

INNOVATING STATE BUDGET MANAGEMENT TO UNLOCK RESOURCES AND DRIVE SOCIO-ECONOMIC DEVELOPMENT

Le Hung Son¹

Trung Vuong University
<https://orcid.org/0000-0001-8174-7349>

Nguyen Huu Trieu
State Treasury of Vietnam

Abstract:

The State Budget Law serves as a regulatory framework for maintaining a proactive and stable balance of the state budget through the alignment of revenue and expenditure. It plays a pivotal role in regulating the nation's monetary inflows and outflows, thereby reinforcing and enhancing the position and function of financial and budgetary operations. This contributes to economic stability and growth, facilitates economic restructuring, and enables more effective solutions to social welfare issues, poverty reduction, and ensures national defence security, foreign affairs tasks, as well as timely responses to emerging challenges. Moreover, the State Budget Law ensures improved quality, efficiency, and proactivity in the management and administration of the state budget. It also promotes administrative reform in budget management and enhances budget transparency. Therefore, the amendment and supplementation of the State Budget Law, aimed at innovating budget management, will help unlock resources and create momentum for socio-economic development.

Keywords: State Budget, State Budget Law.

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1. Background and Rationale

The 2015 State Budget Law, passed by the 13th National Assembly during its 9th session on June 25, 2015, officially took effect starting from the 2017 budget year (hereinafter referred to as the State Budget Law). Following its adoption by the National Assembly, competent authorities issued a full set of Resolutions, Decrees, and Circulars to ensure a comprehensive legal framework. Additionally, training sessions and widespread public communication efforts were organized to facilitate the implementation of the Law beginning with the 2017 budget year.

After more than eight years of implementation (2017-2025), the State Budget Law has been effectively integrated into practice, ensuring unified management of the national financial system. It has enhanced the autonomy and accountability of agencies and organizations in managing and utilizing the state budget, reinforced financial discipline, and promoted the efficient and economical use of budgetary funds and state assets. These efforts have contributed to national savings accumulation, supporting the country's industrialization and modernization in line

¹ Author's contact: lhsonkbnn@gmail.com

with the socialist orientation, meeting socio-economic development demands, improving people's livelihoods, and ensuring national defense, security, and foreign affairs. However, during the implementation process, objective factors have led to changes in the revenue structure. While the central government budget (CG budget) continues to play a leading role, its share has shown a declining trend. Meanwhile, there is a growing need to strengthen the autonomy of local government budgets (LG budgets). Additionally, limitations and shortcomings have emerged in the processes of budget estimation, consolidation, allocation of the central budget, execution, and finalization. These issues require further review and revision to better align with practical realities.

Although the 2015 State Budget Law has played a significant role in improving the legal framework and enhancing the efficiency of public financial management, after ten years of implementation, several limitations and challenges have emerged, necessitating timely review and amendments. Some provisions of the current Law no longer align with the realities of state budget management in the new context, where the scale and resources of the state budget continue to grow constantly, and the capacity for budget estimation, management, and finalization by ministries, sectors, and localities has significantly improved. The development context for the 2026-2030 period requires achieving double-digit economic growth, aiming to fulfill the objectives of the 10-year Strategy by 2030: becoming a developing country with a modern industrial base and upper-middle-income status, and by 2045, becoming a developed country with high income. At the same time, the National Assembly has enacted various Laws and Resolutions that stipulate a number of specific policies and unique pilot-testing mechanisms for certain localities, which require further study and institutionalization within the State Budget Law. Moreover, the vigorous and effective implementation of the Party's Central Committee and Politburo's directives on promoting decentralization and delegation of authority has created a pressing need for legal adjustments. These changes aim to address practical issues and the evolving development context, thereby enabling greater autonomy and flexibility for different levels of government, sectors, and localities in the administration and management of the state budget.

2. Overview of the Research Problem

Resolution No. 23/2021/QH15 of the National Assembly, issued on July 28, 2021, regarding the National Financial Plan and Public Debt Borrowing and Repayment for the 2021-2025 period, states: "Research and revise the State Budget Law and related legal documents to align with practical realities, aiming to reform the budget decentralization mechanism, fundamentally address overlapping issues in state budget management, and enhance the central budget's leading role. Promote decentralization, encourage localities to be creative, increase revenue, and mobilize resources for socio-economic development in their areas, thereby fostering autonomy and self-responsibility for local governments in budget decision-making and utilization.

Reform the budget allocation mechanism for agencies and units, especially those with specific financial and budgetary mechanisms; develop special financial and

budgetary management and policies for certain qualified localities, particularly for major urban centers, to mobilize revenue sources and create resources for local socio-economic development in the area.

On November 13, 2021, the National Assembly issued Resolution No. 34/2021/QH15 on the 2022 state budget estimate, assigning the Government to: *“promptly study and propose amendments to the State Budget Law and related legal documents to reform the budget decentralization mechanism, fundamentally address overlapping issues in state budget management, strengthen the central budget’s leading role, and at the same time enhance the autonomy of local governments.”*

On November 11, 2022, the National Assembly issued Resolution No. 69/2022/QH15 on the 2023 state budget estimate, assigning the Government to: *“research and improve financial regulations in the land sector in accordance with the spirit of Resolution No. 18-NQ/TW dated June 16, 2022, of the Fifth Plenum of the 13th Party Central Executive Committee, ensuring a harmonious balance of interests among the State, land users, and investors; establish a reasonable and effective mechanism for regulating revenues from land use fees and land rentals between the central and local budgets; and have solutions to consolidate and strengthen the central budget’s leading role.”*

On November 13, 2024, the National Assembly issued Resolution No. 159/2024/QH15 on the 2025 state budget estimate, assigning the Government to: *“direct specialized agencies to promptly develop a plan to amend the State Budget Law, in conjunction with a comprehensive and cautious revision of the revenue sources decentralization and expenditure assignment tasks mechanisms, with a full impact assessment to ensure the leading role of the Central Budget, and submit it to the National Assembly for consideration and decision.”*

On November 30, 2024, the National Assembly issued Resolution No. 174/2024/QH15 on the 8th session of the 15th National Assembly, instructing the Government to *“direct relevant ministries and sectors to continue studying a comprehensive revision of the State Budget Law and report to the National Assembly at the 9th session, in accordance with the conclusions of the Politburo, the Resolutions of the National Assembly, and Plan No. 81/KH-UBTVQH15 of the National Assembly Standing Committee.”*

With the above legal basis and theoretical and practical requirements, the overall amendment of the 2015 State Budget Law is extremely necessary.

3. Research method

The article is grounded in the Marxist-Leninist methodology, applying the principles of dialectical and historical materialism in connection with Ho Chi Minh’s thought and viewpoints, as well as the Communist Party’s guidelines and state laws regarding law-making and legislative development issues. In addition, specialized scientific research methods are employed, including the historical, statistical, analytical, and synthetic methods - all used to clarify the contents of the proposals and recommendations.

The article conducts a systematic review and analysis of the contents and scope of issues within the current State Budget Law that require amendment and supplementation. Based on this foundation, the author proposes solutions to address existing difficulties and obstacles in the implementation of budgetary legislation.

4. Research results

4.1. On State Budget expenditures

Firstly, regarding the advances and the recovery of advanced funds as stipulated in Clause 2, Article 56, the current provision only addresses advances for investment projects and other urgent expenditure tasks, without specifying regulations for recurrent expenditures or reserve spending. Moreover, the procedures for advances and recovery of advances for investment projects are regulated by the Law on Public Investment, the Law on Construction, and related guiding documents, while recurrent expenditures are regulated by the State Budget Law and its guiding documents. Therefore, it is proposed to amend and supplement Clause 2, Article 56 as follows: “2. *State budget expenditures may be disbursed through advances of capital and resources for implementation. The level of such advances and their recovery shall be carried out in accordance with legal regulations*”. This revision aims to comprehensively cover all aspects of the provisions on advances and the recovery of advanced capital funds and resources.

Secondly, regarding the forms of state budget expenditure, the State Budget Law does not yet provide specific provisions on it; it only stipulates the conditions for expenditure and the organization of budget execution. Therefore, it is proposed to add a new clause following Clause 3 of Article 56 as follows: “*State budget expenditures shall be carried out in the form of withdrawal of estimates from the State Treasury and in the form of payment orders*”. The State Treasury shall be responsible for expenditure control over disbursements made through the withdrawal of estimates. Financial agencies shall be responsible for expenditure control over disbursements made through payment orders.

Thirdly, regarding the responsibilities of the State Treasury and budget-using units (BUUs) in controlling and paying state budget expenditures, there is currently an overlap in the delineation of responsibilities between the State Treasury and BUUs in state budget expenditure control, specifically:

+ Clause 2, Article 12 stipulates: “*State budget expenditures shall only be carried out when they are included in the allocated budget estimates, except for cases specified in Article 51 of this Law; have been approved for spending by the head of the budget-using unit, the project owner, or an authorized person; and meet the conditions applicable to each specific case:...*”

+ Clause 5, Article 56 stipulates: “*The State Treasury shall verify the legality of the necessary required documents in accordance with legal regulations and shall execute budget expenditures when all conditions specified in Clause 2, Article 12 of this Law are met, using either the direct payment method or the advance payment method as provided in Clauses 2 and 3 of this Article.*”

+ Clause 1, Article 61 stipulates: “*The head of the budget-using unit shall be responsible for managing and utilizing the budget in accordance with the allocated budget estimates, evaluating outcomes of task performance, and ensuring efficiency, thrift, and compliance with policies, regimes, standards, and budget expenditure norms*”.

Assigning the State Treasury (KBNN) to control expenditures based on standards and norms has not fully enhanced the autonomy and accountability of budget-using units (BUU) in managing state budget spending. This approach remains inconsistent with the autonomy mechanism applied to public service units and state administrative agencies during the 2021-2026 period. Meanwhile, several technical and economic standards and norms have been slow to be issued, posing challenges for the State Treasury in controlling and settling these expenditures. Therefore, it is necessary to amend and supplement certain regulations to clearly delineate the responsibilities of relevant units; strengthen the autonomy and self-responsibility of BUU in state budget spending; and ensure alignment with the autonomy mechanism of public service units and state administrative agencies, while promoting increased decentralization and assigning accountability to BUU.

Table 1. Status of control and payment of expenditures through the State Treasury in the period 2019 - 2023

Unit: 1,000 bill. VND

No	Funding Source	2019		2020		2021		2022		2023	
		Number of Transactions	Disbursed amount	Number of Transactions	Disbursed amount	Number of Transactions	Disbursed amount	Number of Transactions	Disbursed amount	Number of Transactions	Disbursed amount
	Total	17,790,484	1,476	18,345,270	1,482	18,483,882	1,480	19,325,589	1,552	20,966,190	1,724
A	Investment Expenditure	1,146,854	492	1,344,873	494	1,215,336	457	1,395,446	551	1,553,248	661
1	State Budget	962,911	470	1,081,473	466	1,116,808	455	1,281,726	528	1,242,672	637
1,1	Central Government Budget	32,668	214	38,184	160	61,803	151	61,503	189	85,849	258
1,2	Local Government Budget	930,243	256	1,043,289	306	1,055,005	304	1,220,223	339	1,156,823	379

2	National Target Program (NTP)	183,518	18	263,126	26	98,266	0,05	113,416	22	310,447	23
3	Others	425	4	274	2	262	1	304	1	129	0,65
B	Recurrent Expenditure	16,643,630	984	17,000,397	988	17,268,546	1,023	17,930,143	1,001	19,412,942	1,063
1	Central Government Budget	1,738,925	450	1,733,625	398	1,642,820	467	1,718,126	416	1,831,416	479
2	Local Government Budget	14,904,705	534	15,266,772	590	15,625,726	556	16,212,017	585	17,581,526	584

Source: Annual report on the state budget control and payment situation by the State Treasury

Reforming the method of state budget expenditure control by shifting from “pre-audit” to “post-audit” in accordance with Decision No. 455/QĐ-TTg dated April 13, 2022, by the Prime Minister approving the State Treasury Development Strategy to 2030, and Decision No. 1687/QĐ-BTC dated September 7, 2021, issuing the Ministry of Finance’s Action Program for the 2021-2026 term. This reform aims to strengthen post-audit mechanisms in line with the development level of internal audit functions across ministries, sectors, and localities, while enhancing risk management and intensifying inspection and supervision of cases with signs.

Article 56 of the State Budget Law has been specifically guided by Article 34 of Decree No. 163/2016/ND-CP dated December 21, 2016, issued by the Government to detail the implementation of certain provisions of the State Budget Law. The proposed amendments to Clauses 4 and 5 of Article 56 of the State Budget Law would alter administrative procedures related to the organization of state budget expenditures. According to Clause 4, Article 1 of the Law amending and supplementing certain articles of the Law on Promulgation of Legal Documents, administrative procedures are to be stipulated in Government decrees, except in cases where a law or resolution of the National Assembly assigns such authority, or in cases where it is necessary to prescribe administrative procedures in resolutions of provincial-level People’s Councils. Therefore, it is necessary to consider amending Clause 6, Article 56 of the State Budget Law to provide the Government with a legal basis for guiding administrative procedures for budget-using units in carrying out state budget expenditure procedures at the State Treasury.

Therefore, it is proposed to amend and supplement Clause 4 and Clause 5, Article 56, as follows:

"4. Based on the assigned allocated budget estimates and task implementation requirements:

- a) The head of the budget-using unit shall verify the legality of the necessary documents in accordance with legal regulations and issue a spending decision to be sent to the State Treasury once all conditions specified in Clause 2, Article 12 of this Law are met.*
- b) The subordinate financial agency shall withdraw the supplementary amount from the superior-level budget at the State Treasury."*

5. The State Treasury shall execute state budget expenditures upon the request of the head of the budget-using unit, ensuring that the expenditures are within the estimates allocated by the competent authority and that the documentation is complete in accordance with legal regulations. Post-audit procedures shall be carried out through specialized inspections by the State Treasury based on risk levels; inspections and audits shall also be conducted in cases of violation signs."

6. The Government shall provide detailed regulations on the organization of State budget expenditures."

This will enhance the autonomy and self-responsibility of budget-using units in deciding on state budget expenditures within the assigned allocated budget estimates and the standards and norms approved by competent authorities. It also clarifies the role and responsibilities of the State Treasury in organizing state budget expenditures in accordance with the State Treasury Development Strategy to 2030, as approved by the Prime Minister, and aligns with the Government's and Ministry of Finance's objectives for decentralization in state budget management.

4.2. On State Financial Reserve Fund (SFRF) management

First, it is necessary to review and clarify the provision allowing the State Budget to receive temporary advances from the State Financial Reserve Fund (or State Treasury Fund) to handle temporary shortages, avoiding obstacles during the implementation process. There should be a clear distinction between the economic nature of the term "advance" (a short-term loan to cover temporary shortages of the State Budget Fund - essentially borrowing to cover liquidity - support loan of the State budget) and the other uses of the term "advance" (a portion of a payment made or received in advance, such as contractual advances, etc.). It is recommended to amend the term "advance" to "temporary loan" or "temporary borrowing" to better reflect the economic nature of this activity.

In accordance with the provisions of the State Budget Law and Decree No. 24/2016/ND-CP, the Ministry of Finance (via the State Treasury) has utilized temporarily idle funds from the State Financial Reserve Fund to provide advances to the State Budget in times of difficulty, when revenue sources have not yet been fully collected. This mechanism helps ensure the timely fulfillment of the State Budget's expenditure needs and simultaneously reduces interest payments for the State Budget compared to borrowing from the market. Therefore, it is proposed to amend and supplement Clauses 1 and 2 of Article 58 as follows:

1. Handling temporary shortfall in the Central State Budget Fund

- a) In the event of a temporary shortfall in the Central State Budget Fund, the shortfall shall be covered by borrowing from the Central Financial Reserve Fund, the State Financial Reserve Fund, and other lawful financial sources, and must be repaid within the same fiscal year. If the Central Financial Reserve Fund and other lawful financial sources are insufficient, the State Bank of Vietnam shall provide temporary advances to the Central State Budget Fund upon the decision of the Prime Minister. Advance payment from the State Bank of Vietnam must be repaid within the same fiscal year, except in special cases as decided by the Standing Committee of the National Assembly.*
- b) If the Central State Budget is unable to balance foreign currency to meet expenditure needs of the central budget that are legally required to be made in foreign currency, the provisions at Point c, Clause 4, Article 62 of this Law shall apply.*

2. In the event of a temporary shortfall in the provincial-level budget fund, the shortfall shall be covered by borrowing from the local financial reserve fund, the central financial reserve fund, the State Financial Reserve Fund, and other lawful financial sources, and must be repaid within the same fiscal year”.

The regulation will clarify more clearly the fact that the Central State Budget and provincial-level budgets may borrow from the State Financial Reserve Fund to address temporary shortfalls in their respective budget funds. This aims to ensure a consistent understanding and facilitate implementation. It also promotes the use of terminology that better reflects the economic nature of utilizing the Central Financial Reserve Fund, the State Financial Reserve Fund, and other lawful financial sources by the Central State Budget and provincial-level budgets to handle temporary shortages in their budget funds.

Second, regarding the opening of State Treasury accounts at banks and the use of temporarily idle State Financial Reserve Funds, as well as the handling of temporary shortages in those funds. The State Budget Law stipulates that the State Treasury may open accounts at the State Bank of Vietnam (SBV) and commercial banks (CBs) to concentrate state budget revenues (Clause 4, Article 55), and requires the “*safe management and efficient use of the State Financial Reserve Fund*” (Clause 2, Article 62). However, the law does not yet provide regulations on: (i) the use of State Treasury accounts opened at SBV and CBs to make payments and disbursements for state budget expenditures and transactions of budget-using units; to conduct transactions involving temporarily idle State Financial Reserve Funds and borrowing to cover temporary shortfalls; and (ii) the operations required to ensure safe management of the State Financial Reserve Fund (such as measures to address temporary shortfalls), efficient use of this fund (such as activities involving temporarily idle funds), and the authority to decide on the implementation of these operations. Therefore, it is necessary to revise the provisions of Article 62 to establish a legal basis for the safe and effective management of the State Financial Reserve Fund.

Based on the practical implementation of Article 62 of the State Budget Law and Decree No. 24/2016/ND-CP, the management of the State Financial Reserve Fund has consistently ensured safety, efficiency, and alignment with international practices. However, there remain differing opinions and interpretations regarding the opening of State Treasury accounts at banks and the use of the temporarily idle State Financial Reserve Fund, as well as the handling of temporary shortfalls in the State Financial Reserve Fund.

Therefore, to ensure consistency across legal regulations and strengthen the legal foundation for the safe and effective management of the State Financial Reserve Fund in accordance with international standards, it is necessary to clearly stipulate in the State Budget Law the provisions on the opening of State Treasury accounts at banks, the use of temporarily idle State Financial Reserve Fund, the handling of temporary shortfalls, and the authority to make decisions on these matters in the State Budget Law. Accordingly, it is proposed to amend and supplement Article 62 as follows:

“1. The State Financial Reserve Fund (SFRF) comprises all monetary assets (in Vietnamese Dong and foreign currencies) held by the State on accounts opened by the State Treasury at the State Bank of Vietnam and commercial banks, as well as cash held at State Treasury units. The SFRF is formed from the state budget funds at all levels and deposits from financial reserve funds, off-budget state financial funds, and units or economic organizations at the State Treasury.

2. The State Treasury shall centrally and uniformly manage the SFRF, ensuring its safe, efficient, transparent, and accountable management and use.

3. Payment accounts of the State Treasury at banks

a) The State Treasury shall open payment accounts at the State Bank of Vietnam and commercial banks to concentrate revenue collections and to make payments and disbursements for the State Budget expenditures, financial reserve funds, off-budget state financial funds, and units or economic organizations holding accounts at the State Treasury; and to conduct transactions involving the use of temporarily idle funds and borrowing to cover temporary shortfalls in the State Financial Reserve Fund as stipulated in Clause 4 of this Article.

b) The State Treasury shall open accounts and carry out revenue and expenditure transactions for the State Budget, financial reserve funds, off-budget state financial funds, and units or economic organizations through its payment accounts at banks.

c) At the end of each working day, the balance of the State Financial Reserve Fund on the State Treasury’s payment accounts at commercial banks shall be transferred to the State Treasury’s payment account at the State Bank of Vietnam.

4. Use of temporarily idle State Financial Reserve Funds and handling of temporary shortfalls

a) A temporarily idle (or temporarily shortfall) State Financial Reserve Fund refers to the positive (or negative) difference between the total beginning balance of the

fund plus forecasted revenues during the period, and the total forecasted expenditures plus the minimum required balance of the fund during the same period.

b) Temporarily idle State Financial Reserve Funds may be used to lend to the State Budget (including loans to cover temporary shortfalls, loans to offset budget deficits, and repayment of principal debt obligations); to engage in repurchase agreements involving government bonds; and to make term deposits at commercial banks.

c) Temporary shortfalls in the State Financial Reserve Fund in Vietnamese Dong may be compensated through the issuance of Treasury bills to offset the shortfall, or by early withdrawal of term deposits currently held at commercial banks.

In cases where the State Financial Reserve Fund is unable to balance foreign currency to meet expenditure needs that are legally required to be made in foreign currency, the foreign currency may be purchased from the commercial banking system. If the required amount of foreign currency cannot be fully obtained from commercial banks, the State Bank of Vietnam shall be responsible for balancing and selling the remaining amount from the official state foreign exchange reserves to the State Financial Reserve Fund upon the request of the Ministry of Finance.

d) The Minister of Finance shall decide on the use of temporarily idle funds and the handling of temporary shortfalls in the State Financial Reserve Fund as stipulated in Points b and c of this Clause.

5. The Government shall provide detailed regulations on this Article."

The regulation clarifies the legal basis in the State Budget Law, which allows the State Treasury to open bank accounts. These accounts serve to centralize revenue collections and make payments for expenditures from the State Financial Reserve Fund. At the end of each working day, the fund shall be consolidated at the State Bank of Vietnam. It also clearly defines the purposes of using temporarily idle funds and handling temporary shortfalls, thereby establishing a strong, transparent, and consistent legal foundation for implementation.

4.3. On State Budget Finalization

First, regarding the carryover of state budget funds. According to Clause 3, Article 64 of the State Budget Law, there are six types of expenditures that may be carried over to the following year for implementation and accounted for in the next year's budget finalization. However, beyond these six categories, there are several other types of expenditures that are genuinely necessary to be carried over, such as: operational funding for the implementation of national target programs, and targeted programs; operational funding with investment characteristics valued at 500 million VND or more; temporarily allocated funds for tasks assigned by the State, pending official funding decisions from competent authorities (not subject to supplementary budget estimates after September 30); funding for the procurement of goods and services subject to the Law on Procurement (excluding equipment purchases); sector-specific funding for courts, procuracies, judicial agencies; budgets funding for multi-year contractual obligations, etc.

Proposals from ministries, branches, and localities to carry over these budget expenditures for necessary tasks have placed significant pressure on the State Treasury system. Therefore, the State Budget Law should be amended to authorize the Government to provide specific guidance on cases eligible for budget carryover, ensuring alignment with practical circumstances that may arise.

In addition, force majeure cases such as natural disasters, floods, fires, etc., which prevent the completion of progress and workload within the fiscal year, are not among the six categories permitted for budget carryover under the State Budget Law. This limitation has negatively impacted the process of carrying over funds to the following year. Therefore, it is necessary to supplement the law with a decentralized mechanism for budget carryover in force majeure situations - such as natural disasters, floods, fires, etc. - where tasks cannot be completed on schedule in the State Budget Law. This would enable ministries, sectors, and localities to proactively implement and fulfill their assigned responsibilities. Accordingly, the following amendments and supplements are proposed:

- Point b, Clause 3, Article 64 stipulates that expenditures eligible for carryover to the following year include: *expenditures for the procurement of equipment, provided that complete documentation is available and procurement contracts are signed before December 31 of the budget execution year*. It is recommended to clarify the definition of “equipment” to avoid obstacles during implementation.
- Point d, Clause 3, Article 64 stipulates that expenditures eligible for carryover to the following year include: *“Budget estimates additionally allocated by competent authorities after September 30 of the budget execution year”*. It is recommended to specify the term “competent authorities” more clearly.
- Add a provision proposing that the Government provide specific guidance on cases where it is allowed to transfer funds arising in practice.
- Add provisions clarifying the authority to decide on budget carryovers at the level of budget-using units and budget tiers, assigning this responsibility to the relevant financial agency or the superior budget-estimating unit.

Second, regarding the timeline and procedures for state budget finalization. Clause 6, Article 3 of Resolution No. 22/2021/QH15 dated July 28, 2021, of the National Assembly on adjusting state budget expenditure estimates and approving the 2019 state budget finalization, assigned the Government to: *“Study the shortening of the procedures and timeline for state budget finalization compared to current regulations, and submit to the National Assembly for consideration and approval of the annual state budget finalization at the last session of the following year.”*; Clause 5, Article 3 of Resolution No. 91/2023/QH15 dated June 19, 2023, of the National Assembly approving the 2021 state budget finalization, assigned the Government to: *“Urgently study and complete a roadmap to shorten the procedures and timeline for annual state budget finalization, and report to the National Assembly at the 6th session (October 2023) to strengthen discipline and improve the efficiency of state budget management and use.”*; Clause 7, Article 4 of Resolution No. 132/2024/QH15 dated June 24, 2024, of the National Assembly on supplementing

the 2022 state budget revenue estimates and approving the 2022 state budget finalization, assigned the Government to: *“Urgently propose amendments and supplements to the State Budget Law and related laws to shorten the procedures and timeline for annual state budget finalization, as required by the National Assembly’s resolutions.”*

Based on the practical implementation of the State budget finalization work in recent years, in order to meet the goals and requirements of the National Assembly on shortening the time and process for annual State budget finalization associated with strengthening discipline, order, and improving the efficiency of State budget management and use, it is proposed to amend the State Budget Law in the direction of:

- Amend and supplement regulations to enhance the accountability of units directly using the state budget;
- Revise regulations on the responsibilities of superior budget-estimating units in reviewing and approving state budget finalization, and the responsibilities of financial agencies in the finalization process;
- Amend and supplement regulations to increase the proactivity and self-responsibility of local governments at all levels in consolidating, preparing, and approving the finalization of local budgets. At each level of the local budget, the People’s Council shall only review and approve the budget finalization of the corresponding budget level, and shall not re-approve the budget finalization of lower-level budgets that have already been approved by the respective lower-level People’s Council;
- Amend and supplement regulations on the accountability of ministries, central agencies, localities, and units directly using the state budget. These entities shall be responsible for reporting to the State Audit Office, the Government, agencies of the National Assembly, the National Assembly itself, and other competent authorities regarding the management and use of the state budget in accordance with regulations;
- Revise the timeline milestones in the process of preparing, consolidating, and submitting the state budget finalization to ensure feasibility and alignment with practical budget management;
- Amend and clarify the mechanism for handling budget revenues and expenditures that arise after the central and local budget finalizations have been approved by competent authorities;
- Review and comprehensively amend related regulations across all stages - from budget estimation to budget execution to budget finalization - to ensure consistency and synchronization in timing throughout the entire process of State budget management.

4.4. On the principles of decentralization in revenue management, expenditure responsibilities, and the relationship between budget levels

The “pooling of funds” between the central state budget and local budgets, as well as among local budgets themselves, will necessitate adjustments, amendments, and supplements to regulations on the decentralization of unit management; allocation of the state budget; control, payment, and finalization of expenditures from the state budget. Therefore, it is proposed to amend Point c, Clause 9, Article 9 of the State Budget Law to expand the scope of entities and tasks eligible to use local budget contingency funds.

5. Conclusion

The State Budget Law serves as a foundational instrument for regulating the balance of interests between the public and private sectors while ensuring the preservation and protection of those interests throughout the entire process of state budget operations. The amendment and supplementation of the State Budget Law aim to fully institutionalize the major policies and strategic directions of the Party and the State regarding financial and budgetary matters - particularly those related to the decentralization of revenue sources between the central and local budgets, ensuring fairness, publicity, and transparency. The process of improving the law must continue to affirm the leading role of the central budget while enhancing the initiative and accountability of local budgets.

Addressing current shortcomings and limitations will help maximize the effectiveness of the State Budget Law, creating a solid legal framework for the formulation, execution, auditing, finalization, and oversight of the state budget, as well as for the performance of duties and exercise of powers by relevant agencies, organizations, units, and individuals in the field of finance and budgeting./.

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