

MINISTRY OF FINANCE
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CIRCULAR

**On Management of State Funds
for the National Five Million Hectare Reforestation Programme**

Based on Decision 661/QĐ-TTg by the Prime Minister Dated 29/07/1998

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Pursuant to Decision 661/QD-TTg by the Prime Minister dated 29 July 1998 on tasks, purposes, policies and organisation of the Five Million Hectare Reforestation Programme;

Pursuant to Circular 28/1999/TT-LT, dated 3 February 1999, by the Ministry of Agriculture and Rural Development, the Ministry of Planning and Investment and the Ministry of Finance, providing guidance for implementation of Decision 661/QD-TTg.

The Ministry of Finance provides guidance for management of State funds for the Five Million Hectare Reforestation Programme as follows:

PART I - GENERAL RULES

1- The State will support the National Five Million Hectare Reforestation Programme (below referred to as "the Programme") as specified in Decision 661/QD-TTg by the Prime Minister dated 29 July 1998.

2- The financial support from the State will be used for investment and management as well as for support to establishment of production forests, as specified in a plan for use of the State budget, to be approved by the National Assembly.

3- Based on criteria established for the Programme, the Ministry of Finance will support approved projects through the State Treasury system. The State Treasury will appraise the projects, review documents, and then transfer funds to project owners in accordance with regulations in force.

4- The Supervising Authorities for the projects within the Programme (i.e. concerned Ministries and ministerial level organisations and Government offices in the case of centrally managed projects; People's Committees of provinces and provincial level cities for locally managed projects) are to make a plan for division of funds between the projects supported by the State, to provide guidance and to supervise project owners, ensuring that they implement the projects in accordance with approved plans. In use of funds, there must be a balance between costs for silviculture, construction of infrastructure, and management, in accordance with decisions by the Government and guidelines by the Ministry of Planning and Investment.

5- Project owners are to open a bank account in the State Treasury to which funds can be transferred. They are responsible for managing the funds for the purposes given, with high efficiency, account for their use in accordance with regulations in force, and accept inspection by the State Treasury. The State Treasury has the right to refuse release of funds to projects where suitable conditions for implementation are absent and to recover funds from project owners who use the funds for non-authorized purposes.

PART II - DETAILS

A. Scope and destination of State Funds

1. For projects covering protection and special-use forests

- For protection of special-use forests and protection forests in very essential and essential areas, the average payment is not to exceed 50,000 VND per ha per year over a period of no more than 5 years.
- Projects for assisted natural regeneration in combination with planting of industrial crops, fruit trees, and plants giving non-wood forest products in special-use forests and protection forests in essential and very essential areas are entitled to spend an average of up to 50,000 VND per ha per year for protection, over a period of no more than 5 years
- Projects for assisted natural regeneration in combination with planting of forest trees in special-use forests and protection forests in essential and very essential areas, the costs is not to exceed 1 million VND per hectare, to be paid over a period of 6 years. The distribution between the years is to be based on guidelines developed for such regeneration prepared by the Ministry of Agriculture and Rural Development.
- For projects for afforestation in very essential and essential protection areas, an amount on average not exceeding 2.5 million VND per ha is to be paid directly to the persons carrying out the planting. The payment covers both establishment of the plantations and subsequent care in accordance with guidelines by the Ministry of Agriculture and Rural Development.
- For infrastructure directly serving silviculture, such as construction of forest protection stations, establishment of structures for prevention of forest fires, prevention of attacks by pests, creation of nurseries, etc., the total cost is not to exceed 5% of the State funds allocated to the Programme in any year.

2. Management costs

2.1. Items to be covered

- Costs for project design, appraisal, and approval;
- Research, extension in agriculture and forestry, establishment of demonstration plots and transfer of technology within the Programme;
- Training, supervision, information and public relations, meetings and seminars;
- Stationary and office equipment for management activities;

- Costs for the Central Executive Committee of the Programme and for the Project Management Boards of its local projects;
- Salaries for members of Management Boards (if not already paid with State funds) subsidiary payments, allowances, perdiem etc., in accordance with regulations in force;
- Costs for support to the management of the Programme and for remittances through the State Treasury system.

2.2. Organisations included

- The Executive Committee for the National Five Million Hectare Reforestation Programme;
- Project Supervision Authorities directing the project owners for the local projects and supervising the local projects (such as Departments for Agriculture and Rural Development in the case of a State Forest Enterprise being responsible for a local project),
- The State Treasury system;
- Ministries and other authorities at the Central as well as the local level that have a direct relationship with the implementation of the Programme;

In total, the costs for management of projects in special-use and protection forests must not exceed 8% of the total amount of State funds allocated for such projects, of which 0.7% for the central level, 1.4% for V1.-I provincial district, and commune levels, and 6% for the project owners.

3. Funds for projects in production forestry

The State will reimburse organisations, households, and individuals who have spent their own money in establishing production forests with rare and precious tree species with a production cycle of 30 years or more, with priority attached to species in groups IA and IM, as defined in Decree 18/HDBT dated 17 January 1992 by the Council of Ministers (now the Government). The activities must be carried out in accordance with designs and technical guidelines approved by the competent authority. The average payment is not to exceed 2 million VND per hectare.

B. Procedures for transfer of funds

1. Annual plan

1.1. The Supervising Authorities for projects within the Programme will make annual plans for the local projects (including lists of local projects, amount of work to be undertaken, and total cost estimated for projects in special-use and protection forests, and list of local projects, amount of work to be undertaken, and cost estimates for assistance to reforestation in production forests). These documents are to be forwarded to the Ministry of Agriculture and Rural Development, the Ministry of Planning and Investment, and the Ministry of Finance, so that they can compile a final report to be submitted to the National Assembly for appraisal and approval.

1.2. Based on plans provided by the Government as well as a description of the overall scope of the Programme, structure of funds needed, and list of local projects as reported to the Ministry of Planning and Investment, the Project Supervising Authorities are to submit how they intend to distribute funds to projects and units under their authority to the Ministry of Finance (State Treasury), according to form 01. This form is also to be submitted to the Ministry of Planning and Investment and to the Ministry of Agriculture and Rural Development in order to enable those ministries to follow the use of the funds.

1.3. In accordance with guidelines by the Ministry of Planning and Investment, the Ministry of Finance will provide funds to Ministries (for centrally managed projects) or will inform provincial Treasuries (for locally managed projects) so that preparations can be made for transfer of funds for the local projects of the Programme.

2. Transfer of funds

2.1. Based on the total amount planned to be allocated to the National Five Million Hectare Reforestation Programme Programme In the annual plans, the General Department of Investment and Development (under the Ministry of Finance) quarterly forwards a proposal to the State Budget Department who will transfer funds to the Central Treasury.

2.2. Based on the approved annual plan and the situation with respect to fiends in each locality, the Central State Treasury will transfer funds to the Provincial State Treasuries who then forward the funds to the local projects in accordance with regulations in force.

C. RELEASE OF FUNDS FROM THE STATE TREASURY

1. Funds for project implementation

1. 1. Requirement

In order to open a bank account enabling them to receive funds, the project owners should forward the following documents to the State Treasury:

- Decision by the relevant authority approving the project;
- Decision by the Project Supervising Authority appointing the project owner;
- The annual forecast for needs of funds prepared by the Project Supervising Authority, covering reforestation, protection, maintenance, and assisted natural regeneration for forests allocated to the project owner;
- Design and budget for the project issued by the competent authority;
- Economic contracts between the project owners and households (for funds to be spent on silvicultural activities) or between the project owners and other units contracted (if any),
- Agreements between the project owners and households or other units contracted indicating that agreed work has been carried out, accepted by the provincial Evaluation and Appraisal Team (under the authority of the provincial Department of Agriculture. and Rural Development).

- Other relevant documents such as vouchers, invoices, and bills.

After receiving those documents, the State Treasury is to transfer funds. As the State Treasury is the unit executing the transfer, it cannot be a member of the provincial Evaluation and Approval Team.

1.2. Time schedule for fund allocation

1.2.1. For funds for forest protection and assisted natural regeneration in combination with intercropping with industrial crops, fruit trees, plants yielding non-wood forest products etc., the following applies:

- On the basis of the project plan, cost estimates approved by the concerned authority, and protection contracts between project owners and households, the State Treasury is quarterly to make advance payments to project owners. After receiving money from the State Treasury, project owners are responsible for timely transfer of sufficient funds to units and individuals who have received forest for protection.
- At the end of each quarter, project owners are to estimate the forest area effectively protected by households and approve the protection carried out (certified by the Provincial Evaluation and Approval Team which is under the authority of the Department of Agriculture and Rural Development). Notes of the estimate and approval shall be sent by the project owners to the State Treasury together with a list of households and units who have received money for forest protection. Upon receipt of those notes, the State Treasury shall check all related dossiers and vouchers and then arrange the settlement of the advance.
- Wherever applicable, the State Treasury shall pay directly to households and units involved in protection contracts as listed by the project owners.

1.2.2. For funds for planting of new forests and assisted natural regeneration in combination with additional planting of forest trees, the following applies:

- On the basis of the annual plan and cost estimates approved by the competent authority as well as contracts for planting of new forests and assisted natural regeneration in combination with additional planting between project owners and households and other economic units, the State Treasury shall pay an advance of no more than 30% of the annual project budget.
- When half the work as indicated in the annual plan has been carried out, the project owners have to evaluate and approve the work done (certified by the Provincial Evaluation and Approval Team). The State Treasury shall check all dossiers and vouchers related to the work done and then settle the advance. An additional payment shall be made if more work is done that what corresponds to the advance paid. The State Treasury will then arrange the next advance payment to the project owners, amounting to no more than 40% of the remaining budget.
- At the end of each year, the project owner is to check the amount of work done and to approve its quality (certified by the Provincial Evaluation and Approval Team). On the basis of the notes from the checking and approval process, the State Treasury will arrange the settlement of the previous advance and transfer the remaining fund.

- The total amount of advances plus the final transfer should not exceed the amount as given in the plan nor the amount of the funds transferred from the higher level of the State Treasury.

1.2.3. For funds for infrastructure

- For construction in total costing less than 150 million dong:

+ The project owner can either use an existing design approved by the competent authority or make its own design and cost estimate and then submit them to the competent authority for approval.

+ Based on annual plans, cost estimates, designs, and construction contracts between the project owner and contracted households and other units (if any), all duly approved, the State Treasury shall pay a maximum advance of 30% of the annual budget to the project owner. When a part of the construction is completed, a corresponding settlement of the advance shall be made between the project owner and the State Treasury.

- The allocation of funds to construction works in total costing more than 150 million dong shall be managed according to existing regulations for investment and construction management.

2. Allocation of funds for project management

2.1. Conditions for allocation:

The following documents have to be available: - The annual budget prepared by the Project Supervision Authority; - A detailed estimate of costs, approved by the competent authority; - Related legal dossiers and vouchers;

In addition, existing norms for expenses must not be exceeded.

2.2. Time schedule for allocation of funds

- The administration fee for the Provincial Project Management Board and related units at central and local levels will be paid monthly in advance. At the end of each month, these units shall settle the advance received from the State Treasury in accordance with the cost estimate approved by the competent authority. After the settlement has been made for the month, the State Treasury will pay the advance for the following month.

- The administration fee for local Project Management Boards will be paid in advance and then settled every month in line with the utilisation of the investment fund. The State Treasury shall not allocate the entire management fund to project owners until the assignment has been completed.

- The administration fee of the State Treasury system will be managed by the Central State Treasury. The provincial (or city) State Treasuries will receive money for management activities according to regulations for financial management as stated in item 2, part ii, Circular No. 123/1998/TT-BTC dated 04 September 1998 by the Ministry of Finance.

3. Funds for support to plantation of production forests

3.1. Conditions for allocation

- In order to receive money for planting of production forest, organisations, households and individuals must prepare a description of the reforestation activities proposed, indicating area, species, planting density and a cost estimate. The proposal is to be submitted to the People's Committee in the province or city and to the concerned supervising Ministries or sectors for appraisal and approval of local projects in accordance with the rules of the National Five Million Hectare Reforestation Programme.

- Projects receiving support for establishment of production forests have to send the following documents to the unit of the State Treasury where their bank account is located

- The decision by the competent authority approving the proposed production forest plantation;

- The decision by the Project Supervision Authority appointing the project owner;

- The decision by the competent authority approving provision of support to the plantation of the production forest;

- The annual proposal for support to the plantation, as forwarded to the Project

Supervision Authority;

- The design of the plantation and its total estimated cost, approved by the competent authority;

- Notes from the appraisal and approval of the reforestation carried out, certified by the Provincial Evaluation and Approval Team.

3.2. Time schedule for allocation of funds

- When planting and first year tending have been carried out, and also when the tending has been done in subsequent years, the project owner has to inspect and approve the area planted (certified by the Provincial Evaluation and Approval Team) and forward the notes of the inspection and approval to the State Treasury as a basis for payment. The State Treasury will check related dossiers and vouchers and, if they are found to be in order, pay the amount agreed in support of the plantation. The amount is not to exceed an average of 2 million dong per ha. Its distribution is to be as follows:

+ For planting and tending during the first year: on average no more than 1 million dong;

+ For tending during following years: on average no more than a total of 1 million dong per ha. The amount to be paid each year will be set according to technical guidelines of the Ministry of Agriculture and Rural Development and must be within the limits set by the annual plan of the State. Payments for tending after year one will be provided for areas which were planted with support by the State in the first year, and where the technical guidelines, for example regarding selection of tree species and planting density provided by the project investor, has been strictly followed.

D. Procedures for accounting, control, reporting and final settlement of accounts

1. Accounting

- Project owners and other units who use State funds for the National Five Million Hectare Reforestation Programme shall follow the accounting and statistical system as described in State regulations in force. They also have to ensure that funds intended for different purposes within the Programme are used for those purposes (for example for

silviculture infrastructure, management, support to planting of production forests, etc.

- Units of the State Treasury shall carry out accounting in conformity with regulations by the Ministry of Finance and guidelines by the Central State Treasury.

2. Control

- The Project Supervision Authority, project management bodies at the central and local levels and the State Treasury shall check the implementation of plans, the financial management, and project implementation carried out by the project owners. Shortcomings and difficulties in management should be reported to the Ministries of Finance, Planning and Investment, and Agriculture and Rural Development as well as to the Executive Committee and the National Steering Committee of the National Five Million Hectare Reforestation Programme.

- Funds allocated to project owners which were found to be improperly used or for which the legal regulations were not followed shall be returned to the State.

3. Reporting

- By the fifth day of every month, project owners and other units using funds shall report how funds have been used in the past month to the Project Supervision Authority and the appropriate unit of the State Treasury (form no. 02).

- Units of the State Treasury who have provided funds are to compile the reports and forward them to the next higher level of the State Treasury (district units report to provincial or city State Treasuries on the 10th of the following month; provincial and city units report to the Central State Treasury on the 15th of the following month).

- Based on the reports from the provincial and city State Treasuries, by the 20th day of the first month of each quarter, the Central State Treasury will compile how funds have been used in the past quarter in the entire country and report to the Ministry of Finance and to the Executive Committee and the National Steering Committee of the Programme

4. Annual settlement of accounts and final settlement of accounts at the end of the project

4.1. Annual settlement of accounts

- Funds for local projects of the Five Million Hectare Reforestation Programme planned to be used in a specific year can be used until 31 December of that year (with the amount of work carried out specified in the notes from inspection and approval by the competent authority). The corresponding units of the State Treasury are to receive the dossiers for settlement no later than 15 January of the following year and are to make the final allocation of funds to the projects by 31 January.

- The procedure for annual settlement of accounts is as follows:

+ Project owners and other units concerned are to report how funds have been used to the units of the State Treasury that have provided the funds and to the Project Supervision Authority. All advances should be cleared before the last transfer of funds is made by the State Treasury (i.e. before 31 January of the following year). In special cases, where such clearance is impossible, any outstanding advance is to be deducted from the payments planned for the following year and be settled by the end of that year. Reports of annual settlement of accounts are to be sent by the project owners no later than 28 February of the following year.

+ The units of the State Treasury are to compile the annual settlements of accounts for the local projects of the Five Million Hectare Reforestation Projects and report to the next higher level of the State Treasury. District State Treasuries report to provincial (or city) State Treasuries latest 15 March of the following year; provincial (and city) State Treasuries report to the Central State Treasury and the Project Supervision Authority latest 31 March (for projects under management of localities, the district State Treasuries also have to report to provincial People's Committees at the same time).

+ The Central State Treasury is to compile the overall annual settlement of accounts for funds allocated to the local projects of the Five Million Hectare Reforestation Programme and for the funds for administration of the entire State Treasury system and send the report to the Ministry of Finance for review and approval latest 30 April of the following year.

Any remaining funds after final settlement are to be transferred by the provincial State Treasuries to the Central State Treasury so that a final settlement can be made for all funds from the State.

4.2. Final settlement of accounts for completed constructions and final settlement at the end of the project

- For projects under central management, the following applies: Project owners are to prepare a report of the final settlement of accounts (certified by the unit of the State Treasury which provided the funds) and send them to the next higher level of project owner agency. Those agencies subsequently review and approve the reports from the project owners, compile them into a consolidated report and transmit that report to the Ministry of Finance (the Central State Treasury) and to the Ministry of Agriculture and Rural Development (the Executive Committee of the National Five Million Hectare Reforestation Programme).

- For projects under local management, the following applies: Project owners are to prepare reports on the final settlement of accounts (certified by the unit of the State Treasury which provided the funds) and send them to the provincial (or city) Department of Agriculture and Rural Development and to the provincial (or city) State Treasury. The Department of Agriculture and Rural Development shall invite the provincial (or city) State Treasury and members of the provincial (or city) Executive Committee of the National Five Million Hectare Reforestation Programme to participate in a review of the reports from the project owners and then report their findings to the Chairman of the provincial (or city) People's Committee. After the report has been approved, it is to be forwarded to the Ministry of Finance (the Central State Treasury) and to the Ministry of

Agriculture and Rural Development (the Executive Committee of the National Five Million Hectare Reforestation Programme).

E. Responsibilities of agencies concerned

1. Project owners:

- Implement the projects as assigned and ensure progress and quality;
- Provide relevant documents and vouchers to the State Treasury as a basis for allocation of funds. Be responsible for accuracy and reliability of documents provided;
- Use funds for the intended purposes and target groups. Ensure that funds are used in a cost-effective way;
- Follow regulations in force regarding reporting and settlement of accounts.

2. Project Supervision Authority

- Be responsible for results of the projects implemented under its supervision. Guide, check and supervise project owners in implementation of their plans. Use funds received for the correct purposes and in accordance with existing regulations.
- Mark a plan for division of available funds between projects on the basis of the volume of work, the structure of the funds, and the list of projects prepared by the State.
- Approve cost estimates, reports of annual settlement of accounts as well as the final settlement of accounts at the end of the projects.

3. Department of Agriculture and Rural Development

- Assist the provincial (or city) People's Committee in guiding and controlling project owners in implementing their plans.
- Coordinate with members of the local Steering Committee to evaluate and approve plantation areas and completed work volume of project owners (including projects under central management carried out in the locality). The result of the evaluation and approval constitutes the basis for allocation of funds by the State Treasury. Be responsible for accuracy of figures provided.
- Invite the State Treasury and members of the Steering Committee to appraise reports on annual settlements of accounts and final settlements of accounts at the end of the project provided by project owners and then submit them to the provincial (or city) People's Committee for approval.

4. State Treasury

- Check dossiers and vouchers related to work completed and timely provide funds to project owners.
- Has the right to request project owners to provide information necessary to enable proper management and allocation of funds to the projects.

- Has the right to reject applications for funds from project owners who do not meet the requirements for allocation. Be entitled to withdraw funds which have not been used for the correct purposes and the correct target groups. Refuse to transfer funds or make other payments which do not follow existing regulations.

- Coordinate with the Department of Agriculture and Rural Development and concerned agencies in the Local Steering Committee of the National Five Million Hectare Reforestation Programme to check the data in the final settlement of accounts for projects and then submit the report to provincial (or city) People's Committee for approval.

Fellow regulations on reporting and settlement of final accounts.

PART III - IMPLEMENTATION

This Circular becomes effective by 1 January 1999.

Ministries, ministerial-level agencies, People's Committees of provinces and provincial level cities, project owners, Departments of the Ministry of Finance, and units of the State Treasury are responsible for the implementation of this Circular.

For the Minister of Finance

Deputy Minister

Nguyen Thi Kim Ngan