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MANAGEMENT REVIEW
OF
PL 480 - TITLE II
VIETNAM

by

The Operations Appraisal Staff
of the
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INDEX

	<u>Page</u>
<u>Section I - Summary Findings and Recommendations</u>	
A. Introduction and Scope	1-2
B. Policy Considerations	2-3
C. Major Findings	4-6
D. Recommendations	6-7
<u>Section II - Details of Report</u>	
E. Operational Directive 0306	
1. Content and Purpose	8-10
2. Team Comment and Recommendations Concerning Directive 0306	
a. Proposed Resumption of Non- institutional Adult Feeding Programs	10-12
b. Lack of USAID Review of New Projects	13
c. Other Shortcomings of Directive 0306	13-14
d. Uncertainties Concerning Future GVN Administration under Directive 0306	14-15
e. Status of Enforcement	15-16
f. Conclusion	16-17
F. Title II Operations	
1. Design for Distribution	
a. How the System Works	17-18

	<u>Page</u>
b. Corrective Steps Since Last Winter	18
(1) Suspended operations and curtailed imports	19
(2) Institution of project controls	19
(3) Issuance of Directive 0306	20
(4) Regional USAID/FFP Officer	20
c. Program Logistics	20-22
d. Commodity Programming	22-23
e. The Terminated Grains	23-24
f. Spoiled Title II Commodities	24-25
g. Limited Stocks in Provincial Warehouses	25-26
h. Food for Work	26
2. Voluntary Agencies (Vol Ag) Programs	27
<u>Section III - Exhibits</u>	
EXHIBIT A - Table 1 TA-9635 (7/17/68)	28
EXHIBIT B - Table 2 TA-0636 (11/3/69)	29
EXHIBIT C - Table 3 TA-1637 (7/15/70)	30
EXHIBIT D - Table 4 PL-480 Title II Inventory AG/OAS Estimate	31
Distribution	32

Section I - Summary Findings and Recommendations

A. Introduction and Scope

From a broad viewpoint, several significant factors seem to lie behind the problems which, until recently, have plagued Title II activities in Vietnam. The general situation was not only contributed to but worsened by the security problem existing in recent years in a large portion of the country, making normal program management and oversight visits to these programs in many provinces extremely difficult if not impossible. The program approval and management processes were overly-influenced by a war-time philosophy of risking possible wastage for the sake of supplies adequate for any emergency. Additionally, other program priorities eclipsed Title II needs in obtaining top Mission management's attention and talent. The result was that the significance and extent of these Title II problems went unrecognized and corrective action was delayed.

During the latter part of 1970, which was well after a substantial improvement in security, two special reviews--one by the Operations Appraisal Staff of the AG and another by the Inspector General of Foreign Assistance--served to bring these long-existing problems into sharp focus. Both of these groups highlighted significant problems in the Title II food area which required high-level attention. These AG and IG reports prompted USAID/CORDS operating management, under AID/W guidance, to institute efforts (a) to reduce the program to more manageable proportions, (b) to provide better control and monitoring by the cooperating country, voluntary agencies, and U. S. authorities concerned, and (c) to realign the program to the changing Vietnam situation.

Our follow-up visit, as reported herein, attempted to assess the efficacy of the actions taken by the USAID/CORDS and the Government of Vietnam over the past six months in the areas mentioned. Our team of three professionals spent 32 calendar days in Vietnam, departing from the post on June 20, 1971. We visited all four MR headquarters and thirteen provincial capitals. We talked extensively to local Government of Vietnam officials, resident Americans, and voluntary agency representatives. We spent considerable time with the American Food for Peace Officers, both in headquarters and in the provinces, as well as with other senior officials of the USAID and CORDS.

This review was conducted more from the top down than from the bottom up. Our terms of reference resulted in our attempting to take a relatively brief, broad-gauge look at the actions taken, and the adequacy of current operating arrangements in terms

of U. S. stewardship of the program. Essentially, we were trying to formulate "overview" conclusions of the management actions taken as a result of the AG/OAS and the Inspector General's reports to see whether such actions seemed adequate in the context of the program as it exists in Vietnam today.

While we talked to many people, and studied records extensively, our principal efforts concentrated on the broader issues rather than detailed verifications of transactions. Thus, we did not get into examinations of physical inventories, stock control records, distributions, etc., nor did we visit projects to observe the numbers of people being fed, possible noncompliance and related matters.

We discussed much of the substance of our report with the officers of the USAID in Vietnam prior to our departure. Some issues could not be resolved into firm judgments and/or recommendations in advance of further consultations with AID/W. In addition, since our return, the study and analysis of the raw data gathered on the trip, plus discussions in AID/W, have led us to comment on certain underlying policy issues, discussed under "Policy Considerations" below, and to amplify some of our initial impressions and judgments.

The team wishes to express its gratitude for and appreciation of the cooperation and assistance rendered it during its stay in Vietnam by the officers of the USAID and the host country personnel with whom we had contact.

B. Policy Considerations

In our examination of Title II operations in Vietnam, it became apparent that two conditions, virtually endemic in Vietnam, make the maintenance of optimal operational standards most difficult. The first of these involves the effort to introduce foodstuffs unfamiliar to the local populace and whose reception among the Vietnamese people is, at best, a qualified one. The tendency to use such foods, once received, as a medium of exchange for other foods with a significant higher "coefficient of receptivity" is almost inevitable so long as any opportunity for such transactions exists. Given the volume and diversity of goods, and the political factors involved, the enforcement necessary to avoid this and/or other abusive practices appears to be beyond the capabilities of U. S. personnel and/or the inclination of GVN officialdom at the provincial level. Whatever may be the benefit of these commodities from a nutritional standpoint, or the desire to effect changes in the dietary patterns of the recipients, so long as policy calls for a continuance of the presently designed program we see, at best, little prospect for

more than an abatement of the abuses rather than their elimination.

The second problem area is the diffusion of operational responsibility between the USAID and CORDS for the performance of the U. S. role in these programs. Conversations with CORDS personnel at the MR level indicated that the problems of distribution of Title II relief goods were low on their priority ladder, competing with para-military and other allegedly more critical functions. At the province level, the monitoring of Title II programs is a part-time function of CORDS personnel--not responsible to the USAID--with a wide range of similarly competitive activities. GVN personnel--operationally responsible for the program--have tended to see it as an "American program" which has enjoyed, in their eyes, a similarly low administrative priority. Under existing organizational arrangements, therefore, Title II operations tend to be low on the priority lists of both U. S. and GVN personnel in the field. The importance of political factors in program motivation only serve to compound the difficulty in obtaining, especially from the GVN, the strict enforcement needed to meet desired operational standards. Yet with a curtailed range of recipients and a full-time and centralized USAID control responsibility, we believe program operations could be brought to an acceptable level of control and effectiveness. (The OAS report, issued last winter, on USAID/CORDS relationships with respect to A.I.D. appropriated funds, pointed up the confusion in program management and operations stemming from this dichotomy of operating responsibility. This general problem takes on specificity in the case of Title II operations.)

From the standpoint of overall cost, actual need, consumer receptivity, simplicity of operations, and administrative efficiency, we submit that a powerful case can be made for reducing this operation to its essentials, both in content and administration. It can be argued that a program of distributing rice to eligible recipients would meet the feeding problem and avoid the bulk of not all of the complaints, wastage, and abuses that, given the local conditions, have plagued these programs.

Given the projected curtailment of U. S. staffs in both the USAID and CORDS, we believe the make-up of the Title II programs, the range of recipients, and the possibility of using less "exotic" foodstuffs for these relief programs in Vietnam should be made a major order of business by both U. S. and GVN authorities.

C. Major Findings

1. During the period between the AG/OAS and IGA reviews of the Title II programs in Vietnam (November-December, 1970) and the current AG/OAS review (June-July, 1971) both the USAID/VN and the GVN took major steps to resolve the problems highlighted in the earlier examinations. Inter alia, the number of feeding projects, primarily for non-institutional adult feeding ("sick and needy"), had been reduced from over 10,000 to less than 700; the import of certain commodities, e.g., cornmeal, rolled oats, and rolled wheat, had been suspended, and the import of other commodities had been sharply reduced; revised and strengthened regulatory measures had been drafted and introduced.
2. A new GVN Directive, No. 0306, was promulgated in April. This document aims to establish for the first time a body of regulations and procedures governing GVN operations under the Title II programs. Among its provisions are the establishment of qualifications for and identification of eligible recipients; procedures for the issuance of commodities; procedures for enforcement; establishment of a control function for Food for Peace officers (FFP) at the Military Region level; and a variety of other provisions intended to curtail abuses and tighten administration. On the other hand, a major weakness of Directive 0306 is the provision authorizing the resumption of non-institutional adult feeding programs, a major source of earlier abuses. Such resumption, if undertaken, could undermine much of the otherwise constructive features of this Directive.
3. The FFP office in USAID/VN has been reorganized and there is clearly a greater awareness of the program and its problems at the higher echelons of the Mission. The appointment of a FFP officer in each region--responsible to the USAID--with whom FFP/USAID can communicate without going through the cumbersome USAID/CORDS channels is clearly a step forward. The division of certain of the FFP activities in USAID between the logistics and the FFP offices and the difficulties of coordination under the USAID/CORDS dichotomy, however, constitutes a continuing obstacle to efficient administration, and USAID management will need to maintain a vigorous direction of the program if this forward step is to be fully exploited. The MR/FFP officer is strategically placed to exercise control over releases to provincial warehouses. Under the present arrangements he is the only direct USAID control point in the entire operation from the time of delivery from shipside to the ultimate consumer. Yet for him to exercise his control in other than an arbitrary fashion,

he needs adequate information about the on-going GVN program operations. The extent to which he has this information is less than clear.

4. The programming system used by USAID/VN and FFP/AID/W seems to invite overstocking of Title II commodities. Approximately half of the 180,673 m.t. specified in the FY 1970 TA had not been called forward when the TA was closed out. Despite the fact that no commodities had been received under the FY 71 TA agreed to in July, 1970, Title II inventories at the end of April, 1971, were 27,000 m.t. This policy of overstocking and overanticipating needs reflects in part the phase down of the Title II operations in the spring of 1971; but it also reflects a conscious policy of overprogramming on the grounds of being prepared for maximum emergency situations. The dangers in this policy became apparent this May and June when USAID/VN identified some 10 percent of Title II inventories as being unsuitable for human consumption. The "winding down" of the war reduces the likelihood of emergency situations, and in any case, should such conditions arise temporary needs could be met from existing stocks augmented by local rice. The application of concepts that are used in programming and budgeting A.I.D. dollars to Title II would mean greater recognition of the value of Title II commodities as a program resource and should encourage better management practices.
5. There is a need for a continuing review of Title II operations in Vietnam by FFP/USAID to monitor the GVN administration of the program, including the degree of adherence to the policies, procedures, and regulations which have been established for the purpose of preventing the recurrence of past abuses. The team believes that effective program monitoring would assist greatly in maintaining a desired level of performance by those involved, thereby contributing to the general level of program management and operations. Based on preliminary information available to him, the USAID/FFP officer may periodically request special audits and investigations by AG personnel to facilitate USAID program management.
6. The USAID/VN is taking the steps necessary to dispose of spoiled inventories of Title II commodities. In the main, these stocks are being sold for animal feeding. (The sales proceeds revert to the U. S. Treasury accounts of the Disbursing Officer at the U. S. Embassy.) By appropriate action with respect to the rate at which commodities are called forward and the levels of stocks maintained in warehouses, the recurrence of spoilage should be reduced or, indeed, eliminated.

7. The incidence of excess warehouse stocks at the present time is low compared to the situation last year. The few remaining instances can be eliminated by a planned program of redistribution within the country and careful MR/FFP control of withdrawals from central/regional warehouses.
8. New procedures (individual Annual Estimate of Requirements - AERs) initiated in FY 72 will permit, for the first time, accurate data on the Voluntary Agency distributions. The separation of commodity sources in Vietnam for government-to-government activities, on the one hand, and Vol Ag operations on the other will also foster better surveillance by the USAID and improved management by the Voluntary Agencies. Generally, Vol Ag personnel in Vietnam are endeavoring to maintain high standards of performance.

D. Recommendations

It is recommended that:

1. The USAID reopen with the GVN the provisions of Directive 0306 and obtain the deletion of any provision permitting the resumption of non-institutional adult feeding programs (sick and needy). Where such programs have already been reinstated, they should be terminated as soon as possible--but not later than six months after the Directive is renegotiated. (Discussion pages 10-12)
2. The USAID clarify its program/project approval processes and specify--by instruction or directive--the appropriate point at which a USAID official can and should make a substantive judgment on the acceptability of newly proposed projects. (Discussion page 13)
3. The Area Auditor General expand its reviews of the Title II program in Vietnam to determine if the new policies and regulations are being carried out and to see if abuses are occurring. Among other things, the reviews should include audit checks in each province no less than once a year. (Discussion pages 13-16)
4. The USAID further intensify its efforts to improve the Mission's oversight role, including logistics, coordination, etc., with respect to the administration of Title II operations, including the effective compliance with the procedures set forth in Directive 0306 and related regulations, and more effective operational relationships between U. S. offices involved. (Discussion pages 17-21)

5. The Vietnam Bureau and FFP/W reexamine outstanding Transfer Authorizations and (a) either close out old TAs, substituting new TAs prepared with realistic amounts programmed, or (b) amend existing TAs to reflect the presently foreseen probable requirement. Adjustments due to actions taken on Recommendation 1, above, should be reflected in the new documentation. (Discussion pages 22-23)
6. The Vietnam Bureau arrange that the temporary suspension of imports of bulgur, cornmeal, rolled oats, and rolled wheat be made permanent. Such stocks of these commodities as may be in Vietnam should be distributed and used but not replenished. (Discussion pages 23-24)
7. The USAID formalize a policy to the effect that provincial warehouse stocks of Title II commodities be limited to approximately a 30-day supply of each commodity. The achievement and maintenance of this objective should be a major task of the MR/FFP officer as he passes on Forms 1/008. (Discussion pages 25-26)
8. The USAID formulate a policy under which payments made in Title II commodities on Food for Work projects in urban areas are limited to no more than 50 percent of the total payment, the balance being made up in cash and/or rice. (Discussion page 26)
9. The USAID/FFP personnel follow more closely the operation of the Vol Ag programs during FY 72 as these operations are carried on under the new procedures, and deal promptly with weaknesses, if any, which manifest themselves during the coming months. (Discussion page 27)

Section II - Details of Report

E. Operational Directive 0306

1. Content and Purpose

a. The subject Directive, issued April 21 of this year, represents the major outgrowth of GVN/USAID discussions on the Vietnamese PL 480, Title II program carried on pursuant to the AG and IGA reports of last winter. The Directive was signed by the Minister of Social Welfare and the USAID Acting FFP Officer, and represents the first reasonably complete set of instructions ever issued on Title II by the Ministry of Social Welfare (MSW) to its Chiefs of Service in the provinces and independent cities. In capsular form, the Directive--

- (1) states that the program is the GVN's to manage and operate;
- (2) lists "misuses" of Title II commodities and preventative measures to be taken;
- (3) identifies eligible initiators of projects;
- (4) established specific categories of recipients;
- (5) defines the size of the ration;
- (6) establishes procedures for issuance of commodities from central and regional warehouses;
- (7) clarifies role of MR/FFPO in issuance process; and
- (8) provides for resumption of non-institutional adult feeding programs (sick and needy).

Item 8, above, is the major danger point in the Directive to which the team addresses its first recommendation. In addition to this factor, the Directive provides little guidance concerning the definition and size of a "project"; establishes an income of less than 50 piasters a day as qualifying recipients--a level permitting widespread abuse; and includes questionable provisions concerning rations, packaging, etc.

b. The following eligibility list for recipients is given in Section VIII of O306:

1. Residents in SW institutions:
 - a. orphanages
 - b. day care centers
 - c. homes for the aged
 - d. leprosaria
 - e. beggar centers
 - f. centers for the blind, deaf and dumb
 - g. correctional centers
 - h. reeducation centers
 - i. rest homes
 - j. rehabilitation centers
 - k. vocational training centers
2. Schools, private or public, and dormitories
3. Patients in hospitals and maternities
4. Returnees and their dependents in Chieu Hoi Centers
5. War victims (temporarily resettled, people suffering damage to their houses; Vietnamese repatriates) while living in temporary re-settlement centers (no more than three months)
6. Sick and needy people (non-institutional adult program):
 - a. Montagnards
 - b. war widows and orphans and forebears until they receive their benefits

* Legality of this category is questionable.

- c. disabled veterans and cadres with at least 50% disability and who are unemployed
- d. civilian widows and orphans and disabled civilians if they are poor, recommended by the hamlet, village, or ward, and confirmed by the SW Service
- e. old folks, sick and poor, recommended by the hamlet, village, or ward and confirmed by the SW Service

7. Fire and disaster victims

8. People who participate in economic development and community development projects

- c. The Directive was followed by letters from the Prime Minister (concurrently Minister of Interior) to the Provincial Chiefs and to the Commanding General of the National Police. The Province Chiefs were told that all distribution and use of Title II commodities must follow the rules of 0306. The National Police were told "whenever violators are caught, the Police must confiscate the food, return it to the warehouse and at the same time punish the offender."

2. Team Comment and Recommendations Concerning Directive 0306

a. Proposed Resumption of Non-institutional Adult Feeding Programs

In response to the criticisms of the Title II programs voiced in the AG and IGA reports last winter non-institutional adult feeding activity was suspended by the GVN and the USAID early in 1971. As a result, the number of so-called projects dropped from an unmonitored 10,000 to a difficult-to-monitor 700. Concurrently, illegal sales, wastage, diversion, and other abuses in the Title II effort fell sharply. At the time our team visited Vietnam in order to review corrective actions of the GVN and the USAID, the suspension of these adult feeding programs was in full effect. We, therefore, are reporting this significant improvement. At the same time, as we have indicated above, Section VIII of the new Directive 0306 signed by the GVN and the USAID, permits the resumption of these abuse-pregnant adult feeding programs. We believe this policy decision is fraught with probable future problems and should be reconsidered.

The AG/OAS team discussed 0306 at the Ministry of Social Welfare (MSW) and USAID/Saigon before going into the field. Saigon felt that 0306 brought order to the PL 480, Title II program. The provincial MSW Chiefs of Service agreed that 0306 spelled out the rules but also felt 0306 made it mandatory for them to reopen programs, e.g., the non-institutional adult programs, "the sick and needy," which had been closed and which, for the most part, they had been happy to see ended. The programs for the "needy" are political programs, and few provincial Chiefs of Service feel they are strong enough to swim against the political stream.

The AG/OAS team in its conversations with the provincial MSW officers tried to determine what had happened to these "sick and needy" recipients when they stopped receiving rations in early spring. There was no universal answer, but the Chiefs of Service, however, were in agreement that the diets of the recipients had not changed substantially in the suspension period. One Chief of Service said it meant the wives and children had to work to provide extra income. Two others said people had to forego other things (generally they mentioned nonfood items) to replace the FFP food. On both the GVN and American side, there was agreement that while there was very little hunger in Vietnam, there was malnutrition. Better nutrition is a clear objective of Title II, but whether these non-institutional programs contribute to that end is questionable.

The Ministry, seemingly, recognized the problem late in May when a message No. 3180 was sent to the Chiefs of Service stating: "In order that the most eligible families from the ("sick and needy" programs) recipient elements can benefit from FFP....you are requested to cautiously make a survey...." In a few of the provinces visited, the Chiefs of Service were being cautious; however, in most cases, caution was thrown to the wind. In several provinces, Chiefs of Service had sent word to the presidents of the disabled veterans and widows associations and chiefs of villages and hamlets. One provincial Chief of Service called a meeting of all village and hamlet chiefs and told them of the new program and asked them to nominate recipients. In May, this officer said there were 11,938 (mostly Montagnards) on the non-institutional rolls. Asked for an estimate of January-March, 1970, when he would again have the additional non-institutional programs permitted under 0306, he said 100,000. He argued that the province had almost

a million people and that at least 10 percent were poor and needy. Other province Chiefs of Service refused to estimate the increase, although all agreed it would be large or very large. At the other end of the spectrum, was the Chief of Service who said he had asked each hamlet and village chief to nominate the two neediest families and he felt he could verify the validity of need.

The MSW, with USAID participation, was holding a series of conferences for provincial MSW officers as the AG/OAS team left Vietnam. These conferences were designed to improve the situation this section of the report describes. The MR/FFP officer, through his control of Requisition Form No. 7/008, can refuse to issue commodities to projects which he believes have the potential for abuses. But given the environment within which he works, the influences of dissuasion from such action are powerful. If he is to take such a position, he will need vigorous and outspoken support from his USAID principals.

The time frame was not clear, but several USAID/VN officers were hopeful that the feeding of the "sick and the needy" could be temporary. The "sick and the needy" conform to what M.O. 1572.4 designates as "dole" type programs, and here Agency policy is "to disengage as quickly as possible....except to the extent that funds are required for urgent or extraordinary relief requirements."

The team has given most thorough consideration to the resumption of these non-institutional adult feeding programs. We recognize the desire of both the USAID and the MSW that these programs operate within established guidelines. There is no doubt that if intent gave assurance of performance, all would be well. But the operational realities of these wide-ranging programs seem to us to preclude the desired adherence to the newly-established regulations. Therefore, in our view, Directive 0306 should be revised to remove all provisions having to do with feeding programs for non-institutionalized adults (sick and needy). We believe the USAID should make this revision a priority order of business.

Recommendation No. 1: That the USAID reopen with the GVN the provisions of Directive 0306 and obtain the deletion of any provision permitting the resumption of non-institutional adult feeding programs (sick and needy). Where such programs have already been reinstated, they should be terminated as soon as possible--but not later than six months after the directive is renegotiated.

b. Lack of USAID Review of New Projects

Directive 0306 provides that a copy of the Project Control Form--the project initiation document--goes to the MR/FFP officer after its approval by the appropriate MSW official. The Directive makes no reference to any approval or nonapproval function for the MR/FFPO. This officer signs off on all withdrawals from central or regional warehouses--each withdrawal for a provincial warehouse being intended to supply a large number of individual provincial projects. Whether the MR/FFP officer, under these circumstances, is procedurally able, or sufficiently well informed, to make a judgment on the validity of any newly proposed project is problematical. His function, upon receipt of the PCT, appears to be largely that of a record keeper.

The team questions the seeming absence in the operational procedures governing the Title II program of any point at which USAID reviews the substance of a proposed project to insure its conformance with approved policy and operational guidelines. If the MR/FFPO is expected to do this, Directive 0306 should specifically provide for such review.

Recommendation No. 2: That the USAID clarify its program/project approval processes and specify--by instruction or directive--the appropriate point at which a USAID official can and should make a substantive judgment on the acceptability of newly proposed projects.

c. Other Shortcomings of Directive 0306

- (1) Directive 0306 in Section IX-6b establishes an eligible recipient of Title II aid as a person receiving income of less than 50 piasters per day. We concluded that this is an unrealistic figure and should either be reduced or deleted from the Directive. When asked, virtually all GVN officials said the figure was too high and they proposed to ignore that particular feature of the Directive.
- (2) Directive 0306 does not identify reasonable limits to the size of a project, either in geography or numbers of people. As a result, there have been wide variations among GVN personnel at the provincial or district level and they have made their own determinations on this point. Some reasonably uniform guidelines should be promulgated by the MSW for the guidance of these local officials.

- (3) The diversion of Title II commodities to commercial channels is facilitated by the distribution of these commodities to recipients in unopened standard size bags (e.g., GSN) and/or containers (e.g., oil). To the extent these could be broken or opened prior to distribution, diversion, other things being equal, would be reduced. The team hastens to acknowledge certain obstacles that might stand in the way of such practice. The problem is cited in the hope that where circumstances would facilitate "splitting," it be undertaken.

All the above problem areas have been most pronounced in connection with non-institutional adult feeding. If that activity is eliminated as here proposed, these problems, too, would be reduced to a minimum.

d. Uncertainties Concerning Future GVN Administration under Directive 0306

While the team does not wish to prejudge future GVN performance in the administration of Title II programs, an objective appraisal of probabilities must allow for significant shortfall in the strict enforcement of the provisions of this Directive. The major reasons for that shortfall are discussed under "Policy Considerations" early-on in this paper and in a somewhat different context in the portion dealing with "Program Logistics" on pages 20-22.

There are three areas where the above mentioned shortfall may occur. These are (a) in program control and administration by the responsible GVN authorities (including the submission of reports and the conduct of commodity utilization verifications--both a function of MSW staff in the provinces); (b) in the quality and adequacy of the enforcement role by the National Police; and (c) in the adherence of Province and District Chiefs to newly-prescribed regulatory measures.

Distribution Reports - Despite the specific criticisms made of the 0306 in the foregoing paragraphs, the 0306 does provide the guidelines vital to an improved PL 480, Title II program. Continuous policing by the GVN will be necessary. Directive 0306 calls for monthly reports on distribution by the recipient agencies. These reports were not in evidence during the AG/OAS visit. The validity of such reports without end-use checks by MSW would be questionable in any event. If MSW can

design an adequate system of end-use checks, the requirement for monthly distribution reports could be eased thereby lessening the load of the provincial MSW Chief who is now being nearly strangled by required paper work.

National Police Enforcement - The GVN recognizes the need for policing the Title II program. Directive 0306 was followed by letters from the Prime Minister (concurrently Minister of Interior) to the Provincial Chiefs and to the Commanding General of the National Police. The Province Chiefs were told that all distribution and use of Title II commodities must follow the rules of 0306. The National Police were told "whenever violators are caught, the Police must confiscate the food, return it to the warehouse and at the same time punish the offender."

When the Chiefs of Service were questioned on how effective they thought the letters would be, their reactions differed. Some said they could depend on the National Police, but one said that in the days commodities were in the market, wives of the National Police were the most active brokers. One articulate Chief of Service said: "All these needy people have suffered tragedies and I cannot see the police arresting them. No one wants to harass them, they have suffered enough." The same man echoed the feelings of many when he said: "I, the Province Chief, and the District Chiefs will do our best to control the program, but these people want rice and will sell the FFP food for piasters to buy rice. After all, they own it and will do what they want with it."

e. Status of Enforcement

At the time of the current AG/OAS review it appeared that the actions taken by USAID/VN and MSW in December and January were being successfully implemented in 12 of 13 provinces the AG/OAS team visited. In the 13th province, the team was told that Title II commodities were being sold and that, unlike the other provinces visited, large number of the "sick and the needy" were being fed. These conditions seemed to be similar to those that existed in November-December, 1970. The team informed the USAID Associate Director in charge of the Title II program and the Area Auditor General of the results of their 13-province visit. These officials were asked to look into the situation in the 13th province and, if found to be as reported, to take corrective measures promptly.

Compliance on the CORDS side has ranged from excellent in MR-4 to poor in MR-3. Conversations with MSW and American officials in the field demonstrated they knew that there were rules as to who was eligible and who was not, and that Title II commodities were not to be bartered or sold. The CORDS provincial FFP officers inspected each project to verify the description of the projects and prepared a verification form. Copies of both the PCF and the Verification Form were sent to the MR/FFP and USAID/VN FFP. The AG/OAS team did not visit the projects, but it did verify that there were copies of the PCF at all three levels: province, MR Hq., and Saigon. A sampling of the forms showed they were complete and consistent.

The team believes that the maintenance of as large a Title II operation as that carried on in Vietnam, under the conditions there prevailing and irrespective of the inclusion or noninclusion of "sick and needy" feeding programs, on any basis that meets minimally acceptable standards, will call for a continuing monitoring on the ground by both the USAID program managers and by detailed audits and inspections. If this objective enjoys a high priority within A.I.D. and the USAID/VN, we see no other means of its satisfaction than this continuing examination of GVN performance.

Recommendation No. 3: That the Area Auditor General expand its reviews of the Title II program in Vietnam to determine if the new policies and regulations are being carried out and to see if abuses are occurring. Among other things, the reviews should include audit checks in each province no less than once a year.

f. Conclusion

In the end result, the success or failure will depend on the acceptance by the MSW provincial Chief of Service of the basic principles enunciated in Section II of the 0306:

"The GVN, represented by the MSW, has the function to manage and operate the entire FFP program in Vietnam."

and

"Food donated to the Vietnamese people through the GVN....is considered the national property of Vietnam."

If the provincial MSW officer believes Title II foods are a resource of the GVN and that he has the duty to manage that resource, the program will be a GVN program, not an American one, and it can be successful.

F. Title II Operations

1. Design for Distribution

a. How the System Works

Estimates of annual requirements for the government-to-government Title II programs in Vietnam are worked up jointly by the GVN (MSW) and the USAID. These estimates are submitted to AID/W and after review and possible revision are incorporated into a Transfer Authorization (TA) which is signed by AID/FFP and the GVN Embassy. This TA stipulates the total amounts of particular commodities authorized for shipment during the fiscal year. Thereafter, and pursuant to MSW requests, the USAID/VN "calls forward" incremental amounts against the TA totals. Amounts called forward at any one time are determined by a number of variables, e.g., rate of use, shelf life, shipping availabilities, economies, etc. Goods are consigned to central warehouses at Saigon or regional stores at Danang, Nha Trang, or Qui Nhon. Title to the commodities is transferred to the GVN's Central Logistics Agency (CLA) upon discharge from the ship. CLA controls the central and regional warehouses and the movement of all goods into and out of those warehouses. Logistics advisors from USAID/VN are assigned to CLA and are expected to monitor the movement of Title II goods under CLA control. Goods are withdrawn from these warehouses in accordance with the following procedure.

The Ministry of Social Welfare (MSW) of the GVN is given overall jurisdiction of the Title II programs by Directive 0306, and its Saigon and provincial officers, along with the U. S. voluntary agencies, serve as "sponsors" for the entire operation. Proposals for the use of Title II commodities can be made by a number of "recipient agencies" including five ministries of the national government, voluntary agencies, and private or public social welfare institutions. These recipient agencies prepare "Project Control Forms" (PCF) for all newly proposed or on-going projects, and submit these PCFs to the "sponsors" office. The provincial offices of the MSW, in their supervisory role, review the justification for and coordinate all PCFs, collate overall requirements for their specific jurisdiction, and

issue Requisition Forms 7/008, for the release of commodities from the central or regional warehouses to the provincial warehouse involved. Essentially the PCF identifies the number of eligible recipients. The number of recipients times the set ration times the days in the period equals the food needs of the project. Project control cards showing the amounts required are maintained at MSW provincial, regional, and Saigon levels and by USAID at the CORDS regional level and USAID/Saigon level. These control cards serve as the basis for the provincial MSW officer's preparation of Form 7/008. In issuing their 7/008s, provincial MSW Chiefs of Service determine the volume of goods to be drawn and the rate of drawing. The 7/008 is then sent by the Chief of Service to the appropriate central or regional office where it is acted upon by central or regional MSW officials and the MR/FFP officer. If approved, goods are sent by CIA to the provincial warehouse concerned.

A key element, introduced by Directive 0306, is the requirement for the signature of the full-time FFP officer at the region on the documents authorizing release of goods from the regional to the provincial warehouse. This officer--responsible to the USAID/VN--represents the only USAID control point in the entire operation, once the goods are off-loaded in Vietnam.

When goods are issued to the provincial warehouse, the release of these goods to all recipients after MSW approval, is the exclusive prerogative of the province Chief (or Mayor in the case of the autonomous cities). At the provincial level, a member of the CORDS staff has a nominal responsibility to monitor Title II operations. From the team's conversations in Vietnam, it would appear that competing duties enjoy a higher priority over this person's time. Yet this program monitoring activity is a major source of data needed by the MR/FFP officer in the exercise of a USAID control function.

b. Corrective Steps Since Last Winter

The January AG/OAS Management Appraisal Report stated "Numerous violations in the procedure for handling PL 480, Title II commodities are easily noticeable in most provinces....People receiving PL 480 commodities were middlemen--promptly selling the commodity to someone else." With the receipt of the AG/OAS and ICA reports, USAID/VN made vigorous efforts to correct this situation.

(1) Suspended operations and curtailed imports

Immediately following the discussions in Saigon early last December between USAID management and the OAS team in one case, and the ICA team in another, concerning the weaknesses found in Title II activities, the USAID sent a letter to the MSW, dated December 14, 1970, which called for the suspension of all deliveries to the warehouses of nine provinces and one autonomous city until corrective action had been taken. The letter also announced to the MSW the suspension of imports of bulgur, cornmeal, and rolled oats. A third provision of this letter read as follows: "As a further means of minimizing the abuses referred to in paragraph 1, the USAID also requests that all further distribution of PL 480, Title II commodities be limited to refugees, institutional feeding programs, and those Food-for-Work programs specifically approved by USAID. Institutional feeding includes school feeding projects and all other projects where food is prepared in a common kitchen for groups of people for immediate consumption."

(2) Institution of project controls

The GVN reacted to this letter vigorously. Under date of January 16, 1971, the Minister of Social Welfare wrote the USAID proposing a joint examination, on the ground, of the situation in the nine provinces and the autonomous city in which deliveries had been suspended. The letter also announced the calling of conferences of MSW staff at the center and in the provinces for purposes of explaining Title II procedures. The conferees were instructed to revise all Project Control Forms (PCF) or prepare PCFs if none existed for continuing projects. By USAID/MSW agreement only institutional, refugee, and war disaster projects would continue. This eliminated the "sick and needy" projects which were the major sources of the abuses seen by the AG/OAS team in the autumn of 1970, and had the effect of reducing the projects that existed in the autumn (over 100,000) to a manageable 612 by May, 1970.

(3) Issuance of Directive 0306

As a major follow-on from the USAID/MSW correspondence and resultant discussions, and the demonstrated need for clearer definition of rules, procedures, and standards in the Title II operations, Directive 0306 was issued by the MSW on April 21, 1971. This Directive has already been discussed at length in an earlier section of this report. This Directive is still in the process of being implemented throughout Vietnam.

(4) Regional USAID/FFP Officer

Directive 0306 specifically provides that supplies will be issued from CIA warehouses "with the concurrence of the representative of USAID/FFP." This position had earlier been within the CORDC organization. Under the new procedures, withdrawals from central or regional warehouses are unauthorized until the signature of this officer is on the release document. Responsibility on the U. S. side for bringing provincial warehouse stocks down to no more than approximately a 30-day supply (see Recommendation No. 7) will rest exclusively on this USAID representative at the regional level as he authorizes or disallows replenishment of stocks in provincial warehouses.

c. Program Logistics

Warehousing, transporting and distributing PL 480, Title II commodities are complicated by the various governmental offices that are involved in the program, each with its own priorities, operating instructions, and each independent of the other. Commodities upon entering Vietnam are under the control of the CIA which, in turn, controls all central and regional warehouses. Requisitions from these warehouses for the provinces are submitted by the Ministry of Social Welfare (MSW). Province warehouses are operated by the Ministry of Rural Development (MORD). Requisitions from these provincial warehouses, although coordinated with a representative of the MSW, are in reality controlled by the province Chief. In the case of autonomous cities, the Mayor exercises this authority. It is through and with this complex of GVN officialdom that the USAID/CORDC personnel must work in the overall monitoring of all Title II programs. At the very best such operations would not be easy.

The introduction of the procedures established by Directive 0306 into this complex of independent GVN organizations, and the visit of the OAS team to Vietnam occurred concurrently. In its talks with both USAID and GVN personnel, it became clear that the operational situation prevailing prior to 0306 was, at best, confused. USAID/Logistics personnel assigned in an advisory capacity to CIA were signing documents, requisitioning commodities, and monitoring project requirements--all of which were outside their function or authority. (Note: It might well have been the only way to get anything done.) But in spite of the improvements represented by Directive 0306, there is a continuing need for improved communication between USAID/FFP, MR/FFP, and USAID/Logistics in the processing of documents concerning Title II programs and deliveries.

The team believes there are several functional areas which require clarification, better communications, and better allocation within the USAID of responsibility for one or another facet of the Title II operation. Illustrative of these problem areas are:

- (1) Inadequate distribution of information to interested parties when reductions are made by Saigon in requisitioned amounts;
- (2) Lack of consistency in form and method of posting of regional and provincial voucher (7/009) registers. (The correction of this defect is a must if data gathering is to be developed as necessary.);
- (3) Inaccuracies in regional registers (7/009) with respect to size of stocks, extent to which requisitions are filled or unfilled, and failure to keep registers current;
- (4) Lack of adequate reconciliation between documentation at the regional and Saigon levels; and
- (5) Action needed for support of the MR/FFP officer by insuring him a suitable flow of information on the basis of which he can play his "control" role.

The team does not attempt to make specific recommendations concerning logistical procedures. We believe the USAID itself is in the best position to identify suitable corrective steps and see to their implementation. The important question is that the USAID focus on these

problem areas of communications, data gathering and dissemination, and procedural monitoring in support of Directive 0306.

Recommendation No. 4: That the USAID further intensify its efforts to improve the Mission's oversight role, including logistics, coordination, etc., with respect to the administration of Title II operations, including the effective compliance with the procedures set forth in Directive 0306 and related regulations, and more effective operational relationships between U. S. offices involved.

d. Commodity Programming

Attached Tables No. 1 to 3 show that there has been consistent overprogramming. In both USAID/VN and AID/W, the volume of Title II commodities shown in the TAs for FY 1969, FY 1970 and FY 1971 for Vietnam seems to have been calculated on the maximum number of potential recipients times the maximum ration. It was assumed that the TA represented an estimate and that it should be the maximum amount required, but that only those amounts actually needed would be called forward.

TA-9635 (7/17/68), Table 1, programmed 159,030 m.t. At the time it was closed out, 135,472 m.t. or 85 percent had been received. TA-0636 (11/13/69) as amended called for 180,673 m.t., but only 87,687 m.t. or 49 percent had been received when the TA was closed out. TA-1637 (7/15/70) specified 93,403 m.t., but, as of mid-May, 1971, no tonnage had been received. USAID had called forward 5,000 tons of wheat flour for delivery end-May, 1971, but otherwise expected to close out the TA. Despite the fact that none of the commodities ascribed to the July, 1970, TA had been received in the country, the estimated inventory as of April 30, 1971, was approximately 27,000 m.t.*

The USAID/VN decision to close out TA-1637 has, as yet, not been accepted by FFP/AID/W. The latter prefers to hold TA-1637 open instead of issuing a new TA. This appears to be a faulty management decision by FFP/AID/W. TA-1637 represents, after the call forward of the 5,000 m.t. of wheat flour, some 88,000 m.t., yet the Mission estimates only 27,000 m.t. will be needed in FY 1972 for the government-to-government program. TA-1638 includes substantial amounts of bulgur, etc., and the Mission does not intend to import this type of grain. TA-1638

* See attached Table 4.

provided for the Vol Ag programs; in FY 1972, the Vol Ags will have their own Title II food resources. This TA was written under the maximum programming policy; current U. S. policies in Vietnam would seem to minimize frequent occurrences of emergency situations requiring overly large stocks of food in Vietnam, plus additional stocks available in the TA. A.I.D. experience with disaster relief in other parts of the world has shown its ability to quickly respond to the isolated need for large amounts of Title II commodities. Seemingly, it would be more logical to write a new PROP and TA this autumn when MSW and USAID have gained experience with distribution under O306. The TA could then equal actual planned needs, and the overprogramming in the past could be avoided.

Recommendation No. 5: That the Vietnam Bureau and FFP/W reexamine outstanding Transfer Authorizations and (a) either close out old TAs, substituting new TAs prepared with realistic amounts programmed, or (b) amend existing TAs to reflect the presently foreseen probable requirement. Adjustments due to actions taken on Recommendation 1, above, should be reflected in the new documentation.

e. The Terminated Grains

As noted, USAID/VN has terminated imports of bulgur, cornmeal, and rolled oats. The team was informed that the USAID has also decided not to call forward any additional rolled wheat. The remaining stocks of these items still existing in Vietnam should be utilized in the on-coming months. In the AG/OAS team's conversations with both GVN and CORDE American officials, no one indicated any desire to resume the distribution of cornmeal, rolled oats, and rolled wheat. As long as there is rice on the market at a reasonable price, the Vietnamese will not eat these cereals.

Bulgur was more controversial. In one Montagnard area where the Catholic Relief Services (CRS) had done pioneer work in training the tribal people in how to prepare it, bulgur was said to be acceptable and was eaten. In another province with large numbers of Montagnards, but where there had been no training effort, the CORDE/FFP officer claimed the tribal people used bulgur only to distill spirits. In several provinces both GVN and American officials said the orphanages either mixed bulgur with rice or used the recipes provided by USAID/VN.

On a much smaller scale, the same controversy existed on the use of CSM. There was general agreement that institutions used it, but differences of opinion as to whether the refugees and the Montagnards ate it.

Both bulgur and CSM are unfamiliar foods to the Vietnamese people and do not find general acceptance in institutions. The protein value of the CSM provides a rationale for importing sufficient CSM for institutional feeding. In the case of bulgur, however, it is probable that imports cannot be justified unless large amounts are imported. The costs in terms of personnel and money in extending instructions on how to use bulgur as human food would be large, uneconomic, and of dubious benefit.

Recommendation No. 6: That the Vietnam Bureau arrange that the temporary suspension of imports of bulgur, cornmeal, rolled oats, and rolled wheat be made permanent. Such stocks of these commodities as may be in Vietnam should be distributed and used but not replenished.

f. Spoiled Title II Commodities

Generally, provincial warehouses visited during the AG/OAS team's review were found to be free of spoiled or unfit commodities and where it did exist, quantities for the most part were small. In two instances in the central or regional warehouses where larger quantities of infested PL 480 food were found, they had either been properly surveyed and were awaiting disposition (cornmeal at Thu Doc central warehouse) or they were in the process of being surveyed (CSM at Nha Trang regional warehouse). In a third instance (damaged cases of cooking oil at a regional warehouse) proceedings to survey the commodities had not yet been initiated.

In its weekly reports, covering the periods subsequent to the review team's leaving Saigon, the USAID/VN has reported the results of its efforts to quantify spoilage. Four tenders have been made, and Title II commodities with a Commodity Credit Corporation value of approximately \$800 thousand have resulted in plaster sales approximately equivalent to U.S. \$500 thousand (275 \$ VN to a \$ U. S.). In its July 10, 1971, Weekly Report, USAID/VN, in addition to these tenders identified some 900 m.t. of bulgur and some 200 m.t. of cornmeal as being spoiled. The total inventory at the end

* These sales revert to the U. S. Treasury account of the Disbursing Officer at the U. S. Embassy.

of April, 1971, was estimated at approximately 27,000 m.t.; the foregoing would indicate that 10 to 15 percent of that inventory was unfit for human consumption. The historical roots of this problem are principally: (1) a policy of having on hand sufficient quantities to meet any emergency--which, in effect, meant overstocking; (2) the reduction in the adult feeding programs in the early months of the current year sharply reduced the flow from the central warehouse to the provincial warehouse and to the eventual recipient.

In view of the anticipated resolution of the recent problem in the near future, and the unlikelihood of its recurrence--given the adoption of the recommendations of this report--no recommendation is made on this subject.

g. Limited Stocks in Provincial Warehouses

The team concluded that stocks of Title II commodities in provincial warehouses should be limited to levels significantly below the supply now authorized. Were stocks held, say, to approximately a 30-day level--in some provinces transportation problems might warrant exceptional treatment--beneficial consequences could be anticipated.

In the first instances, a tighter supply situation should discourage the practice of the Provincial Chief giving gifts of Title II commodities to noneligible people. This was a common practice in the autumn of 1970. Isolated cases were found in this survey of Provincial Chiefs continuing the practice of rewarding people by giving them edible oil; e.g., one Provincial Chief rewarded people with edible oil for doing various development activities in the field; another used edible oil to encourage the RD cadre when it was necessary to screen the ID cards of a whole village. Conversations and warehouse records indicated, however, that the practice was minimal when compared to the autumn of 1970.

In the second case, a limited warehouse supply would reduce or eliminate spoilage, would enable a better control of distribution, and would generally foster a more careful management of the program. A carefully controlled flow of such supplies--the important function of the new MR/FFP officer--would have a salutary effect in discouraging wasteful usage and amplify the general psychological value placed on the program, without inflicting any loss on eligible recipients.

Currently, there are oversupplies in some province warehouses. In the case of one of the most overstocked provincial warehouses, one DEPCORDS created a precedent after the team's visit to the province by transferring the surplus stocks to the regional warehouse. Overstocking will be corrected if the MR/FFP officer is selective in approving 7/008s in order to bring stocks to a reasonable level. Currently, this level is defined as a 90-day supply for all approved projects (0306 continues the 90-day stock level), but a 30-day supply should be sufficient for all provinces except those few where transportation difficulties indicate a need for a larger supply.

Recommendation No. 7: That the USAID formalize a policy to the effect that provincial warehouse stocks of Title II commodities be limited to approximately a 30-day supply of each commodity. The achievement and maintenance of this objective should be a major task of the MR/FFP officer as he passes on Forms 7/008.

h. Food for Work

Relatively few Food for Work projects are contained in the current program. The projects seemed to be of the type described in M.O. 1572.3. That M.O. says, however, that "normally, Title II commodities are not used for 100 percent of the workers compensation" and it recommends a maximum of 50 percent. In the projects reviewed, the only contribution of the sponsors was the construction materials and supervisory help. Since rice is the basic element in the Vietnamese diet, some cash payment should be required in every project to assist in its purchase. If Title II commodities are the Food for Work project worker's sole or major income, he will almost inevitably sell the commodities in order to buy rice. Exceptions to this are possible in the rural, agricultural areas where Title II commodities can be used to supplement the farmer's food carryover between harvests. Urban food for work projects have doubtful validity and are probably unjustified without a minimal 50 percent payment in cash.

Recommendation No. 8: That the USAID formulate a policy under which payments made in Title II commodities on Food for Work projects in urban areas are limited to no more than 50 percent of the total payment, the balance being made up in cash and/or rice.

2. Voluntary Agencies (Vol Ag) Programs

Since 1966, the Vol Ags have drawn their commodities from the central or regional warehouses which were supplied from a TA written to cover both the government-to-government and the Vol Ag programs. As a result, specific data are not available on past Vol Ag programs, either individually or as a group. Starting with FY 72, Vol Ags will receive commodities consigned directly to them based on Annual Estimate of Requirements (AERs) they have prepared. Once these commodities arrive in Vietnam, the Vol Ags will no longer be able to requisition from the government-to-government supplier in the central warehouses. This will enable practices to be implemented which identify specific areas where Vol Ags are responsive to needs.

As a result of past practices, it is virtually impossible to make exact comparisons of programs. In overall magnitudes, the new AERs reflect sharp cut-backs to be proposed for programs carried out in FY 72. The major portion of the Vol Ag program is carried on by the Catholic Relief Services (CRS). Their methods, procedures and records indicate a well-managed program, coordinated by a committee composed of representatives of government, USAID and the Vol Ags. The majority of the programs implemented are institutional feeding projects.

Directive 0306 appears to provide adequate procedures to enable the Vol Ag programs to work effectively. School feeding formed a principal part of the Vol Ag programs and school feeding was not in question at the time of the A1/OA1 review. The team was, therefore, limited to interviewing Vol Ag officials on their future plans.

Recommendation No. 2: That the USAID/FFP personnel follow more closely the operation of the Vol Ag programs during FY 72 as these operations are carried on under the new procedures, and deal promptly with weaknesses, if any, which manifest themselves during the coming months.

TABLE 1
 TA-9635 (7/17/68)
 in Metric Tons

<u>Commodity</u>	<u>Programmed</u>	<u>Received FY 69</u>	<u>Received FY 70</u>	<u>Total Received</u>	<u>Closed Out</u>
Flour	18,570	8,627	9,856	18,483	87
NFD Milk	6,091	4,321	4,878	9,199	(3,108)
Bulgur	14,008	10,874	2,889	13,763	245
Cornmeal	31,479	7,441	9,758	17,199	14,280
Rollod Oats	15,740	8,881	3,590	12,471	3,269
Veg. Oil	20,204	8,061	12,005	20,066	138
CCM	22,199	8,238	8,674	16,912	5,287
Corn	15,000	2,058	12,533	14,591	409
Rollod Wheat	<u>15,739</u>	<u>7,521</u>	<u>5,267</u>	<u>12,788</u>	<u>2,951</u>
Total	159,030	66,022	69,450	135,472	23,558

- 23 -

TABLE 2
TA-0636 (11/3/69)
In Metric Tons

<u>Commodity</u>	<u>Programmed</u>	<u>Received FY 70</u>	<u>Received FY 71</u>	<u>Total Received</u>	<u>Closed Out</u>
Flour	28,724	11,795	12,833	24,628	4,096
NFD Milk	11,028	4,618	5,607	10,225	803
Bulgur	25,100	9,693	7,453	17,146	7,954
Corrmeal	27,255	1,405	6,073	7,478	19,777
Rolled Oats	40,104	5,011	3,391	8,402	31,702
Veg. Oil	17,572	-0-	4,085	4,085	13,487
CSM	15,890	2,369	13,354	15,723	167
Corn	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>
Total	180,673	34,891	52,796	87,687	92,986

TABLE 3

TA-1637 (7/15/70)

In Metric Tons

<u>Commodity</u>	<u>Programmed</u>	<u>Called Forward FY 71</u>	<u>Remainder</u>
NFD Milk	10,440	-0-	10,440
Wheat Flour	30,101	(5,000)	25,101
Cornmeal	3,181	-0-	3,181
Bulgur	17,758	-0-	17,758
Rolled Oats	3,838	-0-	3,838
CSM	16,264	-0-	16,264
Veg. Oil	<u>11,821</u>	<u>-0-</u>	<u>11,821</u>
Total	93,403	5,000	88,403

* USAID's intention is to close out the TA but, as noted in the text, FFP/AID/W is planning to hold the TA open.

TABLE 4
 PL-480 Title II Inventory AG/OAS Estimate
 Vietnam
 April 30, 1971
 M/T

	<u>Thu Duc</u>	<u>Regional</u>	<u>Provincial</u>	<u>Total</u>
Cornmeal	2,894	573	723	4,190
Bulgur	1,776	44	1,117	2,937
Rolled Oats	268	32	374	674
CSM	4,912	2,123	891	7,926
Veg. Oil	2,708	918	1,091	4,717
NFD Milk	4,077	719	872	5,668
Wheat Flour	126	-0-	413	539
Corn	-0-	-0-	121	121
Rolled Wheat	<u>-0-</u>	<u>-0-</u>	<u>22</u>	<u>22</u>
 Total	 16,761	 4,409	 5,624	 26,794