

### 1. Some remarks of the commune financial management

Commune finance has great effects on socioeconomic activities in a commune. The financial management under the charge of the Commune Financial Board (under the Commune People's Committee) includes the following tasks:

- Making the budgetary plan under direction of superior financial authorities and submitting to commune people's committee and people's council for approval.

- Controlling budget income and expenditure, balancing them according to the approved budgetary plan, and managing public assets under the commune authorities.

- Helping the commune people's committee ensure all sources of income and implement the budgetary plan properly.

- Inspecting all budget incomes and expenditures according to directions from the superior financial authorities.

- Making periodical budgetary reports as required by laws.

been established, have operated effectively and solved many complaints from residents. The financial inspections have helped discover and handle many violations of financial regulations.

- + Management of public finance and budget at the commune level in most provinces has been beefed up and carried out according to financial regulations. Training courses have helped improved skills of commune financial officials. In most provinces, there are offices responsible for controlling commune and district budget under the provincial service of finance and pricing, and a budget control team under the district budget office. These bodies have helped district and provincial governments direct the financial control and local authorities implement budgetary plans.

Besides these achievements, the budgetary control by the commune financial boards also contains many shortcomings. The following are some of them:

comes at commune level are divided into small parts and couldn't be employed effectively.

(5) The administrative machinery at commune level isn't reasonably organized. In financial field, commune officials aren't competent enough to receive and carry out many tasks and duties making relations between authorities of different levels aren't good as expected. Inferior authorities couldn't get full information and direction from their superiors.

(6) Commune financial authorities are under directions of too many superiors (at central, provincial and district levels). That is why their performance isn't good.

(7) Over 40% of commune financial officials haven't taken any training courses in public finance and administrative law, so they could only carry out ordinary tasks and usually fail to supervise the implementation of government policies.

As for the financial control mechanism, many shortcomings are

## MEASURES TO IMPROVE FINANCIAL MANAGEMENT AT COMMUNE LEVEL

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The commune financial board, to carry out these tasks, needs a board chairperson who is usually a member of the people's committee, an accountant and a cashier. The accountant should take some training courses in public finance and his appointment needs approval of the chairperson of the district financial board.

According to current regulations, officials of the commune financial board enjoy treatment set by Decree 09/1998/NĐ-CP issued on Jan. 23, 1998 and Inter-ministerial Circular 99/1998/ TTLT- BTCCBCP - BTC- BLĐTBXH issued on May 19, 1998 by the Government Personnel Board, Ministries of Finance and of Labor, War Invalids and Social Affairs.

The following are some results of the commune financial management:

- + The budgetary control and inspection have raised interest from local governments. In most communes, the people's inspection boards have

(1) Delegation of budgetary control was done without paying full attention to local conditions with the result that many communes in mountainous and remote areas couldn't carry out this task well enough.

(2) Rights and duties delegated to commune authorities aren't consistent nationwide. The delegation is done mainly by district or provincial governments with the result that financial officials at commune level didn't receive the same treatment from their superior authorities.

(3) Many rights and duties delegated to the commune financial board seem nominal and unclear. Relations between governmental bodies of central level with the commune authorities aren't close enough with the result local authorities know nothing about operations of these bodies.

(4) Mechanism for financial control isn't consistent. Duties of financial authorities of different levels aren't distinguished clearly. Budget in-

also noticeable.

- Task of generating local source of budget income needs more attention. Commune government could earn more income from different sources: use of communal land, rent for stalls in marketplace, parking lots and other public works.

- Rights to decide on expenditures by commune government aren't clear. Control of expenditures from grants from district governments and from local budget income isn't strict. In some cases, both commune and its superiors have the same right to certain expenditure. This situation leads to corruption easily.

- Regulations on rights and duties of the commune financial authorities aren't suitable to their rights and duties relating to socioeconomic development control. These rights are delegated nominally to the commune authorities with the result that they couldn't take proactive approach to their tasks and duties.



- The administrative machinery at commune level, although heavy and clumsy, fails to implement all duties assigned to them, including duties of financial controlling officials. Moreover, policies on commune officials aren't reasonable: they aren't considered as civil servants while district officials enjoy various forms of benefits and allowances. That is why the commune budget income and grants from the district government to the commune aren't employed effectively and fairly, and as a result, commune officials tend to leave their offices for better paid jobs.

## 2. Measures to improve the financial management at commune level

### a. Short - term measures:

- Setting national regulations on expenditures by commune: These regulations could aim at encouraging communes to find out new sources of income (from public assets for example), allowing them to use these incomes and part of payments in VAT for community, and transferring part of income from rich communes to the poor ones.

- Allowing commune authorities to use public assets to generate new incomes (local natural resources, public land, etc.): Experience shows that communes that found out new sources of income could protect public assets and employ budgetary income better.

- Encouraging communes to make annual budgetary plan, especially for expenditures from their own sources of income.

- Dividing expenditures by communes into two classes: compulsory and voluntary expenditures.

- Allowing commune authorities to take responsibility for the use of budget income provided that they ensure transparency and financial disclosure.

- Setting regulations on rights and duties of commune people's committee and People's council about financial matters based on Law of Organization of People's Committee and Council, and Law of National Budget.

- Perfecting the administrative machinery of commune level: Wage scale, benefits and allowances for commune officials, along with their right and duties, should be stipulated clearly in order to turn them into civil servants and make their jobs professional.

### b. Long-term measures:

- Making amendments to articles in the Law of National Budget relating to commune financial and budgetary control: These amendments aim at employing better public assets under control of commune authorities, encouraging all economic



sectors to develop and increases in public services, and enhancing autonomy in financial operations by communes.

- Less middle levels in implementing the national budget: The implementation of the national budget is linked with four administrative levels. This is the reason for slowness and wrong practices when carrying out the government policies.

- Clearly rights and duties for the chairperson of commune people's committee: The chairperson should

be considered as an office holder who is responsible for performance of commune authorities that use commune budget income.

- Clear definitions of commune officials and leadership: These definitions will serve as a basis for deciding salaries, benefits and allowances for civil servants at commune level because these payments account for at least 70% of the commune budget expenditure, and deciding the volume of subsidies for communes from their superior authorities ■