



From the above, I am unable to specify what the scope and purpose of this latest project is, but will continue to have meetings with budget staff to determine this. I predict, however, that whatever it is, it will keep me busy for the next week or two.

MHM:mrw

BASIC PROJECT STATEMENT

Title: New Financial Law and Regulations

The present law governing all financial operations in Vietnam is a 1912 French Presidential Decree issued to establish and regulate financial operations in the French colonies. This decree contains 425 separate articles specifying in great detail procedures governing budgeting, accounting, audit, treasury operations, loan operations, taxation, etc. This law is extremely outdated in terms of its applicability to present day Vietnam, and further, it contains certain procedures which should be revised to permit administrative improvements in Vietnam's financial system. In several MSUG reports, particularly the budget and treasury reports, it has been recommended that the government write a new financial law, and I believe that it is agreed, by many concerned with financial administration in the government, that new regulations are needed.

Several months ago the Director General of Budget assigned this project to a staff member of his agency, who in turn requested the assistance of MSUG. We recommended that there should be a broad general law enacted by the National Assembly to govern budgeting, accounting and auditing procedures. This law would give the Budget Direction the power to establish detailed administrative procedures by issuing rules and regulations. On this basis we submitted to the budget office a draft of a budget and accounting law which embodied the principles which we thought

should be included in such a statute. We also gave them copies of the United States law and the laws of several states.

After several months of study the Vietnamese budget people have rejected this approach because they think it is too great a departure from established customs and traditions and could not be "sold" to the government. They also believe that several principles included in the recommended law would be unacceptable to the government at this time. These principles are:

1. that the new regulations take the form of a law passed by the National Assembly. It is most likely that any new regulations will be in the form of a decree issued by the President.
2. that no funds can be used by the government unless an appropriation therefor has been made by the National Assembly. Currently, the President can authorize the expenditure of funds by arrete.
3. that the Director of the Budget have status equal to a cabinet minister when he is acting in his official capacity for the President.

Having rejected our approach as not feasible, the Director General of Budget nevertheless wishes to establish new financial regulations and has asked for MSUG help. Mr. Nguyen Quoc Lan of the budget office and I have been working on the project. We have decided that the best approach is to pattern the new regulations after the form and structure (but not the content) of the old 1912 decree. Thus the new regulations, from the viewpoint of tradition and psychology, will not seem to be as great a

departure from custom and will be more readily acceptable to the government. In this connection it is necessary to have an English translation of the 1912 French decree. Mr. Wayne Snyder is doing this translation.

Agencies and Personnel Involved Directly:

MSUG

Marvin Murphy  
Wayne Snyder

GVN

Mr. Nguyen Quoc Lan, D. G. Budget

Since this is a project that will eventually affect government-wide operations, many agencies will be indirectly involved. Principle GVN agencies will be the Budget and Accounting, Treasury, and perhaps Tax Administration. Among American agencies MAAG and USOM will have an interest. When it is required, I will endeavor to see that the necessary coordination with these groups takes place.

MONTHLY REPORT

February, 1959

Marvin H. Murphy

Title: New Financial Law and Regulations

Although this project is not currently active at the Direction General of Budget, I am continuing to work on it as time permits.

The translation of the 1912 French decree has been completed and approximately a quarter of the material has been edited and put in final form. In addition, a draft of the opening section of a new law has been prepared.

MONTHLY REPORT - MARCH, 1959

Marvin H. Murphy

Title: New Financial Law and Regulations

There were no new developments of significance during the month of March to report for either of the above projects.

MONTHLY REPORT

April, 1959

Marvin H. Murphy

Project: New Financial Law and Regulations

There were no new developments on the above project during the month of April due to the absence of the representative of the Budget Direction on an observation trip to Europe.



MONTHLY REPORT

May, 1959

Marvin H. Murphy

Project: New Financial Laws and Regulations

Work has again begun on this project although almost all of it has been done by me as the staff members of the Budget Direction are tied up at present getting the 1960 budget call for estimates out.

I have completed a comprehensive study and review of the 1912 law to determine which articles still had relevancy for Vietnam and have codified these Articles. I have also done some work on the new draft.

# MICHIGAN STATE UNIVERSITY

VIETNAM ADVISORY GROUP

## OFFICE MEMORANDUM

TO : John Dorsey, Chief  
Public Adm. Division

FROM : Marvin H. Murphy, *M*  
Budget Specialist

SUBJECT : Material for Ninth Semiannual Report

DATE : June 16, 1959

General:

The reform of the Vietnamese budget system, which was begun early in 1957, and which was given its most important impetus by the creation of the General Direction of Budget and Foreign Aid in April of that year, has, by mid 1959, reached maturity and become well established within Vietnamese administration. The General Direction of Budget and Foreign Aid has completed its second full year of operation and is now administering a budget system that, in terms of technique, compares favorably on many points to modern standards of performance.

As one of the results of the progress made in budget reform, the Budget Direction has received a steady stream of visitors and observers, both from within Vietnam and from third countries. In May a delegation of leading members of the National Assembly was shown the operations of the agency, and observation visits have been made by

American advisors from Cambodia, Laos, and Thailand.

On the other hand, during the reporting period several staff members of the Budget Direction have made observation trips outside of Vietnam, one of the most significant of which was a visit to Great Britain, Sweden, and the Netherlands to observe the budget and accounting methods used by these nations. Advanced training of selected staff members in the United States continues through the MSUG participant program. Currently there are four members of the Direction in training and two have been selected to go in the fall of 1959.

As the organization of the General Direction of Budget and Foreign Aid has gained experience, both from the practical necessity of carrying out technical reforms and through formal and informal training, a competent staff has developed which is capable of carrying out the usual budget and accounting functions with little or no advice and consultation relative to normal operations.

As a result, the consulting activity of the MSUG budget specialist during the past six months has changed in type of project. Time has been devoted to less basic but more technically advanced and complex projects selected and assigned by the General Director of Budget. In all cases these projects are being worked on in conjunction with staff members of the budget agency.

Consulting Projects:

~~In~~<sup>For</sup> over a year the Director General of Budget and Foreign Aid has wanted to begin the development of program budgeting within the national budget. It was decided at the outset that the most feasible way to institute this advanced technique was to select one agency, and through concentrated study, to establish program budgeting within it. This would serve as a pilot project and if successful, could be used as a model and training means to spread the concept to other agencies of the government.

In 1958 the Department of Health was selected as the first agency in which an attempt would be made to go to program budgeting. However, as mentioned in the Eight Semiannual Report, after considerable study and basic work the project was discontinued as not practical at this time.

Early in 1959, the Department of Public Works was selected as an alternative agency in which to attempt to establish program budgeting, and work in this direction has progressed satisfactorily during the reporting period, with the possibility that the first stages in its establishment can be implemented for the 1960 budget year. In June, the decision was made to start work also on the establishment of program budgeting in the General Direction of Budget and Foreign Aid.

A third major project initiated during the reporting period ~~is~~ the preparation of a draft for a new financial law and regulations for the government of Vietnam. The present law governing all financial operations in Vietnam is a 1912 French Presidential Decree issued to establish and regulate financial operations in the French colonies. This decree contains 425 separate articles specifying in great detail procedures governing budgeting, accounting, audit, treasury operations, taxation, etc. This decree is outdated in terms of its applicability to present day Vietnam, and further, it contains certain procedures which should be revised to permit administrative improvements in Vietnam's financial system.

A fourth project on which work has been done during this period is an attempt to develop a system and procedures for bringing the large number of government agencies and enterprises which have separate and autonomous budgets more fully into the national budget system. These agencies are of diverse types, ranging from public corporations such as Air Vietnam, and government enterprises, such as the National Bank and National Railroad, to such quasi-public agencies as the Saigon Chamber of Commerce. However, a large percentage of government revenues and expenditures ~~are~~<sup>is</sup> channeled through these agencies and it is desirable for sound budgeting and economic planning that their

financial transactions be reported in the budget document. The present project is an attempt to design a standard budget and accounting classification for autonomous agencies so that their financial transactions may be reported and reviewed in the budget document.

A Look Ahead.

All of the above projects are in process at the close of this reporting period and will continue into the next six months' period. All of them, with the possible exception of program budgeting, should be concluded by January 1960.



Monthly Report

July, 1959

Marvin Murphy

Project: New Financial Laws and Regulations

This has been my principal activity during the month. I have now completed a draft of 107 Articles, covering the following chapters ; General Provisions, Central Budget Authority, Budget Preparation, Budget Execution-General Provisions, Budget Exec-Departmental, Budget Exec.-Pre-audit Control Service, and Budget Exec.-Central Accounting Service. It is probable that some of these articles will have to be reworked as I go further.

Yet to be done are: Budget Execution - National Treasury (which I want to work with Dale Rose on), Other Treasury Operations?, Post Auditing Procedures, Budget Procedures of Autonomous Government Agencies, and possibly a set of regulations governing provincial and local budgeting and accounting.



## MICHIGAN STATE UNIVERSITY

## VIETNAM ADVISORY GROUP

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Quarterly Report  
September, 1959

Marvin Murphy

PROJECT: New Financial Laws and Regulations

About half of my total work time has been devoted to this project during this quarter. A draft of approximately 130 articles have been completed covering the following chapters; General Provisions, Central Budget Authority, Budget Preparation, Budget Execution-General Provisions, Budget Exec.-Departmental, Budget Exec-Pre-audit Control Service, Budget Exec.-Central Accounting Service, and a portion of Treasury Operations and Budget Procedures of Autonomous Government Agencies. Dale Rose is working with me on Treasury Operations.

During the last three or four weeks of I have been engaged in reworking and revising early sections of the draft. The need for this became apparent when I took some time for a total review of the articles completed to date and had them reviewed by other MSU staff members and members of the General Direction of Budget and Foreign Aid. New problems, points and ideas are continually coming to my attention which must be covered by the regulations.

A major problem, as has been reported to you, is the preparation of the section on Taxation, Tax Administration - Tax Liability - Foreclosure Procedure etc ----. This problem is further complicated by the recent arrete giving the General Direction of Budget and Foreign certain powers and responsibilities in the area of Direct Tax Administration. A second section extremely difficult for me to prepare will be the section of provincial and local budgeting. This area is so confused that it is difficult to find Vietnamese officials who understand it fully.

#### Work Plan - Next Quarter

With the exception of the two above-mentioned sections (which could be left out and handled as separate laws or decrees) I expected to complete final draft ready to turn over to the Director General of Budget and Foreign Aid early in December.