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KENNEDY ASSERTS LAOS CIVIL FUNDS STILL GO TO C.I.A.

Tells of a Secret Report
That Practice Continues
Despite Assurances

1971 PROMISE IS CITED

\$2.5-Million for War Relief
Is Said to Be Diverted to
a Clandestine Army

By TAD SZULC

Special to The New York Times

WASHINGTON, March 18—
Nearly half of the United States aid funds intended to help civilian victims of the war in Laos are still being diverted to the Central Intelligence Agency's clandestine guerrilla army despite the Nixon Administration's assurances last May that this practice would be halted, according to the General Accounting Office.

A summary of the secret report by the G.A.O., the Congressional investigating body, was made public today by Senator Edward M. Kennedy, Democrat of Massachusetts. The report was prepared at the request of his judiciary subcommittee on refugees.

Based on the report's figures, the diversion of public health funds, which are managed by the Agency for International Development, mounts to an estimated total of \$2.5-million a year.

Another Report Expected

Congressional sources said that another secret General Accounting Office report would disclose details on the continuing use of A.I.D.'s refugee assistance programs in Laos by the intelligence agency for the guerrilla army, in addition to diversion of the public health funds.

The second report is expected to be presented later this month to the Kennedy committee by the accounting office.

The accounting office's report on the "civilian health" programs in Laos contains a chapter on "assistance to Lao military and paramilitary forces and their dependents." A summary provided by Senator Kennedy says that that section "is classified 'secret.'"

While the Kennedy summary provided no details on the relationship between the Agency for International Development, which administers foreign aid, and the Central Intelligence Agency, the Senator commented that "A.I.D. continued to furnish substantial amounts of medical support to Lao military et al." with "little or no control over the diversion and use of the medical support items."

Figures and other details of the G.A.O. report were made available to The New York Times today in Congressional quarters, and they showed that last month the intelligence agency refunded to the development agency \$1.3-million for medical assistance to clandestine army activity and related air support between last July 1 and Dec. 31.

Refund Called a First

It was reported that the accounting office estimated that these services by A.I.D. to the C.I.A. would be in excess of \$1-million between Jan. 1 and June 30, 1972, the second part of the 1972 fiscal year for which the over-all commitments were made.

The Kennedy committee estimates, therefore, that the present annual figure for the diversions of public health funds to the intelligence agency is about \$2.5-million.

Last month's payment by the C.I.A. to the other agency was, according to the accounting office, the first refund. The accounting office estimates that the nonreimbursed cost to A.I.D. for supporting the clandestine army's medical needs was about \$1.6-million each in the fiscal years 1970 and 1971.

These totals, however, were exclusive of air support for military medical aid under the international development agency's air technical support program. The accounting office

estimated that in each year, "\$500,000 to \$600,000 additional is also applicable to these projects for air transport of commodities and personnel." As part of its over-all air

program in Indochina, the Agency for International Development operates Air America and chartered planes from commercial airlines. Earlier estimates by the accounting office had the C.I.A. providing about 70 per cent of the business for the air support program.

A comparison of the G.A.O. estimates with the development agency's public health obligations in Laos shows that about half the money is diverted for the guerrilla force of the intelligence agency.

The total A.I.D. commitment for public health programs in Laos in fiscal 1972 is \$4,956,000, and the accounting office assumes that nearly \$2.5-million will have been transferred to the intelligence agency.

An Unlinked Project

Medical support for the C.I.A.'s army is channeled by the development agency through the "Village Health Project," which is said to include two hospitals, numerous small dispensaries and a hospital functioning as a dispensary, all in rural areas.

The G.A.O. report said that the purpose of the "Village Health Project" must be classified "secret." But, elsewhere, accounting office documents stressed that the purpose was "to provide essential care to military and paramilitary groups, refugees and local village communities."

The development agency's other public health activity in Laos is the "Operation Brotherhood Project," which assists in the operation of hospitals in six urban areas. This has no known links to the intelligence agency.

Investigators in the accounting office were said to have found that under existing prac-

tice, A.I.D. functions in Laos as the medical arm for the guerrilla army, providing full medical logistic support on the ground and in the air.

C.I.A. use of the A.I.D. as a screen for military operations in Laos first came to public attention two years ago. On March 4, 1970, the Senate Foreign Relations Committee said that it had received confirmation from the intelligence agency of press reports concerning the use of the other agency as a cover.

On June 8, 1970, Dr. John A. Hannah, the A.I.D. administrator, said in a radio interview that "I just have to admit that this is true" and said the link between had been established in 1962.

Today, Senator Kennedy said that, on May 7, 1971, following his protests over the use of aid funds by the intelligence agency, Dr. Hannah had written him that "I can report to you now that with one shift made early this year and others that will be effective at the beginning of fiscal year 1972, all of the A.I.D. financing with which you have been concerned will be terminated."

The accounting office reported, however, that under an "understanding" reached between the two agencies on Feb. 1, 1971, the C.I.A. had agreed "in principle" to assume certain costs of A.I.D. support for the clandestine army.

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