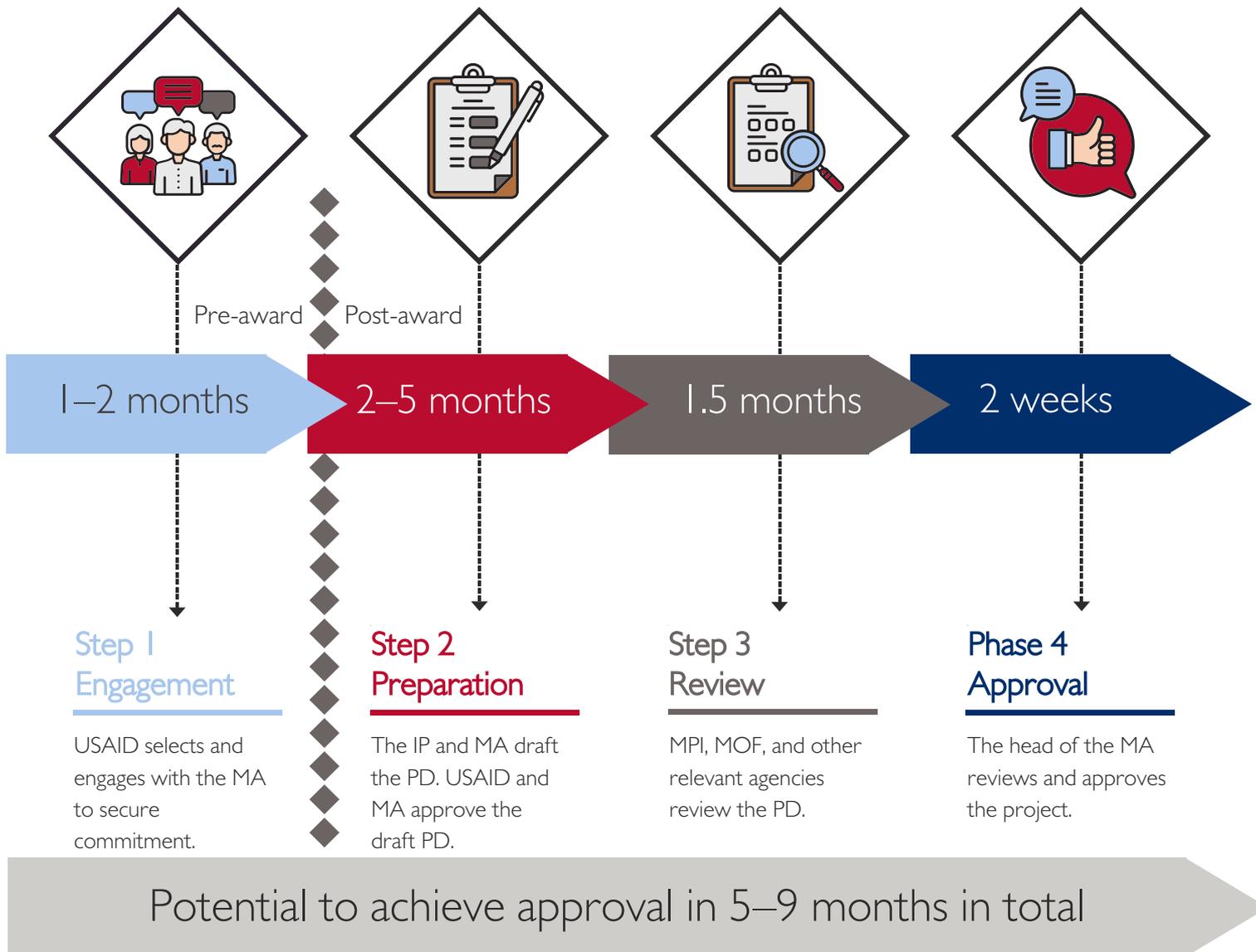


# PROJECT APPROVAL IN VIETNAM

The Government of Vietnam (GVN) issued Decree 56 on Official Development Assistance in May 2020, introducing important changes that make project approval more efficient. These steps apply to most USAID/Vietnam activities because they fall under the technical assistance grant category. Ongoing activities that have not yet been approved need to follow the procedures under Decree 56. For more details on activity categories and governing decrees, see the full [GVN Project Approval Process report](#).



## ACRONYMS

BILAT	Agreement for Economic and Technical Cooperation between the United States and Vietnam
COP	Chief of Party
DCOP	Deputy Chief of Party
GVN	Government of Vietnam
IP	Implementing Partner
LSGA	Limited Scope Grant Agreement
MA	Managing Agency
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
PD	Project Document
POC	Point of Contact

## Step 1



### Engagement

USAID selects and engages with the MA. The MA usually assigns a department within the organization to work with the IP on the PD.



#### Best Practices: USAID

- During the design, USAID should conduct institutional mapping and consult with possible agencies to decide which one should be the MA for the Activity.
- USAID should secure commitment from the MA to host the Activity through an MOU, LSGA, or other written form.
- USAID should include the approval process in the inception phase of the award to allow the IP sufficient time to obtain project approval.

## Step 2



### Preparation

The IP and MA draft the PD. Other departments within the MA may review the PD. Then the PD is submitted to the head of the MA and USAID for approval.



#### Best Practices: IPs

- The IP should establish its presence in Vietnam through a representative Project Office. Mobilize a small team (COP, DCOP, accountant, and translator) to lead project approval and startup.
- The IP and USAID should engage the MA at the leadership and operational levels to seek their commitment and collaboration in developing the PD. Set a deadline for completion of the draft PD with the head of the MA.
- The IP should prepare the PD following the template provided in Decree 56. Include the name of the IP, expatriates working on the project, and a reference to the BILAT on tax exemptions. Describe the project office, its status, and its ability to obtain a project seal.
- The IP should manage expectations and build trust with the MA throughout the process. If certain requests cannot be accommodated, explain why and build consensus to overcome these. Involve USAID when dealing with tough issues, and keep USAID informed throughout the process.

## Step 3



### Review

The head of the MA sends the draft PD to MPI, MOF, and other relevant agencies for review. As per Decree 56, MPI, MOF, and other agencies shall respond within 10 days. The head of the MA will complete the review process within 20 days from receiving comments from MPI, MOF, and other agencies. Based on the comments, the MA and IP revise the PD and submit to the head of MA and USAID/Vietnam for approval.



#### Best Practices: IPs

- The IP should be prepared to share its Finance and Procurement Policy on how USAID resources will be managed in a compliant and transparent way. Some MAs need this before they approve the PD.
- The IP and USAID should work with the MA POC and relevant division in pushing the PD through the system as optimally as possible.

## Step 4



### Approval

The head of the MA decides whether to approve the project. Decree 56 requires this decision to be made within two weeks after the completion of the review process. The MA will need to send a full set of the PD and decision to approve the project to MPI, MOF, and other relevant agencies. MPI will then notify the donor of the decision and the request for support.

# HOW TO SEEK VAT REFUND STATUS IN VIETNAM

December 16, 2020

Value-added tax (VAT) refunds have always been challenging for USAID/Vietnam activities but can be accomplished in certain circumstances. Activities that succeeded were approved Official Development Assistance (ODA) projects that:

- (1) were implemented by local NGOs that could use their current seals and tax codes for VAT reimbursement;
- (2) managed to obtain project seals and tax codes; or
- (3) were able to seek an exception to the rule by using the signature of the Chief of Party instead of the seal.

Most USAID/Vietnam activities have typically failed to obtain VAT refunds because they were either not approved as ODA, did not know the procedures, or could not comply with the procedures due to different interpretations by tax authorities of the rules. For more details, view the full [GVN Project Approval Process report](#).

## OBTAINING VAT REFUND

Once project approval is received, the IP can follow this process to seek VAT refund status:



### OBTAIN PROJECT APPROVAL

The Project Document (PD) should reference the BILAT in relation to tax treatment and exemptions and clarify that the Project Office is fully authorized by the parent company, USAID/Vietnam, and Managing Agency (MA) to conduct all procurements in Vietnam and complete all VAT refund procedures. Include the name of COP and any other expat staff.

1

### APPLY FOR A PROJECT OFFICE SEAL

Seek a project seal from the Ministry of Public Security or Provincial Public Security Department. Local NGOs that already have Project Office Seals should not need to reapply for a seal when implementing a new activity.

2

### APPLY FOR A TAX CODE

3

### REQUEST THE VAT REFUND

4



# A NOTE ON PROJECT OFFICE SEALS

INGOs implementing an approved ODA project can apply for an operating license with the People's Aid Coordinating Committee under the Vietnam Union of Friendship Organizations and obtain a seal under [Decree 99/2016/ND-CP](#) (Decree 99) on Seal Management. IPs that are U.S. companies will find it harder to obtain project seals, as there is no definition of "Project Office of a Donor" as an organization in Vietnam. Fortunately, Decree 99 allows "other organizations legally established in Vietnam or by legal decision of Vietnamese competent authorities" to obtain seals. After project approval, some U.S. companies have been able to obtain seals from the Ministry of Public Securities using this provision with the following documentation:



## APPROVED PD WITH WRITTEN DECISION FROM THE MA

The PD must have the name of the IP; otherwise, the IP will need to prove its relationship to the project. The PD should also mention the establishment of the Project Office.



## PROJECT OFFICE NOTICE

Document the existence of the project and its place of business. This is similar to a company establishment notice. There is no standard form.



## LETTER OF SUPPORT FROM THE MA

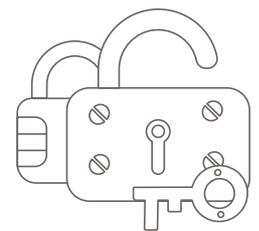
The letter should confirm the existence of the project and its office.



## PARENT COMPANY CONFIRMATION

This serves to document that the Project Office is established to enable the IP to implement the project in Vietnam.

## TIPS AND BEST PRACTICES



- Hire a capable accountant that knows the VAT rules and follows all the rules on VAT refunds.
- IPs should obtain a ruling from the local tax office on the treatment of tax exemptions for ODA under the Law of Vietnam and the BILAT and guidance on VAT refund procedures.
- Do not ship original VAT invoices to the home offices, as the Tax Authority will audit all the VAT invoices for which VAT has been refunded.
- Be ready to show the tax authority the accounting and bookkeeping practices of the Project Office, as they will examine this upon the first request for VAT refunds.
- Tax rules need to be fully complied with in order to qualify for refunds. The tax code, name, and addresses have to be stated correctly on the invoices. The VAT refunds are based on the issuance of VAT invoices by taxpayers in Vietnam, regardless of whether the payment is made from overseas or within Vietnam.