

Dr. Wesley R. Fishel, Chief Advisor

June 7, 1957

Mr. Marvin H. Murphy, Budget Specialist

Budget Project - Visit of Mr. Vu van Thai, Director General of Budget and Foreign Aid.

I was very pleased that Mr. Thai called upon us this morning (June 7) to request our help in developing a new budget classification system for Vietnam and an integration of the present budget, foreign aid and obligation control service. I think that if Mr. Thai can devote enough time to the project to work closely with us, much can be accomplished. A complete and comprehensive reclassification of the budget accounts is an excellent first step to improvement of the total budget and accounting process in Vietnam.

On the other hand, let us not minimize the size of the job. An adequate system of budget classification is a major undertaking which will affect every department in the executive branch as well as the National Assembly (the classification system must be used by the legislature to determine the form that budget appropriations will take). The final objective should be a single system of accounts which will provide:

- a. an economic classification to be used for high level policy decisions, economic development and international reporting.
- b. a functional classification for top planning, administrative and public reporting purposes.
- c. a classification by administrative organization to provide legal accountability.
- d. a classification by work programs or activity units within an administrative organization for management purposes.
- e. a classification by major objects of expenditure for management and control purposes.

Classifications c, d, and e become the basis upon which all agencies prepare budget requests and must be developed to fit the individual organization structures and work programs of each agency. All of the above classifications must be reflected in the accounting structure of the government so that it can fulfill its dual function of:

- a. providing current information for top policy, management and public relations purposes
- b. providing for the control of public expenditures. (prevent over-spending, furnish certain amount of pre-audit and adequate records for post-audit.)

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I foresee several problems. The first is our lack of staff at the present time. Inasmuch, as I can only devote part time to the project unless I am relieved as Acting Chief of In-Service Training, and Snyder also has additional work he is completing, I think it is absolutely imperative that we secure the services of a top-flight accounting specialist at once. Of course, a great amount of basic study needs to be done before any actual changes in the system take place and this can go ahead without delay.

The second point I wish to make is that Mr. Thai is not familiar with much of the above system. As you know, he has many good ideas and an excellent attitude but some of the proposals I've heard him express just don't make sense. My job will be to guide him through the intricacies of a complex job to get him to establish a workable classification without seeming to be doing it for him or pushing him. This really is an educational job that is going to take tact, psychology, patience and probably a good supply of "tranquilizers" for me. As a first step, I propose to work out a memo under the guise of a possible statement of objectives which I can give to Mr. Thai informally. The real purpose of the memo will be to educate him in what the job means and how we must approach it. I also think that progress will be much faster if we can establish a scheduled time at which we can meet to work with Mr. Thai, or at least a commitment of a certain number of hours per week. If we can't do this, but must rely entirely on un-scheduled meetings I am afraid that progress will be haphazard.

My final point is that I hope something can be done to clear up USOM's role in this area. What will be the role of their "budget specialist" etc.? I will be very happy to work as a co-equal with anyone on their staff in a cooperative effort but I would resent, with some justification I believe, having to take a subordinate role, after the work that has been done here during the last fifteen months period.

Incidentally, the ECAFE conference in Bangkok on 3-10 September 1957 is on the subject of budget classification. We have already talked about this conference but I think Mr. Thai, himself, as well as two of his top staff members should attend and I hope you can suggest this to the President. Also, it might be well if I went as an observer because it would be an advantageous time and place for me to continue the education process with them.

MEM/mw

Vietnam Project . Office of Coordinator

June 20, 1957

Job Description for Accounting Position
Michigan State University Project
Saigon, Vietnam

The prime purpose of this position is to study the government's accounting system with a view to its revision. A major portion of this task will be to improve the government's disbursing system. He will have to start with a well-entrenched, bad system and work towards its improvement.

The professional experience of the staff member should be in governmental accounting. He should have had actual governmental experience and in addition be well grounded in the broad aspects or theory of governmental accounting. Knowledge of comparative accounting systems would be a valuable part of his background. Also, a knowledge of different systems of business accounting would be helpful if he should get around to the accounting aspects of tax collecting from businesses. From the outset, he must be prepared to accept something less than his ideal accounting system and probably also to modify that ideal.

This is going to be a long slow job, and the man's personal qualifications are important--patience, the ability to explain, experience in dealing with foreigners, etc. These are hard to detail, but this staff member will be spending most of his time out of the MSUG offices and actually working with Vietnamese accountants most of the time--teaching, demonstrating, cajolling, discussing, persuading at all levels of government. In short, he must be an eager reformer, but also "sympatico".

MSUG is now studying the Ministry of Finance and will be working with both that ministry and the General Director of Budget within the Presidency in matters which will require us to bring to bear the talents of a well-experienced accounting specialist. We are also going to try to use the National Institute of Administration as the location of a model accounting system, and also may undertake to do the same for certain of the agencies which have autonomous budgets. Furthermore, we are offering and will expect to continue to offer at least one Institute course in accounting; this course will probably be the responsibility of this staff member.

It would also be nice if this person spoke French fluently; for this particular task much of his success will depend on contact and personal selling. A common language will be important if not absolutely essential.

Dr. Wesley Fishel, Chief Advisor

July 11, 1957

Marvin Murphy, Budget Specialist

Working Relationship With Mr. Gordon Potter, USOM

You asked me to prepare a memorandum suggesting a division of responsibility and work activity between Mr. Potter, the new budget advisor on the USOM staff and myself.

As I view the situation the complete work programs in this area can be subdivided into the following activities:

1. Pre-service teaching of budget administration as a part of the curriculum of the N. I. A.
2. In-service-training and advice and assistance to the government on the technical aspects of budgeting.
3. Advice and assistance to the government in the area of public finance and budget policy development.
4. Research projects which provide information to implement either items 2 or 3 above.

Regarding item 1, pre-service teaching, this activity can not possibly be regarded as a full time job, particularly now that I have prepared course outlines, text books, etc. Budget administration is only included in the curriculum during the second semester of the school year. Even if the N. I. A. adds an advanced course in budget theory, as has been proposed, pre-service teaching would not keep one budget specialist fully occupied.

In the past I have tried to confine my activities to items 1, 2 and 4. However, I will readily admit that it is not entirely possible to divorce budget techniques from all policy implications. Certain changes in techniques will affect policy. Also, you will notice that in-service-training and advice and assistance on budget techniques are combined, because I think the two activities are one and cannot be compartmentalized. In-service-training of budget officials implies advice and assistance in making improvements in current procedures and organization. The one activity logically follows from the other. Several recent improvements in the budget process can be directly attributed to my in-service-training course for members of the budget directorate.

There is a close relationship between the several activities which makes a dichotomy of work responsibility difficult and artificial. If such a division of responsibility is required, then the best I can suggest is that Mr. Potter confine himself to the area of advice and assistance to the government in the development of budget policy. Vietnamese officials who have contacts with both of us may become a little confused as to the distinction between budget policy and budget technique, but this can be overcome. As you know, I have already done considerable work in the other areas, have made quite a few contacts and currently have several projects underway.

July 11, 1957

However, as an alternative which I much prefer, I suggest that instead of dividing responsibility, we work as equals in a cooperative team effort. There is certainly enough work to be done and I would welcome all the ~~help~~, ^{working} advice and support that is available, particularly in ~~my~~ ^{working} work with Mr. Vu van Thai and staff members of the Direction General of Budget and Foreign Aid. Working with these people is as much an educational job which requires tact, patience and psychology, as anything else. ~~All~~ ^{Collaboration} the help I can get in guiding them through the intricacies of a highly complex job will be more than welcome. I do not believe that there will be any serious disagreement whatsoever between Mr. Potter and myself as to budget techniques.

I am presently working to a lesser degree with the MAAG Controller on a cooperative basis and I see no reason why the same approach can't apply to USOM. I can bring Mr. Potter up-to-date on the work that has already been done and furnish him with a great deal of material we have developed in this area. After this is done, we can proceed as a team, together with the accounting specialists and others. There is a good deal of interest right now within the government on making broad improvements in the fiscal process. We have reached the implementation stage where great progress can be made.

I have been completely puzzled by the conflicts that have apparently arisen in this area with USOM and I have never been told what it is about my work that they criticize. I should hope that in the present situation, we can avoid competition and working at cross purposes.

MM:cmf

never sent.

MEMORANDUM

TO: Dr. Wesley Fishel, Chief Advisor of Party, MSU DATE: July 30, 1957

FROM: Mr. Gordon V. Potter, USOM
Mr. Marvin H. Murphy, MSU
Mr. David C. Cole, MSU

SUBJECT: Proposed Advisory Committee on VNG Budget and Financial Operating Practices

Background

During the past year, a number of studies have been made of the budget and financial operations of the VNG by representatives of USOM and of the MSU Group. In addition to the many specialists who have spent brief periods of time in Vietnam on these special studies, the U. S. Government, through the medium of the MSU contract, has also made available on a continuing basis the services of Marvin Murphy, Budget Specialist, David Cole, Economics Specialist and Wayne Snyder, Research Specialist, to advise VNG officials in improving their budget and financial operations. Recently, USOM brought to Vietnam, Gordon V. Potter, for a two year tour of duty as Budget Advisor, Finance Division, to join the MSU specialists in their advisory work in these areas, and more expressly, to assist the VNG on a day-to-day basis in the actual implementation of such changes in the budget and financial operations as are deemed desirable by the VNG. In addition, he will serve as the principal liaison for USOM with the VNG on matters concerning the VNG budget.

Our Conclusion

After considerable discussion on how we should work together, we came to the conclusion with surprising unanimity that formally organizing ourselves into a joint committee where all information received and ideas conceived were to be shared from the outset among its members, would be of considerable value. Therefore, in order to insure the coordinated and cooperative efforts of the various American specialists now available to the VNG on budget and financial operating matters, regardless of their respective organizational connections, we propose the establishment of an Advisory Committee on VNG Budget and Financial Operating Practices. The Committee membership would consist of Marvin Murphy, David C. Cole, and when he returns, Wayne Snyder, of the MSU Group, and Gordon V. Potter, of USOM, Finance Division. Colonel Taylor of MAAG would, of course, serve on the Committee where matters concerning the military budget were involved.

Functioning of the Committee

It would be hoped that all requests from the VNG for advice and for technical assistance in budgeting and financial operating matters, would be given first to this committee for its consideration. It would be the function then, of the Committee membership, to consider all such requests as a group before deciding on what final recommendations should be made to the VNG. In any event, we agree among ourselves that any requests made to an individual member of the Committee would immediately be made known to the other Committee members.

Dr. Wesley Fishel

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Similarly, we agree that proposed reforms of any kind which might be conceived by individual Committee members would be subject to consideration by the entire membership before such proposals were made known to the VNG.

We feel that the proper functioning of this Committee would insure to the VNG the joint considered judgement of the several American specialists comprising its membership, regardless of their organizational affiliations.

Responsibilities

Finally, it is recognized that, notwithstanding the modus operandi provided in the above paragraphs with regard to the means for handling matters of technical assistance, generally Messrs. Murphy and Cole will be responsible, within the Committee, for academic and in-service training problems and on the other hand, Mr. Potter and Colonel Taylor for implementation of system improvements and for advice and assistance in the realm of budget policy matters.

Motivating Force

We feel that the motivating force of this Committee would be the spirit of mutual cooperation and trust from which it was originally conceived. Furthermore, its proper functioning should go far in providing thorough and current liaison between USOM and MSU on the budget and financial operations of the VNG and any studies and analyses pertaining thereto. We heartily recommend, therefore, your approval of the establishment of this Committee. We have sent an identical memorandum to Mr. Barrows.

SIGNED

Gordon V. Potter, USOM

Marvin H. Murphy, MSU

David C. Cole, MSU

APPROVED

Wesley Fishel
Chief Advisor, MSUG

DATE

24 August 1957

Mr. Vu-van-Thai
Director General for Foreign
Aid Administration and
Direction du Budget
Saigon, Vietnam

Dear Mr. Director General:

You will recall that at the close of our conversation on Tuesday, August 13, Mr. Murphy of MSU and I agreed to furnish you with a written proposal embodying our ideas for the formation of a Committee on Budgetary Problems and Procedures.

After considerable discussion we decided that I send this letter to you even though Mr. Chou, Secretary of State for the Presidency, recently expressed the opinion that he was doubtful about the formation of new committees. I still feel there is an urgent need for the VNG to create a relatively permanent organization to direct the planning for improvement of its budget processes. It must provide a focus point for serious and authoritative consideration of such proposed plans and any individual official of sufficiently high standing in the Government, such as Mr. Chou, yourself, or Mr. Duong-tan-Tai, simply does not have the time by himself to give such consideration. Obviously, therefore, a committee, such as proposed herein, with adequate self-discipline regarding its frequency of meeting, nature of discussion, and decision making appears to be the best device that fully meets the need.

This new Committee should resemble, in both jurisdiction and operation, two older committees: viz, the Joint Working Party on Budgetary Problems and Procedures, chaired jointly in June and July of 1956 by Mr. Duong-tan-Tai and Mr. Rhodes of USOM, and the Committee for Study of Budgetary and Financial Questions (MSU provincial reorganization). It is my understanding that these two groups were formed to deal with specific situations. On the other hand, it is hoped that the new Committee should have more general jurisdiction and should function continuously for an indefinite period in the future.

The following basic points constitute our proposal:

FIRST: Such a group should be made up of the highest level of VNG officials who can act with authority on all matters of financial management. Certainly you and Mr. Duong-tan-Tai should be members, presumably the Secretary of State for Finance should also be included, as well as representatives from other government organizations. It is our feeling, however, that the Committee should not be a large one, and suggest therefore that it consist of no more than five to eight members.

24 August 1957

SECOND: The group should formulate basic underlying rules governing its jurisdiction and operations. On this point we feel the Committee should concern itself solely with discussions and studies leading to decisions on the nature of budget and fiscal improvements and on the timing of such improvements.

THIRD: It is imperative to its efficient and rapid operation that the group be serviced by a small but well qualified Executive Secretariat including at least one full-time member. This Executive Secretariat would be responsible for fully documented staff work, such as the preparation of detailed agenda for meetings, fully worked out and documented proposals for improvement, the drafting of arretes for the execution of decisions made by the group, etc. Mr. Murphy and I would probably best serve the VMG by assisting the Executive Secretariat in its work.

FOURTH: This newly constituted Committee undoubtedly should come into being by an official act of the President of the Government in order to give its recommendation appropriate prestige. Similar groups working on plans for improvement in the budget process at lower levels in the administrative hierarchy, such as that working in your office, should certainly continue. We envision no conflict between such groups and the new Committee. In fact, the work of such lesser groups would be an excellent source of documents for proposals prepared by the Executive Secretariat.

At such time as when the Committee proposed herein comes into being, Mr. Murphy and I would like the opportunity of proposing a number of specific suggestions for inclusion on the agenda of the first meeting. Please feel free to call upon me for comment and discussion on this matter, or for any kind of assistance I might be able to provide which would hasten the reconstitution of this important administrative device.

Sincerely yours,

Gordon V. Potter
Budget Advisor, USOM

GVPotter:kg

CC: ✓ Mr. Marvin Murphy
Budget Specialist, MSU

Traduction officielle

Mr. Duong Tan Tai
Conseiller financier à la
Présidence
Saigon, Vietnam.

Monsieur le Conseiller financier,

Nous avons l'honneur de vous rappeler qu'à l'issue de notre conversation du Mardi 13 Août 1957, Mr. Murphy de MSU et moi-même, nous étions d'un commun accord à vous fournir, par écrit, une proposition comportant notre avis en ce qui concerne la constitution d'une Commission d'Etudes des Problèmes et Procédures budgétaires.

Conformément aux termes de la décision que nous avons prise après de laborieuses discussions, j'ai le grand plaisir de vous faire parvenir la présente bien que Mr. Chau, Secrétaire d'Etat à la Présidence, récemment fit part de ses hésitations à propos de la constitution de nouvelles commissions. Si ce faisant, c'est parce que je sens encore qu'il est pour le Gouvernement Vietnamien un besoin pressant de mettre en oeuvre une organisation relativement permanente en vue de mener à bien tout plan d'amélioration quant au fonctionnement de son budget. Certes, le Gouvernement Vietnamien doit instituer un organisme où l'on peut procéder d'une façon positive et compétente à l'examen de tels plans proposés, du fait qu'individuellement, tout haut fonctionnaire, tel que Mr. Chau, vous-même, ou Mr. Thai, n'a régulièrement pas le temps d'en prendre la considération. Par conséquent, il va sans dire qu'une commission, telle qu'elle est proposée par la présente, jouissant pleinement du droit d'agir à son gré, quant à la périodicité de ses réunions, nature de la délibération, prise de décision, paraît être le meilleur expédient qui réponde totalement au besoin.

Cette nouvelle Commission devrait avoir la même forme, à la fois dans les domaines de juridiction et de fonctionnement, que celle de deux dernières commissions : notamment, le Comité Mixte de Travail sur les Problèmes et Procédures Budgétaires,

présidé en Juin et Juillet 1956 conjointement par vous et Mr. Rhodes de l'USOM, et la Commission d'Etudes des questions financières et budgétaires (réorganisation provinciale de M.S.U.). Il est à ma connaissance que ces deux groupes étaient mis sur pied pour traiter des situations spécifiques. D'autre part, il est espéré que la nouvelle Commission serait accréditée d'une juridiction plus étendue et fonctionnerait sans interruption, dans le futur et pour une période indéterminée.

Voici les points fondamentaux de notre proposition :

1er point : Tel groupe devrait avoir pour composition des plus hauts fonctionnaires du Gouvernement Vietnamien, qui puissent traiter en pleine compétence des problèmes ayant trait à l'administration financière. Il est certain que vous et Mr. Vu Van Thai ainsi que les représentants des autres organismes gouvernementaux en seraient membres, probablement au nombre desquels se joigneraient aussi le Secrétaire d'Etat à la Finance. Il est, cependant, à notre avis que la Commission en question ne devrait pas être nombreuse mais composée alors de cinq à huit membres tout au plus.

2ème point : Ledit groupe élaborerait les règlements fondamentaux déterminant sa juridiction et son fonctionnement. Sur ce point, nous pensons que la commission aurait à ne s'intéresser qu'aux discussions et études qui peuvent mener aux décisions sur la nature des améliorations en matières budgétaire et fiscale ainsi que sur la répartition de temps nécessaire à leur accomplissement.

3ème point : Pour que son fonctionnement soit tant accéléré qu'efficace, il est indispensable que le dit groupe soit aidé par les services d'un Secrétariat (Executive Secretariat) restreint mais bien qualifié, comprenant au moins un membre permanent. Le Secrétariat (Executive Secretariat) serait responsable du travail de documentation prépondérante tel que la préparation d'un ordre du jour détaillé pour les réunions, des propositions d'amélioration bien documentées et étudiées, la préparation des arrêtés donnant effet à l'exécution des décisions adoptées par le groupe, etc... Mr. Murphy et moi, nous servirions mieux peut être, le Gouvernement Vietnamien en apportant nos concours au travail du Secrétariat (Executive Secretariat).

4ème point : Cette Commission nouvellement constituée entrerait sans doute en existence par un décret présidentiel à l'effet de l'investir du crédit dans ses recommandations. Des groupes, à l'échelon moins élevé de la hiérarchie administrative, en charge d'étudier le plan d'amélioration pour le processus budgétaire, du même type que celui travaillant sous votre direction ou sous celle de Mr. Vu Van Thai, auraient certainement à poursuivre

leur cours de travail. Nous n'y voyons aucun conflit possible entre des tels groupes et la nouvelle Commission. En réalité, le travail de ces groupes restreints constituerait une excellente source de documentation pour le Secrétariat (Executive Secretariat) dans sa préparation des propositions.

Dès que la Commission ci-proposée entre en existence, Mr. Murphy et moi, nous souhaiterions être permis de faire un certain nombre de suggestions spécifiques pour leur inclusion à l'ordre du jour de la première réunion. Je suis très heureux de me mettre entièrement à votre disposition pour tous commentaires et discussions à ce sujet, ou pour tous concours que je serais en mesure de vous fournir afin d'accélérer la reconstitution de cet important mécanisme de l'administration.

Veillez agréer, Monsieur le Conseiller financier, l'assurance de ma parfaite considération.

Conseiller en matière budgétaire
Gordon V. Potter

(translated from the French)

REPUBLIC OF VIETNAM
PRESIDENCY OF THE REPUBLIC
No. 709 NQVT/VP/T

Saigon, August 29, 1957

THE DIRECTOR GENERAL
OF BUDGET AND FOREIGN AID

to

Mr. Gordon POTTER
USOM
SAIGON

Dear Mr. Gordon Potter,

I have forwarded your proposal to H.E. Nguyen-Huu-CHAU, Secretary of State to the Presidency, because the decision to form a committee such as you are proposing, does not fall within my jurisdiction. However, with your kind permission, I am expressing herein some of my personal doubts about the efficiency of such a committee.

The budgetary system of Vietnam has been the subject of a number of important critical studies and Study Committees which have led to voluminous reports. To the best of my knowledge no practical measures have yet resulted therefrom.

According to my experience, development of reforms are made possible only by work analysis undertaken within the Administration because this approach is the only way to secure practical conditions and to determine which new device is adaptable to the proficiency of a qualified staff. The carrying out of projected reforms thus require the active assistance of specialists which we still feel are much more needed than that of advisors. These working conditions suggest a committee should represent only an additional burden with little chance for effective results. I much prefer the way in which we have worked with Mr. Murphy up to now and which has resulted in the following:

- Presentation of the 1958 Budget under 5 classifications:
 - traditional classification
 - new administrative classification
 - economic classification
 - operational classification
 - classification by subject and nature of expenditure
 - beginning of a machine accounting system which will enable us early in the next year to make ready the monthly accounting reports of budgetary execution within the deadline of 10 days after end of the month.

In addition I have just worked out the administrative organizational scheme of the General Direction of Budget which will be submitted immediately for the approval of the President of the Republic.

Please excuse the freedom with which I express these opinions but I consider that if we should cooperate, and this is my wish, it is necessary that we know our respective positions on problems with which we are dealing.

Please accept, Mr. Gordon Potter, the assurance of my high esteem./

Vu-Yan-THAI

Files

August 14, 1957

Gordon V. Potter, Budget Advisor

Memorandum of Visits with Mr. Vu-van-Thai
and Mr. Duong-van-Tai

In company with Mr. Marvin Murphy, Budget Specialist-MSU, and Mr. Dat of my office, I met on Tuesday, August 13, with Mr. Vu-van-Thai, Director General for Foreign Aid Administration and Direction du Budget, in the morning, and with Mr. Duong-Van-Tai, Financial Councillor to the President, in the afternoon.

Basically the same proposal was made by Mr. Murphy and myself to both of these officials. Both conversations began with a brief review of what I had done in the month I have been in Saigon; namely, to orient myself by reading various documents and studies which have been made on the VNG budget and financial operations. The proposal which we made to these gentlemen was the urgent need for the VNG to reconstitute the Joint Working Party on Budgetary Problems and Procedures, perhaps under another name, which had met last year only twice, on June 29 and July 9, 1956. These two meetings had been brought about as a result of pressure being brought to bear on the VNG by Mr. Rhodes, then Assistant Director for Economic Policy of USOM. These meetings were chaired jointly by Mr. Rhodes and Mr. Duong-van-Tai, Financial Councillor to the President. We also pointed out that a similar committee, known at various times as the Finance Committee and Committee for Study of Budgetary and Financial Questions, established to deal with MSU proposals for provincial reorganization, resembled somewhat the kind of organization we had in mind.

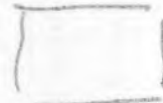
We informed both Mr. Vu-van-Thai and Mr. Duong-Van-Tai that such a working group should be made up of the highest level VNG officials concerned with budget and financial administration who could speak with authority on policy matters. Furthermore, this group should meet regularly but only for short periods of time. The group at the beginning should concern itself solely with making decisions on plans for improvement of the budget and finance processes and the phasing of such plans, recognizing in this process that there are three kinds of timing, namely: long range, 3-5 years; middle range, 1-2 years; and short range, next 12 months. This organization should have available to it a qualified but small, possibly full-time, secretariat which would prepare detailed agenda with necessary supporting documents and would also serve as an executive arm of the organization in carrying out decisions made by it. We pointed out that the services of the American advisors and specialists would, of course, be available to this organization at any time, but whose principal mode of contact would be through assisting the executive secretariat in preparing the detailed agenda, supporting documents and executive papers.

Mr. Vu-van-Thai explained to us that he had a somewhat similar working group within his office of the Foreign Aid Administration and Direction du Budget which was engaged in much the same kind of activity, namely devising plans for improvement and determining when these plans could be put into effect. He agreed, however, that our proposal for organization of such a committee at a little higher level would be desirable.

Mr. Duong-Tan-Tai also agreed in principle with our proposal, but pointed out that it must have the approval of Mr. Vu-van-Thai since the latter has the formal responsibility from the President for both the formulation and execution phases of budgetary administration. However, Mr. Duong-Tan-Tai said that he would be happy to work in such an organization if it were established.

Mr. Murphy and I closed both morning and afternoon conversations with statements that we would in the very near future prepare a brief outline of our proposal for such a working party as outlined above, and present such a document in French and English to Mr. Vu-van-Thai and Mr. Duong-van-Tai for their consideration and comment.

CC: Mr. Marvin Murphy, MSU



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Mr. Albert A. Rosenfeld,
Acting Chief, Consulting Section
Marvin H. Murphy, Budget Specialist

October 10, 1957

Statement on Budget Project for Use in P.P.A.

Budget and Accounting Project

This is a continuing project to improve financial administration within the GVN. Project encompasses four areas of activity:

- a. Academic instruction in budgetary administration and governmental accounting as part of the curriculum of the N.I.A.
- b. In-Service training of government civil servants in these specialized areas.
- c. Direct advice and assistance to staff members of the Direction General of Budget and Foreign Aid in planning and implementing various improvements in the budget and accounting systems of the government.
- d. Research projects which provide information needed to implement either items b or c above.

In the area of direct advice and assistance to the government, final determination as to project activities and priorities of improvements is made by the Director General of Budget and Foreign Aid after consultation with MSU staff members. During the past eight months' period a staff member of MSU has worked in close conjunction and cooperation with members of the Budget Direction on projects which have led to:

- a. The establishment of a revised budget cycle which permits the authorization of the national budget by the beginning of the fiscal year;
- b. Improvements in the Presidential budget policy statement and the budget instructions sent to governmental agencies;
- c. Improvements in the size, format and readability of the 1958 budget document;

- d. The preparation of a Budget in Brief, a Presidential Budget Message, summary tables, charts and graphs and narrative explanations to be included as part of the 1958 budget;
- e. The development and acceptance of a new budget classification system for use in budget year 1958. This classification is patterned after the suggestions put forth in the United Nations "Manual For Economic and Functional Classification of Governmental Transactions." The system includes the classification of revenues and an economic, functional, administrative organization and object code classification of expenditures.

The following ^{four} ~~three~~ projects are currently underway:

- a. Extensive changes in the system of budget execution and control which are designed to improve budgetary accounting procedures and reduce the long delay (6 to 8 months) in the payment of the government's obligations. In connection with this project a new budgetary accounting procedures manual is being prepared;
- b. A study of the budget procedures of governmental agencies having budget autonomy, which it is hoped will lead to the inclusion of the budgetary operations of these agencies within the framework of the national budget;
- c. A study of provincial and local budgets, which has as its objective the establishment of a uniform reporting system which will enable the national government to secure data on the financial transactions of these units of government.

d. Reorganization of the Budget Direction.

The following projects are planned for 1958:

- a. The establishment of performance budgeting within the Department of Public Works and the Department of Agriculture;
- b. The establishment of a modern budgeting and accounting law to serve as the legal basis of the government's financial system and procedures.

MHM:mrw

cc: Dr. Wesley R. Fishel
Dr. John T. Dorsey

TO: Dr. Fishel, Chief Advisor
FROM: Mr. Murphy, Budget Specialist
SUBJECT: Progress Report on Implementation of the Lander's Recommendations for Improving the Vietnamese Budget System.

For our own use and information I believe that at this period it would be well to appraise the progress which has been made in implementing the recommendations made in the Lander's report. Accordingly I have prepared the following analysis which may be of interest to you. The underlined material represents the Lander's recommendation.

- A. MSU should confine it's role to teaching and training and should participate in actual implementation only in an advisory capacity and only when specifically requested.

This very general recommendation has been accepted in principle. However, one of the major problems has been that although we have offered our services and made ourselves available, we have not had many specific requests for advice and assistance. Improvements which have been made, and I think quite a few unspectacular and relatively minor improvements have been accomplished, have come about largely through contacts made in the teaching and training area, particularly my course lectures which I submitted to the budget staff and the in-service training course. The 1958 Presidential Budget Statement offers a good illustration. I was never specifically requested to offer assistance in this area. Through the course work, I stressed the importance and use of such a statement and prepared a model as an example. Although the 1958 statement falls short of what I would consider a model, it contains many improvements over previous statements. Mr. Tai told me that he used my model statement as a guide to aid him in preparing the 1958 statement.

- B. Improvements in Vietnam's budget and accounting operations should be sought by means of training of Vietnamese personnel to do the job themselves, rather than by a "crash-type" installation by a private management firm.

No comment necessary.

- C. A committee on Budget and Accounting should be established within the MSU group as a means of channeling all available skills on this assignment.

This has never been done. If work load and priority of assignment permits I would like to see such a committee established.

- D. A joint USU-Vietnamese committee on Budget and Accounting should be established to promote better practices within the Government and to generate real cooperation from all agencies.

To date this proposal has not been followed. I think it is an excellent recommendation. If we are to make greater progress in improving the budget system we need more formalized and explicit channels through which to work. I hope that the proposed new Director General of the Budget wants to work with us and has been instructed to do so. It is difficult to offer advice and assistance when one is not requested to do so.

- E. It should be a primary objective of the training program to train Vietnamese to serve as teachers of others so that the program conducted by USU can be terminated at a reasonably early date.

We have attempted to follow this recommendation in all our course work. However, it is extremely difficult to get the Vietnamese officials to make a definite assignment of personnel to each course for the purpose of continuing the training.

- F. Annually, about 5 to 10 carefully selected trainees should be sent to the United States for University training. These trainees should be the major group from which the future top budget and accounting executives will come.

Although some trainees in budget and accounting have been sent for study in the United States through the participant program, the size of the program has not reached that suggested in the above recommendation.

- G. Courses in budget and accounting should be regularly included in the curriculum offerings at the Institute of Administration.

The above recommendation has been implemented fully.

- H. In-Service Training courses should be developed and given through the Institute for budget and accounting personnel of all agencies of the government.

In-Service Training courses in budget and accounting have been held for staff members of the Budget Directorate and a few other selected personnel.

- I. Arrangements should be worked out with USOM for training visits of small, carefully selected groups to the budget and accounting offices of the Philippine and Thai governments.

Preliminary arrangements for such training missions were worked out with both the Philippine and Thai officials. Program now held in abeyance because of ICA policy which provides that all such training missions are a responsibility of USOM.

- J. The Vietnamese Budget Bureau should be reorganized, expanded and relocated into more adequate quarters.

Proposals for reorganization have been submitted to the government. Some expansion of staff has taken place. The Budget Directorate has been relocated in adequate quarters.

- K. A central accounting office, closely related to the budget bureau, should be established within the office of the Presidency.

This is recommended in the "Report to the President and Cabinet."

- L. All personnel having budget and accounting experience or skills should be identified and, if possible, moved into related positions.

This has been suggested to the government but no action has been taken to my knowledge.

- M. Budget and Accounting officers should be established as staff assistants to heads of all agencies.

Although no survey has been made, it is my impression that all major departments have budget and accounting staff.

- N. The budget system to be worked out, for the Vietnamese government should be kept as simple as possible.

No comment required.

- O. Budget policy should annually be prescribed by the issuance of a presidential budget statement. The budget bureau should be responsible for its preparation and submission to the President for approval.

This recommendation is currently being followed. A model statement was prepared by us and submitted to the Vietnamese to use as an example.

- P. The budget bureau should follow the presidential budget statement with a budget circular advising agencies as to how to proceed to prepare and submit requests.

This is currently being done. Again, model instructions were prepared by us to serve as an example.

- Q. The budget calendar should be revised so that the budget may be approved and put into operation by the beginning of the fiscal year.

The budget calendar for 1958 has been revised as per our recommendations.

- R. National and Local budgets should be separated.

Various solutions to the problem of procedures for local budgets have been proposed in the "Report to the President and Cabinet".

- S. The budget document should be revised to be made more comprehensive and furnish more program data.

This is a long term goal. The 1957 document contains improvements over the 1956 document. The recommendation has been included in the "Report to the President and Cabinet".

- T. Budget preparation at the agency level should involve all of the supervisory personnel who will be responsible for its execution.

Recommended in the "Report to the President and Cabinet." Accepted in principle by Vietnamese budget officials.

- U. Agencies should abide by the presidential budget policy in preparing their requests.

Accepted in principle by Vietnamese budget officials. The 1958 presidential statement enunciates this principle.

- V. An allotment system should be established to control budget expenditures and, at the same time, place primary responsibility upon the operating agencies.

Recommended in the "Report to the President and Cabinet". Suggested forms designed and system explained in In-Service Training Course.

- W. Budgetary control records should be established and maintained by all agencies. Monthly reports should be submitted to the budget bureau. The central accounting unit should prepare periodic reports on the status of finance (revenues and spending obligations) to serve as guides to management authorities.

A budgetary control system has been proposed and explained in the "Report to the President and Cabinet." Forms have been designed and the system explained in the In-Service Training Course.

Dr. Wesley R. Fishel, Chief
Advisor
Marvin H. Murphy, Budget Specialist

November 21, 1957

Obstacles in the Way of Further Improvements in Budget and
Accounting Systems and Procedures

Mr. Vu van Thai discussed a matter with me the other day which I believe should be called to your attention.

I reported to you in September that Mr. Thai had submitted to the President for approval a proposed reorganization plan for the Direction General of Budget and Foreign Aid. This plan was very similar to the organization proposed by MSUG and is one which I can endorse. It is important that this reorganization be put into effect immediately so that new internal procedures developed over the last few months can take place. The President has not yet approved the proposal and has instead submitted it to the Function Publique. Mr. Thai reports that the Function Publique's attitude toward the plan is very negative - one of their objections being that the new plan has reduced the number of "directors" from 32 to 2.

This case is symptomatic of a much more serious situation which has Mr. Thai and his staff very discouraged and should be of concern to all of us who hope to see Vietnamese fiscal administration improve. Mr. Thai is apparently not getting the support and backing of the President and Mr. Chau in the procedural reforms which he would like to introduce. In fact, he reports to me that the thing which disturbs him the most is that he doesn't even have a chance to present his case and that the "traditionalists" undercut his proposals without his having a chance to answer their criticisms. He does not expect that all of his proposals will be accepted, or that they are always the best solution, but he would like to have a chance to have them considered.

Many present government officials seem to believe that the present fiscal procedures are sacred and unchangeable and that they have some legal basis, although they all stem from the old French Budget and Accounting Law of 1912. Even the most minor of changes, such as the redesign of a form, is resisted on the above grounds.

In my opinion further improvements in the budgetary accounting procedures will be impossible until the President gives someone the authority to make the necessary rules and regulations to modify existing procedures.

The ideal solution is for the National Assembly to pass a basic budget and accounting law which would define procedures of broad general applicability and give the Director General of Budget the power to establish the detailed rules and regulations governing administrative procedure.

MHM:mrw

cc: Dr. John D. Dorsey