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No: 07/2006/TT-BXD

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Hanoi, November 10, 2006

## CIRCULAR

### GUIDING THE ADJUSTMENT OF COST ESTIMATES OF CONSTRUCTION WORKS

*Pursuant to the Government's Decree No. 36/2003/ND-CP of April 4, 2003, defining the functions, tasks, powers and organizational structure of the Ministry of Construction;*

*Pursuant to the Government's Decree No. 16/2005/ND-CP of February 7, 2006, on the management of investment projects on construction of works, and Decree No. 112/2006/ND-CP of September 29, 2006, amending and supplementing a number of articles of the Government's Decree No. 16/2005/ND-CP of February 7, 2005;*

*Pursuant to the Government's Decree No. 94/2006/ND-CP of September 7, 2006, adjusting the common minimum wage;*

*The Ministry of Construction guides the adjustment of cost estimates of construction works as from October 1, 2006, as follows:*

#### I. GENERAL PROVISIONS

1. This Circular guides the adjustment of cost estimates of state capital-funded construction works which are made on the basis of the sets of unit costs promulgated by provincial/municipal People's Committees in accordance with the State's current norms.

Investment projects on construction of works which use other capital sources are encouraged to apply the regulations on adjustment of cost estimates guided in this Circular.

2. Work construction cost estimates and construction survey cost estimates made on the basis of capital construction unit costs or construction survey unit costs applicable to provinces and centrally run cities according to the wage scale in wage table A6, issued together with the Government's Decree No. 26/CP of May 23, 1993, shall be adjusted according to the minimum wage in each period as specified in the Appendix to this Circular.

3. For works which are subject to separate unit costs or of which machine shift costs are set by competent persons, their cost estimates shall be adjusted according to the principles and methods guided in this Circular.

#### II. ADJUSTMENT OF COST ESTIMATES OF CONSTRUCTION WORKS

1. Work construction cost estimates and construction survey cost estimates made on the basis of the sets of work construction unit costs of provincial/municipal People's Committees, which are calculated according to the minimum wage of VND 350,000/month and the wage levels in wage table A.1.8, issued together with the Government's Decree No. 205/2004/ND-CP of December 14, 2004, shall be adjusted as follows:

##### 1.1. Adjustment of construction cost estimates

##### 1.1.1. Adjustment of labor cost

Labor cost in construction cost estimates made on the basis of local construction unit costs shall be multiplied by the adjustment coefficient (KDCNC) in accordance with the regime of adjustment of the common minimum wage.

The adjustment coefficient (KDCNC) shall be determined for each province or centrally run city or for works of which unit costs are set on the basis of separate wage mechanisms, regimes and policies.

For labor cost in cost estimates determined on the basis of unit costs set by localities according to the minimum wage of VND 350,000/ month, the adjustment coefficient (KDCNC) is the quotient of the division of the new common minimum wage by the minimum wage already used in calculating the unit costs (VND 350,000/month).

##### 1.1.2. Adjustment of construction machine cost

Construction machine cost in construction cost estimates made on the basis of local construction unit costs shall be multiplied by the adjustment coefficient (KDCMTC) in accordance with the regime of adjustment of the common minimum wage.

The construction machine cost-adjustment coefficient (KDCMTC) shall be determined for each province or centrally run city or for works which are subject to separate machine shift and construction equipment costs.

For construction machine cost in cost estimates made on the basis of local unit costs with machine shift and construction equipment costs already calculated according to the minimum wage of VND 350,000/month, and fuel and energy costs at the time of calculation, the adjustment coefficient (KDCMTC) shall be determined based on the weighted average costs of machine groups.

According to the above principle, the construction machine cost-adjustment coefficient (KDCMTC) in construction cost estimates applicable to provinces and centrally run cities is 1.05. For provinces or centrally run cities with particular construction structures, this coefficient shall be decided by provincial/municipal People's Committees but must not exceed 1.05.

For works constructed in lines through many provinces and centrally run cities for which separate machine shift costs have been set, their investors shall calculate the adjustment coefficient and report it to the branch-managing ministry for approval and application; other cases shall be decided by investment deciders.

#### 1.1.3. Cost items fixed in percentages (%) of construction cost estimates

Cost items fixed in percentages (%) of construction cost estimates include other direct costs, general cost, pre-determined taxable income, value added tax, cost of building makeshift houses at construction sites for dwelling and construction administration according to current regulations.

#### 1.2. Other cost items

Cost items such as cost of management of investment projects on construction of works (Decision No. 10/2005/QĐ-BXD of April 15, 2005, of the Construction Ministry), and cost of project formulation and construction work design (Decision No. 11/2005/QĐ-BXD of April 15, 2005, of the Construction Ministry) shall be calculated at percentage rates (%) according to current regulations.

Particularly for construction survey cost estimates, cost items shall be adjusted according to the above principles and methods.

### III. ORGANIZATION OF IMPLEMENTATION

1. For provinces and centrally run cities which have made the sets of work construction, machine shift and construction equipment unit costs on the basis of wage scales and tables and wage-based allowances provided for by the Government's Decree No. 205/2004/ND-CP of December 14, 2004, the adjustment of work construction cost estimates and the transitional implementation guidance shall be decided by provincial-level People's Committees for the adjustment of cost estimates of local construction works funded with state capital.

Provincial/municipal Construction Services shall assume the prime responsibility for, and coordinate with local concerned agencies in, determining adjustment coefficients for submission to provincial/municipal People's Committees for promulgation and application.

2. Concerned ministries and branches shall guide the adjustment of cost estimates of investment projects on construction of works under their management according to the guidance in this Circular.

3. Investors shall organize the adjustment, and approve the results of adjustment, of work construction cost estimates and total cost estimates according to current regulations.

4. The transitional calculation and adjustment of work construction cost estimates shall be considered and decided by competent persons, ensuring effectiveness and non-interruption of project execution, specifically as follows:

4.1. For construction investment projects which are being or have been formulated but have not yet been approved by authorities competent to decide on investment, their total investment capital shall be adjusted in accordance with the new minimum wage.

4.2. For construction works under construction investment projects for which dossiers of design-total cost estimates or cost estimates are being made, their construction cost estimates and other cost items in their total cost estimates shall be adjusted according to the guidance in this Circular.

4.3. For works or work items of which total cost estimates or cost estimates have been approved by competent authorities but for which bidding or contractor designation has not yet been or is being organized or for which bidding results are available but contracts have not yet been signed, their investors shall re-adjust their total cost estimates, cost estimates or bid package prices in accordance with this Circular.

4.4. For incomplete works or work items, their construction cost estimates shall be adjusted for the work volumes performed since October 1, 2006, in accordance with this Circular.

For the construction volume performed since October 1, 2006, if the involved parties agree in the contract not to adjust prices through the course of performance, the investor and the construction contractor may negotiate to supplement the contract in order to guarantee the benefits of laborers according to regulations.

4.5. For construction works subject to separate unit costs (work construction unit costs), the boards in charge of making unit costs for the works shall, based on the regimes and policies allowed by the State for application to the works and the principles for adjustment of work construction cost estimates guided in this Circular, determine the levels of adjustment of labor cost, construction machine cost and other costs (if any) in work construction cost estimates.

This Circular takes effect 15 days after its publication in "CONG BAO."

## APPENDIX

*(To the Construction Ministrys Circular No. 07/2006/TT-BXD of November 10, 2006)*

Work construction cost estimates and construction survey cost estimates made on the basis of capital construction unit costs or construction survey unit costs applicable to provinces and centrally run cities according to the wage scale in wage table A6, issued together with the Governments Decree No. 26/CP of May 23, 1993, are adjusted as follows:

### 1. Adjustment of construction cost estimates

#### 1.1. Adjustment of labor cost and construction machine cost:

Labor cost and construction machine cost in work construction cost estimates made on the basis of capital construction unit costs shall be multiplied by the corresponding adjustment coefficient ( $K^{DC_{NC}}$ ) and ( $K^{DC_{MTC}}$ ) specified in Table 1 of this Appendix.

#### 1.2. Cost items fixed in percentages (%) of construction cost estimates

Other direct costs, general cost, pre-determined taxable income, value added tax and cost of building makeshift houses at construction sites for dwelling and construction administration shall be calculated at percentage rates (%) according to current regulations.

### 2. Adjustment of several other cost items

#### 2.1. Adjustment of construction survey cost estimates:

Construction survey cost estimates made on the basis of the above construction survey unit costs shall be multiplied by the corresponding adjustment coefficient ( $K^{DC_{KS}}$ ) specified in Table 2 of this Appendix.

2.2. Adjustment of labor cost in cost estimates of construction material and structure tests:

Labor cost in cost estimates of construction material and structure tests determined on the basis of the cost limits and unit costs of construction material and structure tests, issued together with the Construction Ministers Decision No. 32/2001/QD-BXD of December 20, 2001, shall be multiplied by the adjustment coefficient  $K^{DC_{TN}}$  of 2.37.

2.3. Other costs fixed in percentages (%) of total work construction cost estimates shall be determined according to current state regulations.

Particularly, pre-tax cost estimates of urban construction planning work, made on the basis of the construction planning cost limits issued together with the Construction Ministers Decision No. 06/2005/QD-BXD of February 3, 2005, shall be multiplied by the adjustment coefficient of 1.15.

Provincial-level Peoples Committees shall, based on their local specific conditions, guide the adjustment of cost estimates for the provision of urban public services.

*Table 1: Adjustment coefficients of construction cost estimates*

Adjustment coefficients:	Local capital construction unit cost calculated according to the monthly minimum wage			
	VND 144,000	VND 180,000	VND 210,000	VND 290,000
Labor cost ( $K^{DC_{NC}}$ )	4.32	3.45	2.95	2.14
Construction machine cost ( $K^{DC_{MTC}}$ )	1.55	1.50	1.45	1.35

*Table 2: Adjustment coefficients of construction survey cost estimates*

Adjustment coefficient ( $K^{DC_{KS}}$ )	Itinerary allowance levels	Construction survey unit cost calculated according to the monthly minimum wage		
		VND 180,000	VND 210,000	VND 290,000
	20%	1.89	1.71	1.40
	40%	1.92	1.76	1.44
	60%	2.02	1.82	1.48

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