

The Budget Law has come into effect since Jan. 1, 1997, but it hasn't fully carried out in all localities. By studying budget performance, we saw that the Budget Law had helped to put the budget system in order and also reveal shortcomings that needed to be solved. In this article, we want to present some opinions about the delegation of budgetary control.

According to the Budget Law, there are four budgetary levels in accordance with four levels of authority. Besides the budget of the central government, there are budgets controlled by governments at provincial (or municipal), district and village levels and they are referred generally as local budgets. The budget system is considered as unified and centrally controlled, that is, this view denies independent existence of local budgets, and therefore there is no such a problem as delegation of budgetary control. However, to help the central government to manage the national budget, local governments are delegated to undertake some tasks relating to realization of the yearly finance act, but the central government retains the right to decide on budget revenue and expenditure at both central and local levels and this mechanism leads to the delegation of budgetary control.

Studying the budget system in both theoretical and practical aspects, we saw that this mechanism had been able to help the central government concentrate all receipts on necessary expenditures, avoid localism and ensure equal tasks of gathering receipts and covering expenditures for all local governments.

However, this mechanism also leads to a state in which local governments rely on budget allocation (or grants-in-aid) instead of finding ways to increase the receipt and reduce the expenditure. Particularly, at present conditions where local economies are poorly developed and the red tape is widespread, this mechanism and the policy on delegation of budgetary control didn't produce intended results (in 1995, two-thirds of provincial govern-

ments, provincial authorities kept on undertaking main tasks of raising revenues and providing district governments with appropriations. Only 50% of its district governments had managed to fulfil their tasks with the result that the provincial government always faced a considerable budget deficit because it had to supply big appropriations to district governments.

In the fiscal year 1998, after the central government decided on the

ON THE MANAGEMENT OF LOCAL BUDGETS

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ments suffered deficit budgets and in 1997, the central government had to supply big grants-in-aid to some 50% of provincial governments).

Taking Đà Nẵng as an example, we saw that although its total budget receipt and expenditure were bigger than what were assigned to its government by the central government, its local budget was still unbalanced because the local government couldn't collect certain receipts a proportion of which was allowed to retain.

In addition, in realizing the Finance Act, the provincial government didn't delegate fully the budgetary control to district govern-

gross budgeting, the Ministry of Finance assigned specific income and expenditure targets to each provincial government. To ensure budget provisions for local development, Đà Nẵng government had to increase these assigned targets by 10%. In its budget estimates, targets assigned to district governments are of small percentage (representing 22% of estimated revenue and 8% of estimated expenditure).

This situation makes us think that there must be better estimates and more studies must be made in order to adjust the mechanism for delegating the budgetary control in the coming years. This will be more urgent when Vietnam is trying to integrate into the world economy.

The following are our suggestions about ways of adjusting the mechanism for delegating the budgetary control. The adjustment must observe the Budget Law and at the same time, make the budget performance appropriate to the socialism-oriented market economy and present socio-economic conditions.

As for the mechanism for delegating the budgetary control, the following principles and requirements must be observed:

- Ensuring the leading role for the central budget and at the same time, recognizing the independence of local budgets in the national budget system.

- Making the delegation of the budgetary control appropriate to functions and duties of local govern-





ments.

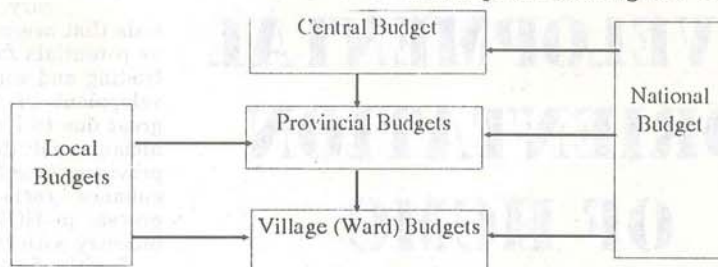
-Delegating specific and fixed income and expenditure targets to local governments in order to help them find best ways to achieve these targets.

To realize these principles, we must meet the following two requirements:

-Firstly, the national budget must be centrally controlled: the central budget covers strategic expenditures at national level, facilitates adjustment to the structure of industry and ensure reasonable development for all provinces and industries; local budgets concentrate on infrastructure building and social welfare as assigned by the central budget instead of limiting itself to certain tasks as before.

-Secondly, local governments of all levels are allowed to be more active and autonomous: provincial governments can delegate the budgetary control to district governments in a way that is appropriate to needs and interests of local residents and rules and regulation set by the central government. Right adjustments made to the mechanism for delegating the budgetary control will encourage local governments to secure expected revenues and make the best use of planned expenditures.

To realize these principles and fulfil these requirements, the mechanism for delegating the budgetary control must be adjusted in a way that it can help local governments increase budget revenue if the central government and local conditions permit. In our opinion, the budget system can be arranged according to the following model:



This model can save the National Budget from being divided among different authority levels and being affected by the localism, however, this model proved to be inconsistent with the Constitution 1992 and the Law on Organization of People Councils and People Committees, but it is acceptable because of the following reasons:

-The Constitution 1992 and the Law on Organization of People Councils and People Committees gave legal recognition to rights and duties of People Councils, including the right to decide on socio-economic development plan and annual budget. However, the Constitution and this Law didn't distinguish between provincial, district and village governments. This regulation is irrational because in the new mechanism the role of different authority levels isn't the same.

-Of three levels of the local government, the provincial one is responsible for realizing decisions made by the central government. The village government is in direct contact with the people and supplies community services; therefore it plays a decisive role in managing the relation between the people and the state according to law. The district government is an intermediate

level that helps the provincial government inspect and direct village governments. In the new mechanism, there is no organization at district level supplying goods and services to the public.

-Reality of the realization of the Budget Law last year shows that the delegation of the budgetary control to the district government leads to an intermediary that hinders the management of the national budget. Outlays and grants-in-aid from the central government take a long time to arrive at their destinations, and they are even converted to other purposes causing difficulties to operation of village governments. Many finance officers at district level have gone against rules and regulations. In addition, the administrative machinery at district level has kept on swelling and consumed

a good deal of local budget expenditure.

-In many developed and neighboring countries, there is no district government. In some others, it only takes a subordinate position to the provincial government and undertakes the task of inspecting village governments and reports to the provincial government who pays for all expenditures on the district government.

From reality in Vietnam, foreign experience and above-mentioned logical basis, we come to the conclusion that the future budget system can include only three levels: central, provincial and village budgets, while the district budget can be included in provincial budget and the district government can be downsized. Thus, there are only two levels in the local budget, necessary rights and duties will be delegated to each level and at the same time, their autonomy will be ensured.

What we presented here need to be studied more carefully because our studies and analyses aren't fully perfected. This article is only an attempt to find a measure to perfect the management of local budget in the process of realizing the Budget Law in the industrialization period.