

UNITED STATES GOVERNMENT

Memorandum

TO : AA/VN, Mr. James P. Grant
Through: VN/P, Mr. Kenneth Kugel

FROM : VN/IDFO, Vincent Puritano *V.P.*

DATE: September 25, 1967

SUBJECT: Joint Provincial Sign Off Authority

Attached is a "think piece" on Provincial Sign Off Authority based on information available in our files and in the memories of those of us still here who had participated in the great experiment.

In summary, the Provincial Sign Off Authority was part of "decentralization of action" package sold to the Vietnamese in 1963. The original American concept was based on the recognized need for immediate and drastic measures to cut through the bureaucracy and red tape of the overly centralized Saigon administrative system. The idea was basically "if they can't get their resources out to the Provincial level and then to the village level where they're needed, we will get ours out there and show them how to do it." In late 1963 and in 1964, U.S. purchase piasters and U.S. commodities flowed to the provinces through an American designed and operated system. At the Provincial level, a "troika" was created, the Provincial Coordinating Committee, to oversee the use of these resources. This committee, consisting of the American USAID ProvRep, the American Sector Advisor (MACV), and the Vietnamese Province Chief, was basically a management device organized for the orderly consideration and systematic commitment of resources at the Provincial level.

The Provincial Sign Off was simply the implementing device of this committee whereby the three members would "sign off" on a document stating that a certain amount of resources were being released for an agreed upon project or program. During this period, American advisors were able to obtain some "leverage" on provincial officials to force action since all the piasters and commodities in the program were American provided.

In 1965, however, as the Purchase Piasters ran out, the Vietnamese began to pick up the ball with their own budgeted piasters. With American advice and assistance, they made the pacification budget, later the RD budget of 1966 and 1967, the most flexible and operable instrument at the local level in the Vietnamese system. During this transitional period, American leverage became less powerful as the Vietnamese were able to rely more on their own resources to get things done.

In 1966, Sector and Sub-Sector funds were used in a MACV-inspired experiment to again use the leverage of U.S. provided funds at local levels. This arrangement received strong opposition from the Vietnamese, notably General Thang, head of the Ministry of Revolutionary Development, who pointed



out that this device circumvented his own Vietnamese system and was destroying his continuing attempts to make it an even more flexible instrument for action at the local levels. He particularly didn't like the idea of Vietnamese Province and District Chiefs having recourse to funds outside his jurisdiction. Chiefly at his insistence, Sub-Sector funds were not continued when the trial period ended. The attached paper delves into the history and reasons of the subject in more depth.

For the future, however, since the question of leverage and provincial sign offs has been raised all over again by the "new team" in Saigon, I'd like to ask the following question:

Leverage and sign-off (since you can't separate the two) for what purpose?

The original rationale of Provincial Sign-Off to change the non-responding Vietnamese fiscal and administrative system to a more flexible, decentralized action device, is no longer applicable. The RD Budget system is now the most flexible of all the ministerial systems. Then what is the purpose now? Is it to force local Vietnamese Government officials to mount programs the GVN doesn't want but the Americans do? I hope not, although I believe that this is one of the primary reasons. The fact is that no one can force the Vietnamese to do what they don't want to do - especially an American in the Provinces trying to "lever" a Vietnamese official to do what his own superiors don't want him to do. It's absurd.

Another possible argument is that leverage is to be used chiefly for the benefit of the local populace. This is not very realistic since any project at the local level can only be carried out using some Vietnamese inputs - either money, manpower or goods; unless the U.S. is ready to mount unilateral programs at the local levels throughout Vietnam - which is also absurd at this time and cannot help but be counter-productive especially in the current supersensitive political atmosphere.

Leverage and Provincial Sign Off can become reasonable devices for the future only if the U.S. and the GVN agree at the central level on a series of programs to be executed at the local levels. Then American advice and inputs can be used to facilitate the agreed upon actions at the local levels. But, if this is the underlying rationale, then another more pertinent question follows: Why not help change and revise the Vietnamese system to respond to local demands rather than mount a competing, duplicating, circumventing U.S. system alongside the non-responding Vietnamese one? Why not build on success and follow the example of the RD Budget and help the Vietnamese make their own system more responsive with American advice and assistance? A temporary American solution for this Vietnamese problem only postpones the real solution and passes on the problem to the next "new team" waiting somewhere in the wings. The Vietnamese have proven that they can solve some of their own problems if given the motivation, the American advice and support, and, most important, the responsibility to do so.

I cannot help but think that now is the time to take advantage of the new government's attempts to establish stability and legitimacy by helping it develop the institutional capabilities it needs not only for the long haul of a self-sustaining future but also for the time which is closer at hand when it must negotiate with its enemies, hopefully from a position of political and administrative strength.

Attachment

DEPARTMENT OF STATE
REFERENCE SLIP

DATE

4/18

TO:	Name or Title	Organ. Symbol	Room No.	Bldg.	Initials	Date
1.						
2.						
3.						
4.						
5.						

Paul W.

Approval	Initial for Clearance	Per Conversation
As Requested	Necessary Action	Prepare Reply
Comment	Note and Forward	See Me
For Your Information	Note and Return	Signature

REMARKS OR ADDITIONAL ROUTING

Please read this & rough draft comments (if any) to USMC

FROM: (Name and Org. Symbol)	ROOM NO. & BLDG.	PHONE NO.
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12 April 67

Dear Vince -

The attached draft is something I have worked up to codify some of our SVN experience that may be generally applicable to USMC operations in other possible trouble spots. It is under review at the present and may encounter some changes. I'd appreciate your views if you can find the time.

Best regards.

Don W.

(Please review AIO contributions as written here)

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Puritano

VN/IDFO, Mr. Roger Darling

September 29, 1967

THRU : VN/IDFO, Mr. Vincent Puritano

DAA/VN, Leroy S. Wehrle

Joint Sign-Off Authority

I thought your memorandum on joint sign-off was comprehensive, accurate and well done. I hope we will not repeat the errors of the past on this subject, at least we shall try not to.

DRAFT

AA/VN, Mr. James Grant

VN/IDFO, Vincent Puritano

Use of Dollars to Purchase Piasters

Reference: Saigon 6539, TOAID 3025

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I would like to give a few counter arguments against purchase piasters as justified in your reference cable. First, the cable states that sub sector funds were used successfully with no serious after effects. My comments is that maybe they were successful - for Americans, but not for the Vietnamese. General Thang argued vehemently against the continuation of the system. He said that if the problem was the Vietnamese system then he would change it as necessary to make it a more flexible instrument. He _____ further stated that he could not live with an American parallel system.

I think this type of argument is the strongest possible. If the purpose of changing piasters is to solve the problem of making the Vietnamese system work then it is a secondary solution. The primary solution is to make a major effort in changing the Vietnamese system and in trying to solve the problem by passing _____ it through the American system. The important long range benefit of the present GVN/RD budget system (paragraph 1 of the reference cable) is the result of using this technique. That is, the RD system now works primarily because we pulled out the U.S. purchase piasters system and made the GVN fully responsible for making their system work - and they did it! We phased out our purchase piasters - provincial sign-off procedure over a period of 2 1/2 years and phased into the country RD system which is wholly run and designed by the Vietnamese.

The problem now is, as I see it, to utilize the successful flexibility of the RD system in other Ministerial areas and not going back 3 years and starting all over again.

Paragraph 3 of reference ~~can be~~ states that the real crux of the issue is that "we must have additional flexibility and insurance against disapproval by GVN of our proposed action or, more likely, inaction by the GVN."

My position is that if this is the real crux of the problem then the solution that is proposed is not a solution. What we are saying in effect is that if the GVN won't do it we will. _____ If that is true then the real question is _____ for whose benefit are we carrying out all these projects and programs? If the GVN doesn't want them and we still insist on doing them then it can't be for the GVN. I assume then it is for the benefit of the Vietnamese people. But won't these people see it as an American project and not Vietnamese project. If we are to get out of Vietnam sometime in the next 25 years we should be working 100% on making the Vietnamese system more effective and _____ if ever to by pass _____ it with American personnel, projects, programs and money at all levels to do what they can't or won't do.



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ACTION AID 85

INFO SSO 00, NSCE 00, SAL 01, EA 06, E 04, IGA 02, INR 07, /105 W

P 210820Z SEP 67
FM AMEMBASSY SAIGON
TO SECSTATE WASHDC PRIORITY 7282

C O N F I D E N T I A L SAIGON 6539

AIDAC

TOAID 3025

SUBJECT: USE OF DOLLARS TO PURCHASE PIASTERS

REF: STATE 19869 (AIDTO 1251)

GRANT FROM MACDONALD

1. WE APPRECIATE AND HAVE GIVEN FULL CONSIDERATION TO YOUR CONCERN EXPRESSED PARAS 2 THRU 4 REFTEL. NO QUESTION THAT PAST EXPERIENCE WITH PURCHASED PIASTERS HAS HAD SOME PAINFUL ASPECTS. THERE IS A FUNDAMENTAL DIFFERENCE, HOWEVER, BETWEEN PRESENT PROPOSAL AND PAST ACTIVITIES. WHILE IN PAST, EXCEPT FOR SUBSECTOR FUND, WE CHANNLED PURCHASED PIASTERS THROUGH VIETNAMESE- AND THEREIN LAY THE ROOT OF OUR SUBSEQUENT DIFFICULTIES- WE ARE PROPOSING PURCHASED PIASTERS FOR

PAGE 2 RUMJIR 6539 C O N F I D E N T I A L
LOCAL CURRENCY AVAILABLE TO THE US AND MANAGED EXCLUSIVELY BY AMERICANS THROUGH THE US FINANCIAL SYSTEM. THIS WAS DONE WITH SUBSECTOR FUNDS VERY

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~~SUCCESSFULLY WITH NO PAINFUL AFTER-EFFECTS. CONSEQUENTLY, WHILE WE RECOGNIZE THE VALIDITY OF THE HISTORY OF USE OF PURCHASED PIASTERS YOU HAVE RECOUNTED (EXCEPT FOR OMISSION IN REFERENCE TO IMPORTANT RESULTANT LONG RANGE BENEFIT, I.E., PRESENT GVN RD BUDGET SYSTEM), WE DO NOT CONSIDER IT RELEVANT TO CURRENT PROPOSAL.~~

2. WITH REGARD TO ALTERNATIVE SOURCES OF OBTAINING THE NEEDED PIASTERS (PARA 5 REFTEL), WE WILL USE THE SPECIAL FUND TO EXTENT POSSIBLE. WE HAVE RECENTLY OBTAINED FUNDS FOR REFUGEES AND CHIEU HOI AND WE MAY BE ABLE TO UTILIZE FURTHER. HOWEVER, WE HAVE BEEN UNABLE TO DATE TO OBTAIN FUNDS FROM THIS SOURCE TO SUPPORT VIS FIELD OPERATIONS AND THIS ACTIVITY CAN BE EXTREMELY IMPORTANT IN SUPPORTING A NUMBER OF OUR FIELD PROGRAMS IF IT CAN BE GIVEN THE NEEDED FLEXIBILITY. WE ALSO PLAN TO USE AIK TO MAXIMUM EXTENT POSSIBLE. RE PARA 5C, AS LONG AS THE

PAGE 3 RUMJIR 6539 C O N F I D E N T I A L
DOLLAR SUPPORT FOR THESE PROJECTS IS FINANCED BY AID, IT IS FELT THAT DOLLARS PROVIDED FOR PURCHASE OF PIASTERS ALSO SHOULD COME FROM AID.

3. THE REAL CRUX OF THE ISSUE, HOWEVER, IS THAT WE MUST HAVE ADDITIONAL FLEXIBILITY AND INSURANCE AGAINST DISAPPROVAL BY GVN OF OUR PROPOSED ACTION OR, MORE LIKELY, INACTION BY THE GVN. USE OF SPECIAL FUND AND AIK STILL SUBJECT TO NEGOTIATION WITH GVN AND COULD STILL BE DENIED US DELIBERATELY OR THROUGH INACTION. THERE ARE NOW, FOR EXAMPLE, 3 REQUESTS AGAINST THE SPECIAL FUND AMONG A GROWING PILE OF PAPERS ON PM'S DESK. THE EFFECTIVENESS OF THE GVN DURING COMING MONTHS IS HIGHLY QUESTIONABLE. THE MISSION COUNCIL HAS REVIEWED THE SITUATION AND CONCLUDED THAT THE FUNDS REQUESTED ARE AN ABSOLUTELY ESSENTIAL INSURANCE POLICY.

4. APPRECIATE PRIORITY RESPONSE.

BUNKER

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