BUDGETARY ADMINISTRATION IN VIET NAM

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BUDGETARY ADMINISTRATION IN VIET NAM

By

Buu-Dich

A THESIS

Submitted to the College of Business and Public Service
Michigan State University of Agriculture and
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the requirements for the degree of

MASTER OF ARTS

Department of Political Science

1960

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To all these persons and organizations I gratefully dedicate this thesis as an expression of my sincere devotion.

Buu-Dich

East Lansing, 1960

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AN ABSTRACT

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A B S T R A C T

Three major periods can be distinguished in the historical evolution of Vietnamese budgetary administration. In the pre-colonial period, prior to 1862, fiscal management in Viet-Nam was not considered as very different from the management of the king's household. In the colonial period Viet-Nam was divided into three regions, each one of which had its own budget which was more or less dependent upon the French Indo-China general budget. French fiscal rules and regulations were applied in Viet-Nam almost without change. The people were represented in four different Assemblies with consultative functions on budgetary matters. In the present period the need to develop the nation economically obliges the government to give more importance to budgetary administration.

Budget preparation begins with a presidential message to different departments defining the budget policy of the year. The departments prepare their estimates according to the spirit of the presidential message. These estimates are reviewed by the General Directorate of Budget and Foreign Aid which is responsible for the preparation of the national Budget proposal. Accurate information about past and present budgets is necessary to prepare a new budget; the classification of budget expenditures and receipts, together with machine accounting, permit the

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central budget agency to obtain the needed information in a short lapse of time.

The budget proposal is submitted to the National Assembly for authorization, but many government receipts and expenditures are not included in it and a great amount of revenue from the American aid is earmarked by the executive in agreement with the United States Overseas Mission. The Constitution permits the President to expend in each quarter one-fourth of the credit entered in the budget proposal pending the final vote of the National Assembly on it. The President can also veto specific items and transfer money from one chapter to another in the budget authorized by the National Assembly. The majority of three-fourths of the total number of assemblymen required to override a presidential veto is the same as that required to amend the Constitution.

The General Directorate of Budget and Foreign Aid supervises the implementation of programs and controls the expenditures of the agencies through its Directorate of Programs and Planning and its Directorate of Obligation Control. To make an expenditure five steps are necessary: allotment, obligation, liquidation, authorization, payment. Money is allotted to different departments at the beginning of each quarter. Money is obligated when the supplier has been chosen, and liquidated when goods or services have been delivered. In order to secure flexibility in budget

execution, the expenditure procedure is greatly simplified by the use of special funds, petty cash funds, imprest cash funds and revolving funds.

Local budgets depend heavily upon subsidies from the national budget. About twenty agencies have autonomous budgets and many government expenditures and receipts come from extra budgetary accounts. A great part of budget receipts come from the counterpart fund of American aid. The aid programs and procedures are subject to agreement between the Vietnamese and U.S. governments.

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CHAPTER ONE

INTRODUCTION

The concept of modern budgetary administration in Viet-Nam takes shape as a result of new demands on the government in the direction of national development and democracy. Vast programs of reconstruction and re-equipment are necessary to national development and must be coordinated and synchronized by means of an elaborate system of planning and budgeting. The role of the legislature in authorizing government expenditures is essential to democracy and must be institutionalized in the process of budget authorization prior to its execution. But before examining the evolution of the Vietnamese budgetary system from a rudimentary to a modern technique, from an authoritarian to a more democratic orientation, the following general considerations will provide a useful introduction.

1. General Considerations:

a- The Vietnamese Fiscal Year: The time used for the execution of the Vietnamese budget is theoretically one year. Many reasons can be invoked to explain this practice: (1) things in the world often evolve in cycles and the cycle is generally one year; (2) the succession of seasons has an obvious influence upon most economic activities; (3) private enterprises generally choose the year as the

standard time for their business, and since national budget receipts derive in large part from the taxation of private business, it is convenient that the period of one year be adopted for the national budget.

Compared with other people in the world, the Vietnamese people are very conscious of the year. They celebrate the new year with conviction and enthusiasm; any other unit of time chosen for the execution of the budget would not be in accord with that national consciousness. Faithful to their old traditions, the Vietnamese people do not celebrate the new solar year but the new lunar year. The adoption of the lunar year as the budget period would be more in keeping with the popular tradition, but it would involve too many inconveniences to be retained [1]. Therefore, the Vietnamese budget period is one solar year beginning on the first of January each year.

It is desirable that the transition from one fiscal year to another be conducted smoothly. That is the reason why, although the budget period is one year, an extra overlapping period is added to help the government realize the budget program without causing undue disturbance in fiscal affairs. In the second place, certain work projects cannot be completed in one year. In order to fit these works into the budget it is necessary to divide them

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(1) The lunar year sometimes has thirteen months instead of twelve.

into several parts. For example, if the construction of a bridge takes three years, 1960, 1961, and 1962, only what is going to be spent in 1960 is entered into the 1960 budget. In the third place, the relatively new concept of positive government has resulted in the undertaking of vast programs of national reconstruction, armament, expansion, etc. The traditional period of one year used for the execution of the budget seems too short, and the budget is more and more considered as a part of a larger plan of five or seven years. For example, Viet-Nam has a Five Year Plan established by the General Directorate of Planning. This plan started in 1958, with emphasis upon consolidating the infrastructure of the national economy.

In short, Viet-Nam accepts the calendar year as a period of her budget with two qualifications: (1) an extra period is provided for budget execution in addition to the fiscal year, and (2) middle or long range planning provides guidance for the one year budget.

b- The Deconcentration of Budgeting: Viet-Nam is divided into administrative units such as provinces, prefectures, municipalities, districts, and villages. Except for the districts, all these units have their own budgets. This is dictated by the need for a certain amount of deconcentration of power. Too much concentration of power in the hands of the central government makes for red tape and inefficiency; in so far as each of the above mentioned

administrative units has its own particularity, a budget system which allows for local differences is more efficient. It is a well observed fact that the modern nation-state reaches such large proportions that the individual seems to be neglected. Intermediary units such as the province, the municipality and the village may provide the citizen with a smaller society fit to his needs and allegiance. These conditions make for the division between central budget and local budgets. Such a division may be called horizontal in that the different budgets are on different levels. In addition to the horizontal division there is a vertical division of budgetary administration. Viet-Nam has a host of autonomous agencies with autonomous budgets, all of them on the national level. The major reason for the creation of these autonomous budgets is the need for more flexibility in carrying out developmental programs and for more discretion in the exercise of the executive power.

Furthermore, since certain receipts and expenditures have a provisional or emergency character, it is convenient that they be put into extra-budgetary accounts managed by the General Directorate of Treasury. In a word, the deconcentration of budgetary administration in Viet-Nam can be analysed according to three different criteria: (1) the horizontal division of budgetary function between the national and the local budgets, (2) the vertical fragmentation of the budget structure into central and peripheral or

autonomous budgets, (3) the distinction between budgeted and non-budgeted accounts.

c- The Non-Compensation of Expenditures: By non-compensation of expenditures is meant that the expenditures of a non-autonomous agency are not directly provided by its own income. For example, (1) certain non-autonomous agencies such as the General Directorate of Taxation, the General Directorate of Post and Telecommunications, the General Directorate of Customs, etc., receive a great deal of money from the citizens, (2) certain other non-autonomous agencies are in charge of goods that can be sold to the public, and (3) almost every non-autonomous agency has surplus properties that could be sold for money. In all three cases these non-autonomous agencies would act contrarily to the rule of non-compensation of expenditures if they used such incomes for their expenditures.

At the basis of the rule lies the desire of the central government and the legislature to control the non-autonomous agencies in all their activities. If only the net cash of a non-autonomous agency, such as the General Directorate of Post and Telecommunications, is entered into the budget, the legislature loses the control of that non-autonomous agency's expenditures in the process of budget authorization.

The difference between an autonomous agency and a non-autonomous agency in Viet-Nam stems primarily from

the fact that the rule of non-compensation of expenditures is applied only to non-autonomous agencies. When an agency would function better if supported by its own income or a special tax, an autonomous status is generally conferred on it.

In some instances, however, expenditures of a non-autonomous agency can be partially compensated by its receipts without causing much disturbance. (1) The non-autonomous agency's use of its own product is sometimes so insignificant that nobody would think of following the rule of non-compensation of expenditures by selling the product in the market, then entering the money as a receipt and making an expenditure according to legal procedure in order to buy back the product. (2) The process of building new facilities in place of old ones implies two steps if the rule of non-compensation of expenditures is to be followed. First, the old facilities must be sold to the public and the money entered as a budget receipt; secondly, an expenditure must be made to build the new facilities. In practice, these two steps are generally combined into a single contract of transformation.

2. Historical Background:

a- The Budget Prior to 1862: On June 5, 1862, under the reign of Tu-Duc, after a succession of defeats in the war against the French forces commanded by Admiral Charner, the Vietnamese government signed a treaty with

France by which Viet-Nam ceded to France three provinces in East Cochinchina (Bien-Hoa, Gia-Dinh, Dinh-Tuong). In addition, the treaty accorded French vessels the right to use the Mekong River up to the frontier of Cambodia, gave French Catholic missions freedom of operation, opened to French and Spanish vessels three ports (Da-Nang, Ba-Lat, Quang-Yen), and promised not to cede any part of her territory to any other nations without the consent of France 1/.

1862 can thus be considered as the beginning of French administration in Viet-Nam. It is difficult to say whether or not Viet-Nam had a budget prior to 1862. If we consider the budget as an authoritative allocation of funds to government agencies and of charges to the citizens, we can say without doubt that Viet-Nam had a budget. If we consider the budget as a document prepared by the executive and approved by the legislative we can say that Viet-Nam had no budget prior to 1862. The people of Viet-Nam had to pay taxes to the kings in order to provide for the expenditures of their administration, to make war against China and against each other, and to carry out vast programs of land reclamation and territorial expansion that more than doubled Vietnamese territory from 1069 to 1884. Since the kings had to decide about the way of spending this income, we can speak of fiscal management, implying a certain amount

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(1) Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit. Paris, 1955) Pages 369 sqq.

of planning and control of the local powers by the central power.

Fiscal management in Viet-Nam prior to 1862 had the following characteristics:

(1) As far as planning is concerned, there was a certain amount of cooperation between the central power and the regional powers. The reports of Nguyen Cong Tru (a nineteenth century province chief) to the Emperor Minh Mang show that many details were dealt with in the communication between the mandarin and the king [1]. As might be expected, the power of decision was theoretically in the hands of the king who gathered information and suggestions about taxes and needs for governmental actions and issued orders to his subjects. This spending process may not have followed the principle of annuality; at present nobody knows whether the king thought in terms of one year or of a shorter period. However, the king was assisted in his decisions not only by general administrators but also by specialists in fiscal management, such as the treasurer.

(2) There could be no separate budget authorization for the simple reason that there was no separate legislative power. Moreover, the "budget" had no form other than a maze of directives, suggestions, and estimates[2].

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(1)Le Thuoc: Nguyen Cong Tru (Hanoi 1928). Le Thanh Khoi: Le Viet-Nam (Editions de Minuit. Paris 1955) Pages 39, 347, 358.

(2)Tran Trong Kim: Viet-Nam Su Luoc (Hanoi 1928).

(3) The expenditure procedure was simple, but a minimum standard of behavior was expected from the administrators. The prosecution of Dang Tran Thuong under the reign of Gia-Long (1810) shows that expenditure procedure was regulated in such a way as not to allow the embezzlement of royal funds with impunity [1]. Although the mandarins were supposed to be disciples of Confucius, few of them lived the Confucian ideal in their practical life.

(4) Government income was meagre, and was not exclusively composed of money. In effect, a great part of government income was in the form of labor contributions. These contributions were difficult to handle but sometimes had an undeniable moral value insofar as the citizens could experience a sense of participation and could see for themselves the result of their contribution. The remaining part of income was paid in kind; rice, silk, ivory, etc. Tax collection was a complicated art and was generally entrusted to the local authorities, with taxes being laid on villages by the central government rather than on individuals.

(5) Government expenditures were cumbersome. The mandarin was paid partly in rice, partly in coins. Rice storage and coin storage posed serious problems because both were bulky and perishable materials. The ancient copper coins were so thin and so impure that they became brittle

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(1) Tran Trong Kim: Viet-Nam Su Luoc (Hanoi 1928).

if they were not properly stored. Rice and coin storage was a part of fiscal management technique. On special occasions, in order to reward the exceptionally good mandarins, the king gave them silk, ivory or gold. The king's treasurer had responsibility, among other things, for keeping an account of all expenditures.

(6) The villages and provinces enjoyed a great degree of autonomy. Each village made contributions to provincial expenditures, and each province made contributions to national expenditures. The size of these contributions was based on tradition rather than on a scientific basis for taxation. The basic political unit was not the individual but the village. Each village was required to keep an inventory of land and men, but these inventories were rarely referred to by the province chiefs who found it more feasible to deal with the village as a whole rather than with individual citizens [1].

b--The Budget From 1862 to 1898: The French began to set up their budget system in the three captured provinces, Bien-Hoa, Gia-Dinh, and Dinh-Tuong, then to three others, Vinh-Long, Chau-Doc, and Ha-Tien. Budget administration was in the hands of French commanders who were more interested in war than in administration. Their policy was first to rely on Vietnamese collaborators who helped

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(1) Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit. Paris 1955) page 356 sqq.

them harness the people little by little. Budget administration was characterized by enormous war expenditures. The former system of tax collection was retained with only slight modifications in order to avoid new troubles for the French military commanders. By 1884, all of Viet-Nam was French; the war was transformed into pacification. The relatively calm period after 1898 permitted the French to devote more time to the reform of Vietnamese budget administration.

c- The Budget From 1898 to 1945: Under French rule, the following modifications were put into effect in the Vietnamese budget:

(1) Viet-Nam no longer had a national budget. In place of the national budget there were three regional budgets 1/. The regional budgets were not independent but depended more or less on subsidies from the general budget which included Laos and Cambodia as well as Viet-Nam.

(2) In addition to the general and regional budget there was a royal budget which dealt with the royal administration composed of six ministries: Education, Interior, Justice, Rites, Army, and Public Works.

(3) The scope of activities of these ministries dwindled gradually in proportion to the decrease of the royal budget. The income and expenditures of the royal

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(1) Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit) Paris 1955. Page 400.

budget were tightly controlled by French advisors.

(4) The royal budget received subventions from the regional budget of Annam, one of the three regions of Viet-Nam, the other two regions being Cochinchina in the South and Tonkin in the North.

(5) A great part of the general budget income was from custom duties and government monopolies such as the production of salt, alcohol, and opium.

(6) A system of representation was devised, composed of French settlers, French citizens of Vietnamese birth, and outstanding Vietnamese collaborators. Its role in budget authorization was very limited on account of its structure and the administrative tutelage to which it was subjected. First of all it was fragmented into two councils and two chambers different from each other. The two most important of them, the Indochinese Grand Council of Economic and Financial Interests (Grand Conseil des Interets Economiques et Financiers de l'Indochine) and the Colonial Council (Conseil Colonial) in Cochinchina, contained a majority of Frenchmen. The former was created by Governor General Pierre Pasquier in 1928. It had fifty-one members, including twenty-eight Frenchmen. The other had been created in 1880 by the Governor of Cochinchina, Le Myre de Vilers. It had sixteen members including ten Frenchmen. This structure was statutory. Certain of its members were appointed rather than elected and the whole system was subject

to the control of the administration which made use of multiple means of coercion: adjournment for a period up to six months, and administrative approval, alteration, and even cancellation of decisions. In addition to these two councils there were two Chambers of Representatives of the People (Chambre des Representants du Peuple) vested with consultative functions in budgetary matters. Representatives were elected in Annam, partly appointed in Tonkin. These chambers held session ten days a year, their internal regulations had to be approved by the administration, and their debates were not published [1].

(7) Elaborate rules were devised, dealing with taxation and the protection of government monopolies. These rules helped increase budget incomes.

(8) The Decree of December 30, 1912, provided for the budget execution process, emphasizing the centralization of power and multiplying controls. Most of that Decree is still in effect in the Republic of Viet-Nam while better methods have yet to be found [2].

(9) The general budget was prepared by the Governor General and approved by the President of the French Republic, confirming the previously existing practice.

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(1) Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit) Paris 1955. Page 406.

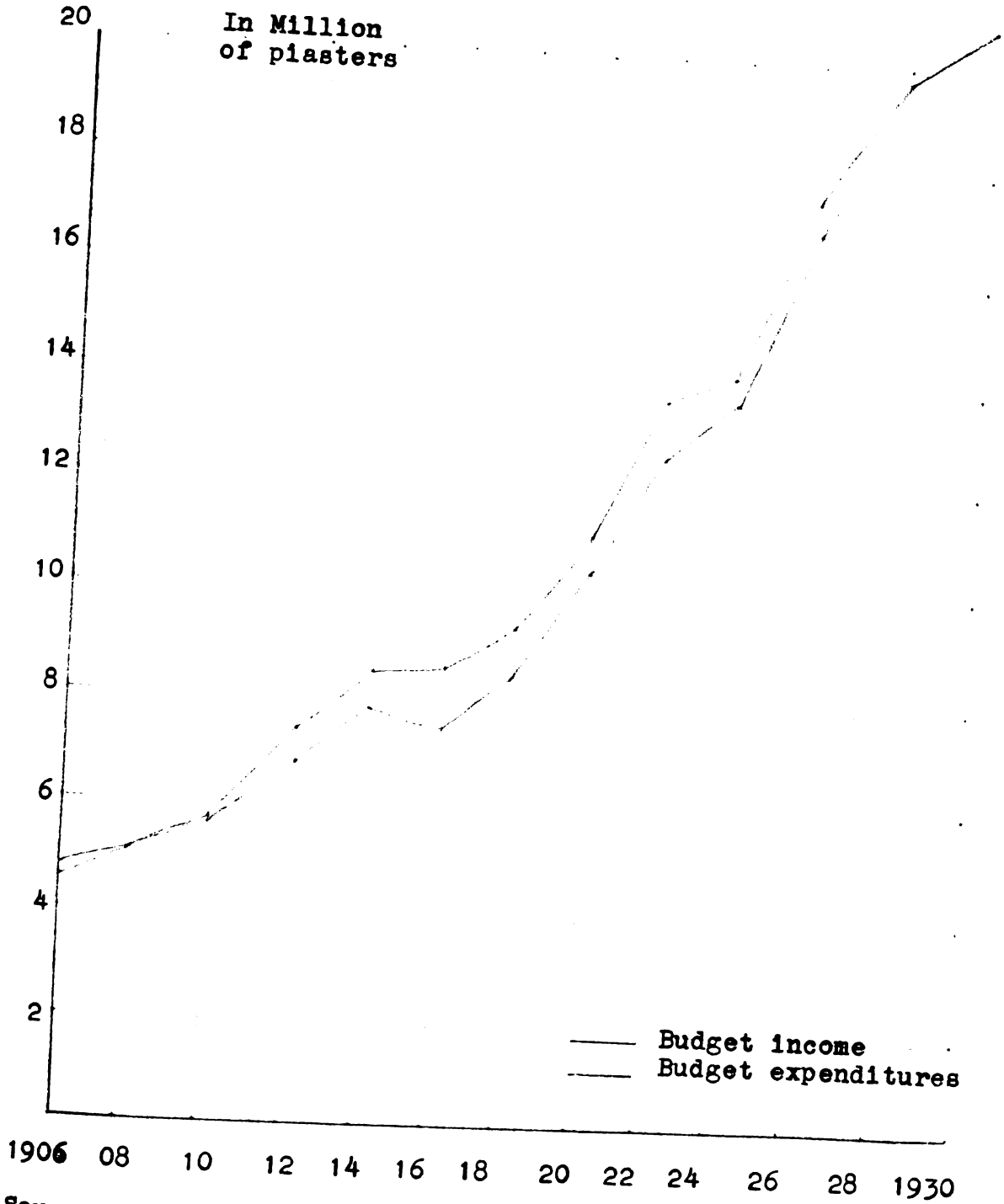
(2) Snyder, W.: Budgetary and Financial Administration in Viet-Nam (MSUG Saigon 1956 mimeo) page 3.

(10) The regional budget was prepared by the Regional Governor and approved by the Governor General. Incomes and expenditures of one of the regional budgets from 1906 to 1930 are shown on page 15.

(11) The general budget might contribute both to the regional budgets and the French national budget. These contributions were determined by a decree of the Governor General in the former case and a law of the French government in the latter case.

d- The Budget From 1945 to 1956: In 1945 the Japanese military forces took over. The general budget suffered grave deficits. The war that followed plunged budget administration in Viet-Nam into great confusion and abuses. Capable and experienced Vietnamese administrators were lacking. A great number of them cooperated with the Viet-Minh communists or were suppressed by them. A host of adventurers, assumed high administrative functions. Taxes could be collected only in pacified areas and the people were so decimated by war that they had little to pay in taxes. Moreover, in order to encourage people to live in pacified areas, the government was not too eager to tax them. Even if it wanted to do so, information about the potential taxpayers was lacking. The French army relied heavily upon American aid. This aid, begun during the war, had two purposes: (1) to provide the French army with war material, and (2) to help the Vietnamese people who traded with the French army. Thus, one could refer to "invisible

INCOMES AND EXPENDITURES OF THE COCHINCHINA REGIONAL BUDGET FROM 1906 TO 1930



Source: Nghiem Dang and Le dinh Chan: Ngan sach. Hoc-vien Quocgia Hanh-Chanh. Saigon 1958. Page 233a.

Notes: (1) Cochinchina forms the main part of the present South Viet-Nam.

(2) The rate of increase is broken from 1914 to 1918. This is due to the first world war.

(3) The differences between income and expenditures come into the Reserved Fund of Cochinchina.

exportations," meaning the expenditures of the French army on the soil of Viet-Nam. These invisible exportations gave the Vietnamese government certain sources of income and made a dozen cities bloom with prosperity while the rest of the country was decimated by war. Certain cities even increased in size. Budget preparation was chiefly the job of military commanders; the needs of the civil administration were only a minor part of it. In 1952 the war situation became serious. The period of Viet-Minh offensive began with massive aid from China which had been under the communist regime since 1949. The French reaction was to enforce the Bao-Dai government. Thus the Vietnamese government got its own budget only in 1952 after asserting its intention to fight the Viet-Minh. Fifty-eight per cent of the expenditures were for military purposes. On August 8, 1952, a provisional national council of twenty-one members was created and vested with consultative functions on budgetary matters [1].

The Vietnamese government headed by Bao-Dai was initially only an epiphenomenon of the war effort, but insofar as it could participate in certain operations and could help provide the French army with soldiers it ended up by having some importance. Great sums of money were entrusted to the Vietnamese government in order to carry out some

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(1) Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit. Paris 1955) Page 479.

pacification. In view of the nature of the Vietnamese war, pacification was more dangerous than the war itself and necessitated more and more spending. The concept of the program budget was applied extensively to the pacification operations. Each operation had an objective, an area to investigate, and a definite sum to spend. A tremendous amount of waste and corruption was suspected and some of the top administrators became fabulously rich and invested their money in France, in quest of security. This way of implementing the budget had an unanticipated consequence: the demand for French currency increased so much that the Foreign Exchange Office did a sizeable business granting favors 1/.

Following are military expenditures of the Vietnamese national government from 1952 to 1956 in millions of VN$:

1952	2,459
1953	4,091
1954	13,400
1955	5,118
1956	7,600 2/

(1) J. Despuech: Le Trafic de la Piastre (Editions des Deux Rives. Paris 1953).

Le-Thanh-Khoi: Le Viet-Nam (Editions de Minuit. Paris 1955) Pages 481 sqq.

(2) Nghiem-Dang and Le-Dinh-Chan: Ngan-Sach (Hoc-Vien Quoc-Gia Hanh-Chanh. Saigon 1958, mimeo) Pages 22-28.

These figures show the increasing participation of the Vietnamese government in the war. In 1954 the Vietnamese budget showed a great increase in military expenditures because of the withdrawal of the French army after Dien-Bien-Phu. In order to make a comparison between French expenditures and Vietnamese expenditures in the war, let us look at French expenditures in Viet-Nam in millions of francs:

1953	163,254	(for the whole of Indochina)
1954	215,749	
1955	40,300 1/	

These figures are given by the Vietnamese Office of Foreign Exchange; they do not include the value of war material that was not imported through that office.

d- The Budget From 1956 to 1959: In 1956 a Constitution was promulgated. Viet-Nam stepped into the era of constitutional government. From a quasi-absolute monarchy tightly controlled by the colonial power Viet-Nam stepped into a presidential regime. Many important reforms in budget administration were put into effect in order to give to the nation more facilities to cope with its new economic, political, and social conditions.

(1) The Directorate of Budget was transferred from the Ministry of Finance to the Executive Office of the

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(1) Lindhom, R. W.: Viet-Nam: The First Five Years, An International Symposium (M.S.U. Press, East Lansing, 1959) pages 292, 289.

President by Decree No. 16TTP of May 8, 1955. Combining this agency with that administering foreign aid, a General Directorate of Budget and Foreign Aid was created by Decrees No. 732TTP/VP of April 24, 1957, and No. 689TTP/NSNV of April 21, 1958 1/. The major reform in these decrees was a shift in the responsibility of budget administration. In effect, budget administration ceased to be a responsibility of the Ministry of Finance to become that of an agency within the Executive Office of the President.

(2) Approval of the budget became the prerogative of a National Assembly elected by universal suffrage on the basis of one representative for each district.

(3) The regional budgets were abolished beginning in 1956 by Decree No. 17 of December 24, 1955, because they were a hindrance to the unity of the nation. In effect, the regional budget was a vestige of the colonial period when Viet-Nam was too big to be dealt with as a whole on equal terms with Laos and Cambodia.

(4) The provincial budgets received more consideration. Steps were taken to give more independence to them by a judicious division of income and expenditures between the national and the provincial budgets.

(5) An academic program of budget studies was created in the National Institute of Administration in order

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(1) Cong-Bao Viet-Nam Cong-Hoa (No. 20, 1958) Pages 1739 sqq.

to introduce modern concepts of budget administration to future civil servants. A new classification of civil servants called budget examiners was created.

(6) Machine accounting was introduced in budget administration. A classification system was devised and a code was given to each kind of expenditures, which permitted machine accounting.

(7) Budget preparation, authorization and execution were given more attention. New budgets began to appear at the beginning of each year, duly prepared and approved; the 1956 budget was the first budget written in Vietnamese 1/. The previous year's budget accounts were closed by the legislative power only a short time after expiration of the fiscal year. These were great achievements for Vietnamese budget administration, since in the former regime budget authorization came a long time after its execution and budget clearance five or more years after its authorization.

(8) A group of American advisors of the Michigan State University Group (MSUG) studied the Vietnamese budget administration and made a number of criticisms and recommendations. These actions helped to influence the Vietnamese budget officers to reconsider their traditions and

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(1) Law No. 17/58 of December 26, 1958, promulgating the 1959 budget. Cong Bao Viet-Nam Cong Hoa No. 1, 1959. Page 14.

their problems [1].

(9) Some of the MSUG recommendations have been adopted. The authority of province chiefs to ask for advances from the Treasury was abolished, information concerning past fiscal years was added to the budget document, the expenditures proposed for each administrative department were analysed in terms of work programs, and money was allotted to different spending agencies at the beginning of each quarter. For example, Presidential Decree No. 694 TTP/NSNV of April 22, 1958, allotted to different spending agencies 3,456,059,500 VN$ to be spent during the second quarter of 1958 [2]. This was approximately twenty-four per cent of the year's appropriation.

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(1) Fishel, W. R. et al: Budgetary Administration in Viet-Nam, (MSUG, Saigon, 1956.

Snyder, W. W.: Budgetary and Financial Administration in Viet-Nam (Saigon 1956. Viet-Nam Project mimeographed document 562).

(2) Cong Bao Viet-Nam Cong-Hoa 1958. Page 1855.

CHAPTER TWO

THE BUDGET CYCLE

1. Budget Preparation:

a- Government Objectives and Budget Preparation:

Budget preparation in Viet-Nam has evolved with the progress of the political situation. During the war years, 1946-1954, budget preparation was chiefly a concern of the French administrators who subordinated other considerations to the military effort. From the administrative and social point of view, budget programs were more negative than positive, great emphasis was put upon economy rather than on positive programs that the war did not permit.

In 1955 ninety per cent of civil budget expenditures were for personnel services [1]. These expenditures tended to be repeated from one year to another. How personnel could be used efficiently was an important concern in preparing the budget. From such concern stemmed frequent reorganizations and personnel actions, transferring people from one agency to another or grouping them into new agencies.

The present situation reflects the competition with the North, competition in which the South tries to promote social, economic, and cultural reforms in spite of

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(1) Snyder, W.: Budgetary and Financial Administration in Viet-Nam. (MSUG Saigon 1956) Page 13.

subversive activities from the North. The following passage taken from the 1959 budget shows the Vietnamese government's concern for reforms [1].

> Although the national revenue is not enough to meet actual requirements, a good many large scale works were carried out in the past two years, which really proved the continuing efforts of the government in the betterment of the workers' living conditions, the rehabilitation of culture, the enhancing of human dignity and the educational level of the people and at the same time, in the reconstruction of devastated areas, the expansion of productivity and exports, and in the development of national industry with a view to emancipation from foreign industry.

b- Budget Preparation in the Bao-Dai Regime:

Prior to 1956 budget preparation was the job of the Ministry of Finance, which gathered information concerning government income and expenditure in the preceding fiscal years and made an extrapolation from this information as to what the next budget should be. Then an instruction was issued to the different Ministries. In the light of that instruction, each Ministry prepared its own revenue and expenditure estimates. Estimates from the various Ministries went to the Ministry of Finance which prepared a budget proposal and submitted it to the Prime Minister. The Prime Minister conferred with the Ministers in a cabinet session in order to reach agreement upon the budget proposal. If agreement was reached, the budget proposal was submitted to the Chief

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(1) National Budget 1959, General Directorate of Budget and Foreign Aid, p. 1.

of State who promulgated it. If agreement was not reached, the Chief of State intervened as a judge. The possibly frustrated Minister or Prime Minister had the choice of resigning or abiding by the decision. The budget thus made was sent to different Ministries for execution and to different centers of obligation control for control 1/.

As the regions and provinces had their own budgets, conflicts, duplications or gaps in budget preparation often occurred. Conflict occurred when the same program was considered to be under the exclusive jurisdiction of the central government by the central government and under the exclusive jurisdiction of the local government by the local government. Duplication occurred when the same program was taken into consideration by both the central and local government. Gaps developed when a program was considered to be under the jurisdiction of the central government by the local government and under the jurisdiction of the local government by the central government. The division of work between central and local governments in Viet-Nam was chiefly a matter of traditional practice stemming out of a multitude of tacit agreements between the different powers when no written regulations were available.

c- Present Day Procedures: Present day procedures are governed by the following documents: The Decree

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(1) See Chapter II, Part 3, page 54, for a discussion of obligation control.

of May 8, 1956, No. 1245 TTP/NS created a Directorate of Budget attached to the Presidency. The Executive Order of April 24, 1957, No. 732 TTP/VP created a General Directorate of Budget and Foreign Aid, and the Executive Order of April 21, 1958, No. 689 TTP/NSNV set forth its organization. Thus budget preparation today is under the direct supervision of the Presidency instead of the Ministry of Finance.

According to Article 60 of the Constitution of October 26, 1956, the budget proposal must be submitted to the National Assembly prior to September 30, three months before the beginning of the fiscal year. The presidential order of April 18, 1957, No. 45 TTP/NS gives the departments a period of one month and a half to send their budget estimates to the General Directorate of Budget and Foreign Aid. The Presidential Order of June 8, 1957, No. 3343 TTP/NS/SIVP gives the departments an extra period of fifteen days to complete their budget estimates.

In the absence of a single document timing the budget preparation process in Viet-Nam, the above mentioned documents permit us to infer a schedule for budget preparation. The time spent to prepare the budget was four months in the former system and is five and a half months in the present system. However, former governments had the great advantage of starting budget preparation in October. They had ten months to observe how the current budget was working as a basis for preparing the next budget. In the

new system budget preparation starts in mid-April, and the time available for observation of experience with the current budget is only three and a half months. This fact is due to the existence of the National Assembly which spends three months in budget authorization. But with an advanced system of accounting based upon the use of IBM the new government has improved over the former system in accuracy of estimations. Following is the schedule for budget preparation:

Events	Approximate Date in the New System	Approximate Date in the Former System
Message from the President (formerly from the Minister of Finance)	Mid-April	First October
Budget estimates sent to the General Directorate of Budget and Foreign Aid (formerly to the Ministry of Finance)	Mid-June	End December
Budget proposal sent to the National Assembly (formerly to the Council of Ministers)	Prior to September 30	January

d- The Agency Budget Office: Each department has an office in charge of budgeting. The Defense Department has a General Directorate of Administrative Affairs, Budget and Accounting created by Arrete No. 305 QP/NP of July 5, 1954. The General Directorate of Reconstruction and City Planning has an Administrative Service responsible for budgeting on the General Directorate level, another Administrative Service responsible for budgeting within the

Directorate of City Planning and Public Buildings, and a Personnel and Accounting Bureau responsible for budgeting within the Directorate of Reconstruction [1]. The Department of Finance still plays an important role in budget preparation because of its responsibility in fiscal matters. It has a Directorate of Circulation of Money and External Financial Affairs, a Directorate of Accounting, a Service of Tax Coordination, a General Directorate of Treasury, a General Directorate of Customs, a General Directorate of Taxation, and an Inspectorate of Finance. These organizations are powerful tools for budget preparation on the revenue side.

The General Directorate of Planning is another organization having some influence upon budget preparation. Its Five Year Plan aims at developing agriculture, handicrafts, electricity generation, communication means, etc. In addition to the overall Five Year Plan, the General Directorate of Planning supervises the development of special programs such as the exploitation of the Nong-Son coal mine, the production of cement at Long-Tho, and the restoration of the Bien-Hoa Wood Plant. Through its involvement in these developmental activities, the planning agency is in a position to advise other agencies on program priorities and on the cost of certain programs, for spending money requires

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(1) Viet-Nam Government Organization Manual (National Institute of Administration, Saigon 1958).

as much technique and knowledge as earning it.

e- Methods Used in Budget Preparation and Their Reliability: A method commonly used in the past was to estimate the future by studying the past. Indeed, the level of government income and expenditure has had a tendency to increase regularly from one year to another. For example, referring to the chart on page 15, we see that the Cochinchina regional budget increased regularly from 1918 to 1922 and again from 1924 to 1928. The income in 1918 was 9.32 million, and in 1919 it was 9.66 million. The increase was .34 million and the rate of increase was 3.6 per cent a year. An extrapolation should permit one to have an idea of the income in 1920. According to such an extrapolation, the income in 1920 would be 10 million, but the actual income was 11.1 million - a difference of 1.1 million, or 10 per cent. Thus the chart on page 15 shows that extrapolation would not always provide accurate estimates, especially during the periods 1924-1926 and 1914-1918.

To make a good estimate is not enough if the estimation is only quantitative. In other words, just as the exact prediction of the number of highway accidents might not ameliorate driving conditions, so the exact estimation of the level of a given kind of expenditure in the preparation of the budget might not ameliorate the quality of management. Therefore, the task today in budget preparation is as much to choose the best program as to have

an exact estimate. By best program is meant the one that realizes the maximum benefit with the minimum cost. If the benefit can be evaluated in terms of money, the best program is the one that has the greatest benefit-cost ratio. By benefit is meant the benefit over a certain number of years; thus if we consider the benefit-cost ratio after x years a program A can be retained but if we consider the benefit-cost ratio after y years, program A might not be better than program B. In the case of benefits such as freedom, knowledge, security, etc., it is difficult to make an objective choice between these different benefits and adopt a program that emphasizes one of them instead of another. In spite of these difficulties, the benefit-cost ratio can be and is calculated in a great number of cases, especially in Viet-Nam today where so many programs have economic development objectives. Expenditures for economic development purposes increased from 1,420,536,000 VN$ in 1958 to 2,128,177,000 VN$ in 1959, or 49.81 per cent 1/. The latter figure was twenty-six per cent of non-military expenditures.

Centralization of budget preparation in the hands of the General Directorate of Budget and Foreign Aid makes for the possibility of comparing the cost of different programs from different agencies. In effect, to the extent that certain work like typewriting, mimeographing, or office

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(1) General Directorate of Budget and Foreign Aid: National Budget 1959. Page 76.

cleaning does not differ from one agency to another, the General Directorate of Budget and Foreign Aid is in a position to state with enough accuracy whether typewriting in agency A is done as economically as that in agency B if costs are classified in the appropriate way for this. Such comparisons have been introduced in recent years.

For a great number of other activities, such as transportation or storage, it is possible to define a unit of work and state the agency needs and performance in terms of units of work. For example, agency A needs x ton-kilometers of transportation, or agency B needs x men to do y units of storage. This kind of cost analysis produces a great many difficulties and Viet-Nam is still not very accustomed to such methods. In effect, a unit of transportation at Dalat cannot be equivalent to a unit of transportation at Saigon because the roads at Dalat are rough and bad while the roads at Saigon are flat and well maintained. Standardization of work activity units, which makes possible factorial budgeting, presupposes standard conditions. Insofar as this can be done, factorial budgeting permits the Vietnamese central budget agency to simplify its job of reviewing inasmuch as, with units of work properly defined, budgeting becomes "multiplicative rather than additive: [1]. On the other hand, it brings to the spending agencies, in

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(1) Burkhead: Government Budgeting (Wiley. New York 1959) Pages 255 sqq.

the process of budget preparation, a focus on operations and programs rather than on personnel and material. This shift of focus can be instrumental in the detection of wastes.

The American aid program has been an important factor in initiating the new concept of budgeting in Viet-Nam. Indeed, every Project Proposal and Agreement must be satisfactory from that standpoint in order to be accepted. To judge by the volume of American aid, it is not an exaggeration to say that budgeting in Viet-Nam has been given considerable emphasis. However, as might be expected, this modern technique of budgeting is not a panacea. The administrators of programs tend to overemphasize the rigor of the climate, the inadequacy of means of communication, and the incompetence of local personnel, to increase the estimated costs of programs in order to avoid shortcomings. This situation is the raison d'etre of budget examiners whose job has been defined in the Presidential Order No. 689 TTP/NSNV, Article IV, Section 2. Through wide knowledge of local conditions, they are able to inspire confidence and respect from the field officers in charge of program estimation, placing them in a position to promote economy from within if they do not wish it to be imposed from without [1].

f- The Budget Document: The 1956 budget was a

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(1) Burkhead: Government Budgeting (Wiley, New York 1959) Page 284.

voluminous document of about fifteen hundred pages, containing a lot of information apart from the allocation of money. For example, it contained a list of all civil servants paid through the expenditures for which it provided, giving their positions, their basic salaries, and various allowances; these civil servants were classified by agencies. At the end of the budget document were two lists of all laws and regulations affecting government income and expenditures. On the other hand it did not include much detail on revenues and government programs [1]. The present budgetary reform tends toward less emphasis on personnel matters and places more emphasis on programs and functional classification. The budget documents become less voluminous, about one hundred pages for the 1959 budget.

The 1958 budget, which can be considered as the prototype budget after the reforms, was divided into two major tables. Table A contained the estimates of receipts, Table B contained the estimates of expenditures. Table A was divided into two parts: Part I contained the ordinary receipts and Part II contained the extraordinary receipts. Table B was also divided into two parts: Part I contained the ordinary expenditures and Part II contained the extraordinary expenditures.

The difference between ordinary and extraordinary,

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(1) Fishel, W. R., et al: Budgetary Administration in Viet-Nam (MSUG Saigon 1957) Page 17.

so far as receipts and expenditures are concerned, is not clearly defined. Suffice it to say that under the rubrics extraordinary receipts and extraordinary expenditures nothing has been entered so far. Each Part or Subpart was divided into Titles. For example, Title I of the first part of Table A contained all estimated receipts from direct taxation, Title II contained all estimated receipts from indirect taxation, etc. Title I of Subpart A of Part I of Table B contained all the expenditure estimates for the National Assembly. Title II of Subpart A of Part I of Table B contained all expenditure estimates for the Executive Office, etc.

In the 1959 budget, each Title represented a department of comparable agency. In the 1957 budget, each Title could represent more than one Department. For example, Title IX covered three Departments: Health, Welfare, and Labor. Each Title was divided into chapters which in turn were divided into sections. On the section level expenditures were divided into personnel, material, and special expenditures in the 1958 budget.

Beginning in 1957, upon the advice of the MSUG, more explanation about the economic role of the budget was added to the document. Charts and graphs facilitated the understanding of it. Classification by functions and by objects of expenditure were added. These classifications were worked out by a committee chaired by the Director

General of Budget and Foreign Aid and composed of Vietnamese and American budget specialists [1/].

f- The Classification of Expenditures and Receipts: Prior to 1958, two kinds of classification of expenditures were used in the Vietnamese budgets: the classification by organization and by object. The 1958 budget contained a detailed report on budget reform in which two other kinds of classification were used: classification by function and classification by economic character [2/].

The function of an expenditure is indicated by the first and the second digits of the code number. There are nine functions (general government, international affairs, national defense, justice and security, social welfare, national economy, national debt, subsidy to provincial budgets, and unclassified expenditure) represented by 1, 2, 3, etc. Each function is divided into subfunctions. For example, the function denominated "social welfare" designated by the digit 5, is subdivided into five subfunctions: education, youth, health, labor and social work, and reconstruction. These subfunctions are designated respectively by the numbers 51, 52, 53, 54, and 55.

The spending agency is indicated by four digits:

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(1) Fishel, W. R.: Fifth Report on the MSUG. Saigon, June 1957, page 15.

(2) Burkhead, Government Budgeting, Wiley, New York, 1956, pp. 110-243.

the third, fourth, fifth, and sixth digits of the code number. The third and fourth digits indicate the department or equivalent organization to which the spending agency belongs. For example, 03 means the Independence Palace Office, 07 means the Department of the Presidency, 13 means the Department of Foreign Affairs, etc. The fifth and sixth digits indicate the spending agency itself be it a General Directorate, Directorate, or some other subdivision within the department. For example, 51 means the National Institute of Administration, 21 means the Vietnamese Embassy in Washington, 11 means the General Directorate of Social Action, etc.

The economic character of an expenditure is indicated by the seventh and the eighth digits of the code number. The seventh digit indicates one of the five major economic categories (operating expenditure, investment, loan, payment of debt, and unclassified). For example, 1 means operating expenditure, 3 means investment expenditure, 5 means government loan, etc. The eighth digit indicates a detail attached to the economic character. For example, in category 1, meaning operating expenditure, we can distinguish classes 11 or civil personnel salary, 12 or military personnel salary, 13 or material, etc.

The object of an expenditure is indicated by the ninth and tenth digits of the code number. For example, in class 11 (civil personnel salary) we can distinguish

divisions 111 or salary paid to members of the Cabinet, 112 or salary paid to full status personnel, 114 or salary paid to the personnel recruited by contract, etc. In division 112 (salary paid to full status personnel), we can distinguish subdivisions 1121 or basic salary, 1122 or contribution to the retirement fund, 1123 or family allowance, etc.

As illustration, let us try to find the code number of the basic salary paid to a full status professor at the National Institute of Administration. The function of that expenditure is "general administration," so the first two digits of the code number must be 12. The National Institute of Administration is attached to the Department of the Presidency, so the third and fourth digits of the code number must be 07. The fifth and sixth digits attributed to the National Institute of Administration to distinguish it from other agencies within the Department are 51. The basic salary paid to a full status civil servant is translated into the code 1121. In recapitulating, the basic salary paid to the said professor is translated into the code number 1207511121.

Conversely, the code number 5323111334 can be translated into intelligible language as follows:

5 ..... Social Welfare

3 ..... Health

23 ..... Department of Health

11 ..... Directorate of Administration, Personnel, and Finance

1 ..... Operating Expenditure

3 ..... Material

34 ... Gasoline

The code in turn is translated into a series of holes in a card. The cards are fed into the machines that are capable of classifying them according to a given order and adding up all the expenditures inscribed in a given class of cards. For example, if we want to know the total expenditure for social welfare we can use the machines to sort out and add up all expenditures inscribed on all cards having the digit 5 as the first digit of the code number. If we want to know the total expenditure of the Department of Health, we can use the machines to sort out and add up all expenditures inscribed in all cards having the digits 2 and 3 as the third and fourth digits of the code number, etc. Since each card has eighty columns, an expenditure can be theoretically indicated by a code number composed of eighty digits; the possibility of combination is very great [1].

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(1) Salat, M., Role of an Electronic Computer in the Viet-Nam Administration, translated from French by Alfreda Abell, mimeographed document of the Viet-Nam Project, pp. 69 sqq.

The classification of expenditures by function, object, economic character, and organization permits the executive, the legislature, or the citizens to gain a better understanding of the budget. That understanding permits the executive to plan better programs and to be objective in the face of criticisms, cool-headed in the face of invectives, and reasonable vis-a-vis demands.

In order to plan better programs the executive should know as much as possible their benefit-cost ratio. Indeed, government income is limited and the program of governmental actions is vast, especially in this period of reconstruction. Different programs must be conducted harmoniously, in order to provide harmonious national development. The possibility of obtaining data from past and present programs with a reliable degree of accuracy, thanks to different classifications of expenditures, provides the executive with valuable criteria to guide decisions. Insofar as every work is translated by an expenditure, the central budget agency can supervise the work of the spending agencies by examining and analysing the reports of their spending. In providing this analysis with a methodological basis, the classification of expenditures is the best tool of control in the hands of the General Directorate of Budget and Foreign Aid. Moreover, to the extent that other countries adopt roughly the same classification as Viet-Nam, the comparative study of different budget policies would be

more fruitful as reliable data take the place of inaccurate conjectures.

Irresponsible criticisms and passionate invectives might stem from those who believe they know something and are not in accord with the administration. Many hostile groups in the nation are ready to take advantage of every actual or imaginary inequity in the government policy. Exorbitant demands might stem from a parochial view of the budget policy. A persecution complex might affect a province or an agency as it might affect an individual. Indeed, it is a well observed fact that organizations seek survival and development; and excessive focus on their own problems makes them believe that the central government does not care enough for them. The classification of expenditures provides them with a panoramic view of the entire government budget policy, hence an opportunity to check and compare, and the possibility of adjusting their beliefs to the reality of circumstances.

That same understanding should permit the legislature to assert its will in terms of numbers, to locate shortcomings positively, and to control the executive more effectively. However, the record of debates in the Vietnamese National Assembly in the process of budget authorization shows that, in general, the assemblymen do not have enough information to make positive proposals with

full consideration of every factor [1].

One political effect of expenditure classification is to forestall or alleviate criticisms by presenting beforehand a series of facts duly recorded and checked, providing the people as well as the legislature with an objective view of government budget policy, satisfying some of their interest in public affairs, organizing their thinking, and placing the opposition in a defensive position by forcing them to work on the basis of statistics and facts prepared and presented by the government.

The economic character classification permits one to study the effect of government expenditures upon the different variables of the national economy. The 1958 budget explained the necessity of a classification by economic character in the following passage [2]:

> As the government is responsible for preventing inflation and deflation, for developing natural resources, for distributing properties, classification by economic character becomes indispensible. Above all, with regard to a country in the course of development such as Viet-Nam, classification by economic character is a basic condition for the establishment of definite programs to increase investments and improve the population's living standard ... The classification by economic character has a close

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(1) Scigliano, R. G., et al, "The Budget Process in South Viet-Nam," Pacific Affairs, March 1960, pp. 48 f.

(2) National Budget 1958, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 41.

> relationship with the national income accounting and therefore becomes the best tool for economic planning.

According to the 1958 budget, classification will be extended to the local and autonomous budgets, providing the planning agencies with a more complete view of the national economy.

Unfortunately, classifications have their subjective side. They are not automatic, and more than one civil servant has to make painful decisions in order to code certain kinds of expenditures; disagreement can arise. For example, the National Institute of Administration can be classified under the function "education" as well as under the function "general administration." Nevertheless, whatever they may be, these difficulties do not hamper classification seriously in view of their other utilities, and the difficulties can be lessened through continuing experience with them.

What is said about the classification of expenditures can be applied mutatis mutandis to the classification of receipts. In order to plan better tax programs the executive should know as much as possible about the economic, political, and social consequences of tax policy. Classified information pertaining to past and present programs facilitates feedback to the administration, thereby helping to prevent social unrest due to unwise tax policy.

Adam Smith laid down the principles that taxes

should be equitable, easy to calculate, convenient to pay, and inexpensive to collect. Receipt classification which permits one to know how much of a certain kind of tax has been collected in a given area in a certain period of time, how much has been spent to collect a certain tax, etc., supplies valuable data to judge a tax in the light of these principles. Indeed, the three first principles are of great concern to the citizens. Tax policy has often been the subject of controversy between the governing body and the opposition, controversy sometimes stemming from unanalysed conjectures biased by political passions.

A parochial view of the tax policy can cause frustration in a locality or a class of citizens who have the impression of being exploited. The panaramic and analytical view of the government's tax policy, made possible by classification, can be instrumental in dissipating these feelings when they are not well founded. In the opposite case, it can provide such citizens or localities with means of action through their representatives in the National Assembly.

Classification of receipts in Viet-Nam is only in the first stage of its development, as the following passage indicates [1/]:

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(1) National Budget 1958, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 42.

> As to the receipts, because of the complexity of the present financial mechanism, it is not yet possible to present a system of classification by function. But a classification of receipts by origin has been established ... Moreover, this classification of receipts by origin has also been analysed in such a way that it may be arranged again into a classification by economic character.

2. Budget Authorization:

a- Limitation on the Authorization Power of the National Assembly: Since 1956 Viet-Nam has had a National Assembly with the power to authorize the budget. This authorization power is subject to many limitations: (1) Much government income and expenditure does not appear in the budget. The autonomous budgets of some agencies and the non-budgeted transfer accounts are not subject to legislative authorization. (2) Proposals for the spending of American aid that represents 50 per cent of the government income are submitted to the Assembly for authorization, but the power of the Assembly over them is very limited. Indeed, the use of American aid funds is subject to agreements between the Vietnamese administration and the American government. Agreements are reached in terms of programs or projects. The Assembly has nothing to say during the negotiation of these projects. When they appear in the budget proposal in terms of expenditures, they are almost equivalent to earmarked money. Theoretically the Assembly can refuse to adopt the projects, but this would be tantamount to refusing the aid. In view of its size and in view

of the threat of communism from the north, such a drastic measure is difficult to envisage. (3) The Vietnamese budget is not authorized in several appropriation acts. It is authorized in a single act which includes both government income and expenditure. Moreover, the tax power of the government is not subject to budget authorization. The issue was raised by Assemblyman Nguyen-van-Can during the discussion of the 1957 budget. In the view of Mr. Nguyen-van-Can, budget authorization automatically empowers the administration to levy only the taxes proposed in the budget. But the majority of the Assembly decided on the ground of tradition that the President can also levy taxes independently of budget authorization [1]. (4) By authorizing the budget, the Vietnamese legislature gives to the executive a very broad power of decision. Once the budget is authorized, the administration can sign contracts and liquidate them without further action by the Assembly. The U. S. Congress can vote contract authorizations permitting obligations to be incurred, but must make appropriations before such obligations can be liquidated; such powers are unknown in the Vietnamese National Assembly [2]. (5) When appropriations cannot be passed prior to the beginning of

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(1) Cong-Bao Viet-Nam Cong-Hoa, Vol. IV, No. 4QH, Saigon 1958, p. 187. The budgetary power of the executive is traditionally strong in Viet-Nam. See Historical Background, pp. 17 ff.

(2) Burkhead, J., Government Budgeting, Wiley, New York, 1956, p. 317.

the fiscal year, the U. S. Congress passes an act authorizing the administration to spend within a certain limit; the Vietnamese Constitution grants that prerogative to the executive (Article 43 of the Constitution).

b- Constitutional Background: The Constitution of October 26, 1956, provides in article 60 that "the budget proposal must be sent to the Secretariat of the Assembly before the 30th of September. The budget shall be definitely voted on before December 31." Since its establishment, the National Assembly has authorized four budgets. The budget of 1957 was authorized on March 4, 1957. The budget of 1958 was authorized on January 25, 1958. The budget of 1959 was authorized on December 26, 1958. The budget of 1960 was authorized on January 2, 1960. The budget of 1959 met the constitutional requirements for the first time.

Article 61 of the Constitution provides that "representatives have the right to initiate expenditures, but at the same time they shall propose corresponding new receipts." The meaning of this article is not very clear. In reality, the consideration of budget receipts does not take place at the same time as the consideration of budget expenditures. In 1957 budget expenditures were authorized first; in 1958 budget receipts were authorized first. The Constitution implies that proposals for expenditures and corresponding new receipts should be discussed at the same time, but the parliamentary procedures render such a

provision impracticable.

Article 43 provides that:

> In case the budget should not be voted within the period prescribed in article 60, the President may sign budgetary decrees for the following fiscal period. Pending the final vote of the National Assembly on the budget proposal, the President of the Republic may expend in each quarter, one fourth of the credits entered in the budget proposal.

This obliges the representatives to approve the budget before the fiscal year begins if they do not want it to be put into practice without their authorization. A small dose of filibuster would put Article 43 automatically into action, enabling the President to execute one fourth of a budget that is not yet authorized. Article 43 differs from the procedures applied in the U. S. in two points: (1) In the U. S. action is taken by Congress and not by the President. (2) The rate of expenditures authorized is taken from the previous fiscal year's budget that has been duly authorized and not from the budget in the process of authorization [1].

The same Article 43 reads: "In the budgetary law, the National Assembly must solve the consequences resulting from the rejection or modification of the provisions of the budget proposal." This provision, together with Article 61, denotes a certain suspicion of the legislative

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(1) Burkhead, J., Government Budgeting, Wiley, New York, 1956, p. 100.

power. Indeed, the drafting of the Constitution of October 26, 1956, was undoubtedly influenced by awareness of the political crises in France where cabinet after cabinet was dismissed by the French National Assembly, rendering the implementation of any consistent policy extremely difficult [1].

c- Organization and Procedure for Budget Authorization: The unicameral system makes for simplicity in the authorization procedure. Articles 27, 28, 30, and 31 of the National Assembly Internal Regulations establish twelve standing committees. The Budget and Finance Committee, composed of nineteen members, is one of the twelve standing committees. Among the nineteen members are one Chairman, two Deputy Chairmen, one General Rapporteur, two Rapporteurs, and three Secretaries. There is no division into subcommittees; the budget proposal is reviewed as a whole, and representatives from the agencies are often invited to explain their programs and their proposed expenditures. Representatives from other standing committees of the National Assembly can attend working sessions of the Budget Committee but have no votes. The committee members are appointed by the Presidents of the two blocs and must be approved by the entire Assembly. The two blocs are the Majority bloc and the Minority bloc. Affiliation to one of these blocs

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(1) Grant, J. A. C., "The Viet-Nam Constitution of 1956," American Political Science Review, 1958, p. 448.

is not a function of affiliation of one political party. The two blocs are more or less pro-government; the Majority tends to be more so than the Minority. The record of legislative debates shows that the adjerence of a representative to his bloc seems to be stronger than that to his party 1/. Thus, the bloc system overcomes possible fragmentation of the Assembly due to the existence of too many political parties in it.

The modifications of the budget proposal made by the Budget Committee are very few. They are satisfied generally with giving advice more than cutting appropriations. When the work of reviewing in the committee is done, the budget is discussed in a plenary session of the Assembly. The Rapporteurs of the committee take turns presenting to the Assembly their opinion of the budget and ask for approval or modification as the case may be. Since the budget is discussed as a whole and authorized as a whole, the unit of discussion and authorization is not important; they can discuss in terms of one or more chapters, one or more agencies as they see fit.

Authorization is always given for a period of one year. If a program requires three years to be completed, it would be authorized three times, each time for the work to be done and the money to be spent in one year. If an

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(1) Cong-Bao Viet-Nam Cong-Hoa, Vol. IV, No. 4QH, p. 182.

appropriation duly granted by the assembly was not spent during the fiscal year, action could be taken by the President to reauthorize the expenditure. For example, the presidential Decree No. 513 TTP/NSNV of March 18, 1958, reauthorized an appropriation of one million piasters for the building of the Di-Linh supermarket [1].

In the U.S., the President can veto the modifications made by Congress. In Viet-Nam, such veto is not very necessary because the President, by tradition, can increase an expenditure beyond the limit authorized and transfer money from one chapter to another [2]. However, Article 58 of the Constitution provides that:

> During the period allowed for promulgation, the President may transmit to the Assembly for explanatory message calling upon that body to reconsider one or several provisions of a law which it has approved. With a second reading of the bill, the Assembly, if it rejects the modifications proposed by the President's message, will enact the law by a roll call vote of three fourths of its membership.

The period allowed for promulgation mentioned in the article is thirty full days in ordinary cases and seven full days in urgent cases (Article 57). Article 58 can be applied to the promulgation of the budget considered as a special kind of law having a limited duration of one year.

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(1) Cong-Bao Viet-Nam Cong-Hoa, 1958, p. 1212.

(2) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 113.

It is to be noted that Article 58 implicitly gives to the Vietnamese President the power to veto specific items in the budget, a power denied to the U.S. President [1]. Moreover, the majority of three fourths of the total number of assemblymen required to overcome a presidential veto is the same as that required to amend the Constitution (Article 92).

d- Observations: Budget authorization in Viet-Nam gives the representatives an occasion to state their views on the administration, but the amount of expenditures authorized is only a guide which can be modified as the administration sees fit. Even in this condition, the recommendation power of the Assembly is influenced by the faith and devotion that most of the representatives profess for the President, as the following passages taken from the record of the legislative debates concerning the 1958 budget might indicate [2]:

> "We believe that in our general report about the government's basic policy, we could not find a better word to express our allegiance to the beautiful policy of President Ngo." (General Rapporteur of the Budget Committee)

> "If the government's policy is to be confirmed, do we have enough data and references for that? Yes, my friends, we have plenty

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(1) Burkhead, J., Op. Cit., p. 100.
Browne, W. J., The Control of the Public Budget, Public Affairs Press, Washington 1949, p. 116.

(2) Cong-Bao Viet-Nam Cong-Hoa, Vol. IV, No. 4QH, pp. 186, 188.

> of data and references because, as you know, the President has come here at the beginning of the session to read his message presenting the government's policy in its entirety." (Assemblyman Cao-Van-Tuong)

The modifications proposed by representatives are generally concerned with details rather than with policy. This is due partly to the system of representation on the basis of one representative for each district, making for the over-consideration of district problems to the detriment of national problems, partly to the fait accompli that representatives are confronted with in many cases (e.g., American aid), partly to the awareness that lengthy discourse on policy would be considered overambitious at this stage of political evolution in Viet-Nam. The general tone is one of devotion to and faith in the policy of the administration. For example, during the discussion of the 1958 budget, the majority leader claimed that the consumption of electricity and gasoline was too high in government agencies but exhorted the Assembly to authorize the whole budget as an act that would show backing for the government program and policy [1].

The legislative budget committee is markedly pro-government; its members assume the responsibility for defending the budget before the Assembly by answering criticisms on behalf of the administration. If a criticism seems well

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(1) Cong-Bao Viet-Nam Cong-Hoa, Vol. Iv, No. 4QH, p. 185.

founded the answer is invariably "we shall bring it to the attention of the executive." In general, answers are evasive and unoriented. Sometimes they advocated economy because government income was limited, sometimes they supported expenditure on the ground that "budget expenditures are revenues for the people" 1/. To the question of representative Nguyen-Cong-Vien, that "the General Commissariat for Refugees was abolished by decree No. 524 TTP on December 16, 1957, of the President; why is a sum of 150,000 VN$ appropriated in the 1958 budget for the expenditures of that non-existent agency?" The answer was "although the General Commissariat for Refugees exists no longer, it is now transformed into the General Commissariat for Land Reclamation" 2/.

Pork barrel legislation and riders are unknown in the Vietnamese process of budget authorization. This is due to the fact that the power of representatives is limited not only by quasi-earmarked revenue such as the American Aid but also by the power of the executive to modify the authorization and by the prestige of President Ngo who brought peace and order back to Viet-Nam.

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(1) Cong-Bao Viet-Nam Cong-Hoa, Vol. IV, No. 4 QH, p. 186.

(1) Ibid., p. 157.

3. Budget Execution:

a- Characteristics of the Vietnamese Procedure:

The Vietnamese procedure generally emphasizes the pre-audit to the detriment of the post-audit, concentration of power to the detriment of agency responsibility, financial controls on employees to the detriment of speed in administrative transactions. This state of affairs is a carry-over from colonial times when financial procedure permitted a minority of Frenchmen to control the entire administrative machine.

Moreover, public administration was considered as an activity sui generis, distinct from private administration where the fear of loss and the satisfaction of gain suffice to produce in the organization a concern for economy and efficiency. In contrast, the public interest was considered as strong enough to justify government privileges but not strong enough to restrain the greed of high ranking administrators vested with the responsibility to spend public money. These considerations made for a system of separation of powers and checks and balances in fiscal management. Indeed, the power to dispose of public funds was entrusted to two kinds of functionaries very different from each other, the administrator who initiated expenditures and the treasurer who disbursed and cashed money. That distinction resembled vaguely the American distinction between the certifying officer and the disbursing officer,

but the resemblance should not be pushed too far because the checks and balances between the Vietnamese administrator and treasurer are unknown in the relationship between the American certifying officer and disbursing officer. These ideas and practices are retained in present Vietnamese administrations.

The treasurer in the Vietnamese system checks and pre-audits all papers handed to him pertaining to an expenditure according to an elaborate set of rules and regulations. His signature on the warrant is required to validate it. In order to secure the liberty of the treasurer the laws give him a special status that permits him a certain freedom of action vis-a-vis the administrator. As might be expected, conflicts between administrator and treasurer do occur and can be settled ultimately by an act of the administrator expressly ordering the treasurer to obey him. In that case and only in that case the treasurer is subordinated to the administrator who assumes by so doing all the responsibility of the treasurer.

b- Obligation Control: As in the common law, Vietnamese and French jurists consider every government expenditure as a contract in which the buyer obliges himself to pay and the seller obliges himself to deliver the merchandise. The act of purchasing thus creates an obligation for the government. When the government spends money to subsidize or aid a locality, a group, or an

individual, it does so in execution of a trust in which the legislature which grants the subsidy represents the people or trustors, the administrators who carry out the people's will are trustees, and the individuals, groups or localities who receive the grant are beneficiaries. Between the trustors and the trustees there is a contract in which the trustees oblige themselves to grant the money to the beneficiaries. The act of granting money according to law is an obligation of the executive vis-a-vis the people. It follows that "obligation" in the Vietnamese terminology is tantamount to expenditure. The term "obligation" has been used by American scholars writing about the Vietnamese budget administration to translate the above mentioned trusteeship concept 1/.

The purpose of obligation control in Viet-Nam is in the first place to make sure that the expenditure is authorized by the budget. Expenditures of an agency are generally authorized on a single chapter of the budget; for example, expenditures of the General Directorate of Planning, the National Institute of Administration, and the General Directorate of Budget and Foreign Aid are authorized respectively in Chapters 8, 9, and 10 of Title IV of the 1959 budget 2/. Each chapter is generally divided into

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(1) Snyder, W., Budgetary and Financial Administration in Viet-Nam, MSUG, Saigon 1956, p. 22.

(2) National Budget 1959, p. 25.

three sections, section one or personnel expenditure estimate, section two or material expenditure estimate, and section three or special expenditure estimate. If an agency attempts to use money appropriated in section one (personnel expenditure estimate) to buy material, the Directorate of Obligation Control is there to stop it. In the second place, obligation control is intended to make sure that the expenditure is made within the limit of the allotment schedule. In the third place, the obligation control is intended to make sure that every fiscal law and regulation is observed by the agency in making the expenditure. Obligation control is the first and third phase of a series of control steps; it is made both before and after the delivery of goods and services. Three possibilities can occur: the amount obligated may be larger than the amount liquidated, the amount obligated may be smaller than the amount liquidated, or the amount obligated may be equal to the amount liquidated. In the first case, what is not liquidated must be de-obligated in order to have enough unobligated funds for subsequent obligations. The second case is considered as an irregularity of the spending agency, and the Directorate of Obligation Control must refuse to visa the documents and oblige the spending agency to recommence the procedure if enough allotted and unobligated money is left. The third case creates no problem [1].

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(1) Thu-tuc Thi-hanh Ngan-sach Quoc-gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 143.

c- Role of the Treasury: The Vietnamese Treasury has two major function in the execution of the budget. The first is to control and disburse money; the second is to collect budget receipts. In its first function, the Treasury honors all warrants issued by the state; it can pay in cash or in transfer if the beneficiary has an account with the Treasury [1]. Moreover, if the beneficiary is at the same time a debtor of the state, the Treasury sees to it that the beneficiary pays his debt to the state before cashing his warrant. The Treasury can recover debts by this method not only for the state but also for a third person in certain instances. In the second place, the Treasury checks the expenditure before paying; the signature of the treasurer on a warrant is required to validate it. The check carried out by the Treasury on the warrants and accompanying documents from the spending agency is as detailed as the check carried out by the Directorate of Obligation Control.

The role of the Treasury as a disbursing office is not without problems. Due to the fact that it is responsible for the payment of all government expenditures, it must have enough money not only in its central vault but also in its different branches. It must have in advance an idea of the flow of money through its offices in order to

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(1) Checks are not used for many government payments in Viet-Nam. See page 66 for further details.

plan its payment schedule in the capital as well as in the provinces. Another responsibility of the Treasury is to keep an account of all government expenditures classified by agency. At the end of each month a statement of transactions is sent to different agencies; the comparison between the account kept by the Treasury and the account kept by the agencies permits detection of errors and embezzlements. In its role as the central accounting agency the Treasury is in constant relationship with the General Directorate of Budget and Foreign Aid, responsible for the supervision of budget execution [1].

The second major function of the Treasury in the execution of the budget is the collection of budget receipts. The responsibility of the Treasury in the collection of budget receipts varies with the kinds of receipts. Budget receipts in Viet-Nam can be classified into three major kinds: direct taxes, indirect taxes, and receipts of government agencies. Direct taxes differ from indirect taxes in that direct taxes are collected according to a pre-established roll on which are inscribed the names of all taxpayers and the amount to be paid by each of them. There is no such roll for the indirect taxes. The major responsibility of the Treasury is in the collection of direct taxes.

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(1) Because of the plural pre-audit system, the accounting function of the Treasury is duplicated by that of the General Directorate of Budget and Foreign Aid.

Theoretically, the Treasurer is bound to collect all direct taxes inscribed on the rolls that are handed to him; if he fails to do so, he must pay the balance with his own money. This is a myth that the Vietnamese adopted from the French, their former rulers. Practically, such an instance never occurs because the property of a Treasurer is insignificant in comparison with the size of direct taxes. On the other hand, if the Treasurer can prove that he has taken every necessary step in order to collect the taxes, his responsibility is relieved. These steps are: first, a summons to pay without charges; secondly, a summons to pay with charges; thirdly, a seizure of the recalcitrant taxpayer's property. It is stipulated that the recalcitrant taxpayer's property must be seized and sold by public auction. The sale can immediately be stopped if an amount equal to the unpaid taxes (with charges) is obtained. Personal belongings necessary to the life of the taxpayer cannot be seized. The role of the Treasurer in relation to indirect taxes and the receipts of agencies is limited to receiving and keeping the money handed to him by other agencies. Also, in the present situation there is a great amount of money that the Treasury does not handle; this is the counterpart fund of the American aid in the National Bank.

d- Role of the General Directorate of Budget and Foreign Aid: The General Directorate of Budget and Foreign Aid's responsibility in Viet-Nam is more than the

preparation and presentation of the budget. Through its Directorate of Obligation Control, it is responsible for the control of budget execution from the standpoint of the lawfulness of expenditure and availability of funds. Through its Directorate of Programs and Planning it advises the President in the allotment of funds to different agencies according to the needs of their programs, and takes care of the flexibility of budget execution by examining requests for modifications of appropriations authorized by the legislative branch. Through its Organization and Methods Section it seeks to assure the economy and efficiency in the execution of the budget in different agencies. Through its Accounting Service it supervises the agencies' spending schedule and follows the development of programs.

In order to secure flexibility in budget execution, a special appropriation is made under the title "general expenditures" which includes such chapters as sundry expenditures, grants, contributions, and pensions, reimbursement refunds and discounts, unforeseen expenditures, and reserves for expenditures. In the 1959 budget the appropriation for general expenditures amounted to 2,489,774,000 VN$ [1]. Money from the chapter "reserves for expenditures" can be used by the President to increase the expenditures of certain agencies. Moreover, the President

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(1) National Budget 1959, General Directorate of Budget and Foreign Aid, Saigon 1959, p. 71.

can transfer money from one chapter to another; the General Directorate of Budget and Foreign Aid gives the President advice and facts for him to make decisions relating to these operations. By the end of the fiscal year, all modifications in the budget are recorded and presented to the National Assembly for regularizing.

In the U.S. the President can modify the budget only in cases specified by Congress, and this within an equally specified limit, usually five per cent from one title to another [1]. In Viet-Nam there is no such specification.

As far as the department heads are concerned, they must observe the budget section by section, the section being a subdivision of the chapter which in turn is a subdivision of the title. If an agency wants to spend beyond the limit authorized in a section it has to ask for the permission of the department head who assembles all the requests for changes within his department and asks the permission of the President through the General Directorate of Budget and Foreign Aid.

e- Expenditure Procedure: To make an expenditure, five steps are necessary after a decision upon who is the supplier has been reached: allotment, obligation, liquidation, authorization, payment.

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(1) Burkhead, J., Government Budgeting, Wiley, New York 1956, p. 349.

(1) **Allotment:** Money is allotted to departments at the beginning of each quarter; however, each department is required to establish an allotment schedule for the whole fiscal year. In the light of that schedule, the Presidency makes allotments for departments. As far as the allotment for personnel expenditures is concerned, the money allotted for each quarter is equal to one fourth of the annual appropriation plus ten per cent. For example, if the annual appropriation is 1,000,000 VN$, the allotment schedule must be as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	250,000	250,000	250,000	
10%	25,000	25,000	25,000	
	275,000	275,000	275,000	175,000

This complication is due to the fact that personnel salaries in Viet-Nam increase or decrease according to changes in the family status of civil servants. If a civil servant marries or has more children, he is entitled to an increase in his salary. Moreover, even in the absence of family allowances, salaries increase with the promotion of employees; sometimes promotions are retroactive and back payments must be made. The ten per cent increase is rarely absorbed in its entirety; what is left is used to increase the allotment of the fourth quarter. If an increase in the salary of certain employees is not counterbalanced by a decrease in the salary of others, steps must be taken to ask for a larger allotment

at the beginning of the fourth quarter.

(2) Obligation: Only after money has been duly allotted can obligations be incurred. This procedure in Viet-Nam differs basically from the procedure in the U.S. [1/] In the U.S.

> Contract authorizations permit obligation to be incurred, but do not provide the funds to liquidate the obligation ... Appropriations to liquidate contract authorizations are a separate type of budget authorization, which must be enacted subsequent to a contract authorization.

In Viet-Nam obligation is not subject to a contract authorization by the National Assembly, and the spending agency is not allowed, without authorization by the President, to obligate more than the amount allotted or to liquidate more than the amount obligated: Liquidation $\leq$ Obligation $\leq$ Allotment. The concepts of contract and obligation in Viet-Nam seem to be wider than in the U.S., because almost every purchase is considered as a contract between the government and the supplier which in itself permits an obligation to be incurred, subject to obligation control.

As a general rule, agencies are tightly controlled by the Directorate of Obligation Control which can refuse an expenditure not only because of lack of allotment or incorrect imputation but also from multifarious fiscal

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(1) Burkhead, J., Government Budgeting, Wiley, New York 1956, p. 317.

regulations promulgated in part in the Decree of December 30, 1912. If everything is according to regulations, a code number is given to the obligated expenditure. This pre-audit has been criticized by American observers as the following passage might indicate:

> In many governments so much emphasis is placed upon the negative aspect, the control of the spending of public funds through multiple and elaborate systems of pre-audit or authorization of expenditures, that it becomes virtually impossible for operating agencies to accomplish their assigned programs. Today, it is becoming increasingly recognized that a complex system of pre-audit simply slows down the process and, in the long run, fails to effectively control expenditures. More importantly, it shifts authority from the operating agencies, which are responsible for carrying out the programs, to staff officers who are sometimes more concerned with form than substance [1].

Mr. Nguyen Thuan, head of the Vietnamese Directorate of Obligation Control held that this control is dictated by the imperfection of human nature that is prone to embezzlement, and by the concept of public funds of Viet-Nam which is not necessarily the same as in Anglo-Saxon nations [2].

(3) Liquidation: When an expenditure proposal is cleared through the Directorate of Obligation Control, the next step is to take delivery of goods and services. An officer called liquidator certifies that goods and/or

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(1) Murphy, M. H., Budgetary Administration, NIA, Saigon 1957.

(2) Nguyen Thuan, Budget Execution in Viet-Nam, Viet-Nam Project, East Lansing, 1957.

services have been duly delivered from the standpoint of quantity, quality, and punctuality. Sometimes a committee is designated to take delivery of the material and an inventory number is immediately given to each item except for material of consumption. If everything is satisfactory, the liquidator puts his signature and seal on the warrant. The warrant and all certifying documents are sent again to the General Directorate of Budget and Foreign Aid where they are subject to two more steps of control by the Directorate of Obligation Control and the Service of Accounting to be sure that the amount liquidated does not exceed the amount obligated. If everything is proper, the Controller of Obligated Expenditures puts his signature and seal on the warrant.

(4) Authorization: The "ordonnator" puts his signature and seal on the warrant authorizing the treasurer to honor it. As far as the national budget is concerned, there is in Viet-Nam only one ordonnator and he is the President. The other members of the Cabinet are delegated ordonnators; the province chiefs generally receive from the cabinet members a delegated power to authorize expenditures in their localities and are called secondary ordonnators. When authorization is signed, the "administrative phase" of the spending is over, three different certifying officers having put their signature on the warrant: the liquidator, the controller of obligations, and the ordonnator.

(5) Payment: It is the job of the Treasurer or disbursing officer who once more pre-audits the warrant and its accompanying papers and collects the debts of the beneficiary of the warrant if a law or an order requires him to do so. One member of the M.S.U. Advisory Group has proposed to substitute the bank check, easy to handle and negotiable, for the warrant. The advantages of such a substitution would be the following [1].

> -1- Convenience, expediency, and added safety. The actual paying is turned over to the country's banking system which, as a general rule, is better equipped and organized for this purpose. Money is not so easily misappropriated after it has been deposited in a bank.
>
> -2- It will encourage the use, hence the development of the country's banking system. The development of the banking system will, in turn, foster and promote commercial enterprises, due to the facility of making and receiving payment for goods and services.

f- Observations: In analysing the Vietnamese procedure in making an expenditure, certain observers were able to distinguish twenty-two different steps [2]. However, this analysis takes into account a certain number of steps that are not necessary to the understanding of the procedure. For example, the payment procedure is subdivided into six secondary steps depicting the circulation of the warrant

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(1) A Proposed Budgetary Accounting Procedure Manual for the Republic of Viet-Nam, MSUG, Saigon 1957, p. 113.

(2) Snyder, W., Budgetary and Financial Administration in Viet-Nam, MSUG, Saigon 1956, p. 7.

from the Treasury to the National Ministry, from the National Ministry to the Regional Ministerial Direction, from the Regional Ministerial Direction to the Provincial Ministerial Service, from the Provincial Ministerial Service to the beneficiary, and finally from the beneficiary to the Treasury where the warrant is cashed. These secondary steps vary widely according to the geographic and hierarchical location of the spending agency. Moreover, a complete organization and methods analysis would include the circulation of the warrant and its accompanying documents from desk to desk and building to building inside the Treasury, circulation necessitated by such steps as the registration of incoming mail, the control and pre-audit of documents, the record of accounting purposes, the check for opposition to payment, the presentation for signature, and the registration of outgoing mail. With a certain know-how the beneficiary can receive the warrant directly from the Treasury and cash it at the same time. Moreover, certain particularly resourceful beneficiaries are able to expedite by informal means the processing of their warrants from the obligation control step. Such beneficiaries often serve as weapons of the spending agency to speed up the pace of the controlling agencies [1].

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(1) In some respects present service to patrons seems more like "self-service" than "service." MSUG, Report on the Study of General Directorate of Treasury Department of Finance, Saigon 1958, p. 94.

The purchase of goods and services includes two major phases, the first phase is the choice of the supplier, the second phase is the purchase per se. The five steps mentioned above are related to the purchase per se, not to the choice of the supplier. In order to protect public funds, to avoid conspiracy between the spending agency and the supplier, the Directorate of Obligation Control also has jurisdiction over the choice of the supplier as well as over the purchase per se. The principle of suspicion, the assumption that civil servants are morally imperfect, prevalent in the Vietnamese fiscal management, permits us to infer that the phase relating to the choice of the supplier is as complicated and tightly controlled by elaborate legislation as the purchase itself. Procedures relating to the choice of the supplier vary according to the size of the transaction. In general, the government relies on competition between suppliers to eliminate the risk of paying more than necessary, because competition lowers the price and makes a civil servant think twice before entering into a private deal with one of the suppliers in order to cheat the government. For transactions involving no more than 5,000 VN$, the spending agency can choose the supplier as it sees fit, but if the size of the transaction is from 5,000 VN$ to 100,000 VN$, a price inquiry must be held where a minimum of three suppliers must be consulted except in case of monopoly or duopoly. If the size of the

transaction is from 100,000 VN$ to 500,000 VN$ a call for bids must be held. Beyond 500,000 VN$ an adjudication must be held. Evasion of the regulations by fragmenting the expenditures is forbidden. If the Directorate of Obligation Control or the Treasury discovers that the spending agency avoids conducting a price inquiry by making, for example, two purchases of 4,000 VN$ each where one purchase of 8,000 VN$ can be made, it must return the documents to the spending agency and oblige it to lump the two expenditures together and conduct a price inquiry. The difference between a call for bids and an adjudication is that in the former the spending agency is not required to choose the lowest price offer; the reputation of the supplier can decide the choice. In an adjudication the lowest price offer must be chosen.

The choice of the supplier is subject to control by the Directorate of Obligation Control and is authorized by the ordonnator. It includes three steps: the first step can be a call for bids, an adjudication or a price inquiry according to the size of the expenditure, the second step is the visa of the Directorate of Obligation Control, the third step is the approval of the ordonnator.

The Vietnamese expenditure procedure is reputedly cumbersome and slow [1]. Many attempts have been made to

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(1) See MSUG, Report on the Study of the General Directorate of Treasury, Department of Finance, Saigon 1958, Appendix D, for data on time actually spent.

ameliorate it. A Presidential Order, No. 21TC, of March 22, 1955, limited the time allowed to an agency to pre-audit, certify or record a case. As far as the choice of the supplier is concerned, the spending agency has two days to send all papers concerning the call for bids, adjudication, or price inquiry to the Directorate of Obligation Control. The Directorate of Obligation Control has two days to pre-audit and give its decision. The ordonnator has two days to authorize the choice of the supplier. As far as the purchase per se is concerned, the liquidator has two days to acknowledge the delivery of material, prepare a warrant for the benefit of the supplier, and send the warrant and its supporting documents to the Directorate of Obligation Control for a second pre-audit, the Directorate of Obligation Control has three days to make its second pre-audit, the ordonnator has two days to authorize the payment of the warrant, and the Treasury has four days to pre-audit for a third time.

The maximum time allowed by the Presidential Order would be eighteen days to conclude an expenditure if no objections were raised in the three subsequent pre-audit steps. When an objection is raised, the whole case is sent back to the liquidation service for revision. Delays occur in these revisions because of many factors:

(1) Incompetence of the personnel: with an incompetent liquidator, the documents are not likely to meet

the requirements. Incompetent controllers can create trouble here where it could otherwise be avoided. Unless the controllers state the causes of their veto clearly, in such a way that the liquidator can understand them, he cannot make the required revision.

(2) Lack of cooperation: the efficiency of the operations depend on honest cooperation (but not conspiracy to cheat the government) between the certifiers and the controllers. Under the French system, rivalry between controllers and certifiers was encouraged and exploited in order to detect irregularities. The administrative philosophy of today is to promote cooperation without conspiracy. This is a problem that affects not only budget execution but also the whole Vietnamese administrative machine.

(3) Incompetence of the supplier: the Vietnamese supplier is often not thoroughly acquainted with the administrative procedure of expenditure. Such words as allotment, obligation, liquidation, and authorization sound strange to his ears; he is interested in only one thing, payment, and can have it only after his case has gone through a labyrinth of procedures. The papers he produces are not always acceptable, and the liquidator who is in contact with the supplier sometimes knows that he cannot obtain better papers from the supplier. This situation is not likely to be understood by the controller who looks only for the best, and the liquidator finds himself between two fires. It is

easy for the controller to reject a document but it is not easy for the liquidator to obtain an acceptable document from the supplier; thus the liquidator is always to be blamed when delays occur as the following passage by the head of the Directorate of Obligation Control might suggest [1]:

> However, many investigations made by the Inspection General of Administrative and Financial Affairs at the Presidency of the Republic, by the inspectors of the Department of Finance, by the Direction General of the Budget, and myself, have shown that the delay mostly occurred in the liquidation services.

The Directorate of Obligation Control pre-audits a first time in the choice of the supplier and a second time in the purchase per se. It should be possible to eliminate the first pre-audit and combine the purposes of the two pre-audits in the second pre-audit. But in doing so, the government would risk facing a fait accompli because the supplier would have been chosen and the merchandise supplied. Nevertheless, if agency responsibility were accepted it would always be possible to prosecute the faulty civil servant if rules that he was supposed to know were not observed or if conspiracy between him and the supplier to cheat the government were detected.

The pre-audit by the Treasury could be eliminated in the opinion of an official from the Treasury itself, as

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(1) Nguyen-Thuan, Budget Execution in Viet-Nam, Viet-Nam Project, M.S.U., 1958, p. 4.

this passage might suggest:

> It is illogical, indeed, that the Treasury has to examine all warrants of every agency and department to make sure that each warrant issued by them is a bona fide claim, and the appropriation to be charged in their books, is available. Furthermore, it is against the principle of separation of power between accounting and administrative agencies that the Treasurer has in his hand the right to certify the warrant and at the same time to pay it. Thus, the appropriate solution is to lessen the scope of the General Treasury, in the field of disbursement by withdrawing its pre-audit responsibility.

If two steps of pre-audit were eliminated, the time limit of eighteen days given by the Presidential Order could be reduced to twelve days provided that liquidator, controller, and supplier know how to play their respective parts.

g- Special Procedures: Certain kinds of work require a quick payment on a cash and carry basis; in order to meet this requirement, the special fund, the petty cash fund, the imprest cash fund, and the revolving fund were created. The special fund is granted to high ranking officers for secret or urgent expenditures. The petty cash fund is used to cope with sundry and emergency expenditures. The imprest cash fund, larger than the petty cash fund, is particularly useful in areas where treasury and banking facilities are lacking. The revolving fund originates with a loan from the Treasury for a public interest purpose to the administrator who is bound to pay it back when the work is done.

The special fund is not subject to control, given its secret character. The petty cash fund and imprest cash fund are entrusted to the administrator for him to spend as he sees fit without pre-audit. But he must keep track of all his expenditures in view of a post-audit. A blank receipt book is given to him, and whenever he disburses he must require the beneficiary to sign a receipt. At the end of each month he has to report his expenditures to the General Directorate of Budget and Foreign Aid. A post-audit takes place at the end of each year or when the work is done or when the administrator of the fund is transferred to another office [1].

Loans to revolving funds are taken from a special chapter called "quasi expenditure." An example of the use of the revolving fund is for building a road. Money spent for that purpose is reimbursed at the end of each month by the Treasury on the basis of justificatory papers. It goes without saying that these papers are subject to audit before the reimbursement is authorized. Money used to reimburse the expenditures is imputed to the agency responsible for it. When the work is done and the reimbursement obtained, the initial amount of the revolving fund remains unchanged, and it is then returned to the Treasury.

Special funds are granted to high ranking officers

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 7.

as a matter of routine and do not necessarily require special circumstances. But petty cash funds, imprest cash funds and revolving funds are created by decree when needed. The authorization period, limited to one year, can be repeated. The use of funds permits speeding up operations and greatly simplifying the procedure as the following passage might suggest 1/.

> During the interview, we were surprised at first and later shocked at the frequency of interruptions by minor officials - whispered messages into the ear of our official who would then reach across the desk to a large brief case from which he would count out a sum of money for the employee who would then disappear into the outer offices. This was repeated until we became rather amused, sitting listening to the elaborate fiscal system being described while witnessing the world's simplest system, for indeed no visible receipt of the disbursement was being made by the official in front of us. Finally, our credulity was surpassed, and we questioned the official as to just how the disbursement of funds we had witnessed that morning corresponded to the system that he had just finished explaining to us. With an astonished look he replied that it came from his "Special Account" and no amount of probing led him to disclose the nature of source of his special account.

h- Time Allotted for Budget Execution: The budget is sometimes defined as a program of action of the government for a period of one year. However, certain work cannot be completed on schedule. In such a case, four methods can be used in Viet-Nam to complete the implementation

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(1) Synder, W., Budgetary and Financial Administration in Viet-Nam, MSUG, Saigon 1956, p. 28.

of a program.

(1) The first method is to include the unfinished work in the next budget; this facilitates accounting because the accounting agencies can avoid keeping the account of two different budgets at the same time. This method is generally used for elastic programs such as eradication of malaria, psychological warfare, community development, etc. These programs are called elastic because nobody can say exactly to what extent they are fulfilled. The unobligated expenditures are automatically returned to the Treasury.

(2) The second method is to extend the period of execution of an unfinished program to part of the following fiscal year. This facilitates program implementation by giving administrators a feeling of responsibility and urgency in carrying out the programs. This method is generally used in rigid programs such as house building, hospital equipment, water supply equipment, etc. These programs are called rigid because the extent to which they are fulfilled can be exactly measured. A presidential authorization is required to extend a program. According to Article 65 of the Decree of December 30, 1912, (1) only expenditures on material and public works can be extended; (2) the funds necessary to these expenditures must be obligated before the end of the fiscal year; (3) the administrator of the program must produce acceptable reasons for his delay; and (4) the work program must be completed before

February 28 of the next year.

The first condition precludes personnel expenditures from being extended. For example, if the administrator of a program is allowed to hire ten engineers in 1960, he cannot hire only eight engineers and keep them for the extended period of two months in 1961. The second condition puts an end to all obligations after the end of the fiscal year and helps simplify the accounting for obligated expenditures. The extended period is used only for the liquidation and authorization of expenditures already obligated. The third condition limits the extension to programs delayed for reasons beyond control (cas de force majeure) or for purpose of the public interest. The fourth condition limits the extension only to programs that can be ended soon. In case the extension is authorized, the administrator must see to it that the remaining steps of the expenditure (liquidation, authorization, pre-audit by the Treasury) be ended prior to May 20; for example, all liquidations, authorizations, pre-audits relating to the 1959 budget must be ended before May 20, 1960. This helps simplify the accounting of liquidated expenditures. After May 20, 1960, if unliquidated expenditures relating to the 1959 budget remain, the spending agencies to which these unliquidated expenditures belong must report to the central budget agency where steps will be taken to include these expenditures in a chapter called "late expenditures" provided for that

purpose in the 1960 budget [1].

(3) The third method is to reauthorize the expenditure by a Presidential Decree. This method differs from the previous one in that a whole section is transferred from one budget to the next one; the effect is not an extension but a transfer. For example, Presidential Decree, No. 513 TTP/NSNV, of March 18, 1958, reauthorized an appropriation of one million VN$ for the building of the Di-Linh supermarket, the said appropriation having been authorized by the Assembly in the 1957 budget [2].

(4) The fourth method is to open an extra budgetary account that is not subject to the one year limit imposed to budget expenditures. For example, Decree No. 881 TTP/NSNV of May 20, 1958, transferred a sum of 190,000,000 VN$ from the budget of 1957 to an extra budgetary account to carry out special public works [3].

We have seen how the time limit set upon the execution of a budget facilitates the accounting of obligated and liquidated expenditures. There is a third kind of expenditure, especially in the Vietnamese fiscal management system, the accounting of which must also be made easy;

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. 145.

(2) Cong-Bao Viet-Nam Cong-Hoa, 1958, p. 1212.

(3) Ibid., No. 10, p. 2114.

this is the disbursed expenditures. Indeed, if the beneficiaries of warrants did not cash them, there would be a great discrepancy between the liquidated expenditures and the disbursed expenditures. Two methods are used to facilitate the accounting of disbursed expenditures. (1) The beneficiary of a warrant has four years to cash it. If he fails to do so, his warrant becomes null and void. This condition cannot be applied to warrants that the beneficiary refuses to accept claiming, for example, that he is underpaid or over-deducted. (2) In the past, the account of an agency in the Treasury was debited when a warrant drawn on its name was cashed by the beneficiary. Since certain beneficiaries cashed their warrants only after a certain delay, it was difficult for the Treasury to know the situation of an agency's account exactly. Today the difficulty is overcome by debiting the agency's account when the warrant is issued instead of cashed. This practice necessitates the issuance of two copies of the warrant; one copy is delivered to the beneficiary, the other copy is sent to the accounting section to debit the agency's account.

<u>1- The Administrative Contract as a Means of Budget Execution</u>: Long before the specialists coined the term "program budgeting" governments throughout the world had been applying it like Monsieur Jourdain who spoke prose, without knowing it. Indeed, the contract signed between the government and the entrepreneurs to do a certain piece of

work can be viewed as a budget expenditure for a program meticulously stated in the contract.

In Viet-Nam, the administrative contract has been widely used as a means of budget execution, especially in public work and equipment programs and in the collection of certain taxes. In order to protect the government's interest, the administrative contract in Viet-Nam is a contract sui generis pertaining to the jurisdiction of the Administrative Court. According to the size of the transactions special requirements must be met by the entrepreneur. In addition to his financial status that must be compatible with the work in question, special qualifications are often necessary for him to sign a contract with the government to do certain work. Before taking part in the adjudication, he has to put a sum of money in the Treasury to prove his good faith. If the government perceives that he takes part in the adjudication without being prepared, this money is confiscated as punishment. In case he gets the contract more money has to be consigned in the Treasury as a guaranty. If he fails to execute his contract an administrative decision can forbid him to sign any other contract with the state and can confiscate the money previously consigned in the Treasury.

The contract itself is very carefully studied by specialists aided by experiences accumulated from previous contracts and from a mine of regulations. For example, in a building contract, everything is examined by engineers,

from the composition of the cement employed to the diameter of steel bars used in reinforced concrete. The cost of programs is calculated item by item; in case of doubt the contract writer can consult a manual that gives him such information as, for example, how much paint is necessary to paint a shutter window. The call for bids or adjudication is made on the basis of the cost calculated by that method.

When the contract has been signed a team of government specialists supervise the work of the entrepreneur. They are entitled to require the implementation of everything stated in the contract; their control is effectuated step by step, in that one step must be approved before the next step can be taken. For example, if they do not approve the foundation of a building, the entrepreneur is bound to rectify it before proceeding to build the superstructure.

When the work is done, another team of specialists takes delivery of it; they are entitled to refuse to accept it if the contract has not been faithfully observed. In most such instances they content themselves with imposing a fine upon the entrepreneur for deviating from the contract. A part of the price agreed upon in the contract is retained by the government as a guaranty and is given to the entrepreneur only after a period of time, if no other defect of the work done has been detected.

The administrative contract gives the responsibility

to execute certain budget programs to entrepreneurs, with the government retaining only the power of control. It is a formula that brings the specialization, competence, and dedication of a private enterprise to the service of the public interest. This method of budget execution could be made more effective if financial support were given to public contractors by the government. In France, a National Fund has been created to support them when they have to borrow money from a bank. The support is generally no more than a signature of acceptance on a draft, but it constitutes a solid guaranty for the bank that loans money. It would be greatly advantageous for such practices to be established in Viet-Nam, together with easier conditions for the Vietnamese public contractors and more administrative control over the civil servants responsible for contract implementation, to prevent them from dealing privately with the contractors.

4. Budget Accounting and Auditing:

a- Accounting at the Spending Agency: As far as the general fund is concerned, each general directorate, directorate or service has its own accounting unit. Every agency has to establish payrolls and some agencies have to deal with suppliers who provide them with goods or services. Rules of government accounting must be followed if the agency wants the Treasury to disburse money quickly and without difficulty. From the accounting procedure viewpoint,

expenditures can be classified into three major kinds: personnel, material, and work expenditures. The accounting work of the spending agency is to establish documents concerning the expenditure and to record it in the Appropriation and Expenditure Ledger. There are many kinds of documents, each of them to be used on specific occasions. The documents are generally established in several copies of different colors, the green copy to be kept by the spending agency, the yellow one to be kept by the Central Accounting Service, the pink one for the Treasury, and the rose one for the Directorate of Obligation Control.

As far as personnel expenditures are concerned, each agency has to establish the following documents: (1) An obligation statement (fiche d'engagement des depenses) depicting the sum to be spent on personnel during each quarter. This statement is subject to control by the Directorate of Obligation Control; (2) a warrant signed by the Ordonnator or his delegate authorizing the Treasurer to disburse money. The warrant must be visaed by the controller of obligations, the liquidator and the Treasurer himself; (3) a payroll containing such details as the chapter to which the expenditure belongs, the code number reflecting the functional and organizational classification of the expenditure, the name of beneficiaries, their positions, their salary class index, their family statuses, their basic salaries, their cost of living allowance,

family and other allowances, deductions from their salaries such as the six per cent contribution to the retirement fund, and other deductions ordered by the government, and twenty per cent contribution to the retirement fund by the government. Each beneficiary has to audit the different components of his salary before signing his name on the payroll; (4) a payroll voucher which is established for statistical purposes, containing such details as how much salary is paid to full status employees, and how much is paid to employees recruited by contract, to employees recruited on a per diem basis or on a temporary basis. Each of these divisions is, in turn, broken down into basic salary, family allowance, cost of living allowance, etc.

Warrant, payroll, payroll voucher, and obligation statement are sent to different auditing and authorizing agencies according to the expenditure procedure [1].

As far as material expenditures are concerned, the spending agency has to supply the following documents: (1) Quotations from at least three suppliers if the expenditure is from 5,000 VN$ to 100,000 VN$, or the report of the call for bids if the expenditure is from 100,000 VN$ to 500,000 VN$. This is to prove that the supplier has been carefully chosen; (2) an obligation statement showing the sum to be spent and the supplier to be chosen; (3) a purchase

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(1) See pages 68 ff for discussion of the expenditure procedure.

order that must be visaed by the controller of obligations and signed by the ordonnator and the liquidator before being sent to the chosen supplier; (4) an invoice voucher that must be established upon reception of the material. The invoice voucher is, in reality, a combination of two documents: the invoice filled by the supplier stating different goods and services supplied with their prices, and the voucher stating that the merchandise has been duly delivered; (5) a warrant authorizing the Treasurer to disburse money. Purchase order, invoice voucher, and warrant must bear the code number of the specific expenditure given by the Central Accounting Service.

Documents pertaining to work expenditures do not differ very much from those pertaining to material expenditures. The purchase order is replaced by a contract signed between the government and the entrepreneur, and the voucher is replaced or complemented by the report of the receiving committee attesting that the work has been done according to the contract. Generally ten per cent of the expenditure is to be retained in the Treasury until the government is sure that the work is well done. Sometimes the receiving committee imposes a fine upon the contractor, and the liquidator must take account of these facts in establishing the warrant.

The spending agency keeps an Appropriation and Expenditure Ledger in which are inscribed such details as

the date of the expenditure, its purpose, the amount obligated, the amount liquidated, the amount de-obligated, the amount allotted, the code numbers and dates of purchase orders, contract vouchers, obligation statements, de-obligation statements, re-obligation statements, etc. The account kept by the spending agency is to be checked monthly with that kept by the Treasury which, in turn, checks its accounts with those recorded by the Central Accounting Service.

b- Accounting at the Central Accounting Service: It has already been explained that each expenditure is represented by a code number of ten digits, the last four of which represent the economic character and object of the expenditure [1]. It happens that an expenditure can have several objects; for example, money paid to employees of an agency can include basic salary, family allowance, cost of living allowance, etc. Each of these objects has a particular code number. It follows that one expenditure can be represented by several cards. The Central Accounting Service uses machines to sort out and add up different cards of a given combination and is in a position to keep accounts of all agencies' expenditures. The eighty columns of the card can be used to convey such data as the date of the expenditure, the purpose of it, the name of the spending

(1) See page 35 ff for discussion of expenditure classification.

agency, the chapter and section to which the expenditure is imputed, the amount obligated, the amount liquidated, etc. The operators of the machines work according to a given program, one program being characterized by the disposition of holes in the cards. At present, the Central Accounting Service not only keeps accounts of agency expenditures but also establishes payrolls for nearly twenty thousand employees and performs various statistical works.

When the Central Accounting Service finds that enough unobligated money is left to permit a given agency to incur a given obligation it approves the obligation statement and gives a code number to it. That code number must be referred to by the spending agency in subsequent operations. A close relationship between the Central Accounting Service and the Treasury permits these two agencies to compare their respective accounts and detect possible errors [1].

c- Accounting at the Treasury: The Treasury keeps accounts of all budget receipts except American aid. Receipts are classified into titles and chapters. For example, in the 1959 budget, all direct taxes were included in Title I, indirect taxes in Title II, custom duties in Title III, etc. Each title was subdivided into chapters. For example, Title I was subdivided into Chapter One or

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, pp. I IV 5.

income taxes, Chapter Two or land taxes, Chapter Three or business license taxes, etc. Some budget receipts are collected by other agencies and deposited in the Treasury. For example, custom duties are collected by the General Directorate of Customs and deposited in the Treasury under Title III, receipts from the Department of Public Works are deposited in the Treasury under Title VI, and receipts from other agencies are deposited under Title VII. These receipts are recorded at the same time by the Treasury and by the collecting agencies which reconcile their accounts periodically with those kept by the Treasury.

As far as budget expenditures are concerned, the accounting work of the Treasury has two main functions: (1) To disburse money for the entire government, and (2) to pre-audit all warrants before disbursing. The first function necessitates the recording of all transactions between the Treasury and the spending agencies. These transaction records are kept day by day, agency by agency, and at the end of each month a statement of transactions is sent to different agencies for them to reconcile their own records with those kept by the Treasury [1/].

The second function necessitates the recording of all budget expenditures by title, chapter, section, the amount obligated, the amount re-obligated, the amount

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(1) Phan-Dinh-Ngoc, The Accounting Work of the Treasury of Viet-Nam, Viet-Nam Project, M.S.U. 1958, p. 6.

de-obligated, the amount liquidated, etc. For each expenditure or cancellation of expenditure, the Treasury receives two notices, one from the Central Accounting Service and one from the spending agency. If these two notices are contradictory the Treasury returns the case to the spending agency to investigate and reconcile itself with the Central Accounting Service [1]. As might be expected, such procedure can be a source of delay if form receives more concern than substance.

Another aspect of the accounting work of the Treasury is the centralization and integration of accounts kept by twenty-five branches installed in most of the provinces. Indeed, each province chief is a secondary ordonnator who receives from cabinet members a delegated power to authorize national budget expenditures in their localities. Each local treasury keeps accounts of these expenditures and sends periodical reports to the Central Treasury.

d- The Pre-audit Function of the Directorate of Obligation Control and the Treasury: The Directorate of Obligation Control or the Treasury cannot refuse an expenditure on the grounds that it is inopportune. But an exorbitant price or the luxury character of an expenditure can be the cause of rejection. At present, the purchase of

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. I IV 5.

air-conditioners, carpets, expensive cars, etc., is looked upon with suspicion and is accepted only on special occasions.

One problem that can be raised in relation to the pre-audit procedure in Viet-Nam is the supplier's right to be paid when merchandise has been delivered. Indeed, the first pre-audit is a pre-audit of the obligation statement and of quotations (not purchase orders) submitted by the various postulants; if it were rejected the consequence would not be very serious. But the second pre-audit is made after the supplier has been chosen and the merchandise delivered. If it were rejected, who would pay the supplier? It would be an act of organized robbery if the state refused to pay for merchandise duly delivered for the mere reason that the expenditure procedure was not well observed by the spending agency which is part of the government. The solution of making the faulty civil servant financially responsible for the irregular expenditure is unrealistic because his property is often insignificant comparison with the irregular expenditure. The same thing can be said about the third pre-audit by the Treasury. One way to prevent such trouble is to forbid the supplier to fill a purchase order without the visa of the obligation controller on it. Thus, the purchase order issued by a spending agency must have three signatures on it, the signature of the liquidator, that of the obligation controller, and that of the ordonnator. But even with this measure trouble can occur if the irregularity is

not detected in the first and second pre-audit by the obligation controller, but in the third pre-audit by the Treasurer.

The Vietnamese and French position in such cases is to pay the supplier if his good faith cannot be doubted and to use disciplinary sanctions on the faulty civil servant if his mistake is not made with the intention to cheat the government, or to conduct criminal proceedings in court against him if he is motivated by the intention to cheat. The Vietnamese penal code has provided a punishment going from imprisonment to the death penalty for embezzlement of public funds.

e- The Post Audit: Viet-Nam intends to create a "Cour des Comptes" as in the French system. In the 1958 budget one chapter was allocated to the "Cour des Comptes" but no money was appropriated [1]. With such a court, the post-audit of government accounts would be entrusted to the Vietnamese judiciary power. Until the day such an institution is established, Viet-Nam is in need of a post-audit system. The reinforcement of pre-audit cannot replace the post-audit. In the first place, without post-audit the dishonest civil servant who can get by the pre-audit is almost sure to be able to act with impunity. Since the pre-audit is carried out as quickly as possible in order to implement programs on

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(1) National Budget 1958, General Directorate of Budget and Foreign Aid, Saigon 1958, Vol. I, p. 29.

schedule, the threat of punishment if the irregularity is discovered is of short duration and does not constitute a sufficient deterrent to corruption. In the second place, the practical possibility of taking action against a man varies as he goes up or steps down in rank; sometimes a civil servant can commit irregularities in financial matters with impunity if he is politically influential. If the pre-audit is not very effective when he goes up, the post-audit is likely to wait for him when he steps down. The threat of punishment is thus extended long enough to make him think twice before cheating. In the third place, an elaborate pre-audit tends to minimize the responsibility of the spending agency. The post-audit gives it a free hand to expend according to the spirit of the laws, but, at the same time, reinforces its responsibility.

f- Special Accounting Procedures: When the amount liquidated is smaller than the amount obligated, the spending agency must fill out a de-obligation statement (fiche de degagement des depenses) that enables the Central Accounting Service to de-obligate the amount not liquidated, thus permitting the spending agency to use it for subsequent obligations. When the amount liquidated is greater than the amount obligated the spending agency must de-obligate the amount previously obligated and re-obligate an amount sufficient for the liquidation. De-obligation and re-obligation statements must be filled out. In the former

case, there is no interruption of the expenditure procedure because the spending agency has enough obligated money to meet the liquidation. In the latter case, the procedure is delayed until enough money is obligated to meet the liquidation.

When the beneficiary of a warrant is overpaid, the spending agency issues an expenditure reduction receipt order (ordre de recette en degrevement des depenses). This order has two effects: (1) To direct the Treasury to collect the amount overpaid; (2) to direct the accounting agencies to rectify their records. Needless to say, this order can be issued only when it is certain that the amount overpaid can be recovered. In case of incorrect imputation--for example, if chapter A of agency A is imputed instead of chapter B of agency B--agency B can issue an expenditure reduction receipt order directing the Treasury to transfer the amount incorrectly imputed from chapter A to chapter B. The accounts kept by the Treasury, the Central Accounting Service and the spending agencies must then be rectified [1/]. This procedure is restricted to cases of incorrect imputations and is not intended to be used as an accounting maneuver of agency heads to transfer money from one chapter to another.

The expenditure reduction receipt order can be

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. I V 5.

used to transfer money from a petty cash fund or imprest cash fund to the general fund when the former funds are no longer needed. Indeed, when an agency creates a petty cash fund or imprest cash fund, money allotted to the agency is debited by an amount equal to the fund; to reintegrate unexpended money from the used fund into the general fund is equivalent to reducing an expenditure by a receipt 1/.

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(1) Thu-Tuc Thi-Hanh Ngan-Sach Quoc-Gia, General Directorate of Budget and Foreign Aid, Saigon 1958, p. V I 7.

CHAPTER THREE

THE LOCAL AND AUTONOMOUS BUDGETS

1. Prefectural and Municipal Budgets:

a- Budget Preparation and Execution: Prior to 1956 Viet-Nam had twelve municipalities and one prefecture. After 1957 the number of municipalities was reduced to three, and the other municipalities were changed into villages. Saigon is called a prefecture on account of its size and its status as the capital of the nation. Saigon and the municipalities are headed by mayors appointed by the President. Sometimes a single person combines the functions of province chief and mayor. The people are represented in prefectural or municipal councils. For example, the prefectural council is composed of twenty-four members elected on the basis of three members for each of the eight districts of the prefecture [1].

Budgets are prepared by mayors and authorized by the President; the councils have only a consultative function. The mayors are assisted in budget preparation by their accounting bureaus and the General Directorate of Budget and Foreign Aid is responsible for the standardization of budget presentation.

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(1) Le-Tai-Cuong, To-Chuc Hanh-Chanh Do-Thanh Saigon, Hanh-Chanh Khao-Luan, 1959, No. 4, p. 38.

Financial laws and regulations applicable to the execution of the national budget are also applicable to the execution of prefectural and municipal budgets. The mayor is the ordonnator of the prefectural or municipal budget. The General Treasury in Saigon disburses money for all expenditures of the prefecture, and the branch treasury at each municipality disburses money for all expenditures of the said municipality. Expenditures of the prefecture of Saigon and the municipality of Dalat are controlled by the General Directorate of Budget and Foreign Aid in Saigon. Expenditures of the municipalities of Hue and Da-Nang in Central Viet-Nam are controlled by a division of the General Directorate of Budget and Foreign Aid established at Hue.

b- Budget Receipts and Expenditure: Prefectural and municipal budget receipts in 1956 are classified in the following table: (In thousands of piasters.)

Type of Receipt	Prefect.	% of Nat. Rev.	%	Municipal.	% of Nat. Rev.	%
Surcharges on national taxes	121,608	0.87	25	11,060	0.08	13
Revenues from public properties	18,351	0.14	4	3,527	0.03	4
Regies and leases	187,636	1.36	39	42,910	0.31	50
Miscellaneous	55,030	0.42	12	20,031	0.41	23
Late Receipts	95,525	0.71	20	8,109	0.06	10
Total	478,152	3.50	100	85,640	0.62	100

Source: Uong ngoc Thach, et al, Financial Activities of the Provinces, Prefecture and Municipalities of Viet-Nam in 1956, National Institute of Administration, October 1957, p. 26.

Surcharges on national taxes vary according to the kind of taxes but cannot be more than two hundred per cent of the national tax. The tax on occupation of sidewalk and river bank accounted for most of the revenues from public properties. The sale of water and the lease of space in different market places accounted for most of receipts from regies and leases. Taxes on taxicabs, on transcripts of certificates, and fines accounted for a great part of diverse revenues. Late receipts are receipts entered into the budgets of previous years; they were almost as much as surcharges on national taxes.

Prefectural and municipal budget expenditures in 1956 are classified in the following table; (In thousands of piasters.)

Type of Expenditure	Prefect.	% of Gov. Exp.	%	Municipal.	% of Gov. Exp.	%
General Administration	71,488	0.42	11	39,497	0.24	21
Police and Security	258,065	1.59	41	78,550	0.48	42
Social welfare	123,347	0.74	19	14,964	0.09	8
Economic	181,035	1.13	29	49,348	0.30	26
Miscellaneous				1,600	0.01	1
Extraordinary				3,746	0.02	2
Total	633,937	3.88	100	187,708	1.14	100

Source: Uong Ngoc Thach, et al, Ibid., p. 31.

The difference between expenditures and receipts

is made up by subsidies from the national budget. In 1956 the national budget subsidized the prefecture by 155,785,395 VN$, or twenty-five per cent of the total receipts of the prefectural budget, and the municipalities received 102,067,864 VN$, or sixty-five per cent of the total receipts of the municipal budgets. It is thought to be advisable that subsidies from the national budget be given only to implement specific programs duly agreed upon between the central and local governments in order to encourage program budgeting on the local level.

2. Provincial and Village Budgets:

a- Budget Preparation and Execution: The thirty-six provinces of Viet-Nam are headed by province chiefs appointed by the President. The 2,258 villages are administered by village councils, the members of which are appointed by province chiefs [1]. Among the 2,258 villages, only 1,478 have budgets, the rest being too poor or too small to have a budget. Local administration is then undertaken by voluntary labor contribution. A consolidation of small villages into larger ones is being attempted by the central government so that each village can have a budget [2]. Provincial budgets are prepared, according to instructions

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(1) Nguyen Xuan Dao, Village Government in Viet-Nam, MSUG, Saigon, 1958, p. 49.

(2) This was done before the creation of agrovilles in 1959.

issued by the General Directorate of Budget and Foreign Aid and other central agencies, by province chiefs assisted by their accounting bureaus. They are then authorized by the President. Village budgets are prepared by the village councils and authorized by the province chiefs if receipts do not exceed 500,000 VN$, or by the Secretary of Interior if they exceed that sum. The execution of provincial budgets is subject to control by the General Directorate of Budget and Foreign Aid and by the Treasury. Treasury control prior to 1957 could not be very effective. Because the branch treasuries did not have copies of the provincial budgets, they could not know whether or not a given expenditure was made within the limits of budget authorization.

In the absence of an allotment system, the provincial governments expended so much in the first part of the year that they were obliged to ask for advances from the Treasury in order to get through to the end of the year. Indeed, prior to 1957 province chief had the right to ask for an advance from the treasury when receipts could not be collected to provide for expenditures. Consequently, receipt estimates were generally overstated by budget makers in order to present an apparently balanced budget. In December 31, 1956, advances to local budgets amounted to 8,748,000,000 VN$ [1]. The recovery of these advances would

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(1) Nghiem-Dang, Van-De Quan-Binh Ngan-Sach Tinh, Hanh-Chanh Khao-Luan, 1959, No. 3, pp. 25 ff.

presuppose an excess of receipts over expenditures that cannot be envisaged on a great scale for the time being, in view of the present economic situation in Viet-Nam.

Beginning in 1957 advances from the Treasury were replaced by subsidies from the national budget. The main difference between these two practices is that subsidies are fixed sums given to the provincial budgets with full consideration of province needs and potentialities, while advances were neither fixed nor included in the provincial budgets; they were given to province chiefs whenever they asked for them without any other justification than the exigencies of the political situation.

The execution of village budgets is subject to control by the district chief, the province chief or the Secretary of Interior, according to the circumstances. For example, expenditures over 50,000 VN$ must be approved by the province chief, and the rent of village property yielding more than 50,000 VN$ a year must be approved by the Secretary of Interior. A curious form of administrative tutelage is the limitation on the sums of money a village can keep. According to the circular No. 36 DF/BD of February 17, 1953, villages located in province headquarters can keep a maximum of 10,000 VN$, those located in district headquarters can keep a maximum of 5,000 VN$, and those located in other places can keep a maximum of 3,000 VN$. Excess sums must be deposited in the Central Treasury or

its branches. Withdrawals of these deposits by the villages must be approved by district and province chiefs who periodically check the books kept by the village councils [1].

b- Budget Receipts and Expenditures: Data from village receipts and expenditures are not available. The provincial budget receipts in 1956 are classified in the following table: (In thousands of piasters.)

Type of Receipt	South	%	Center	%	West	%
Surcharges on National Taxes	29,580	15	13,938	25	1,427	36
Regies and Leases	1,708	1	19,256	33	1,148	30
Late Receipts	1,001	1	5,674	10	--	--
Diverse Receipts	168,596	83	18,107	32	1,236	34
Total	200,885	100	56,975	100	3,838	100

Source: Uong Ngoc Thadâ, et al, Ibid, p. 33.

The most important surcharge in the South and West (High Lands) was the surcharge on the national business license tax; in the Center it was the surcharge on the national land tax. Receipts from regies and leases were one per cent of total receipts in the South and ten per cent of total receipts in the Center. This was due to the fact that receipts from the lease of market places are provincial

(1) Administrative Organization in the Province of My-Tho, MSUG, Saigon 1957, pp. A24 ff.

receipts in the Center and village receipts in the South. The high proportion of late receipts in the Center was due to political and economic conditions; the Center has less land, less businesses and more war damages than the South. Among diverse receipts, the pacification tax was the most important in the South and amounted to 120,211,632 VN$ in 1956, or twelve per cent of the total receipts. Charges for government services, such as, garbage collection, transcript of certificates, etc., are the most important kind of diverse receipts in the Center.

The provincial budget expenditures in 1956 are classified in the following table: (In thousands of piasters)

Type of Expenditure	South	% +	Center	%	West	%
General Administration	419,117	42	38,081	35	3,403	33
Social Welfare	425,348	43	18,127	17	2,127	21
Economic Interest	137,801	14	18,671	18	1,249	12
Miscellaneous	662	--	28,631	27	35	--
Unforeseen	6,170	1	3,242	3	3,534	34
Total	989,098	100	106,752	100	10,348	100

Source: Uong Ngoc Zhach, et al, Ibid., p. 35.

The difference between expenditures and receipts was compensated by subsidies from the national budget. Thus, in 1956 the national budget subsidized the provinces of the South by 788,213,000 VN$ or eighty per cent of the

total receipts, the provinces of the Center by 49,777,000 VN$ or forty-seven per cent of the total receipts, the provinces of the West (High Plateau) by 6,510,000 VN$ or sixty-three per cent of the total receipts.

c- Local Budget Problems: These problems stem from the enormous percentage of national budget subsidies to provincial budgets. They can be classified into two major kinds: (1) Problems related to the relationship between national and provincial budgets, and (2) problems related to the ability of provinces to find new sources of revenues.

In the relationship between national and provincial budgets, the first problem is the division of charges between them. Subsidies from the national budget are better than the former practice of advances from the Treasury, but the basis for calculating subsidies varies from one province to another because the division of charges between the national budget and provincial budgets varies according to the location of the province. In the South personnel salaries are paid from provincial budgets, except for salaries of high ranking personnel. In the Center personnel salaries are paid from the national budget except for police and temporary personnel salaries. Many proposals have been made to standardize the payment of personnel in the provinces. One proposal is to pay all provincial personnel from the national budget; another proposal is to pay all

provincial personnel from the provincial budgets. The first solution emphasizes the centralization of control, often the source of red tape and locally inadequate decisions, to the detriment of local autonomy. The second solution emphasizes local autonomy with its lack of coordination and its parochialism to the detriment of central control. The council of province chiefs proposed to divide personnel into two classes, technical personnel and general administration personnel. The technical personnel belong to the department and would be paid from the national budget; general administration personnel belong to the provinces and would be paid by the provinces. None of these proposals has been accepted so far because the government has to cope with more urgent political problems.

The second problem is the division of revenues between the national budget and provincial budgets. Revenues from business license taxes and land taxes are collected for the benefit of the national budget, and provincial budgets share only a surcharge on these taxes. Since these revenues are collected by provinces and handed over to the national government which, in turn, subsidizes the provinces, it is interesting to envisage the possibility of diminishing national subsidies to provinces and allowing them to collect these taxes for their own benefit. This solution has been strongly urged by certain tax specialists 1/ who contend

(1) Nghiem-Dong, Van-De Quan-Binh Ngan-Sach Tiuh, Hanh-Chanh Khas-Luan, 1959, No. 3, p. 29.

that better efficiency can be obtained if land taxes and business license taxes are collected by the provinces for their own benefit. The provinces are in a better position to control the assessment of local taxable properties and much paper work, due to the centralization of taxation, can be avoided.

In order to decrease national subsidies to provincial budgets new sources of revenues would have to be found for the provinces. Much emphasis has been put upon taxation but a point of saturation has been reached. One solution to the problem might be labor contribution. Such contributions were used on a large scale in the colonial time by the French Governor General, Paul Doumer, to build the trans-indochinese railroad and has been vehemently criticized by the American writer, Joseph Buttinger [1]. Today it is being reapplied with a new spirit in the community development program. The community members are invited to join working groups to better their community by building roads, bridges, wells, etc. The essential thing is to inspire in the members a love for team work and a longing for a better community, and to discard any form of coercion. If the Vietnamese peasant has no money to pay heavy taxes, he has plenty of free time. The rice field

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(1) Joseph Buttinger, The Smaller Dragon, Praeger, New York, 1958, p. 424.

work keeps him busy only two hundred days a year; the rest of the time is used to wait for nature to do her work. That waiting time has been used to build schools, bridges, dams, etc., under the community development program. The value of this work was evaluated at 90,000,000 VN$ from March 1, 1957, to August 31, 1957 1/.

The ability of provinces to find new sources of revenues varies widely. One of the practices commonly used was to tax all merchandise going in or out of the provinces. The tax was called pacification tax in the South and "Fee for Verification of Local Products" in the Center. The pacification tax brought to the southern provincial budgets twelve per cent of the total budget receipt while the same method of taxation used in the Center accounted only for seven per cent of the total budget receipt. That kind of taxation was a hindrance to the free circulation of merchandise within the nation; it was abolished in 1959.

The hope of budget specialists in Viet-Nam today is to bring about the autonomy of the provincial budgets. But in Viet-Nam financial problems must be understood in the wider context of her political situation. According to an opinion of Winston Churchill, "finance is the servant and not the master." The methods of fiscal management in Viet-Nam must be made flexible to cope with the political

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(1) Nghiem-Dang, Van-De Quan-Binh Ngan-Sach Tinh, Hanh-Chanh Khao-Luan, 1959, No. 3, p. 29.

situation and not vice-versa. The conflict of ideologies that is shaking the world has a great bearing upon the political situation of Viet-Nam and causes much unrest in that country. So long as that unrest persists, more centralization of control is preferable even at the cost of red tape because centralization permits a better understanding of the general situation, a better coordination of local activities and, therefore, more effective intervention of the central government to re-establish order in troubled areas.

3. Autonomous Budgets:

a- Characteristics of Agencies Having Autonomous Budgets: These agencies can be a public corporation, joint stock company, an authority or a general directorate. Most of them are on the general directorate level and are placed under the general supervision of a director general. The National Bank seems to be on a higher level and is administered by a Governor. Some of them are attached to the Presidency, such as:

The Atomic Energy Office

The Low Cost Housing Office

The General Commissariat for Cooperatives and Agricultural Credit

The National Orphanage

Others are attached to the Department of Public Works, such as:

The Viet-Nam Railway

The Saigon Bus Transportation Corporation

The Port of Saigon Authority

The Port of Da-Nang Authority

The Electrical Re-equipment Office

The Water Distribution Office

Others are attached to the Department of Economy, such as:

The Saigon Chamber of Commerce

The Industrial Credit

The Nong-Son Coal Mine Authority

Others are attached to the Department of Finance, such as:

The Retirement Fund Administration

The National Bank

The Commercial Credit

The Viet-Nam Press is attached to the Department of Information, and the Pasteur Institute is attached to the Department of Health.

A public corporation in the U.S. and in Viet-Nam is defined by the following characteristics [1/]:

> (1) It is created by a specific statute for a specific purpose; (2) there are no shares of common stock and therefore no shareholders; (3) the government is ultimately responsible for its management; (4) a management group is appointed by the government and charged with its day to day affairs; (5) the corporation has an independent legal status; it is a legal person in the eyes of the laws;

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(1) Burkhead, J., Government Budgeting, Wiley, New York, 1959, p. 401.

(6) the corporation is subject to specified standards of accountability including financial accountability.

Among public corporations in Viet-Nam we can cite the Commercial Credit, the Low Cost Housing Office, the National Bank, the Electrical Re-equipment Office, the Industrial Credit, the Cooperatives and Agricultural Credit, the Viet-Nam Railway, and the Water Distribution Office. These public corporations are characterized more or less by their commercial activities. Some of them provide the public with services and cash revenues for their operations, such as, the Commercial Credit, the National Bank, the Industrial Credit, the Saigon Saving Bank, the Cooperatives and Agricultural Credit, the Viet-Nam Railway and Viet-Nam Airways. Some others provide the public with goods or facilities, such as, the Low Cost Housing Office, the Electrical Re-equipment Office and the Water Distribution Office.

The second kind of government agencies having budget autonomy may be called public establishments. They do not have a predominantly commercial character. Some of them have a scientific or ethical character such as the Pasteur Institute, the National Orphanage, and the Atomic Energy Office. Some others are predominently administrative or informational in character such as the Da-Nang Chamber of Commerce, the Saigon Chamber of Commerce, The Da-Nang Port Authority, the Retirement Fund Administration and the

Viet-Nam Press.

The third kind of government agencies having budget autonomy is the joint stock company. Viet-Nam has so far two joint stock companies; the Televietnam and the Viet-Nam Airways. Fifty-one per cent of the shares in Televietnam, an international telecommunication company, belong to the government; the rest are privately owned. Viet-Nam Airways is owned by the government, the Air France Company and the Indochinese Federation. More joint stock companies are being organized in order to speed up national economic recovery. The Cotton Industry Company with sixty per cent of its shares owned by the government, the Sugar Company with fifty-seven per cent of its shares owned by the government, the Vinh-Hao Medicinal Source Company with sixty per cent of its shares owned by the government, and the Glass Company with fifty-one per cent of its shares owned by the government, are in the stage of formation.

Public corporations, public establishments, and joint stock companies are legal persons; that is, they can own properties, receive gifts, issue bonds, sign contracts, and sue and be sued in their own name. Their budget autonomy can be considered a consequence of their legal personality. The reason for their establishment can be political in the case of the Viet-Nam Press. The government does not wish to appear to be supervising too closely the information channels of the nation. But the major reason

is economic and stems from the distinction between the two basic concepts of government: (1) The negative concept that considers government as merely an umpire whose only task is to settle the conflict of interests between various private organizations in the nation. (2) The positive concept that deems it necessary for the government to take action to provide services and promote development.

The negative concept emphasizes the non-profit aspect of government and advocates strong measures of control as in the recruitment of personnel through the General Directorate of Civil Service, or in the expenditure of public funds through the General Directorate of Budget and Foreign Aid. The positive concept of government emphasizes the disadvantages of too tight a system of control for some activities and advocates business-like management and accounting methods for them. A reconciliation of these two concepts has been reached by every government in the world, namely that those functions that are considered strictly governmental in character are to be exercised according to the negative concept and those functions that are considered commercial or industrial in character are exercised according to the positive concept. The former functions are assigned to departmental agencies, the latter are assigned to autonomous agencies.

Moreover, the per capita national income in Viet-Nam is so low that private capital formation is

difficult. Most of the capital in the nation is in the hands of Chinese, Indian, and French companies as a result of the past colonial policy. With the emergence of Viet-Nam as a sovereign nation, most of these companies reduced their activities and withdrew their funds because they could not have the same privileges as in the good old days. In such a situation the government is able to act inasmuch as the foreign aid provides it with powerful means of action. It is in this spirit that most of the recent public corporations have been created.

A third reason is governmental concern to give these agencies more freedom of action. Although each of them is attached to one department, the resulting departmental control does not follow the same pattern as that applied to agencies within the department. Indeed, the fact of having an autonomous budget often means the possibility of planning, programming, and spending without passing through the department head.

b- Budget Preparation and Execution: The agency budget is prepared by the head of the agency who may be a director, a director general, a governor or a board of directors. The General Directorate of Budget and Foreign Aid can issue instructions to assure that each budget does not depart too much from the standard form. Some agencies must have their budgets reviewed by administrative councils before being presented to the President for approval as in

the case of the Viet-Nam Press, the National Orphanage, and the Retirement Fund Administration. In some cases budget review by administrative councils is not provided for by the status of the agency as in the case of the Pasteur Institute and the Agricultural Credit. Sometimes the agency budget is submitted to a consultative council as in the case of the Port of Saigon and the Port of Da-Nang Authorities. The consultative council, a formal means of cooperation, is generally constituted by representatives from interest or clientele groups. They are entitled to express their opinion upon the budget but cannot make any changes on their own. Sometimes, the budget is submitted to the General Directorate of Budget and Foreign Aid before being submitted to the administrative council and the President for authorization as in the case of the Nong-Son Coal Mine Authority. In general, the budgets are authorized by the President but the budgets of the Chambers of Commerce of Saigon and Da-Nang are authorized by the Secretary of Economy.

The agency head is the ordonnator of its budget. If an agency is headed by a council of directors, the chairman of the council is the ordonnator. The Treasurer General is, at the same time, the treasurer of these agencies. Autonomous agency budget execution is controlled according to one or more of the following patterns: (1) Internal control is entrusted to a comptroller general as in the

case of the National Bank, the Commercial Credit, the Co-operatives and Agricultural Credit, and the Industrial Credit. (2) External control is entrusted to a post-auditing committee composed of members external to the agency as in the case of the Agricultural Credit and the Saigon Bus Transportation Corporation. (3) Departmental control is entrusted to the Department of Finance as in the case of the Electrical Re-equipment Office, the Water Distribution Office, and the Handicraft Development Center. (4) The General Directorate of Budget and Foreign Aid may exercise control as in the case of the Nong-Son Coal Mine Corporation [1].

The budget cycle of an agency can be different from that of the national budget. For example, the National Railway has a budget year beginning in July and ending in June while the national budget year begins in January and ends in December. Sometimes an agency can have two budgets: an administrative budget and an operating budget. This is the case of the Cooperatives and Agricultural Credit and the National Bank. The Viet-Nam Railway has an extraordinary budget in addition to its ordinary budget. All expenditures for re-equipment and extension are carried in the extra-ordinary budget.

c- Budget Receipts and Expenditures: Not all of

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(1) Nghiem-Dang, Cac Van-De Ngan-Sach Viet-Nam, National Institute of Administration, Saigon 1959, p. 79.

the autonomous agencies are self-supporting but almost all of them have their specific revenues. The National Orphanage benefits from the tax on entertainment tickets, and the Ports of Saigon and Da-Nang benefit from the tax on the loading and unloading of ships. Agencies specializing in banking operations, such as the National Bank, the Commercial Credit, the Cooperatives and Agricultural Credit, and the Industrial Credit receive interest on their loans and fees for their services. Agencies specializing in building houses or producing water and electricity, such as the Electrical Re-equipment Office, the Water Distribution Office, and the Low Cost Housing Office earn their revenues from the sale or loan of their products. Agencies specializing in transportation, such as the Viet-Nam Airways, The Viet-Nam Railway, and the Saigon Bus Transportation Corporation earn their revenues from the sale of their services.

In 1958 the three agencies having the greatest amount of annual revenues were the Viet-Nam Railway with a total revenue of 417,678,000 VN$, the Central Purchasing Agency with a total revenue of 111,601,000 VN$, and the Electrical Re-equipment Office with a total revenue of 111,073,000 VN$. The Central Purchasing Agency ceased to be an autonomous agency in 1959. The total receipts of all autonomous agencies in 1958 amounted to about one billion piasters.

In 1958 the three agencies having the greatest amount of annual expenditures were the Viet-Nam Railway with a total expenditure of 643,772,000 VN$, the National Housing Office with a total expenditure of 144,436,000 VN$, and the Port of Saigon Authority with a total expenditure of 61,180,000 VN$. The National Housing Office ceased to be an autonomous agency in 1959. The total expenditure of all autonomous agencies in 1958 amounted to slightly more than one billion piasters.

Certain agencies had a surplus in 1958, especially the Electrical Re-equipment Office with a surplus of about 89,000,000 VN$, and the Central Purchasing Agency with a surplus of about 53,000,000 VN$. Certain agencies had a deficit in 1958, especially the Viet-Nam Railway with a deficit of about 226,000,000 VN$ and the National Housing Office with a deficit of about 59,000,000 VN$ 1/. Since capital expenditures and disinvestments were often included in total expenditures and receipts, it is necessary to take a closer look at the balance sheets of these agencies in order to have an exact idea of their financial situations 2/.

As a general rule, the autonomous agencies are

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(1) Nghiem-Dang, Cac Van-De Ngan-Sach Viet-Nam, National Institute of Administration, Saigon 1959, pp. 110-111.

(2) Snyder, W. W., et al, An Analysis of Revenues and Expenditures of Vietnamese Governmental Agencies Having Budget Autonomy, Fiscal Year 1956, MSUG, Saigon 1957.

supposed to have something approaching self-financing capability. Certain agencies like the Commercial Credit, the Cooperatives and Agricultural Credit, the Nong-Son Coal Mine Authority, the Saigon Bus Transportation Corporation, the Handicraft Development Center and the Industrial Credit received to start with a revolving fund from foreign aid or the national government or both. For example, the Commercial Credit received at the start a revolving fund of 200,000,000 VN$ from the national government.

Sometimes the earning ability of an autonomous agency is too small in comparison with its spending requirements. Such was the case of the Viet-Nam Press, the National Institute of Oceanography, the University of Saigon, and the National Radio. In 1959, the National Institute of Oceanography, the University of Saigon, and the National Radio ceased to be autonomous agencies and were respectively integrated into the Department of Public Works, the Department of Education and the Department of Information. This seems to show that the ability to earn revenues of its own sufficient to balance its budget without continuously asking for subsidies from the national budget is often an important factor in the establishment and the validity of an autonomous agency. A number of agencies are chiefly supported by specific taxes such as the tax on entertainment collected for the National Orphanage, the tax on loading and unloading of ships collected for the Port of Saigon and the Port of

Da-Nang Authorities, and the surtax on electricity consumption collected for the Electrical Re-equipment Office. The earning ability of these agencies is secured by special taxes, therefore, their budgets can be balanced without subsidies from the national budget; thereafter they are in a relatively more stable situation. Indeed, according to Assemblyman Pham Van Thung, an agency cannot be autonomous and at the same time receive subsidies from the national budget [1]. This view seems a little extreme but it reflects the tendency of the Vietnamese legislature to question the legitimacy of an autonomous agency whenever subsidies to autonomous budgets are voted on in the National Assembly. This tendency is all the more justified because the budget of an autonomous agency is not submitted to the National Assembly for authorization; legislators in other countries as well as in Viet-Nam have criticized it as the following remarks by Congressman Wittington from Mississippi might suggest: [2]

> Authorities contemplate uncontrolled bureaucracy that leads to irresponsible bureaucracy. Authorities are the dream of bureaucrats. They involve the establishment of a super-agency responsible to no one but itself.

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(1) Cong-Bao Viet-Nam Cong-Hoa, Vol. , No. 3QH, p.

(2) Selznick, P., TVA and the Grass Roots, University of California Press, Berkeley, 1949, p. 82.

4. The Extra-Budgetary Accounts:

a- Characteristics of Extra-Budgetary Accounts: Extra-budgetary accounts, entrusted to cabinet members or high ranking officials, can be likened to revolving fund accounts or accounts which receive earmarked revenues 1/. They are supported not by revenues from the national budget but by extra-budgetary revenues, the collection of which is under the jurisdiction of the administration which decides who pays how much. Certain autonomous agencies, such as the Nong-Son Coal Mine Authority and the Retirement Fund Administration may have extra-budgetary accounts.

The following accounts are entrusted to the Secretary of Finance: the Coal Stock Account, the National Economic Stabilization Account, the Rebels' Assets Confiscation Account (following the civil war of 1955), and the Enemies' Assets Confiscation Account dealing with properties illegally appropriated by the Japanese expeditionary force during the period 1940-1945.

The following accounts are assigned to the Secretary of Economy: the Rice Stock Account, the Loans to Small Businessmen Account and the Compensation of Exported and Imported Merchandise Account.

The following accounts are assigned to the

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(1) Snyder, W. W., et al, An Analysis of Revenues and Expenditures of Vietnamese Governmental Agencies Having Budget Autonomy Fiscal Year 1956, National Institute of Administration, Saigon 1957, p. 48.

Secretary of Agriculture: the Chemical Fertilizers Account, the Development of Sugar Cane Plantations Account, and the Development of Jute Plantations Account.

The following accounts are managed by the Secretary of Public Works: the Special Public Works Account, and the Protection of Road and River Transportation Account.

The above classification is indicative rather than exhaustive. Since the number of accounts varies from one year to another, an exhaustive study is impossible without yearly revision. The authorizing officer is generally a cabinet member or a director general. The purpose of an account can be economic, financial, or administrative. Most of the accounts with an economic purpose are entrusted to the Secretary of Economy and the Secretary of Agriculture because agriculture is the first target of the Five Year Plan. Most of the accounts with a financial purpose are entrusted to the Secretary of Finance, and other departments have most of the administrative accounts.

An extra-budgetary account is generally created by a Presidential Decree. The decree also appoints an authorizing officer for all expenditures of the account, and specifies its sources of revenues and the kind of expenditures the authorizing officer can make. This is to prevent abuses and to provide a ground for control. All expenditures must be submitted to the review of the General Directorate of Budget and Foreign Aid. An account cannot

receive annual subsidies from the national budget but can receive a working capital fund in order to start; it follows that there must be no account deficit.

b- Account Receipts and Expenditures: Receipts of an account can be: (1) a tax in the case of the Compensation of Exported and Imported Merchandise Account and the Protection of Road and River Transportation Account; the former benefits from an additional tax on certain imported merchandise while the latter receives an additional tax on the circulation of cars and boats; (2) a working capital fund given by the national budget as in the case of the Development of Cane Sugar Plantations Account and the Special Public Works Account; (3) a contribution from another account especially from the Compensation of Exported and Imported Merchandise Account as in the case of the Exploitation of Nong-Son Coal Mine Account, the Development of My-An Area Account, the Development of Jute Plantations Account and the Stabilization of Pork Price Account; (4) a gift from the American Economic Aid as in the Rehabilitation of Cai-San Account, the Aid to Refugees Account, and the Publication and Sale of Text Books Account; (5) revenues from the confiscation of rebels' assets, Japanese assets, unclaimed properties, and wrecks; (6) revenues from the sale of goods given by a friendly country as in the case of the Coal Stock Account which received 30,000 metric tons of coal from the American Aid and the Chemical Fertilizers

Account which received fertilizers from the American Aid.

In 1957, the three accounts having the greatest receipts were: the Compensation of Exported and Imported Merchandise Account with total receipts of 364,107,000 VN$, the Vietnamese International Committee for Armistice Control Account with total receipts of 46,685,000 VN$, and the Retirement Fund Administration Account with total receipts of 269,877,000 VN$. The Aid to Refugees Account which occupied the top position in 1956 with total receipts of 383,069,000 VN$ dropped to the fifth position in 1957 with a total revenue of 24,582,000 VN$. The total receipts of all extra budgetary accounts in 1957 amounted to approximately 843,351,000 VN$ 1/.

Expenditures from such accounts can be for such things as: (1) the purchase of pigs, salt or rice by the government in order to stabilize the supply of these essential commodities in the market; (2) the financing of economic programs such as the rehabilitation of My-An, Cai-San, the development of cane sugar plantations, jute plantations and the reforestation of mountains; (3) the financing of social programs such as refugee settlement, land reform, and retirement benefits.

In 1957, the three accounts having the greatest total expenditures were the Retirement Fund Administration

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(1) Nghiem-Dang, Cac Van-De Ngan-Sach Viet-Nam, Van-Loi, Saigon 1959, p. 111.

Account with a total expenditure of 137,649,000 VN$, the Rice Stock Account with a total expenditure of 60,000,000 VN$, and the Coal Stock Account with a total expenditure of 46,510,000 VN$. The total expenditure of all extra budgetary accounts in 1957 amounted to approximately 398,372,000 VN$. There was a surplus of about 444,980,000 VN$ 1/.

In the case of departmental agencies spending within the limit of budget authorizations, unexpended money at the end of the year often gives the impression that more money than needed has been asked for and money allotted to them can be diminished the next fiscal year. It follows that they may tend to spend unnecessarily in order to avoid this threat to their "security." The creation of extra-budgetary accounts permits the government to avoid such an effect. However, including an agency's expenditures in the budget obliges it to plan its program of actions realistically under pain of being short of money at the end of the year if expenditures are under-estimated, or of obtaining less funds the next year if expenditures are over-estimated. This motivation is not so strongly felt in the case of an extra-budgetary account. Furthermore, money in extra-budgetary accounts falls outside the control of legislative policy making, thus reducing the scope of legislative action.

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(1) Nghiem-Dang, Cac Van-De Ngan-Sach Viet-Nam, Van-Loi, Saigon 1959, p. 111.

The extra-budgetary character of extra-budgetary accounts gives rise to the following remark from the MSUG [1].

> The budget document should be comprehensive. It should reveal the entire financial condition of the government and the total work program for the present and future fiscal period. It should show all revenues regardless of source and all actual and proposed expenditures for every major purpose from all funds.

However, one of the major reasons for opening an extra budgetary account is the impossibility in certain instances to predict how much money is to be spent for a program in a given year. For example, Decree No. 881 TTP/NSNV of May 20, 1958, transferred a sum of 190,000,000 VN$ from the budget of 1957 to an extra-budgetary account to carry out special public works, the completion of which cannot be predicted because of political reasons. If the Vietnamese legislature could authorize the program in a no-year appropriation act, the need for opening an extra-budgetary account would not be so strongly felt. In the second place, such programs as the aid to refugees had been the object of an extra budgetary account because the amount of money to be spent for it could not be predicted. If the Vietnamese legislature in like circumstances could authorize the program in an annual indefinite appropriation act it would be possible to include the program in the national

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(1) Fishel, W. R., et al, Budgetary Administration in Viet-Nam, MSUG, Saigon 1957, p. 17.

budget. Since the only type of appropriation act that the Vietnamese legislature is so far used to is the annual and definite type, extra-budgetary accounts are means used by the executive to overcome such limitations.

In the U.S., in addition to the annual and definite type of appropriation, Congress can enact, according to the circumstances, a multiple year, no year, permanent, or indefinite appropriation. This complicated pattern of congressional discretion leads necessarily to lack of synchronization in budget authorizations. The U.S. budget cannot be authorized as a whole by the Congress. It is rather a series of executive proposals authorized by Congress one by one for different periods of time, while the Vietnamese budget is a single act of legislation authorized by the National Assembly for a single period of one year. If this practice does not fit certain programs that have to be carried out by means of extra budgetary accounts, it at least simplifies to a great extent the process of preparing, authorizing, and executing the national budget, and permits the legislature to authorize the national budget in a comprehensive spirit, an advantage that the U.S. does not have as the following passage from Burkhead might suggest:

> In the federal government the Congress does not examine the budget as a whole; revenues are authorized at a different point in time than appropriations; the budget is enacted piecemeal. The budget is never a single "project of law," but a series of executive proposals, which must then be translated

> into specific appropriation acts, whose summation may or may not be related to the enactment of revenue legislation. In fact, the failure to look at the aggregates, to achieve the overall view, is usually said to be a major weakness in United States budget practice.

In a word, extra budgetary accounts in Viet-Nam fulfill the function of taking out of the national budget programs that have to be authorized by multiple year, no year, permanent or indefinite appropriations. They involve advantages and disadvantages but their choice is no less than the commitment of the Vietnamese government to one of the different and conflicting fiscal philosophies.

CHAPTER FOUR

SPECIALIZED BUDGET PROBLEMS

1. The General Directorate of Budget and Foreign Aid:

a- Prior to 1957: The responsibilities presently entrusted to the General Directorate of Budget and Foreign Aid were formerly distributed among three different agencies: (1) the Budget Directorate, (2) the General Directorate of Foreign Aid, and (3) the Directorate of Obligation Control.

The Budget Directorate was an agency within the Department of Finance and was transferred into the Executive Office of the President in 1955. The General Directorate of Foreign Aid was first established in 1950 as an agency within the Department of Public Works. It was transferred to the Department of Finance in 1952 and to the Department of Planning and Reconstruction in 1955, but an executive order of the same year returned it to the Department of Finance. The Directorate of Obligation Control was a part of the Department of Finance.

Executive Order No. 732 TTP/VP of April 24, 1957, consolidated these three agencies into the General Directorate of Budget and Foreign Aid which was reorganized the next year into an agency composed of: (1) an Administrative Service, (2) a Corps of Experts under the direct supervision of the Director General, (3) the Directorate of

Program and Planning, (4) the Directorate of Obligation Control, (5) the Central Purchasing Agency.

b- The Administrative Service and the Corps of Experts: The Administrative Service is composed of two sections, the Administrative Section and the Correspondence Section. The Administrative Section performs such auxiliary services as accounting, maintenance, filing, etc. The Correspondence Section performs such works as typing, recording, mailing of letters, etc.

The Corps of Experts is composed of:

(1) The Budget Preparation Division with two sections, the Budget Section and the Legislative Reference Section. Its general responsibility is to prepare the budget after gathering information from different agencies and to study the impact of administrative measures upon the budget.

(2) The Financial and Economic Studies Division, responsible for the adjustment of budget policy to the general economic and financial situation of the country.

(3) The Organization and Methods Division, which studies and evaluates the division of work in different agencies in its structural and functional aspects with a view to increasing economy and efficiency in the business of governing. For example, it standardizes the design and use of forms, seeks to improve accounting procedures in the liquidating, controlling and central accounting agencies,

studies methods of codification in collaboration with the National Institute of Statistics, etc.

(4) The IBM Division, which performs all kinds of work, not merely accounting, which can be performed by IBM within the General Directorate.

c- The Directorate of Program and Planning: Its responsibility is to supervise the execution of the central, local, and autonomous budgets and the foreign aid program, to determine the allotments granted to different agencies, and to examine applications for funds. It is composed of:

(1) The Service of Coordination which is divided into two sections, the Section of Research and Analysis of Accounting Reports which centralizes the monthly accounting reports from different agencies, and the Section of Program Centralization which decides whether or not a program needs more funds, compares statistics from various agencies, and arranges for the exchange of information on budgeting between various agencies, etc.

(2) The Corps of Budget Examiners who collaborate with the experts in preparing the budget and supervise the execution of different budgets. There are two kinds of budget examiners, the administrative examiners specialized in administrative expenditures and the technical examiners specialized in technical expenditures. They divide the work between them as follows:

Three administrative examiners for the expenditures of the Executive Office of the President, the Department of Foreign Affairs, the Department of Interior and the Department of Justice; one administrative examiner for the expenditures of the Department of Finance and the Department of Economy; one technical examiner and one administrative examiner for the expenditures of the Department of Agriculture, the Department of Land Reform, and the General Commissariat for Land Reclamation; one technical examiner for the expenditures of the Department of Public Works and the General Directorate of Reconstruction; and two administrative examiners for the expenditures of the Department of Education, the Department of Labor, the Department of Health, and the Department of Information and Youth.

(3) Four (field) divisions of Budget and Foreign Aid responsible for the control of obligations in the provinces. They also assist provinces in the preparation of their budgets.

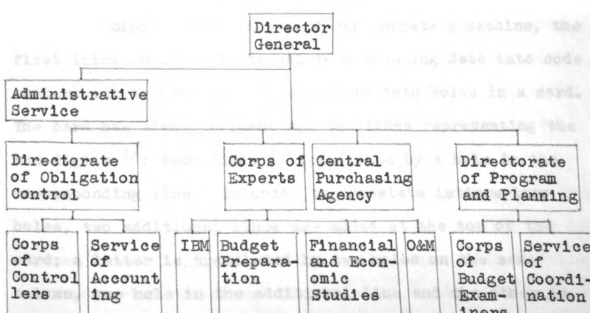
d- The Directorate of Obligation Control and the Central Purchasing Agency: The Directorate of Obligation Control controls the expenditures and centralizes the accounting of the national budget and the extra budgetary accounts. It is composed of a Corps of Controllers and a Service of Accounting. The controllers divide the work between them as follows:

One controller for expenditures beyond 100,000

VN$, which cannot be made without a call for bids or an adjudication; one controller for civil and military personnel expenditures; and two controllers for other kinds of expenditures. The Service of Accounting is composed of the Obligation and Liquidation Section, the Working Capital Funds Section, and the Statistics Section. It is in close relation with the IBM Division for machine accounting.

The Central Purchasing Agency was formerly an autonomous agency, its autonomous budget supported by commissions on purchases. It has been absorbed by the General Directorate of Budget and Foreign Aid.

ORGANIZATION CHART



2. The Introduction of Machine Accounting:

Machine accounting was used first for the administration of foreign aid. When the Director General of Foreign

Aid was appointed Director General of Budget and Foreign Aid in 1957, he decided to introduce machine accounting into budgetary operations.

a- Characteristics of Machine Accounting:

Machine accounting is based on the general principle that a hole in a card can establish a contact in an electrical circuit, put into action an electro-magnet, and perform a given operation. Such a method is limited by the inertia of mechanical contacts and can be improved by the use of electronic tubes. Inertia can be greatly reduced when mechanical contacts are replaced by an electro-static mechanism. Viet-Nam is using an electro-mechanical machine but is planning to use an electronic machine.

Since a hole in a card can operate a machine, the first thing to do is to translate accounting data into code numbers and to translate code numbers into holes in a card. The card has eighty columns and ten lines representing the ten digits [1]; each digit is translated by a hole in the corresponding line. In order to translate letters into holes, two additional lines are added at the top of the card; a letter is translated by two holes on the same column, one hole in the additional line and the other in one of the lines below.

In order to make holes in a card perforators are

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(1) Cherry, C., On Human Communication, J. Wiley, New York, 1959, p. 34.

used. They look like typewriters but make holes instead of letters. In order to check the accuracy of these holes, verifiers are used; the operator types a second time on the verifier what is supposed to be inscribed in a card by the first typing on the perforator. If there is any discrepancy between the two typings a red light appears, indicating to the operator that corrections are necessary. Selectors are used to sort out all cards of the same class, that is, having certain common characteristics. Tabulators are used to translate the holes in the cards into digits and letters again. Adders are used to add up figures inscribed in a certain number of cards of the same class. Cards can be reproduced quickly by copying machines.

The machines are rented to the Vietnamese government by the IBM Company. A deposit of 1,570,769 VN$ with the Company must be made. Operating costs amount to about 400,000 VN$ a month, and training costs amount to nearly 165,000 VN$ a year [1].

b- Problems Arising with Machine Accounting: The first problem to arise was doubt vis a vis anything new and untraditional; also the deposit and the cost of training and operation were considered high in view of the number of civil servants one could hire to do the work of the machine.

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(1) Montgomery, J. D., Cases in Vietnamese Administration, National Institute of Administration, Saigon 1959, p. 26.

The necessity of coding every expenditure, of filling new forms, and of supplying additional copies of the monthly accounting report creates problems for the spending agencies. A state of unpreparedness in a new situation caused some delay at the beginning. Management was placed before a dilemma, whether to make a swift change or a gradual one. The swifter the change the stronger the reaction, but a gradual change would be incompatible with the capacity of the machines which would function uneconomically if not enough work was given to them. Management decided to make a swift change. Even in the present state of affairs the machines are capable of doing more work than needed and many projects of research in statistics, economics, taxation have been envisaged in order to give full employment to the machines.

The main advantage of the machines is the swiftness with which data are processed, therefore, creating the possibility of obtaining the needed information in a short lapse of time.

3. The Foreign Aid Administration:

a- Introduction: Foreign Aid has helped Viet-Nam recover from a succession of devastations since 1940. As the result of an agreement between the French and the Japanese, all expenditures of the Japanese expeditionary forces in Viet-Nam were to be borne by the Vietnamese

people. Food, housing, means of transportation, and many other national resources were requisitioned for the Japanese. More and more paper money was printed to pay for their expenditures, causing a monstrous inflation. The requisition of means of transportation rendered impossible the transportation of rice from the South to the North and coal from the North to the South. People in the South used rice as fuel and people in the North died of starvation by thousands. The withdrawal of the French expeditionary corps after the Geneva Agreement deprived the Vietnamese government of a sizeable source of foreign currency and caused an estimated 50,000 employees to be out of work. While the communist camp enjoyed peace and reconstruction after five years of all out and merciless war, the nationalist camp began its career of self rule in an atmosphere of crisis. The American aid was a economic substitute to the French expeditionary corps. The two camps compete with each other in a race not unlike that between the U.S. and Russia. Each competitor is sponsored by a specific kind of foreign aid in order to leave the other behind [1].

Viet-Nam receives aid from many countries, such as the U.S., France, West Germany, Japan, and the member

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(1) Ho's Success Story, The Economist, July 16, 1955, p. 210.

Ho's Begging Bowl, The Economist, July 2, 1955, p. 18, dealing with the communist aid to the North.

nations of the Colombo Plan, but aid from the U.S. is the most important of all and represents about ninety per cent of the total aid. Budget receipts in 1955 were approximately fifteen billion piasters of which foreign aid amounted to approximately eight billion piasters or fifty-two per cent of the total budget receipt. Moreover, more than two billion of foreign aid was received outside of budgetary channels. Customs duties were not included in the above mentioned eight billion piasters of foreign aid, although most of them were paid to the government by importers who imported commodities through foreign aid. It is not an exaggeration to say that more than forty per cent of the Vietnamese budget expenditures depend on the American foreign aid program prepared and authorized in the U.S., through the executive and legislative process of that country. A study of the Vietnamese budget would not be complete if the mechanism of American aid was not clarified.

b- American Aid Procedures: The American aid can be divided into two kinds: the direct aid and the commercial aid. In direct aid, gifts are transferred from the American government to the Vietnamese people without further ado. In the commercial aid the equivalent of the aid in piasters is deposited in a "counterpart" fund by Vietnamese importers. The use of the counterpart fund is subject to agreement between the U.S. and the Vietnamese government. The question of what is to be imported is

dealt with on the Vietnamese side by the National Council of Foreign Aid, on the American side by the International Cooperation Administration (ICA), and only those goods that ICA is willing to give and Viet-Nam to receive can be imported. As a general rule, ICA is against the import of deluxe products probably on the grounds that a people who receive aid cannot afford to live in luxury; on the other hand, Viet-Nam is against the receiving of products which may compete with her nascent industries.

When an agreement is reached, a purchase authorization is issued by the U.S. Overseas Mission or USOM, the representative of ICA in Viet-Nam. The purchase authorization enables the Vietnamese government to look for importers. The latter must deposit in the counterpart fund a number of piasters equivalent to the price of the imported products. For example, if the CIF price of the imported product is one U.S.$, the Vietnamese importer must deposit in the counterpart fund 35 VN$. The same purchase authorization enables the ICA to release from the foreign aid fund the dollars to pay for the goods; this is done only when Vietnamese importers have deposited piasters in the counterpart fund. Sometimes, in order to speed up the operations, the Vietnamese National Bank can direct the payment through its representative in the U.S., the Chase Manhattan Bank of New York, and obtain a refund from ICA later (procedure A). Most of the time, ICA, upon request of the National Bank of

Viet-Nam, issues a letter of commitment promising to refund a given bank for its advance to pay for the goods (procedure B). The foreign aid fund can be used to buy goods outside the U.S. provided that prices are lower than in the U.S. and transportation is by American ships. Products imported from France can be paid in francs (French currency) from the American reserve of francs ("Triangular Franc" Procedure).

The program of aid to Viet-Nam is elaborated in Washington according to the ICA program cycle, in coordination with the U.S. budget cycle. For example, from April to June, 1958, the National Security Council, the Budget Bureau and other policy agencies worked together to plan foreign aid policies and guidelines which, when enacted into legislation, would be followed by ICA and taken into account by Viet-Nam in their joint decisions upon what to import and how to spend money from the counterpart fund. Decisions on policy were worked out from June to September, 1958, and submitted to reviews in Washington by different U.S. policy and technical agencies. These reviews took place from around September to December, 1958. The President's program was issued in the period December, 1958 to February, 1959, and submitted to congressional review and legislative action from February, 1959, to August, 1959. Out of congressional action stemmed an operational program that could be implemented. Thus, programs planned by USOM

in June, 1958, may be implemented only in August, 1959, fifteen months after initiation [1]. The time taken by USOM and the Vietnamese government to work out a program is generally from six months to one year.

USOM and government agencies of Viet-Nam work together in order to establish a certain number of Project Proposals and Approvals (PPA's). After review by the ICA, a certain number of Project Agreements (Pro-Ags) are worked out. These Pro-Ags serve as the basis for Project Implementation Orders (PIO's). For example, a PIO/T permits Viet-Nam to sign a contract with an American University which provides her with technicians, a PIO/C permits Viet-Nam to buy commodities, a PIO/P permits Viet-Nam to send participants to be trained in a given country, etc. Since the development of Pro-Ags takes time, and certain actions must be taken quickly, it is possible to obtain some funds through non-project aid. As the aid procedure becomes more and more familiar to Viet-Nam and as the emergency period passes, the percentage of project aid in total aid increases gradually. That percentage increased from six per cent in 1953 to forty-two per cent in 1957 for the whole U.S. foreign aid program.

The use of the counterpart fund in Viet-Nam is

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(1) Hughes, A., Lecture on ICA Program Cycle, Viet-Nam Project, MSU, 1958, p. A-5.

controlled by USOM, which makes monthly releases of funds to implement specific programs. The General Directorate of Budget and Foreign Aid communicates to USOM monthly reports on the accounting progress of different programs. After studying these reports USOM sends reports to release to the General Directorate of Budget and Foreign Aid which issues receipt orders to the Treasury, enabling the latter to receive money from the counterpart fund and to pay for the expenditures of the programs [1].

c- Observations: Generally speaking, the counterpart fund provides the government with an effective means to realize its program of developing the country economically but some minor problems are raised by the nature of the fund itself. These problems can be solved if the government is aware of them.

Politically speaking, the present procedure for using the counterpart fund gives the government a source of revenue independent from the people. Through budget authorization, the people originally decide how much they will pay to run the government. So long as the government spends "American money" and not theirs, the power of the purse string of their representatives in the Assembly loses most of its raison d'etre. That power may be shifted to USOM which delivers purchase authorizations and releases

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(1) Nghiem Dang, Tai-Chinh-Hoc Dan-Chong, Hoc-Vien Quoc-Gia Hanh-Chanh, Saigon 1957, p. 230.

money from the counterpart fund to be used in developmental programs. Foreign interference in internal politics is often the greatest misfortune a small nation can endure [1]. The exploitation of internal dissension by foreign powers to achieve their own aims can be made easy if the latter already have organizations in the country. Easy money and material flowing from a foreign country can make some people rich, not by the fruit of industry and virtue but by ambition, pride and wickedness.

On the other hand, the habit of living at the expense of another country is incompatible with national dignity. God has provided every creature from the protozoan to the mammal with means of living by itself. The species that lives dependent on another is either a parasitic or a domesticated species. This can be avoided if the "aid" to Viet-Nam is considered as contributions from allied countries for the common defense but not as dole or mercenary pay.

From the social point of view, the way in which the counterpart fund is built up gives the Vietnamese people a taste for foreign goods. They develop a need for such thing as nylon, dacron, orlon, tourist cars, air conditioners, tape recorders, etc., things that they are unable to

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(1) Machiavel, Le Prince, Classiques Garnier, Paris, 1955, pp. 86 ff.

produce. If the government forbad the importation of these goods, the counterpart fund would decrease and the government would be in need of money. J. J. Rousseau had pointed out that the interdependence among men may change into subservience if it goes to the extent that a man cannot do without another 1/. What is true in the relationship among individuals is twice as true in the relationship between nations. The opinion of Rousseau, overstated as it is, contains a basic truth that, applied to foreign aid problems, can be stated as follows:

The abuse of foreign aid can render a people unable to get on their own feet; they might be obliged to be always waiting for the approval of a foreign power. They might have the control of nothing, and having no control over economic or cultural matters, they might lose at the same time their power of bargaining vis-a-vis the nation that holds the purse strings. In the present pattern of international cooperation, a nation can be an end in itself or merely a means, a pawn on the international chessboard, susceptible of being sacrificed at any moment to the interest of bigger nations.

From the economic point of view, the counterpart fund permits the government to manage the economy of the

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(1) Rousseau, J. J., Discours Sur l'Origine de l'Inegalite Parmi les Hommes, Classiques Garnier, Paris 1954, p. 65.

country directly, creating more and more government enterprises. This situation has not been tolerated in the U.S.

However, government enterprises in Viet-Nam are not condemned to perish insofar as competition with other countries and with Communist North Viet-Nam can replace competition within the country. Personal ambition and esprit de corps can replace profit seeking. The effort to be a stakhanovite, to gain general recognition, and to render service to the nation are among personal ambitions. The desire to work as a member of a group, to promote its welfare, and to defend its reputation are among the factors that characterize the esprit de corps. The promotion of good employees to higher positions can be as effective an inducement in government enterprises as it used to be in private enterprises.

4. The MSUG Recommendations:

a- Introduction: The Michigan State University Advisory Group, in virtue of a contract signed between the Vietnamese Government and M.S.U., made a report to the President and Cabinet of the Republic of Viet-Nam in March, 1957 entitled "Budgetary Administration in Viet-Nam." The authors of that report were Messrs. Wesley R. Fishel,

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(1) Stein, H., The Reconversion Controversy, Public Administration and Policy Development, Harcourt, New York, 1952, pp. 215 ff.

Chief Advisor; Marvin Murphy, Budget Specialist; Richard Lindholm, Taxation Specialist; Robert Swanson, Accounting Specialist; Wayne Snyder, Statistics Specialist; and David Cole, Economics Specialist. Technical advice and consultation were provided by staff members of the General Directorate of Budget and Foreign Aid.

The report proper had only twenty-six pages; it was put in a concise and positive form summarizing the fruit of twenty months of research done by the M.S.U. personnel in Viet-Nam and making use of such works as the "Report on the Budgetary Process in the Government of Viet-Nam" by L. C. Shephard, Budget and Accounting Advisor USOM, ICA Manila.

In the field of taxation and revenue collection the major points made by the committee were: the government failed to collect most of the taxes, the amount of tax to be paid was difficult to determine, statistical information about taxes was lacking, the cost of tax collection was relatively too high, and the implementation of tax regulations differed from one locality to another.

In the field of budget formulation the committee pointed out a number of defects, especially: an inadequate system of budget classification rendered it difficult to gather information for the President to determine his budget policy; specific policy guidance was lacking; certain agencies, in making budget requests, did not state

expenditures in terms of goal and programs; in order to avoid using the term deficit the government used such terms as "drawing from cash reserve" or "receipt from advances;" the autonomous budgets were not included in the national budget; no data on past budgets and no summary of receipts and expenditures was available in the budget document.

In the field of budget execution and control they criticized especially the delay in making expenditures, the difficulty in holding administrators responsible, the lack of confidence in the government by those who dealt with it, and the high price the government had to pay for goods and services because of that lack of confidence. Their major proposals were to train more budget specialists; to delegate more authority to operating agencies; to devise an allotment system; to centralize the accounting work into a single Central Accounting Agency; to simplify the expenditure procedure limiting the jurisdiction of obligation control to the availability of unobligated funds, giving more discretionary power to operating agencies in the choice of suppliers, eliminating the second pre-audit by the Directorate of Obligation Control and the third pre-audit by the Treasury; to improve the budgetary control reporting system by requiring the spending agencies to submit monthly reports to the General Directorate of Budget and Foreign Aid; th cut out duplication in accounting by eliminating part of the accounting work of the Treasury;

to transfer the function of custody and disbursement of government funds from the Treasury to the National Bank of Viet-Nam; to create a Post Audit Agency responsible to the National Assembly; to create a Central Purchasing Agency; to reorganize the relationship between the national and provincial budgets along either one of these lines: (1) To render provincial budgets completely autonomous and independent from the national budget, (2) to subsidize provincial budgets with firm and limited subventions instead of making advances from the Treasury available to them, (3) to subsidize the entire provincial budgets with national funds, (4) to abolish provincial budgets.

b- Observations: (1) The MSUG recommendations were written by a group of specialists from many fields. Their purpose was to devise a system with full consideration of the socio-political conditions in Viet-Nam as the following passage might indicate:

> The budget system we propose is not the American system, the French system, the English system, or any other national system. It is a system we have designed to meet the need of Viet-Nam. (Page 10.) If you want to change the present system, we will help you install any method you may choose (concluding exhortation).

(2) In their proposed organization of the General Directorate of Budget and Foreign Aid (page 18) they eliminated the Directorate of Obligation Control from the organization and urged the enactment of a "budgeting, accounting,

and auditing law to govern administrative procedures in the area of fiscal administration." They thus ran counter to the Vietnamese traditional system of having the Directorate of Obligation Control within the General Directorate of Budget and Foreign Aid and wished that agency to be based on a budgeting, accounting, and auditing law possibly like the GAO in the U.S. No mention was made of the Decree of December 30, 1912.

(3) The Post Audit Agency had been intended, when established, to be part of the judiciary like the Cour des Comptes in France. The MSUG recommended that it be responsible to the legislature as in the American system. At present the Directorate of Obligation Control continues to be a part of the General Directorate of Budget and Foreign Aid and the future Post Audit Agency is still intended to be a part of the judiciary.

(4) Most of the recommendations on the proposed organization were accepted. For example, the functions of the Economic and Policy Development Section, the Organization and Methods Section, the Legislative Reference Section, and the Internal Office Management Section are now carried out by a Corps of Experts in conformance with Decree No. 689 TTP/NSNV of April 21, 1958. The responsibilities of operating units such as National Defense, Public Works, Health, etc., are assigned to a Corps of Budget Examiners by the same decree.

(5) The criticisms pertaining to the provincial budgets (pages 28 ff) were not made with full consideration of the socio-political conditions in Viet-Nam. If receipts were not entirely collected, it was not entirely due to the defects of the budgetary system but also to the state of social unrest in the country. People were then controlled at the same time by two governments; one was mostly active during the day, the other at night. The daytime government was considered by many Vietnamese as created by the French. This inferiority complex was the basis of much corruption and defection. On the other hand, the night time government exercised a veritable terror among those who directly or indirectly supported its rival. The province chiefs had no choice but to do the best they could in collecting taxes. Advances from the Treasury were to a certain extent justified by the urgent and necessary character of many expenditures of a nation in war. Administrators were chosen not on the basis of their administrative skill but of their military skill and their determination to take risks.

(6) In the light of these socio-political conditions, many a practice of budgetary administration under criticism by the MSUG could be justified. The criticism of too much emphasis on pre-audit (page 21) did not take into account the use of special funds which permitted certain administrators to spend without even reporting the object of their expenditures. The special fund was probably one

of the major incentives for administrators to take the responsibility and the risk. Also, the emphasis on pre-audit was justified by the incompetence of administrators.

5. Budget Policy and National Recovery:

One of the most apparent phenomena of the post-war period throughout the world is the growth of the size of governmental budgets. The economically advanced countries develop their budget policies in order to have more security and to spread their sphere of influence as far as possible. The underdeveloped countries use the budget as a means of speeding up their progress and solving their socio-political problems. The particular situation in which Viet-Nam is placed permits it to develop itself with the objective of self determination by individuals, and securing freedom from wants for all as a condition sine qua non of political freedom.

In the field of economic development, great sums of money are spent to encourage the exportation of rubber and rice through the General Commissariat for Land Development; public works are undertaken to repair the damages of war, to irrigate more land, and to make more rice fields out of marshes and areas previously invaded by salt water; money is loaned to private businessmen, entrepreneurs, farmers, and fishermen by such lending agencies as the Commercial Credit, the Industrial Credit, and the

Agricultural Credit. Autonomous agencies are created with budgets of their own and a business-like system of accounting in order to facilitate their freedom of action and to permit the realization of their programs in a minimum of time. The creation of extra-budgetary accounts permits the government to speed up national recovery by using governmental means in the exploitation of national resources.

Budget expenditures are also instrumental in activating social reforms. The crucial problem of the government in this domain is to help the population live a decent life with a greater opportunity to better themselves through education and artistic culture. Energetic campaigns against malaria and illiteracy have been undertaken, more schools and hospitals have been created, better houses have been built by the government and sold to the population with easy conditions of payment, more public fountains and public recreation centers have been built in populated areas, and the Special Commissariat for Community Development was created to teach the people how to improve their conditions of life.

The political program of the government is intended to inspire faith in the citizens after so many years of unsecurity, destruction, and despair. Faith in a future of peace and order is necessary to reconstruct a new Viet-Nam based on justice and freedom. The program is also to secure the value of freedom by encouraging private property,

and to create a class of men who are happy to live with their properties, willing to defend them as a guaranty of their political freedom instead of embracing communism because they have nothing to lose but their chains.

CONCLUSION

The general characteristic of budgetary administration in Viet-Nam today seems to be the predominance of the executive power. This predominance is a vestige of the pre-colonial regime of absolute monarchy and of the colonial time when the executive power was practically in the hands of a minority of Frenchmen considered ipso facto as a privileged class, when the legislative power of the nation was fragmented into four different assemblies the members of which were either appointed by the executive power or elected among a minority of opportunists, and when, even in these conditions, these legislative bodies were given only a consultative function in practice.

Today, the predominance of the executive power can be seen in the president's power of modifying the budget authorized by the National Assembly of automatically putting one-fourth of his budget proposals into execution if the legislature fails to authorize it before the fiscal year begins and of vetoing specific items in the legislative budget. The three-fourths majority in the National Assembly required to overcome such a veto is the same as that required to amend the Constitution. The predominance of the executive power can also be seen in the multitude of local and autonomous budgets. The local budgets are not authorized by the local legislatures but by the

President or his Secretary of Interior. The autonomous budgets accounting for about ten per cent of the total government expenditure, are not submitted to the National Assembly for authorization, but the most important of them are authorized by the President, and the rest by his Secretaries.

When the formality of presenting an expenditure for legislative authorization and the necessity of spending within the limit of budget authorization present a hindrance to the executive function, the administration has the resource of opening an extra-budgetary account. Sometimes the Decree creating an extra-budgetary account not only stipulates how much money is to be spent for the purpose of the account but also what taxes are to be levied in order to support the account. And this, without going through the legislative process.

The predominance of the executive power can also be seen in the absence of a post-audit system. In the U.S. the post-audit function is exercised by the legislature. In France, the post-audit function is exercised by the judiciary. In Viet-Nam the post-audit agency, when created, will be a part of the judiciary, but so far, it is not yet created leaving the administration free to exercise a selective post audit limited to those officials whose irregular activities happen to come to the attention of the republican regime.

Such execution discretion would seem to foster abuse and corruption had not the genius of the race invented precautionary measures. One of the precautionary measures is the unusual development of the pre-audit system composed of three different steps, the first step through the Directorate of Obligation Control, before the liquidation of the expenditure, the second step through the same agency after the liquidation of the expenditure, and the third step through the Treasury before the disbursement of money.

Another precautionary measure is the institutionalized pattern attached to such fiscal procedures as the assessment of taxable properties, the call for bids, the sale of public properties, etc. These procedures are so minutely determined and involve so many persons and operations that an irregularity is likely to arouse a lot of complications. Such a mechanism is specially calculated to discourage the desire to swindle in most of the civil servants.

The special status given to the obligation controllers and the treasurers can be cited as a third precautionary measure. The system of checks and balances, so far as fiscal management in Viet-Nam is concerned, does not apply between the three main divisions of power (legislative, executive, and judiciary), but does apply within the executive power itself between the three orders of Vietnamese civil servants: administrators, controllers, and

treasurers.

The major liabilities of the system are the excessive delay in making an expenditure, the shift of authority from the administrators responsible for program implementation to the controllers and sometimes to the treasurers, the duplication of accounting due to the plural pre-audit system and the lack of post-audit.

Delay in making an expenditure not only slows down the implementation of programs but also increases the costs of programs because public contractors charge more if they are not paid promptly. This liability is, to a certain extent, overcome by the use of petty cash, imprest cash, revolving and special funds. The shift of authority from operating to staff agencies can be overcome by the ability of the administrators to requisition the treasurers. But nothing has been done so far in regard to the duplication of accounting due to the plural pre-audit system and the lack of a post-audit system.

With a post-audit assigned to a "Cour des Comptes" responsible to the Judiciary or a "General Accounting Office" responsible to the National Assembly, the traditional predominance of the Vietnamese executive power in budgetary matters can be partly counterbalanced, and most of the precautionary measures, made necessary by the lack of post-audit and check upon the administration, can be simplified.

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APPENDIX I

ENGLISH, VIETNAMESE, FRENCH GLOSSARY

Administrative tutelage, giam-ho hanh-chanh, tutelle administrative.

Advisor, bien-lai, conseiller.

Agricultural Credit, Quoc-Gia Nong-Tin Cuoc, Office du Credit Agricole.

Aid to Refugees Account, Chuong-muc Cuu-tro Di-Cu, Compte pour l'Aide aux Refugies.

Allotment, giai-toa kinh-phi, deblocage de fonds.

Annexed budget, ngan-sach phu-thuoc, budget auxiliaire.

Atomic Energy Office, Nguyen-tu-luc Cuoc, Office de l'Energie Atomique.

Authority, cuoc, establissement public.

Authorization, chuan-chi, ordonnancement.

Autonomous budget, ngan-sach tu-tri, budget autonome.

Basic salary, luong chinh-thuc, salaire de base.

Central Purchasing Agency, Tap-Trung Cong-Mai Vu, Bureau Central d'Achat.

Chamber of Representatives of the People, Phong Dan-Bieu, Chambre des Representants du Peuple.

Chapter, chuong, chapitre.

Coal Stock Account, Chuong-Muc Kho Tru Than, Compte pour le Stockage du Charbon.

Colonial Council, Hoi-Dong Thuoc-Dia, Conseil Colonial.

Commercial Accounting, ke-toan thuong-mai, comptabilite commerciale.

Commercial Credit, Viet-Nam Thuong-Tin, Credit Commercial.

Concession, lanh-trung, Concession.

Consultative Council, Hoi-Dong Tu-Van, Assemblee Consultative.

Corps of Experts, Doan Chuyen-Vien, Corps d'Experts.

Cost of Living Allowance, phu-cap dac-do, indemnite de cherte de vie.

Cotton Industry Company, Cong-ty Ky-Nghe Bong Vai, Compagnie Industrielle du Coton.

Counterpart Fund, Quy Doi-Gia Vien-Tro My, Fonds de Contrepartie.

Cour des Comptes, Tham-Ke-Vien, Cour des Comptes.

Current Accounts, chuong-muc vang-lai, compte courant.

Customs, thue-quan, douane.

Da-Nang Chamber of Commerce, Phong Thuong-Mai Da-Nang, Chambre de Commerce de Tourane.

Da-Nang Port Authority, Thuong-Cang Da-Nang, Port de Tourane.

Delegate, Dai-bieu chinh-phu, delegue.

Delegated Ordonnator, uy chuan-chi-vien, ordonnateur delegue.

De-obligation Statement, phieu giai-chi, fiche de degagement.

Development of Jute Plantations Account, Chuong-Muc Khuech-truong Trong Bo, Compte pour le Developement des Plantations de Jute.

Development of My-An Area Account, Chuong-Muc Tai-Canh Lang My-An, Compte pour la mise en valeur de My-An.

Development of Sugar Cane Plantations Account, Chuong-Muc Khuech-Truong Mghe Trong Mia, Compte pour de Developement des Plantations de Cannes a Sucre.

Directorate, Nha, Direction.

Discretionary Power, quyen thien-doan, pouvoir discretionnaire.

District Capital, quan-ly, chef lieu de district.

Electrical Re-Equipment Office, Trung-Tu Dien-Luc Cuoc, Office du Re-Equipment des Usines Electriques.

Executive Office of the President, Phy Tong-Thong, Presidence.

Expenditure reduction receipt order, lenh nhap ngan giam chi, ordre de recette en degrevement des depenses.

Exploitation of Nong-Son Coal Mine Account, Chuong-Muc Khai-Thac Mo Mong-Son, Compte pour l'Exploitation des Charbonnages du Nong-Son.

Extra budgetary account, chuong-muc ngoai ngan-sach, compte hors budget.

Family allowance, phu-cap gia-dinh, allocations familiales.

Function, co-nang, fonction.

General Directorate, tong-nha, direction generale.

General rapporteur, tong thuyet-trinh-vien, rapporteur general.

Glass Company, Cong-Ty Thuy-Tinh, Compagnie des Verreries.

Government corporation, hoi quoc-doanh, enterprise d'etat.

Government monopoly, cong-quan, regie.

Governor, thu-hien, gouverneur.

Grand Council of Economic and Financial Interests, Hoi-Dong Toi Cao Kinh-Te va Tai-Chanh, Grand Conseil des Interets Economiques et Financiers.

Handicraft Development Center, Trung-Tam Khuech-Truong Tieu-Cong-Nghe, Centre de Developement de l'Artisanat.

Imprest cash fund, quy quan-quan, caisse de regie.

Industrial Credit, Doanh-Te Cuoc, Office du Developement Industriel.

International Committee for Armistice Control Account, Chuong-Muc Uy-Hoi Quoc-Te Kiem-Soat Dinh-Chien, Compte pour les Depenses de la Comite Internationale de Controle de l'Armistice.

Interstate Properties and Wrecks Account, Chuong-Muc Tai-San Vo Thua-Ke va Xac Tau Vo Chu, Compte pour la Nationalisation des Proprietes sans Successeurs et des Epaves sans Maitres.

Joint Stock Company, cong-ty hon-hop, societe d'economie mixte.

Land Reform Account, Chuong-Muc Cai-Cach Dien-Dia, Compte pour la Reforme Agraire.

Local Personality, phap-ngan tu-cach, personnalite morale.

Liquidation, thanh-toan, liquidation.

Liquidator, thanh-toan-vien, liquidateur.

Low Cost Housing Office, Gia-Cu Liem-Gia Cuoc, Office du Logement a Bon Marche.

National Bank, Ngan-Hang Quoc-Gia, Banque Nationale.

National Orphanage, Co-Nhi Vien Quoc-Gia,Orphelinat national.

Nong-Son Coal Mine Corporation, Cong-Quan Khai-Thac Mo Nong-Son, Regie des Charbonnages du Nong-Son.

Notable, huong-chuc, notable.

Object, doi-tuong, objet.

Obligation, uoc-chi, engagement des depenses.

Obligation Control, kiem-soat uoc-chi, controle des depenses engagees.

Obligation statement, phieu uoc chi, fiche d'engagement.

Operating fund, quy luu-hanh, fonds de roulement.

Ordonnator, chuan-chi-vien, ordonnateur.

Organization, co-quan, organisation.

Paper Company, Cong-Ty Giay, Compagnie du Papier.

Pasteur Institute, Vien Pasteur, Institut Pasteurl

Petty cash fund, quy ung-truoc, caisse d'avance.

Provincial capital, tinh ly, chief leiu de province.

Public Accounting, ke toan cong, comptabilite publique.

Publication and Sale of Text Books Account, Chuong-Muc Su-Dung tien Ban Sach Bao, Compte pour la Publication et la Vente des Livres Scolaires.

Public enterprise, cong cuoc, establissement public.

Quasi expenditure, dai-chi, depense d'ordre.

Quotation, phieu khao gia, devis estimatif.

Rebels' Assets Confiscation Account, Chuong-Muc Cung-Thac Tai-San Phiem-Loan, Compte pour la Confiscation des Proprietes des Rebels.

Regie, cong-quan, regie.

Re-obligation Statement, phieu dieu chinh uoc-chi, fiche de re-engagement.

Retirement Fund Administration, Quy Huu-Bong, Direction de la Caisse de Retraite.

Retirement Fund Account, Chuong-muc Quy Huu-Bong, Compte de la Caisse de Retraite.

Retroactive payment, truy-nap, rappel.

Revolving fund, quy luan-chuyen, fonds de roulement.

Rice Stock Account, Chuong-Muc Kho Tru Gao, Compte pour le Stockage du Riz.

Saigon Bus Transportation Corporation, Quan Quan Chuyen-Cho Cong-Cong Do-Thanh, Regie Saigonnaise de Transport Routier.

Saigon Chamber of Commerce, Phong-Thuong-Mai Saigon, Chambre de Commerce de Saigon.

Saigon Port Authority, Thuong Cang Saigon, Port de Saigon.

Saigon Saving Bank, Kho Tiet-Kiem Saigon, Caisse de'Epargne de Saigon.

Salary class index, chi so luong, indice de solde.

Salt Stock Account, Chuong-Muc Kho Tru Muoi, Compte pour le Stockage du Sel.

Secondary ordonnator, pho chuan-chi vien, sous ordonnateur.

Section, doan, article.

Self liquidating, tu tuc, auto-financement.

Special fund, quy den, caisse noire.

Stakhanovite, anh-hung san-xuat, stakhanovite.

Sugar Company, Cong-Ty Duong, Compagnie du Sucre.

Summon with cost, doc-thuc huu-phi, sommation avec frais.

Summon without cost, doc-thuc vo-phi-sommation sans frais.

TeleVietnam, Vien-Thong Viet-Nam, TeleVietNam.

Title, muc, titre.

Treasurer General, Tong-Giam-Doc Ngan-Kho, Tresorier General.

Triangular franc procedure, phat lang tam giac, franc Triangulaire.

Unclaimed Property Account, Chuong-Muc Tai-San Khuyet Chu, Compte pour la Nationalisation des Proprietes sans Maitre.

Viet-Nam Airway, Hang-Khong Viet-Nam, Air Viet-Nam.

Viet-Nam Press, Viet-Nam Thong-Tan-Xa, Viet-Nam Presse.

Viet-Nam Railway, Hoa-Xa Viet-Nam, Chemin de Fer du Viet-Nam.

Vinh-Hao Medicinal Source Company, Cong-Ty Vinh-Hao, Compagnie des Eaux Minerales de Vinh-Hao.

Water Distribution Office, Quoc-Gia Cap-Thuy Cuoc, Office des Eaux.

APPENDIX II

The Vietnamese Warrant and its English Translation.

Explanatory Notes :

(1) The color of the warrant is orange; it is kept by the Treasury as a record. A copy of different color is delivered to the beneficiary and is used by him to cash money or to obtain a transfer if he has an account in the Treasury.

(2) Boxes are provided for the Ordonnator, the Obligation Controller, the Liquidator, and the Treasurer to sign their names and put their reference number on the warrant.

(3) Upon receipt of this warrant the Treasurer automatically debits the account of the spending agency and credits the "liquidated fund."

(4) The liquidated fund is debited when the beneficiary uses his copy of the warrant to receive cash or to obtain transfer.

(5) This two-step payment is to facilitate the accounting work of the Treasury in case the beneficiary delays in cashing his warrant.

(6) The end of the fiscal year mentioned in the Notification to the beneficiary is May 20. If the warrant belongs to the 1960 budget, the beneficiary can cash it

before May 20, 1961. Beyond that date the 1960 budget accounts are closed. The warrant has to be revalidated by the Treasurer. The chapter, title, and section mentioned in the warrant have to be changed, the expenditure has to be imputed to the 1961 budget under chapter "late expenditures." The warrant can be revalidated three times. After May 20, 1964, it becomes null and void.

Mẫu D I

VIỆT-NAM CỘNG-HÒA

NGÂN - SÁCH QUỐC - GIA

TÀI-KHÓA 1959

NGÂN-PHIẾU

TRẢ TIỀN MẶT
HAY
CHUYỂN NGÂN

NGÂN - KHỐ

CẢNH-BÁO. — Lịnh xuất ngân này có giá-trị trong 4 năm kể từ ngày khai niên khóa mà Ngân-Phiếu này được phát hành.

Nếu trái chủ không đến lãnh tiền trong thời gian đã định, ngân khoản này sẽ một mặt lực và đương nhiên sung vào quỹ Quốc-Gia.

Không có vụ phát tiền nào được thực hiện sau ngày kết thúc niên khóa và trong thời hạn 4 năm, nếu lịnh xuất ngân chưa được Ông Tổng Quản Khố Việt-Nam tài kiểm nhận.

Bộ .....

Nha .....

Người thụ-hưởng .....

Địa-chỉ .....

Lưu-khoản số ..... tại .....

Tài khóa nguyên thủy				
cơ năng	mục	chương	điều	cơ quan

Ông Tổng-Quản-Khố Việt-Nam được phép trả tiền hoặc chuyển ngân số bạc dưới đây :

CHỨNG TỪ ĐÍNH KÈM	LOẠI CHI PHÍ	SỐ TIỀN PHẢI TRẢ
	Tổng số chuẩn-chi	
	— Số tiền khấu trừ theo lệnh chuẩn-chi-viên	
	— Số tiền khấu-trừ theo lệnh Ngân-khố	
	—	
	— Sai áp	
	Số tiền còn phải trả :	

Đã xét kiểm-nhận, Tổng Quản Khố Việt-Nam.

Ông Quản-Khố ký tên dưới đây thực đã xuất phí số tiền ngân-này và đã nhập ngân-phiếu theo số .....

hôm nay vào «xuất phí mục kiểm của Ngân-sách Quốc-Gia» đó.

Saigon, ngày ..... 196..

Tổng Quản-Khố Việt-Nam,

THANH TOÁN

Số : .....

Ngày : .....

ƯỚC - CHI

Số	Ngày

CHUẨN - CHI

Số : .....

Ngày : .....

Quỹ .....

Tỉnh hay .....

Quân-khu .....

Nhận thực và kết-toán lệnh phát-ngân này nguyên số tiền là :

.....

.....

..... , ngày ..... tháng ..... năm 195....

Thanh-toán-viên .....

KIỂM NHẬN

..... , ngày ..... tháng ..... năm 195....

Kiểm soát Ước-chi .....

Chuẩn-chi viên ký tên sau đây yêu-cầu Ông Tổng-Quản-Khố Việt-Nam trả hay chuyển-ngân số tiền kể trên. Số tiền này sẽ được chấp-nhận vào kế toán chi-tiêu sau khi đính kèm lệnh xuất-ngân này với đủ chữ ký nhận.

..... , ngày ..... tháng ..... năm 195....

Chuẩn-chi-viên .....

No. D1 Fiscal Year 1959

REPUBLIC OF VIET-NAM
NATIONAL BUDGET

W A R R A N T Cash Transfer Treasury

NOTIFICATION: This warrant is valid for four years from the beginning of the fiscal year to which it belongs.

If the beneficiary fails to liquidate it within the above mentioned period, it will become null and void.

No disbursement is made after the end of the fiscal year if the warrant is not re-validated by the Treasurer.

Department of .....
Directorate of .....

Beneficiary .....
.....
Address .....
.....
Account No.....
at .....

Function	Title	Chapter	Section	Service

THE GENERAL TREASURER IS AUTHORIZED TO DISBURSE OR TRANSFER THE FOLLOWING SUM

Accompanying Documents	Object of the Expenditure	Amount

Total.....
Amount deducted by the Ordonnator .....
Amount deducted by the Treasurer .....

Contra-validation .....

Amount to be paid .....

Visa
Treasurer:

Liquidated
No.....
Date.....

Obligated
No : Date
:
:

I hereby certify that the amount of this warrant is .....
.....
Date .....
Liquidator.....

Visa
Date.....
Obligation Controller .....

The above mentioned amount has been transferred from the General Fund to the Liquidated Fund under No.
.....
Fiscal Year....
Date.....
Treasurer

Authorized
No.....
Date.....
Fund.....
Province....
Region.....

The General Treasurer of Viet-Nam is requested to pay or transfer the above specified amount according to laws and regulations.
Date.....
Ordonnator.....