

UNITED STATES AID

TO LAOS

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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, which is menaced by the constant danger of attack all along its eastern territories. 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 commercialisee", which is provided by Australia, the United States and the United Kingdom. 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 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. There are approximately 250,000 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 ever 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 paper 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 paper 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 \$51 million in economic assistance made available to Laos by the United States in the budgetary year 1965 was used as follows: \$15 million for stabilization purposes, about \$11 million for humanitarian purposes and over \$11 million for development purposes. The remaining \$14 million included funds to supply rice and other foodstuffs to the armed forces of Laos, to develop the civil police force and to bring American and foreign specialists and technicians to work in Laos. Annex No. 1 provides a further breakdown of the assistance extended in budgetary year 1965.

In the present budgetary year (July 1, 1965 - June 30, 1966) it is expected that assistance for stabilization purposes will rise somewhat and development assistance will increase substantially.

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, commodities authorized for importation under USIP were substantially reduced in an effort to maximize the benefits of U.S. assistance to Laos. It was found that importers and dealers were making large profits out of USIP by falsifying invoices, re-exporting goods to Thailand, and pricing at the 500 exchange rate goods imported at the 240

rate. 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 was reduced to a few essentials: rice, petroleum products, industrial machinery, and utility vehicles. 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, which amounted to \$7.5 million in budgetary year 1965, is thus being reduced in budgetary year 1966. However, to compensate for this cut, United States assistance to the Foreign Exchange Operations Fund is increasing faster than the reduction in USIP funds.

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 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 two 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. To sustain FEOF's success, the Royal Government of Laos has undertaken to hold its budgetary deficit during the next budgetary year (July 1, 1966 -

June 30, 1967) at a level which will not exceed the deficit in the current budgetary year.

The United States contribution to FEOF in the budgetary year 1965 was \$4.0 million. For the current budgetary year, it will more than double last year's contribution.

The other foreign donors to FEOF are Australia, France, Japan and the United Kingdom.

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 running at about \$3 million per year.

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 development purposes (as described in Sections IV and V, below) 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 invisible programs go into a special fund known as the "counterpart account". Under an agreement between the United States and 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 development projects.

Kip are also acquired by the sale of FEOF of the dollars contributed by the United States. By agreement between the United States and Royal Lao Governments, these kip are used solely 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 requiring assistance has risen to about 250,000 at the present time.

The United States contribution to refugee support in the budgetary year 1965 amounted to \$5 million and 73 million kip, and will probably increase in the current budgetary year. Much of this is used to supply rice for the refugees. It also includes some other foodstuffs as well as clothing and simple agricultural tools.

Most of this assistance has to be moved to the refugees by airplane because of their inaccessibility to any other mode of transportation. Refugee relief work, therefore, accounts for a substantial part of the air costs funded out of United States aid to Laos. These costs are over and above the \$5 million cost of the commodities furnished to the refugees.

The approximately 250,000 refugees to whose support the United States is contributing are distributed as follows, by province:

<u>Province</u>	<u>Number of Refugees</u>
Houa Phan (Sam Neua)	38,920
Xieng Khouang	130,170
Luang Prabang	27,570
Houa Khong (Nam Tha)	27,630
Sayaboury	2,680
Vientiane	1,830
Borikhane	370
Khammouane	10,370
Savannakhet	610
Pakse	2,140

B. Public Health

United States assistance in the public health field is also provided for humanitarian purposes. In the budgetary year 1965 this amounted to \$2.8 million and 157 million kip, and will probably be slightly higher in the current budgetary year.

About half of this amount is used to support health activities in rural areas and certain cities. Over one hundred dispensaries and infirmaries are supported in the following provinces:

<u>Province</u>	<u>No. of Dispensaries</u>	<u>No. of Infirmaries</u>
Houa Khong	22	2
Luang Prabang	10	3
Houa Phan	10	1
Xieng Khouang	24	3
Sayaboury	4	1
Vientiane	7	
Borikhane	4	
Khammouane	4	
Savannakhet	7	
Wapikhamthong	14	
Saravane	3	
Attopeu	5	

This assistance has also been used to build and equip a hospital at Sam Thong in Xieng Khouang Province, serving the people all over north-eastern Laos. Discussions are now in progress with the Royal Government about building a hospital at Khong Sedone in Wapikamthong Province. The United States has also agreed, along with other donors, to extend certain assistance to expand the facilities at the Luang Prabang Hospital.

The remainder of United States assistance in the health field is used cooperatively with Operation Brotherhood of the Philippines to support other hospitals and dispensaries. These facilities, operated with the assistance of the Filipino personnel of Operation Brotherhood at the request of the Royal Lao Government because of the shortage of Lao medical personnel, are located in the following places:

<u>Hospitals</u>	<u>Number of Beds</u>	<u>Number of Dispensaries</u>
Vientiane	100	-
Vang Vieng	25 (50-bed hospital under const.)	3
Sayaboury	30	4
Keng Kok	28	-
Paksong	60	10
Saravane	60 (joint hospital with Royal Lao Government)	-
Attoupeu	25	6

V. DEVELOPMENT ASSISTANCE

A. Rural Development

During the past two years, United States assistance in rural areas of Laos has been concentrated in selected "cluster villages" and "forward areas". This rural assistance program is called Khet Phatanakane by the Royal Lao Government, or the program of "zones de developement rural".

The "cluster villages", or groups of villages, have been selected for special development attention for economic and political reasons. They are located throughout the Kingdom of Laos as follows:

<u>Cluster Villages</u>	<u>Province</u>
Xieng Ngeun	Luang Prabang
Muong Phieng	Sayaboury
Vang Vieng	Vientiane
Phone Hong	Vientiane
Ban Keun	Vientiane
Borikhane	Borikhane
Pak Ca Dinh	Borikhane
Nong Bok	Khammouane
Keng Kok	Savannakhet
Dong Hene	Savannakhet
La Khone Pheng	Wapikhamthong
Houei Khong	Attoupeu

Dong Hene represents the newest group of villages selected as a "cluster" for development attention. It includes also Muong Phalane and Pha Kha Nhia.

As an example of development activity in a "cluster of villages", the following represents development in Phone Hong:

29 kilometers (18 miles) of roads, constructed where none previously existed, including one bridge and 51 culverts.

2 Groupes Scolaires (schools of 6 grades) built and one village school repaired.

2 dispensaries built (treating 3,000 patients per month).

1 market completed

1 building constructed for the offices of the Agricultural, Veterinary and Fundamental Educator employees of the Royal Government of Laos.

Same building also contains facilities for conducting training programs for soldiers (of which 5 courses with 110 students have already been given); maternal and child health course involving 40 mothers; in-service training for agents of the Royal Lao Government.

1 demonstration vegetable garden at the training center and other demonstration gardens at the Groupes Scolaires; vegetable seeds distributed to over 200 families.

1 demonstration rice plot showing improved varieties of rice and the use of fertilizer.

Distribution of improved rice seeds to farmers by the new Agricultural Development Organization.

Distribution of boar pigs to improve the village breed.

23 wells drilled by machine.

7 wells dug by hand and lined with cement well rings.

215 water seal toilets installed in 9 cluster villages.

The "forward areas" as zones of development are located in regions recently liberated or still fairly close to the enemy. Their main difference from "cluster villages" is that they do not receive the same intensity of development attention as the latter. The present "forward areas" are as follows:

<u>Forward Areas</u>	<u>Province</u>
Xieng Lom (with Extension to Hong Sa)	Sayaboury
Muong Kassy (With Extension to Muong Met)	Luang Prabang
Muong Soui Saravane	Xieng Khouang Saravane

As an example of "forward area" development, the following has been, or is being done in Xieng Lom:

1 6-bed dispensary constructed

30 hand dug wells under construction

1 cement dam and 3 gabion dams under construction

1 seven-room groupe scolaire underway

School books and supplies distributed to all schools

Wet and dry season vegetable seeds distributed to over 700 families

Road and bridge repair

6 military social service workers assist in vegetable, road, bridge and sanitation work.

Other rural areas also receiving extensive development attention are Sam Thong in Xieng Khouang Province and Ban Houei Sai and Ban Nam Thouei, both in Houa Khong Province.

In one area in southern Laos, the "cluster village" concept has been greatly expanded. The development program in the original "cluster" of

La Khone Pheng was subsequently extended to the entire province of Wapikhamthong, an area where the enemy had been strong for several years. At the present time this program is being further extended to cover the entire valley of the Sedone River (a rich agricultural area) all the way to the city of Saravane, as well as much of Sedone Province, including the northern and western parts of the Bolovens Plateau.

Already accomplished or underway in this program covering an entire region are the following:

New road approximately 40 kilometers in length from Ban Napong (on Route 13) north of Khong Sedone, eastward to Ban Samia on the Sedone River.

Rehabilitation of road from Saravane to Khong Sedone with an access road to Ban Samia (thus making possible 2 road connections from Saravane directly west to Route 13.)

New 20 kilometer road from Lao Ngam (Sedone Province) off KM-13 between Pakse and Paksong to Ban Kheng Nhap.

Buildings for security forces in Khong Sedone and La Khone Pheng.

One Groupe Scolaire in Khong Sedone and 2 Groupe Scholaires in Pakse.

44 primary schools in Wapikhamthong Province and adjacent areas.

3 dispensaries located on the Khong Sedone - Saravane road axis, and 1 dispensary east of Souvannakhili.

Irrigation project in Pakse, and 4 water storage dams and 6 windmills in La Khone Pheng. Construction will begin on 2 dam sites in Khong Sedone.

87 villages have been surveyed to determine rural development needs to date in the further expansion of this regional program.

Mass livestock vaccination program - 2,000 out of a planned 10,000 cattle and buffalo were vaccinated in Wapikhamthong province during the first 60 days of operations.

ADO purchased 239 tons of pure rice seed in Wapikhamthong and Sedone Provinces.

Outside the "cluster villages", the "forward areas", and the regional program in southern Laos, the United States has extended considerable assistance to other provincial areas. Assistance to education, to road construction and to agriculture (see the following subsections) has covered all of the provinces under the control of the Royal Government of Laos.

Markets have been constructed or are under construction in the following cities and towns:

<u>Place</u>	<u>Province</u>
Luang Prabang	Luang Prabang
Xieng Ngeun	Luang Prabang
Vang Vieng	Vientiane
Phone Hong	Vientiane
Vientiane	Vientiane
Savannakhet	Savannakhet
Kengkok	Savannakhet
Paksong	Sedone
Pakse	Sedone
Champassak	Champassak

Airfields for purposes of better communication have been or are being built or improved in the following places, as well as at numerous refugee sites:

<u>City or Town</u>	<u>Province</u>
Luang Prabang	Luang Prabang
Muong Kassy	Luang Prabang
Muong Met	Luang Prabang
Sam Thong	Xieng Khouang
Muong Soui	Xieng Khouang
Ban Nam Thouei	Houa Khong
Muong Phieng	Sayaboury
Vang Vieng	Vientiane
Nong Phet	Vientiane
Ban Done	Vientiane
Muong Som	Vientiane
Phone Hong	Vientiane
Vientiane (Wattay)	Vientiane
Muong Cao	Borikhane
Savannakhet	Savannakhet
Keng Kok	Savannakhet

Saravane
Nong Boua
Houei Khong
Latassasine

Saravane
Saravane
Attopeu
Attopeu

United States assistance for community development in rural areas during budgetary year 1965 amounted to \$2.8 million and 252 million kip. It is expected to rise substantially in both dollars and kip in budgetary year 1966. These figures do not include the assistance stated in the following sections for education, roads and agriculture. They likewise do not include the substantial costs of air transportation for rural development - for example, all persons and things going to the "cluster villages" at Houei Khong or to the "forward area" of Muong Kassy have to be flown to these areas at the present time.

The Royal Government of Laos insists that community development programs stress self-help to the maximum extent possible. The United States supports this policy of the Lao Government both because it insures that development projects are really desired by the people, and because it enables available funds to be used to help a greater number of people to raise their standard of living.

B. Education

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

The biggest project undertaken by the United States in this field has been the National Teacher Training School (Ecole Superieure de Pedagogie) at Dong Dok, just outside Vientiane. Originally opened in 1959, the facilities at this school have been steadily expanded until it now has 1,344 students, 1,127 in the French section, 117 in the English section, and 80 in the Lao section.

The United States has also extended the necessary assistance for the construction of the Teacher Training Schools (Ecoles Normales des Instituteurs) at Luang Prabang and Pakse. Opening in 1962, these two schools now have 103 and 165 students, respectively.

All three teacher training schools turned out 405 teachers in 1965, and are expected to graduate 390 in 1966.

The United States has also furnished extensive assistance for the development of primary education throughout Laos. Groupes Scolaires for the first six grades have been, or are being, constructed in nearly all of the provinces of Laos.

<u>Province</u>	<u>Number of Schools</u>
Houa Khong	4
Luang Prabang	17 (4 in Luang Prabang City)
Sayaboury	6
Xieng Khouang	2
Vientiane	21 (3 in Vientiane City)
Borikhane	3
Khammouane	7 (plus 1 college in Thakhek)
Savannakhet	5 (2 in Savannakhet City)
Attoupeu	3
Champassak	8 (1 Champassak-Ville)
Saravane	2
Sithandone	1
Sedone	8 (2 Pakse)
Wapikhamthong	11

Primary schools (first three grades) have been built in most parts of Laos as follows, using funds supplied by the United States:

<u>Province</u>	<u>Number of Schools</u>
Houa Phan (Refugee)	12
Houa Khong	43
Luang Prabang	75
Xieng Khouang (Refugee)	96
Sayaboury	32
Vientiane	111
Borikhane	26
Khammouane	78
Savannakhet	60
Wapikhamthong	54
Saravane	11
Sedone	69
Champassak	40
Attoupeu	7
Sithandone	48
Total	<u>762</u>

United States assistance has also been, or is being, used to build offices and warehouses for Primary School Inspectors at the following locations:

<u>City or Town</u>	<u>Province</u>
Ban Keun	Vientiane
Keng Kok	Savannakhet
Thakhek	Khammouane
Luang Prabang	Luang Prabang
Nong Bok	Khammouane
Paklay	Sayaboury
Phone Hong	Vientiane
Savannakhet	Savannakhet
Pakse	Sedone
Vientiane	Vientiane

Another important educational program which the United States has supported with funds and technical assistance is the preparation of primary school textbooks. Two years ago such books were non-existent. By June, 1966, every Lao child in the first six grades is expected to be supplied with the necessary books. Total number printed by that time is estimated at 2 million.

The technical school at Savannakhet has been expanded by the addition of a classroom building, dormitory and dining room, with United States assistance.

In addition, rural craft schools enabling many students to acquire two years of vocational training after finishing the first six grades are being opened with United States support at the following places:

<u>City or Town</u>	<u>Province</u>
Pak Hom	Luang Prabang
Sam Thong	Xieng Khouang
Sayaboury (2 craft rooms)	Sayaboury
Paklay	Sayaboury
Ban Houei Sai	Houa Khong
Ban Keun	Vientiane
Phone Hong	Vientiane
Vientiane (2 craft rooms)	Vientiane
Paksane	Borikhane

Thakhek (2 craft schools)
Nong Bok
Savannakhet
Keng Kok
Saravane

Khammouane
Khammouane
Savannakhet
Savannakhet
Saravane

Assistance has also been furnished for the manufacture of school furniture and for minor school repairs in many places.

Discussions are in progress between the United States and Royal Lao Governments concerning possible assistance to secondary education.

United States assistance in the education field amounted to \$900,000 and 175 million kip in budgetary year 1965. This assistance is expected to rise in budgetary year 1966.

C. Agriculture

The agricultural program of the Royal Lao Government is perhaps the most important development program being carried on in the Kingdom. Eighty-five per cent of the people are farmers, and agriculture is the major contributor to the national income. Thus, agriculture represents the key to the economic progress of Laos and to an improvement in the standard of living of the Lao people.

Increased rice production to the point of self-sufficiency and eventually to obtain a surplus for export is the most significant program in the agricultural field. At present, the United States finances imports of 50,000-60,000 metric tons of rice at a cost between \$6 million and \$8 million per year, mainly for refugees and the armed forces. It is hoped to eliminate these imports as well as other commercial imports from Thailand over the next few years as Lao production rises.

The United States has assisted the Lao Government in developing improved rice seeds which will furnish a higher yield per hectare. These improved seeds were distributed for the first time to selected farmers in 1965. In 1966, they will be distributed to many more as more than 500 tons of improved seeds were produced in 1965. These seeds are now stored in special warehouses built with United States assistance in Vientiane, Luang Prabang, Sayaboury, Thakhek, Savannakhet and Pakse.

Irrigation dams, particularly of the small self-help type, have also been constructed widely in order to assure adequate water for rice production. For example, the biggest existing dam in Laos was completed about six years ago near Muong Phieng in Sayaboury Province. In addition to many other dams already built, United States Assistance is being furnished during the dry season 1965-66 for the following irrigation or water storage projects, most of them related to rice:

<u>Location</u>	<u>No.</u>	<u>Province</u>
Namtane	1	Luang Prabang
Muong Nane	2	Luang Prabang
Muong Kassy	1	Luang Prabang
Hia Nakok	1 Under Const.	Sayaboury
Nam Non	1 Under Const.	Sayaboury (Xieng Lom)
Nam Kom	1	Sayaboury (Xieng Lom)
Nam Ean	1	Sayaboury (Xieng Lom)
Nam Ngum	1	Sayaboury (Xieng Lom)
Ban Nala 2	1	Sayaboury
Paklay	1	Sayaboury
Naphuei	1	Vientiane (Ban Keun)
Nong Chop	1	Vientiane (Ban Keun)
Muong Nam	1	Vientiane (Ban Keun)
Ban Na La	1	Vientiane (Ban Keun)
Houei Phan	1	Vientiane (Phone Hong)
Lower Houei Sida	1	Vientiane (Phone Hong)
Upper Houei Sida	1	Vientiane (Phone Hong)
Ban Phon My	1	Vientiane
Ban Pakpo	1 Cmpltd in February	Vientiane (Vang Vieng)
Ban Houei Ngum	1 Under Const.	Vientiane (Vang Vieng)
Ban Naken	1 Under Const.	Vientiane
Houei Bak	1	Savannakhet
Saravane Canal	1 Under Const.	Saravane
Noua Ling	1 Cmpltd in February	Champassak
Houei Nhang	1 Under Const.	Sedone
Ban Nonesevang	1 Cmpltd in January	Wapikhamthong (Lakhonpeng)
Na Prabang	1 Cmpltd in February	Wapikhamthong
Nadou Khow	1 Under Const.	Wapikhamthong
Dan La Lao	1	"
Between Khong Sedone and Saravane	6 Locations indefinite	"

An additional 25 projects are under consideration and some will probably be constructed this year, depending upon how soon the rainy season starts and other factors.

The new Agricultural Development Organization (ADO), founded in 1965, also plays a vital role in the program of increased rice production. In addition to handling the improved rice seeds, ADO also aims to insure the farmer of a market for his increased production - and a market at an equitable price. It is believed that the best way to encourage him to grow more rice is to make sure he can sell it and get a fair price for it. This is also the best way to raise his standard of living.

ADO is also expected to develop an agricultural credit mechanism; it will furnish seeds, fertilizer, insecticides, and simple machinery on a credit basis, probably repayable in kind initially. It is a joint Lao-American organization, functioning under the direction of the Royal Lao Government, but with staff provided by both governments.

Vegetable production is also being promoted extensively by the Lao Government with United States assistance. Commercial production in the Vientiane area has increased in the past two years until now more than 50 per cent of the market is supplied by Lao production. Further distribution of seeds and fertilizers should enable a continued rise in the percentage of the market supplied by Lao production.

In addition to the promotion of vegetable production around Vientiane and other Lao cities, an intensive campaign is in progress to encourage increased vegetable production for home consumption throughout the countryside. This is done through seed distribution and demonstration plots at "cluster villages", at refugee centers, and at many schools and hospitals.

Livestock output is also being encouraged. The Lao Government with United States assistance has initiated a widespread program of vaccination and other measures to improve the health of animals. Boar pigs are being introduced for cross-breeding in order to develop higher-yielding pigs. New breeds of ducks have also been introduced.

D. Roads

The United States is assisting the Royal Lao Government in the construction or reconstruction of main roads, the opening of new access roads from villages to main roads or to rivers, and the maintenance of existing roads.

Major road projects include the following:

1. Reconstruction of 100 kilometers of Route 13 south in Khammouane Province from Nam Ca Dinh to Nam Hin Boun.
2. Reconstruction of 235 kilometers of Route 13 North from Phone Hong (80 kilometers north of Vientiane) to Xieng Ngeun (20 kilometers south of Luang Prabang). This project will probably take about three years.
3. Improvement and construction of RN-1 in Sayaboury Province from Thadeua through Sayaboury and Muong Phieng to Ban Nakem.
4. Widening and asphalt surfacing of RIG-10 from Pakse to the Thai border in Champassak Province.
5. 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 Napong on Route 13.
6. Reconstruction and paving of the Vientiane-Thadeua Road.
7. Construction of a concrete ferry ramp at the Thanaleng crossing of the Mekong River, 18 kilometers from Vientiane.

Village access roads enabling farmers to get their produce out to markets have been, or are being built, mainly in "cluster villages", as follows:

1. Access roads in Muong Phieng cluster in Sayaboury Province
2. Access roads in Xieng Ngeun cluster in Luang Prabang Province
3. Access roads in Vang Vieng cluster in Vientiane Province
4. Access roads in Phone Hong cluster in Vientiane Province
5. Access roads in Ban Keun cluster in Vientiane Province
6. Access roads in Borikhane cluster in Borikhane Province
7. Access roads in Pak Ca Dinh cluster in Borikhane Province

8. Access roads in Nong Bok cluster in Khammouane Province
9. Access roads in Keng Kok cluster in Savannakhet Province
10. Access roads in Houei Khong cluster in Attapeu Province
11. New road from Lao Ngam on Pakse/Paksong road to Ban Keng Nhao in Sedone Province.

Road maintenance activities are, of course, constantly being carried on. The following shows road maintenance projects being financed out of funds provided in budgetary year 1965 and 1966:

1	Maintenance of RN-1	113 Kms
2	Maintenance of RN-2 + 2A	45 Kms
3	Maintenance of RN-3	30 Kms
4	Maintenance of RN-4	14 Kms
5	Maintenance of RN-11	45 Kms
6	Maintenance of RN-13	90 Kms
7	Maintenance of RN-16	16 Kms
8	Maintenance of RN-18	4 Kms
9	Maintenance of RN-19	3 Kms
10	Maintenance of RN-4	20 Kms
11	Maintenance of RIG-9	40 Kms
12	Maintenance of RIG-10	41 Kms
13	Maintenance of RIG-12	17 Kms
14	Maintenance of RIG-13	955 Kms
	Access Road Maintenance	<u>151 Kms</u>
	Total	1,584 Kms

An extensive program of training of personnel of the Ministry of Public Works of the Lao Government is also being carried on by the United States in order to place the Ministry in a position as rapidly as possible of being able to handle all road construction and maintenance throughout the Kingdom of Laos.

United States assistance for the roads program amounted to \$4.8 million and 218 million kip in budgetary year 1965.

E. Small Industries

At the request of the Royal Lao Government, the United States has financed a survey by an American consulting firm on small industry possibilities in Laos. This report is expected to be available shortly.

Appropriate agencies of the United States and Lao Governments have begun discussions with respect to specific industries which it may be possible to foster in Laos. The salt industry in Ban Keun in Vientiane Province is an example of the type of small industry in which production can be boosted.

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 also designed to encourage the development of small industry. Importation of machinery at this exchange rate in effect represents a subsidy for industrial development. Weaving looms, for example, were recently approved under this program to enable the start of a small textile industry in Laos.

F. 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 1971, 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.

G. 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 - Through budgetary year 1964, \$328,000 and approximately 26 million kip were 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 \$122,000 was provided in budgetary years 1964 and 1965 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 and Australia have taken over the major areas of support to 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, transformers, and receivers, for approximately 800 subscribers in Vientiane and its environs.

H. Government Buildings

To help provide sufficient office and warehouse space for the efficient functioning of the Lao Government, United States assistance has been used to construct the following buildings for ministries of the Royal Lao Government at a total cost of 79 million kip. Additional amounts of kip have been made available for the rehabilitation and maintenance of other Government buildings

<u>Building</u>	<u>Ministry</u>
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
Warehouse (That Cao)
Garage and Well Drilling Center
Police Training Academy
Materials Production Center
Warehouse (Tafforin School)

Ministry of Rural Affairs
Ministry of Rural Affairs
Ministry of Rural Affairs
Ministry of the Interior
Ministry of Education
Ministry of Education

ANNEX

UNITED STATES ECONOMIC ASSISTANCE TO LAOS

FOR YEAR JULY 1, 1964 - JUNE 30, 1965

<u>Project Assistance</u>	<u>Amount in Missions of Dollars</u>
Agriculture	1.0
Development of Lao National Road Systems	4.8
Public Health Development	2.8
Education Development	.9
Customs Development	.1
Development of Rural Economy	2.8
Relief of Refugees	4.6
Transportation Costs	10.1
Civil Police	.9
General and Miscellaneous	<u>7.7</u>
Total Project Assistance	35.6
 <u>Non-Project Assistance</u>	
Commodity Imports	7.4
Invisibles	3.5
Foreign Exchange Operations Fund	<u>4.0</u>
Total Non-Project Assistance	14.9
PL 480 Title II, III	<u>.4</u>
TOTAL ASSISTANCE	50.9

