

UNITED STATES AID

TO LAOS



# LAOS





## FOREWORD

This is a revision to a pamphlet issued on "United States Aid to Laos" in May, 1966. It brings up to date the developments in the United States aid program to Laos since that time.

Where no substantial change has occurred in the aid program or activities, sections of the previous pamphlet have been reprinted largely without alteration.

The main change during the past two years has been the greater concentration of aid efforts on the development program. This emphasis is consistent with the objectives and desires of the Royal Lao Government (a) to achieve economic independence as a nation, and (b) to improve the living conditions of the Lao people.

May, 1968

## TABLE OF CONTENTS

	<u>Page</u>
I. Introduction . . . . .	1
II. Purposes of United States Assistance . . . . .	4
III. Stabilization Assistance . . . . .	4
A. USIP . . . . .	4
B. FEOF . . . . .	5
C. Invisibles Program . . . . .	6
D. Kip Counterpart . . . . .	7
IV. Humanitarian Assistance . . . . .	8
A. Refugees . . . . .	8
V. Development Assistance . . . . .	9
A. Agriculture . . . . .	9
B. Fisheries . . . . .	14
C. Small Industries . . . . .	15
D. Roads . . . . .	17
E. Airports . . . . .	19
F. Communications . . . . .	20
G. Electric Power . . . . .	20
H. Education . . . . .	21
I. Public Health . . . . .	25
J. Well-Drilling and Water Storage Dams . . . . .	26
K. Community Development . . . . .	27
L. Government Buildings . . . . .	31

Table: United States Economic Assistance to Laos

## UNITED STATES AID TO LAOS

### I. INTRODUCTION

In facing the current economic and social situation in this country, the Royal Lao Government has addressed itself both to the immediate emergency and to the long-term development needs of Laos. The emergency, of course, stems from external aggression and the extraordinary burdens which the defense of the country places on its economy. The long-term development needs result from the years and years of turmoil which have disrupted the growth of Laos and impeded its development.

The emergency results in at least two principal economic facts. First, there is the enormous budgetary cost of maintaining a large military establishment to defend the country against North Vietnamese invasion. Second, there is the abnormal absorption of able-bodied manpower into the armed forces, thus stripping the economy of a great portion of its agricultural labor force. The major result of these two circumstances is that Laos suffers a severe budgetary deficit, and has a significant amount of purchasing power which cannot be satisfied by local production.

These combined pressures cause increased demands for imported goods, including agricultural products, and present constant pressures towards inflation. Because of these circumstances and because the demand for imported goods introduces the problem of foreign exchange, the Royal Lao Government has had to ask for foreign assistance to meet this emergency. It called on specialists of the International Monetary Fund to devise means for dealing with the problem.

The means which have been devised are a complex of measures which are designed to assure Laos of necessities at the lowest possible cost and to meet other demands for imports through the least cumbersome channels and with the greatest stability of prices. Essentially, there are two mechanisms which function in this field. The first is the commodity import program, the so-called "aide commercialisée", which is provided by Australia, the United Kingdom, and the United States. The second is the

Foreign Exchange Operations Fund, which is composed of contributions from Australia, France, Japan, the United Kingdom, and the United States. Both of these mechanisms (described in detail in Chapter III) work in the very closest collaboration with and under formal agreements with the Royal Lao Government. They have been remarkably successful in helping the Government solve the economic problems which directly result from the emergency created by aggression.

Another aspect of the emergency is more humanitarian than economic. This is the plight of the thousands of families who have fled from the area under control of foreign troops. At any one time, there are approximately 190,000 persons whose lives have been disrupted by the aggression and who have had to turn to the Royal Lao Government for help. The Ministry of Social Welfare has been forced to bear a staggering burden in caring for these people. Its resources have been simply overwhelmed and it has had to turn to outside help. Again, the United Nations, the Red Cross, several religious and charitable organizations, as well as friendly states, have responded to this appeal. All of them work directly under the supervision of the appropriate ministries of the Royal Lao Government.

On the longer range issue of economic development, the Royal Lao Government faces a more complex problem. The question is how to create and develop all the needs of a modern state while at the same time the country suffers from the dislocations of aggression. Essentially, how can Laos reach a position when it will be free from the need to rely on foreign assistance? How can it earn its own way and still improve the welfare of its people?

With consistent unanimity, the leaders of Laos have concluded that the answer lies in the improvement, the expansion, and the development of its agriculture. If Laos could till all the arable land in the country, could augment the yield per acre and could develop marketing and transportation systems for its products, it would not only increase the personal income of all families in Laos, but would also greatly increase the national income and the country's earnings of foreign exchange. The world market for rice alone is so well assured and so much in need that there will (at a sound economic price) indefinitely be a demand for all the rice that Laos can produce.



Laos, therefore, can look forward with confidence to the fact that its natural resources of land, water and climate, plus its human resources of an agriculturally-oriented population, can bring prosperity and progress to its citizens. However, to realize these objectives, it must have peace and must be spared the constant threat of aggression.

Nevertheless, the Royal Government of Laos has understood full well that it cannot merely wring its hands and wait for peace before work can be begun to place the country on the road to prosperity. Therefore, it has set in motion a highly-imaginative and well-coordinated program to build and develop the "infrastructure" needed for this prosperity. It involves such essentials as education, public health, road building, irrigation, communications, electric power, rural development and urban construction. It is a program which requires the closest collaboration among almost all the ministries of the Royal Lao Government and which will take many years to accomplish.

Because Laos realizes that it does not currently have the resources for this imaginative program and because it is still so much occupied in the task of defending its soil, it has turned to the United Nations and friendly foreign countries to aid in this work. The response has been significant and there are many nations currently engaged in the effort to help Laos prepare for its future.

This pamphlet is intended to report to the people of Laos the nature of the United States response to the Government's requests and to indicate the scope of the current United States aid program to Laos. All of the measures reported in this pamphlet are carefully integrated into the plans of the Royal Lao Government and are carried out under the supervision of the appropriate ministries of the Government.

## II. PURPOSES OF UNITED STATES ASSISTANCE

United States economic assistance can largely be broken down into three broad areas by purpose: stabilization of the economy and of the value of the kip, humanitarian relief of the suffering of the people, and development of the economy to improve the living standards of the people.

The \$57.9 million in economic assistance made available to Laos by the United States in the budgetary year 1966-67 was used as follows: \$17.2 million for stabilization purposes, \$11.2 million for humanitarian purposes and \$19.7 million for development purposes. The remaining \$9.8 million included funds to supply rice and other foodstuffs to the armed forces of Laos, to develop the civil police force and to support American and foreign specialists and technicians working in Laos. Annex No. 1 provides a further breakdown of the assistance extended in budgetary years 1963-64, 1964-65, 1965-66 and 1966-67.

In the present budgetary year (July 1, 1967 - June 30, 1968) it is expected that United States economic assistance will run at approximately the same level as in budgetary year 1966-67.

The following sections show exactly what United States economic aid is used for and what it has achieved.

## III. STABILIZATION ASSISTANCE

United States economic assistance helps support three programs of the Royal Government of Laos designed to maintain prices and the value of the kip at reasonably stable levels. The United States support for this purpose consists of supplying dollars or commodities to help meet Lao demands for foreign exchange and imports.

### A. USIP

The first of these programs is the United States commodity import program, well known as USIP. It makes available dollars at the exchange rate of 240 for authorized imports of commodities,

On September 1, 1965, the types of commodities authorized for importation under USIP were substantially cut back in an effort to maximize the benefits of U.S. assistance to Laos. Further changes have subsequently been made in the authorized list of commodities.

The need for these changes in the authorized USIP list arose from problems caused by re-exports to Thailand and by over-pricing by merchants in Laos. Thus, only a few merchants, rather than the people, were benefitting from many of the USIP imports. Moreover, not all of the goods imported under USIP were essential to the living standard of the average lower and middle income consumer and, therefore, did not justify the subsidy provided through sales at the official rate of exchange.

As a consequence, the list of authorized imports under USIP has been reduced to a few essentials: petroleum products (except aviation gasoline and kerosene containers), industrial machinery for industries considered priority by the Royal Lao Government and USAID, agricultural machinery, and trucks and buses. Other commodities previously on the USIP list can, of course, be imported freely with foreign exchange bought on the free market from the Foreign Exchange Operations Fund.

United States Assistance for USIP now runs about \$4.5 million per year.

In addition to the United States import program, the United Kingdom and Australia also extend similar commodity assistance to Laos.

#### B. FEOF

The second program of United States stabilization assistance is its contribution to the Foreign Exchange Operations Fund (FEOF) Founded on the recommendation of the International Monetary Fund at the end of 1963, FEOF aims at stabilizing prices and the value of the kip. It does this by selling foreign exchange through banks at a free market rate of about 500 to the dollar to anyone desiring it for any purpose. Laos is thus one of the few less-developed countries in the world possessing a completely free foreign exchange market without any restrictions whatsoever.

The International Monetary Fund considers that FEOF has been remarkably successful in achieving its goals. The free market value of the kip has held steadily in value at about 500 to the dollar over the past four years. This contrasts with its rapid deterioration in value prior to the establishment of FEOF. As Prime Minister Souvanna Phouma has stated, the kip rate would have sunk to 1,000 kip per dollar or lower if FEOF had not been successful.

FEOF's success in maintaining the stability of the kip and generally of prices is attributable both to the contributions by the donor countries and to the discipline of the Royal Lao Government in reducing its budgetary deficit.

Total donor contributions to FEOF in calendar year 1967 amounted to \$19.5 million. The United States contributed \$13.8 million. The other donors were the United Kingdom, Japan, France and Australia.

The progress of the Royal Lao Government in steadily reducing its budgetary deficit is shown in the following figures.

<u>Budgetary Year</u>	<u>Deficit (billions of kip)</u>
1965-66	9.6
1966-67	8.9
1967-68	8.5 (commitment to FEOF donors)
1968-69	8.0 (target)

### C. Invisibles Program

The third United States contribution for stabilization purposes consists of assistance to the Royal Government of Laos in financing necessary invisible expenditures abroad. These are expenditures made for services (which are "invisible"), rather than goods (which are "visible", or tangible).

The United States contribution for this purpose has been declining.

D. Kip Counterpart

Traditionally in many countries, including Laos, part of the United States aid dollars have been put to dual use by generating kip at the same time they are used for expenditures abroad for goods or services. Whenever a bank or an import firm buys aid dollars made available for stabilization purposes, it pays for them in kip, which then becomes available for government use. However, AID dollars made available for humanitarian and developmental purposes (as described in Sections IV and V, below), generally do not generate kip as they are used for Lao Government purposes and are not paid for by the Government in kip.

The kip acquired from the sale of dollars under the USIP and invisibles programs go into a special fund known as the "counterpart account". Under an agreement between the United States and the Royal Lao Government (similar to agreements which the United States has with other countries receiving aid), these counterpart kip can be used for purposes agreed to by both governments. Most of these counterpart kip are used to support the kip costs (that is, the costs within Laos) of humanitarian and developmental projects.

Kip are also acquired by the sale to FEOF of the dollars contributed by the United States. By agreement between the United States and Royal Lao Governments, these kip are generally used to retire debts of the Royal Government to the National Bank of Laos arising from the budgetary deficit. This use is essential because any other use of these kip would increase demands within Laos for foreign exchange, and thus disrupt the stability which FEOF has achieved.

#### IV. HUMANITARIAN ASSISTANCE

##### A. Refugees

The United States has helped the Royal Government extensively for several years in meeting the needs of tens of thousands of refugees from Communist violence. The number of refugees now requiring assistance is about 190,000. From 120,000 to 140,000 of these receive rice assistance (depending on the time of year). The balance receive other forms of assistance, such as rice seeds, agricultural implements, clothing, etc.

The United States contribution to refugee support in the budgetary year 1966-67 amounted to \$4.5 million and 86 million kip. Much of this contribution is used for the direct relief of refugee needs. However, in support of the Royal Government's policy of moving refugees to self-sufficiency as rapidly as possible, United States assistance is also used for resettlement. Those refugees who desire it are placed in permanent new sites. Others who wish to return to their former homes when hostilities are over, are temporarily relocated in places where they can also grow food.

Most of the assistance to refugees has to be moved by airplane because of their inaccessibility to any other mode of transportation. Refugee relief work, therefore, accounts for a substantial part of the air transportation costs funded out of United States aid to Laos. These costs are over and above the \$4.5 million cost of the commodities furnished to the refugees.

The approximately 190,000 refugees to whose support the United States is contributing are distributed as follows:

<u>Province</u>	<u>Total Refugees</u> <u>(as of March 1968)</u>	<u>Refugees</u> <u>Receiving Foodstuffs</u> <u>(as of March 1968)</u>
Xieng Khouang/Houa Phan	110,000	86,000
Luang Prabang	25,000	24,000
Houa Khong (Nam Tha)	30,000	18,000
Sayaboury	4,000	2,000
Vientiane/Borikhane	2,000	1,000
Khammouane	10,000	1,500
Savannakhet	500	-
Pakse Region	8,000	5,000
	<u>189,500</u>	<u>137,500</u>

## V. DEVELOPMENT ASSISTANCE

### A. Agriculture

The immediate economic future of Laos lies in agriculture. There is remarkable unanimity within the Royal Government on this assessment and on the priority assigned to the development of agriculture.

Agriculture is regarded as the key to the economic independence of the Kingdom. With farmers constituting 85 per cent of the population, agricultural progress and rising farm income will at the same time substantially advance the standard of living of the Lao people.

Rice, the staple of the Lao and in great demand throughout East and South Asia, is the focus of the agricultural development program. For several years, the Royal Government, with United States assistance, has developed, multiplied, and distributed higher-yielding varieties of rice.

The surplus crop in Southern Laos as a result of the 1967 harvest demonstrates the success of these efforts when reasonably good weather exists. With this surplus, part of the rice needs of the armed forces and the refugees can now be met locally, rather than being completely imported from Thailand. A portion of the deficit in the Vientiane area arising from the drought in 1967 has also been filled by shipments of rice from Southern Laos.

The introduction into Laos in 1967 of the new "miracle" rice seeds--IR-8 and IR-5--from the International Rice Research Institute in the Philippines, as well as new high-yielding varieties from Thailand such as Sampathong, has dramatically enhanced the economic prospects for Laos.

In contrast to most local varieties of rice, IR-8 and IR-5 are not sensitive to differences in the amount of sunlight and can, therefore, be planted and thrive during the dry season (with adequate irrigation water) as well as during the rainy season.

Moreover, with the proper amounts of fertilizer and insecticides and correct cultural practices, IR-8 and IR-5 can be expected to average about 4-5 tons per hectare for each crop, or about 8-10 tons per hectare each year if double-cropped.

Tests also indicate that IR-5, with adequate rainfall and fertilizer, can yield 3.5-5 tons per hectare when planted as an upland rice variety.

Sampathong, a glutinous rice, will yield 3-4 tons per hectare with proper attention. It can be planted only once a year, however, as it always matures in October.

These yields contrast to an average of about one ton per hectare for local varieties.

On the basis of these new varieties of rice seeds, the Royal Lao Government has projected an increase of 50 per cent in rice production in five years. This increase would eliminate the import gap estimated at 70,000 tons per year in two or three years. It would also enable Laos to export upwards of 200,000 tons per year in about five years, earning between \$25 million and \$30 million a year. Thus, substantial strides toward the economic independence of Laos are in sight.

The first major step in this reoriented rice program has been the spread of double-cropping during the 1967-68 dry season. Never before practiced in Laos, double-cropping was introduced modestly on a trial basis after the disastrous Mekong River floods in 1966. In the 1967-68 dry season, it has been extended to about 1,000 hectares in the following areas:

1967-68 Dry Season Rice Crop

<u>Province</u>	<u>Hectares</u>
Vientiane	339
Borikhane	37
Savannakhet & Khammouane	149
Sedone	48
Attapeu, Saravane and Wapikhamthong	19
Luang Prabang	224
Sayaboury and Houa Khong	143
Xieng Khouang	10



About two-thirds of this area is irrigated from small dams built on a self-help basis with United States assistance during the past few years. The balance is irrigated by pumping from rivers.

Pump irrigation of rice has developed as a multilateral aid program to the Royal Government, with the British Government furnishing the pumps and the American Government the pipes and other accessories, technical assistance in installation and operation, and construction assistance in digging canals. The sites of projects using large pumps are as follows:

Vientiane Province

Sithantay (on the Mekong River)  
Ban Mahio (on the Mekong River)  
Ban Cheng (on the Nam Ngum)  
Kok Kiang (on the Nam Lik)  
Ban Nasone (from a stream)

Borikhane Province

Hong Thong (on the Mekong)

Savannakhet Province

Lahanam (on the Se Bang Fai)

Sedone Province

Ban Phan Ngam (on the Sedone near Pakse)

About 230 small irrigation pumps have also been sold to farmers. They are used to some extent for rice production, but mainly for the expansion of vegetable production. Output of vegetables near the main cities of Laos has steadily expanded over the last few years. In fact, during the 1967-68 dry season, some vegetables were exported from the Vientiane area to Thailand.

It is estimated that the area for which irrigation water is now available is about 8,500 hectares in the wet season and about 5,100 hectares in the dry season. In addition, USAID and the Royal Lao Government have irrigation projects in process which will add about 14,300 hectares for wet season cultivation and about 7,500 hectares for the

dry season. The total irrigated area, both existing and in process, is thus about 22,800 hectares in the wet season and about 12,600 hectares in the dry season.

The total irrigated area, both existing and in process, is as follows, by province:

Irrigated Land in Laos  
Totals by Province

<u>Province</u>	<u>Completed Projects</u>		<u>Projects in Process</u>	
	<u>Wet</u>	<u>Dry</u>	<u>Wet</u>	<u>Dry</u>
	(Hectares)			
Luang Prabang	2455	1465	1275	1000
Sayaboury	3443	2758	8700	4770
Houa Khong	-	-	2180	100
Xieng Khouang	10	10	-	-
Vientiane	1825	608	780	712
Borikhane	34	34	111	111
Savannakhet	137	137	639	439
Khammouane	8	8	390	90
Sedone	231	68	-	144
Attapeu	21	21	200	100
Saravane	<u>300</u>	<u>2</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	8,464	5,111	14,275	7,466

The biggest irrigation project in the history of Laos is located on the Nam Tan south of Muong Phieng in Sayaboury Province. Started during the 1967-68 dry season, it is expected to be completed during the 1968-69 dry season. It will irrigate about 3,500 hectares during the rainy season and about 2,000 hectares during the dry season.

Another major irrigation project is under investigation on the Nam Tinh near the provincial capital of Sayaboury. It is estimated that this project will irrigate about 4,000 hectares during the rainy season and about 2,000 hectares during the dry season. If investigations are satisfactory, construction should start during the 1968 rainy season.

A major irrigation project on the Se Set west of Saravane has been deferred after initial investigations because of incursions of the North Vietnamese armed forces into that area.

The target for irrigation is 50,000 hectares during both the wet and dry seasons in order to achieve the rice production goals of the Royal Government.

Fertilizers and insecticides are also required in ample quantities to achieve maximum yield from IR-8 and IR-5 rice. Both of these commodities are now being imported in substantial quantities through the United States aid program. The Extension Service of the Lao Direction of Agriculture is teaching farmers how to use them. Demand on the part of the farmers is growing.

The Royal Government, with United States assistance, has set up an Agricultural Development Organization (ADO) to assist in fostering agricultural production. ADO sells commodities, such as rice seeds, fertilizer, insecticides, pumps, hand tools, etc., to farmers on a cash or credit basis. If on credit, the farmers can repay either in cash or in kind in rice. ADO thus functions as the first agricultural credit institution in the history of Laos.

ADO also assures farmers using the new varieties of rice seed that they will have a market for their increased production at a fair price. For this purpose, ADO is ready to step in to buy the output from the new rice seeds at a fixed minimum price if the farmers are not able to sell their crop at or above the same price to commercial rice dealers.

To assist in handling these agricultural commodities, warehouses have been, or are being, built, with United States aid in the following places:

<u>City or Town</u>	<u>Province</u>
Salakham (near Vientiane)	Vientiane
Ban Keun	Vientiane
Phone Hong	Vientiane
Sayaboury	Sayaboury
Muong Phieng	Sayaboury

Luang Prabang  
Muong Khay  
Xieng Ngeun  
Thakhek  
Nong Bok  
Savannakhet  
Kengkok  
Saravane  
Khong Sedone  
Pakse  
Champassak

Luang Prabang  
Luang Prabang  
Luang Prabang  
Khammouane  
Khammouane  
Savannakhet  
Savannakhet  
Saravane  
Wapikhamthong  
Sedone  
Champassak

Tractors are being used in fast-growing numbers to supplement manpower in agriculture. They can be imported under the American, British and Australian commodity import programs at the exchange rate of 240 kip per dollar. Tractors imported under the American program can be bought from commercial dealers on a credit basis by farmers cultivating their own land. Terms are at least 50 per cent cash payment, up to three years for payment of the balance, and 5 per cent interest.

United States assistance to agriculture, including irrigation and tractors brought in under the Commercial Import Program, totalled about \$4.6 million and 160 million kip in budgetary year 1966-67.

#### B. Fisheries

Development of fish production is considered the most rapid way to increase the protein available for the diet of the Lao people. Therefore, with United States assistance, the Royal Government started in 1966 to rehabilitate the fish hatcheries in Vientiane (Nong Teng), Luang Prabang and Pakse.

The fish hatcheries are designed to sell fingerlings to stock fish-raising ponds operated by families, villages and other organizations. Such ponds are steadily increasing in numbers. For example, 2,000 of them have been set up by the people of Sam Thong and Long Thien in Xieng Khouang Province. At Houei Kong in Attopeu Province, a fish pond was built on a self-help basis for demonstration purposes, and now villages all over the southeastern part of the Bolovens Plateau are developing ponds.

By March 1968, 110,000 fingerlings had been reared and sold at the three fish stations. The breakdown was as follows:

<u>Fish Station</u>	<u>Number of Fingerlings Produced</u>	<u>Places of Sale</u>
Luang Prabang	14,000	Sam Thong Sayaboury Hong Sa Xieng Ngeun Houei Sai Luang Prabang Area
Vientiane (Nong Teng)	34,000	Sam Thong Sayaboury Vang Vieng Vientiane Area
Pakse	62,000	GM 18 (Nong Hong - Savannakhet Province) Kengkok Sam Thong Saravane Pakse Area

In the spring and summer of 1968, tens of thousands of additional fingerlings are expected to be available at the fish stations. The goal is for the three stations to produce 2,500,000 fingerlings per year. Most of the adult fish are used for breeding purposes, but it is expected that at full production, 50 tons per year will be sold for market consumption.

### C. Small Industries

At the request of the Royal Lao Government, the United States financed a survey in 1965 by an American consulting firm on small industry possibilities in Laos. Progress is now being made in the development of such industries.

The retention of various kinds of industrial machinery and equipment in the Commodity Import Program financed by the United States at the 240 exchange rate is designed to encourage the development of small industries which serve to increase exports or decrease imports. Importation of machinery at this exchange rate in effect represents a subsidy, which is reserved for industries determined to be "priority" by the Royal Lao Government and USAID.

In March, 1967, the Royal Lao Government and the United States Government concluded an agreement for the establishment of a "Small Industry Loan Fund" to be administered through the Development Bank of Laos. The United States advanced 127 million kip for the first year of fund operations, and will lend additional kip for the second year. The fund makes loans to small private industries in kip at an interest rate of 12 per cent.

The Lao and American Governments decided to give first priority in the use of this loan fund to development of the lumber industry. In September, 1967, the first loan of 91 million kip was made to an association of sawmill owners in Vientiane called the Lao Timber Company. Additional loan applications from sawmill owners in Savannakhet and Pakse are under consideration.

Excellent results in increasing exports of lumber to Thailand have already been achieved. Such exports, worth \$80,000 in 1966, expanded nine times in 1967 to \$740,000. They are expected to reach as high as \$1,500,000 in 1968.

Presently under consideration is assistance in the development of a veneer and plywood factory, to be followed by other wood product industries such as furniture and cabinet manufacture. It is also anticipated that assistance will be provided in establishing light metal-working industries and in the production of simple agricultural implements.

The salt industry at Ban Keun in Vientiane Province has been helped to expand its production. In February, 1967, USAID signed a contract for 1,200 tons of salt formerly bought in Thailand to meet refugee needs. It is anticipated that the contract will be revised in June, 1968, to cover both refugee requirements and part of the needs of the Lao armed forces.

D. Roads

The Royal Government is concentrating on reopening and improving the main roads north and south from Vientiane and on opening roads which feed into the main roads or into the Mekong River. United States assistance plays a major role in this roads program.

Route 13 South from Vientiane to Thakhek, Savannakhet and Pakse was reopened to traffic, generally on an all-weather basis, in the summer of 1965, and has become increasingly heavily used. A new 100-kilometer stretch of all-weather road was built in the northern part of Khammouane Province to replace a previous dry season road through this heavily forested area. Work is continuing to strengthen and replace bridges and to widen and improve various stretches of this main road to Southern Laos.

Route 13 North from Vientiane to Luang Prabang is under reconstruction. The previous road had seriously deteriorated until at many points it was only a footpath through the jungle. Work started north of Phone Hong at the end of 1965, and by early 1968, the new road was open to Muong Kassy. This 275-kilometer project is expected to be completed by mid-1969. Construction of this road has also served as a training ground for hundreds of Lao highway construction workers at all skill levels.

Many other roads have been constructed, or are in progress. The more important include:

- (1) Reconstruction and paving of the Vientiane-Thadeua road.
- (2) Construction of a concrete ferry ramp at the Thanaleng crossing of the Mekong River, 18 kilometers from Vientiane.
- (3) Construction of a new road connecting Route 2 east of Thadeua in Vientiane Province with Route 13 South at Kilometer 48.
- (4) Construction of a 14-kilometer road from Phone Hong to Ban Talat (near the site of the Nam Ngum dam).

- (5) A 125-kilometer road from Houei Pa Mon (on Route 13 North, 15 kilometers south of Vang Vieng) to Sam Thong in Xieng Khouang Province is under construction at both ends, and should be completed in 1969.
- (6) Construction of a bridge across the Nam Khan in Luang Prabang City.
- (7) Improvement and construction of Route 1 in Sayaboury Province from Thadeua on the Mekong River through Sayaboury and Muong Phieng to Ban Nakhem.
- (8) Construction of a 24-kilometer road in northern Sayaboury Province from Hong Sa to the Mekong River.
- (9) Construction of a road in Houa Khong Province southeast from Ban Houei Sai toward Ban Dan.
- (10) Construction of a 25-kilometer road from Paksane to Muong Cao in Borikhane Province.
- (11) Construction of roads from Route 13 South in Borikhane Province to Nong Bua and Ban Lao.
- (12) Construction of a 35-kilometer road in Khammouane Province from Thakhek to Nong Bok.
- (13) Construction of various roads around Kengkok in Savannakhet Province.
- (14) Opening of a road from Saravane west to Route 13 by rehabilitation of the Saravane-Ban Samia road and construction of a new road from Ban Samia to Ban Napeng on Route 13 near Khong Sedone.
- (15) Construction of a new road starting at Kilometer 21 on the Pakse-Paksong road and leading to Kheng Nhao near the western edge of the Bolovens Plateau in Sedone Province.
- (16) Construction of a 35-kilometer road from Paksong in Sedone Province to Houei Kong in Attopeu Province in the Bolovens Plateau.
- (17) Widening and asphalt surfacing of Route 10 from Pakse to the Lao-Thai border in Champassak Province.
- (18) Construction of a road from Champassak to Don Talat and expected to continue to Soukhouma in Champassak Province.

In addition to numerous other smaller projects, road maintenance by the Ministry of Public Works, with United States assistance, is constantly being carried on.



An extensive program of training of personnel of this Ministry is also under way in order to place it as rapidly as possible in a position of being able to handle all road construction and maintenance throughout the Kingdom of Laos.

United States assistance for the roads program is running about \$7.4 million and 450 million kip per year.

#### E. Airports

Numerous airports have been built or improved with United States assistance. Major projects have included the following:

- (1) Vientiane - paving of runway, taxiways and parking aprons and construction of other facilities.
- (2) Luang Prabang - paving of runway and parking aprons.
- (3) Savannakhet - assistance to the Ministry of Public Works in paving.
- (4) Houei Sai (Houa Khong Province) - construction of new airport after destruction of the previous one during the 1966 flood.
- (5) Sam Thong in Xieng Khouang Province.
- (6) Muong Soui at the western entrance to the Plain of Jars.
- (7) Muong Kassy on the Vientiane-Luang Prabang road.
- (8) Vang Vieng
- (9) Saravane
- (10) Attopeu - assistance to the Ministry of Public Works.

Other smaller airstrips constructed or improved include:

<u>Location</u>	<u>Province</u>
Phone Hong	Vientiane
Ban Done	Vientiane
Muong Phieng	Sayaboury
Nam Thouei	Houa Khong
Kengkok	Savannakhet
La Khone Pheng	Wapikhamthong
Houei Kong	Attopeu

Small airstrips have also been carved out of mountains and jungle at numerous refugee sites in Northeastern and Northwestern Laos.

## F. Communications

The United States aid program has provided funds and technical assistance to three projects in the communications field. Together they account for a total dollar assistance of \$825,000.

(1) Lao Photo Press - About \$340,000 and approximately 26 million kip have been furnished to the Ministry of Information for the improvement of news dissemination facilities. The bulk of this dollar contribution was used to provide modern printing facilities. The Lao Photo Press building (completed in 1963) was paid for with local currency assistance.

(2) Lao National Radio - A total of \$123,000 has been provided to help maintain the four radio stations of the Royal Lao Government in Vientiane, Luang Prabang, Pakse and Savannakhet. Some sound and studio equipment was also provided under this project. Since 1962, Great Britain, Australia and the Federal Republic of Germany have taken over the major areas of support of the Lao National Radio.

(3) Telecommunications - The United States Government provided \$374,000 and about 7 million kip for the procurement and installation of nearly all outside telephone equipment, including cables, poles, telephone instruments and associated equipment, for approximately 800 subscribers in Vientiane and its environs.

A telecommunications network under the control of the Lao National Police, but for use by other agencies of the Royal Government as well, is now being established. All provincial capitals are connected with Vientiane. District (muong) capitals are now being tied into the network.

## G. Electric Power

Through budgetary year 1964 the United States supplied electrical generating equipment valued at \$705,000 for Vientiane's power distribution system. This included a new 1,000-KW unit which was installed in 1964 at the new power plant built with Japanese assistance.

The Nam Ngum project, to which the United States has pledged a contribution of half of the total costs of about \$24 million, will be the biggest project ever undertaken in Laos. Expected to be built by 1972, this project will provide 30,000 kilowatts of electricity in its first stage.

About one-half of the Nam Ngum power will satisfy the estimated consumption requirements of the Vientiane area in Laos at the time of completion of the project. The remainder will be available for sale to Thailand,

#### H. Education

Education has for several years been a major area of United States assistance to the Royal Lao Government.

In the field of primary education the United States has helped to build and repair schools and classrooms, develop and print Lao-language textbooks, furnish equipment and supplies, and construct offices and warehouses for Primary School Inspectors.

In cities and major towns, 22 permanent masonry-type groupes scolaires buildings of 12 rooms each for the first six grades have been built, or are under construction. Their locations are as follows:

<u>City or Town</u>	<u>Province</u>	<u>Number</u>
Vientiane	Vientiane	5
Luang Prabang	Luang Prabang	4
Sayaboury	Sayaboury	1
Houei Sai	Houa Khong	1
Long Thien	Xieng Khouang	1
Paksane	Borikhane	1
Thakhek	Khammouane	1
Nong Bok	Khammouane	1
Savannakhet	Savannakhet	2
Khong Sedone	Wapikhamthong	1
Pakse	Sedone	2
Champassak	Champassak	1
Khong Island	Sithandone	1

Substantial groupes scolaires buildings have also been built, some on a force account basis and some on a self-help basis, in numerous other places. These include Vang Vieng, Xieng Ngeun (Luang Prabang Province), Sam Thong (Xieng Khouang Province), Muong Cao (Borikhane Province), Kengkok, Muong Phalane and Lahanam (Savannakhet Province), Muong Wapi (Wapikhamthong Province), Houei Kong (Attopeu Province), and many others. Altogether, USAID has assisted 111 groupes scolaires buildings throughout the country.

The total number of elementary schools (including the groupes scolaires listed above) which USAID has helped construct or repair is as follows by province:

<u>Province</u>	<u>USAID-Assisted</u>	
	<u>Schools</u>	<u>Classrooms</u>
Attopeu	14	25
Borikhane	64	111
Champassak	39	75
Houa Khong	19	67
Houa Phan	1	7
Khammouane	77	188
Luang Prabang	35	146
Saravane	31	55
Savannakhet	76	232
Sayaboury	21	60
Sedone	78	152
Sithandone	43	67
Vientiane	124	398
Wapikhamthong	72	125
Xieng Khouang	11	85
	705	1,793

Primary school textbooks have been developed in the Lao language in all subjects for the first six grades. These books, totaling 2,750,000, have now been placed in the hands of every Lao child in grades 1-6. The subjects consist of health, civics, history, geography, arithmetic, reading, gardening, poetry, Lao fables, ethics, youth movement, and home economics.

In addition to a central Ministry of Education warehouse in Vientiane, offices and warehouses totaling 17 have been, or are being, built for Primary School Inspectors at the following locations:

<u>City or Town</u>	<u>Province</u>
Vientiane	Vientiane
Phone Hong	Vientiane
Ban Keun	Vientiane
Vang Vieng	Vientiane
Luang Prabang	Luang Prabang
Sayaboury	Sayaboury
Houei Sai	Houa Khong
Paksane	Borikhane
Thakhek	Khammouane
Paklay	Sayaboury
Nong Bok	Khammouane
Savannakhet	Savannakhet
Kengkok	Savannakhet
Khong Sedone	Wapikhamthong
Saravane	Saravane
Pakse	Sedone
Champassak	Champassak

In consultation with the Royal Government, United States assistance in the field of primary education is being reoriented to give greater emphasis to grades 4-6 than to grades 1-3. The reason for this change in focus is to make education at the grades 4-6 level available to a larger number of students and thus reduce the high drop-out rate at the completion of grade 3. This will insure an increasingly higher rate of literacy in Laos.

With the rapid development in primary education over the past few years, teacher training has assumed constantly greater importance. The United States has provided, or is providing, buildings, equipment supplies and some teaching staff for the following teacher training institutions;

<u>Type of Institution and Location</u>	<u>Buildings</u>
School of Pedagogy Dong Dok (Vientiane)	12 classroom buildings, 5 practical arts buildings, 4 laboratory buildings, 2 girls' dormitories, 12 boys' dormitories, 1 dispensary, 2 kitchens, 3 dining rooms, 1 director's house, 8 faculty houses, 24 faculty apartments, 1 warehouse, 1 auditorium/gymnasium, etc.
Normal School Luang Prabang	Classroom-office building (6 rooms), classroom building (12 rooms), 2 dormitories converted to 4 classrooms each, 3 other 200-student dormitories, demonstration school, dining hall, 3 faculty houses, etc.
Normal School Pakse	2 classroom buildings (one 6-room and one 12-room), 2 dormitories converted to 4 classrooms each, 3 other 200-student dormitories, dining hall and kitchen, 3 faculty houses, etc.
Normal School Vang Vieng	2 classroom buildings and kitchen (on self-help basis)
Normal School Sam Thong	Classroom building and kitchen/dining room(on self-help basis)
Normal School Savannakhet	Classroom building (12 rooms), 2 dormitories, auditorium/dining hall.

There are now some 2,200 students in training as teachers in these institutions. This number will grow as these teacher training schools continue to expand.

The United States has also recently entered the field of secondary education at the request of the Royal Government. Under this arrangement, a grade 7-10 school was opened in Vientiane in October, 1967. When completed, it will accommodate about 500 students.

This new secondary school is designed to assist the Royal Government in carrying out the objectives of the Lao Educational Reform Act of 1962. Instruction is given in the Lao language, thus initiating action toward the Royal Government objective of Laotianizing all educational instruction by 1980. The new school also innovates by offering both vocational and academic tracks of instruction.

A group of educational experts from the University of Hawaii is assisting Lao staff in developing the curriculum, preparing secondary school textbooks in the Lao language, and improving teaching methods.

The United States also constructed the grade 7-10 school in Thakhek.

The United States has also extended other assistance to technical education by furnishing construction materials for a self-help classroom building, dormitory and dining room at the Technical School in Savannakhet, and two self-help dormitories and a building extension at the Technical School in Vientiane. Certain technical equipment has been supplied to both of these schools.

With this steady expansion of the Lao educational system, total enrollment has grown from 68,372 students in 1955 to 201,675 students in 1967-68.

#### I. Public Health

United States assistance is also provided in the public health field. In budgetary year 1966-67, this amounted to \$1.7 million and 208 million kip.

This assistance has been concentrated particularly in rural areas, and has provided the first medical care ever available to thousands of villagers. Rural dispensaries are supported in the following provinces:

<u>Province</u>	<u>Number of Dispensaries</u>
Attopeu	7
Borikhane	9
Houa Khong	28
Khammouane	16
Luang Prabang	25
Sam Neua	3
Saravane	18
Savannakhet	19
Sayaboury	18
Sedone	8
Vientiane	13
Wapikhamthong	12
Xieng Khouang	52

In addition, a 150-bed hospital has been built and equipped at Sam Thong in Xieng Khouang Province and is the only hospital serving all of north-eastern Laos. A modern, well-equipped 50-bed hospital has been constructed at Vang Vieng, and was opened in late 1967. A new 50-bed hospital has just been completed in Khong Sedone in Wapikhamthong Province.

The United States also supports the activities of the Filipino organization, Operation Brotherhood, in the health field. Operation Brotherhood furnishes personnel to work with the Lao Government in the following hospitals (mostly built with United States assistance):

<u>Hospitals</u>	<u>Number of Beds</u>	<u>Remarks</u>
Vientiane	100	Also contains training facility for nurses and technicians.
Vang Vieng	50	New hospital referred to above.
Sayaboury	30	
Kengkok	28	
Paksong	60	
Saravane	60	Filipino personnel assigned when security permits.
Attopeu	25	" " " "
Pakse		Temporary unit of Filipinos when they are unable to work in Saravane or Attopeu.
Khong Sedone	50	New hospital referred to above.

The United States is also assisting the Lao Ministry of Public Health to develop institutionally. A new 98-person nurses' training facility (classroom and dormitory) is being built on the grounds of Mahosot Hospital in Vientiane. Lao personnel are being sent to Thailand for higher medical training to enable further staffing of the Lao health institutions.

#### J. Well-Drilling and Water Storage Dams

Five American well-drilling rigs are in operation in Laos to provide safe and adequate supplies of water. The well-drilling program operates under the guidance of the Ministry of Public Works.



As a matter of policy, in view of the costliness of drilling operations and well installations, drilled wells are located only in areas where it is not feasible to dig wells by hand.

To date, 703 wells have been drilled in Laos. The following table provides a breakdown by province of the more recently drilled wells:

<u>Province</u>	<u>Number of Drilled Wells</u>
Attopeu	6
Borikhane	7
Champassak	21
Khammouane	26
Luang Prabang	5
Saravane	16
Savannakhet	38
Sayaboury	34
Sedone	40
Vientiane	257
Wapikhamthong	49

In Southern Laos water storage dams have been built extensively on streams to provide an adequate supply of water for both human and animal consumption during the dry season. The number of storage dams built to date is shown below:

<u>Province</u>	<u>Number of Storage Dams</u>
Champassak	3
Sedone	5
Wapikhamthong	19

#### K. Community Development

Community development, with a network of Lao workers and American advisors, serves as the sparkplug of rural development. Many of the accomplishments in the fields described above--agriculture, education, health, water resources--result from the work of community development personnel with villagers.

Community development aims at helping the rural people living in the villages to achieve what they want for themselves and their children. The construction of schools and dispensaries in the rural areas has usually been carried out with this approach. Wells that can be dug by hand and lined with cement rings are also done in this manner. Other community facilities, e. g., markets, training buildings, libraries, information centers, etc., are likewise built under this system.

Self-help is emphasized to insure maximum utilization of available resources and to strengthen villagers' feelings of accomplishment and pride in projects they undertake. They furnish the labor, except for technical supervision where required. They supply the materials like sand, gravel, and lumber which come from domestic Lao sources. They are also beginning to buy some imported materials like metal roofing.

In its earlier stages the community development program concentrated on the development of social facilities, such as schools and dispensaries. Subsequently, equal stress began to be placed on the development of production, particularly rice, in order to enable the villagers to increase their income and do more for themselves and their families.

Training has also become a significant element of the community development program. Leadership training of village chiefs (tassengs and naibans) and other village leaders has proven useful in accelerating economic and social progress in the countryside. Skills training of rice farmers, carpenters, masons, blacksmiths, etc., is enabling villagers to develop the trades essential for progress.

United States assistance to the community development program of the Lao Ministry of Rural Affairs has been organized to concentrate in selected areas in order to produce maximum impact. Up to 1963, American rural development assistance was scattered over such diverse areas in Laos that it did not achieve full effectiveness. Therefore, it was decided to focus it on certain groups of villages called "clusters". This was the origin of the cluster, or Khet Phatanakane, program.

As development in the original clusters of villages progressed, several additional steps were taken. The original clusters were extended to include additional villages, and in most cases each

cluster became coterminous with a Lao district, or muong. Thus, the district chiefs, or chao muongs, became the local leaders of the community development program.

The Lao Government also decided that this program should be extended to certain more remote sections of the country which are labeled "forward areas". These areas are usually difficult of access, often reachable only by air.

In Southern Laos one of the original clusters was extended in 1965 to cover much of Wapikhamthong Province and later to include major areas of Saravane and Sedone Provinces. This regional program became known as the Sedone Valley Development Program, with the Sedone River serving as its central artery.

As progress is achieved in these areas of community development concentration, American assistance is reduced or phased out. Lao officials then assume full responsibility for carrying on the program.

The areas of organized community developments effort with American assistance are listed below:

<u>Location</u>	<u>Province</u>	<u>Remarks</u>
Phone Hong	Vientiane	Extended to cover entire muong.
Ban Keun	Vientiane	Covers all of Muong Thourakhom except two mountain tassengs; resident American community development advisor replaced by Lao "cluster manager".
Muong Phantaboun	Vientiane	Together with two preceding areas, this has become known as the "North Nam Ngum area," with one American community development advisor working in all three muongs.

Muongs Saithany, Nasaithong, and Sayfong	Vientiane	One American Community Development Advisor works with Chao Muongs in all three muongs.
Vang Vieng	Vientiane	Also includes community development work in Ban Done, Nong Phet, and Muong Kassy.
Muong Met	Luang Prabang	A Forward Area.
Xieng Ngeun	Luang Prabang	A Cluster consisting of most of a muong.
Muong Phieng	Sayaboury	A Cluster comprising the equivalent of a muong.
Hong Sa	Sayaboury	A Forward Area consisting of most of a muong.
Xieng Lom	Sayaboury	Also a Forward Area, but lacking the road connection Hong Sa now has with the Mekong River.
Houei Sai	Houa Khong	Work in accessible areas of this province.
Sam Thong	Xieng Khouang	Work in accessible areas of Northeastern Laos, including Muong Soui.
Muong Cao Pak Chao	Borikhane	Presence of resident American personnel discontinued already or imminently; American Community Development Advisor now works with Province Chief (Chao Khoueng) in all accessible areas of province.
Nong Bok	Khammouane	A Cluster extended to cover all of a muong.
Dong Kasene	Khammouane	A Forward Area covering all of Muong Khammouane.

Na Khua	Khammouane	A Forward Area.
Central Hin Boun Valley	Khammouane	A Forward Area.
Kengkok	Savannakhet	Extended to cover all of Muong Champhone.
Lahanam	Savannakhet	Covers all of Muong Songkhone and accessible parts of Muong Phouvieng.
Dong Hene	Savannakhet	When security permits, covers Muongs Saphangtong, Phalane and Atsaphone.
Lakhonpheng	Wapikhamthong	Cluster subsequently extended to cover most of Wapikhamthong Province and later phased into Sedone Valley Development Program, with resident American advisors in Khong Sedone, Saravane, Pakse and Paksong.
Houei Kong	Attoupeu	Cluster
Done Talat	Champassak	Cluster - to be extended toward Soukhouma.

Limited community development activities have also been carried out in certain areas not listed, such as non-cluster muongs in Savannakhet Province, Muong Khay and Pak Beng in Luang Prabang Province, Muong Sanakham in Vientiane Province, and Attoupeu.

#### L. Government Buildings

To help provide sufficient office and warehouse space for the efficient functioning of the Lao Government, United States assistance has been, or is being, used to construct the following buildings for ministries of the Royal Lao Government:

Building

Ministry

Home Economics Building

Direction of Agriculture, Ministry of National Economy

Warehouse

Direction of Agriculture, Ministry of National Economy

Topographical Service

Geographic Service, Ministry of National Economy

Purchasing Office

Ministry of Plan

Addition to Commission of the Plan

Ministry of Plan

Lao Photo Press

Ministry of Information

Central Customs Office

Ministry of Finance

Commission of Rural Affairs

Ministry of Rural Affairs

Warehouse (That Cao)

Ministry of Social Welfare

Police Motor Maintenance Facility

Ministry of the Interior

Police Training Academy

Ministry of the Interior

Materials Production Center

Ministry of Education

Warehouse (Tafforin School)

Ministry of Education

Addition to Office Building

Ministry of Public Works

Various Facilities  
at PK-7 Maintenance Center  
and at Provincial Subdivisions

Ministry of Public Works

ANNEX No. 1

UNITED STATES ECONOMIC ASSISTANCE TO LAOS\*

<u>Project Assistance</u>	Amounts in Thousands of Dollars by Budgetary Year			
	<u>1963-64</u>	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>
Agriculture	392	662	1,081	2,991
Irrigation	175	330	995	1,456
Industry (Small Industry)	51	-	-	71
Roads	1,828	5,131	4,877	7,357
Other Public Works	200	557	1,363	1,067
Health & Sanitation	1,704	2,789	2,790	1,698
Education	889	824	1,256	1,506
Public Administration	137	92	98	254
Well Drilling	190	529	1,032	703
Community Development	1,078	986	1,405	1,594
Refugee Relief & Resettlement	1,979	4,534	4,112	4,554
Air Transportation	9,177	8,676	8,810	6,395
Police	-	895	557	654
General Technical Support	2,888	4,170	6,036	5,160
Miscellaneous Technical Support	<u>2,936</u>	<u>3,339</u>	<u>3,639</u>	<u>4,028</u>
Subtotal	23,624	33,514	38,061	39,488
<u>Non-Project Assistance</u>				
Foreign Exchange Operations Fund	3,681	4,000	10,000	13,800
Commercial Import Program	10,735	7,406	5,000	1,900**
Invisibles	<u>2,300</u>	<u>3,666</u>	<u>2,535</u>	<u>1,545</u>
Subtotal	16,716	15,072	17,535	17,245
PL-480, Titles II & III (Surplus Agricultural Commodities)	<u>1,700</u>	<u>300</u>	<u>400</u>	<u>1,200</u>
GRAND TOTAL	42,040	48,886	55,996	57,933

\* This table does not include United States assistance to regional projects benefitting Laos, such as the Nam Ngum dam.

\*\* Commercial Import Program in budgetary year 1966-67 actually ran at about \$4.5 million. The balance was funded from carry-over credits.

