



UNITED STATES

GENERAL

ACCOUNTING OFFICE



REPORT TO
THE CONGRESS OF THE UNITED STATES

REVIEW OF
CERTAIN PROBLEMS RELATING TO ADMINISTRATION
OF THE
ECONOMIC AND TECHNICAL ASSISTANCE PROGRAM
FOR VIET NAM
1958 - 1962

AGENCY FOR INTERNATIONAL DEVELOPMENT
DEPARTMENT OF STATE



BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES

JULY 1964



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-133001

JUL 24 1964

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

This report concerns primarily the administration of selected special counterinsurgency activities of the economic assistance program for Viet Nam and certain problems relating to policies and practices of the Government of the Republic of Viet Nam during the period 1958 to 1962 that directly affected or impeded the administration of the program and the attainment of its objectives. Other phases of the program for Viet Nam included in our review for that period will be presented in separate reports now being prepared.

The administration of the economic and technical assistance program for Viet Nam has been complicated, and the attainment of its objectives has been impeded by certain policies and practices of the Government of Viet Nam. At the time of our review, the Government of Viet Nam had not taken means necessary to assure that it would obtain a reasonable share of the country's financial resources in order to better support its economic development and counterinsurgency activities, nor had it used its financial resources at hand to benefit these activities to the maximum particularly in such matters as the continuation of an unrealistic exchange rate and a seriously defective tax system and the imprudent use of its foreign exchange for luxury goods.

The inability or unwillingness of the Government of Viet Nam to take substantive steps to remedy these defects in its economic and financial policies has had the effect of obstructing achievement of the objectives of the aid program.

The Agency for International Development has informed us that its latitude in dealing decisively with these problems was limited by the overriding policy of the United States to support the Government of Viet Nam against Communist insurgency. The Agency has informed us also that it has sought to accomplish reforms within the recipient country which would overcome these problems.

In view of the subsequent changes in the Government of Viet Nam as a result of the coups which overturned the existing governments in

November 1963 and January 1964 and of the current reevaluations of the administration of the Viet Nam program which we understand are being undertaken by the Agency, we are making no recommendations.

Our review of certain measures embodied in a special counterinsurgency plan sponsored by United States authorities in January 1961 to assist the Republic of Viet Nam in overcoming intensified Viet Cong activities showed that they were subjected to extended unnecessary delays despite the fact that (1) the measures had been assigned the highest priority within the economic program and (2) the critical security conditions at the time, particularly in the rural areas, were considered to demand immediate and extraordinary action. For example, prolonged delays occurred in providing low-cost radio receivers as means for the villages to receive communications from the United States-financed radio network; in purchasing and installing electrical generating equipment needed for use in small cities, towns, and rural areas; and in drilling wells urgently needed to provide potable water in the rural areas.

After adopting a high-priority counterinsurgency plan, the timely execution of which was considered essential, the Agency failed to assign program responsibilities, develop program priorities, or to monitor program implementation in an effective manner. We believe that these failures reflect serious weaknesses in the management machinery of the Mission and the Agency.

The Agency informed us that it agreed that there were delays, some of them serious, in the execution of programs relating to counterinsurgency in the period under review. The Agency also stated that there were substantial achievements. We have been informed that subsequent measures were taken, including the provision of new and additional senior personnel in Washington and Saigon, the delegation of unprecedented procurement and contracting authority to the Agency's mission in Saigon, and the installation of an entirely new logistical system modeled along military lines.

The effectiveness of these actions will depend on the manner in which they are carried out. However, we are concerned with whether local actions, such as the addition of new personnel or the delegation of

program authority, go to the root of the problem. We believe that, before basic improvements can be assured, it will be necessary to have (1) a more responsive management system and (2) a better means for measuring progress toward planned objectives during their implementation. From our review, we believe that there has been a tendency to lose sight of these basic elements of sound management in these programs. Unless these basic elements are provided, we believe that there is a reasonable doubt that the Agency can expect any significant improvement in the responsiveness to purpose or in the manner in which its plans are carried out.

We are recommending that the Secretary of State and the Administrator, Agency for International Development, (1) evaluate the basic management concepts and methods being applied in the administration of the economic and technical assistance program for Viet Nam and (2) take necessary action to assure that there is in existence a management capability and the necessary machinery to carry out policy decisions in accordance with the degree of urgency assigned to them.

Copies of this report are being sent to the President of the United States; the Secretary of State; and the Administrator, Agency for International Development.



Comptroller General
of the United States

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REPORT ON REVIEW OF
CERTAIN PROBLEMS RELATING TO ADMINISTRATION
OF THE ECONOMIC AND TECHNICAL ASSISTANCE PROGRAM
FOR VIET NAM
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INTRODUCTION

The General Accounting Office has reviewed selected activities of the economic and technical assistance program for the Republic of Viet Nam, as administered by the Agency for International Development (AID)¹ and its predecessor agencies during fiscal years 1958 through 1962. This review was made as a part of our continuous review of foreign aid activities, pursuant to the responsibility and authority vested in the Comptroller General by the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

This report deals primarily with the administration of the selected special counterinsurgency activities in Viet Nam during fiscal year 1962 and with certain problems relating to policies and practices of the Government of the Republic of Viet Nam (GVN) at that time that have directly affected or impeded the administration of the economic and technical assistance program and the attainment of United States objectives for assistance in Viet Nam. Other phases of the economic and technical assistance program in Viet Nam will be considered in separate reports now being prepared.

¹AID is used throughout this report to identify the present and predecessor agency which administered the program during the period covered by our examination.

Our review was made at the Agency's operations mission in Viet Nam (referred to in this report as the "Mission") and at the Agency's Washington office. The scope of this examination is further described on page 55.

We previously made an examination of the subject program for the fiscal years 1955 through 1957, and a report thereon was issued to the Congress on May 22, 1958 (B-133001).

The General Accounting Office also issued a separate report concerning the responsibilities of the Department of Defense for the military assistance program for Viet Nam.¹

The officials primarily responsible for administration of the economic and technical assistance program for Viet Nam are shown in the appendix to this report. (See p. 59.)

DESCRIPTION OF AID PROGRAM

The United States provided financial assistance to Viet Nam under a variety of programs prior to the start of the current program which began in fiscal year 1955. These programs and the manner in which they were administered were described in our prior report.

Beginning in fiscal year 1955, following termination of the Indo-China war between France and the Communist-led Viet Minh-- which resulted in the partition of Viet Nam, the subsequent flight of refugees from Communist-controlled North Viet Nam, and the complete political independence by the former associated states of Indo-China--the United States undertook to provide under the

¹See audit report to the Congress on review of the military assistance program for Viet Nam (B-133096) dated November 26, 1958 (classified "Secret").

administration of the International Corporation Administration (ICA) and its successor, the Agency for International Development, individual programs of economic assistance directly to each of the former associated states of Viet Nam, Cambodia, and Laos, rather than one program of assistance for all three states, as had been the case theretofore.

The assistance program in Viet Nam during fiscal years 1955 through 1957 (covered by our prior report) was designed to serve three principal purposes: (1) to support the defense budget of Viet Nam, (2) to finance the evacuation and resettlement of refugees from the northern areas of the country coming under communist control, and (3) to promote economic and technical development. The program for evacuation and resettlement of the refugees was substantially completed by the end of fiscal year 1957.

For the 1958-62 period, the program's objectives continued to include the maintenance of economic stability while strengthening Viet Nam's defense posture and the promotion of economic and technical development and political stability by helping to improve basic public facilities and by expanding essential public services. Beginning about 1960, the increasing tempo of insurrection by the Communist Viet Cong against the Republic of Viet Nam gave added urgency to several facets of the assistance program, leading to an increasing need for piasters (local currency) to support the augmented military effort and for other counterinsurgency activities and causing a reorientation of the project (or public) sector of the aid program so that emphasis was placed on those activities designed to win the loyalty of the rural population, which was the special target of the Viet Cong. The types of aid during the 1958-62 period consisted of financing commercial import of commodities for the Vietnamese economy and financing of commodities and

technical services for development projects which after 1960 were directed primarily to counterinsurgency. Piasters derived from the commercial import program continued to be used for support of the military budget and of the local costs of development projects and counterinsurgency activities.

Between fiscal years 1955 through 1962, AID obligated \$1,550 million for the economic and technical assistance program in Viet Nam. In addition, sales and donations of surplus agricultural commodities under Public Law 480 totaling about \$120 million were authorized. Piaster proceeds from the sales were used for further support of Viet Nam's military budget and to pay certain United States expenses in Viet Nam. The Development Loan Fund (now a part of AID) made loans to Viet Nam, totaling \$39.9 million, primarily for expansion of the water and electric systems of the city of Saigon and for railroad rolling stock and facilities.

BACKGROUND OF THE COUNTERINSURGENCY PLAN

After the conclusion of the Indo-China war between France and the Communist-led Viet Minh in 1954, Communist remnants remaining in South Viet Nam, known as the Viet Cong, continued relatively minor insurrection activities against the Republic of Viet Nam (South Viet Nam). Beginning in 1959, these activities were progressively intensified and subsequently became a serious threat to the existence of the Republic.

In January 1961, United States officials developed an overall counterinsurgency plan for combating communist activities in Viet Nam. This plan encompassed efforts in all fields--military, economic, social, and psychological. In the economic field, the plan designated many of the existing long-range projects as having particular relevance to the insurgency situation and called for intensified and expanded efforts to accelerate their execution. The

principal objectives of these projects were to improve economic conditions and promote public welfare in distressed, unstable, or insecure areas. According to the plan, the attainment of these objectives would increase the capacity of the nation to reduce Viet Cong pressure or influence on civil life and public activity. They were considered the "grass-root" projects which directly affected the rural populace, and their implementation would have immediate impact in improving the contacts and relationships between the government and the people of the country.

In the summer of 1961, a joint Viet Nam and United States Special Financial Group, under the cochairmanship of Eugene Staley for the United States and Vu Quc Thuc for Viet Nam, was formed to explore the economic and financial implications of a plan of action in which the two governments could cooperate in meeting the emergency situation created by the accelerated communist campaign of subversion and creeping aggression. This group pointed out that the immediate problem was the restoration of internal security in the face of widespread, externally aided Communist guerilla warfare and subversion and that, while stepped-up military and policing action was required to meet this problem, the solution also demanded stepped-up economic and social action especially in rural areas, closely integrated with military action. The group recommended an intensified program to rapidly implement the economic and social program to strengthen popular support and help to instill a sense of confidence in ultimate victory.

General Maxwell Taylor's mission to Viet Nam in October 1961, as personal representative of the President, concluded that the economic aid program for Viet Nam could and should be used to support the counterinsurgency effort. Among other things, this mission recommended that special efforts be made to expedite those

projects which would be particularly useful in the short run and which would have immediate impact on the people, including village communications, radio broadcasting, village radio receiving sets, etc.

In March 1962, AID/Washington established priorities for projects in Viet Nam and a system to accord these projects speedy clearances by the Washington office. These priorities were intended as operational expedients to give the best possible support for those AID activities most important to immediate counterinsurgency and short-range security objectives in accordance with United States policy. The highest priority projects were in general the same as those recommended for stepped-up action 14 months earlier in the January 1961 counterinsurgency plan and in the reports by both the Staley Group and the General Taylor's mission.

In July 1962, AID, recognizing that its traditional project procedures were not suited to the rapid implementation of activities required for the war against the Viet Cong, instituted an action plan procedure for activities designated as counterinsurgency and as war infrastructure. Under the action plan procedure, procurement of needed equipment was to be done directly by United States Government agencies, while the local currency required for these action plans was exempted from the more binding Vietnamese fiscal controls. Action plans designated as counterinsurgency are those which make the greatest and most immediate impact on the rural populace, while war infrastructure actions support military and economic counterinsurgency activities and have relatively minor impact on the rural people. Certain standard AID projects were modified to fit into the counterinsurgency program, and other projects for long-range economic and social development not directly related to the counterinsurgency effort were continued on a reduced scale.

All the counterinsurgency measures discussed herein were included in the newly designated counterinsurgency action plans.

PROBLEMS ATTRIBUTABLE TO
CERTAIN POLICIES AND PRACTICES OF THE RECIPIENT GOVERNMENT

The administration of the economic and technical assistance program for Viet Nam has been complicated, and the attainment of United States objectives in Viet Nam has been impeded by certain policies and practices of the Government of Viet Nam. The problems and obstacles that have arisen in administering the aid program because of these policies and practices are discussed below.

An AID outline prepared in September 1963 for discussion at an interagency review of the economic aid program for Viet Nam expressed the general recognition that the GVN had a greater capacity and potential for closing its budget gap and otherwise dampening demand than it had thus far demonstrated. The outline noted that to realize this capacity and potential would require major changes in policy with respect to tax collections, import restrictions, export promotion, and general economic discipline during the war years. The outline further stated that an increased effort by the United States was required to insure that the GVN undertook economic and social reforms as a part of its war effort and that a means should be devised for conditioning the aid level on GVN performance in this regard.

This section of the report discusses (1) the unrealistic exchange rate used in Viet Nam, (2) an archaic tax structure and inefficient tax administration, (3) the imprudent use by the recipient country of its own foreign exchange resources, (4) the refusal or reluctance by the GVN to make available to the responsible United States agencies fiscal data essential in determining levels of aid, and (5) the failure to develop local fertilizer deposits.

UNREALISTIC EXCHANGE RATE

The unrealistic exchange rate which prevailed in Viet Nam from 1955 until 1962 was a major factor in the shortage of local currency that had existed to finance the military-economic programs and more recently to finance counterinsurgency efforts. In addition, because goods could be brought into Viet Nam at low prices, based on the artificial exchange rate, consumable goods were imported on a scale disproportionate to the state of the Viet Nam economy particularly in the face of a war condition and a higher level of United States aid to support the GVN budget was required. The de facto devaluation which occurred in January 1962, some 5 years after the GVN had agreed to begin discussions on this matter, still did not fix the value of the piaster in proper relation to the United States dollar. Mission records indicate that the fear that the United States might reduce its aid program if the piaster was devalued was one of the principal reasons for the GVN's refusal to devalue the piaster in the past.

The principal means by which AID has generated piasters were by (1) making cash grants in the early years and (2) financing commodity imports through procurement authorizations (PA's). Until January 1962, the dollars made available to GVN by cash grants and PA's were used to finance commodity imports for which Vietnamese importers paid piasters equivalent to the dollar cost of their imports at the following rates: (1) the official exchange rate of 35 piasters per dollar and (2) certain import taxes and custom duties applied by the GVN, which varied depending on the commodity imported. The rate of 35 piasters per dollar was originally established by a Franco-Vietnamese monetary arrangement in 1953 and was accepted by AID as the basis for counterpart generation at the start of the expanded AID program in fiscal year 1955.

Until January 1962, taxes and custom duties on imports financed by PA's generally averaged about 17 piasters per dollar and thus the effective exchange rate on AID-financed imports averaged about 52 piasters per dollar, whereas for imports financed by cash grant dollars, GVN's own foreign exchange, and Japanese reparations the effective rate of piaster generation averaged from 85 to 90 piasters per dollar. Until January 1962, agreements between the two governments provided for deposit in the United States-controlled counterpart account of (1) 35 piasters for each dollar of PA funds utilized and for each dollar of cash grants and (2) an average of about 8 piasters for custom duties (but not other import taxes) on all imports financed by PA's. The other import taxes were not deposited in the counterpart account but became part of the general revenues of the GVN. In addition to the varying rates on commodity imports, GVN maintained a limited access market (used for invisible exchange transactions, tourists' expenses, etc.) at a rate of about 73 piasters per dollar. Taking into account the varying import taxes, the varying rates of tax, and the limited access rate, Viet Nam had, in effect, a multiple exchange rate system.

Effective in January 1962, in accordance with the economic reforms, existing import taxes were repealed and a new tax (economic development and national defense tax) of 25 piasters per dollar was levied on imports, in addition to the basic exchange rate of 35 piasters to the dollar. Also, other taxes on various types of imports, such as austerity taxes, were levied and rates of customs duties were revised. The basic rate of 35 to 1 was left unchanged, and the multiple rate system continued. These changes increased the effective exchange rate on AID-financed imports to about 74 piasters per dollar and on GVN-financed imports to about 99 piasters

per dollar. Of the average of 74 piasters, 60 piasters were deposited in the United States-controlled counterpart account and 14 piasters were retained by the GVN as budgetary revenues.

For many years prior to the January 1962 rate revision, AID officials recognized that the rate used to convert dollar aid funds into piasters was unrealistically low and resulted in a higher level of United States aid than might otherwise be required, in addition to other adverse effects on the Viet Nam economy. Furthermore the artificially low exchange rate did not provide a sound climate for economic development.

The need for piaster devaluation was recognized by AID as early as 1956 and thereafter by other observers. In our previous report issued in May 1958, we called attention to the fact that the overvaluation of the piaster increased the cost of United States aid and had other undesirable effects. The AID evaluation report on the Viet Nam program issued in August 1957 stated that benefits to the program might be expected if the piaster were devalued, including increased investment in the country's rubber plantations, its principal export and foreign exchange earner. The Mission early in the program noted that the artificially low exchange rate put a premium on consumption, discouraged exports, required extensive and costly GVN administrative controls, but did not provide a sound business climate. A report by the Special Senate Committee to Study the Foreign AID Program, and a report by the Honorable Allen J. Ellender, United States Senator, on overseas operations of the United States Government, both dated March 1957, called attention to unnecessary United States costs because of the exchange rate problem. The International Monetary Fund (IMF) had urged exchange rate reforms for years; in July 1961, it recommended

a piaster devaluation and discounted the GVN's reasons for failure to do so.

The position of the Department of State for at least part of the period, as expressed in testimony to the Senate Committee on Foreign Relations in regard to the Mutual Security Act of 1958 (pp. 347-348), was that the establishment of exchange rates was a sovereign prerogative of a government and any external pressure (by the United States) to modify an exchange rate could be construed as unwarranted interference in that country's internal affairs and would redound to the disadvantage of the United States. Although this view was expressed by the Department in March 1958, AID records showed that in May 1957 there was a high-level GVN agreement with the United States that discussions leading to a rate readjustment would soon be undertaken. However, this course was not actively pursued. In June 1960, the Department of State instructed the Ambassador to strongly urge the GVN to take advantage of the occasion of the annual IMF consultations in S i gon to initiate steps toward early exchange reform and to express the United States view that such a move would be in the interest of the GVN inasmuch as GVN expressed interest in stimulating economic development and reducing its dependence on United States grant assistance. Except for this instance, the Mission's records indicated that, while there were low-key discussions from time to time, responsible American officials would not seriously press the GVN to take the required steps but instead relied on the GVN to increase the effective rate of exchange of its own accord. Mission officials transmitted to the GVN studies showing the possible effects of devaluation and the additional piaster revenues which might accrue.

According to Mission records, responsible Vietnamese officials early accepted the necessity for exchange reform in order to

resolve GVN's budgetary problems and assist in sound economic advancement; however, the President of Viet Nam refused to consider such a step. Finally, in January 1962, in response to representations by United States officials for piaster devaluation, the GVN agreed to a readjustment of the taxes applicable to all imports (both AID-financed and those financed with GVN foreign exchange) but not to a change in the basic exchange rate. Although the official exchange rate was left unchanged, the tax revision increased the effective rate of generation on AID-financed imports from about 52 piasters per dollar to about 74 piasters per dollar while the effective rate of generation on GVN imports was expected to average about 99 piasters per dollar. The difference between the 74 and 99 piasters represents largely austerity and other taxes and high customs duties on luxury and semiluxury items which are among the items imported with GVN foreign exchange.

Despite the increases in the rate of generation, fiscal forecasts of the GVN made in April 1962 concluded that piaster revenues accruing to the GVN would still be substantially below requirements and, consequently, it was suggested by the Mission that some projects be reduced in scope in line with actual piaster availabilities.

Although the tax revisions instituted in January 1962 increased the cost of imports to the importer and the generation of counterpart funds, they left the basic rate structure unchanged with the result that the unsound and complicated system of a basic exchange rate, intertwined with a series of varying taxes, has continued as a burdensome drag on the country's progress toward economic development. In addition, the average effective rate of 74 piasters per dollar on AID-financed commodities is lower than

the rate which AID and other economic authorities believe is necessary to place the piaster in reasonable value relation to the dollar.

Since the revisions in January 1962 merely adjusted the various taxes on imports, it may be said that in theory Viet Nam has a unitary exchange rate of 35 piasters to the dollar. However, this rate is so manifestly unrealistic as to be meaningless. As it relates to commodity imports, the system is actually a combination of a pegged rate (35 to 1) supplemented by a series of taxes at varying rates on individual types of commodities, resulting in a different effective rate for each type of commodity. The system is similar in reverse for exports in that the GVN pays a subsidy to the exporter over and beyond the pegged rate, computed at varying rates for the different types of commodities exported. Transactions relating to tourism and diplomatic exchange were being consummated at 73.5 piasters to the dollar.

The absence of a uniform exchange rate for all transactions involving foreign exchange, undisguised by various types and rates of taxes, is in itself indicative of a fundamental weakness in the Viet Nam foreign exchange structure since it reflects uncertainty as to the real value of the piaster in relation to other currencies and tends to depress internal and external confidence in the economic stability of the country. For many years the International Monetary Fund has encouraged the fixing of a unitary exchange rate as a major key to economic growth and solidarity.

With respect to the effective rate of about 74 piasters on AID-financed commodity imports, evidence in the records of AID indicates that this rate was still not adequate. AID/Washington stated in September 1961, regarding the reforms scheduled for January 1962, that, although it was reconciled to the GVN-proposed

action as the best it could hope for at that time, this action fell far short of the self-help measures which the GVN was capable of taking and the average yield on AID-financed imports should exceed 74 piasters per dollar. Prior to the January 1962 revision, a special study by an AID economist stated that a rate of 80 piasters per dollar would not have significantly harmful effects on the Viet Nam economy. A United States Treasury economist indicated in August 1962 that the effective rate was still too low but recommended against further revision at that time because of political considerations. Subsequent to the January 1962 revisions, a responsible officer of AID/Washington expressed the opinion that the revisions fell far short of remedying the overvaluation of the piaster. In the face of the chronic shortage of local currency, the continued inadequacy of the effective exchange rate on AID-financed commodity imports assumes important significance not only as it relates to the economic fortunes of Viet Nam but as it affects the level of United States aid.

As previously noted, only 60 of the 74 piasters had been deposited in the counterpart account; the other 14 piasters had been retained by GVN as general revenues. Prior to the January 1962 revisions, 43 piasters of the average of 52 piasters per dollar generated had been deposited in the counterpart account. AID had expressed dissatisfaction with this ratio of piasters deposited to those generated although the ratio was slightly higher than that represented by the 60 and 74 ratio. Apropos of this latter ratio, AID/Washington in commenting on the proposed revisions stated that political advantage would accrue to the GVN if part of the aid-generated piasters were shown as government receipts. The importance of the distinction between piasters deposited in the counterpart account and those retained by the GVN as general revenues is

that utilization of counterpart funds is subject to approval by AID, thus providing a measure of control as to the purposes for which such funds may be expended.

The Agency has informed us that it would be desirable for the GVN to work toward a unitary exchange rate but that the executive branch does not consider the present system to be a sufficiently important impediment to the advancement of United States objectives in Viet Nam to merit priority over other issues requiring negotiation. The Agency stated that the executive branch does not believe that a modification of the exchange rate is a prime requirement at the present time. Regarding the deposit of taxes not now deposited in the counterpart account, the Agency asserts that the counterpart mechanism is of limited usefulness as a device for influencing the recipient country's economic policies or budget allocations and that such advantage as the control of additional local currency may have would be more than offset by the political problems that would be created. It points out that in any event these taxes go to support the same budget to which counterpart is applied.

DEFECTIVE TAX SYSTEM

The tax system in Viet Nam has suffered from serious shortcomings in structure, administration, and personnel, and by reason thereof tax revenues needed to further economic development and to finance the activities against the Communist insurgency have been substantially less than were required. The considerable available piaster purchasing power resulting from these tax deficiencies created a high demand for unnecessary consumer goods the satisfaction of which was fostered during the years prior to fiscal year 1960 when the aid program was directed primarily to generating local currency. This demand continued thereafter when the aid program was related mainly to meeting commodity requirements and exerted heavy pressures upon GVN foreign exchange and in turn upon outside assistance. As a consequence, United States aid continued throughout the period of our examination at higher levels than should have been necessary. Repeated efforts by the Mission and by various study groups to convince the GVN of the need for tax reform had little success and suggest that the GVN relied instead on continued United States aid to provide the required local currency support as a means of avoiding necessary tax increases. American tax advisors have stated that tax administration in Viet Nam has been weaker than that of other Asian countries and that GVN tax revenues have been proportionately lower than in most southeast Asian countries.

The greater part of GVN revenues was produced by indirect taxes (e.g., commodity taxes) and to a lesser degree from direct taxes (e.g., income and property taxes). It was recognized that the Vietnamese tax structure and administration for both direct and indirect taxes were badly in need of a complete overhaul.

At the time of our review, one quarter of the properties in the Saigon-Cholon area were not on the tax roll and only about 50 percent of the property taxes actually assessed were collected. The income tax base was so narrow that only about 15,000 individuals paid taxes on wages and salaries, roughly 80 percent of whom received their salaries from the government; in brief, effective income taxation was restricted largely to corporations and government employees. Mission records indicated that the large Chinese business community in Cholon paid little or no taxes; however, when a top official of the Directorate of Taxation was questioned on this point, his only explanation was that the tax collectors did not understand the records.

Tax administration was considerably hampered by a lack of enforcement personnel. For example, it was cited that there were only 15 income tax controllers for a population of 13 million whereas the Federation of Malaya had 89 for a population of 6.5 million. This condition was compounded by poor utilization of the small force employed. Although the weak administration and unsound collection structure were acknowledged, the GVN resisted for an extended period Mission efforts to recruit a tax policy advisor. Also, despite the grave GVN revenue shortage, the budget for operating the Directorate of Taxation was lower in 1959 than in 1958, lower in 1960 than in 1959, and still lower in 1961. One of the American tax advisors reported a lack of coordination and cooperation among the GVN bureaus administering various taxes. The Mission informed us that differences of attitudes by the Vietnamese tax officials, poor morale among Vietnamese government employees, and lack of support for tax officials by the Office of the President which had not indicated much interest in fundamental tax reform, had been catastrophic when applied to the field of tax collections.

As late as 1959, the top official of the Directorate of Taxation indicated his unwillingness to sponsor or even assist in promoting new tax legislation. Moreover, tax legislation that was approved from 1961 through the early part of 1962 does not appear to have been aimed at the basic problems highlighted in the survey reports. The legislation consisted primarily of increasing the rates for indirect taxes on certain commodities which American tax specialists considered the least desirable approach to fundamental tax reform, although recognized by one of the specialists as a necessary short-term expedient. Nevertheless, it was indicated that because of these rate changes there had been a sizable increase in collections, though still far short of potential tax revenues and current requirements.

AID financed several studies of the Vietnamese tax system, particularly a detailed review conducted in 1959 and 1960, from which a number of reports were issued on various types of taxes. These reports contained specific recommendations for tax reform plans for both short-term and long-term improvement. The short-term plan was designed primarily to boost tax revenues immediately by increasing certain rates, lowering or removing exemptions and deductions, raising assessments, adopting current installment collection procedures, etc. The long-term plan provided for revision of tax laws and codes, fundamental revision of excise and indirect taxes, augmentation of enforcement personnel, etc. However, little action resulted from these studies.

The Mission informed us that GVN compensated in part for its inadequate tax revenues by permitting the importation with Vietnamese foreign exchange of luxury goods upon which it levied punitive tax rates. However, studies of the Vietnamese tax system made under an AID-financed contract indicate that the effect of such import taxes

was weakened by imbalances and inequities in excise taxes. The contractor reported in July 1960 that excise taxes on perfume imports ranged from over 35 percent of retail prices on the lowest priced brands down to slightly less than 10 percent on the most expensive brand. The study also reported that, in the case of kerosene which is used almost entirely by low-income groups in rural areas for illumination, the total tax burden was over 40 percent of the retail price, while on the other hand, alcoholic beverages, traditionally considered a luxury, were relatively undertaxed as compared with the tax rate for these products in other countries. Also, the report stated that there appeared to be no rationale in failing to levy an excise tax on most imported wine while imposing this tax on imported beer. A paper furnished us by the Mission financial advisor in December 1961 relating to changes in excise taxes subsequent to the above studies showed that no changes had been made in the excise taxes on the aforesaid commodities.

AID financed Viet Nam's gasoline imports from 1955 until August 1960. The relatively low retail price at which this gasoline was sold encouraged nonessential use; during the above period, gasoline imports increased by more than 50 percent over 1954. Retail gasoline prices in Viet Nam were substantially lower than prices in countries such as Japan, Taiwan, and the Philippines. In April 1960, the Mission reported that petroleum product consumption in Viet Nam was increasing at a nonaustere rate, in part, because taxes were too low. A paper prepared by the Mission in April 1961, concerning methods by which GVN could finance its budgetary requirements, suggested that tax rates on gasoline be raised as one method of increasing revenues, that petroleum prices were not in keeping with an austere approach, and that past price increases were not sufficient to discourage consumption.

In fiscal year 1961, the GVN financed gasoline and other petroleum product imports from its own foreign exchange and thereupon levied significantly higher taxes on these commodities. We estimate that, if these higher taxes had been applied to imports during the 1955-60 period, additional CVN revenues, totaling 2.7 billion piasters, would have been realized. Even after these tax increases, the retail price was still below that of the countries specified above. In fiscal year 1962, AID resumed financing of gasoline imports. Although the Mission informed us that gasoline taxes had increased sharply between 1955 and 1961 and inferred that because of this no further increases in gasoline taxes were warranted, we noted that a review of the Viet Nam fiscal situation made in August 1962 by a United States Treasury economist suggested that taxes on gasoline should be further increased.

In 1960, the GVN obtained the services of an American team of experts who made a survey of the Vietnamese fiscal situation. A preliminary report was issued in January 1961 with recommendations concerning the criteria to be followed for fiscal reform. The report concluded that:

1. Additional tax revenues were needed to avoid the creation of further inflationary potential.
2. Tax revenues of Viet Nam were lower than in most southeast Asian countries, relative to the aggregate product which suggests the existence of a margin of unexploited taxable capacity.
3. The revenues collected from internal taxes were seriously limited by inadequate administration.
4. Collections from existing taxes were also impaired by extensive deductions and exemptions which restricted the tax base. Income taxation, the internal production tax, and the property tax yielded less revenue than might be

reasonably expected because of excessive exclusions from the bases of these levies.

5. Although some additional revenues could be secured by selective increases in tax rates, this approach to solution of the revenue problem was less promising than improved administration and/or extension of the base of present taxes.

The recommendations contained in the report were similar to the ones contained in the earlier reports.

According to the Mission, it was expected that the work of this group would result in the introduction of needed tax reform measures in the field of tax policy. However; the Mission informed us that, with the resignation of the Vietnamese Director General of Budget and Foreign Aid, the GVN did not appear to be as concerned with the revision of tax policy as it had been. The Mission also stated in April 1962 that the GVN would not substantially improve the tax system because of differences among those higher in authority and possibly because of political implications but that nevertheless there had been recent improvement in tax administration and expressed its belief that improvement in that field would continue.

The Mission reported to us in December 1962 that the GVN had made considerable progress in the previous few months; that various measures, in the form of revised tax bases, increased tax rates, registration of all property in the Saigon-Cholon prefecture, and personnel training, had been instituted; and that these measures had already yielded considerably increased revenues and were expected to be more productive with fuller implementation of actions taken and initiation of plans under way. The Mission also indicated that the current attitude of the GVN was positive and that the top official of the Directorate of Taxation who took over in 1960 was sincere in his efforts to improve the tax system.

IMPRUDENT USE OF FOREIGN EXCHANGE FOR LUXURY GOODS

The Government of Viet Nam permitted the use of its own foreign exchange to import luxury and other nonessential goods. As a result, United States aid financed more essential imports which could have been financed by the GVN had it been more austere in the use of its own foreign exchange. AID officials have also recognized that the importation of luxury goods, mostly to meet the consumption demands of the wealthier Vietnamese, further widened the gap between the cities and the rural countryside and ran counter to the efforts being made to achieve increased adherence and loyalty on the part of the villagers to the GVN by narrowing such differences. We found no evidence that the Mission endeavoured to discuss the imprudent utilization of GVN foreign exchange with the GVN or was seriously concerned with its use.

Beginning in fiscal year 1960, the annual level of United States assistance to the Commercial Import Program (CIP) was determined on the basis of estimates by the GVN (received and approved by AID) of the total commercial imports required to maintain the Vietnamese economy. The two principal sources of financing were the dollars provided by AID and Viet Nam's own foreign exchange earnings. Since the total commercial import program is a single, integral unit, imprudent utilization of Viet Nam's foreign exchange results in the United States' carrying a greater portion of the program than it should. The importation of nonessential items with Viet Nam's foreign exchange was made possible, in a real sense, by the United States' financing of essential imported commodities. This situation was recognized in the report of the Special Financial Group which recommended that the CIP be viewed as an integral unit. When the Mission recognized that the importation of certain

commodities included in the United States segment of the CIP was questionable, it merely transferred funding responsibility for these items to GVN rather than undertaking discussions with GVN regarding import restrictions on such commodities.

AID acknowledged that the high level of past aid, aimed at generating local currency, inflated consumption levels and habits which could not be changed overnight without serious internal political effects. Thus, we found that prior to January 1958 such items as passenger automobiles, electric household appliances, air conditioners for other industrial use, and automobile accessories were eligible for AID financing. With the subsequent imposition of import restrictions on the use of AID funds for these commodities, GVN used its own foreign exchange to import them.

Our review of GVN import financing since 1960 showed that this situation had continued. More than 1,000 passenger cars were imported in 1960 and again in 1961. Both the Mission and AID/Washington acknowledged that passenger automobiles were luxuries which should not be financed by the United States under the CIP and that their continued importation by the GVN not only failed to contribute to the war effort but further accentuated the disparity between the low living standard in the countryside and the relative opulence in the cities. While GVN foreign exchange was being used to finance the importation of passenger cars, AID was meeting the country's more essential transportation requirements by providing funds for the importation of busses, trucks, and repair parts.

In addition to passenger cars, the GVN import plan for calendar year 1961 provided foreign exchange for items which were acknowledged by the Mission to be luxury or semiluxury goods, such as deluxe fabrics (orlon, dacron, etc.), air conditioners, musical

instruments, and photographic equipment. For 1962, GVN programed \$1.7 million for passenger car imports and the Mission reported that for the year ended June 30, 1963, \$3.8 million (or about 6% of the entire GVN-financed import program) was to be used for specialty papers, sporting goods, photographic equipment, air conditioners, musical instruments, and miscellaneous commodities. This amount did not include funds for automobiles, deluxe fabrics, decorative glassware, expensive watches, and other items which were available for sale in Saigon.

The economic report prepared by the staff of General Maxwell Taylor in connection with his study in October 1961 commented upon the variety of luxury and nonessential goods on display in Saigon. A report of the staff of the House Committee on Foreign Affairs issued in February 1962 remarked on the many passenger automobiles of late model European and United States manufacture and noted that the number of passenger automobiles had increased from 10,000 in 1952 to 38,000 in 1960. We observed that stores in Saigon appeared to have extensive supplies of decorative French glassware, ashtrays, expensive radio phonographs, watches, and imported crystal at relatively high prices. For example, a set of French-made crystal was priced at 12,800 piasters (equivalent to about \$150), imported watches were at the equivalent of from \$100 to \$300, and German radio-phonograph combinations were at the equivalent of as much as \$700. Also, tape recorders were for sale in a number of stores. It is pertinent to note that Taiwan, which has much larger foreign exchange earnings than Viet Nam and a much smaller balance of payments deficit, did not permit the use of its foreign exchange for importing tape recorders. According to authoritative sources, imports of scotch whiskey increased from 9,000 gallons in 1958 to

19,000 gallons in 1962. A further consideration is that, while a substantial amount of Viet Nam's foreign exchange was used in 1960 and a large amount in 1961 to import gold and platinum Swiss watches, as well as less expensive watches, there was unused assembly capacity for low-cost watches in Viet Nam, some of which had been financed by United States aid.

To further illustrate the use of Viet Nam's foreign exchange for luxury goods, AID/Washington in June 1962 suggested to the Mission that, in return for a GVN request for a partial waiver of AID's limited source procurement policy (purchase of goods in the United States or under-developed countries), the GVN should be asked to limit the importation of "luxury passenger cars, luxury foods, expensive photographic equipment, luxury radios and phonographs."

GVN announced new austerity measures in January 1962 and in keeping with this policy imposed an austerity tax on certain imports. The Mission informed us that in Viet Nam's financing of automobiles or other luxury goods which are subject to high taxes represents, in effect, a partial substitute for other means of taxation. The Mission in discussions with us expressed the view that the importation of automobiles and other luxury goods with Viet Nam's foreign exchange was proper since the government realized substantial revenues therefrom, that some luxury imports were necessary in order to encourage entrepreneurs to develop the economy, and that automobiles themselves were an incentive to the entrepreneurial class. However, in October 1960 the Mission informed the Agency's Washington office that it questioned the advisability of forcing the GVN to utilize its foreign exchange for semiluxury imports in order to generate piasters and that such imports further

raised the standard of living in the cities which was already too high. Also, in preparing a plan in January 1961 to counter communist activity, the Mission advised against importing luxuries for the wealthier class. Furthermore, the Embassy informed Washington in May 1961 that it was unable to see how the importation of luxury items primarily for the wealthy upper class contributed to the war against the Communist Viet Cong. It expressed the view that a major cause of dissatisfaction in the rural areas contributing to insurgency is the comparison of the opulent living in the cities with the bare subsistence in the countryside.

FAILURE TO DEVELOP LOCAL FERTILIZER DEPOSITS

Fertilizer imported into Viet Nam annually has been well below the country's agronomic needs although substantially more fertilizer had been needed in recent years than in previous years in part because of educational assistance by the Mission in the use of fertilizer. Through November 30, 1961, AID had financed a total of \$12 million worth of phosphate fertilizers. Although the continued importation of fertilizer contributed to Viet Nam's balance of payments deficit and to the high level of United States aid, it appears that the Government of Viet Nam has made little effort to develop an indigenous supply of phosphate fertilizer in the Paracel Islands.

A 1959 Mission study reported that the quantity of phosphate estimated as available for extraction in the Paracels had been conservatively estimated from 3,000,000 to 4,750,000 metric tons, more than 50 years' supply at current usage, and that its quality compared favorably with Tunisian phosphate which was reputedly among the best in the world. The study reported also that limited quantities of Paracel fertilizer were being extracted and exported to Singapore but that none had been used in Viet Nam.

The availability of this fertilizer has been known for several years, and the development of this deposit could make a significant contribution to the economy of Viet Nam. The Mission informed us that, because of the political uncertainty regarding the ownership of the Paracel Islands (see below), it could not make the more extensive tests required to ascertain the value of the deposits. Limited tests indicated that not all the Paracel deposits were of the highest quality; however, the Mission informed us that there had never been a full-blown study on the economics and feasibility of exploiting these deposits and that the better grade of Paracel fertilizer had not been tested. The Mission agreed that, if Vietnamese sovereignty could be established and a satisfactory grade of phosphate produced, full advantage of these deposits should be taken. -

One point raised by the Mission against development of the Paracel deposits is the dubious international status of the islands, although only Viet Nam exercises sovereignty over them. The San Francisco Peace Conference, in effect, recognized Vietnamese sovereignty over the Paracels; however, because of a claim advanced by the Republic of China, AID and the Embassy felt that the United States could not participate in a project on the Islands. The GVN has asserted its ownership of the Islands and authorized a Vietnamese company to operate there; also, the GVN alone exercises sovereignty. In view of these circumstances, the GVN could initiate and finance development of these deposits without direct United States involvement. However, the continued financing by AID of phosphate imports under the CIP did not provide the necessary incentive for GVN to invest the funds needed to exploit this natural resource. We suggested to AID that the Mission initiate joint discussions

with the Embassy and the GVN on the further development of these deposits.

The Agency informed us that it agreed with our proposal and that action thereon had been initiated. The Agency further stated that the GVN Ministry of Rural Affairs had resumed field tests and that AID had urged the Ministry to secure the better grades for these field tests in order to determine their economic value. According to AID, the Minister of Rural Affairs has stated that the GVN will encourage better management of the company which has the option to exploit these deposits and that emphasis will be placed on production of a more uniform and higher quality product; further that the company has projected production at 25,000 tons annually. AID also advised us that the Director General of the Viet Nam Fertilizer Society had visited Germany and France to discuss possible exploitation of the phosphate deposits at the Paracel Islands.

AID further stated that available information on the Paracel deposits was not altogether favorable and that wide variations in the content of samples obtained by GVN technicians shed doubt on the overall quality of the deposits. According to AID, the evidence at hand suggested that substantial funds would be required if the fertilizer deposits were to be exploited on a more systematic and economical basis; that AID would be subject to criticism if it financed these investments before the sovereignty question was resolved; and that, however, AID would encourage the GVN and other potential investors to pursue the most effective exploitation of available fertilizer resources.

NONCOOPERATION IN FURNISHING FINANCIAL DATA

Financial data needed by the Mission to plan its annual programs and to determine the financial effects of aid activities, was not furnished by the GVN. The apparent motivation behind this lack of cooperation was a desire to avoid possible cuts in United States aid which might have been made if AID had had accurate data in regard to GVN's piaster budget.

For fiscal years 1955-59, AID based the size of its annual nonproject aid program on the estimated GVN budget deficit. During most of that period the GVN did not furnish AID with its budgetary results. When the Mission finally began receiving budget data from the GVN in August 1958, after several years of effort, it developed that the GVN may have had budgetary surpluses (after inclusion of United States aid) during those years when commodity import aid was intended merely to fund the deficit, which means that this aid was excessive to the needs of those years and that the excess could have served to reduce aid levels in the succeeding years.

United States assistance on the piaster deficit basis was given under the nonproject program in the form of commodity import financing, cash grants, and triangular trade. These forms of aid generated piasters most of which were applied toward the Viet Nam budget. In order to determine the level of the annual nonproject program, it was necessary for the Mission to obtain from the GVN the estimated budget before preparation of the aid program and the final budgetary results so that variations from the estimate could be compensated for in the following year. However, during 3 of the 5 fiscal years in which AID used the "piaster deficit" as a basis for computing the nonproject aid level, the GVN did not furnish this data to AID. According to its records, the Mission determined

that the GVN may have had budgetary surpluses for 1955, 1956, and 1957. In August 1958, after several years of effort, the Mission received budgetary data from the GVN for fiscal year 1957, which showed that GVN had an unanticipated surplus because it did not spend for its military budget all the funds which the United States had made available. The responsible Mission official stated that GVN might try to apply this surplus to other accounts so that United States authorities would not reduce future United States aid.

Even with the subsequent furnishing of budget data to the Mission, GVN's lack of cooperation in this regard continued. The Mission informed AID/Washington in May 1959 that:

"The U.S. Government's interests in Vietnam are too great and too important to be damaged by threats to cut off aid unless GVN furnishes budget experience data needed by ICA to justify the level of U.S. aid to Congress."

In February 1960, a high-level internal memorandum to the Mission Director stated that:

"In view of the general reluctance of the GVN to furnish financial data, and since U.S. aid is now on an external payments basis, we do not recommend further efforts to obtain additional breakdown of expenditures at this time."

In December 1960, a top Mission official expressed fears that the Mission's own estimates of the GVN budget were not accurate.

Budgetary surpluses during the years when AID program levels were based on the size of the GVN's piaster budget deficit would mean that AID committed excessive amounts of dollar funds to the aid program because a smaller dollar amount would have produced the piasters required to meet the deficit.

In our discussion of this matter, the Mission Director claimed that the GVN did not know how much money it had spent during the

3 years in question because Viet Nam was still a relatively new country and was not sufficiently organized to be able to furnish the Mission with actual budgetary receipts and disbursements. This explanation is not reconcilable with the fact that during those years AID computed its aid level on the basis of the GVN estimated budget; however, whether the GVN's data on its actual budgetary receipts and disbursements was correct or not, the data would have been useful for the Mission at least as a guideline on which to base its aid level.

What may be a more plausible reason for GVN's refusal to make data available to the Mission was reported by the Mission to Washington on November 4, 1958.

"The reason for not including actual figures, of course is a ruling of the President [of Viet Nam] that actual GVN receipts and expenditures are classified, not only from the Assembly but also most officials of the executive branch of the Government [of Viet Nam]."

AID advised us in January 1964 that the overall situation with regard to the availability of essential foreign exchange data had improved and that the Agency was continuing its contact with the GVN to assure the fullest possible flow of such data.

CONCLUSION

We believe that the success of economic assistance to Viet Nam and the dimensions of its cost to the United States are dependent in large part on the extent to which the Government of Viet Nam exerts a vigorous effort to strengthen its economic vitality through the institution and effective execution of sound economic policies tailored to the country's requirements and potentialities and to work in cooperation with the United States in the evaluation and

development of these policies and in the programming of assistance needs.

At the time of our review, AID had carried out the program in Viet Nam without GVN's having taken the means necessary to assure that it would obtain a reasonable share of the country's financial resources in order to better support its economic development and counterinsurgency activities and without GVN's having used its financial resources at hand to the maximum benefit of these activities. The inability or unwillingness of the GVN to take substantive steps to remedy the basic defects in its economic and financial policies has had the effect of obstructing achievement of the objectives of the aid program.

AID has informed us that its latitude in dealing decisively with these problems was limited by the overriding policy of the United States to support GVN against communist insurgency. We were informed also that AID had sought to accomplish reforms within the recipient country which would overcome these problems.

In view of the changes in the Government of Viet Nam since our review, notably as a result of the coups which overturned the existing governments in November 1963 and January 1964, and the current reevaluations of the administration of the Viet Nam program which we understand are being undertaken by the Agency, we are making no recommendations.

LACK OF TIMELY ACTION
IN EXECUTING SPECIAL COUNTERINSURGENCY MEASURES

Certain measures embodied in the special counterinsurgency plan sponsored by United States authorities in January 1961 to help overcome the intensified Viet Cong activities encountered unnecessary delays and were ineffectually managed despite the fact that (1) the measures had been assigned the highest priority within the economic program and (2) the critical security conditions at the time, particularly in the rural areas, were considered to demand immediate and extraordinary action. As a result, the intended impact of the high-priority counterinsurgency measures was considerably weakened.

DELAY IN APPROVING COUNTERINSURGENCY ECONOMIC PROJECTS

Despite the importance attributed to intensified counterinsurgency action, AID delayed approving fiscal year 1962 projects (which included the top priority counterinsurgency projects) because of a dispute between the Mission and the Agency's Washington office over a difference in the level of project aid, while at the same time CIP was approved in a relatively short time and at a level far in excess of acknowledged requirements. Without this approval the Mission could not complete individual project agreements which authorize the use of funds needed to purchase the equipment, such as village radios and generators, etc., called for under the agreements. Of 12 projects designated as having high-counterinsurgency priority, the agreements on 10 of these projects were not signed until May and June 1962.

In December 1961, the United States Country Team (Ambassador, Chief of MAAG, and Director of AID Mission) in Viet Nam established a project aid level for fiscal year 1962 of \$34 million and

2.2 billion piasters. The AID/Washington office did not accept the Country Team's proposed level of dollar funding and, despite the urgency of the counterinsurgency measures, it was not until March 1962 that it set a tentative dollar level of \$21 million; however, the Mission's belief that this amount was insufficient occasioned further correspondence and AID/Washington in April 1962 approved a level of \$26.6 million.¹

Although the dispute over a total of about \$13 million held up implementation of the counterinsurgency effort for about 4 months, the CIP, which was many times larger in dollar amount than the project program, was approved by AID/Washington in November 1961 even though AID/Washington was aware that the approved level was substantially in excess of requirements and that the CIP was not as immediately urgent as the priority counterinsurgency measures. In approving the CIP level for fiscal year 1962, AID/Washington stated that it recognized that Viet Nam did not have an economic requirement for the approved level of aid, which was being made available to demonstrate United States support. The level so approved was approximately \$35 million in excess of Viet Nam's requirements.

DELAYS IN IMPLEMENTATION OF INDIVIDUAL ACTIVITIES

Our test review of counterinsurgency activities which had been accorded top priority and which were intended to contribute directly to the counterinsurgency effort disclosed that, despite the urgent need to implement the counterinsurgency plan, prolonged delays occurred in implementation of four activities due primarily to indecision, poor coordination, and slow administrative action.

¹Subsequently \$10 million of the \$26.6 million was obligated by documents other than those used by AID to obligate project funds, however, in effect, these funds were still a part of the project program.

Radio communication

Background

The need to provide an effective day-to-day communications link between the government and its citizens had long been recognized as an undertaking of the highest priority. Because approximately two thirds of Viet Nam's adult population was illiterate and because of a serious lack of communications media within the country, especially in the rural areas, it was considered essential to provide a means for the GVN to communicate with the public so that the public would be less susceptible to communist propaganda and the GVN would have a powerful tool with which to unify the country and to enlist the political support of its citizens. AID undertook to furnish financial assistance to work towards this goal. Beginning in fiscal year 1955, a project (Expansion of Government Information Facilities, project 430-Y-96 AG)¹ was established to finance the purchase of community listening sets for installation in the various villages, the purchase of radio broadcasting equipment, and the establishment of broadcasting facilities and other informational activities. In June 1957 a project agreement for the establishment of a national radio broadcasting network (430-W-96AF) was signed, which absorbed the radio broadcasting activities conducted as part of the project 430-Y-96AG. The new project was originally designed to provide an 11-station, medium-wave broadcasting network in Viet Nam, but subsequently was scaled down to a 7-station network. AID informed us in January 1964 that the Government of

¹Originally entitled "Information and Propaganda" (Project 430-92-006) and discussed on pages 83 and 84 of our report dated May 22, 1958.

Australia had undertaken to supply an additional transmitting station. The community listening sets to be financed by AID under project 430-Y-96AG were to receive the broadcasts. So that greater coverage may be attained, a plan was devised to supplement this reception by importing as part of the CIP large numbers of low-cost radio receiving components, which would be assembled within Viet Nam into radio receiving sets and resold on the open market to the population at large. It was recognized that the retail price of the finished receivers had to be low enough so that the relatively low income rural population could buy them.

The importance of the radio network project and the related receiving facilities was reiterated in the counterinsurgency plan of January 1961. At that time the plan advocated immediate placement of transistorized radio receivers and amplifier public address systems in outlying districts capable of receiving and rebroadcasting Radio Viet Nam broadcasts and local programs originating in provincial stations. In addition, the plan called for the distribution of individual transistor radio receivers to reliable persons in the outlying provinces.

The subsequent reports by the Special Financial Group and the Taylor mission stressed the urgency of the radio broadcasting and receiving activities.

Broadcasting and receiving facilities

From their inception in 1955-57 through the succeeding several years, both the radio network project and the plan to distribute receivers were beset by disagreements, mismanagement, poor planning, and administrative indecision, all of which contributed to long and unwarranted delays in attaining the goal of an informed

public.¹ Thereafter, particularly in late 1961 and early 1962, considerable progress was made on the radio network project and by May 1962 all the broadcasting stations had become operational. At the conclusion of our field work in August 1962, despite the recognized urgency of this phase of the program, little or no headway had been made in supplying the rural populace of Viet Nam with the low-cost radio receivers needed by them to receive the broadcasts. Although \$1.1 million and nearly 16 million counterpart piasters were obligated as of June 30, 1962, to construct the radio network, no effective action had been taken to assure that the mass of the villagers who should be reached by this network would have the means by which to receive its broadcasts. In January 1962, the Mission stated:

*** With the approximate completion of the network of broadcasting stations providing coverage of the entire area of free Viet-Nam, financed under AID project aid, it becomes necessary to recognize that this investment will not yield the desired results unless there is an appreciable number of people throughout the nation who have receiving sets which enable them to listen to the broadcasts. This point is especially relevant with regard to the people living in the rural areas in the various provinces throughout Viet-Nam. Most of these people have virtually no other effective means of frequent communication with the central government. Moreover, they are the ones who are most exposed to Viet Cong propaganda efforts and

¹The project for a national radio broadcasting network was the subject of an investigation by the Senate Committee on Foreign Relations. A report entitled "United States Aid Program in Viet Nam" on this and other activities in Viet Nam was issued on February 26, 1960. A Progress Report by the Department of State in connection with this investigation was issued in October 1960. Because of this investigation and of the fact that the broadcasting facilities were largely completed, we confined our review primarily to the furnishing of receiving equipment.

depredations. Investigations have demonstrated conclusively that the number of radio receivers in the hands of such people is negligible."

The ratio of radios per capita in Viet Nam was said to be about 1 to 100; in the opinion of the Mission, this ratio should be reduced to about 1 to 20 in order that the majority of the people would be able to receive communications from their government. As early as 1957, it was recognized that only through the commercial production and widespread distribution of low-cost receiver sets would the broadcasting network project attain optimum effectiveness. In that year AID awarded a contract for the preparation of plans, specifications, and construction of a prototype transistor radio receiver set suitable for manufacture at low cost in Viet Nam. This undertaking was subsequently abandoned after incurring costs of \$18,500 because (1) local manufacturers were not willing to invest their capital in the production of this particular set since the retail cost of the completed set would be too high and (2) the design and lower costs of Japanese sets nullified the need for this prototype.

In 1959 and 1960, AID allocated \$881,000 of CIP funds for the importation of completed receivers and unassembled components. However, both the completed sets and the assembled units sold for about \$30 equivalent or more and the relatively high retail price precluded the purchase by the low income mass of the rural population and consequently most of the sets were sold in Saigon. AID did not allocate CIP funds in 1961 for the import of receivers because GVN provided funds from its own foreign exchange. However, import licensing was limited by the GVN to completed receivers with a selling price that was in excess of the equivalent of \$40. In

1958 the chief of the Mission's Program Support Division had stated that:

"For the [broadcasting] network to have its full effect on the development of the country, a cheap, battery-operated transistorized radio receiver will have to be distributed through commercial channels. So far the tendency has been to jack up the price as far as possible so as to profit from the novelty value of such a gadget, rather than encourage the production of inexpensive radios within the means of the average Vietnamese."

Although in 1962 the Mission and the GVN agreed to a new plan to import radio components, no positive course of action was taken to insure that the rural populace would be able to obtain the assembled receiver sets. The Mission had hoped that, through war reparations, the Japanese Government would provide low-cost transistor radios and community listening sets to the GVN. However, Mission officials did not know how this transaction fitted in with the low-cost radio plan and insofar as we could determine no effort had been made to find out.

In January 1962, the United States and the GVN agreed that kits of components of 50,000 low-cost radio receivers would be imported into Viet Nam immediately for local assembly. The GVN agreed to allocate its own foreign exchange for 30,000 sets, and AID/Washington in February 1962 approved the Mission's request to include radio receiver components for 20,000 sets for AID financing under the commodity import program. Although the funds for these 20,000 sets had been allocated, no definite plan had been developed to acquire a receiver which would be produced and marketed at a price within the means of the rural populace. AID advised us that only two local assemblers possessed United States models of low-cost receivers and that several United States manufacturers had

submitted prototypes for selection by the local assemblers. The Mission had hoped that the GVN would reduce or eliminate entirely the import duty and taxes on low-cost radio and component imports because of the urgent need to make these sets available to the rural populace at a relatively low price. Instead, the GVN, while eliminating the use tax on radio sets, increased the duty from about 35 percent to 100 percent of the cost of the components. At this rate it was considered impossible to market a radio set which would sell at a price not higher than 1,000 piasters which was considered the maximum price at which it could be sold in the rural areas. Up to August 1962, only one local firm had applied for the import of components for low-cost radios against the AID-financed commodity import program and \$195,000 remained unlicensed against a total CIP authorization of \$300,000. The Mission radio advisor believed that the eventual retail price of the radios licensed would be about 1,200 piasters, unless the GVN revised its tax structure. AID informed us that the actual selling price in Viet Nam varied from 1,300 to 1,600 piasters.

In the meantime, the GVN changed its plan for the use of its own foreign exchange for the import of components for 30,000 low-cost radios; instead, it arranged with Japan to obtain \$1.2 million worth of components and parts for medium-priced two-band transistor radios through the Japanese reparation program. The components and parts were to be assembled in Saigon. The Mission concurred with the GVN that Japanese imports should be limited to multiband receivers as a means to maintain competitive market prices for the more expensive United States one-band kits. The Agency informed us that this position was an important factor to local assemblers who

desired to import a minimum of 100,000 kits to obtain lowest United States prices but who were unwilling to accept the resulting financial responsibility when there was any possibility that lower priced Japanese sets or kits might be approved. We were informed by Mission personnel that the market demand was so great that it could easily absorb any type of radio assembled. In these circumstances it is difficult to understand why the Mission did not request the GVN to use the Japanese reparations for low-cost radios instead of medium-priced two-band transistors.

The plan to make available low-cost radios to the rural population was further handicapped by indecision regarding procurement from sources outside the United States. Initially AID/Washington would not authorize a waiver to permit procurement in Japan; its position in October 1961 was that:

"A start should be made towards implementing this program but we would not wish to use ICA funds to procure radio sets in Japan in order to avoid repercussions in United States trade circles."

This position caused the GVN to postpone and subsequently abandon its plan to purchase 30,000 Japanese kits on the ground that lower Japanese prices would make it difficult to sell the American radios contemplated for import under AID/CIP financing. This reasoning by the GVN seems inconsistent with the above-cited statement by the Mission that almost any type of radio could be sold and likewise failed to consider the primary objective of acquiring low-cost radios. Thereafter, in March 1962, AID/Washington, in assigning top priority for the low-cost radio program, revised its position and informed the Mission that urgent attention would be given to requests to procure needed items outside the United States. However, the Mission did not make such request although completely

assembled Japanese transistorized radio sets or components were obtainable at a cost approximately 50 percent lower than American products and deliveries from Japan would be faster.

The Mission claimed that even without the low-cost radios there was a listening capacity in most of the rural areas through 800 community sets reportedly distributed between 1957 and 1961. The listening capacity claimed by the Mission was apparently of very limited reach judging by the considered need for and planned purchases of many thousands of low-cost radios as previously discussed, particularly the statement by the Mission cited on page 38 of this report, and by the more than 5,000 community receivers which the Mission stated had been purchased or were on order at December 1962.

AID advised us in December 1963 that the listening capacity had since been increased to 4,000 community receivers at a lower cost, 10,000 low-cost individual transistor sets, and 149 mobile information units and that two importers had undertaken the importation of 25,000 additional low-cost receivers for sale in the rural areas.

Electrical generating equipment

Providing electrical generating equipment to small cities, towns, and rural areas was recognized as an important element in winning the loyalty of the people for the GVN. Yet a number of generators financed by AID were not used by the GVN for extended periods and others were still in storage at the time of our review some 2 years after delivery. Moreover, the specifications for additional generators were not adequately determined and their purchase was unduly delayed by AID. These conditions showed up in our examination of selected procurement and utilization of generating equipment under two separate projects, as discussed below.

1. Since 1956 the United States had made available \$1.9 million and \$18.6 million counterpart piasters for a project entitled "Development of Electric Power." The principal purpose of the dollar aid funds was to purchase medium- and small-size diesel generators and associated equipment for approximately 50 small cities and towns where electric power was nonexistent or inadequate. The bulk of the funds (\$1.2 million) for the procurement of these generators was provided in fiscal years 1957, 1960, and 1962. The counterinsurgency plan in January 1961 stressed the importance of this project on the ground that furnishing electric power to small municipalities would further assist in establishing a relationship based on mutual respect and appreciation between the central government and the people. Such a relationship, all too absent in the past, is essential for political stability and for success in combating the Viet Cong.

Of one lot of fifty 15-kw diesel generators financed under the 1957 program, which arrived in Viet Nam in August 1959, 6 were still in the GVN warehouse 3 years after receipt. Of the 44 units which were installed, 2 were installed in 1959, 8 in 1960, 25 in

1961, and 9 in 1962. Also, one out of three 30-kw generators received in July 1961 was still on hand in August 1962, 13 months after receipt. The first of these 30-kw generators was not installed until March 1962.

Mission plans called for the complete installation of these generators during calendar year 1961 in order that an additional 49 generators procured from fiscal year 1960 project funds, which would begin arriving before the end of 1961, could be installed without any time loss. The reason for the long delay in distributing and installing generators was attributed by Mission personnel to administrative difficulties within the GVN. We were informed that the lack of coordination, "red tape", and the overall inefficiency of the involved GVN organizations and the provinces handicapped the implementation of this program. The Mission had not been able to rectify this situation, and we were told that only informal discussions had been held with GVN officials as the Mission was reluctant to take this matter up officially because the situation was internal and "too touchy." Other factors of delay cited by the Mission were (1) waiting for delivery of electrical materials and slow construction of distribution facilities and (2) lack of engineers and technicians.

The 1960 project agreement, which provided funds for the purchase of small- and medium-size generators, was signed on June 29, 1960, but the project implementation order (PIO/C) required to initiate procurement was not issued until June 30, 1961, 1 year later, and a contract for the purchase of these generators, amounting to over \$360,000, was not executed until December 27, 1961. Delivery was not expected before August 1962.

The Mission claims that the 1960 program agreement for purchasing the above-mentioned generators was obligated on the basis of

continuing acquisition from United States Government surplus; that, when in June 1961 no generators could be located in the surplus field, it was decided to purchase them commercially; and that the 6 months' time lapse thereafter before a contract was awarded was not excessive. The Mission's explanation indicates that it did not give recognition to the counterinsurgency plan of the Country Team developed in January 1961 which indicated urgency for the expeditious acquisition and installation of these types of generators.

2. A project designed to support the counterinsurgency plan included the procurement of electrical generating equipment to furnish security lighting for the defense of hamlet perimeters as part of a GVN plan to regroup isolated or scattered rural populations into defensible strategic hamlets and to provide for their needs. The Mission planned to purchase directly a number of 25-kw diesel generators at an estimated cost of \$115,000 in lieu of following the standard procedure of procurement by the GVN procurement agency because it believed that the requirement was so urgent that procurement by the Mission on an emergency basis would be much faster.

On March 9, 1962, the Mission requested AID/Washington to authorize it to solicit bids for 25 sets of 25-kw diesel generators and stressed that they were urgently required. After a follow-up message on March 24, 1962, AID/Washington approved the Mission's request on March 27, 1962. Nevertheless, at the time of our review in May 1962, the Mission had not prepared the project agreement which was needed before procurement action could be started. The individual responsible for the preparation of the project agreement stated that he had not been able to find time to do this because of the pressure of other work. We discussed this situation with the Acting Deputy Director of the Mission who was not aware that procurement action had not been taken. It later developed that the

requirement for the 25-kw generators was prematurely established because these units were larger than necessary. In June 1962, the Mission decided not to purchase these generators and the plan for providing electric and lighting requirements for strategic hamlets was turned over to the United States military authorities in Saigon, who thereupon changed the requirements for strategic hamlet lighting and planned to purchase battery-powered searchlight-type-lighting units and smaller generators.

According to the Mission, the period early in 1962 was one of great uncertainty due to the Mekong flood of October-December 1961 and many proposals for flood relief and counterinsurgency measures were under consideration. Subsequent to approval of the subject generator procurement but before a project agreement could be prepared, the Mission approach to the counterinsurgency situation changed and, in the light of the fluid and rapidly changing conditions, the delays cannot be attributed to sloth or inefficiency.

Although the Mekong flood undoubtedly caused extraordinary conditions, the country team in January 1961 had emphasized the immediacy of specific counterinsurgency action, including the afore-stated generators. As far as we could observe, the less pressing commercial import and project assistance programs continued during this period without any apparent diversion of Mission attention. Considering the relatively sizable technical complement of the Mission, we believe that more than sufficient capability existed to cope adequately with the demands of the Mekong flood conditions and the proposed counterinsurgency activities during this short emergency period.

Well-drilling equipment

The counterinsurgency plan stated that well-drilling activity which concentrated in the rural areas was a particularly effective means of accomplishing the plan's objectives because it evidenced government interest in, and concern for, the rural people. However, our review showed no evidence of any special efforts toward accelerating well drilling in these areas. In fact, we found that the action taken had not been adequate to accomplish the goals set forth in the previously executed project agreement.

The continuous shortage of adequate supplies of potable water for the population of Viet Nam in both rural and urban areas constituted a serious problem. Many cities did not have any water supply system at all, and the vast majority of the villages did not have safe supplies of water. The Mission had been financing the development of increased supplies of water since fiscal year 1957 under a project agreement for the expansion of rural and urban water supplies. Project funds were used for the purchase of well-drilling equipment and of materials needed for water supply systems (\$2.5 million as of June 30, 1962), and for the contract services of various technical firms (\$200,000). Our review was concerned primarily with the rural well-drilling activity. One of the targets of this activity was to drill 5,000 (originally 6,000) deep wells in the rural areas by 1965 in order to assist the GVN in its efforts to provide the people of Viet Nam with potable water of acceptable quality and quantity to meet basic human needs. As of June 30, 1962, only 1,108 wells had been drilled.

The Mission's internal auditors pointed out in November 1961 that divided authority and lack of full cooperation between GVN agencies connected with well-drilling activities delayed the program. The auditors also reported that the drilling equipment on

hand was by no means sufficient to perform the task set forth in the project agreement in part because some of the drilling rigs were loaned to other GVN agencies. We found that no steps had been taken to speed up the procurement of five additional well-drilling machines, procurement of which was authorized in January 1962 in the amount of \$59,000 and was increased in March 1962 to \$99,000. AID/Washington had authorized sole-source procurement of the drilling machines, and a contract could have been negotiated with the local agent of the sole-source supplier. However, the contract was not accomplished until May 25, 1962, and, according to the chief of the Mission's Water Supply Section, delivery of these machines was not expected before September 1962. According to the Mission, the delay in contracting was caused in part by specification changes necessary to bring the cost of the machines within the allotted funds. The Mission also informed us that procurement of the well-drilling machines was not accelerated because it was believed that the GVN did not have the capability to properly utilize additional equipment.

Rodenticides for crop protection

Agricultural production losses in Viet Nam due to rodents, insects, and crop disease were estimated at about 30 percent of the crop. In June 1961, the Mission reported that the problem of rodent damage in sensitive areas of the central coastal plain of Viet Nam was rapidly becoming more serious and recommended that AID/Washington immediately procure 18 tons of rodenticide powder at an estimated cost of \$13,000 for free distribution to 180,000 farmers. This course of action was recommended because the Mission stated that the GVN Department of Agriculture was tangled in red tape and lacked high-level sympathy for prompt procurement and that rapid action was necessary to minimize destruction of rice crops

and to build up rural goodwill. In December 1961, the Mission advised the Washington office that this was a current counterinsurgency project and thereafter emphasized to AID/Washington that delay was unwarranted and undermined the United States objectives in Viet Nam. In February 1962, the Mission again advised AID/Washington of the urgent need for zinc phosphide by pointing out that the Vice President of Viet Nam had appealed to the Mission Director for prompt delivery in order to counteract farmers' suspicions of government officials. The apparent low morale of the rural population in the badly rat-infested areas was evidenced by daily requests from the various province chiefs for immediate action. In May 1962, an emergency air shipment of 10 tons of zinc phosphide was received at an additional cost of \$20,000 for air transportation.

The delay in approval by AID/Washington was primarily due to the fact that the type of rodenticide requested was a highly toxic zinc phosphide product which technical specialists advised would be dangerous. AID/Washington was reluctant to associate the United States with a program which could result in the accidental poisoning and death of human beings. It suggested that (1) a safer United States product be used, (2) the GVN financed the product with its own foreign exchange, or (3) GVN have the Government of France furnish the product as a contribution to the multilateral aid program.

The Mission pointed out that the risk to humans was less in Viet Nam than in other countries where similar programs had been implemented successfully because the rural population had used this type of rodenticide for many years and were very familiar with it. Also, the GVN assured the Mission that it would accept full responsibility for possible accidents. The Mission also informed

AID/Washington that the United States product was not acceptable because the farmers were not satisfied with the results of demonstrations. Regarding the suggestion that the GVN finance the product with its own foreign exchange, the Mission pointed out at the time of the original request that the GVN Department of Agriculture lacked the necessary high-level support for prompt procurement. No agreement was reached with the Government of France although the proposal was made 2 months after the Mission's original request. Moreover, the Mission informed AID/Washington that, in addition to the French aid being uncertain, this item would add to the GVN requests which already totaled more than the aid currently programmed by the French.

There would seem to be little doubt that the prolonged delay in this matter was costly in terms of crop losses and morale in the rural areas. Although the reluctance of AID/Washington to approve the financing of this item is understandable, the critical urgency of the situation and its high priority in the counterinsurgency program called for resolution of the problem by AID or by the GVN many months sooner than it was.

CONCLUSIONS, AGENCY COMMENTS, AND RECOMMENDATION

We believe that the foregoing findings illustrate a fundamental weakness in AID's top program management control facilities. After preparing a counterinsurgency plan whose timely execution was considered essential to achieve United States objectives in Viet Nam, the Agency failed to assign program responsibilities, develop program priorities, and monitor program implementation in an effective manner. As a result, execution of important segments of the plan was held up for extended periods. We believe it essential, if the Agency is to properly carry out its responsibilities, that program management means be improved so that projects will be implemented in a manner consistent with the importance assigned to them. Programs considered to be the most vital should be so managed and so controlled, including the assignment of the necessary priorities within the Agency, that their implementation is given precedence over less urgent programs.

The Agency in December 1963 informed us that it agreed that there were delays, some of them serious, in the execution of programs relating to counterinsurgency in the period under review. We were also informed that there were substantial achievements and that, in mid-1962, following the Vietnamese government's adoption of the strategic hamlet program, unprecedented measures were taken to assure that the economic, social, and public safety programs of AID would not lag behind the military in a coordinated counterinsurgency effort. We were informed that the measures referred to above included the provision of new and additional senior personnel in Washington and Saigon, the delegation of unprecedented procurement and contracting authority to the mission (complete with large amounts of delegated waiver authority concerning worldwide

procurement and Agency procurement regulations), and the installation of an entirely new logistical system modeled along military lines.

We are not in a position to evaluate the management actions which were adopted after the conclusion of our field work since the effectiveness of these actions will depend on the manner in which they are carried out. However, we are by no means convinced that measures such as those reportedly taken, e.g., the delegation of procurement and contracting authority and the installation of a new logistical system, will solve the deficiencies disclosed by our review, at least not without top Agency management exercising close control and supervision. Agency officials must so control program implementation as to assure that plans are executed with the same degree of care, and the same sense of urgency, that motivated their adoption.

We are concerned with whether local actions, such as the addition of new personnel or the delegation of program authority, go to the root of the problem. Before basic improvements can be assured, more recognition must be given to (1) a responsive management system and (2) a better means for measuring progress toward planned objectives during their implementation. From our review, we believe that there has been a tendency to lose sight of these basic elements of sound management in these programs.

Unless these basic elements are provided, we believe that there is a reasonable doubt that the Agency can expect significant improvement in the responsiveness to purpose or in the manner in which its plans are carried out.

We recommend, therefore, that the Secretary of State and the Administrator, AID, (1) evaluate the basic management concepts and methods being applied in the administration of the economic and

technical assistance program for Viet Nam and (2) take necessary action to assure that there is in existence a management capability and the necessary machinery to carry out policy decisions in accordance with the degree of urgency assigned to them.

SCOPE OF EXAMINATION

Our examination of the subjects covered in this report was made as part of and in conjunction with our examination of the economic and technical assistance program for Viet Nam for the fiscal years 1958 through 1962.

With respect to problems attributable to the policies and practices of the recipient government, we reviewed program documents, reports, correspondence, and other pertinent material at the AID/Washington office and AID's overseas Mission and also records of certain agencies of the GVN on a limited basis. In addition, we discussed relevant matters with responsible representatives of the AID/Washington office and the Mission, and of the GVN.

Our examination of special economic counterinsurgency measures covered actions taken during fiscal year 1962 and consisted principally of a review of the administrative practices and procedures followed by AID in carrying out selected projects which were designated as having the highest priority within the framework of the economic and technical assistance program. We also reviewed the economic sections of reports on special studies of required counterinsurgency actions by the United States Country Team, the Special Financial Group, and the General Maxwell Taylor mission, referred to in the forepart of this report. Our examination was conducted at the AID Mission in Saigon, Viet Nam, supplemented by subsequent review of information at the AID/Washington office and discussions with responsible officials of that office and of the Department of State.

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APPENDIX

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OFFICIALS RESPONSIBLE FOR ADMINISTRATION OF
THE ECONOMIC AND TECHNICAL ASSISTANCE PROGRAM
FOR VIET NAM
STARTING WITH FISCAL YEAR 1958

	<u>Appointed or commissioned*</u>
SECRETARY OF STATE:	
John Foster Dulles	Jan. 1953
Christian A. Herter	Apr. 1959
Dean Rusk	Jan. 1961
 UNDER SECRETARY OF STATE (note a):	
C. Douglas Dillon	Feb. 1959
George W. Ball	Feb. 1961
 ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT (formerly International Cooperation Administration):	
John B. Hollister	July 1955
James H. Smith, Jr.	Oct. 1957
James W. Riddleberger	Mar. 1959
Henry R. Labouisse	Feb. 1961
Fowler Hamilton	Sept. 1961
David E. Bell	Dec. 1962
 AMBASSADOR TO VIET NAM:	
Elbridge Durbrow	Mar. 1957
Frederick E. Nolting, Jr.	Mar. 1961
Henry Cabot Lodge	Aug. 1963
Maxwell D. Taylor	July 1964

APPENDIX

OFFICIALS RESPONSIBLE FOR ADMINISTRATION OF
THE ECONOMIC AND TECHNICAL ASSISTANCE PROGRAM
FOR VIET NAM

STARTING WITH FISCAL YEAR 1958 (continued)

	<u>Appointed or commissioned*</u>
DIRECTOR, U.S. AID MISSION TO VIET NAM:	
Arthur Z. Gardiner	Nov. 1958
Joseph L. Brent	July 1962
James S. Killen	July 1964

*In the case of Ambassadors, date of presentation of credentials.

^aOn February 3, 1959, the Secretary of State placed the International Cooperation Administration under the direction and control of the Under Secretary of State for Economic Affairs, Mr. C. Douglas Dillon. On June 12, 1959, this responsibility, together with the overall direction and coordination of the mutual security program, was reassigned to Mr. Dillon as Under Secretary of State. On February 2, 1961, Mr. George W. Ball was confirmed as Under Secretary of State for Economic Affairs and assumed the responsibilities for the mutual security program formerly carried out by Mr. Dillon.