreign Exchange Operations Fund (FEOF) and through the U. S. Import Program (USIP). Together, these funds total \$18.2 million or 35 percent of total U. S. assistance to Laos in FY 1970. In terms of economic stabilization, the FEOF contribution is by far the more significant.



( \$ Million )

Fig. 1. U.S. assistance to Laos by category, FY 1970

The major contribution of FEOF to economic stabilization in Laos is its success in controlling the inflationary pressures of the government's large budgetary deficits that are a concomitant of the war. FEOF has permitted the restraint of price increases in Laos to annual rates equal to or lower than the rates of increase in the most advanced of the world's economies: 5.8 percent in 1968, and 3.9 percent in 1969. Table 1 illustrates this stabilizing trend in consumer prices over the past decade.

Table 1

VIENTIANE CONSUMER PRICES 1960-1969<sup>a/</sup>

<u>Calendar Year</u>	<u>Index</u>	<u>Change from Previous Year</u> (%)	<u>Calendar Year</u>	<u>Index</u>	<u>Change from Previous Year</u> (%)
1960	22.7	15.2	1965	113.2	12.4
1961	23.1	2.6	1966	128.1	13.1
1962	26.6	15.1	1967	136.1	6.2
1963	50.9	91.3	1968	143.3	5.8
1964	100.7	98.0	1969	148.9	3.9

a/

Twelve-month average of Lao and European household consumer price indexes published by the RLG Statistical Office.

Base: 1964 (Lao) = 100.

Funds that were provided to alleviate the effects of the war in Laos totalled \$21.5 million or 40 percent of U.S. assistance to Laos in FY 1970. For the most part, these funds have been used to help 200,000 to 250,000 refugees survive. They have provided foods, medical supplies, temporary shelter, tools for clearing land, roads to relocation sites, transportation by air and surface.

USAID administers the contracts for the air services provided by Air America, Inc. and Continental Airways, Inc. In this capacity, USAID supervises scheduling, warehousing, and handling of cargo and passengers. Table 2 shows the number of aircraft (fixed wing, single and multi-engined and rotary wing) which have been used to help carry out the USAID program over the past four years. These aircraft transport cargo and passengers. They are used to airdrop food to refugees in remote areas of Laos and to evacuate refugees before enemy attack.

Table 2

CONTRACT AIRCRAFT

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
<u>Air America</u>				
Fixed Wing	27	28	28	33
Rotary Wing	21	21	25	25
<u>Continental</u>				
Fixed Wing	8	8	6	9

During 1970, these aircraft carried a total of 133,353,688 pounds of cargo and 110,871 passengers.

There are currently 118 operational landing sites within Laos. USAID has constructed the small short takeoff and landing (STOL) strips and has contributed to the construction of the airports that serve the larger towns.

More than any other USAID program, assistance to refugees calls upon total USAID resources. Table 3 illustrates the extent that USAID activities in public health, agriculture, education and rural economic development contributed directly to refugee assistance in FY 1970.

Table 3

**PROJECT ASSISTANCE TO REFUGEES**  
(\$ Thousand)

<u>Project</u>	<u>FY 1970</u>
Public health	2,637
Agriculture	132
Education	29
Rural public works	892
Rural self help	168
Well drilling	55
Nam Tan Irrigation	322

Funds that were provided in FY 1970 to assist the Royal Lao Government maintain a minimum level of services for its people total \$5.4 million or 10 percent of total U.S. assistance to Laos in FY 1970. Within this category are included hospital operation and support, building and replacing community schools, teacher training, wells, and public safety.

As over 80 percent of the estimated 1.7 million people in that part of Laos controlled by the Royal Lao Government live in villages or in the countryside, USAID assistance in maintaining governmental services has to a great extent focused on rural Laos. Table 4 and Table 5 illustrate progress in the rural economy in terms of rural self help. Table 4 compares FY 1965 with FY 1970 in terms of rural self-help construction projects; Table 5 in terms of the rural self-help contribution. Table 6 shows the extent of USAID activities in developing the rural economy over an 18-month period.

Table 4

RURAL SELF-HELP CONSTRUCTION PROJECTS

Construction Projects	Number of Projects completed	
	<u>By FY 1965</u>	<u>By FY 1970</u>
Classrooms <sup>a/</sup>	180	1751
Dug wells	40	569
Drilled wells	28	1039
Dispensaries	3	117
Roads (km)	261	499
Bridges	34	58
Markets	8	18
Small irrigation projects	15	60
Training centers	-	11

a/

In terms of student capacity, the 180 classrooms completed by FY 1965 accommodated 7200 students; the 1751 completed in FY 1970 accommodate 70,040 students.

Table 5

RURAL SELF-HELP CONTRIBUTION

	<u>In FY 1965</u>	<u>In FY 1970</u>
Villager man-days	75,000	700,000
Villager commodities (in Kip thousands) <sup>a/</sup>	12,000	195,000
Royal Lao Government contribution (in Kip thousands)	-	30,000
USAID contribution (in Kip thousands)	51,875	440,000

a/

Kip 500 = \$1.

Table 6

## DEVELOPMENT OF THE RURAL ECONOMY

USAID Activities, July 1, 1969--December 31, 1970

<u>Activity</u>	<u>Total</u>	<u>Location</u>							
		<u>Vientiane</u>	<u>Luang Prabang</u>	<u>Pakse</u>	<u>Savannakhet</u>	<u>Xieng Khouang</u>	<u>Sayaboury</u>	<u>Bon Houei Sai</u>	<u>Other Areas</u>
Dams and Irrigation Systems	35	9	8	2	7	-	3	2	4
Crop Demonstrations and Trials	105	30	4	7	20	-	8	2	34
Training Programs	115	42	5	16	6	1	26	2	17
Training Centers	8	3	1	3	-	-	1	-	-
School Construction (Classrooms)	1,293	237	105	235	168	502	22	20	4
Wells Drilled	194	22	7	85	34	4	-	17	25
Wells Dug	159	21	-	1	45	-	1	11	50
Hospital and Dispensary Construction	19	4	1	4	2	1	-	6	1

USAID assistance in maintaining and improving the Lao national road system has contributed to maintaining public services and to promoting economic activity in rural areas. Table 7 shows the USAID contribution to the road network from the beginning of the project in 1962 through 1970.

Table 7

USAID ASSISTANCE TO LAO NATIONAL ROADS

(Cumulative, 1962-1970)

<u>Road</u>	<u>Unit</u>	
Asphalt	km	198
All weather, gravel		1,247
Dry season		1,827
<u>Bridges</u>	<u>Number</u>	
Bailey		150
Timber		399

USAID has provided \$4.6 million, or 9 percent of U.S. assistance in FY 1970, as its contribution to developing manpower resources and social institutions in Laos. The use of these funds can be no better illustrated than by the progress that has been made in education and in training personnel.

Table 8

USAID ACCOMPLISHMENTS IN EDUCATION

Cumulative, through FY 1970

<u>Textbooks distributed</u>	3,176,564
<u>Elementary classrooms</u> constructed with USAID assistance	3,683
Total number of elementary classrooms in Laos (FY 70)	4,850
Percent of total number of elementary classrooms constructed with USAID assistance	76 percent
<u>Teacher Training schools</u> constructed with USAID assistance	9
Total number of teacher training schools in Laos (FY 70)	9
Percent of total number of teacher training schools constructed with USAID assistance	100 percent
<u>Secondary schools</u> constructed with USAID assistance	4
Total number of secondary schools in Laos (FY 70)	18
Percent of total number of secondary schools constructed with USAID assistance	22 percent
<u>Administrative facilities</u> constructed with USAID assistance	20
<u>Students enrolled in assisted schools</u>	203,183
Total number of students enrolled in schools in Laos (FY 70)	230,803
Percent of total number of students attending USAID-assisted schools	88 percent

<u>Teachers</u> completing courses in teacher training schools	4,219
Teachers and administrators provided in-service training	5,227
Teachers and administrators provided participant training	989
Total number of teachers and educational administrative personnel in Laos (FY 70)	7,906

From 1955 to 1960, USAID sent 831 participants abroad for study in the fields of agriculture, education, public administration, and public safety. At the end of FY 1970, a total of 2613 had received training as shown in Table 9.

Table 9

PARTICIPANT TRAINING, FY 1960 - FY 1970

Field	Number Trained in		Total
	U. S.	3rd country	
Agriculture	15	444	459
Education	39	950	989
Transportation	6	54	60
Public Administration	24	183	207
Public Health	3	324	327
Public Safety	63	318	381
Well Drilling	7	55	62
Rural Development	2	89	91
Industry Development	1	31	32
Miscellaneous	0	5	5
	160	2453	2613

By June 30, 1970, a total of 2005 USAID local employees and employees of the Royal Lao Government had completed courses at the USAID Training Center as shown by Table 10.

Table 10

USAID TRAINING CENTER

Courses and Personnel Trained<sup>a/</sup>

Training Courses	Number USAID Local Employees	Number RLG Employees	Total
English Language	863	329	1,192
Clerical procedures	161	2	163
Radio Operations	35	15	50
Mathematics	34	23	57
Typing - English	463	39	502
Accounting	23	-	23
Communications and Records	18	-	18
	1,597	408	2,005 <sup>b/</sup>

a/

The training described in this table is limited to that accomplished as a part of USAID's Manpower Development project. On-the-job training carried out under other USAID projects is described in U.S. Assistance to Laos, "Institutions and People," Table 2.

b/

In addition to the 2005 employees who have completed courses at the USAID Training Center, 30 USAID employees have trained abroad and 885 Lao secondary schools students have completed a 10-week period of on-the-job work experience in USAID and RLG offices under the USAID Summer Students Training Program.

In an agricultural economy, progress can best be measured in terms of increases in agricultural production. When high-yielding rice seeds are planted and fertilizer and insecticides are used on land that formerly produced one MT of rice per hectare, the yield is now four MT. The yield is increased 20 percent when fertilizer and insecticides are used on native rice. On land where no rice was produced during the dry season, the yield with irrigation can be 4 MT per hectare.

Table 11 illustrates the increase in fertilizer sales that has contributed to the increase in agricultural production; Table 12 shows USAID assistance in irrigation.

Table 11

AGRICULTURE DEVELOPMENT ORGANIZATION  
FERTILIZER SALES

<u>Year</u>	<u>Tons</u>
1966	50
1967	632
1968	982
1969	2036
1970 <sup>a/</sup>	1665

<sup>a/</sup> Decrease in fertilizer sales in 1970 reflects discontinuance of fertilizer sales in southern Laos as private suppliers of fertilizer entered the market.

Table 12

IRRIGATION

	<u>Cumulative, 1960-1970</u>
Projects	176
Area irrigated (in hectares)	
Wet season	12,932
Dry season	4,143

Since 1962 when extension agents began to distribute vegetable seeds and conduct demonstrations, the farmers have become increasingly aware of vegetable gardens as a source of additional income.

Table 13

VEGETABLE PRODUCTION<sup>a/</sup>

Year	Kilograms Produced in Laos	Percent of Total Market Supply
1965	89,154	49.6
1966	109,553	51.9
1967	132,150	54.3
1968	110,242	54.8
1969	103,570	55.8

<sup>a/</sup>

Based on market observations one day each month.

Table 14 summarizes U.S. assistance to Laos by sector, FY 1964-66 through FY 1970 and U.S. assistance for FY 1971 as planned.

Table 14

U. S. ECONOMIC ASSISTANCE TO LAOS<sup>a/</sup>

(\$ Thousand)

<u>Project Assistance</u>	<u>FY 1964-66</u>	<u>FY 1967</u>	<u>FY 1968</u>	<u>FY 1969</u>	<u>FY 1970</u>	<u>FY 1971<sup>b/</sup></u>
Agriculture	2,135	2,991	1,763	1,645	1,157	1,300
Irrigation	940	744	858	1,035	814	703
Industry	51	71	231	340	372	383
Lao National Roads	10,178	5,578	4,884	3,915	2,127	2,194
Rural Public Works	4,348	3,558	4,930	2,741	3,001	2,440
Public Health	7,283	1,698	2,667	3,444	4,755	4,700
Education	2,969	1,506	1,940	1,736	1,690	1,676
Public Administration	327	254	202	275	523	525
Well Drilling	1,751	703	475	394	141	250
Community Development	3,469	1,594	1,731	1,227	963	1,170
Refugee Relief	10,625	4,554	3,566	2,117	5,329	4,413
Air Support	26,663	6,395	6,400	3,060	5,823	6,823
Police	1,452	654	501	466	547	500
General Technical Support	13,094	5,339	5,239	4,915	4,578	4,721
Military Technical Support	<u>9,914</u>	<u>3,799</u>	<u>3,413</u>	<u>2,242</u>	<u>2,021</u>	<u>----</u>
Subtotals	95,199	39,488	38,800	29,552	33,841	31,798
<u>Nonproject Assistance</u>						
Foreign Exchange						
Operations Fund (FEOF)	17,681	13,800	18,600	19,200	16,600	16,800
U. S. Import Program	23,141	1,900	4,475	2,500	1,500	1,500
Invisibles <sup>c/</sup>	<u>8,501</u>	<u>1,545</u>	<u>1,025</u>	<u>783</u>	<u>---</u>	<u>---</u>
Subtotals	49,323	17,245	24,100	22,483	18,100	18,300
PL-480, Titles II and III (Surplus Agricultural Commodities)	2,400	1,200	800	800	600	1,938
Grand Totals	<u>146,922</u>	<u>57,933</u>	<u>63,700</u>	<u>52,835</u>	<u>52,541</u>	<u>52,036</u>

<sup>a/</sup>

This table does not include U. S. assistance to regional projects; e. g. the Nam Ngum Dam.

<sup>b/</sup>

Planned.

<sup>c/</sup>

Royal Lao Government official expenditure abroad.

Table 15

ASSISTANCE TO REFUGEES <sup>a/</sup>  
(\$ Thousand)

	<u>FY 1968</u>	<u>FY 1969</u>	<u>FY 1970</u>
Refugee Relief and Relocation	3,806	2,266	6,012 <sup>b/</sup>
Air Technical Support	4,000	2,236	3,872
Public Health	1,250	1,278	2,637
General Technical Support	1,050	1,086	1,657
Development of Rural Economy	675	1,048	1,115
Agriculture Development	460	485	454
Education Development	<u>24</u>	<u>24</u>	<u>29</u>
	<u>11,265</u>	<u>8,423</u>	<u>15,776</u>
Public Law 480 Commodities	<u>800</u>	<u>800</u>	<u>600</u>
Total	12,065	9,223	16,376

<sup>a/</sup> Includes local currency costs.

<sup>b/</sup> Includes \$500,000 contributed to the Foreign Exchange Operations Fund (FEOF) in exchange for Japanese rice contributed to refugee relief program.

## OTHER FOREIGN ASSISTANCE TO LAOS

For the past several years Laos has benefitted from a wide range of financial, technical, humanitarian, and commodity assistance offered by the many countries that are friendly toward Laos and interested in maintaining its stability and continued economic and social development. The bulk of assistance that donor nations have made available to Laos is concentrated in such activities as support of the Foreign Exchange Operations Fund (FEOF) to maintain monetary stability in Laos; teachers for several Lao schools and institutions of higher learning; scholarships to Lao students for study abroad; technical advisors to assist the several Lao Government Ministries; and financing major capital projects, such as the Nam Ngum dam.

This section describes the assistance programs of the several donor nations other than the United States and of international organizations in Laos. The record of U.S. participation in coordination with the other donor nations in the many multilateral and regional activities that are being implemented in Laos is included, however, so that the full scope of the international cooperation evidenced by these programs may be realized.

This section has been prepared with the assistance of the Commission General of the Plan and with the cooperation of the many Embassies and representatives of other donor organizations in Laos. The dimensions and magnitude of each program are described to bring about a greater understanding and appreciation of the efforts that are being made by many donors to contribute to the economic and social development of Laos.

### Regional Planning

Since 1957, the four riparian nations of the Mekong Basin--Laos, Thailand, Cambodia, and Vietnam--have been working closely together under the auspices of the Mekong Committee and in cooperation with the United Nations Economic Commission for Asia and the Far East (ECAFE) to coordinate and promote a program of economic development that emphasizes regional cooperation and planning.

Multilateral assistance under international sponsorship is sought for projects which promise benefits to more than one nation and thus induce stronger regional ties throughout the Mekong Basin.

A number of studies and some projects, notably the Nam Ngum dam in Laos, have already been undertaken by the Mekong Committee. The Amplified Basin Plan for coordinated Mekong development, which has been worked out by the Mekong Committee, envisages construction of a series of dams, hydroelectric plants, and irrigation schemes along the Mekong and its tributaries. These will take perhaps 25 years to implement and will cost several billions of dollars.

### Nam Ngum

The Nam Ngum dam, the first major multilateral, regional project to be implemented under the auspices of the Mekong Committee, is now under construction by the Japanese contractor Hazama-Gumi at a site 40 miles north of Vientiane. The dam will be a concrete gravity-type structure 75 meters high. With its accompanying powerhouse it will be capable of producing 30,000 kw of energy in the initial stages of the project. Although Nam Ngum is conceived as a power project only, irrigation of the Vientiane Plain will be possible, using Nam Ngum energy to pump water from both the Mekong and Nam Ngum rivers. Construction at the damsite has been under way since October 1968 with completion scheduled for December 1971. At the moment, the project is a little over half-completed.

A power transmission line extending from Thailand to the damsite, constructed as part of the project, is now delivering Thai power for Vientiane city requirements and for dam construction. Under a unique international agreement the power is being loaned by Thailand to Laos with repayment to be in kind once Nam Ngum power is in production.

The project is financed by grants from a consortium of nine donor nations which has already pledged some \$30 million of the estimated \$31 million cost of the first stage of construction to the administrator of the project, the International Bank for Reconstruction and Development (IBRD). The main works now being erected will cost \$14.5 million with the remaining funds being applied to construction of the power house, transmission lines, and bridge across the Nam

Ngum River to the damsite.

Donors to the Nam Ngum fund are

United States	\$15,565,000
Japan	4,962,000
Netherlands	3,770,000
Canada	2,000,000
Denmark	780,000
Australia	628,000
New Zealand	350,000
France	600,000
	<hr/>
	\$28,655,000

In addition to the grants from the above donors, Thailand is supplying \$1,250,000 worth of cement to the project. This loan will be repaid with power when the project is completed. Japan has also provided \$315,000 for the design work. About \$1 million more may have to be raised to finance the project completely.

### Pa Mong

The United States has spent almost \$14 million in preparing (in cooperation with Laos and Thailand) the feasibility study for the key project of the initial phase of Mekong development--the Pa Mong dam. If the decision is made to construct this \$1.455 billion dam 25 kilometers upstream from Vientiane, the benefits that will be derived from it are immense--4,800,000 kw of power capacity plus water available for irrigating perhaps as many as two million hectares in Laos and Thailand. The Pa Mong Stage One Feasibility Report was completed by the U. S. Bureau of Reclamation in March 1979, while the final Phase II report should be completed by June 1971. It will probably be several years before a final decision is made by Laos and Thailand to undertake the project.

It is estimated that once a decision has been made to proceed with construction of Pan Mong, approximately four years will be required for preconstruction planning and eight years for the construction of Stage I, after which electrical production of 600,000 kw would

begin at the dam. An additional nine years would be required to install all generators and to achieve maximum production of 4,800,000 kw. If constructed, Pa Mong would be one of the largest dams in the world. It would be capable of producing more electrical energy than the Grand Coulee and High Aswan dams combined.

### Asian Development Bank

One of the achievements of ECAFE was the establishment of the Asian Development Bank (ADB) in 1966 to finance various types of development activities with both "hard" and "soft" loans and to provide technical assistance, usually on a grant basis, both for the implementation of projects and for the preparation of various types of studies.

In 1969, the ADB made its first grant to Laos: \$250,000 for preparing a feasibility study of the development of extensive agricultural activities on the Vientiane Plain. The study recommended construction of a number of irrigation projects. First priority was given to the Tha Ngon Development Area, an 800-hectare site 25 kilometers north of Vientiane designed with Japanese assistance. In 1970, the ADB agreed to lend the Royal Lao Government approximately one-half of the cost of the project, with Japan granting most of the remainder. The ADB loan amounted to \$973,000 with repayment in 40 years, 10 years grace period, 1-1/2 percent interest. In addition to the loan, the ADB will provide as a grant the services of a team of experts to assist with the final design and implementation of the project. This grant is valued at \$275,000. This project is discussed in the section describing the Japanese assistance program.

The ADB is now investigating other projects in Laos that might be eligible for Bank assistance. In January 1971, a team will arrive in Laos to look into the needs of Electricité du Laos in expanding the electrical distribution system of Vientiane. In February 1971, the Bank will present to the Mekong Committee its findings on the feasibility of the Nongkhai-Vientiane bridge across the Mekong. Thailand and Laos have jointly sought the aid of the Bank in assessing this project. The Bank also has under preliminary study a request from the Royal Lao Government for a loan to upgrade the Vientiane water system.

### Other Regional Projects

In response to the request of the eight-nation Coordinating Committee for Southeast Asian Transport and Communications, the United States through its Office of Regional Economic Development (RED) in Bangkok agreed to provide \$100,000 to investigate the feasibility of developing in Laos a "backbone" telecommunications system. This system would link all the major cities of Laos for the first time with a modern communications system and connect the Lao system to that of Vietnam, Thailand, and possibly Cambodia. The United States is now considering financing the recommendations of the report and implementing a joint USAID/PTT program to develop the new communications system.

Another regional activity of direct interest to Laos is the Mekong Ports Improvement Project which, if implemented, promises substantial immediate benefits. The program proposes development of a series of improved Mekong River ferry crossings and river port facilities at Ban Houei Sai, Luang Prabang, Thadeua (Sayaboury), Thakhek, Savannakhet, Pakse, and Muong Kao in Laos, and Mukdhan and Nakhon Phanom in Thailand. It is hoped final project approval will be obtained in early 1971 with construction to begin shortly thereafter.

Development of the Nam Ngum fishery will also probably begin in 1971 as a joint effort of the Royal Lao Government and the United States through its regional program. In cooperation with the Mekong Committee, plans are presently being developed for the project. These involve construction of landing and fish-packing facilities as well as development of a hatchery for the production of commercially desirable varieties of fish.

### United Nations

The United Nations (UN) through its family of specialized agencies has been assisting Laos since 1952. The UN staff in Laos at present is made up of about 43 technicians, advisors, and medical personnel who administer programs of several UN agencies, the most important of which are the United Nations Development Program (UNDP), Office of Technical Cooperation (OTC), World Health Organization

(WHO), International Labor Organization (ILO), Food and Agriculture Organization (FAO), and International Monetary Fund (IMF).

Table 1 shows the financial resources that have been administered by the various agencies of the United Nations in Laos for the past few years:

Table 1

(\$ Thousands)

Calendar Year	UNDP (Technical Assistance)	OTC	WHO	ILO	IMF	UNICEF	Total
1966	500	60	92	--	--	50	702
1967	500	56	99	--	--	71	726
1968	500	34	123	20	--	57	734
1969	485	42	251	20	24	50	872
1970	584	42	204	--	48	90	968

In addition to the UNDP Technical Assistance program, there is also the UNDP Special Fund whose monetary resources are incorporated in the regional projects administered by ECAFE and the Mekong Committee. The Special Fund, which confines itself to the more costly projects of a preinvestment nature, has as its goal capital investment programs, and its projects, therefore, consist mainly of natural-resource surveys, feasibility studies, and establishment of advanced technical training and research institutions in cooperation with the requesting government.

Under the Special Fund, the United Nations provides technicians on an ad hoc basis from its regional staff at ECAFE in Bangkok and finances study teams for work in Laos and the other three riparian countries of the Mekong. Perhaps the most significant study undertaken under Special Fund sponsorship in Laos has been the survey to determine the mineral resources of western Laos; this was completed in 1969.

UNDP Technical Assistance and the regular programs of the specialized agencies, although including a number of medium-term projects, such as the Arts and Crafts Center, generally consist of one or two experts who advise on a particular problem for one to two years and train nationals of the country to carry on their work after they leave. For example, in Laos, there are advisors of this type assigned to the Commission of Rural Affairs (community development), the Prime Minister's Office (public administration), Ministry of Finance (cadastre), Ministry of National Economy (small industry), Ministry of Social Welfare (labor legislation), and Directorate of Agriculture (veterinary medicine).

In addition to assigning technicians to assist the Royal Lao Government, the UN family of organizations also provides funds for seminars and regional conferences, fellowships for further study abroad, and a very limited amount of commodity support.

The 13 members of the WHO staff (some financed by UNDP and others by the regular program of WHO), are assigned to several different health activities. These include three instructors at the Mahosot Nurses Training School, four doctors who instruct at the Royal School of Medicine, one physiotherapist at the Orthopedic Center, and other advisors and instructors who assist with the development of public health statistics, maternal and child health services, urban sanitation services, and antimalaria activities. The WHO activities have been expanding rapidly in the past few years; its budget has increased from \$92,000 in 1966 to approximately \$204,000 in 1970.

The UNDP is exploring the possibility of assisting in establishing a training center for forest rangers at the National Education Center at Dong Dok near Vientiane. The project would be carried out in cooperation with the Australian and Canadian forestry teams. The UNDP is also seeking approval for establishment of a telecommunications training school in Vientiane to assist in developing the technicians that are required by PTT, Civil Aviation, and National Radio. In 1971, a new program will be instituted at the National Education Center by UNESCO to assist with curriculum development and, in particular, to introduce programmed education techniques. At least four UN experts will collaborate in developing this program.

## Private Foundations

The Asia Foundation is essentially a small-grant organization that seeks to perform a catalytic role by encouraging innovation and cooperation in development and social activities. All projects supported are conceived and carried out by Lao or Lao institutions. Foundation assistance, in amounts ranging from \$100 to \$15,000, normally is for a limited period; if it is continued for more than one year, the Foundation's role is expected to be a decreasing one as local support is attracted for the project.

The Foundation has operated in Laos since 1959, devoting in all about \$1.5 million to its projects; recent expenditures have varied between \$150,000 to \$200,000 annually.

The Foundation's current program includes among its many activities the development of youth centers by constructing facilities, supporting training programs for youth leaders, and providing financial support for athletic competitions. Assistance is given to development of the legal and administrative systems of Laos through grants for advanced study in Thailand and the United States for Royal Lao Government officials concerned with public administration and the teaching of law. The Foundation also supports programs for development of Lao literature and libraries, Lao classical dancing, weaving and wood carving. Vocational training for veterans and participation in the support of the Ban Amone Rural Training Center are other significant Foundation activities.

World Vision Inc., since the initiation of its program in Laos over one year ago, has brought to Laos over 750 tons of food stuffs, vitamins, and medical supplies. The commodities, 90 percent of which are such items as canned meats, prepared dinners, baby foods, milk, etc., are donated to this humanitarian and charitable organization for the most part by manufacturers in the United States. A.I.D. pays the ocean transportation to Laos and assists with the distribution of the commodities to refugees in Laos. The value of the items provided to date is about \$800,000.

Catholic Relief Services (CRS) has been distributing food and clothing to persons in need in Laos since 1957. Over \$3.5 million

worth of food alone has been provided since the inception of the program with annual distributions totaling about \$240,000 at present. The powdered milk, bulgar wheat, corn meal, and flour provided makes possible feeding programs for mothers and preschool-age children, school lunches, charitable institutions, lepers, and war-generated refugees. The food itself is surplus U.S. agricultural commodities donated to CRS for distribution overseas through the PL-480 program.

The Dooley Foundation has been providing medical care and services in Laos for over ten years. Although formerly staffing and maintaining hospitals at Ban Houei Sai and Khong Island, the Dooley Foundation is at the moment concentrating its efforts and program on bringing medical assistance to villages along the Mekong in the vicinity of Vientiane-Paksane and Pakse-Champassak by means of two river boats donated by supporters in the United States and specially equipped as floating clinics. Many of the Dooley staff are volunteers and all of its estimated \$200,000 annual budget comes from private donations.

### France

France contributes the second largest amount of foreign assistance to Laos each year, providing an estimated \$6 to \$7 million annually, a level somewhat lower than in the past.

Three separate agencies administer the various sectors of the French assistance program. The French Military Mission (MMF), which has been gradually declining in size in recent years, presently has a staff of about 90 officers and enlisted men. Established under the Geneva accords, the MMF provides training and advisory services, but no military equipment, to the Royal Lao Army. The Economic and Technical Assistance Mission (MAET) with its staff of 70 provides the services of engineers, doctors, advisors, and other technicians to almost all the Royal Lao Government ministries, public utilities, and major educational institutions. About 280 French school teachers are assigned by the Cultural Mission to the lycées, teacher training school, and other secondary education institutions throughout the country. About 35 of these teachers are volunteers--

Cooperants du Service National--paid by the French Government, who have chosen to serve in Laos in lieu of military service. The staff of the MAET also includes about 20 such volunteers.

The number of teachers assigned to Laos at the moment represents a reduction of over 10 percent from the staff level of last year. This decrease reflects implementation of the new Franco-Lao policy of striving for greater program effectiveness by reducing the number of less-skilled foreign personnel and devoting the funds saved to improving physical facilities and training more Lao instructors as assume increased responsibilities for teaching in the higher-level institutions.

Traditionally, France has assigned a high priority to providing extensive financial and professional assistance to almost all the higher level schools in Laos. In addition to providing teachers and educators, many of the classrooms, laboratories and other physical facilities have been constructed or furnished by France. Recent projects include construction of the Royal School of Agriculture on which about \$300,000 has been expended. The Royal School of Law and Administration will have a 200-seat amphitheatre in 1971, while the Vientiane Technical College and certain provincial technical schools will receive from France donations of needed machinery and equipment valued at \$36,000 in 1970, the same amount that was made available to them in 1969. The Centre Lambert, the technical training school of Electricité du Laos, was developed and equipped by France and continues to receive extensive physical support and the services of a number of French instructors. The physics and anatomy laboratories of the Royal School of Medicine were recently equipped by France as a step in the recently instituted program being carried out by the faculty of the University of Lyon to upgrade the school to the level of a doctorate-granting institution, the first in Laos.

As well as donating numerous books annually to the secondary schools, France has been providing each year a large credit to facilitate the importation of French books. Scholarships for training in France are another significant portion of the French educational program, with about 100 awards being granted to Lao students each year.

In addition to educators, several French experts and advisors are assigned to a number of offices and instrumentalities of the Royal

Lao Government such as the Commission for the Plan, the Ministry of Finance, and the National Bank of Laos, while other technicians and administrators assist with the operations of the telephone, electric, and water companies.

As well as assistance to technical and educational institutions, France continues to assist major capital projects. In 1966, France contributed \$600,000 toward the construction of the \$30 million Nam Ngum dam. In the same year, a credit agreement was successfully negotiated between France and Laos providing for loans and credits totaling 15 million francs (\$2.7 million) for several projects. Some 6 million francs (about \$1 million) of the credit was made available for construction of the 2550 kw Selabam dam near Pakse, the first hydroelectric project in Laos. In addition to the loan made for twenty years at one percent interest, France granted the equivalent of \$400,000 in technical services and assistance with design of the structure, which was completed in February 1970. At present, a smaller structure, the Nam Dong dam, is under construction near Luang Prabang, also partially financed by the 1966 loan. The Royal Lao Government provided the labor and cement for both projects.

The 9 million franc commercial credit is repayable over a five-year period at a rate of 6 percent. With these funds, the underground telephone cable network of Vientiane is presently being rehabilitated and the 800-line Vientiane telephone system is being expanded to 2000 lines. In October 1970, the Royal Lao Government and France signed a protocol under which loans totaling up to 13.2 million francs (\$2.4 million) will be negotiated in the future for two important projects. The great bulk of the loan (11.25 million francs) is to be devoted to improving aero navigation and communications equipment and terminal facilities at Wattay Airport in Vientiane. Further improvements to the local telephone system, valued at 2 million francs, will also be made. One-half of the total funds of the loans will be provided by the French Government at an interest rate of 3 percent for a 20-year term with a five-year grace period. The remaining half of the funds will be provided by private sources for five years at commercial rates of interest.

In 1970, the French Committee for the World Campaign against Hunger, a private humanitarian organization, donated 30 tractors,

4 bulldozers, several trucks and assorted agricultural implements to the Royal Lao Government for use in resettling thousands of war-generated refugees on the Vientiane Plain. In 1968, the same organization donated 5000 tons of rice, 30,000 roofing sheets, and a large quantity of canned milk and drugs, also for refugee relief.

In addition to its bilateral assistance to Laos, France has participated in the currency stabilization program of FEOF since 1964 in cooperation with Australia, Japan, the United Kingdom, and the United States.

### Japan

In 1958, Japan's assistance to Laos began with an agreement under which Japan provided two vitally needed projects to Laos with a total value of \$2.8 million. The first was a 3000-kw diesel-generating plant, and the second, a water-filtration and distribution system, both located in Vientiane. In 1965, with the completion of the latter project, the quantity of Japanese assistance provided Laos has become increasingly significant. Japan joined with eight other nations in signing the Nam Ngum agreement in 1966, donating as its share \$4,962,000 of the \$30-million total cost of the project. Previously, the design work of Nippon Koei Ltd., valued at \$315,000, was provided by Japan. Japan has also been participating in FEOF since 1965, contributing \$1.7 million each year from 1966 through 1969 and \$2 million in 1970.

Again utilizing the services of Nippon Koei Ltd., Japan made available \$141,000 for the feasibility study of the Vientiane-Nongkhai Bridge across the Mekong. Financing for the construction of the bridge is being jointly sought by Thailand and Laos from the Asian Development Bank. A major construction project completed in 1970 was the 1000-meter extension of the runway at Wattay Airport, which increased runway length to 3000 meters, which made it possible for international jet aircraft to serve Vientiane. This project was funded by grants from Japan of \$800,000 foreign exchange and about \$400,000 in kip generated by Japan's contribution to FEOF. Japan now has under consideration a request from the Royal Lao Government to extend the aircraft-parking ramp and taxiways and to construct highspeed turnoffs at Wattay.

In 1969, Japan agreed in principle to construct a telecommunications link between Vientiane and Nongkhai valued at \$90,000 which will provide Laos with a modern and efficient microwave connection with the communications system of Thailand. Construction will begin in early 1971 after the signing of the formal agreement.

In 1966, the Japanese Overseas Technical Cooperation Agency (OTCA) established the Lao-Japanese Demonstration Farm on a site near the village of Tha Ngon on the bank of the Nam Ngum River, 25 kilometers north of Vientiane. At present the farm is staffed by three Japanese experts, seven Japanese youth volunteers and about 20 Royal Lao Government officials and technicians. They are engaged in agricultural training and testing in irrigation techniques, horticulture, livestock production, and other specialties. The Government of Japan in cooperation with some private enterprises in Japan provides the operating budget and equipment required by the farm.

In 1968 and 1969, the OTCA prepared at a cost of \$128,000 a study and plans for an 800-hectare irrigation project and development area adjacent to the demonstration farm. The project, which will be the first major irrigation project on the Vientiane Plain, is designed not only to produce two crops of rice but also fruits and vegetables to help meet the demands of the Vientiane market, which are still to a great extent satisfied by imports from Thailand. Water for irrigation required by the project will be taken from the Nam Ngum River with pumps powered by electricity generated at the Nam Ngum dam upstream from the Tha Ngon project. It is expected about 400 families will be settled on the project; a large number will be those families displaced from the Nam Ngum reservoir area.

The project (not including the experimental or pilot farms) will require \$1,957,000 in foreign exchange and local currency to develop. Of this sum, Japan has agreed to grant \$200,000 in foreign exchange and about \$373,000 in kip. The kip will be generated for the most part by Japan's FEOF contribution with the balance being produced by sale of commodities donated by its "Kennedy Round" contribution. To fund the balance of the project requirements, the Asian Development Bank in April 1970 agreed to lend Laos \$973,000 in foreign exchange at an interest rate of 1-1/2 percent, 40-year term, with ten

years grace period. In addition, the Bank will provide the services of technical advisors and consultants to the project to prepare the final designs and direct construction. These services are valued at \$275,000.

To be constructed in conjunction with the Tha Ngon Development Project will be the 100-hectare Tha Ngon Pilot Farm to which Japan will appropriate over a five-year period almost \$1 million in capital and operating costs; \$860,000 in foreign exchange will be required and about \$130,000 in kip. On the pilot farm, the new techniques and practices that must be adopted to make the development area a success will be taught to farmers in a more typical agricultural situation than that of the demonstration farm.

In addition to its important effort at Tha Ngon, Japan is providing through the Colombo Plan the services of two experts in sericulture to investigate the possibilities of developing silkworm production in Laos. As well as the seven youth volunteers--Japanese Overseas Cooperation Volunteers--stationed at Tha Ngon, there are about 63 others assigned to almost every sector of the Royal Lao Government: public works, agriculture, sports, information, PTT, livestock production, social welfare, etc.

Japan has provided significant quantities of commodity assistance to Laos under various programs in the past few years. In 1968, some \$200,000 worth of agricultural equipment and \$300,000 worth of rice for relief purposes was donated under the "Kennedy Round" program. In 1969, \$500,000 worth of rice was provided to Laos for refugee relief which allowed the United States to divert the same amount from its refugee program as a supplementary donation to FEOF. In 1970, some \$500,000 worth of agricultural equipment was provided Laos to be sold for kip by the Agricultural Development Organization. The kip from sales is in turn sterilized for use at a later date for local costs of development projects organized by Japan. Humanitarian assistance to refugees in the form of drugs and goods valued at \$30,000 was also provided in 1970.

Future projects which may attract Japanese support in the form of loans include the extension of the generating capacity of the Nam Ngum dam from 30,000 kw to 105,000 kw, which is estimated to require \$16 million, and construction of a cement plant at Ban Thalat

which may cost \$4.5 million. In 1971, Japan agreed to a new "Kennedy Round" program which will make available \$200,000 worth of agricultural implements for the refugee-relief program of the Royal Lao Government. Consideration is also being given to making available for refugee relief other items of Japanese equipment already imported into Laos under earlier "Kennedy Round" programs.

### Germany

German assistance to Laos is characterized by two principal activities:(1) construction, maintenance and staffing of the Lao-German Technical School in Vientiane, and (2) provision of substantial soft loans for improvements to the electrical and water systems of the major cities of Laos.

The Lao-German Technical School, organized in 1964, now has an enrollment of about 150 students and a teaching staff of 24 which includes 7 German and 17 Lao instructors. Of the Lao instructors, 10 have received extensive training in Germany; 5 Lao are presently in Germany receiving training and 4 more will be sent this year. On their return to Laos, all will assume teaching positions in the school.

The school provides students with a three-year course of study with training offered in metal working, auto mechanics, plumbing, and electricity. At present, four new buildings financed by Germany are under construction at the school, including a new workshop, classrooms, and a dormitory. With the completion of the new facilities, the enrollment of the school will be increased to 200 students of whom at least 60 will be able to reside in the new dormitory.

In addition to its support of the school, Germany has participated with Great Britain and Australia in the development of Lao National Radio. Germany contributed in 1967 one 24-kw shortwave transmitter for use in Vientiane and two 10-kw mediumwave transmitters for Pakse. Three German experts were assigned initially to Laos for the installation of this radio equipment; at the moment, one remains, who will continue to assist with this program for one more year.

In December 1965, Germany granted Laos a credit of DM 20 million (DM 3.65-\$1) for a 30-year term at an interest of 3 percent for

improvements to and expansion of public utilities in Laos. DM 16.5 million of the loan was applied to the purchase and installation of new Germandiesel generators in Vientiane capable of producing 8000 kw. The balance of DM 3.5 million plus an additional amount of DM 100,000 was utilized in improving the water distribution system of Luang Prabang. In September 1970, a new loan in the sum of DM 6 million was made to the Royal Lao Government for a term of 20 years at an interest rate of 2-1/2 percent. These funds will be applied toward the first stage of the rehabilitation of the Vientiane power distribution system; additional funds for the later stages of this project may be sought from both Germany and from the Asian Development Bank.

Related to its interest in improving the water and power systems of Laos, Germany has awarded scholarships for training in Germany to two employees of Electricité du Laos and one of Société des Eaux, the water company.

### United Kingdom

In its position as Co-Chairman of the 14-nation conference on Laos and because of its continuing desire to promote political and economic stability in Southeast Asia, the United Kingdom has endeavored to maintain an important economic assistance program in Laos. Since the establishment of its Embassy in Laos in 1954, Britain has contributed over \$25 million to Laos, the great bulk of which has been financial aid with the remainder being technical assistance.

Because of a general constriction of worldwide British aid activities in the last few years the level of assistance to Laos has dropped from a high point of about \$6 million in one year to its present level of \$2.5 million annually. As the major portion of its assistance in 1970 Britain has again contributed \$1.7 million to FEOF as it has each year since the inception of FEOF in 1964.

The most important British program after FEOF, and perhaps its most successful technical assistance effort, has been the development of Lao National Radio. As part of the multilateral International Aid to Radio project, a nationwide radio network has been established, very largely at British expense, with broadcasting and relay stations

at Vientiane, Luang Prabang, and Pakse. The last two stations were handed over to the Royal Lao Government in 1969. Britain has contributed about \$2 million to this activity and continues to support it with the services of an advisor, four British engineers, three other experts and instructors, plus three graduate VSOs (Volunteers for Service Overseas). British support will continue for at least three more years.

In addition to its advisory activities, a long-term training program for radio technicians has been organized by the British. Training in degree-granting courses will be provided for four Lao radio engineers in Britain this year and programmers will be given short-term training with the BBC. Other students to receive training in Britain this year include an electrical engineer, an agriculturist, a photogeologist, and civil aviation personnel.

Two technical assistance activities of several years' duration in Laos, organized under the Colombo Plan, were phased out in 1970. The British medical team which had in part built, supplied, and staffed small hospitals in Luang Prabang and Thakhek handed over their project to the Royal Lao Government and the last British doctor withdrew at the end of October. An advisor to the Ministry of Social Welfare, who had worked closely with the refugee relief program for the last seven years, completed his assignment in September.

Colombo Plan advisors who remain include two specialists in English-language teaching, one at the College of Law and Administration and the other at the Ecole Supérieur du Pedagogie. An expert in bookbinding has just arrived to begin his two-year assignment with the Lao National Press to which Britain has also just presented two new pieces of equipment--a folding machine and an automatic book-binder. It is anticipated that this new advisor will advance the program to produce more textbooks in Laos and thus achieve a savings in foreign-exchange expenditures on overseas purchases of school and college textbooks.

In addition to Colombo Plan experts, the United Kingdom has a team of some 18 young volunteers (VSOs), all of whom are university graduates, presently in Laos. This number represents an increase of four over last year's complement. Except for those working with Lao National Radio, all teach English at various lycées and

teachers' colleges throughout Laos.

In 1969, as in the previous year, Britain supplied about \$100,000 worth of agricultural pumps, rice dryers, and tractors to the Agricultural Development Organization in continued support of the accelerated rice production program. Related to this assistance to the agricultural sector, Britain will contribute, beginning in 1971, \$90,000 towards construction of a plant pathology laboratory being developed jointly with the Royal Lao Government Directorate of Agriculture and USAID.

In cooperation with the Mekong Committee and the Royal Lao Government, Britain has agreed to implement a photogeological mapping activity of most of western Laos. Working from aerial photographs, two photogeologists of the Institute of Geological Sciences in Britain will prepare maps of much of northern and western Laos, and also provide training in Britain to one or two Lao counterparts. It is expected the project will require three years to complete.

The United Kingdom Commodity Import Program (UKIP) has in the past provided subsidized imports to Laos. This program, which funded about \$10 million worth of imports between 1963 and 1969, has been virtually phased out and replaced by project aid, training, and advisory services.

#### Canada

Since the withdrawal of most Canadian personnel from Laos in early 1970, Canadian assistance to Laos is presently administered by the Canadian International Development Agency from its offices in Saigon. Since the inception of the Colombo Plan, Canadian bilateral aid to Laos has totalled about \$2 million. An additional \$2 million was donated to the Nam Ngum dam consortium plus \$1.3 million for the aerial survey of much of the Mekong Basin in Laos to develop the basic data for use in preparing further Mekong development plans.

Recently, the most significant Canadian bilateral assistance efforts have been in the fields of education and forestry in Laos. At the moment, about 30 Lao students are attending Canadian technical

schools or universities under scholarships awarded by Canada; about 20 more scholarships may be provided next year for suitable candidates. It is expected that many of the engineers, technicians, and administrators required for the operation and maintenance of the Nam Ngum dam will benefit from study in Canada. At the moment, eight Lao who will be assigned to Nam Ngum on their return are studying various aspects of electrical engineering in Canada. In addition to their classroom study, they will also be given the opportunity to gain practical work experience through extended periods of on-the-job training at various hydroelectrical installations in the French-speaking areas of Canada. Because of its unique position as a bilingual nation, Canada is in a particularly flexible position to offer training adapted to the linguistic background of the student. Most Lao have opted for study in French on winning a Canadian scholarship.

For the past three years, Canada has been a major participant with Australia and the United States in the joint forestry inventory and development program, contributing goods and services valued at \$160,000. There are now resident in Laos three Canadian foresters who work closely with the Royal Lao Government Directorate of Water and Forests. Although their assignments will be completed early in 1971, Canada is considering extending its participation in this activity, with emphasis on training Lao foresters. The extended program would last for three more years and require the full-time presence in Laos of two Canadians plus short-term visits from others. The extended program, if approved, would require about \$345,000 to implement, with the Canadian contribution about \$240,000.

Three Canadian professors of French now teach at Lao teachers' colleges; the Royal Lao Government recently requested Canada to provide the services of more such professors. In the recent past, Canada has assisted the development of education in Laos by providing 40,000 geography and grammar textbooks in French and forty tons of printing paper to be used in the production of school books.

At the present time, Canadian bilateral assistance to Laos is considered by the Canadian Government to be at an appropriate level. Rather than expand its bilateral aid or commit itself to multilateral programs such as FEOF, the Canadian Government has preferred to

emphasize projects involving regional cooperation and development. To this end, it has provided \$25 million interest free to the Asian Development Bank's Special Fund and a further \$100,000 to finance technical assistance projects under the administration of the Bank.

### Australia

Australian assistance to Laos is channeled through the Foreign Exchange Operations Fund (FEOF), the Colombo Plan Economic Development Programme, and the Colombo Plan Technical Cooperation Scheme.

From the inception of FEOF in 1964 through 1969 Australia has contributed a total of \$3.7 million to the Fund; in 1970 the sum of \$720,000 was provided. Each annual contribution has been given to FEOF as a direct grant with the counterpart kip generated being applied essentially to the reduction of the Royal Lao Government budget deficit.

Under the Australian Economic Development Programme, aid amounted to some \$2.2 million by the end of 1969. Of this amount, major contributions include \$900,000 through the Australian Import Programme (AUSIP), a program which has now been phased out; about \$100,000 for roadmaking, agriculture, and drilling equipment, and \$500,000 to the Nam Ngum dam. An additional pledge of \$128,000 to the Nam Ngum fund has also been made.

Through the end of 1969, Australian aid to Laos under the technical cooperation scheme was approximately \$1.8 million. Of this sum, \$625,000 was spent on training, both academic and technical, in Australia. At any one time there are between 55 to 60 Lao students training in Australia; through mid-1970, 150 Lao students had been trained there. Scholarships have been awarded for both secondary and tertiary studies; current practice is to award approximately 10 secondary school scholarships a year with the possibility, after graduation, of the scholars proceeding to an Australian University or undertaking tertiary studies of a technical nature. In addition, a number of awards for intensive English are available each year, some of which are followed by ad hoc training in widely diverse fields.

Courses in agriculture, public administration, customs administration and police training are frequently undertaken. It is to be expected that the number of Lao students going to Australia on short-term technical courses will increase as the Australian Government widens the scope of its training program.

The balance expended on technical assistance has been used to provide experts (\$300,000) and equipment (\$900,000). Over 20 experts have been appointed in various fields. There are at present six Colombo Plan experts resident in Laos: three English instructors and three reforestation experts. In late 1969 and mid-1970, two livestock experts concluded their assignments and turned over to the Royal Lao Government the livestock development project they had created over a period of several years.

Equipment aid has included primary school supplies, hospital and medical supplies, three radio transmitters and a mobile broadcasting van for Lao National Radio, and various forms of emergency aid such as blankets, vaccines, and seed.

Total Australian aid to Laos through 1970 amounted to approximately \$9 million, almost all of which has been given since 1960. The annual level of Australian assistance has reached approximately \$1.2 million.

### Thailand

Because of the close cultural and ethnic bonds between Thailand and Laos, hundreds of Lao students have for the past few years sought higher education at Thai universities and other training institutions. While for the most part, USAID has funded the expenses of this training, Thailand has recently been assuming part of these costs, particularly in the fields of forestry, electrical engineering, and tropical medicine. Thailand for several years has provided instructors to the Dong Dok teachers college in Vientiane; at present, there are four Thailand teachers resident at that institution.

Thailand has assisted the construction of the Nam Ngum dam, providing \$1,250,000 of Thai cement to the project, the cost of which

will be repaid by Laos with Nam Ngum electrical energy once production begins in December 1971. At that time, Laos will also repay the Thai power that is now being allotted Laos for use in construction activities of the Nam Ngum dam and as a supplement to the power requirements of the city of Vientiane.

Related to the Nam Ngum project, Thailand has offered to provide training without cost at hydroelectric stations in Thailand for those Lao technicians who will be assigned to Nam Ngum but who now lack the opportunity for practical work experience. Thailand has also agreed to purchase from Laos energy produced at Nam Ngum which is excess to Lao requirements.

In 1969 and 1970, Thailand donated significant quantities of metal roofing sheets, rice, and foodstuffs for use by dependents of soldiers of the Lao Army. In each year, 2000 tons of rice, 163,000 roofing sheets, and 85,000 tins of preserved foods were presented, valued at approximately \$286,000.

On numerous occasions in the recent past, Thailand has responded to specific requirements for relief supplies with donations of rice and drugs.

#### New Zealand

In addition to its initial and supplementary grants to the Nam Ngum fund totaling \$433,000, New Zealand awards three Colombo Plan scholarships each year to Lao students to train at the English Language Institution, Wellington, or for undergraduate study at New Zealand universities. Two experts have served in Laos, one for over three years. A team of engineers from New Zealand, working in conjunction with Israeli experts, have just completed the plans for the main civil works of the proposed 5000-hectare Hat Dok Keo irrigation project south of Vientiane.

#### India

From 1964 through 1968 India staffed and supported the 44-man Indian Medical Team in Laos which operated hospitals in Vientiane

and Paksane. With the completion of the Team's mission two years ago, India's assistance has primarily consisted of providing scholarships to Lao students for study in India and also the services of technicians and teachers. In all, about 30 scholarships have been provided; these include four in the 1970-71 scholastic year. At present, there is an Indian mining engineer working as an advisor to the Royal Lao Government Service of Mines and an instructor in natural sciences teaching at the National Education Center at Dong Dok. In 1970, India also provided the services of two experts on a short-term basis to work with the Canadian-Australian-USAID forestry project and to investigate possible areas of future Indian assistance to developing forestry and related industries in Laos.

#### Other Free World Countries

A number of other countries also extend assistance to Laos, generally on an ad hoc basis. China (Taiwan) donated 100 tons of cement and 10 tons of fertilizer in 1968. The Philippines has made small gifts of seeds and fertilizer through the Mekong Committee, and in 1970 assisted in surveying canals and laterals of the Hat Dok Keo project. Denmark contributed \$600,000 to the Nam Ngum fund in 1966 and subsequently increased its contribution by \$180,000 in 1968. Belgium has for the past four years provided the services of a hydrographer to assist the Royal Lao Government Service of Hydraulics and Navigation. Israel for five years has provided two experts to assist with the organization and operation of the Lao-Israeli Experimental and Demonstration Farm at Hat Dok Keo. In 1969 and 1970, three additional experts working in conjunction with engineers from New Zealand prepared designs for the 5000-hectare Hat Dok Keo irrigation project. Switzerland in December 1970 provided Laos with the services of a six-man medical team which will be stationed in Luang Prabang for the next two years. Finland through the World Meteorological Organization provided some \$10,000 worth of meteorological balloons to the Royal Lao Government Meteorological Service in 1970.

## Bloc Country Assistance

Significant Communist bloc project assistance to the Royal Lao Government has been virtually nonexistent since the spring of 1963. Before that time, the USSR had agreed to construct a 150-200 bed hospital at Chinaimo, a 50-kilowatt radio station in Vientiane, and a hydroelectric station in Xieng Khouang Province. None of these projects were implemented. The Soviets in 1961 provided Laos with nine aircraft and one helicopter; because of the lack of spare parts and maintenance which followed the withdrawal in April 1963 of the Soviet crews and technicians, none of these aircraft has remained operational.

Several scholarships were awarded to Lao students during the early 1960s by many of the bloc countries as well as by the Soviet Union. Although the number of new scholarship awards has decreased considerably, there are still an estimated 95 Lao students in Russia and Eastern Europe. About 50 are in Russia, 15 in Czechoslovakia, 10 each in Poland and Hungary, and 5 in East Germany.

In 1969, scholarships for sixteen months of study in meteorology were given by the Soviet Union to three employees of the RLG Meteorological Service. This Service also received in 1970 from the USSR through the World Meteorological Service some \$100,000 worth of radio-teletype equipment.

## THE FOREIGN EXCHANGE OPERATIONS FUND FOR LAOS

### What is FEOF?

The Foreign Exchange Operations Fund for Laos (FEOF) was established on January 1, 1964 upon recommendation of the International Monetary Fund. It aims to control inflation and to maintain stable exchange rates in Laos. For this purpose, a consortium of donor countries contribute foreign exchange to FEOF, which then sells the exchange to banks authorized to deal in the free market in return for domestic currency (kip). Kip purchased by the Fund are retired from the money supply (kept out of circulation), thereby reducing pressure on prices and stabilizing the Lao economy.

### What countries support FEOF?

The original donor countries were France, Australia, the United Kingdom, and the United States. Japan became a contributor to FEOF in 1965.

### Why was FEOF established?

Limited internal resources make Laos heavily dependent on imports. Local industry is embryonic at best. Security conditions and physical geography hinder transportation between provinces, and war requirements displace manpower from productive activities. Laos at present is unable to produce even food products in sufficient quantity to meet the needs of its urban population. Practically all manufactured goods and substantial foodstuffs must be imported.

Exports, however, are not sufficient to finance Laos' large import requirements. The main exports of Laos--tin, lumber, and green coffee--are handicapped by high transport costs from this landlocked country to markets abroad, by fluctuations in world prices for basic commodities, and by the war's impact on production. As a result, Laos in recent years has succeeded in financing less than 10 percent of its imports through export earnings, as shown in Table 1.

Table 1  
FOREIGN TRADE OF LAOS, 1966-1969  
(\$ Million)

Calendar Year	Recorded Exports	Imports	Exports as % of Imports
1966	1.1	40.8	2.7
1967	2.3	42.0	5.5
1968	3.2	40.9	7.9
1969 <sup>a/</sup>	2.5	42.2	6.0

Source: Royal Lao Government and trade partner statistics.

<sup>a/</sup>  
Estimated.

The war has forced the Royal Lao Government (RLG) to live with substantial annual budget deficits. The RLG has had to support large armed forces and rising numbers of war victims and their dependents. At the same time, losses of territory to communists, war-time disruption of commerce and hindrances to production have weakened the Government's revenue base. Unable to meet essential requirements from existing tax receipts, the RLG has been obliged to borrow from the National Bank of Laos (BNL) more than 50 percent of its annual appropriations (as shown in Table 2) while enacting such tax measures as the political climate will permit.

Without foreign assistance, the RLG budgetary deficit would have compounded Laos' existing trade imbalance, set domestic prices in an inflationary spiral, and forced unending successive devaluations of the kip as happened in the years immediately preceding the establishment of FEOF when political upheavals, budget deficits, and interruptions in the flow of foreign aid combined to drive the price level up 17 percent between 1961 and 1962, 91 percent between 1962 and 1963, and 98 percent between 1963 and 1964. The exchange rate in the rampant black market rose from \$1=K80 in 1961 to \$1=K660 in October

Table 2

## RLG BUDGET PERFORMANCE, 1965-1969

(Kip Billion)

Fiscal Year	Receipts	Expenditures	Accounting Deficit
1964-65	3.3	10.3	7.0
1965-66	4.7	14.4	9.7
1966-67	6.4	15.3	8.9
1967-68	7.3	16.0	8.7
1968-69	7.1	17.0	9.9

Source: RLG Treasury records.

1963. Under present politico-military conditions, such a situation would be disastrous.

For these reasons, the RLG and interested foreign governments agreed to institute a new stabilization program for Laos. This plan proposed by the International Monetary Fund (IMF), provided for (1) a once-for-all increase in the official kip exchange rate from \$1=K80 to \$1=K240; (2) establishment of a legal open market for foreign exchange in which rates or exchange would be determined only by supply and demand; (3) organization of a stabilization fund supported by donor governments to sell foreign exchange to the public as necessary to maintain a stable market; (4) commitment by the RLG to limit the level of its deficit financing to a specified maximum in any period of time; and (5) agreement by donor governments in return that kip proceeds of sales by the fund would be sterilized, thereby neutralizing the inflationary effect of the RLG budgetary deficit. On the basis of this proposal, the Foreign Exchange Operations Fund for Laos was established. The success of this approach depended primarily on the fiscal discipline of the RLG and its willingness to control domestic credit, since, as a stabilization plan, it permitted a free

market and relied upon fiscal and monetary policy to limit inflationary pressure and demand for foreign exchange rather than upon direct controls over exchange supplies.

### FEOF as an International Institution

FEOF is supported by a consortium of industrialized countries. Each year since 1964 agreements with the RLG concerning the Fund have been renewed by four or more contributing governments. In drafting these renewals, the governments take into account, on the one hand, the budgetary performance of the RLG in the preceding year and prospects for performance in the ensuing 12-month period and, on the other hand, the funds which the donors will be able to provide. On the basis of these consultations, simultaneous bilateral agreements are signed between the RLG and each of the donor governments. These set an upper limit for the RLG budget deficit and guidelines for RLG financial and budgetary performance during the term of the agreement. Table 3 shows the contributions of each of the participating governments from 1964 through 1969.

During the life of the agreements the RLG, the contributing governments, and the IMF resident representative meet monthly in a Consultative Committee to review the performance of the Fund and the stabilization program. Embassy staffs and the IMF resident representative provide continuous analysis and evaluation support for the FEOF operation. In addition, the IMF conducts a semiannual review of the Laotian economy with FEOF as a focal point.

### FEOF Management

The FEOF Manager is required to maintain complete accounts of all transactions. The Fund's operations are subject to audit by any donor government and/or the RLG. Such audits have been performed annually.

FEOF operates with a minimum of staff. Direct administrative expenses of the Fund have been low since inception. Per dollar of assistance supplied, FEOF has made one of the best administrative

Table 3

## CONTRIBUTIONS TO FEOF 1964-1969 BY SOURCE

(\$ Million)

	<u>CY1964</u>	<u>CY1965</u>	<u>CY1966</u>	<u>CY1967</u>	<u>CY1968</u>	<u>CY1969</u>
United States <sup>a/</sup>	4.0	5.2	13.7	13.8	16.1	16.6
France	1.7	1.3	1.7	1.7	1.7	1.7
Japan	-	0.5	1.7	1.7	1.7	1.7
United Kingdom	1.7	1.7	1.7	1.7	1.7	1.7
Australia	0.4	0.4	0.8	0.6	0.8	0.7
Royal Lao Government	-	2.8	-	-	-	-
Total	7.8	11.9	19.6	19.5	22.0	22.4

a/

U. S. contributions include \$0.4 million in 1968 and \$0.5 million in 1969 which the United States was able to supply FEOF because Japan gave Laos FAC aid in corresponding amount, thus off-setting purchases that would have been made from USAID project funds. U. S. contributions do not include \$1.7 million in 1968 and \$2.1 million in 1969, of U. S. sales to FEOF to secure kip for the purchase of rice, and do not include \$1.2 million supplied to FEOF in 1969 to finance motor gasoline imports shifted from USIP to FEOF.

performances of any foreign aid program: in 1969, \$16,000 on sales of \$25.4 million or .063 percent.

Demand on FEOF

Demand for foreign exchange supplied by FEOF originates primarily from RLG deficit spending, and secondarily from growth of the national economy and expansion of private credit in Laos.

When the RLG borrows from the BNL and then spends the proceeds, it injects new money into circulation. This increases the cash flow to consumers who then attempt to transform their money holdings into increased merchandise purchases. Given the limited supply of domestically produced goods, almost all government deficit spending is transformed into consumer demand for imports. To pay for imports, the public seeks to convert its kip holdings into foreign exchange at one of Vientiane's five commercial banks. The banks have available a limited exchange supply received from private sources, primarily from export earnings. When this supply is reduced, the banks purchase from FEOF.

### How FEOF Functions

The mechanics of FEOF operations are similar to those of the foreign exchange counter at any major commercial bank, with three exceptions:

- (1) The Fund sells foreign exchange only to nine Vientiane "clients": five "authorized" commercial banks, and four petroleum companies. These are:

- The Bank of Indochina at Vientiane
- The Bank of Tokyo at Vientiane
- The Bank of Vientiane
- The Bank of Laoviang
- The Lao Commercial Development Bank
- Shell Oil Company, Vientiane
- ESSO, Vientiane
- CALTEX, Vientiane
- Summit Industrial Corporation, Vientiane

- (2) The exchange rates at which the Fund buys and sells exchange are identical since the Fund is a non-profit institution. Since 1967, the Fund has observed the rate of \$1=K505 for all its transactions.
- (3) Since public demand for foreign exchange exceeds supply at the rate maintained by the Fund, it must depend on donor government contributions to replenish its foreign exchange accounts.

### Banking Facilities Maintained by FEOF

To accommodate the needs of donors and customers, FEOF maintains three dollar and three kip accounts at the following banks:

<u>Bank</u>	<u>Accounts Owned</u>
Irving Trust Company at New York	Dollar only
National Bank of Laos at Vientiane	Kip only
Bank of Indochina at Vientiane	Dollar and Kip
Bank of Tokyo at Vientiane	Dollar and Kip

### Inputs into FEOF

The contributions that the several donor governments will make to FEOF are decided annually at the time the FEOF accords are renewed. Whenever necessary, the FEOF Manager requests the donors to make available a specified portion of their agreed annual contributions. These funds are deposited at one of the three dollar accounts owned by FEOF.

A second source of exchange proceeds are kip purchases from FEOF by the U.S. Government to finance USAID rice procurement programs in Laos, in agreement with the RLG.

Finally, the Vientiane commercial banks from time to time sell small amounts of foreign exchange to the Fund to liquidate temporary excess holdings. Such sales normally are neutralized within 24 hours by new purchases from the Fund.

### Sales by FEOF

FEOF may sell foreign exchange only to the five authorized commercial banks and to the four authorized petroleum companies in Vientiane, as follows:

- (1) Sales to the Bank of Tokyo: The Bank of Tokyo deposits kip in FEOF's local currency account with that bank. The FEOF Manager then writes a check payable to the Bank of Tokyo on the FEOF dollar account at the Bank of Tokyo.

- (2) Sales to the Bank of Indochina, Bank of Laovieng, Bank of Vientiane, and the Lao Commercial Development Bank: The purchasing bank deposits kip at the BNL in return for a certified BNL kip check. FEOF deposits this check at its kip account at the BNL and then gives the purchasing bank a check on the Fund's dollar account at the Bank of Tokyo or Bank of Indochina.
- (3) The four petroleum companies were authorized to purchase exchange directly from FEOF in connection with the decision to eliminate motor gasoline from the USIP program in 1968. The oil companies purchase exchange from FEOF by certified kip check on the Bank of Indochina and receive in return a check on FEOF's dollar account at the Bank of Indochina.

#### Disposal of FEOF's Kip Proceeds

Through FEOF the dollars contributed by the donor countries are sold to the public in exchange for kip. The Fund is managed so as to maintain minimal dollar balances consistent with the need to meet widely fluctuating market requirements. Kip proceeds from the Fund accumulate during the year. After the close of the year the Fund pays over to the RLG the total of these kip proceeds, excepting amounts reserved in the agreements for use by donors for specified purposes. Kip paid over to the RLG is used exclusively to retire the debt of the RLG at the BNL and thus is withdrawn from circulation.

#### Achievements of FEOF

Through FEOF, donor governments have succeeded in stabilizing the Laotian economy and in creating economic conditions favoring a modest rate of economic growth even under stresses of war. FEOF's major success has been to control inflationary pressures resulting from the burdens imposed on Laos by the war. After a period of near-hyperinflation in the early 1960's, FEOF's activity ultimately permitted the reduction of price increases in Laos to annual rates (5.8 percent in CY 1968 and 3.9 percent in CY 1969) equal to or lower than the rates of increase in the most advanced of the world's economies,

Table 4

VIENTIANE CONSUMER PRICES 1960-1969<sup>a/</sup>

<u>Calendar Year</u>	<u>Index</u>	<u>Change from Previous Year (%)</u>	<u>Calendar Year</u>	<u>Index</u>	<u>Change from Previous Year (%)</u>
1960	22.7	15.2	1965	113.2	12.4
1961	23.1	2.6	1966	128.1	13.1
1962	26.6	15.1	1967	136.1	6.2
1963	50.9	91.3	1968	143.3	5.8
1964	100.7	98.0	1969	148.9	3.9

<sup>a/</sup>

Twelve-month average of Lao and European household consumer price indexes published by the RLG Statistical Office.

Base: 1964 (Lao) = 100.

in spite of chronic heavy RLG deficit spending. Table 4 illustrates this stabilizing trend in consumer prices over the past decade.

The FEOF operation has been unusually efficient and free from abuse. An annual level of FEOF sales in the order of \$25 million in 1969 has been turned into effective stabilization aid through an office run by one qualified banking official and one secretarial assistant with staff support from the interested governments and the IMF. The line of control and standards of management have been clear and satisfactory.

FEOF has been a focal point for improvement in the functioning of the Lao administration. Because the RLG deficit and demand on the Fund are clearly related, donor governments, the RLG and the IMF have fruitfully cooperated in seeking ways to increase the efficiency of the Lao administration, decrease expenditures, and improve revenue collections. At the same time, all parties recognize that elimination of the RLG budget deficit cannot be hoped for so long as extraordinary demands are placed on the budget by an active war.

The Fund has served to improve the working of the free market in Laos. Regardless of how well operated, other assistance programs in Laos necessarily distort the supply-and-demand structures and price systems of the commodity and service markets with which they are in contact. FEOF, on the other hand, operates solely as an adjunct to the free-market system. It provides greatly increased resources to the Lao economy, but allocates them through free-market channels. It strengthens the value of the kip, but leaves to the free market the determination of its distribution and use.

FEOF has not replaced existing sources of foreign exchange, but instead has stimulated their expansion. Non-FEOF free market exchange earnings have improved regularly and at present equal or exceed donor contributions to FEOF as shown in Table 5.

Table 5

FEOF SALES AND FREE MARKET SUPPLY  
OF FOREIGN EXCHANGE, 1964-1969

(\$ Million)

	<u>CY 1964</u>	<u>CY 1965</u>	<u>CY 1966</u>	<u>CY 1967</u>	<u>CY 1968</u>	<u>CY 1969</u>
FEOF Net Sales to Public	7.8	10.9	20.6	19.8	23.3	25.4
Non-FEOF Supply	<u>3.3</u>	<u>2.9</u>	<u>4.0</u>	<u>14.6</u>	<u>18.3</u>	<u>22.5</u>
Total Free Market Supply	<u>11.1</u>	<u>13.8</u>	<u>24.6</u>	<u>34.4</u>	<u>41.6</u>	<u>47.9</u>

FEOF's establishment ended foreign-exchange black marketing in Laos. All commercial transactions after 1964 were made at a free-market-determined rate of exchange, and all incentive to black-market operations disappeared.

Maintenance of a stable exchange rate through FEOF provided security and development incentives to foreign commerce in Laos. Since 1964 FEOF's rate to banks has varied only slightly, and it has remained constant since 1967. Rarely has the commercial bank rate with the public varied by more than a percentage point from that practiced by FEOF. This record of stability has permitted traders and investors interested in Laos to have confidence in the future value of their transactions and thus has facilitated rational export, import, and investment planning.

### The Future

FEOF supplies essential supplementary resources and flexibility to the economy of a small, embattled country whose present levels of administrative and economic development preclude the adequacy of other alternatives. FEOF has now been renewed in six consecutive years and it is likely that the need for such a stabilization fund will continue for some time yet. It is equally likely that the need for stabilization will be met, in some form, by countries interested in maintaining an independent and neutral Laos.

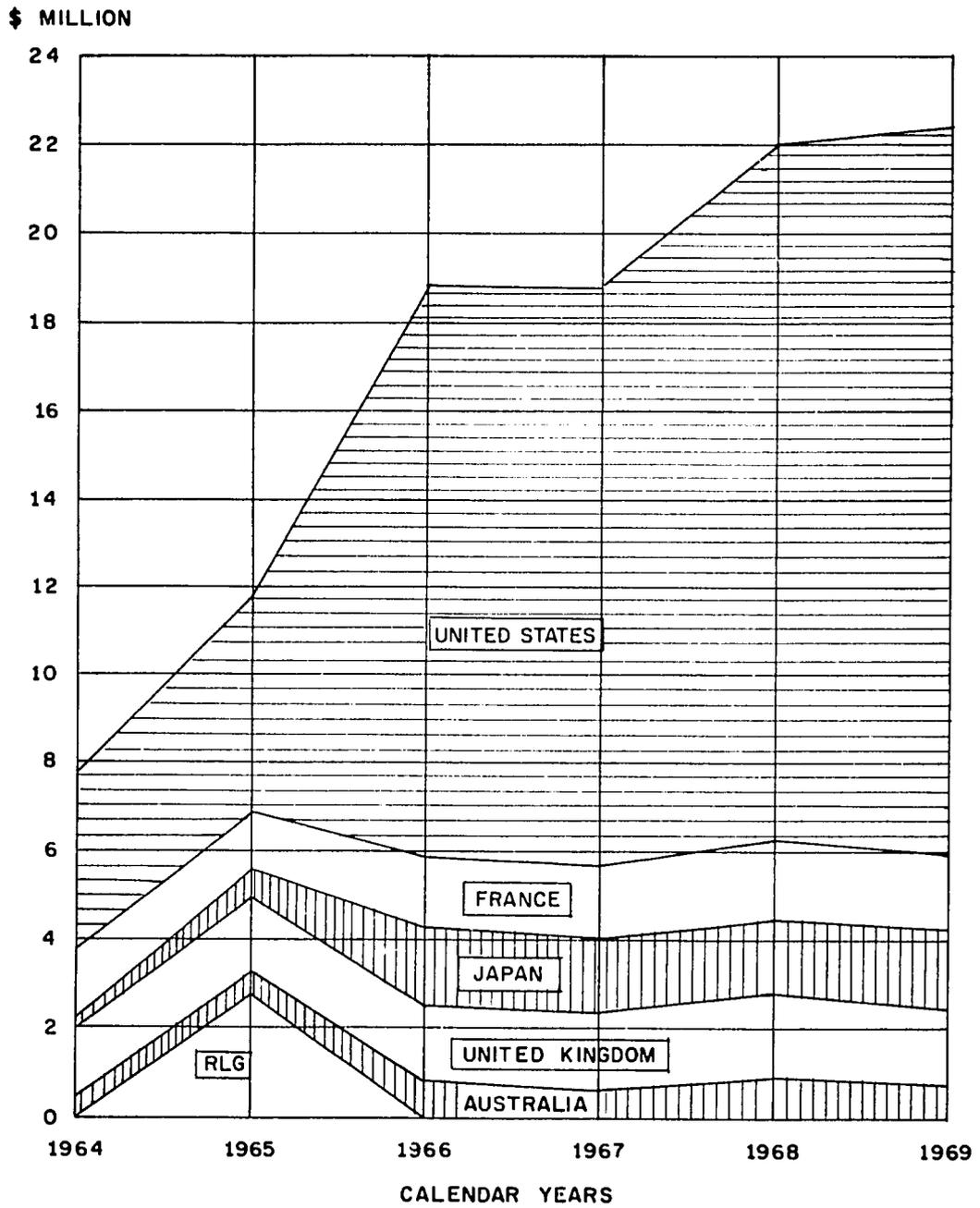


Fig. 1- Contributions to FEOF by Source, 1964-1969

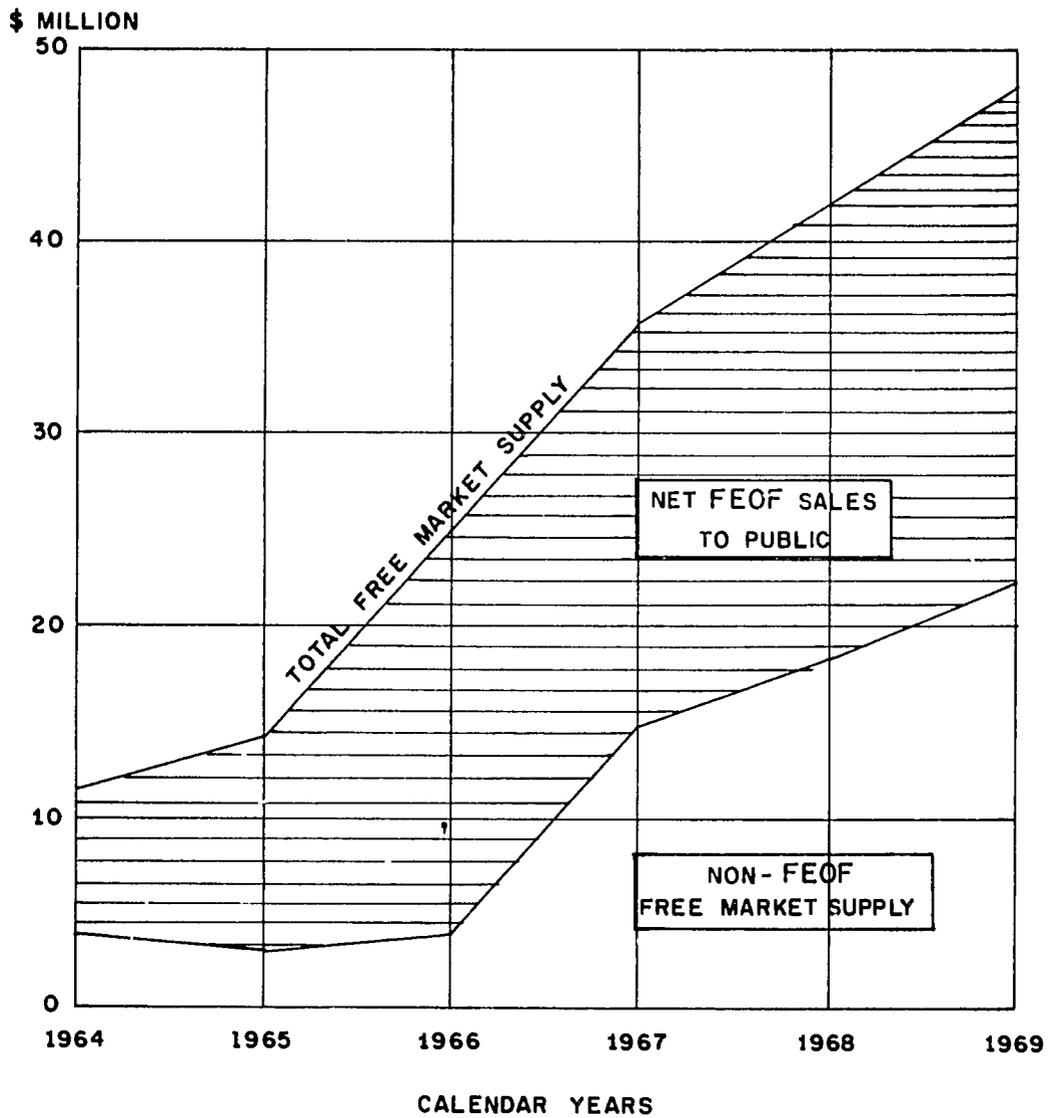


Fig. 2-FEOF Sales and Free-Market Supply of Foreign Exchange, 1964-1969

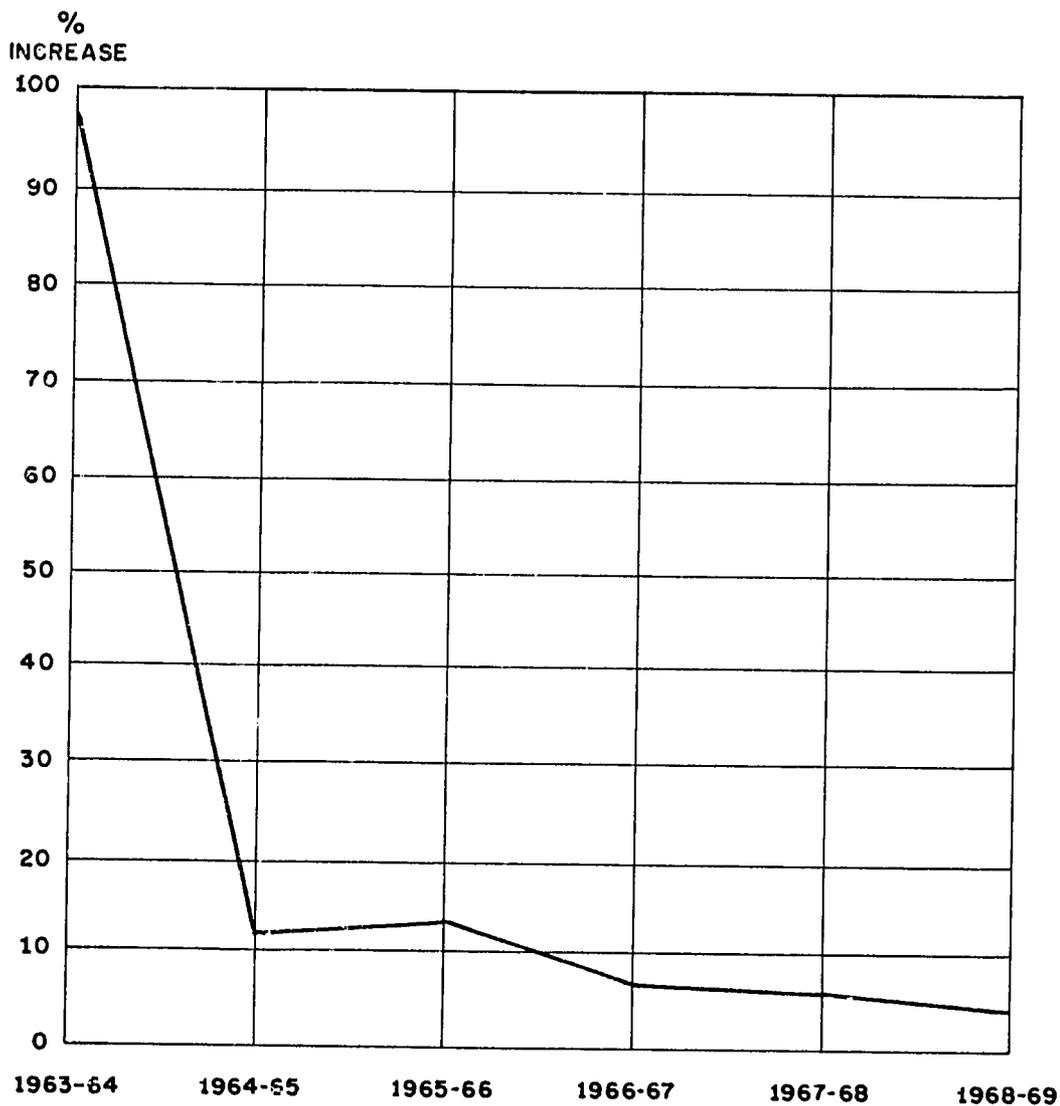


Fig. 3 - Vientiane Consumer Prices, 1964-1969: Percent Annual Increase of Average of Lao and European Price Indexes.