

## Strengthening the Management of Projects Using Investment Capital from the State Budget: Necessity and Recommendations for Solutions

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**Abstract:** In the past time, the management of investment projects using state budget capital has had many positive changes, the quality of project appraisal, design appraisal is implemented after basic design (technical design). techniques) of specialized agencies has improved day by day, many works and projects after being completed and handed over and put into use are of high quality and effective. However, besides that, there are still some works and projects with certain limitations, the project must be adjusted many times; the volume, unit price, and norms applied are not appropriate; projects that are completed late, handed over and put into use, or after they are put into use, quickly damaged or degraded buildings have not yet brought into full play their functions according to the set objectives, causing a waste of the state budget. This study points out the need to strengthen management, thereby proposing solutions for the management of investment projects using state budget capital to achieve high efficiency in the future.

**Keywords:** Strengthening the management, projects using investment capital, the state budget.

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### INTRODUCTION

Public investment activities in recent years have had a very important position and role, playing a leading role and contributing to attracting many domestic and foreign resources for development investment and upgrading of infrastructure. Socio-economic infrastructure, changing the face of the country, creating a foundation for economic development, improving the quality of life and welfare of the people, contributing to enhancing Vietnam's position in the international arena. However, public investment activities still have many shortcomings, from investment and development planning to management, investment implementation, mobilization, allocation, and monitoring of investment capital use privately.

In the recent period, the allocation of development investment capital has not made a

breakthrough, not really giving priority to projects on key economic infrastructure, which has a decisive influence on the economic development of the country; still arranged in a spread manner, spread evenly across all fields; in each field are spread over all areas of the country, leading to the implementation of many projects, many works, but the ability to meet capital to complete is not guaranteed, the project is behind schedule, stretching causes a lot of waste.

National target programs are programs using investment capital from the state budget, which have actively contributed to the successful implementation of socio-economic development goals; hunger eradication, and poverty reduction, contributing to solving pressing problems in a number of sectors and fields. However, the Government has not yet specifically and accurately

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assessed the socio-economic efficiency and investment results brought about by the national target programs.

The results achieved by many national target programs have not been commensurate with investment capital from the state budget and other capital sources. Many national target programs have not yet identified objectives, resources, and implementation time. Some regular tasks of ministries, branches, and localities are included in the program's content, so the proportion of recurrent expenditures accounts for a large proportion compared to investment expenditures. Funding for the implementation of the national target program is still mainly from the central budget, while other sources of capital mobilized often do not meet the expectations, limiting the program's results.

On the basis of studying state documents, reports of ministries, branches, and localities on investment in projects from the state capital (public investment), this study points out the need to strengthen manage projects using investment capital from the state budget, thereby recommending solutions to make this activity effective in the future.

## **RESEARCH RESULTS AND DISCUSSION**

### **Related concepts**

The concept of public investment capital: In order to ensure the consistency between the Law on Public Investment 2019 [1] and relevant laws, especially the Law on State Budget [2], the Law on Public Investment 2019 has revised and supplemented a number of concepts and definitions. definition and continue to clarify issues related to "public investment capital".

Specifically, the Law has agreed to stipulate the concept of public investment capital, according to which: Public investment capital includes: State budget capital; capital from lawful revenues of state agencies and public non-business units for investment in accordance with law [1].

This is a very important change, leading to changes in the processes, order, and procedures for projects and public investment plans, helping to simplify the process, no longer distinguishing between different types of sources. capital of the state budget as before (for example, there is a distinction between the state budget, government bonds, national bonds, investment credit, etc.). At the same time, this change helps to build a separate process for projects using capital from lawful revenue sources of state agencies and public non-business units for investment in accordance with the law. towards increasing the decentralization and

self-responsibility of the units and agencies with this capital source, but still ensuring the monitoring, supervision, and synthesis of reports.

In addition, the Law has supplemented the concept of investment preparation tasks and planning tasks to be consistent with the Law on Planning [3], Urban Law [4], and the Law on Construction [5]. In particular, the source of public investment capital in the fields of infrastructure continues to be clarified and regulated into law. This is the similarity and creates consistency among laws in investment projects from the State budget (public investment).

### **Objects of public investment**

Accordingly, the Law on Public Investment 2019 replaces the phrase "public investment sector" with "public investment object" [1] compared to current regulations. Thus, in addition to adding concepts, the Law on Public Investment has added additional public investment objects in Article 5 to suit the actual situation, including Investment in service of formulation and appraisal. , decide or approve, announce and adjust the planning in accordance with the law on planning; Compensation for preferential credit interest rates and management fees; provide charter capital for policy banks and non-budget state financial funds; support other policy beneficiaries under the Prime Minister's Decision. Specifically, there are 06 objects of public investment as follows [6]:

Investment in socio-economic infrastructure programs and projects: When it is really necessary, separate the compensation, support, resettlement, and site clearance into independent projects for the project. of national importance to be considered and decided by the National Assembly; for group A projects, considered and decided by the Prime Minister of the People's Council of the province according to their competence.

The separation of independent projects is carried out when approving the investment policy of nationally important projects, group A projects.

Investment in service of activities of state agencies, non-business units, political organizations, socio-political organizations.

Invest in and support activities of providing public products and services and social welfare. State investment participates in project implementation in the form of public-private partnerships.

Invest in the formulation, appraisal, decision or approval, announcement, and adjustment of the planning in accordance with the law on planning.

Compensation for preferential credit interest rates and management fees; provide charter capital for policy banks and non-budget state financial funds;

Investment support for other entities under the Prime Minister's Decision.

### **The need to strengthen the management of projects with investment capital from the State budget (public investment)**

As analyzed above, public investment activities in recent years have had a very important position and role, playing a leading role and contributing to attracting many domestic and foreign resources for development investment. development, upgrading socio-economic infrastructure, changing the face of the country, laying the foundation for economic development, improving the quality of life and welfare of the people, contributing to raising the position of Vietnam in the international arena. However, public investment activities still have many shortcomings, from investment and development planning to management, investment implementation, mobilization, allocation, and monitoring of investment capital use. private investment, etc. All of the above-mentioned problems have made the picture of public investment fragmented, spread, state resources scattered, etc [7]. Therefore, the ICOR coefficient tends to increase in recent years.

However, the reality shows that the management and use of government bond capital still have many shortcomings [8]. The cause was determined that there were no principles and criteria for works and projects using government bonds, so there was still a state of applying for - for projects using government bonds.

The quality of project planning and investment in a number of industries and fields is still limited, there is a lack of long-term vision, and the implementation of the planning is not serious, thus affecting investment efficiency. Some projects have the ability to ensure the implementation schedule or high completion volume but arrange very low capital, delaying the completion schedule, causing waste of capital. The mobilization of capital through the government bond issuance channel faces many difficulties. The main source of mobilization is from domestic credit institutions.

The fact that government bond capital has not been included in the state budget balance is also a reason for the low efficiency of government bond capital because there is still a large gap in the inspection and supervision mechanism. evaluate the effectiveness of capital use.

Allowing localities to decide for themselves, adjust the size and total investment as well as the Government continuously submitting to the National Assembly to add new lists every year have made the demand for government bond capital increase too high. compared with the balancing capacity of the state budget and the endurance of the economy, leading to insufficient financial resources to meet demand, so many projects are protracted, wasteful, and inefficient.

The closed state in public investment for projects (especially key projects) has lasted for many years and has been slow to be overcome. Public investment capital is allocated to ministries, branches, localities, and ministries, branches and localities are almost closed in the construction, appraisal, approval, and implementation of investment without participation. suggestions, criticism, and supervision from outside. Due to the closed state in public investment, there has not been the highest coordination among sectors, fields, and localities; regional linkages have not been created to improve investment efficiency.

Besides, there are still a number of works and projects with certain limitations, the project must be adjusted many times; the volume, unit price, and norms applied are not appropriate; the project is completed late, handing over and putting into use, or after putting into use the quickly damaged, degraded works have not fully promoted their functions according to the set goals, causing a waste of the state budget, etc. The above limitations were pointed out by the State Auditor and State Audit through inspections and audits and required local authorities to rectify and overcome them.

### **Some problems raised in the mechanism and policy of investment capital management of the State**

Before 2000, the public investment management mechanism was implemented in accordance with the Decrees on investment management regulations and the spirit of the State Budget Law. Accordingly, the management mechanism focuses on the aspect of capital planning for the project without distinguishing between projects with or without construction content. Regarding the management of disbursement of public investment capital, in addition to the content of payment to the investor, it also manages the

source of payment capital between the financial agencies and the treasury.

After 2000, the public investment management mechanism was updated and changed rapidly with Laws such as Law on Construction in 2003, Law on Bidding in 2005, Law on State Budget in 2002, and updated revised; During this period, Directive No. 1792/CT-TTG dated October 15, 2011, of the Prime Minister on strengthening public investment management from the state budget capital and government bonds, was issued as an important turning point. change investment management thinking in association with approval and project implementation with the ability to balance resources, this is an important principle that was later concretized in the Law on Public Investment 2014.

The new public investment management mechanism divides project management by construction, bidding, and planning fields during the investment implementation process. On that basis, the management mechanism for disbursement of public investment capital was also updated and completed according to the principle of determining the responsibility of the implementing entity; Disbursement payment agencies only make the results based on the investor's request.

With the functions and tasks assigned in budget management, the Ministry of Finance is responsible for promulgating a mechanism to manage the disbursement of public investment capital through a system of guiding circulars. After rearranging the apparatus of the General Department of Investment and Development, the control of the payment of investment capital was transferred to the State Treasury agency and implemented in accordance with Circular No. 135/1999/TT-BTC dated November 19. /1999; The mechanism for management of disbursement of public investment capital is implemented by the State Treasury agency and is regularly revised and updated. Up to now, it has been unified to manage disbursement for all users of public investment capital at the Circular No. Circular No. 08/2016//TT-BTC dated January 18, 2016 (amended and supplemented in Circulars 108/2016/TT-BTC dated June 30, 2016, and Circular 52/2018/TT-BTC) May 24, 2018). The implementation process, along with the improvement of the legal system on economic management in general, the payment management mechanism of the State's investment capital has also been completed in line with the administrative reform orientation of the Party and State, is to reduce administrative procedures, clearly define

responsibilities at each level and effectively perform tasks.

To overcome the above situations, Decree No. 99/2021/ND-CP dated 11/11/2021 of the Government on management, payment [9], and settlement of projects using public investment capital and Circular No. 96/2021/TT-BTC dated 11/11/2021 of the Ministry of Finance providing for the system of forms used in settlement work; Reviewing investment projects using public investment capital that has been completed, handed over and put into use until January 1, 2022, which have not yet made their final settlement (especially completed projects, which are late in making final settlements); clearly identify the causes of late settlement, specific difficulties, and problems of each project, clarify the responsibilities of each relevant unit and individual, on that basis, propose handling measures and report to the investment decider for consideration and handling according to regulations.

### **Proposing some development solutions**

Continue to restructure public investment and improve the efficiency of public investment capital, reduce the proportion of public investment capital in total social investment capital, promote the leading role of public investment, increase the attraction of investment capital from non-state economic sectors; create clear changes in strategic breakthroughs in infrastructure development, growth promotion, and social security assurance; make an important contribution to realizing the objectives of the 5-year socio-economic development plan 2021 - 2025. This is the general goal set forth in Resolution No. 29/2021/QH15 on the medium-term public investment plan period 2021 - 2025 that has just been issued.

In order to effectively carry out this task, it is necessary to renew the supervision process, renew the information supply mechanism so that the supervisory agency is provided with complete, accurate, and timely information, not just relying on the information provided. in the current reports of ministries, branches, and localities. The master plan and strategy for public investment in the medium, long term, or in each development stage of the country need to be approved by the National Assembly to ensure a balance between investment needs and resources, ensuring the investment and balanced development among regions, regions, and localities. Increasing the quantity and quality of experts to assist the National Assembly and National Assembly deputies in performing the public investment supervision function; have specific sanctions to require supervised units to implement post-monitoring conclusions.

It is very important to continuously improve the role and authority of the National Assembly, its agencies, the delegations of the National Assembly, and the National Assembly deputies in the supervision of public investment in order to use it effectively. equity in public investment capital, serving the country's socio-economic development goals. Performing well the supervisory role of the National Assembly, the National Assembly deputies will have the effect of improving the transparency and accountability of the Government in the use of public finance.

In addition, one of the important solutions is to build a legal system for public investment, which includes completing the provisions of the law related to public investment, including the Constitution, the Law on Banking and Finance. State books stipulate resources mobilized for public investment, in addition to the State's resources, encouraging the participation of social resources.

Articles 15 and 19 of the 1992 Constitution amended in 2001 need to be studied, amended, and supplemented to suit this trend. Soon to promulgate the Law on Public Investment, the Law on Management of State Capital invested in production and business. Amending and supplementing other laws related to public investment such as Law on Bidding, Law on Construction, etc. to ensure consistency, rigor, and standards in the management of public investment activities.

It is necessary to legitimize the regulation on the use of State financial funds such as the Enterprise Reorganization Fund, the Accumulation Fund for Foreign Debt Repayment, the Vietnam Development Bank, etc., and the management and use of such funds as management and use. the state budget, because in fact the capital to form these funds is from the state budget or comes from the state budget. Developing and promulgating a system of criteria for evaluating the overall effectiveness, economic efficiency, social efficiency, and environmental impact of public investment projects. The system of criteria (qualitative and quantitative) must be specific, which is the basis for prioritizing investment projects as well as for appraising, deciding, checking, monitoring, and evaluating the effectiveness of investment projects public investment projects.

## CONCLUSION

To improve the quality in the management of investment projects funded by the state budget; at

the same time, to overcome the limitations and weaknesses pointed out by the State Auditor and State Audit, the Prime Minister needs to request ministries, branches, and localities to request subordinate units to be assigned as investors. Directing and organizing the implementation of the State's regulations, ensuring to avoid loss, waste, and in accordance with the law.

Public units assigned to act as investors improve their roles and responsibilities in advising and proposing investment projects; Projects with proposed investment policies must ensure the urgency, objectives, and scale of the project's investment, which must be consistent with the functions and needs of use in practice.

Strengthen capacity to ensure implementation of investment project management tasks; strictly control investment costs, project estimates, and bidding package estimates; seriously and fully implement investment monitoring and evaluation reports in accordance with regulations. At the same time, take responsibility before the law for the content of their implementation.

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