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## CIRCULAR

Guidelines on management and provision of credits from the State for programmes and projects for use of bare land, degraded hills, forests, alluvial flats and water bodies.

In Decision 327-CT dated 15 September 1992, the Chairman of the Council of Ministers (now the Prime Minister) established policies for the use of bare land degraded hills, forests, alluvial flats and water bodies. After discussion with concerned State units, the Ministry of Finance now issues guidelines for provision of credits from the State (including capital for basic construction and for non-commercial economic purposes) for programmes and projects for use of bare land, degraded hills, forests, alluvial flats, and water bodies within the framework of Decision 327-CT and according to duly approved annual plans:

### Part I: GENERAL PRINCIPLES

1. Funds from the State budget are to be provided in the form of credits for basic construction and for non-commercial economic purposes (below referred to as credits) for programmes and projects (below referred to as projects) for the use of bare land, degraded hills, forests, riverine and coastal alluvial flats, and water bodies. After the projects have been duly approved, the State will forward concrete plans to the different economic sectors and to the different localities concerned.
2. Funds from the State budget will be provided in accordance with annual plans. No discrimination should be made between different leading agencies for the projects such as ministries and provinces, nor between different project implementing agencies, such as newly established ones and operating forest enterprises. The funds are to be balanced by the State and managed by the Ministry of Finance. The Ministry of Finance will provide the funds through the State Treasury to the project implementing agencies in time for and in accordance with the cropping seasons. The amounts provided will be in accordance with duly approved plans.
3. The project implementing agency (appointed by the leading agency for the project) have the right to receive, manage, and spend funds for the implementation of the projects. The leading agencies for the projects are State administrative bodies on a level higher than that of the project implementing agencies (for projects managed by localities,

the leading agencies are the provincial or city People's Committees; in cases where the project implementing agency is a central body, then the ministry responsible for that sector is the leading agency).

Both the leading agency and the implementing agency are responsible to the State for use of the funds of the different projects. They have to ensure that projects follow the objectives set, are effectively carried out, and follow approved plans. Management of the funds should be in accordance with regulations in force and with the guidelines in this circular.

## PART II. PROVISION OF CREDITS TO THE PROJECTS

### 1. Objective, Scope, Contents, and Order for Provision of Credits to Projects

#### 1.1. Objective, scope, and contents for projects for which the State provides basic construction funds

a) In projects for fixed cultivation and sedentarisation, the State provides basic construction funds for the following works in order to improve the living conditions of the people concerned:

- Land reclamation and improvement of rice fields;
- Construction of transformer stations and small hydroelectricity power plants;
- Construction of irrigation systems and supply of fresh water;
- Building of roads, schools, clinics, and so on.

b) For agriculture-forestry-industry projects, forestry-agriculture-industry projects, and marine products projects, the State provides basic construction funds for the following purposes.

- Planting, assistance of natural regeneration, tending, protection of watershed forests and special-use forests (including national parks, nature reserves, cultural and historic sites, and botanic gardens).
- Dike systems with gates (for riverine and coastal alluvial flats);
- Construction of transformer stations and small hydroelectricity power plants;
- Construction of irrigations systems and supply of fresh water;

- Building of roads, schools, clinics, and so on.

1.2. Objectives and contents of projects for which the State provides funds for non-commercial economic activities

a) The State can provide funds for non-commercial economic activities for the following purposes:

- Provide transport and reception services for people moving to new economic zones (in accordance with norms established by the Ministry of Labour, War Invalids, and Social Affairs). Including transport costs, housing, and food during the first 3 to 6 months, the average amount per household is 2 million Dong.

- For people involved in fixed cultivation and sedentarisation projects, funds for non-commercial economic activities can be used for land reclamation, farming tools, fertilisers, seeds, and insecticides.

b) For project management

A share amounting to 5-6% of the total funds for non-commercial economic activities of projects established in accordance with Decision 327 is annually to be allocated for the following purposes:

- Formulation and approval of projects;

- Training, information, and encouragement of good performance;

- Seminars, meetings;

- Field visits, data collection;

- Support to people engaged in extension within agriculture, forestry, and fishery as well as in technical development and project management during the time that initial training is being conducted;

- Guidance and management of projects (both for the Central Board for Programme 327, corresponding local bodies, project leading agencies, and project implementing agencies);

- Supplement funds obtained from the State Treasury for project management;

The Central Board for Programme 327 is annually to make a cost estimate of the various activities listed above which are to be covered by the 5 to 6 percent of the funds for non-commercial economic activities. Based on this estimate, the Ministry of Finance will distribute the corresponding funds.

### 1.3. Objectives and contents of project activities for which the State will provide credits

a) Besides providing grants, the State also uses budget funds for credits on easy terms (interest rate=0%) for the following project activities:

- Costs for initial land reclamation and purchase of domestic animals;
- Costs for tending and protection of planted trees and domestic animals until they have reached maturity;
- Construction of dikes and canals for marine products projects.

b) Depending on the characteristics of each project, credits can be provided either to households or to project implementing agencies (including state farms, state forest enterprises, state marine products enterprises). The recipients of the credits are to use them in accordance with the credit rules of the Ministry of Finance and guidelines from the Department of Treasury.

### 1.4. Contents of plans for the provision of credits

a) Plans for the use of credits are to be made annually in advance of the beginning of the planning year. The total of such credits comprise the following:

- Allocations for the coming year, plus
- Funds to compensate the project for costs it incurred for activities already carried out which were eligible for State credits but which temporarily had to be financed from other sources.

b) Funds for non-commercial economic activities are to be provided from the State budget for each planning year.

c) The amount of loan to be obtained for use during a planning year is calculated as follows:  $L_t = L_1 + L_2 - L_3$ , where:

$L_t$  is the total;

$L_1$  is the estimated expenditures to be financed during the coming year;

$L_2$  is the amount spent in the current year for activities which were eligible for State credits but which had to be financed with funds from other sources;

$L_3$  is the amount to be paid as interest or full repayment on previous loans.

d) Costs for various project inputs to be used in the calculations above are to be based on present price levels and standards established by the State.

#### 1.5. Order for formulation, analysis, and approval of plans for the provision of credits to projects

a) Every year the project implementing agency (under administration of provincial or city authorities), are to make plans for the provision of credits to the projects (in accordance with form No.01 TC/KH). These plans are subsequently forwarded to the Finance Department in the province, to the Department of Labour Supply, and to the Board for Fixed Cultivation and sedentarisation (in this case concerning credits for non-commercial economic activities). The plans are to be based on approved working plans quantifying the amount of work to be done and on the objectives and contents of the projects (as indicated in 1.1.-1.4. above).

The Finance Department is to assemble the plans in the province and distribute credit funds to the various projects (using form 02 TC/KH), report to the provincial or city People's Committee and send them to the Ministry of Finance, the Department of Labour Supply, and to the Board for Fixed Cultivation and Sedentarisation. The Finance Department is also to assemble the plans for provision of credits and send them to the Ministry of Labour, War Invalids, and Social Affairs and to the Committee for Ethnic Minorities and Mountain Issues.

b) Every year the project implementing agency (under central administration) is to make plans for the provision of credits to the projects (in accordance with form No.01 TC/KH). These plans are subsequently forwarded to the leading agency for the projects (the sectoral ministry), to the Ministry of Labour, War Invalids and Social Affairs, and to the Committee for Ethnic Minorities and Mountain Issues (concerning credits for non-commercial economic activities). The plans are to be based on approved working plans quantifying the amount of work to be done and on the objectives and contents of the projects (as indicated in 1.1.-1.4. above).

Leading agencies for the projects at the Centre (such as sectoral ministries), the Ministry of Labour, War Invalids, and Social Affairs, and the Committee for Ethnic Minorities and Mountain Issues are to compile the plans for provision of credits to the projects under their respective management (using form 02 TC/KH), and send them to the Ministry of Finance.

c) The Ministry of Finance is responsible for control and analysis of the plans and for balancing and distributing the funds (both grants and credits) to be used in projects under

administration of ministries and local authorities. It is also to inform the leading agencies for the projects at the Centre (such as sectoral ministries), the Ministry of Labour, War Invalids, and Social Affairs and the Committee for Ethnic Minorities and Mountain Issues (concerning credits for non-commercial economic activities) about plans for the provision of credits. At the same time, it should also inform the provincial and city financial departments and treasury departments so that they can distribute the funds (grants and credits) properly. Leading agencies for the projects at the Centre, the Ministry of Labour, War Invalids, and Social Affairs and the Committee for Ethnic Minorities and Mountain Issues are to distribute the funds over the four quarters of the planning year. The leading agencies should also inform the project implementing agencies and the Ministry of Finance about the quarterly allocations made.

## 2. Transfer of Funds, Provision of Credits, Accounting for the Use of Funds in Projects

2.1. In accordance with approved annual plans for provision of credits, the Ministry of Finance is quarterly to inform the leading agencies for the projects or the central management units of the State about the amounts allocated to those agencies. The leading agencies for the projects or the central management units of the State are to distribute the funds for credit purposes to each project.

2.2. The Ministry of Finance is responsible for transfer of funds, provision of credits, and accounting for the use of funds in the following cases:

a) For funds for basic construction in projects under the authority of sectoral ministries, the Ministry of Finance is responsible for the transfer of funds to the different projects from the National Treasury. The Department of Treasury is to transfer funds to the local departments of treasury and instruct them about control of the use of funds and about rules for accounting to be followed by the different project implementing agencies. The Department of Treasury is also to recover funds at time for repayment, in accordance with decisions by the Ministry of Finance.

b) For funds for basic construction in projects under the authority of provinces and cities, the Ministry of Finance informs the provincial and city Departments of Finance and Departments of Treasury about rules for provision of funds to the various projects. It will also arrange for transfer of funds in accordance with plans from the Department of Treasury to the various projects. The Department of Treasury at the Centre is to transfer funds to the provincial and city departments of treasury in accordance with plans made by each project. The Department of Treasury at the Centre is also responsible for control and follow-up of the use of the

funds by the various project implementing agencies.

c) Funds for non-commercial economic activities, such as preparation of projects and extension within agriculture, forestry, and fishery will be transferred by the Ministry of Finance to the different leading agencies for the projects (sectoral ministries, etc.) or to the Central Board for Programme 327, in accordance with plans duly approved.

d) About funds for non-commercial economic activities, the Ministry of Finance informs the Ministry of Labour (Department for Labour Supply at the centre) and the Committee for Ethnic Minorities and Mountain Issues (which are the highest level units for budgeting purposes), about standard costs for transport and initial support to new settlers, and for fixed cultivation and sedentarisation. The Ministry of Labour, War Invalids, and Social Affairs and the Committee for Ethnic Minorities and Mountain Issues are, in turn, to inform the project implementing agencies about the standards for the costs involved.

### 2.3 Project implementing agencies (central and local)

Persons who have the right to use funds within Programme 327 are to send the following information to the provincial and city treasury departments in the places where accounts have been opened for the provision of funds:

- The decision to approve the project, enclosing also the economic-technical documentation for the project or the project components, cost estimates for the project or its components, cost estimates for project components already approved; working plans and plans for the provision of credits for the project;
- Decision by the competent level appointing the project implementing agency;
- Signed contracts between A and B according to established practice;
- Appraisal reports and related documents;
- Applications for loans, loan agreements;
- Report on collateral provided or third party guarantees for loans.

Project implementing agencies, both at the central and the local levels are to open service accounts with the treasury unit according to decisions and guidelines issued by the Treasury Department at the centre.

## PART III. CONTROL, REPORTING, AND ACCOUNTING FOR USE OF FUNDS

1. The leading agencies for projects, central and local state management units, and the treasury system responsible for the supervision of the project implementing agencies. They are regularly to control and follow up the situation with regard to financial management and immediately inform the Ministry of Finance and the State Planning Committee about any problems discovered.

2. Project implementing agencies are to submit monthly reports on the situation with regard to transfer of funds to the provincial and city departments of finance and treasury. The Treasury Department at the centre compile these reports and forwards them to the Ministry of Finance and the Treasury Department at the centre.

3. Project implementing agencies are to submit quarterly reports on the situation in the projects to the leading agencies for the projects and to the Ministry of Finance and the Treasury Department which provide the funds. The provincial and city Departments of Treasury are to assemble the reports on the situation with regard to transfer of funds to the projects in the province or city and submit the summarised reports to the Ministry of Finance which subsequently submits them to the departments of finance at different levels.

4. Annual statements of accounts and final statement of accounts

(After the projects have finished) are to be submitted as follows:

4.1. Annual statements of accounts

- Project implementing agencies are to submit annual statements of accounts to the treasury department with which they have opened account;

- The provincial and city treasury departments are to assemble the annual statements of accounts from projects in the province or city and submit them to the Treasury Department at the centre, the leading agencies for the projects, provincial and city departments of finance, and to the Ministry of Finance. The Treasury Department at the centre is, finally, to compile all the annual statements of accounts from the projects and submit a summarised report to the Minister of Finance for his examination and approval.

4.2. Final statements of accounts

Final statements of accounts should be prepared according to decision in circular No.28 TC/DT by the Ministry of Finance dated 10 May 1991.

#### PART IV. IMPLEMENTATION

This circular will be in effect from 1 January 1993. All previously issued documents contrary to this circular are hereby abrogated.

For the Minister of Finance

Signed: Nguyen Sinh Hung  
Vice Minister