

VIETNAM

COMMERCIAL IMPORT PROGRAM

OPERATING PROCEDURES

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This section describes in detail how the Commercial Import Program operates. A simplified flow chart with explanatory notes is included to present a graphic picture of what actually takes place at the various stages.

Funds for the Commercial Import Program (CIP) are authorized and appropriated by the Congress in the Foreign Assistance Act and Foreign Assistance Appropriation Act under the category of Program Assistance. Following economic analysis leading to an estimated demand for imports and establishment of the amount of estimated import demand to be met with Vietnamese government foreign exchange and PL-480 local currency sales, the A.I.D. Mission in Saigon (USAID) requests A.I.D./Washington approval of an allotment of funds for the CIP. Such allotments are made periodically throughout the fiscal year.

These funds are then made available for imports (obligated) by the USAID through the issuance of appropriate Financing Request (FR). After reaching an agreement with the Vietnamese government on amounts and types of commodities to be financed, the USAID Commercial Import Program Division prepares this FR and forwards it to the Director of Commercial Aid, Ministry of Economy, who signs on behalf of the government of Vietnam. The document is then returned to the USAID where it is signed by the USAID Director on behalf of the U.S. Government and forwarded to AID/W. Copies of the signed FR are provided to the Directorate of Commercial Aid (DCA) and to the National Bank of Vietnam (NBVN).

The FR includes provisions which stipulate contracting and delivery periods, a designation of eligible commodities by AID commodity code, the amount of money available to finance these commodities, and any special provisions as required. Also included is the name of the U.S. bank which will receive the A.I.D. Letter of Commitment. A Letter of Commitment is issued by A.I.D./Washington for each FR. It incorporates the provisions of the FR and describes the terms and conditions under which the designated bank shall pay against letters of credit opened by the Vietnamese commercial banks. The Letter of Commitment obligates the U.S. Treasury to reimburse the Letter of Commitment bank -- out of the A.I.D. appropriation -- for authorized dollar expenditures.

There are approximately 2800 firms eligible to import in Vietnam. Firms are authorized to import commodities financed by A.I.D. under the CIP or by USDA under the Food for Peace program, as well as under the Vietnamese government's own import program. Importers -- who must apply

for and purchase a patente (business license) each year -- are of two types. Some are primarily commercial traders who import finished goods for immediate resale through wholesale or retail outlets. About 1200 individuals or firms are in this category. The remaining 1600 firms are classified as manufacturers or end-users. These firms import capital machinery for their own plant or raw materials which are processed in Vietnam and sold as domestically produced finished goods. Since the reforms of 1966, responsible new firms can enter the import business if they are 70% Vietnamese owned, are capitalized at 15,000,000 piasters and are able to deposit a security bond of 1,000,000 piasters with the government.

Having obtained a patente which permits it to do business as an importer, the firm must apply for and receive an authorized import license for each individual import transaction. There are several different methods of procurement and more than one procedure for obtaining an import license; the most common procedure is that described in the following paragraphs.

Before applying for an import license, the importer is required to advertise his intended purchase through AID's Financed Export Opportunities Circular published and distributed by A.I.D.'s Office of Small Business (OSB) in Washington. Suppliers submit pro forma invoices direct to Vietnamese importers.

When OSB procedures are to be used, a statement of quantity and detailed specifications are sent to the USAID/CIP in Saigon, where commodity analysts review the request and forward to A.I.D./Washington for publication. At the same time the CIP notifies the importer by letter that he cannot place an order until the expiration of the bid deadline which is specified in the letter.

In addition to the review by the CIP, requests for procurement of capital equipment are also submitted to the USAID Commercial Import Capital Commodity Committee (CICCC) for a feasibility review before being sent to A.I.D./Washington for OSB publication.

After the OSB deadline has passed (approximately 52 days) the importer files his import license application with his local Vietnamese bank. Both the application and the pro forma invoice must indicate the name and address of the importer and supplier, specifications for the commodities being procured, the FOB unit price, the cost of freight, the total C&F price, and the A.I.D. commodity code number.

Applications for import licenses must be channeled through a local bank. The bank is free to accept or reject the application. Since acceptance of a license application makes the bank financially responsible for the entire transaction, the bank treats the application as if it were a loan.

If the bank is willing to finance the transaction, the application is forwarded by the local bank to the National Bank of Vietnam (NBVN), where it is registered through and IBM accounting system, dated and given a serial number.

The application is next forwarded from the NBVN to the Vietnamese Directorate of Commercial Aid (DCA). The application is registered and directed to the Price Control Section, where prices are checked on the basis of continuously revised commodity price index cards and compared with other current applications. If an application shows a price above average, it is rejected and returned to the importer or end-user through the NBVN and the local bank.

Having been reviewed for price and other applicable details -- including correctness of the A.I.D. code and commodity, source, supplier, agent, and importer eligibility -- the license is signed by the Director of DCA and thereby becomes a valid import license. It is then sent directly to USAID/CIP for review of all elements of the transaction. It is entered into USAID machine records and reviewed by commodity analysts for correction of code commodity, pricing, freight, quantity and eligibility of the parties to the contract and returned to DCA with concurrence or non-concurrence.

The approved license is registered by DCA in an outgoing log and returned to the NBVN. From there it goes back to the local bank and then to the importer.

The importer has 21 days to request his local bank to open a commercial letter of credit.

In order to obtain a letter of credit, the importer is required to accomplish an exchange contract with his bank. The exchange contract is an agreement to pay the piaster equivalent of the dollar transaction. Present banking requirements call for the commercial importer to deposit from 20 to 100 percent of the total amount of the transaction in piasters to the bank at the time the exchange contract is accomplished. Manufacturers or end-users are not required to make a piaster deposit at this time, since their plant and inventory can serve as collateral.

The letter of credit is transmitted to the U.S. Letter of Commitment Bank (L/Comm Bank) designated in the original FR. The L/Comm Bank confirms the credit and notifies the supplier of the terms and conditions under which the supplier will be paid.

The supplier ships the commodities and, upon receiving an on board bill of lading, prepares a series of documents described in A.I.D. Regulation I and in the letter of credit. These documents are presented to the L/Comm Bank for payment either directly or through the supplier's own local bank.

When the L/Comm Bank has reimbursed the supplier's bank or made payment direct to the supplier, the bank sends an advise of payment to the National Bank of Vietnam (NBVN). Upon receipt of the notification of payment, the NBVN debits automatically the piaster account of the local commercial bank through which the license was processed and the letter of credit opened, and informs the bank of the action taken. Simultaneously, the NBVN credits the piasters to a special Suspense Account. The NBVN makes payment from the Suspense Account to the Counterpart Special Account once each month when the USAID Controller presents a bill equal to total A.I.D. dollar disbursements for CIP shipments in the previous month.

In addition to notifying the NBVN when payment has been made against a valid letter of credit, the L/Comm Bank forwards the package of documents to the A.I.D. Certifying Officer with offices in New York. A.I.D. reimbursement to the L/Comm Bank is usually made within 48 hours after receiving proper documentation.

Because of the urgency for prompt payment in international commercial transactions, and in order to minimize staff requirements, A.I.D. reimburses the L/Comm Bank subject to a post audit instead of after a pre-audit as is customary for many U.S. government agencies.

The documents which are submitted for payment provide the information which the L/Comm Bank and the A.I.D. Controller need to determine whether the transaction is eligible for A.I.D. financing. One of these documents -- the Supplier's Certificate -- gives A.I.D. rights of recovery against the supplier in case of breach of his contract or malpractice. In addition, in the FR signed by a representative of the government of Vietnam there is a stipulation that the government will refund to A.I.D. upon demand any amount expended in violation of A.I.D. requirements.

After the bank has presented the required documents to A.I.D. and received reimbursement, A.I.D./Washington Controller performs a post audit to determine whether the disbursement was in accordance with legislative and policy requirements. This audit covers two types of review: one by voucher examiners to determine compliance with all requirements except price rules, and a second review by price analysts to ascertain whether prices charged were eligible under agency standards as set forth in Subpart G of Regulation I. If any transactions are found to violate agency regulations, appropriate refund billings are issued against the supplier, bank, ocean carriers or cooperating country, depending on the nature of the infraction.

When the commodities arrive in Vietnam (about 90 percent enter through the port of Saigon) they are unloaded by a private stevedoring company and put into customs warehouses in the port area. Importers use agents or brokers to get their goods through the port. When goods arrive, the agent obtains copies of the ship's manifest, ascertains where the goods are off-

loaded, initiates the necessary port clearance and customs documentation, and eventually delivers the goods to the importer. As soon as the importer pays customs duties and settles his obligation with his local bank he is free to move the goods directly into the market or to storage in his own warehouse.

Often the importer uses bank credit to obtain piasters for payment of customs duties, and sometimes he lacks capital to pay to his local bank the balance of the total piaster equivalent of the dollar import transaction. In such cases the importer's bank retains title to the goods, and the importer is required to accomplish a trust receipt in order to take possession.

To encourage rapid customs clearance and relieve congestion in the port, rental fees are charged for bonded warehouse use. When imported commodities remain in the port for more than ten days, the importer is subject to suspension; when 30 days have passed, the goods can be confiscated by the government. Goods remaining on the docks for more than 90 days are classified as distressed cargo according to A.I.D. regulations. The existence of distressed cargo constitutes cause for a dollar refund claim action against the Vietnamese government.

The foregoing description applies to the normal CIP transaction and for commodities exported from the United States. Eight other countries -- India, Pakistan, Morocco, Tunisia, Korea, the Philippines, Taiwan, and Singapore -- are also eligible sources for a limited number of CIP commodities, but special banking procedures have been arranged to reduce gold or dollar outflow as a result of CIP expenditures. Under these procedures offshore expenditures are paid for through letters of credit tied to procurement in the United States. For example, purchases from Taiwan are not paid for in dollars, but with a line of credit payable in exports from the United States.

COMMERCIAL IMPORT PROGRAM

USAID/VIETNAM

1. An agreement is signed between the GUS and GVN which is the basis to establish a Commercial Import Program.
2. Directorate of Commercial AID (DCA) submits a financing request (FR) to AID/W through USAID which requests a L/Com to be opened by AID/W in favor of a US Bank. When the L/Com is opened it is the authority for GVN to issue import licenses.
3. Vietnamese importers submit OSB applications to USAID for review and forwarding to AID/W for publication.
- 3-A. Suppliers or their agents in VN submit offers directly to importers for their requirements which were advertised by the Office of Small Business.
4. The importer evaluates responses to his advertisement, selects the pro forma invoice he considers the most responsive; lowest price, highest value, timely delivery, etc., attaches the pro forma invoice for the offer selected, prepares an abstract of offers received, and submits the entire package to his local bank together with and in support of an application for import license.  
The local bank reviews the application for the license, and if it is willing to finance the imports, forwards all documents to National Bank of Viet-Nam (NBVN), with the local banks undertaking guaranteeing the counterpart funds. There the application is dated and assigned a license number and forwarded to DCA.
5. DCA reviews license applications and if approved forwards them to CIP for the analyst's review, if he concurs, it is stamped "Eligible for AID financing" and is returned to DCA. Ineligible applications are also returned to DCA with reasons for such determination clearly indicated.
6. DCA returns all approved license applications to NBVN for issuance and delivery to importer's bank.
7. Importers have 21 days, after receipt of notification of approval of license in which to open a letter of credit by their local bank. When the letter of credit is opened, the supplier receives notification of order from the importer and L/Com bank.

7-A. Suppliers apply to AID/W (CEPB) for AID Form 11 approval (eligibility of commodity).

8. Suppliers ship goods to importers in Viet-Nam.
9. When suppliers have obtained an on board bill of lading, he assembles all necessary documents (including AID Supplier's Certificate and Form 11 approval) and presents the package to his bank for payment.
10. Supplier's bank requests payment from L/Com bank. In some cases these banks may be one and the same.
11. L/Com bank pays supplier's bank (supplier).
12. L/Com bank dispatches documents and advice of payment to importer's commercial banks with copy advice of payment to NBVN.
13. L/Com bank forwards the documents to the Certifying Officer at AID's New York office for reimbursement (U.S.\$). Documents are then forwarded to AID/W Banking Branch for post-audit and review.
14. Upon receipt of advice of payment from the L/Com bank, NBVN debits accounts receivable (piasters) from the local bank and credits a Suspense Account. The local bank establishes an account receivable for the importer.
15. Once each month the USAID/Controller presents an accounting of total dollar disbursements; the NBVN then debits the Suspense Account and credits the joint Government of Viet-Nam/United States Counterpart Special Account.
16. When goods are received, the importer must either settle his account with the local bank or arrange a trust receipt for future payment.

# Commercial Import Program

## USAID/Vietnam

