

CONSIDERATIONS CONCERNING FUTURE U.S. ROLE IN IMPROVING PERFORMANCE
OF GOVERNMENT AT PROVINCIAL LEVEL, ESPECIALLY IN PROGRAMMING
AND FISCAL AREAS

1. Serious consideration on the U.S. side is currently being given to steps which should be taken to improve the performance of the GVN at the Provincial level, especially in areas pertaining to pacification and rural construction programming and budgetary and fiscal procedures. Strong suggestions have been voiced at high levels that the U.S. should repeat its experiment of 1962-63 when ten million dollars worth of U.S.-purchased plasters were placed at the Provincial level to facilitate the Government's immediate response to valid needs of the people.
2. The USOM is now endeavoring to develop a well thought-out and clearly formulated position in response to the latter suggestion. While a number of alternative positions and combinations thereof can be envisaged, for purposes of discussion they may be simplified to three possible approaches:
 - (a) To respond in the negative on the grounds that the newly established procedures, e.g., direct funding release from the DGEFA to the Province, have not had sufficient time in practice for us to determine their validity. In other words, the USOM would hold the line that we should continue the present system until it can be evaluated more fully.
 - (b) To respond in the affirmative on the grounds that funds are still not being spent as expeditiously and effectively as they should be and that the accelerated tempo of tactical action (both GVN and U.S.) demands a more responsive system. This second approach would involve relatively large sums of U.S.-controlled monies which would be expended according to vastly simplified and streamlined fiscal procedures.

(c) To respond in the affirmative for the same reasons as indicated in sub-paragraph (b) above but to restrict amounts of U.S.-owned monies and to use existing GVN funding procedures for the disbursement, expenditure and voucherizing of these monies.

3. An incomplete and somewhat superficial analysis of these alternatives leads to a tentative selection of the third approach described above.

Its proper application would allow the GVN and the U.S. to pursue two objectives simultaneously: first, to strive for rapid improvement in Governmental responsiveness at the Provincial level in order to win the war more quickly and, secondly, to work as a second priority effort to improve Governmental institutions and procedures at the Provincial level at the same time.

4. For the moment, it appears that the most suitable point where U.S. funds can be introduced at the Provincial level is the so-called Imprest Fund for unforeseen expenses. In this case, the existing regulations and instructions for the handling of this fund would remain in application. As monies are expended from this funding category, the vouchers would be returned to Saigon for joint review by the DGEFA and the USOM Controller's office. Except in instances of obvious fraud and misappropriation, expenditures would be approved on an exceedingly liberal basis and expended funds would be replaced on a revolving account set up.

5. These are but preliminary thoughts on the subject but they may be useful in providing the basis for further discussion.

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