

**Circular No. 85/2012/TT-BTC of May 25, 2012, guiding the financial management regime for forest protection and development funds**

*Pursuant to the Government's Decree No. 60/2003/ND-CP of June 10, 2003, detailing and guiding the implementation of the State Budget Law;*

*Pursuant to the Government's No. 05/2008/ND-CP of January 14, 2008, on forest protection and development funds;*

*Pursuant to the Government's No. 99/2010/ND-CP of September 24, 2010, on the policies on payment for forest environmental services;*

*In furtherance of the Prime Minister's Decision No. 07/2012/QĐ-TTg of February 8, 2012, promulgating a number of policies to*

*enhance forest protection;*

*At the proposal of the Director of the Public Expenditure Department;*

*The Minister of Finance guides the financial management regime for forest protection and development funds as follows:*

**Article 1.** General provisions

1. This Circular guides the financial management regime for the Vietnam forest protection and development fund that is established under the decision of, and managed by, the Ministry of Agriculture and Rural Development (below referred to as the central fund) and provincial-level forest protection and development funds that are established under the decisions of chairpersons of provincial-level People's Committees (below referred to as provincial-level funds).

Communes with forests and revenues specified in Clause 1, and Points b, c and d, Clause 3, Article 3 of Decision No. 07/2012/QĐ-TTg, may establish commune-level forest protection and development funds (below referred to as commune-level funds). Chairpersons of provincial-level People's Committees shall decide on the establishment of commune-level funds under law.

2. A fund is an independent accounting unit which may open accounts at the State Treasury (for receiving state budget funds and compulsory contributions specified in Article 10 of Decree No. 05/2008/ND-CP, and Clause 3, Article 3 of Decision No. 07/2012/QĐ-TTg

and funds originated from the state budget) and at commercial banks.

Funds operate for non-profit purposes, but must preserve the initial state capital. Funds operate in a public and transparent manner for proper purposes and under law.

3. Funds perform the financial management regime under this Circular and relevant legal documents.

4. The central fund management council shall take responsibility before the Minister of Agriculture and Rural Development; and provincial-level fund management councils and commune-level fund management councils shall take responsibility before chairpersons of provincial-level People's Committees and state management agencies for observing the financial management regime.

**Article 2.** Financial sources of funds

1. The central fund

a/ The state budget shall provide an initial support of VND 100 billion within two years from the date of establishing the fund;

b/ Entrusted financial sources:

- Payments for forest environmental services under Decree No. 99/2010/ND-CP and its guiding documents;

- Capital entrusted by international organizations and domestic and overseas organizations and individuals under entrustment contracts related to forest protection and development;

c/ Voluntary financial donations of international organizations; and domestic and overseas organizations and individuals;

d/ Refunds from programs and projects subject to capital refund;

e/ Interests from savings deposits at credit institutions;

f/ Other lawful financial sources under law.

### 2. Provincial-level funds

a/ Upon establishment, a fund will receive an initial support from the local budget. Provincial-level People's Committees shall consider and decide on the specific support level;

b/ Entrusted financial sources:

- Payments for forest environmental services under Decree No. 99/2010/ND-CP and its guiding documents;

- Capital entrusted by international organizations and domestic and overseas organizations and individuals under entrustment contracts related to forest protection and development;

c/ Compulsory contributions specified in Article 10 of the Government's Decree No. 05/2008/ND-CP of January 14, 2008, on forest protection and development funds, including:

- Contributions of forest owners exploiting and trading in timber in the following cases: Economic organizations that are allocated production forests by the State without having to pay land use levy; economic organizations that are allocated production forests by the State with payment of forest use levy or are

transferred forests for which the paid forest use levy or forest transfer money is originated from the state budget; and households and individuals that are allocated production forests without having to pay forest use levy.

- Contributions of establishments doing business in forest scenery, resorts and eco-environmental services.

- Contributions of investment projects that have to exploit forests for ground clearance and are required to replant forests but unable to do so.

Contribution levels, contributors and cases eligible for contribution exemption or reduction, and agencies and organizations responsible for collecting these contributions comply with the Ministry of Agriculture and Rural Development's regulations.

d/ Voluntary financial donations of international organizations; and domestic and overseas organizations and individuals;

e/ Refunds from programs and projects subject to capital refund;

f/ Support from the central fund;

g/ Interests from savings deposits at credit institutions;

h/ Other lawful financial sources under law.

### 3. Commune-level funds

a/ Local budget funds shall be provided to ensure regular expenditures for forest management and protection under Clause 1, Article 3 of Decision No. 07/2012/QĐ-TTg;

b/ Fines on administrative violations in

forest management and protection and forest product management to be sanctioned by commune-level People's Committees, which are paid to the state budget under Point a, Clause 4, Article 40 of the Government's Decree No. 99/2009/ND-CP of November 2, 2009, on sanctioning of administrative violations in forest management and protection and forest product management, after deducting expenses under current regulations and are allocated by localities to commune-level funds;

c/ Supports from forest owners exploiting and trading in timber and forest products, organizations and individuals doing business in forest scenery, resorts and eco-environmental services, and other domestic and overseas organizations and individuals;

d/ Other revenues (if any) under law.

### **Article 3.** Funds' expenditures

#### **1. The central fund**

a/ Expenditures for the performance of entrusted tasks:

- Payments for entrusted forest environmental services under Decree No. 99/2010/ND-CP and its guiding documents;

- Expenditures for the performance of entrusted tasks under other entrustment contracts;

Entrusted capital under assigned tasks and entrustment contracts must be separately monitored and managed. Annually (or upon

termination of entrustment contracts), the fund shall finalize the entrusted capital with trusters (or assigned managing agencies) under regulations.

b/ Expenditures for support for programs, projects or non-project activities:

Based on the central fund's financial sources and contents of programs, projects or non-project activities (below referred to as tasks), the central fund shall consider and provide appropriate support for the performance of tasks, including:

- Activities against illegal logging, forest destruction, and forest product production, trading and transport;

- Providing public information on and implementing forest protection and development policies and law;

- Piloting, popularizing and expanding models of sustainable forest protection and development and forest management;

- Testing and applying new varieties of forest trees;

- Planting dispersed trees;

- Developing non-timber forest products on forest land;

- Training human resources for forest protection and development up to the provincial level;

The order, procedures and conditions for, and beneficiaries of, non-refundable support of the whole or part of capital, support levels, refund time, and cases eligible for refund

exemption or reduction for each task comply with the Ministry of Agriculture and Rural Development's regulations.

c/ Support for provincial-level funds: At the request of a provincial-level fund and based on the central fund's financial sources, the central fund management council shall propose the Ministry of Agriculture and Rural Development to support such provincial-level fund in implementing programs and projects assigned to the locality.

## 2. Provincial-level funds

a/ Expenditures for the performance of entrusted tasks:

- Payments for forest environmental services under Decree No. 99/2010/ND-CP and its guiding documents;

- Expenditures for the performance of entrusted tasks under other entrustment contracts;

Entrusted capital under assigned tasks and entrustment contracts must be separately monitored and managed. Annually (or upon termination of entrustment contracts), funds shall finalize entrusted capital with trusters (or assigned managing agencies) under regulations.

b/ Expenditures for support for programs, projects or non-project activities:

Based on provincial-level funds' financial sources and contents of programs, projects or non-project activities (below referred to as tasks), funds shall consider and provide

appropriate support for the performance of tasks, including:

- Activities against illegal logging, forest destruction and forest product production, trading and transport;

- Providing public information on and implementing forest protection and development policies and law;

- Piloting, popularizing and expanding models of sustainable forest protection and development and forest management;

- Testing and applying new varieties of forest trees;

- Planting dispersed trees;

- Developing non-timber forest products on forest land;

- Training human resources for forest protection and development at the grassroots level;

The order, procedures and conditions for, and beneficiaries of, non-refundable support of the whole or part of capital, support levels, refund time and cases eligible for refund exemption or reduction for each type of program, project or non-project activity comply with regulations of provincial-level People's Committees or their authorized agencies.

## 3. Commune-level funds

- Regular expenditures for forest management and protection specified in Clause 1, Article 3 of Decision No. 07/2012/QĐ-TTg;

- Petrol and oil expenses for means of transport for forest patrol and inspection;

- Allowance for people who participate in activities against illegal logging, forest destruction or forest fire; and for people who suffer accidents when participating in these activities;

- Night shift, overtime or plurality allowance;

- Expenses for public information on and dissemination of the law on forest management and protection; and professional retraining in forest management and protection;

- Expenses for conferences, seminars, preliminary and final reviews and commendation;

- Other expenditures (if any).

**Article 4.** Financial management of administration work

1. The central fund

a/ Funds for the operation of the fund apparatus:

- Funds for the entrustment of forest environmental services according to Decree No. 99/2010/ND-CP and guiding documents;

- Entrustment charges under entrustment contracts;

- Interests from savings deposits being operational funds for the fund apparatus;

- Other lawful financial sources under law.

b/ Expenditures for the operation of the fund apparatus:

- Regular expenditures:

Expenditures for management: wages,

allowances and contributions of fund management council members, the fund control board and the fund management board; postage and communication; fuel, electricity and water; business trips and conferences; and regular repair of assets under current state regulations.

Expenditures for professional operations: evaluation of programs and projects; payment services; examination; public information, communication and advertising; and entrustment services.

Other expenditures (if any).

- Irregular expenditures: Professional retraining, conferences; procurement and overhaul of assets in service of the operation of the fund apparatus; other expenditures (if any).

c/ Expenditure levels: Levels of expenditures for management and professional operations comply with current regulations. In case expenditure levels have not been prescribed by law, the fund may set appropriate expenditure levels based on its financial capacity and decide on its spending and shall take responsibility before law therefor.

d/ Financial regime: The fund shall apply the financial regime applicable to public non-business units under current regulations.

2. Provincial-level funds

a/ Funds for the operation of the fund apparatus:

- Funds for the entrustment of forest environmental services according to Decree No. 99/2010/ND-CP and its guiding documents;

- Entrustment charges under entrustment contracts;

- Interests from savings deposit being operational funds for the fund apparatus;

- Other lawful funds under law.

b/ Expenditures for the operation of the fund apparatus:

- Regular expenditures:

Expenditures for management operations: wages, allowances and contributions of management council members, the fund control board and the fund management board; postage and communication; fuel, electricity and water; business trips and conferences; and regular repair of assets under current state regulations.

Expenditures for professional operations: evaluation of programs and projects; payment services; entrusted services; public information, communication and advertising; inspection, examination, supervision, takeover test and assessment of forests; and audit (if any).

Other expenditures (if any).

- Irregular expenditures: Professional retraining, conferences; technical assistance in monitoring quality of forest environmental services; support for activities related to payment for forest environmental services in districts and communes; expenses for organizations authorized to collect compulsory contributions to funds; procurement and overhaul of assets serving the operation of the fund apparatus; other expenditures (if any).

c/ Expenditure levels: Levels of expenditures

for management and professional operations comply with current regulations. In case expenditure levels have not been prescribed by law, funds may set appropriate expenditure levels and decide on their spending based on their financial capacity and shall take responsibility before law therefor.

d/ Financial regime: Funds shall apply the financial regime applicable to public non-business units under current regulations.

### 3. Commune-level funds:

Based on tasks, powers, organizational structures and financial sources of commune-level funds, provincial-level People's Committees shall specify the operation of the commune-level fund apparatus (operational funds, expenditures, levels of expenditures and financial regime).

**Article 5.** Conditions for programs, projects and non-project activities to receive support

1. Programs, projects or non-project activities are decided by a competent authority;

2. Organizations to be supported have personnel with forestry expertise and experience in implementing programs, projects or non-project activities supported by funds;

3. Households, individuals and village communities to be supported have full civil capacity for implementing programs, projects or non-project activities supported by funds.

4. Committing to refund the whole or part of capital as prescribed by the agency competent

to establish a fund.

**Article 6. Making provision for provincial-level funds**

1. Provincial-level funds may deduct at most 5% of the total amount of entrusted payment transferred to provincial-level funds and other lawful funds as a provision and support for households, individuals and village communities that are allocated or contracted forests for permanent protection upon occurrence of natural disasters or droughts. Provincial-level People's Committees shall specify the annual deduction level.

The maximum cash balance of the above provision is 5% of entrusted payment for forest environmental services and other lawful funds in a reporting year.

2. When a natural disaster or drought occurs in a province, based on the fund's provision and the disaster or drought, the director of the provincial-level fund shall elaborate a plan to support organizations, households, individuals and village communities that are allocated or contracted forests and submit it to a competent authority for approval.

3. The above provision which has not been used up in a year may be carried forward to the subsequent year for support of households, individuals and village communities that are allocated or contracted forests for permanent protection upon occurrence of natural disasters or droughts; and may not be used for other purposes.

**Article 7. Financial planning and settlement**

1. The central fund

a/ Estimation:

Annually, the central fund shall elaborate a financial plan on its revenues and expenditures and submit it to the Ministry of Agriculture and Rural Development for approval as the basis to implement:

- The plan on revenues which details revenue items specified in Clause 1, Article 2, (including initial state budget support within two years from the fund establishment) and Point a, Clause 1, Article 4 of this Circular;

- The plan on expenditures which details expenditure items specified in Clause 1, Article 3, and Point b, Clause 1, Article 4 of this Circular;

b/ Finalization

The fund shall periodically (quarterly, annually) make revenue and expenditure finalization reports and send them to the Ministry of Agriculture and Rural Development which shall approve annual finalization reports under regulations.

2. Provincial- and commune-level funds

Pursuant to this Circular and current regulations, provincial-level Agriculture and Rural Development Departments shall assume the prime responsibility for, and coordinate with provincial-level Finance Departments in, proposing provincial-level People's Committees to provide the order of and procedures for making and approving revenue and expenditure

estimates and finalization of provincial-level funds and commune-level funds (including revenue and expenditure estimates for the operation of the fund apparatus) under current regulations.

**Article 8.** Accounting and management of assets

1. The central fund, provincial-level funds and commune-level funds shall apply the administrative and non-business accounting regime (promulgated together with the Minister of Finance's Decision No. 19/2006/QĐ-BTC of March 30, 2006) to the funds' accounting.

2. The central fund, provincial-level funds and commune-level funds shall manage and use their assets under the Law on Management and Use of State Property and its guiding documents.

**Article 9.** Examination, inspection and financial publicity

1. Funds shall make financial publicity under law.

2. The Ministry of Agriculture and Rural Development shall regularly or extraordinarily examine the central fund's operations. Provincial-level Agriculture and Rural Development Departments shall regularly or extraordinarily examine provincial-level funds' operations. Examination results shall be sent to finance agencies of the same level for coordinated monitoring and management.

3. Based on management requirements, the

Ministry of Finance shall examine the central fund's financial statements and provincial-level Finance Departments shall examine financial statements of provincial-level funds and commune-level funds.

**Article 10.** Effect

1. This Circular takes effect on July 10, 2012.

2. Any problems arising in the course of implementation should be reported to the Ministry of Finance for consideration and settlement. -

*For the Minister of Finance*  
Deputy Minister  
NGUYEN THI MINH