

Republic of Vietnam

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Ministry of Finance
and Economy

No. 056-BTCKT/NS

CIRCULAR ON THE PREPARATION OF BUDGET FOR 1956

A. General Concept.

Before settling the forms in which to prepare the Budget for 1956 and in order to help the different governmental services make out the method to be applied, we feel it necessary to report the existing financial situation of the Nation.

I. Existing Financial Situation - It may be said a gloomy one as through these years of war the government has to face difficulties which bring about incessant increases of expenditures, while financial resources have been most limited.

This has caused longstanding arrears, in provincial budget as well as in the national budget; the total amount of these exceeds 10 billions piastres, in spite of friend-nations aid.

Specifically for 1955, all the financial resources available in the whole country could only cover 39% of the total expenditures. See the following table.

B U D G E T

Receipts

Expenditures

Ratio of Receipts
to
Expenditures

	(million)	(million)	%
<u>1. National Budget</u>			
Civil Expenditures	5.122	2.800	
Military Expenditures		10.580	39
<u>Article 1</u>	5.122	13.380	39 %
<u>2 - Aid for Refugees</u>	0	1.410	0
<u>Article 2</u>	0	1.410	0
<u>3 - Total Budget</u>			
a) South Vietnam	800	1.005	79
b) Center Vietnam	100	817	12
c) PMS	60	130	46
d) North Vietnam (5 months)	8	173	5
<u>Article 3</u>	968	2.125	46%
<u>4 - Municipal Budget</u>			
a) Towns Saigon-Cholon	395	599	65
b) Da-Nang	22	40	55
c) Haiphong (5 months)	6	25	24
<u>Article 4</u>	423	664	63 %
<u>5 - Autonomous Budget</u>			
a) Railways (6 months)	185	205	92
b) Pensionsfunds			
- Admin. Budget	0	6	}100
- Extra Budget	141	135	
c) Port Saigon-Cholon	99	99	100
d) Housing Service	50	75	66
e) University	1	64	2
f) Power Service.	28	28	100
g) Port Danang	20	20	100
h) Vietnam Press	7	24	29
i) Tourist Service	3	3	100
j) Research Center	1	18	5
k) 2 Institutes	0.5	3	16
<u>Article 5</u>	535.5	680	78 %
<u>TOTAL</u>	7.048.5	18.259	39 %

NOTE:

- A - 1° Aid
 - a) Military Expd. 8.218
 - b) Refugee Epd 1.410 9.628
- 2. Arrears specific to 1955 1.582.5
- B - Economical Aid for 1955-56
 - Budget 1.900

II. Plans and Programs - 1956 will be a year in which the Government has to brace up all its strength ~~in~~ in every area to bring up complete victory to the Nationalist cause and built solid foundations for the glorious existence of the Vietnam country.

Therefore, what programs and plans do we have to carry out to achieve one objectives when financial resources are completely lacking and there is a big deficit in the Treasury.

Shall we rely on foreign aid? Of course, we need rely on friend-nations aid but to a certain extent only, because anybody's generosity has its limits. We must try to do, by our own means, to cover the greater part of these expenditures and balance our budget as well as meet any eventuality. Furthermore, we must find solutions to adjust the arrears situation and reduce gradually foreign aid, so as to prop up the national economy and be freed from foreign control.

To achieve these objectives, the preparation of the budget for 1956 ~~must~~ must be based on two essential principles:

a) One is to find out more revenues for each budget, especially through the improvement of taxation system and strict control on the collection in order to eliminate losses which have continually occurred as yet. The improvement requires of the officials in different classes to communicate and cooperate to protect the Treasury's interest, e.g. a local administration need assist the various Ministries, in tax collection in areas within his competency.

b) The second is to firmly reduce the loose standard of living in governmental centres and limit activity programs of those departments not depending on security, defense and production services/^{so}as the total amount of civil wants mentioned in the Project Budget of each department and bureau will be smaller than its corresponding amount in the budget for 1955 by 25% to 10%. New

expenditures considered as necessary to the defense, security and / or development service , and extraordinary expenditures for political purposes must be mentioned in a separate program to figure in an extraordinary budget and will be enacted according to the possibility of the latter budget.

In a word, facing a not very favorable financial situation of our country, it seems that an austere and realistic policy need be applied in the preparation of the budget for 1956.

B. TECHNICAL PART. - Chapter I

Chapters and Articles.

The Budget for 1956 will be presented in Vietnamese language in paper size 20/30 with the same chapters and articles as for 1955.

The printing and distributing of the Budget forms will be carried out by the Ministry of Finance. Liquidations and deputy-commissioners of the National Budget, as well as commissioners of other budgets have to let the Ministry of Finance know the number of the different forms they need, when they transmit the Budget Projects to this ministry.

Chapter II

The proposals to be mentioned in the projected National Budget for 1956 on the receipt side as well as on the expenditure side must be turned into the Ministry of Finance (Budget Service) prior to November 15th, 1955 as a dead line.

After a time for consideration, the Budget Service will invite representatives of the Ministries concerned to a meeting to know their opinions and discuss the proposals, then it will send a note to the various Ministries and

Services concerned, informing them on the amount of expenditures to figure in the Budget.

I. Receipt side.

The evaluations of receipts will be based on realized receipts in 1955 and will be increased or reduced according to the changes ordered in the tax system, or according to fluctuations in receipts since the beginning of this year.

1) Documents on the Receipt Side.

These documents must include a list allocating the expected receipts into various chapters, and some appended documents as follow:

- a) Summary list of all chapters of receipts
- b) analytical list of receipts in articles and posts.

2) Forms in which to establish appended documents on receipt side.

Those documents will be presented in the size of summary lists (model F & G) and made by agencies specialized on taxation.

In the observation columns of summary lists, it will be necessary to explain briefly why the figures are as they are, and analyze them in detail if necessary.

Documents on the receipts side must be sent to Minister of Finance to which is enclosed a list of various taxes and amounts of receipts officially admitted under the existing legislation.

II. EXPENDITURE SIDE.

The estimation of expenditures will be based on following considerations, according to each category:

1) Expenditures for personnel. The existing personnel number in administrative agencies is more than enough, since the coming over of refugee ~~officials~~ officials. Therefore, from now on, any recruiting will be suspended, and in the

budget for 1956 , except for a limited number of personnel, there will be no admittance of any expected expenditures for recruiting new members or replacing old ones. As is indicated in the President's instructions, of August 8, 1955, we should not permit the survival of the present state of confusion; on the contrary, we must seek to move personnel more rationally so that the administrative machinery may work smoothly without any increase in number of personnel.

The estimations of expenditures on personnel will be based on the number figuring on the governmental pay-roll of Oct 1, 1955, in the same state of pay scale. These estimations will be computed for a whole year and written after model I, IA, Ib, Ic, If, Ig, Ih, Ii. The salary and allowances must be justified in accordance with current decrees.

2) Expenditures on material - In general, all these expenditures must be limited at bestm and must not in anyway exceed 85% of the expenditures granted for 1955. Therefor the estimation of expenditures on material for 1956 must be moderate according to the following principles.

- No purchase of material and furniture which high officials have ~~the~~ right to, pending the issue a new ordninance reforming the existing regime. This may be enacted through reducing such expenditures by 3/4 as compared to 1955 amounts.
- No purchase of expensive and luxurious material
- Repair costs for cars will be settled at 12.000 for each
- Livery costs for drivers and messengers will be calculated on the basis of 850\$ for each.
- Repair costs for typewriters and mimeograph, calculators are settled at ~~200~~ 200\$ for each per year .
- No purchase of new cars or no exchanging old cars for new ones with diffe rence made up.

3) Special Expenditures - As yet the estimation of these expenditures are not realistic. From now on, their figures will be noted only after the working program of the Ministry concerned has been agreed by the Cabinet.

These working programs should be turned in to the Presidency before the first of November of each year to be considered and agreed in time before the beginning of the next year, and in order that the expenditures can be written down on the Budget Project for the coming year, if the Budget has been prepared.

However, in the National Budget for 1956, only current operation expenditures are written. As for programs with a view to create new things or extend activities, expenditures for these will be figure on an extraordinary and carried out gradually, according to the realisation of expected financial resources for this extraordinary budget (allowance from National Budget, from foreign aid from special resources of the Treasury.)

The list of expenditures in the elapsed year will be made after model "K".

4) Special Funds for Political Expenditure - Proposals for these special funds should be turned in to the Presidency for the consideration of their principles, before going to the Ministry of Finance to get final decision on their amounts, according to the capacity of the Budget.

5) Military Expected Expenditures - The total amount of expected expenditures in the National Budget for 1956 will be settled later, according to the allocation of allowances and to friend-country aid. Final decision will be reached after joint consideration by the Ministry of Finance and the Ministry of Defense.

CHAPTER III

Preparation of local and municipal Budgets. Projects of:

- the Budget of the Centre Vietnam
- the Budget of the P.M.S.
- the Budget of the South Vietnam
- the projects of Saigon-Cholon and Danang must be sent to the Ministry of Finance 2 copies written in Vietnamese, before December 1st, 1955.
- those documents must be presented after the enclosed list and include the following :

1 Report

5 Summary Tables

- a) Summary table in chapter s and articles of expected receipts.
- b) Summary table in chapters and articles of expected expenditures
- c) Summary table of expenditures for personnel
- d) Summary table of expenditures for materials
- e) Summary table of personnel number.

Analytic tables of expected receipts and expenditures.

The expected expenditures for personnel, materials, and the special expenditures must be written in the forms settled in the present Circular, for the corresponding expenditures in the National Budget.

Specifically, local budgets from 1956 forth will take in charge only current expenditures, big operations or important projects will be concentrated in Ministries concerned.

Therefore, there will be no need for allowances from the National Budget to local Budgets/^{as}before .

On the other hand, in the new local budgets on expenditure side, there may be a new article titled: "contribution to expenditures of the National Budget" and its amount be equal to the difference between the expected receipts and expected expenditures.

However, if there were any need for allowances from the National Budget these must not exceed 50% of the amount of corresponding expenditures for 1955.

CHAPTER IV

Autonomous Budgets. These autonomous budgets will be established by competent agencies in the forms as used to be in the Ministry of Finance in 2 copies written in Vietnamese, before November 30th, 1955.

Conclusion. After reporting on other existing financial condition and outlining programs and plans to be carried out, I hope you will realize the crucial moment of our country has come and you will help me prepare the budgets for 1956 as easily and quickly as possible.

I beg you to give necessary instructions to the various bureaus under your competency, that the policy pointed out must be followed in the preparation of budgets, so that success will be ours.

Saigon, October 21, 1955

Minister of Finance and Economy

Copies to:

- Presidency (10)
- Ministries (10)
- Deputies (15 each)
- Agencies and Bureaus outside the Ministry of Finance (2 each)
- Agencies and Bureaus inside the Ministry of Finance (1 each)