

Dutch Government and the Finnish Government trusted through IDA for the execution of the forestry sector development project;

Pursuant to the Government's Decree No. 77/2003/ND-CP of July 1, 2003, defining the functions, tasks and organizational apparatus of the Ministry of Finance;

Pursuant to the Government's Decree No. 17/2001/ND-CP of May 4, 2001, promulgating the Regulation on management and use of official development assistance;

Pursuant to the Prime Minister's Decision No. 332/QĐ-TTg of April 6, 2004, approving the prefeasibility study report of the forestry sector development project;

Pursuant to Decision No. 1067/QĐ-BNN-LN of April 27, 2004, of the Minister of Agriculture and Rural Development approving the feasibility study report of the forestry sector development project;

After consulting the Ministry of Agriculture and Rural Development, the Ministry of Finance hereby guides the financial management mechanism applicable to the forestry sector development project as follows:

CIRCULAR No. 80/2006/TT-BTC OF AUGUST 30, 2006, GUIDING THE FINANCIAL MANAGEMENT MECHANISM APPLICABLE TO THE FORESTRY SECTOR DEVELOPMENT PROJECT

Pursuant to Development Credit Agreement No. 3953-VN signed on April 4, 2005, between the Vietnamese Government and the International Development Association (IDA) on the forestry sector development project;

Pursuant to Agreement No. TF 053397 signed on April 4, 2005, between the Vietnamese Government and IDA on the amount co-financed by the Global Environmental Facility (GEF) and entrusted to IDA for executing the forestry sector development project;

Pursuant to Agreements No. TF 054523 and No. TF 054524 signed on April 4, 2005, between the Vietnamese Government and IDA, on the co-financing (through the Multi-Donor Trust Fund – MTF) by the

SECTION I: GENERAL PROVISIONS

1. Scope of application: This Circular provides guidance on matters of state financial management of the forestry sector development project, specifically the opening of accounts, making of financial plans, administrative expense norms, capital withdrawal procedures, supervision, reporting, audit and tax policy applicable to the project and the management of assets formed from the project, and responsibilities of related agencies in the financial state management of the project.

2. Interpretation of terms: In this Circular, the following terms shall be construed as follows:

a/ Project shall refer to the forestry sector development project approved under the Prime Minister's Decision No. 332/QĐ-TTg of April 6, 2004, approving the prefeasibility study report of the forestry sector development project.

b/ Project management agency shall refer to the Ministry of Agriculture and Rural Development as designated in the Prime Minister's Decision No. 332/QĐ-TTg.

c/ Project owners shall refer to the Ministry of Agriculture and Rural Development, the People's Committees of Thua Thien Hue, Binh Dinh, Quang Nam and Quang Ngai provinces, and the Social Policy Bank. To execute relevant project components, the project owners shall set up project management units in accordance with the provisions of Points h to m of this Clause.

d/ Non-credit components shall refer to the project's components which shall be directly executed by the Ministry of Agriculture and Rural Development and the People's Committees of the four provinces to provide services in support of the planting of production forests under the project.

e/ Credit component shall refer to part of the project's component 2 which shall be executed by the Social Policy Bank to grant credit to organizations and individuals that wish to borrow loans for developing production forests in the project-covered regions, as stipulated in the Prime Minister's Decision No. 332/QĐ-TTg.

f/ Central project coordination committee shall refer to the unit set up by the Ministry of Agriculture and Rural Development to uniformly coordinate activities of the project, directly manage non-credit components, and have functions, tasks and powers defined in its establishment decision.

g/ The Vietnam Conservation Fund management unit shall refer to the unit set up by the Ministry of Agriculture and Rural Development to manage the Conservation Fund component project, and have the

functions, tasks and powers defined in its establishment decision.

h/ Credit component project management unit shall refer to the unit set up by the Social Policy Bank to manage the credit component of the project, and have the functions, tasks and powers defined in its establishment decision.

i/ Provincial project management units (of four provinces) shall be set up by the People's Committees of the project-covered provinces, and have the functions, tasks and powers defined in their respective establishment decisions.

j/ District project execution units and commune task forces shall refer to project execution units set up under decisions of the district or commune People's Committees, and have the functions, tasks and powers defined in their respective establishment decisions.

k/ Expenditure control bodies shall refer to the system of state treasuries, for non-credit components, the Ministry of Finance (the External Finance Department), for the credit component.

l/ Domestic contributed capital shall refer to the source of capital contributed by the Vietnamese Government and included in annual state budget expenditure estimates of the Ministry of Agriculture and Rural Development and the project-covered provinces according to the current state budget decentralization, and the portion of capital contributed by the Social Policy Bank to the project.

m/ Re-borrowing bank shall refer to the Social Policy Bank.

n/ Service bank shall refer to the Bank for Agriculture and Rural Development of Vietnam.

o/ Special account(s) shall refer to US dollar account(s) opened by the central project coordination committee, the Conservation Fund management unit and credit component project management units at the service bank to receive capital advanced from the loan and donation capital sources for the project.

p/ Project management units entitled to withdraw foreign capital shall refer to the central project coordination committee, the Conservation Fund management unit and the credit component project management unit which are authorized to conduct *transactions of withdrawing loan and aid capital* from foreign countries and have introduced their specimen signatures to the Ministry of Finance (the External Finance Department).

2. Management principles:

a/ The project's financing sources of loan and aid capital shall constitute a source of the state budget and be managed in accordance with regulations on management of state budget capital and donors' regulations.

b/ The system of state treasuries which allocate grants to the project shall be responsible for controlling expenditure, checking and certifying the value of capital eligible for payment/advance so that the project execution units can withdraw foreign capital, and at the same time directly allocating domestic contributed capital to the project (excluding the credit components executed by the re-borrowing bank).

c/ The project shall receive fundings from two sources: *domestic capital and foreign capital*. Domestic capital shall be allocated according to current state regulations. Foreign capital shall be allocated/re-lent to beneficiary units according to the provisions of this Circular and regulations of Vietnam and donors.

d/ The Ministry of Agriculture and Rural Development, the project-covered provinces and the re-borrowing bank shall be responsible for using capital for proper purposes and the approved project contents and in conformity with the conditions committed in the agreements, and relevant documents enclosed thereto.

e/ The Ministry of Agriculture and Rural Development, the project-covered provinces and the

re-borrowing bank shall be responsible for managing and supervising assets of the project and their attached *project management units* according to current state regulations.

f/ In the course of withdrawing loan and aid capital, the service bank shall enjoy a bank service charge according to current regulations on collection of charges for via-bank payment services. This bank service charge shall be included in the project's total expense.

SECTION II: SPECIFIC PROVISIONS

1. Opening of accounts:

a/ At the service bank:

- The central project coordination committee shall open one special account for receiving IDA capital for non-credit components and one special account for receiving aid capital under Agreement TF 054523 for technical assistance activities for non-credit components;

- The Conservation Fund management unit shall open two special accounts, one for the GEF aid capital and the other for aid capital under Agreement TF 054524;

- The re-borrowing bank shall open one special account for receiving IDA capital for the project's credit component.

b/ At provincial state treasuries, the provincial project management units shall open capital allocation accounts for receiving and allocating domestic contributed capital and monitor the payment, advance and refund of foreign capital to the project in their respective provinces.

c/ Project management units may open deposit accounts at state treasuries according to current domestic regulations for receiving capital amounts paid for their reasonable expenses.

2. Making of financial plans for the project (not

applicable to the credit component)

a/ Disbursements for the project shall be controlled on the basis of its approved annual financial plans (for non-credit components). An annual financial plan of the project should specify activities to be carried out in the plan year, the source of domestic contributed capital, sources of loan and aid capital for every quarter and major activities, and executing units.

b/ Annual financial plans shall be made according to Joint Circular No. 02/2003/TTLT-BKH-BTC of March 17, 2003, of the Ministry of Planning and Investment and the Ministry of Finance, guiding the making of financial plans for ODA-funded programs and projects.

c/ On the basis of the notified annual budget estimates, the Ministry of Agriculture and Rural Development/provincial People's Committees shall allocate funds to the project/project part executed in the provinces as specified at Point a of this Clause.

d/ After the annual financial plan has been approved, the central project coordination committee/ the Conservation Fund management unit shall register the plan with the Ministry of Finance (the External Finance Department) and the state treasury which control the project's expenditure for verification, monitoring and control of expenditure, and allocation of capital. The provincial project management units and the conservation zone project management units shall register their financial plans with the state treasury which controls expenditure for monitoring and allocation of capital.

e/ For the credit component executed through the re-borrowing bank, the re-borrowing bank shall take initiative in making and approving financial plans and arrange domestic contributed capital suitable to the schedule of withdrawal of loan capital.

3. Norms and price units of payment in the use of loan, aid and domestic contributed capital:

a/ Administrative expense norms

- To apply norms specified in the Finance Minister's

Decision No. 112/2001/QĐ-BTC of November 9, 2001, promulgating some expenditure norms applicable to projects funded with ODA loans; the Ministry Finance's Circular No. 118/2004/TT-BTC of December 8, 2004, stipulating working mission allowances and meeting expenses for administrative agencies and public non-business units nationwide (payment for lodging at the place of the working mission and working mission allowances); and Circular No. 91/2005/TT-BTC of October 18, 2005, stipulating working mission allowances for state cadres and employees going on short-term working missions abroad which are funded with the state budget, and documents on amendments and supplements to such decision and circulars.

- Particularly for activities wholly funded with aid capital, the Ministry of Agriculture and Rural Development shall, after reaching agreement with the donor and consulting the Ministry of Finance, promulgate these norms.

b/ Economic and technical norms

- To apply norms under the guidance of the Ministry of Agriculture and Rural Development and current state regulations.

- In case relevant norms or unit prices are not available, the project management units in charge of different project components shall submit those norms and unit prices to the Ministry of Agriculture and Rural Development (or the re-borrowing bank, for the credit component) for promulgation and application to the project, after consulting the Ministry of Finance.

c/ Norms of expenditure for consultants

- The selection of consultants shall comply with domestic regulations and donors' regulations. The results of bidding, contractor designation and contract signing shall be subject to approval of competent authorities on a case-by-case basis regarding appropriate performance schedule, contract payment clauses, etc., in accordance with domestic regulations and donors' regulations.

- Domestic consultants: In case of hiring individual consultants with the use of loan or aid capital combined with domestic contributed capital, to apply the provisions of Decision No. 112/2001/QĐ-BTC and the decision amending this decision. In case of hiring individual consultants with the use of aid capital only (without domestic contributed capital), the project management units in charge of relevant components shall submit norms of expenditure to the Ministry of Agriculture and Rural Development (or the re-borrowing bank, for the credit component) for promulgation and application to the project, after consulting the Ministry of Finance.

d/ Norms of credit capital: To apply regulations in the credit manual of the re-borrowing bank on the basis of the principles laid down in this Part.

4. Procedures for withdrawal, advance and payment of foreign capital:

The withdrawal, advance and payment of foreign capital shall comply with the provisions of the Finance Ministry's Circular No. 78/2004/TT-BTC of August 10, 2004, guiding the management of capital withdrawal with regard to official development assistance, and the following specific regulations applicable to the project:

a/ Withdrawal of foreign capital: This procedure shall be carried out at the central level by the project management units permitted to open and manage special accounts under the project documents (including the central project coordination committee, the Conservation Fund management unit and the credit component project management unit).

For the credit component, in order to withdraw capital into its special accounts, the credit component project management unit shall send to the Ministry of Finance (the External Finance Department) the following documents:

- Application and request for capital withdrawal, made according to the form set by the donor;

- List of loans already granted to individuals/units engaged in forestation, compiled by the re-borrowing banks and certified by the central re-borrowing bank;

- Account notice, made according to the form set by the donor.

b/ Allocation of capital from special accounts, for non-credit components

- Allocations from special accounts shall be effected on the basis of valid expenses, which were paid for project activities, included in the approved financial plan and registered according to the project's rules on expenditure management decentralization and control.

- Certification of payments made to the project at the central level (payment for expenses of the central project coordination committee or the Conservation Fund management unit) shall be effected through the state treasuries where such units open capital allocation accounts.

- Certification of payments made to the project at the provincial level shall be effected at provincial state treasuries. In this case, after checking the work volume eligible for payment or advance, the state treasuries shall issue a written certification of the valid payment request and send it to the provincial project management unit. The provincial project management unit shall then send the payment/advance request certified by the state treasury to the central project coordination committee for withdrawing payment capital from the project's special account. Within two working days after receiving such request, the central project coordination committee shall transfer payment/advance money for project activities in the provinces.

- In case the provincial People's Committees may arrange advance capital for project activities in their provinces, on the basis of the detailed notices of the provincial People's Committees on the source of advance capital, the Ministry of Finance shall provide guidance on the process of checking, capital advance

and refund in a separate document.

5. Allocation and payment of capital for the conservation zone management units:

To disburse capital for conservation activities, the conservation zone management units shall open accounts for receiving capital at a state-owned commercial bank in their respective locality, and send capital advance requests to the Conservation Fund management unit.

For sub-projects of the conservation zone management units which have been approved by competent authorities and donors and have an execution period of up to one year, on the basis of the conservation zone management units' capital advance requests, the Conservation Fund management unit shall advance an amount equivalent to 50% of the foreign-capital budget of each sub-project from the special account of the Conservation Fund component into the accounts of the conservation zone management units.

For sub-projects of the conservation zone management units which have been approved by competent authorities and donors and have an execution period of over one year, on the basis of the conservation zone management units' capital advance requests, the Conservation Fund management unit shall advance capital twice from the special account of the Conservation Fund component into the accounts of the conservation zone management units, 50% for the first-time advance and 40% for the second-time of the advance of the foreign-capital budget of each sub-project.

The conservation zone management units shall manage the advanced capital amounts and effect expenditure according to the current financial regulations (on unit prices, expenditure norms and items, and ratio of foreign-funded capital). The allocation of the remaining budget shall be based on the approved annual financial plans and the project's actual work progress as well as the validity of

expenses from the advanced capital amounts.

The control by the state treasuries of expenditures effected by the conservation zone management units shall be pre-control of expenditures.

In order to receive the remaining budget capital according to the approved annual financial plans, the conservation zone management units shall send to the Conservation Fund management unit the following documents:

- Request for additional capital;
- List of paid expenses, with the certification of the state treasury of the same level;
- Report on the progress of on-going activities and projected execution schedule for the subsequent period, specifying the time for each activity. For activities carried out under contracts each valued at USD 20,000 or higher, the conservation zone management unit shall enclose copies of such contracts. For activities carried out under contracts each valued at under USD 20,000, the conservation zone management unit shall only have to supply a list of details of such contracts.

After examining the above-said documents, the Conservation Fund management unit shall request the service bank to transfer money from the special account into the accounts of the conservation zone management units for further allocation to the sub-projects of the conservation zone management units.

Within two months following the completion of sub-projects, any unspent foreign capital shall be transferred back into the special account of the Conservation Fund component, except for cases the time limit for disbursement is prolonged with the permission of the donors and the Ministry of Finance.

6. Allocation and payment of domestic contributed capital:

On the basis of the approved annual domestic contributed capital plan (for the central and local levels) of the project, state treasuries shall manage and

allocate domestic contributed capital based on the project execution schedule in accordance with current capital management and allocation regulations.

7. Account notices of the service bank, deposit interests:

a/ Monthly, the service bank shall send to the Ministry of Finance (the External Finance Department) shall send notices on the project's special account opened at the bank, listing amounts withdrawn in the month; number of each expense and exchange rate; bank charge, interests, and month-end balance.

b/ For deposit interests accrued on the unused amount of loan and aid capital in the special account (at the non-term interest rate), annually, within six months after the end of the fiscal year, the service bank shall remit the interest amount (after subtracting the bank charge payable in the period) on the account to the State Bank (the account of the State's centralized foreign currency account at the Vietnam State Bank's Transaction Office, numbered 331.213.020.1, or another account as notified by the Ministry of Finance).

- Particularly for the special account for IDA capital of the credit component, interest accruing from the account shall constitute a revenue of the re-borrowing bank.

8. Accounting, supervision, auditing, reporting and settlement:

a/ Accounting

- The project management units shall open separate books to monitor the project's capital sources and implement cost-accounting and statistical work according to the State's current regulations.

- Local state treasuries shall implement cost-accounting and statistical work under the guidance of the central State Treasury.

b/ Supervision

- The superior agency of the project, the central and local functional management agencies and state

treasuries shall be responsible for supervising the implementation of financial plans and financial management regime as well as the actual project execution work of the projects, and problems in the management process to the Ministry of Finance and the Ministry of Planning and Investment for settlement.

- Wrong-doings (if any) which are detected in the process of inspection and supervision shall be handled according to current regulations.

- Any project grants which are detected through inspection and supervision to have been used for improper purposes or at variance with regulations shall be recovered and remitted into the state budget.

c/ Audit

Annually, the special accounts, financial statements, accounting books and files of the project must be audited by an independent audit agency in accordance with state regulations and agreements. One of the major contents of such audit shall be inspection of the observance by the project management units of the current financial management regulations of the State, including the provisions of this Circular. Audit documents shall be sent to the Ministry of Finance and constitute a basis for the consideration of the withdrawal of additional capital for the special accounts or the withdrawal of capital from the special accounts for payment, as well as a basis for the evaluation of the project's execution.

The Ministry of Agriculture and Rural Development shall select audit companies to generally audit financial activities of all non-credit components according to current regulations.

d/ Reporting regime

- Monthly, the provincial project management units and conservation zone management units shall make and send execution reports and financial statements to the provincial Finance Services, the provincial state treasuries which allocate capital and the central project coordination committee; the conservation zone

management units shall make and send execution reports to the provincial Finance Services, the provincial or district state treasuries which allocate capital, and the Conservation Fund management unit. Such a report should clearly state the project execution situation, the number of signed contracts, the situation of payment for contracts, sources and use of capital, the situation of procurement and management of project assets, and other issues according to current regulations.

- Provincial state treasuries, which allocate capital, shall review and report to the central State Treasury and the provincial Finance Services the situation of capital allocation and advance in the localities. Quarterly, on the basis of the reports of the provincial state treasuries, the central State Treasury shall make a sum-up report and send it to the Ministry of Finance.

- Quarterly, the central project coordination committee shall report in detail expenses from the special accounts and sum up the reports of the project management units in charge of non-credit and credit components and send the sum-up report to the Ministry of Agriculture and Rural Development, the Ministry of Finance and concerned agencies according to regulations on the use of loan, aid and domestic contributed capital, the procurement and management of project assets, and other issues according to current regulations.

- The central project coordination committee shall discuss with the project management units to reach agreement on detailed guidance for the project's report forms.

- e/ Annual capital settlement and financial settlement upon the completion of the project (not applicable to the credit component)

- The provincial project management units shall make financial settlement reports according to current regulations for expenses made in the localities, with the certification of the provincial state treasury which

allocates capital, and send them to the provincial People's Committees for consideration and approval, and also to the central project coordination committee.

- The central project coordination committee shall make financial settlement reports according to current regulations for expenses made at the central level on non-credit components, with the certification of the capital-allocating agency, and submit them to the Ministry of Agriculture and Rural Development for consideration and approval; the Ministry of Agriculture and Rural Development shall make financial settlement of implemented funds and upon the completion of the project with the Ministry of Finance, and at the same time sum up all financial settlements of the project for working with related agencies when necessary.

- f/ Financial settlement for the credit component: shall comply with current regulations of the State.

9. Tax policies applicable to the project:

Tax policies applicable to the project shall be implemented in accordance with current legal provisions on taxation. The project shall be eligible for the following tax preferences:

- Goods imported with non-refundable ODA capital shall not be liable to value added tax, special consumption tax and import duty.

- Goods imported for the project with ODA capital shall be considered for exemption from import and export duties under the provisions of Clauses 6, 10 and 18, Section I, Part D of the Finance Ministry's Circular No. 113/2005/TT BTC of December 15, 2005, providing guidance on import and export duties.

- Refund of value added tax for ODA-funded projects shall comply with the provisions of Clause 6, Section I, Part D of the Finance Ministry's Circular No. 120/2003/TT-BTC of December 12, 2003, providing guidance on value added tax.

10. Management of assets formed from the project:

The Ministry of Agriculture and Rural Development and the re-borrowing bank shall be responsible for managing, declaring and registering assets formed from the project according to current regulations. The management and disposal of the project's assets upon its completion shall comply with the Finance Ministry's Circular No. 116/2005/TT-BTC of December 19, 2005, guiding the management and disposal of state budget-funded projects upon their completion.

III. ORGANIZATION OF IMPLEMENTATION

This Circular shall take effect 15 days after its publication in "CONG BAO". Any problems arising in the course of implementation should be promptly reported by the Ministry of Agriculture and Rural Development, the re-borrowing capital and related agencies to the Ministry of Finance for study and revision.

For the Minister of Finance
Vice Minister
TRAN XUAN HA

CIRCULAR No. 81/2006/TT-BTC of September 6, 2006, guiding the regime of expenditure control, applicable to public non-business units entitled to autonomy and self-responsibility for task performance, organizational apparatus, payroll and finance

This Circular shall take effect 15 days after its publication in "CONG BAO" and replace the provisions of the Finance Ministry's Circular No. 81/2002/TT-BTC of September 16, 2002, regarding the control of expenditure of non-business units having revenues.-

THE STATE BANK OF VIETNAM

DECISION No. 44/2006/QĐ-NHNN of September 5, 2006, promulgating the Regulation on the procedures for authorized collection of drafts by collectors

This Decision shall take effect 15 days after its publication in "CONG BAO."-

CIRCULAR No. 07/2006/TT-NHNN of September 7, 2006, guiding the purchase and sublease in the form of financial leasing prescribed in the Government's Decree No. 16/2001/ND-CP of May 2, 2001, and Decree No. 65/2005/ND-CP of May 19, 2005

This Circular shall take effect 15 days after its publication in "CONG BAO."-