

**CIRCULAR No. 93/2003/TT-BTC OF  
OCTOBER 6, 2003 GUIDING THE  
IMPLEMENTATION OF THE FINANCIAL  
MANAGEMENT REGIME FOR VIETNAM  
ENVIRONMENT PROTECTION FUND**

Pursuant to the Prime Minister's Decision No.82/2002/QĐ-TTg of June 26, 2002 on the establishment, organization and operation of Vietnam Environment Protection Fund, the Finance Ministry hereby guides the financial management regime applicable to Vietnam Environment Protection Fund as follows:

**I. GENERAL PROVISIONS**

1. This Circular applies to Vietnam Environment Protection Fund.

2. Vietnam Environment Protection Fund is provided with charter capital by the State budget. It has the responsibility to preserve the capital and offset

expenditures and is exempt from payment of taxes and State budget remittances for activities in the field of environmental protection.

3. Vietnam Environment Protection Fund is an independent cost-accounting unit, is entitled to use incomes to cover its expenditures in the course of operation and is distributed differences between financial revenues and expenditures strictly according to the provisions of this Circular.

4. The Management Board and the director of Vietnam Environment Protection Fund are responsible before the Prime Minister for the safety management of the Fund's capital and assets, use capital for the right purposes and with efficiency.

5. The Finance Ministry shall perform the function of State management over the finance, guide, examine and approve the annual settlement of financial revenues and expenditures of Vietnam Environment Protection Fund.

**II. PROVISIONS ON CAPITAL AND ASSETS**

1. Active capital of Vietnam Environment Protection Fund includes:

1.1. The charter capital which includes:

- VND 200 billion allocated by the State budget.
- Supplements from the Charter Capital Supplementation Fund.

Where there appear a need to change the charter capital level, the chairman of the Management Board of Vietnam Environment Protection Fund shall propose the Minister of Natural Resources and Environment, the Minister of Finance, the Minister of Planning and Investment to submit it to the Prime Minister for decision.

1.2. Pecuniary compensations for environmental damage, paid by organizations and individuals into the State budget according to law provisions.

1.3. 50% of the annual environmental protection charges. The collection, remittance and deduction of this funding source shall be effected by Vietnam Environment Protection Fund according to the Government's regulations on charges and fees.

1.4. 10% of the annual State budget funding reserved for activities of State management over the environmental protection. This funding source is determined in the annual State budget plan and allocated to Vietnam Environment Protection Fund.

1.5. Aid, financial assistance and voluntary contributions of organizations and individuals inside and outside the country.

1.6. Capital entrusted by domestic and/or foreign organizations for loans or capital allocation under entrustment contracts.

1.7. Retrieved debt principals of lent amounts.

1.8. Other capital as provided for by law.

The capital amounts prescribed from Points 1.2 thru 1.5 above shall be called the annual supplementary capital of Vietnam Environment Protection Fund.

2. The active capital of Vietnam Environment Protection Fund must be used for the right purposes, efficiently, safely and for the following objectives:

- Providing loans with preferential interest rates to environmental protection projects according to the following mechanism:

+ The lent capital amount must not exceed 70% of the total expenditure of a program or investment project on environmental protection.

+ The interest rate shall be prescribed by the Fund's Management Board for each subject group, but must not exceed 50% of the interest rate on commercial loans. The Finance Ministry shall prescribe the interest rate ceiling for use as basis by the Management Board to determine the interest rate for commercial loans in each period.

+ For a project, the capital loan interest rate shall be determined at the time of signing the capital-borrowing contract and kept unchanged throughout the lending term.

+ In cases where capital-borrowing projects breach the capital-borrowing contracts, repaying debts not on time, the projects owners must be subject to overdue debt interest rate being equal to 200% of the in-term lending interest rate.

- Providing capital-borrowing interest rate support and financial assistance for environmental protection activities according to regulations.

- Investment in, procurement of fixed assets in service of the operation of Vietnam Environment Protection Fund, which must not exceed 7% of the Fund's charter capital. All activities of investment and procurement of fixed assets of Vietnam Environment Protection Fund shall comply with the provisions prescribed for the State enterprises. Annually, Vietnam Environment Protection Fund must draw up the plan for investment and procurement of fixed assets and submit it to the Management Board for consideration and approval, then proceed with the investment and procurement within the scope of the approved plan.

- Purchase of Government bonds from sources of temporarily idle capital not originating from the State budget on the basis of the consents of the capital-supplying organizations and/or individuals.

3. The Finance Ministry shall arrange and allocate

charter capital, State budget capital for Vietnam Environment Protection Fund according to the State budget estimates, the provisions of the State Budget Law and documents guiding the implementation thereof. The environmental damages and the annually collected environmental protection charges shall be allocated to Vietnam Environment Protection Fund according to the State's current regulations.

4. Annually, Vietnam Environment Protection Fund must balance capital sources and capital demands for environmental protection activities and plan mobilized capital sources.

Vietnam Environment Protection Fund may open accounts at the State Treasury and commercial banks according to regulations.

#### 5. Inventory and re-evaluation of assets

5.1. Vietnam Environment Protection Fund must inventory and reevaluate assets in the following cases:

- Inventorying and reevaluating assets under decisions of competent State agencies.
- Recovering mortgaged assets when investors are unable to repay their debts.
- Liquidation, sale of assets.

5.2. The inventory and reevaluation of assets must strictly comply with the current regulations applicable to the State enterprises. The positive or negative differences due to reevaluation of assets (excluding the recovery of mortgaged assets, assets formed from borrowed capital of the Fund when investors are unable to repay their debts) shall be accounted as increase or decrease of capital of Vietnam Environment Protection Fund as prescribed for the State enterprises.

6. For cases of loss of its assets, Vietnam Environment Protection Fund must clearly determine

the causes and handle as follows:

6.1. If assets are lost due to the faults of collectives and/or individuals, the loss-causing collectives and/or individuals must pay compensations therefor according to law provisions.

6.2. If assets have already been insured according to law, they shall be handled according to the insurance contracts.

7. The deduction for setting up and use of depreciation of fixed assets of Vietnam Environment Protection Fund shall comply with the Finance Ministry's guidance for enterprises.

8. Vietnam Environment Protection Fund may lease assets under its management according to the principles of efficiency, capital preservation and development as provided for by the Civil Code and other laws.

9. Vietnam Environment Protection Fund may liquidate or sell assets with inferior or deteriorating quality, irreparably damaged assets, technically obsolete assets which have no use demands or are used without efficiency.

When liquidating assets, Vietnam Environment Protection Fund must revalue the assets and organize auctions according to the provisions of law. The difference between proceeds from asset liquidation or sale and the remaining values of assets on accounting books plus the liquidation or sale expenses (if any) shall be accounted into incomes of Vietnam Environment Protection Fund.

### III. PROVISIONS ON DEDUCTION FOR SETTING UP OF RISK RESERVE FUND

1. Vietnam Environment Protection Fund may make deductions for setting up of risk reserve fund

to offset losses incurred due to objective causes in the course of providing loans for environment protection projects.

2. The level of deduction for setting up the risk reserve fund shall be annually decided by the Management Board, but must be at least equal to 0.2% of the annual loan debit balance of the Fund. The deduction shall be made once a year at the end of the fiscal year.

3. The risk reserve fund shall be used to offset risks incurred by projects due to force majeure causes such as losses due to natural calamities, fires, after using the insurance agencies' indemnities (if any) to subtract the losses;

4. At year-end, if the risk reserve fund is not used up, the remainder shall be transferred to the following year's risk reserve fund. In cases where the risk reserve fund balance is not enough to offset the losses arising in the year, the Management Board of Vietnam Environment Protection Fund shall report such to the Ministry of Natural Resources and Environment and the Finance Ministry for submission to the Prime Minister for consideration and decision.

5. Risk handling competence

- The chairman of the Fund's Management Board shall decide to extend the debt terms, exempt or reduce loan interests and freeze debts at the proposal of the Fund's director. The maximum debt extension duration shall be equal to one third of the capital-borrowing term inscribed in the credit contracts.

- The Finance Ministry shall assume the prime responsibility and coordinate with the Ministry of Natural Resources and Environment in submitting to the Prime Minister for decision the debt remissions on the basis of the proposal of the Fund's Management Board.

IV. LOAN INTEREST RATE SUPPORT

1. The principles for determining and providing interest rate support

- The environmental protection project investors may only receive the interest rate support for investment capital borrowed at credit institutions within the total investment of the project. The investors shall not be provided with interest rate support for overdue debt amounts.

- Interest rate support for completed projects, which have been put to use and can repay loan capital to credit institutions.

- The interest rate support level shall be decided by the Fund's Management Board but must not exceed the ceiling interest rate announced by the Finance Ministry at the time of signing contracts for interest rate support.

2. Determination of interest rate support level

The interest rate support level	=	The debt principal entitled to interest support	x	% of the approved support level	x	The actual borrowing duration calculated in year for the debt principal entitled to interest rate support
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3. Drawing up plans on interest rate support

Annually, basing itself on plans for additional capitals and interest rate support demands of projects, Vietnam Environment Protection Fund draws up a plan to provide loan interest rate support for projects of the prescribed subjects.

The total loan interest rate support amount must not exceed 20% of the annual supplementary capital of Vietnam Environment Protection Fund, excluding the charter capital allocated by the State budget.

The annual interest rate support plans must be approved and reported to the Finance Ministry and the Ministry of Natural Resources and Environment by the Management Board of Vietnam Environment Protection Fund.

## V. CAPITAL FINANCING

### 1. The financing principles

Vietnam Environment Protection Fund shall effect financing for subjects prescribed in its Organization and Operation Charter.

The maximum financing level shall be equal to 50% of the expenses for performance of tasks.

### 2. Drawing up financing plans

Annually, basing itself on the plans for supplementary capital and financing demands of subjects, Vietnam Environment Protection Fund shall draw up plan on financing for subjects according to regulations.

The total annual financing amount shall not exceed 30% of the annual supplementary capital of Vietnam Environment Protection Fund.

The annual financing plans must be approved and reported to the Finance Ministry and the Ministry of Natural Resources and Environment by Vietnam Environment Protection Fund.

## VI. FINANCIAL REVENUES AND EXPENDITURES

1. Vietnam Environment Protection Fund's income means the total amount actually earned in the year from professional operations and other services of the Fund, including:

### 1.1. Income from professional operations:

- Loan interests collected from projects on borrowing investment capital of Vietnam Environment Protection Fund;

- Interests on Vietnam Environment Protection Fund's deposits at the State Treasury and commercial banks;

- Charges on sub-lending entrustment under entrustment contracts;

- Revenues from professional operations and other services.

### 1.2. Income from financial activities

- Interests collected from purchase and sale of Government bonds;

- Revenues from asset leasing activities;

- Revenues from other financial services.

### 1.3. Income from irregular activities:

- Collected fine amounts;

- Revenues from liquidation or sale of assets of Vietnam Environment Protection Fund (after subtracting the remaining value and liquidation or sale expenses);

- Differences due to revaluation of the mortgaged assets when investors are unable to repay their debts, assets formulated from capital borrowed from the Fund;

- Recovered debts which were already written off;

- Other irregular revenues.

2. Vietnam Environment Protection Fund's expenditures mean actually spent amounts necessary for the Fund's operation, evidenced by valid invoices and vouchers. The spending levels and subjects shall comply with law provisions. In case of unavailability of law provisions, Vietnam Environment Protection Fund shall base on the financial capability

to work out the norms and decide on the spending and be accountable before law therefor.

The spending amounts must be included in the annual financial plan already approved by the Management Board, including:

2.1. Expenditures on professional operation:

- Expenses for capital mobilization;
- Expenses for payment services;
- Entrustment expenses;
- Expenses for deduction for setting up of risk reserve fund;
- Expenses for other professional operations.

2.2. Payment to laborers working directly at Vietnam Environment Protection Fund:

- Wages and wage allowances under the wage regimes of the State enterprises;
- Expenses for social insurance, health insurance, trade union funding according to the State-prescribed regimes;
- Expenses for working shift meals: The per-capita spending level shall not exceed the minimum wage level prescribed by the State for public servants;
- Expenses for working attires, labor protection means as prescribed;
- Allowances for Management Board members; part-time officials; hiring of specialists.

2.3. Managerial expenses:

- Expenses for depreciation of fixed assets;
- Expenses for managerial activities and official duties;
- + Procurement of working tools, office supplies;
- + Expenses for postal and communication charges: Postage, communication, telegraph, telex, fax... charges paid according to bills issued by the post offices;

+ Expenses for electricity, water, health, office sanitation;

+ Expenses for petrol for transport in service of officials and employees on working missions according to the State-prescribed regimes.

+ Working trip allowances for officials and employees on domestic and overseas working missions, paid according to the Finance Ministry's current regulations;

+ Expenses for propaganda, press briefings, public relations, external relations, conferences, within the approved financial plans.

+ Expenses for inspection, examination according to the prescribed regimes;

+ Expenses for asset maintenance under the annual financial plans.

+ Expenses for professional training and fostering.

- Deduction for setting up of severance reserve fund. The deduction levels range from 1% to 3% of the base wage fund used by Vietnam Environment Protection Fund for social insurance premium payment.

The severance reserve fund shall be used to provide severance, job-loss allowances as provided for in Articles 12 and 13 of the Government's Decree No. 39/2003/ND-CP of April 13, 2003 detailing and guiding the implementation of a number of articles of the Labor Code on employment.

If the annual severance and job-loss reserve fund is not used up, the remainder shall be transferred to the following year. In cases where the severance and job-loss reserve fund is not enough for payment of allowances to laborers in the fiscal year, the total negative difference shall be accounted into expenses for management of enterprises in the period.

- Other managerial expenses as prescribed.

2.4. Expenditures on financial activities:

- Expenses for purchase and sale of Government bonds;

- Expenses for asset leasing.

#### 2.5. Irregular expenditures:

- Expenses for recovery of forgiven debts.
- Expenses for collection of fines as prescribed.
- Expenses for property insurance and other types of insurance as provided for.
- Expenses for differences due to revaluation of the mortgaged assets when investors are incapable of repaying their debts, assets formulated from capital borrowed from the Fund;
- Expenses in support of activities of Party and mass organizations of Vietnam Environment Protection Fund according to the State's regulations (excluding expenses in support of the branch's trade union, localities, social organizations and other bodies).
- Other expenses as prescribed.

3. Vietnam Environment Protection Fund must not account into its expenditure the following sums:

Damage already supported by the Government or compensated by insurance agencies and/or the damage-causing parties;

- Fines for administrative violations due to subjective causes, fines for violations of financial regimes; budget amounts already spent for the Environment Department.

- Investment in capital construction, procurement, upgrading, renovation of fixed assets belonging to the capital sources for investment in capital construction;

- Expenses for repair, maintenance and equipment of welfare facilities.

- Budget amounts already spent for the Environment Department.

4. Within the first 5 years of operation, if Vietnam Environment Protection Fund's revenues are not enough for offsetting its expenditures, the Management Board shall report such to the Finance Ministry for

consideration and concrete handling.

## VII. DISTRIBUTION OF INCOMES AND USE OF FUNDS

### 1. Income distribution

The difference between the annual financial revenue and expenditure, after paying fines for violations of law provisions, shall be distributed as follows:

- Deducting 10% into the charter capital-supplementing fund;
- Deducting 50% into the development investment fund;
- Making deductions for commendation and welfare funds. The deduction levels for these two funds shall comply with the regulations applicable to the State enterprises.

- The remainder, after making deductions for setting up funds, shall be supplemented into the development investment fund.

### 2. The purposes of using funds

2.1. The charter capital supplementation fund shall be used to increase the charter capital of Vietnam Environment Protection Fund under decisions of competent authorities.

2.2. The development investment fund shall be used for investment, procurement of assets, renewal of technologies, equipment, working conditions.

2.3. The reward fund shall be used for:

- Year-end rewards or regular rewards for officials and employees of Vietnam Environment Protection Fund. The reward levels shall be decided by its director on the basis of labor productivity and achievement of each official or employee working at Vietnam Environment Protection Fund.

- Irregular rewards for individuals and/or collectives of Vietnam Environment Protection Fund, who have had innovations in technical improvement or operational process, thus bringing about efficiency. The reward levels shall be decided by the Fund's director.

- Rewards for individuals and units outside Vietnam Environment Protection Fund, that have had relations with, and effective contributions to, the operation of the Fund. The reward levels shall be decided by the chairman of the Fund's Management Board.

#### 2.4. The welfare fund shall be used for:

- Investment in construction or repair of, addition to capital for the construction of, welfare facilities of Vietnam Environment Protection Fund, contribution of construction capital to common welfare works within the branch, or with units under contracts.

- Expenses for sport, cultural activities, public welfare of collectives of officials and employees of Vietnam Environment Protection Fund.

- Expenses for regular or irregular difficulty allowances to officials, employees of Vietnam Environment Protection Fund.

- Contributions to the Social Welfare Fund and expenses for other welfare activities.

The director of Vietnam Environment Protection Fund shall coordinate with the Fund's trade union executive committee in managing and using this fund.

### VIII. ACCOUNTING AND STATISTICAL REGIMES AND FINANCIAL PLANS

1. Vietnam Environment Protection Fund may apply the accounting regime of the Development Assistance Fund to account its activities.

2. Annually, Vietnam Environment Protection Fund shall have to draw up and report to the Ministry of Natural Resources and Environment and the Finance Ministry on the following plans:

- The annual plan on capital including the charter capital provided by the State budget, capital allocated by the State budget for prescribed objectives; capital from debt recovery and other mobilized capital.

- The capital-using plans including the plan on provision of investment loans, the plan on interest rate support, the plan on non-refundable assistance.

- The financial revenue- expenditure plan enclosed with detailed exposition on revenue and expenditure items as well as specific spending norms.

3. Periodically (quarterly, annually), Vietnam Environment Protection Fund shall make and send financial reports to the Ministry of Natural Resources and Environment and the Finance Ministry:

- The quarterly report to be sent on the 25<sup>th</sup> of the first month of the subsequent quarter at the latest.

- The settlement report shall be sent on March 30 of the following year at the latest for the Finance Ministry to consider, appraise and approve it.

4. Vietnam Environment Protection Fund is subject to financial inspection by the Finance Ministry, including:

- Inspection of regular or irregular accounting reports and settlement reports.

- Specialized inspection according to requirements of the work of financial management.

### IX. IMPLEMENTATION ORGANIZATION

This Circular takes effect 15 days after its publication in the Official Gazette. If any problems arise in the course of implementation, Vietnam Environment Protection Fund shall report them to the Finance Ministry for study and solution.

*For the Finance Minister*  
**Vice Minister**  
**LE THI BANG TAM**