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**ENHANCING MANAGEMENT OF STATE BUDGET FOR CAPITAL  
CONSTRUCTION INVESTMENT IN MUONG LAT DISTRICT, THANH  
HOA PROVINCE**

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**Abstract**

Capital construction investment involves building infrastructure to serve the socio-economic development of each country and each locality. For the maximal role of investment projects, it is necessary to strengthen the management of State budget expenditures in the entire budget process, including making estimates, executing estimates, conducting settlement and inspection, and examining State budget expenditures. Through an assessment of the status-quo, achievements, and limitations, the study proposed several solutions to enhance the management of State budget expenditures for capital construction investment in Muong Lat district, Thanh Hoa province.

**Keywords:** Capital construction investment, State budget, State budget expenditures, Muong Lat district, infrastructure.

**1. Introduction**

Capital construction investment plays a significant role in developing the infrastructure system, supporting production and business development, and contributing to the local economic growth. Construction investment projects are those of great community significance although their benefits are difficult to be quantified by their economic value. Due to the requirement of large capital with the low return on capital and long payback period, they are often associated with low economic profits, and, consequently, less concerned by private investors. Therefore, most capital construction investment projects in Vietnam are covered by the State Budget.

Muong Lat is a border mountainous district, located at the Northwestmost point of Thanh Hoa province. It borders Sop Bau district to the North, Viengxay district to the West (Lao People's Democratic Republic) with a 110km borderline, Son La province to the Northwest, and Quan Hoa district to the East. Being 246km away from the center of Thanh Hoa province, Muong Lat district is one among six poor districts of the province and one among 58 poor districts of the country in the period 2018 -2020, which is eligible for support policies under the Government's Resolution No. 30a, including supports for capital construction investment [1], [2].

Muong Lat district, Thanh Hoa province has attracted an increasing amount of capital construction investment, significantly contributing to the construction of infrastructure, economic restructuring, hunger eradication and poverty reduction, economic growth promotion, as well as improvement and enhancement of the material and spiritual life of the people in the district.

However, several limitations have still existed in the management of capital construction investment such as slow disbursement progress, improper construction drawing design and estimation, low ratio of settlement to cost estimate, high expenditures of source transfer, slow settlement for completed projects, loss, waste, and inefficient use of the State budget for capital construction investment, and many others. The urgent requirement for such poor mountainous district is to strengthen the State management of capital construction investment, thereby minimizing the capital loss, improving the efficiency of use of the State budget, and delivering numerous projects with great value to the community and people's well-being.

## **2. Methodology**

*Data collection methods:* To the extent of the study, secondary data, collected from brief reports on socio-economic situation, estimates and settlement of budget revenues and expenditures of Muong Lat district, journals, books, newspapers, research works on State budget management, and relevant legal documents were utilized.

*Analytical methods:* Using descriptive statistics and comparative methods (including absolute and relative figures), the study evaluated changes and highlighted differences together with achievements and limitations in the management of capital construction investment from the State budget in Muong Lat district.

In addition, in-depth interviews with experts were conducted to acquire extensive knowledge and gain firm grounds for analysis, evaluation, and proposed solutions.

## **3. Results**

The management of State Budget expenditures for capital construction investment involves State management activities in budget expenditures for capital construction investment projects such as making estimates of budget expenditures, executing the State budget expenditures, making budget expenditure settlement, and inspecting and examining budget expenditures.

The assessment of the status quo of State budget expenditure management helps propose appropriate solutions to improve the efficiency of capital construction investment.

### ***3.1. Status quo of management of State budget expenditures for capital construction investment in Muong Lat district***

*Firstly*, regarding the budget estimation

Based on the plan for socio-economic development and national defense and security, and other matters of Muong Lat district, the district's Finance Bureau prepares annual budget expenditure estimates and submits them to superiors for approval.

**Table 1. State budget expenditure estimates for capital construction investment in Muong Lat district for the period 2017-2019**

Unit: VND thousand

Content		Investment expenditures for district-level projects	Investment expenditures for commune-level projects	National target program	Construction investment	Total
<b>2017</b>		187,000	676,000	21,280,000	89,389,000	<b>111,532,000</b>
<b>2018</b>		3,444,719	200,644	24,916,788	58,492,000	<b>87,054,151</b>
<b>2019</b>		3,553,453	83,897	24,924,365	30,683,558	<b>59,245,273</b>
<b>2018 vs 2017</b>	<b>Scale</b>	3,257,719	(475,356)	3,636,788	(30,897,000)	(24,477,849)
	<b>Rate (%)</b>	1,842,10	29.68	117.09	65.44	78.05
<b>2019 vs 2018</b>	<b>Scale</b>	108,734	(116,747)	7,577	(27,808,442)	(27,808,878)
	<b>Rate (%)</b>	103.16	41.81	100.03	52.46	68.06

Source: People's Committee of Muong Lat district

It can be observed that the total budget expenditure for capital construction investment gradually decreased through years (Figure 1), including an increase of 21.95% (equivalent to VND 24,477,849 thousand) in 2018 compared to 2017 and an increase of 31.94% (equivalent to VND 27,808,878 thousand) in 2019 compared to 2018. Particularly, expenditures for capital construction investment from the local budget balance and district-level construction investment constantly raised over the years, especially in 2018, with a dramatic increase due to the commencement of 3 new projects with a total approved investment of VND 77,366,000 thousand, and their estimated expenditure in 2018 of VND 3,200,000 thousand. A slight rise in investment expenditure for district-level projects was seen in 2019 compared to 2018 (an increase of VND 108,734 thousand, equivalent to 3.16%). In contrast, the additional capital construction investment for communes continuously decreased, specifically down 29.68% (or VND 475,356 thousand) in 2018 compared to 2017, and down 41.81% (or VND 116,747 thousand) in 2019 compared to 2018.

In terms of capital construction investment expenditures from the State budget (excluding construction investment projects) showing the initiative of the budget, the structure of these expenditures is shown in Table 2.

**Table 2. Estimated State budget expenditure for capital construction investment in Muong Lat district by the structure of investment fields in the period 2017-2019**

No .	Content	2017		2018		2019	
		Scale (VND'000 )	Proportio n (%)	Scale (VND'000 )	Proportio n (%)	Scale (VND'000 )	Proportio n (%)
<b>I</b>	<b>Local budget balance expenditures</b>	<b>863,000</b>	<b>3.9</b>	<b>3,645,363</b>	<b>12.76</b>	<b>3,637,350</b>	<b>12.74</b>
1	<i>Expenditures for education – training and vocational training</i>	187,000	0.8	313,558	1.10	20,411	0.07
2	<i>Expenditures for economic activities</i>	676,000	3.1	131,805	0.46	63,486	0.22
3	<i>Expenditures for cultural and sports activities</i>		0.0	3,200,000	11.20	3,553,453	12.44
<b>II</b>	<b>National target program</b>	<b>21,280,000</b>	<b>96.1</b>	<b>24,916,788</b>	<b>87.24</b>	<b>24,924,365</b>	<b>87.26</b>
1	<i>National target on ensuring education</i>	94,000	0.4	62,422	0.22	-	0.00
2	<i>National target on building a new countryside</i>	6,159,000	27.8	10,716,727	37.52	15,183,364	53.16
3	<i>National target on poverty reduction</i>	15,027,000	67.9	14,137,639	49.50	9,741,001	34.11
<b>III</b>	<b>Total</b>	<b>22,143,000</b>	<b>100.0</b>	<b>28,562,151</b>	<b>100.00</b>	<b>28,561,715</b>	<b>100.00</b>

Source: People's Committee of Muong Lat district

Without consideration of construction investment allocated over years, the State budget expenditures for capital construction investment include local budget balance expenditures and those for performing national target programs. Because of a poor district, Muong Lat had a quite small proportion of the budget balance expenditures, accounting for just 3.9% of the total budget expenditure in 2017, to 12.76% in 2018, and remained at 12.74% in 2019. Despite the low proportion, this upward trend shows Muong Lat district's increasing initiative in budget spending, more developed economy, and better satisfaction of the requirements of local socio-economic development. Also, through support policies under Resolution No. 30a, as a poor district, Muong Lat district has always obtained a large budget for infrastructure development, over 90% of which was spent on implementing national target programs including the three following main programs:

- Target on ensuring education: This involves projects to repair, renovate and build new schools and multi-purpose rooms for education in communes of the district. In 2007, the total estimated capital construction investment for this target was VND 94,000 million, taking 0.4% of the total State budget expenditure estimate for capital construction investment, with the execution of the project to repair and renovate Phu Nhi Primary School. In 2018, this expenditure was estimated to decrease to VND 62,422 thousand, accounting for 0.22%. This expenditure was assessed to be insignificant among those for the implementation of the national target programs.
- Target on building a new countryside: This includes constructing roads, especially intra-field roads, and irrigation facilities. The estimated capital construction investment for this target in 2017 was VND 6,159,000 thousand, equivalent to 27.8% of the total budget expenditure estimate. This figure increased to VND 10,716,727 thousand, or 37.52%, and VND 15,183,364 thousand, or 53.16%, in 2018 and 2019, respectively. It can be concluded that for achieving the target of building a new countryside as per the Prime Minister's Decision No. 1600/QD-TTg dated August 16, 2006, Muong Lat district has enthusiastically improved its rural infrastructure and made a district-wide investment in transportation and irrigation facilities.
- Poverty reduction target: This is the core target of the Government to help Muong Lat district, as a poor mountainous district, to reduce and move out of poverty. These expenditures were mainly allocated to communes and spent on economic development activities. Large poverty reduction spending estimates (in 2019) were seen in several communes such as Muong Chanh commune (VND 4,612,282 thousand), Ten Tan commune (VND 4,335,485 thousand), and Muong Ly commune (VND 3,341,000 thousand).

*Second*, regarding the budget expenditure execution

Upon the approval of the budget expenditure estimate, Muong Lat district executes the State budget expenditures in the budget years. Muong Lat district previously decided to approve investment projects for the period 2015 -2020. The actual disbursement of these projects embodies the progress of executing the estimated capital construction investment from the State budget in Muong Lat district. The disbursement of these capital construction investment projects is normally carried out in two forms: budget year based and project schedule based. In the context of this article, synthesis was made by budget year, leading to the inclusion of several

projects with disbursement in the budget year but approved for investment and commenced in previous years.

**Table 3. Disbursement of Capital Construction Investment Projects in Muong Lat District, for the Period 2017-2019**

Unit: VND thousand

No.	Content	2017	2018	2019	2018 vs 2017		2019 vs 2018	
					Absolute	Ratio (%)	Absolute	Ratio (%)
<b>I</b>	<b>Budget balance expenditures</b>	<b>3,000,000</b>	<b>12,865,000</b>	<b>15,467,000</b>	<b>9,865,000</b>	<b>428.83</b>	<b>2,602,000</b>	<b>120.23</b>
<b>II</b>	<b>Implementation of national target programs</b>	<b>11,850,000</b>	<b>52,860,000</b>	<b>93,640,393</b>	<b>41,010,000</b>	<b>446.08</b>	<b>40,780,393</b>	<b>177.15</b>
1	Ensuring education	-	1,830,000	-	1,830,000	-	(1,830,000)	0.00
2	Building a new countryside	8,141,000	38,800,000	63,236,597	30,659,000	476.60	24,436,597	162.98
3	Poverty reduction	3,709,000	12,230,000	30,403,796	8,521,000	329.74	18,173,796	248.60
<b>III</b>	<b>Total</b>	<b>14,850,000</b>	<b>65,725,000</b>	<b>109,107,393</b>	<b>50,875,000</b>	<b>442.59</b>	<b>43,382,393</b>	<b>166.01</b>

Source: People's Committee of Muong Lat district

It can be seen from Table 3 that the disbursement of investment projects has increased gradually over the years. The budget balance expenditures in 2018 sharply increased compared to 2017 (4.2883 times, equivalent to an increase of VND 9,865,000 thousand), and those in 2019 were 1.2023 times higher than those in 2018 (up VND 2,602,000 thousand). Likewise, the execution of budget expenditures for implementing the national target programs observed an increase of 4.4608 times in 2018 compared to 2017 (up VND 41,100,000 thousand); and 1.7715 times in 2019 compared to 2018 (up VND 40,780,000 thousand). These strong increases in disbursement resulted from the fact that many projects entered their final phases, with a large amount of disbursement during the years 2018 and 2019.

Third, regarding the settlement of budget expenditures

Complying with the estimate, Muong Lat district formulates annual records to make the budget settlement. The settlement results are given in Table 4.

**Table 4. Disbursement of Capital Construction Investment Projects in Muong Lat District, for the Period 2017-2019**

Unit: VND thousand

No.	Content	2017			2018			2019		
		Estimate	Settlement	Rate (%)	Estimate	Settlement	Comparison (%)	Estimate	Settlement	Rate (%)
I	District-level project investment expenditures	187,000	167,308	89.47	3,444,719	244,719	7.10	3,553,453	443,558	12.48
II	Commune-level project investment expenditures	676,000	48,901	7.23	200,644	200,644	100.00	83,897	83,897	100.00
II	National target programs	21,280,000	14,334,000	67.36	24,916,788	19,925,773	79.97	24,924,365	22,600,554	90.68
1	National target on ensuring education	94,000	31,000	32.98	62,422	59,355	95.09	-	-	-
2	National target on building a new countryside	6,159,000	4,142,000	67.25	10,716,727	7,053,363	65.82	15,183,364	14,471,550	95.31
3	National target on poverty reduction	15,027,000	10,161,000	67.62	14,137,639	12,813,055	90.63	9,741,001	8,129,004	83.45

Source: People's Committee of Muong Lat district

From a general viewpoint, the settlement rate in 2017 was relatively low compared to the estimate, especially for commune-level investment projects (7.23%). The settlement of capital



construction investment to implement the national target programs reached 67.36% of the estimates while the district-level investment projects gained the highest settlement rate, at 89.47%.

The management of budget estimates and expenditures for capital construction investment projects in 2018 were more effective as reflected by a higher rate of settled expenditures compared to 2017, especially commune-level capital construction investment expenditures at 100% of the estimate, because of small and repair projects with the fast progress. Meanwhile, Muong Lat district managed several new investment projects in 2018, which had not obtained much disbursement, leading to settled low budget expenditures (7.1% of the estimate). The ratio of investment for projects implementing national target programs was also quite good (79.97% of the estimates, higher than in 2017).

2019 observed the outstanding performance of budget settlement. Most of the settlement contents reached a higher rate of the estimate than in 2018. The settled budget expenditures for district-level investment projects reached the lowest rate of the estimates (12.48%) while those for other contents were relatively good. Particularly, the settled budget expenditures for commune-level investment projects remained at 100% and those for the implementation of the national target programs reached 90.86%.

*Fourth*, regarding the inspection and examination of budget expenditures

The inspection and examination were also carried out under regulations. After each inspection, violations were often discovered in the construction and installation costs; construction insurance costs; bidding document evaluation costs and bid evaluation costs, etc.

In 2017, there were 10 breaching projects with a total refund of VND 21.5 million and a total deduction of VND 392.5 million.

In 2018, there were 9 projects inspected, with a total refund of VND 28.540 million and a total deduction of VND 415.534 million.

In 2019, there were 10 breaching projects, with a total refund of VND 25.402 million, and a total reduction of VND 434.516 million.

### ***3.2. Assessment of management of State budget expenditures for capital construction investment in Muong Lat district***

Certain achievements in the management of State budget expenditures for capital construction investment projects in Muong Lat district have been recognized:

First, the budget process complied with the Budget Law and the applicable regulations of the Ministry of Finance;

Second, budget units were effectively managed and most of them well performed the effective and economical budget spending and use, in compliance with standards on norms and regimes;

Third, authorities and disciplines at all levels actively managed expenditures according to the assigned estimates and used the budget for the right purposes to satisfy the district's socio-economic development tasks;



Fourth, financial disclosure at all budget levels and by budget users was commendably performed;

Fifth, mechanisms and policies to support socio-economic development, contributing to promoting the district's overall development, as well as the central and local target programs were thoroughly fulfilled.

However, during management and implementation, State budget expenditures for capital construction investment projects still have some limitations below:

First, the capital disbursement by some investors was slow. The survey, construction drawing design, and estimation of several projects and work items did not match reality, resulting in adjustments to the economic-technical reports and handling of arising matters during the construction, delaying the construction and disbursement schedules;

Second, the expenditures for source transfer have been still too high, especially in national target programs such as poverty reduction and new countryside construction.

Third, budget year-based settlement has been preferred to the completed projects-based. The district's overall settlement was affected by many completed and delivered projects without the settlement records approved by the competent authorities.

Fourth, asset delivery has slowly taken place, leading to the absence of entities in charge of managing, monitoring, and accounting for some projects which have been settled but not handed over.

Given these achievements and limitations, Muong Lat district needs to strengthen the management of State budget expenditures for capital construction investment projects with a view to promote achievements and overcome limitations, towards more efficient management in the future.

### ***3.3. Proposed solutions to enhance the efficiency of management of State budget expenditures for capital construction investment in Muong Lat district***

The following solutions are appropriate for Muong Lat district to strengthen its management of State budget expenditure for capital construction investment:

First, estimation and allocation of investment should be made in a perfect and better way. It is necessary to rely on the socio-economic development results of the previous year, the socio-economic development orientation of the budget year, and the budget implementation results of the previous year to calculate and estimate the budget appropriately and effectively.

Second, it is recommended to strengthen control over disbursement and payment of investment. Improving payment efficiency is the core, regardless of advance payment or progress payment. Specific instructions should be provided to construction units so as to urge them to make the payment on schedule. All delayed works must be strictly sanctioned.

Third, it is suggested to enhance the management of investment settlement. In particular, contractors should be reminded to complete the settlement records in a sufficient and timely

manner. All contractors violating the settlement procedures must be restricted or are not eligible for participation in the bidding for projects.

Fourth, inspection and examination should be effectively conducted. Inspection and examination authorities should have clearly defined functions and duties to limit and avoid overlapping, causing difficulties for contractors when performing projects. The results of inspection and examination should be made public for learning knowledge and lessons.

#### **4. Conclusions**

Capital construction investment has an indisputable role in socio-economic development. For the optimal effectiveness of capital construction investment projects, it is first necessary to strengthen the management of State budget expenditures for these projects throughout the entire budget cycle including budget estimation, estimate execution, settlement, and inspection of budget expenditures in a better manner. Thus, the significance of capital construction investment projects is highlighted to move Muong Lat district out of poverty.

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