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| **MINISTRY OF EDUCATION MINISTRY OF FINANCE** **AND TRAINING****ACADEMY OF FINANCE** \_\_\_\_\_\_\_\_\_\_\_\_\_\_**DUONG TIEN DUNG****THE STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT IN VIETNAM****Specialty : FINANCE - BANKING** **Code: 9.34.02.01****SUMMARY OF THE THESIS OF DOCTOR IN ECONOMICS****HANOI, 2021** |
| The work was completed at: **ACADEMY OF FINANCE**Supervisors:  **1. Dr. Nguyen Van Binh** **2. Dr. Le Thi Thuy Van**Reviewer 1:  Reviewer 2: Reviewer 3: **The thesis is defended in front of the Thesis Judging****Committee of the Academy of Finance****on .... 2021****The thesis can be found at:****- National Library****- Library of the Academy of Finance**  |

**PREAMBLE**

**1. NEED AND URGENTITY OF THESIS THEME**

The results of many research works domestic and foreign in recent years show that the structure of state budget expenditure has a great impact on the socio-economic development of each country.

Over the past time, Vietnam's state budget expenditure structure has positively impacted socio-economic development, stabilized the macro-economy, and maintained a relatively high economic growth momentum (GDP growth in the period 2011-2019 reaching about 6.3%/year), to developing the fields of education, health care, culture, social security, environmental protection, strengthening national defense and security, and maintaining sovereignty of the country and creating a solid foundation to realize the goal of rapid and sustainable development of the country in the coming time.

However, Vietnam is currently facing difficulties, adverse impacts from outside and internal problems. Economic growth remains below potential; productivity, quality, efficiency and competitiveness of the economy are still low. The growth driver is mainly based on the increase of investment capital. Natural disasters, epidemics, and climate change add complication and are unpredictable. In particular, the negative impact of the Covid-19 pandemic is forecasted to last in the first few years of the socio-economic development plan for the period 2021-2030.

The room for operating fiscal policy to withstand major shocks is limited. To ensure state budget resources for the economic development process, to deal with problems arising from the impact of natural disasters, epidemics, climate change, environmental pollution, population aging, ensuring social security, and so on, is a huge challenge. State budget accumulation for development investment is low and unsustainable; the proportion of recurrent expenditure is still high; the main role of the central budget is reduced.

In order to effectively allocate and use state budget resources to realize socio-economic development goals according to the Document of the 13th National Party Congress (2021), to promote sustainable economic development in Vietnam, it is necessary to improve the structure of state budget expenditure.

From the above analysis, the implementation of the thesis: "**The State budget expenditure structure to promote sustainable economic development in Vietnam**" has practical significance in both theory and practice.

**2. RESEARCH OBJECTIVES AND TASKS OF THE THESIS**

- The purpose of the thesis is to propose solutions to improve the state budget expenditure structure to promote sustainable economic development in Vietnam in the period of 2021-2030.

- To achieve the above research purpose, the thesis focuses on performing the following research tasks:

+ Systematize, supplement and complete basic theoretical issues on sustainable economic development based on the foundation of 3 pillars: rapid economic growth, development of social fields and environmental protection; on theory of state budget expenditure structure; of factors affecting the state budget expenditure structure; of the role of the state budget expenditure structure to promote sustainable economic development;

+ Research and summarize international experiences on the state budget expenditure structure towards the goal of sustainable economic development of some countries in the world;

+ Overview of the socio-economic situation, state budget; analyze and evaluate the current situation of state budget expenditure structure to promote sustainable economic development in Vietnam in the period 2011-2020; draw some conclusions about the achieved results, limitations and causes of the state budget expenditure structure in this period; identify challenging issues for the state budget expenditure structure in the coming time;

+ Overview of international and domestic context and socio-economic development orientation; propose solutions to improve the state budget expenditure structure to promote sustainable economic development in Vietnam in the period of 2021-2030.

**3. RESEARCH SUBJECTS AND SCOPE**

***- Research object:*** The thesis studies the state budget expenditure structure, including: expenditure structure according to economic content, expenditure structure according to functions of the Government and expenditure structure according to budget decentralization.

***- Research scope:***

+ About content: The thesis studies the basic theoretical issues of sustainable economic development; on the state budget expenditure structure; international experience on the state budget expenditure structure towards the goal of sustainable economic development of some countries in the world; the current situation of state budget expenditure structure to promote sustainable economic development of Vietnam at the national level (without studying the budget expenditure structure of each specific ministry, sector and locality), including: (i) expenditure structure according to economic content, such as: development investment expenditure, recurrent expenditure, interest payment,...; (ii) expenditure structure according to the functions of the Government, such as: expenditure on education - training, expenditure on health care, expenditure on science and technology, expenditure on environmental protection,...; (iii) expenditure structure according to budget decentralization: central budget, local budget.

+ About the research phase: The thesis studies the state budget expenditure structure of Vietnam in the period 2011-2020; refer to international experiences, mainly in the period after the global economic crisis in 2008 up to now; propose solutions to improve the state budget expenditure structure to promote sustainable economic development in Vietnam, applied for the period 2021-2030.

**4. RESEARCH METHODS**

***- General method:***

The thesis uses the methodology of dialectical materialism and historical materialism to study the state budget expenditure structure, ensuring its comprehensiveness, systematicity, logic and practicality (specific history).

***- Specific method:***

+ Analytical and synthetic methods are used to analyze and systematize theories, research works and reality on the state budget expenditures structure;

+ Logical reasoning method is used to make inferences about movement trends, as a basis for proposing solutions and recommendations on the state budget expenditure structure to promote sustainable economic development in Vietnam in the period of 2021 -2030;

+ Statistical methods are used to collect data, make statistics, describe the current situation, summarize and evaluate the state budget expenditure structure for the period 2011-2020, compare annual data (estimate and implementation), between years and stages, to analyze, evaluate and clarify aspects related to the content of the thesis.

**5. SCIENTIFIC AND PRACTICAL MEANINGS OF THE THESIS**

***- About the theory:***

The thesis systematizes, supplements, completes and enriches the theoretical basis for sustainable economic development and the state budget expenditure structure, factors affecting the structure of state budget expenditure; the role of the state budget expenditure structure to promote sustainable economic development.

Refer to the experience of the state budget expenditure structure of some countries in the world towards the goal of sustainable economic development.

***- About practice:***

The thesis summarizes the socio-economic situation and the state budget; deeply analyze the current situation of state budget expenditure structure to promote sustainable economic development in the period 2011-2020; highlight the achieved results, shortcomings, limitations and causes of these shortcomings and limitations; overview the context and orientation of socio-economic development; highlight the challenges posed to the state budget expenditure structure in the coming time.

The thesis has high theoretical and practical significance in the context in which Vietnam is making efforts to recover its economy after the Covid-19 pandemic, to stabilize the macro, to accelerate the implementation of strategic breakthroughs, to restructure the economy in association with renovating the growth model; to strengthen management, to restructure state budget revenue and expenditure policies to ensure a reasonable ratio between development investment spending, recurrent expenditure and debt repayment and to control the state budget deficit; to build a safe national financial base to create a foundation for sustainable economic development in the period of 2021-2030.

**6. STRUCTURE OF THE THESIS**

In addition to the introduction, conclusion and list of references, the thesis is presented in 04 chapters:

*Chapter 1.* Overview of research related to the thesis topic.

*Chapter 2*. Basic theory and international experience in the state budget expenditures structure for sustainable economic development.

*Chapter 3*. Current situation of the State budget expenditure structure to promote sustainable economic development in Vietnam.

*Chapter 4*. Completing the state budget expenditure structure to promote sustainable economic development in Vietnam.

**Chapter 1**

**OVERVIEW OF RESEARCH RELATED TO THE THESIS THEME**

* 1. **RESEARCH SITUATION OVERVIEW**

The system of published works, research topics and scientific theses, books, textbooks, research articles published in newspapers, scientific conferences, etc., in the country and abroad in recent years are quite diverse and abundant. They cover many issues, from different angles on the state budget expenditure structure related to the thesis theme, such as: general theory of sustainable economic development, of state budget expenditure structure, of factors affecting the state budget expenditure structure, of the role of the state budget expenditure structure in sustainable economic development,... This is a valuable reference source for the PhD thesis.

However, besides the research values absorbed and inherited by the PhD student, there are still issues related to the thesis theme that have not been mentioned or resolved. These are the gaps that the PhD thesis will continue to explore. Specifically:

***First***, the differences in the object and scope of research with the theme of the PhD thesis. In a significant number of thesis, research works don’t directly study state budget expenditure structure, so the problems of state budget expenditure structure have not been studied deeply to have suitable solutions.

***Secondly***, the differences in the scope of research space, research stage, research objectives and proposed solutions according with the theme of PhD thesis.

Although some thesis have the same research object on the state budget expenditure structure in Vietnam, the scope of the research is the previous stages. In addition, the research objectives of these thesis are associated with the goal of promoting economic growth in the period 2010-2020. Up to now, the international and domestic contexts have changed a lot, and it is necessary to have new studies and proposals to match the new development stage.

A certain number of thesis and articles have mentioned the issue of state budget expenditure structure. However, the research content is not an in-depth analysis of this specific topic. The assessments, analyzes and explanations of these thesis on the current situation of the state budget expenditure structure are still limited, and the solutions offered are not systematic and synchronous.

Therefore, the theme "State budget expenditure structure to promote sustainable economic development in Vietnam" that the PhD student has chosen is an independent research work that does not overlap with previous research topics.

* 1. **FURTHER RESEARCH ORIENTATION OF THE THESIS**

- Research on the state budget expenditure structure to promote sustainable economic development in Vietnam in the period 2021-2030.

- Generalize the socio-economic situation, synthesize data, analyze and evaluate the current situation of state budget expenditure structure to promote sustainable economic development in Vietnam in the period 2011-2020, including expenditure structure according to economic content, expenditure structure by function of Government (expenditure structure by sector) and expenditure structure by budget level (central budget, local budget).

- Develop a system of solutions to improve the state budget expenditure structure to promote sustainable economic development in the period of 2021-2030, suitable to the situation of Vietnam, with reference to international experiences.

**CONCLUSION CHAPTER 1**

In chapter 1, an overview of research works abroad and in the country in recent years has been made, related to the thesis theme. In general, the studies are quite diverse and rich, referring to many issues related to the thesis theme. The results obtained from these studies are a source of documents for PhD students to refer to, selectively inherit, and systematize, contributing to enriching the theoretical basis of the state budget expenditure structure.

However, there are still research gaps due to differences in subjects, research scope, especially in space and time, as well as the research objectives of these studies with the PhD thesis.

The issues that have not been mentioned in these studies are the basis for the PhD student to continue to deepen his research and complete the thesis.

The issues that have not been mentioned in these studies are the basis for orientation for a PhD student to continue researching and completing his thesis.

**Chapter 2**

**BASIC THEORY AND INTERNATIONAL EXPERIENCE ON THE STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT**

**2.1 SUSTAINABLE ECONOMIC DEVELOPMENT**

***2.1.1 The concept of sustainable economic development***

***- Economic development:*** is the process of changing towards a more progressive direction of the economy, including changes in both quantity and quality, and is the process of completing both the economy and society of each country.

***- Sustainable economic development:*** is a process with a close, reasonable and harmonious combination of three aspects of development, including: economic growth, improvement of social issues and environmental protection, rational exploitation of natural resources, economical use of natural resources, protection and improvement of living environment quality.

Sustainable development is demonstrated through three pillars: (i) Sustainable economic development; (ii) Environmentally sustainable development; and (iii) Socially sustainable development to achieve material adequacy, spiritual wealth, equality of citizens and social consensus, harmony between man and nature.

***2.1.2 Features of sustainable economic development***

The characteristics of sustainable economic development include a combination of factors, which is the sustainability of economic growth, the growth with high efficiency, the production frontier being continuously expanded for a long time; the sustainability of economic restructuring to form a more progressive economic structure, and the sustainability of the equal level of benefiting from economic development.

**2.2 THE STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT**

***2.2.1 Concept and characteristics of state budget expenditure***

***- Concept of state budget expenditure:***

There are many different definitions of the state budget expenditure, but in general, they all have the connotation of showing the revenue and expenditure of the State in a certain period of time (usually a year), decided by a competent State agency, in order to ensure resources to perform the functions and tasks of the State.

State budget expenditure consists in the State distributing and using the budget fund to provide resources for the state apparatus to operate and perform its tasks.

State budget expenditure is an important tool for the State to regulate the economy, solve social problems based on certain principles, and in order to achieve the country's socio-economic development goals.

***- Characteristics of state budget expenditure:***

***First***, state budget expenditures are associated with the state apparatus and socio-economic tasks that the State performs in each period.

State budget expenditure contributes to maintaining the operation of the apparatus and performing the functions and tasks of the State in terms of economic development, providing public goods and services for the society.

***Secondly***, state budget expenditure is a category associated with State power and has high legal significance.

The State is the only entity that has the right to decide on the creation and use of the state budget fund through a system of legal documents (such as the constitution, state budget law, resolutions of the National Assembly, ...). It is guaranteed by the power of the State.

***Thirdly***, state budget expenditure efficiency is considered on a macro scale. State budget expenditure activities are always associated with economic, political and social tasks that the State undertakes. The extent and scope of state budget expenditure depends on the tasks of the State in each stage of socio-economic development.

***Fourthly***, state budget expenditures are mainly non-refundable.

Recurrent expenditures to ensure the operation of the State apparatus, perform the task of providing public goods and services, and pay interest on loans from the State budget.

Expenditures on development investment are mainly for investment in socio-economic infrastructure development works and projects that are not able to recover capital.

***Fifthly***, state budget expenditure is associated with the movement of value categories such as price, interest rate, exchange rate, salary, credit, etc. The process of distribution and use of state budget resources is always closely associated with financial and monetary categories.

***2.2.2 Concept, content and criteria for evaluating the state budget spending structure***

***- Concept***: State budget expenditure structure is a way to organize and arrange expenditure items in the total state budget expenditure, with distinction of priority order, high or low proportion, more or less amount (absolute number) in a long time to perform the functions and duties of the State.

Studying the state budget expenditure structure (both qualitative and quantitative), will know the state budget use situation in a time or in a period. From there, make comments and assessments on policies, views on selecting priorities for state budget expenditure within the scope of financial resources to effectively use state budget resources and meet socio-economic development requirements of the country.

***- Contents of state budget expenditure structure:*** There are many different types of state budget expenditure structures, depending on management and research objectives. Specifically:

***State budget expenditure structure according to the functions of the Government:*** is a way of arranging state budget expenditures according to the guidelines of the IMF based on the Classification of the Functions of Government (COFOG) of OECD countries. It allows to analyze and evaluate the priority of the State over sectors and fields (such as: education, health care, national defense, security, state administrative management, agriculture, transportation, communication, irrigation, etc.).

The state budget expenditure structure according to the functions of the Government is being widely applied in countries around the world.

The state budget expenditure structure according to the functions of the Government doesn’t depend on the organizational form of the state apparatus, is stable with the functions of the State apparatus, and is less prone to fluctuations even in the case of separation or merger of Government agencies.

***State budget expenditure structure according to economic content:*** is the arrangement of state budget expenditures based on the economic nature (or economic content) of the expenditure. It allows to analyze and evaluate the budget expenditure policy of the State for the administrative sector (spending on salaries, allowances, wages, ...), for society and social justice (spending on social protection, social policy subsidies, transfers to subordinate budgets, etc.), or how the State uses financial instruments to intervene in the economy (investment expenditure, procurement, supply of goods, public services, etc.).

According to the IMF's Government Finance Statistics Manual (GFSM) 2001 of the IMF, state budget expenditures are classified and arranged based on the economic nature (or economic content) of the expenditures, in order to meet the requirements of management, accounting, statistics, analysis and research on the financial situation of the Government.

***State budget expenditure structure according to budget decentralization:*** is a way of arranging state budget expenditures according to the decentralization of state budget management (central budget, local budget). It allows to analyze and evaluate the allocation and use of state financial resources according to each budget level.

The structure of state budget expenditure by budget levels depends on the level of socio-economic development and the political regime of each country. In most countries, the central budget usually plays a leading role, taking on large expenditure tasks and implementing national strategies (such as spending on defense, national security, macroeconomic adjustment, etc.). Local budgets spend on tasks associated with the locality (such as providing public services in health, basic education, ensuring social order and safety, environmental sanitation, urban infrastructure in the locality, etc.).

***- Criteria for evaluating the state budget spending structure:***

(i) Sustainability of state budget spending structure:

The scale of state budget expenditure compared to GDP is an important indicator to assess the sustainability of the state budget expenditure structure, in line with the ability to balance state budget expenditure resources in each period.

(ii) The balance of state budget expenditure structure:

The balance of the state budget expenditure structure is based on the aspects of state budget expenditure for accumulation and consumption, by considering the proportions of development investment expenditure over total state budget expenditure and the proportion of recurrent expenditure on total state budget expenditure.

(iii) The effectiveness of the state budget spending structure:

The quantity and efficiency of state budget expenditure is one of the measures reflecting the effectiveness of the implementation of the State's tasks.

(iv) The comprehensiveness of the state budget expenditure structure:

To promote economic development, the State uses state budget expenditure tool to influence aggregate demand, through stimulus packages to increase investment expenditure on infrastructure development, to increase subsidies, to implement social security policies.

In some cases, the State increases budget spending for a number of sectors and fields prioritized for development such as increasing spending on education, science and technology, health care, social protection, etc. Accordingly, the proportion of expenditures by function of the Government in the total state budget expenditure reflects the comprehensiveness of the state budget expenditure structure.

***2.2.3 Factors affecting the state budget spending structure***

***First,*** socio-economic development tasks: The socio-economic development tasks of the country in each period that the State must perform have a close relationship with the state budget expenditure in general and the state budget expenditure structure in particular.

***Secondly,*** state budget revenue: As the economy's accumulation capacity increases, state budget revenues increase, creating conditions for the State to increase state budget expenditures for development investment without having to depend on loans, ensuring recurrent expenditure needs from regular revenue, solve arising social problems, improve the quantity and quality of public service provision.

***Thirdly,*** state budget spending policy: The scale of state budget expenditure depends heavily on the "will" of the State. State budget expenditure policy is an important tool for the State to regulate the macro economy. Accordingly, the state budget expenditure structure will change when the State concentrates development investment budget resources for a number of sectors, fields and locations, increases spending on providing necessary public goods and services, or provides support to specified individuals.

***Fourthly,*** state budget deficit:Impact on the state budget expenditure structure, especially the expenditures structure on development investment, payment of principal and interest on loans belonging to the state budget.

***Fifthly,*** international economic integration: The process of international economic integration puts requirements on institutional reform, changes in state budget expenditure policies, then impacts on changing state budget expenditure structure.

***2.2.4 The role of the state budget expenditure structure in promoting sustainable economic development***

***- State budget expenditure structure contributes to promoting rapid economic growth:***

***First***, state budget expenditure structure affects the capital factor for economic development:

State budget expenditure directly affects the scale of total social investment capital, infrastructure formation, improvement of socio-economic conditions; driving force for rapid economic growth.

***Secondly****,* state budget expenditure the structure affects labor factors:

Increasing state budget spending on education and training has an impact on the labor force, human resource development, thereby improving production capacity, increasing labor productivity, creating added value, and promoting economic growth.

Increasing state budget spending on health activities creates conditions to take care of the health of workers to have good physical strength and ensure working capacity.

***Thirdly***, state budget expenditure structure affects the development of science and technology. Increasing spending on science and technology development is the choice of many countries.

Increasing state budget spending on science and technology activities will create favorable conditions to increase access to modern technologies, increase the transfer and application of scientific achievements to production and business, and promote research and development of new technologies to put into application to create added value.

***- State budget expenditure structure contributes to regulating and maintaining macroeconomic stability, creating a driving force for sustainable economic development:***

***First***, the state budget expenditure structure affects total social demand and production activities of the economy.

State budget expenditure is a part of total social demand. The reasonable scale of state budget expenditure has a positive impact on stabilizing the macro environment, creating favorable conditions for promoting economic growth.

In the context of inflation, the Government had to sharply cut development investment spending to control inflation. In contrast, in the context of a crisis or a decline in economic growth, the Government must increase public spending to affect total demand in order to restore production and stimulate economic growth.

***Secondly***, the state budget expenditure structure shows the State's policy priorities for investment (accumulation) or consumption.

Increasing state budget spending on development investment and promoting investment efficiency will have a positive impact on promoting economic growth.

However, the increase in state budget spending on development investment also has some negative effects, such as: increasing spending on a high level of debt, which poses potential risks to the economy and disrupts the supply-demand relationship of money. This puts pressure on inflation and causes macro instability.

***Thirdly***, the state budget expenditure structure by economic sector affects the growth of each sector as well as of the whole economy.

Increasing investment spending is mainly for the development of technical infrastructure of economic sectors, especially infrastructure in the fields of transport, agriculture, and services in order to create favorable conditions to promote rapid economic growth.

***- The state budget expenditure structure contributes to maintaining social justice, ensuring social security, protecting the environment, creating a foundation for sustainable development:***

***First***, the state budget expenditure structure to ensure the implementation of social justice, ensuring social security

The state budget expenditure plays the role of an important tool of the State to regulate the macro-economy and stabilize socio-political conditions. In addition, with the role of promoting economic growth, the state budget expenditure structure also contributes to maintaining macroeconomic stability, ensuring social security, national defense and security and social order and creating a premise for long-term and sustainable development of the country.

***Secondly***, the state budget expenditure structure contributes to environmental protection.

Increasing state budget spending on environmental protection, troubleshooting and treatment of environmental pollution has the effect of encouraging organizations and individuals to research and develop pollution treatment technologies or friendly production technologies with the environment.

**2.3 INTERNATIONAL EXPERIENCE ON STATE BUDGET EXPENDITURE STRUCTURE FOR SUSTAINABLE ECONOMIC DEVELOPMENT AND LEARNING LESSONS FOR VIETNAM**

***2.3.1 Experiences of some countries***

- Budget spending structure towards tightening public spending in OECD countries.

- Budget spending structure to promote economic growth in China.

- Buget expenditure structure by budget level in some countries.

***2.3.2 Learning lessons for Vietnam***

***First***, in the context of a slow economic recovery and limited budget revenues, most countries have adjusted the state budget expenditure structure to increase their ability to assist in solving socio-economic problems, stabilizing the macro economy in order to achieve sustainable development.

***Secondly***, it is necessary to adjust the proportion of budget expenditure for development investment in the total state budget expenditure in the direction of decreasing along with the development level of the economy.

***Thirdly***, it is necessary to clearly define revenue and expenditure tasks among budget levels and always ensure the leading role of the central budget.

***Fourthly***, it is necessary to review and restructure the state apparatus, the number of employees that has an important impact on the state budget expenditure structure and public debt.

**CONCLUSION OF CHAPTER 2**

This chapter of the thesis has systematized issues of general theory about state budget, state budget expenditure, state budget expenditure structure, factors affecting state budget expenditure structure and the role of state budget expenditure structure in the rapid and sustainable economic development of countries.

There are many types of state budget expenditure structure based on the criteria for classifying state budget expenditure.

Factors affecting the state budget expenditure structure are the country's socio-economic development tasks in each period; state budget revenues; state budget expenditure policies; state budget deficit; international economic integration.

Through the study of experience in the state budget expenditures structure in OECD countries, China, etc. over the past time, some lessons have been learned that Vietnam can refer to in the restructuring of state budget expenditures to promote sustainable economic development in the near future.

**Chapter 3**

**THE SITUATION OF STATE BUDGET EXPENDITURE STRUCTURE PROMOTING SUSTAINABLE ECONOMIC DEVELOPMENT IN VIETNAM**

**3.1 ECONOMIC-SOCIAL AND STATE BUDGET SITUATION FOR 2011-2020**

***- Economic social situation:***

The macro-economy is stable, the economic growth rate is always maintained at a fairly high level (the average GDP growth rate is 5.99% in the period 2011-2020); the size and potential of the economy increased.

Politics and society are kept stable; national defense and security have been firmly consolidated; foreign relations and international integration are becoming more and more extensive and effective. These factors contribute to enhancing Vietnam's prestige and position in the international arena, creating a solid foundation for the construction of high socio-economic development goals for the period 2011-2020.

However, there are still many limitations and weaknesses. Economic development isn’t commensurate with the potential. The economic restructuring associated with the renewal of the growth model is still slow; productivity and quality of growth in some sectors and fields are still low. The development of socio-cultural fields, resource management, and environmental protection still have some shortcomings and inadequacies. Protecting national sovereignty and security and social safety still face many difficulties and challenges.

***- State budget situation:***

***+ Period 2011-2015:***

The scale of state budget revenue reached VND 4,249.9 trillion (two times higher than the period 2006-2010), the rate of mobilization into the state budget reached 24.1% of GDP, of which from taxes and fees was about 20.8% of GDP (the planned target is 22-23% of GDP).

Total state budget expenditure reached VND 5,274.8 trillion (2,3 times higher than the 2006-2010 period), equaling 29.5% of GDP, an average increase of 14.4%/year; in which development investment expenditure is 1,93 times, debt interest payment is 3,27 times and recurrent expenditure is 2,53 times compared to the 2006-2010 period.

State budget deficit is 977,2 trillion VND, average rate deficit is 5.3% of GDP (2011: 2,66% GDP; 2012: 4,45% GDP; 2013: 6,66% GDP; 2014: 6,82% GDP; 2015: 6% GDP).

By the end of 2015, public debt stood at 61% of GDP (in 2010 it was 56,8% of GDP); Government debt balance 49,2% GDP, foreign loan balance of the country 33,9% GDP.

***+ Period 2016-2020:***

State budget revenue is estimated to reach about 6.9 million billion VND, reaching 100,4% of the plan (which is 6,86 million billion VND). The rate of mobilization into the state budget reached about 25.2% of GDP, exceeding the plan (23,5% of GDP), of which revenue from taxes and fees reached about 20,8% of GDP.

By 2020, the proportion of domestic revenue will reach 85,6%; the proportion of revenue from crude oil and from import-export activities represents 14,1% of total state budget revenue (after deducting VAT refund). However, the proportion of central budget revenue in total state budget revenue is about 55%, not meeting the set plan (about 60-65%).

State budget expenditures are nearly 7,6 million billion VND, equal to 95% of the 5-year plan. This result was achieved mainly due to strict management of state budget expenditures and reduction of state budget deficit to reduce public debt.

The relatively high growth rate of state budget expenditure, combined with the attraction of other investment capital sources, has contributed to the strong development of socio-economic infrastructure, especially in isolated and disadvantaged areas. It has actively supported the implementation of the goals of stimulating economic growth, eradicating hunger, reducing poverty, and solving social problems.

Regarding the state budget deficit: In the process of budget management, measures have been taken to increase revenue and save expenses, so the absolute deficit in the years in the period 2016-2019 has decreased compared to the estimate. The ratio of state budget deficit of GDP in 2016 is 5.12%; 2017 is 2,74%; 2018 is 2,8%; 2019 is 2,67%, 2020 is 3,99%.

The average 5-year state budget deficit rate is about 3,79% of GDP, meeting the requirements of Resolution No. 07-NQ/TW of the Politburo and Resolution of the National Assembly (under 3.9% of GDP on average).

Public debt balance decreased from 63,7% of GDP in 2016 to 55,3% of GDP at the end of 2020; Government debt decreased from 52,7% in 2016 to 49,1% in 2020; the national external debt decreased from 49% of GDP in 2017 to 47,3% of GDP in 2020.

## 3.2 SITUATION OF STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE ECONOMIC GROWTH IN PERIOD 2011-2020

***3.2.1 Legal framework on the state budget expenditure structure***

According to the provisions of the State Budget Law (2015), including:

- State budget expenditure structure according to economic content, including: expenditure on development investment, expenditure on national reserve, recurrent expenditure; interest payment; aid spending; other expenses as prescribed by law.

- State budget expenditure structure according to the functions of the Government, in which development investment expenditure and recurrent expenditure of the state budget are divided into 13 sectors, such as: defense expenditure; expenditure on security and social safety; expenditure on education - training and vocational training; science and technology expenditure; health, population and family expenditure;...

- State budget expenditure structure according to budget decentralization, including central budget and local budget; local budgets include budgets of local governments at all levels.

***3.2.2*** ***State budget expenditure structure according to economic content***

***- About development investment expenditure:***

The proportion of development investment expenditure in the estimate of total state budget expenditure for the period 2011-2015 is about 18% on average. In implementation, revenue increased compared to the estimate and ODA loan projects were prioritized to increase capital sources for socio-economic infrastructure development investment; therefore, the proportion of development investment expenditure in the total actual state budget expenditure is nearly 23% (in the period 2006-2010, it was 28,8%). Including government bonds, lottery and advances, the proportion of development investment spending in the 2011-2015 period is at 32% of the total state budget expenditure, accounting for 25% of the total social investment capital of this period.

The five-year financial plan for the 2016-2020 period sets the goal of increasing the proportion of development investment expenditure to 25-26% of the total state budget expenditure. The implementation rate is estimated at 28,7% of the total state budget expenditure, exceeding the set target, but lower than the rate in the 2011-2015 period (about 32%).

The allocation and implementation of investment expenditure estimates from the state budget and government bonds in the period 2011-2020 have closely followed the socio-economic development objectives and orientations; made an important contribution to the breakthrough in construction and upgrading of the infrastructure system in the direction of synchronization, standardization and modernity, better meeting the needs of socio-economic development, creating a foundation to promote sustainable economic growth.

Step by step, it allowed to overcome the situation of scattered, wasteful and inefficient investment by concentrating capital on transitional and unfinished projects. The Incremental Capital Output Ratio (ICOR) of Vietnam has gradually decreased. According to a report by the General Statistics Office (December 2020), this ratio has decreased from 6,25 in the 2011-2015 period to about 6,14 in the 2016-2019 period, of which in 2016 it was 6,42 , 2017 is 6,11, 2018 is 5,97 and 2019 is about 6,07. Particularly in 2020, it increased to 18,07 due to the impact of the Covid-19 pandemic.

However, Vietnam's ICOR is still quite high when compared to some other countries that have gone through similar development stages with Vietnam (such as Taiwan, Korea, China, Thailand, etc.). In addition to the reason for low investment efficiency, large losses and waste, especially in the state sector, also because Vietnam is in the phase of focusing on infrastructure investment, including infrastructure in remote and isolated areas, and investment in hunger eradication and poverty reduction, ensuring social security, developing agriculture and rural areas, and ensuring balanced development among regions.

***- About recurrent expenditure:***

The proportion of recurrent expenditure in the estimate of state budget expenditure for the period 2011-2015 accounted for about 67,8%, an increase of 8% compared to the period 2006-2010. In fact, the proportion of recurrent expenditure accounted for an average of 62,5% of the total state budget expenditure.

The five-year financial plan for the 2016-2020 period sets a target to reduce the proportion of recurrent expenditures to less than 64% of total state budget expenditure. The actual rate is estimated at 63,1% of the total state budget expenditure, exceeding the planned target (under 64%), in which, the target of increasing the base salary by 7%/year is still guaranteed to be implemented in the 2016-2019 period.

Ensure the implementation of the guidelines and conclusions of the Central Government on salary reform, social insurance and preferential allowances for people with meritorious services to the revolution; on agricultural, rural and farmer development policies; on the policies mentioned in Resolution No. 76/2014/QH13 dated June 24, 2014 of the XIII National Assembly on accelerating the implementation of the goal of sustainable poverty reduction by 2020; on the implementation of laws and ordinances on health insurance, social insurance, disabled people, elderly people, heroic Vietnamese mothers, etc.

Proactively prioritize allocating resources to implement salary reform, social security policies, hunger eradication and poverty reduction, especially for ethnic minorities and people in extremely disadvantaged communes in the region mountains or remote areas, and so on.

***- About debt payment:***

Interest payment ratio accounted for 5,2% of total state budget expenditure in the period 2011-2015 (in 2011 it account for 3,9% of total state budget expenditure; 2012: 4,1%; 2013: 4.9%; 2014: 5.8%; 2015: 6.4%); if including principal payment, the total debt payment for the period 2011-2015 is 21,6% of total state budget revenue.

Interest payment for the period 2016-2020 is equal to 6,9% of total state budget expenditure. If the payment of principal (out of balance) is included, the total debt payment is about 20% of the total state budget revenue.

The Government's performance of principal and interest payment obligations is within the approved total, fully and on time as committed.

Due to the high state budget deficit and the issuance of government bonds for development investment, it has put pressure on increasing debt payment of the state budget in the period 2011-2020, especially in the last years of the period; it also puts pressure on increasing debt payments in the early years of the 2021-2025 period.

***3.2.3 State budget expenditure structure according to the functions of the Government***

***- Investment expenditure structure by functions of the Government:*** Focus on transport infrastructure (accounting for 22-23%); agriculture, forestry, fisheries (accounting for 21-22%); public service infrastructure in education, health care, culture, physical training and sports... (accounting for 34-35%) in line with the policy and socio-economic development orientation of the Party and State.

Investment capital from the state budget contributes to offset the decrease in the proportion of investment from the non-state sector and the foreign direct investment (FDI) sector, contributing to improving Vietnam's global competitiveness index (GCI). In terms of general infrastructure quality, it increased by 24 places (from 123/139 in 2010 to 99/140 in 2015), of which the index of transportation infrastructure increased by 36 places (from 103/139 in 2010 to 67/140 in 2015). It also contributes to maintaining a relatively high GDP growth rate compared to other countries in the world, serving the renovation as well as the rapid and sustainable economic development, changing the face of the country.

***- State budget recurrent expenditures according to the functions of the Government:***

Education, training and vocational training expenditures always account for the highest proportion of the state budget recurrent expenditures, about 22-23%; expenditure on health care, population and family about 6,5-7%; expenditure on social security is about 12-14%; expenditure on economic activities and environmental protection is about 9,7-10,8%; state management expenditure is about 16%; expenditure on culture, information, radio, television and sports activities is about 1.8-1.9%; other sectors (including security and defense expenditure) are about 28-29%.

The structure of recurrent expenditure has changed; the proportion of recurrent expenditure in the total state budget expenditure decreased thanks to the promotion of innovation and reorganization of the political system's apparatus in the direction of streamlining, effective and efficient operation; thanks to the renovation of the organization and management system, improving the quality and operational efficiency of public non-business units, this contributes to reducing budget expenditure, improving the efficiency of budget use, promoting socialization, creating a favorable environment to promote competition and improving the quality of public services.

### **3.2.4 Expenditure structure according to budget decentralization**

- In the 2011-2015 period, due to an increase in additional expenditures in balance and targeted addition to local budgets, the central budget expenditures in total state budget expenditures accounts only for 44.7% (42,8% in 2011; 42,4% in 2012; 47,1% in 2013; 45,3% in 2014 and 45,8% in 2015); local budget expenditures accounts for 55.3% of total state budget expenditures.

The average proportion of central budget expenditure in the period 2016-2020 accounts for about 44,9%; the proportion of local budget expenditure accounts for 55,1% of the total state budget expenditure. Regarding the proportion of development investment expenditure by budget level in the 2016-2020 period, the capital from the central budget accounts for 47,8% of the total development investment expenditure, lower than the 52,2% of the local budget.

- The structure of state budget revenue and expenditure according to budget decentralization has also made positive changes to the implementation of socio-economic development goals of the whole country, as well as each locality in recent years.

By the period of budget stability 2017-2020, there are 16 localities (out of 63) that have adjusted revenue to the central budget, increasing by 03 localities compared to the previous period. Local budget revenue also increased strongly compared to the previous period.

By the period of budget stability 2017-2020, 16 localities (out of 63 localities) have transferred a part of revenue to the central budget, increasing by 3 localities compared to the previous period. Local budget revenue also increased strongly compared to the previous period.

The decentralization gives localities the rights to manage state budget revenues and expenditures in the locality, to allocate budget expenditures, and to proactively implement budget expenditure tasks associated with the needs of the local population, which has gradually increased budget expenditure efficiency and effectiveness associated with socio-economic characteristics of the area; enhancing the publicity, transparency and supervision of local organizations and communities; therefore contributing to improve the efficiency of budget expenditure.

## 3.3 ASSESSMENT OF THE SITUATION OF THE STATE BUDGET EXPENDITURE STRUCTURE IN VIETNAM FOR PERIOD 2011-2020

### **3.3.1 Result achieved**

***First,*** the scale of state budget expenditure compared to GDP in the period 2011-2015 is 29,5%, in the period 2016-2020 at 27,5% of GDP, combined with promoting the attraction of other capital sources in the society, contributing to the development of economic and technical infrastructure, creating favorable foundation for socio-economic development.

To accelerate the restructuring of investment spending towards focusing on strategic industries plays an important role in orienting, leading and unleashing resources in society. The state budget focuses on investing in important national projects, performing the role of priming capital, dealing with capital construction debt, recovering advance capital, investing in areas where other economic sectors don’t invest, that contribute to maintaining the economic growth rate.

***Secondly,*** gradually reduce the proportion of recurrent expenditure; focus resources on the fields of education - training, health, science and technology, environmental protection; increase human expenditure and implement social security policies.

The proportion of recurrent expenditures accounts for about 63,3% of the total state budget expenditure in the period 2016-2020, but still ensures to focus resources on the fields of education-training, health, science and technology, and environmental protection, expenditure on people (adjusting the annual base salary according to the plan, implementing allowances, social security policies, multidimensional poverty lines,...); contribute to the successful implementation of the Millennium Development Goals on poverty reduction.

***Thirdly,*** positively affect the state budget balance, reduce the state budget deficit and public debt, contribute to stabilizing the macro economy, and promote socio-economic development.

The average state budget deficit in the period 2011-2015 was 5,3% of GDP. In the period 2016-2020, the estimated deficit rate has gradually decreased, from 4,95% GDP in 2016 to 3,44% GDP in 2020 (estimated data). In budget management, strived to increase revenue and reduce expenditure to reduce deficit, so the actual deficit rate in the period 2016-2020 is about 3.45% of GDP, ensuring the set target (no more than 3.9% GDP) according to Resolution No. 07-NQ/TW of the Politburo and Resolution 25/2016/QH14 of the National Assembly.

***Fourthly,*** create initiative for local budgets, increase resources to perform socio-economic development tasks in the area.

The budget decentralization mechanism has created motivation for localities to exploit revenue sources and increase resources to perform expenditure tasks for socio-economic development of the locality. Some big cities (Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, Can Tho) were allowed to implement a specific financial-budgetary mechanism, and have gradually linked their powers with the responsibilities of the local authorities in the management and use of local budgets to be more effective, suitable to specific characteristics and to support socio-economic development in the locality.

***3.3.2 Existences and limitations***

***First***, the institutions, policies and regimes of state budget expenditure aren’t really synchronous and haven’t caught up with the requirements of reality. This causes negative effects on the state budget expenditure structure to serve the goal of rapid and sustainable economic development in relation to the three pillars of rapid growth, social security assurance and environmental protection.

***Secondly***, the development investment expenditure structure from the state budget isn’t sustainable, and it depends heavily on revenue from land, equitization, and loans. Investment structure by industry, field and region is still spread; regional linkage development is still low; the mobilization of capital from the non-state sector for development investment is still limited.

***Thirdly***, although the proportion of recurrent expenditure has decreased, it is still at a high level, the state budget still covers most of the non-business fields.

***Fourthly***, the structure of expenditures by budget level is still inadequate, failing to promote the leading role of the central budget.

***3.3.3 Causes of existence, limitations***

***- Objective reasons:***

***First***, in the domestic and international context, there are many new problems that need to be adjusted in terms of goals and operating solutions.

***Secondly***, the need to increase state budget expenditure on development investment, salary reform, and implementation of issued social security policies is still large. Therefore, the state budget expenditure structure in the past time hasn’t achieved some of the set goals.

***Thirdly***, international economic integration affects the central budget revenue, as well as requires adjustment of state budget expenditure policy in line with the integration commitment.

***- Subjective reasons:***

***First***, the promulgation of some policies is still slow; consensus in opinion and policy is not high; promulgated policies lack a breakthrough, aren’t comprehensive, and haven’t shown long-term vision. There is still subsidized thinking in policy formulation and implementation in some sectors; don’t really appreciate the role of the market in mobilizing and allocating resources in society.

***Secondly***, the ability to grasp, analyze and forecast the situation is still limited, so many policies and solutions are not timely proposed.

***Thirdly***, there is still a situation that isn’t drastic in implementing the restructuring of state budget expenditures; subsidized thinking still exists in policy formulation and implementation in some sectors.

**CONCLUSION OF CHAPTER 3**

State budget expenditure structure for the period 2011-2020 continues to change positively, closely following the set goals, increasing development investment expenditure, actively supporting socio-economic development.

The proportion of recurrent expenditure is gradually decreasing, giving priority to the fields of science - technology, education - training, healthcare, national defense, security, reorganization of the apparatus, downsizing of staff, renovation of public non-business units. Thoroughly saved to increase resources for development investment; increase human expenditure, ensure social security policies.

Ensure full and timely payment of due debts. The state budget deficit is reduced, contributing to improving the sustainability of the state budget and reducing public debt.

However, the current state budget expenditure structure still has many shortcomings, limitations and negative impacts on the development of the economy. Some objectives of the state budget expenditure structure for the period 2011-2020 haven’t yet achieved the required results.

**Chapter 4**

**FINISHING THE STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT IN VIETNAM**

**4.1 CONTEXT AND CHALLENGES TO STATE BUDGET EXPENDITURE STRUCTURE TO PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT IN VIETNAM**

***4.1.1 Context***

***- International context:***

The economic - political situation in the world and in the region is forecasted to continue to be complicated and unpredictable; geopolitical, economic and trade conflicts increase. The 4th industrial revolution opens up many development opportunities, but also brings many challenges for countries.

The impact of the Covid-19 pandemic on world economic growth is severe and likely to be prolonged; creating risks of political-social instability, financial-monetary balance; potential financial crisis in some countries.

Sustainable development has become an overarching trend, along with green growth and the use of renewable energy are development methods chosen and pursued by many countries.

***- Domestic context:***

After nearly 35 years of renovation, the position and strength of the country has been greatly improved. The scale, potential and competitiveness of the economy are increased; its independence and autonomy are also improved. The process of economic restructuring associated with transforming the growth model towards improving quality, efficiency and competitiveness has achieved initial results. Vietnam's poverty rate has decreased rapidly; the social security network is relatively comprehensively developed.

However, the economy still exists and has many potential risks; the risk of falling behind is always present; science-technology level, productivity, efficiency and competitiveness are still low; ability to withstand and adapt to external impacts is still weak; capacity to access the digital economy and digital society is still limited.

Rapid urbanization along with population aging puts pressure on the social security system and affects economic growth.

The Covid-19 pandemic is forecasted to continue to create more difficulties and challenges for economic development, putting pressure on our country's macro balances in the early years of the coming period.

***4.1.2 Orientation for sustainable economic development in Vietnam and challenges for the state budget expenditure structure in the coming time***

***- Orientation for sustainable economic development in Vietnam:***

The issue of sustainable economic development is concerned by the Party and State and has been mentioned throughout the congresses, especially from the 10th to the 13th congress.

On April 12, 2012, the Prime Minister issued Decision No. 432/QD-TTg approving the Vietnam Sustainable Development Strategy for the period 2011-2020.

On May 10, 2017, the Prime Minister issued Decision No. 622/QD-TTg on the National Action Plan to implement the 2030 Agenda for Sustainable Development.

To develop quickly and sustainably, economic development must be maintained for a long time; it must combine closely, reasonably and harmoniously economic development and social development with environmental protection. This is a difficult problem in the present context in which Vietnam has been facing many difficulties and challenges, especially the negative impacts of the Covid-19 pandemic.

The 10-year socio-economic development strategy for the period 2021-2030 submitted to the 13th Congress sets out the following goals: By 2030, Vietnam will be a developing country with modern industry; high middle income and dynamic, fast and sustainable economic development; and by 2045, will be a developed and high-income country. The average GDP growth rate is about 7%/year, of which the average is about 6,5-7% for period of 2021-2025.

***- Challenges for the state budget expenditure structure to promote sustainable economic development in the coming time***

***First***, in the domestic and foreign context, besides opportunities and advantages, there are many challenges.

The world situation in the next decade is forecasted to continue to change profoundly and rapidly. The politico-socio-economic situation will go through a new stage of development with fundamental adjustments, complicated and unpredictable developments and potential risks. After the Covid-19 pandemic, major country economic competition has become increasingly complicated.

Domestically, the growth pattern is not clear; growth is mainly based on the increase in investment capital; disparities in living standards and levels of enjoyment of social services are increasing; population aging, environmental pollution and wasteful use of natural resources are increasingly serious. Vietnam needs great efforts in economic recovery and development after the Covid-19 pandemic, stabilizing the macroeconomy, ensuring the main balances of the economy. Il also needs to continue to transform its economic growth model towards fast and sustainable development that harmonizes breadth and depth in combination with developing a green economy with low carbon emissions.

***Secondly***, resolving conflicts between ensuring public investment resources for rapid development and ensuring national financial security; the relationship between public investment and the private sector; improve the efficiency of using public investment resources.

Maintaining the scale of state budget expenditure compared to GDP at a reasonable level; reducing the state budget deficit, while ensuring resources for investment in economic recovery and development after the Covid-19 pandemic; implement wage reform; ensuring social security, protecting the environment, aiming for fast and sustainable development, are the challenges for the coming period.

The need to spend from the state budget for recovery and rapid economic development, to implement wage policies, to ensure social security and welfare, to maintain national defense and security in the coming time is very important. This puts pressure on the state budget balance, national financial security and public debt sustainability.

***Thirdly***, The drastic reduction of recurrent expenditure is difficult for the following reasons: (i) the implementation of the wage policy puts pressure on state budget expenditures; (ii) the reorganization of the apparatus, downsizing the payroll, and renewing the financial management mechanism of the public administrative units are still slow; (iii) the implementation of social security policies, especially in the fields of health, social security in the context of facing population aging, together with the promulgation of many social security policies, increase the fast budget spending; (iv) recurrent expenditure from the state budget still subsidizes most sectors.

***Fourthly***, the state budget expenditure structure is not reasonable. The efficiency of state budget expenditure is still inadequate, especially the efficiency of public investment. The careless consideration of socio-economic efficiency; distributed investment and lack of synchronization; construction of works behind schedule; the lack of linkage between investment expenditure and recurrent expenditure on maintenance and repair has reduced the life of the work and reduced the efficiency of the investment project. The budget discipline is not strict; loss and waste in the use of the budget is still large.

## 4.2 Target of state budget expenditure structure in the period of 2021-2030

In order to promote the role of the financial system, towards sustainable economic development, the average economic growth is 7% in the period 2021-2030 (about 6,5-7% in the period 2021-2025). The state budget expenditure structure in the period of 2021-2030 is as follows:

### **4.2.1 Overall objectives**

***First***, continue to perfect institutions and policies for state budget expenditure to ensure synchronization, in accordance with the rule of the market economy and international economic integration; ensure resources for sustainable economic development; focus on green investment; develop organic agriculture; develop science and technology for economical use of natural resources and minerals, for renewable energy development and low-carbon economic development; protect the environment and prevent climate change.

***Secondly***, effectively distribute, manage and use state budget resources; increase the proportion of accumulated savings to increase social investment; reasonable increase in investment from the state budget; reduce the proportion of recurrent expenditures; gradually reduce the ratio of state budget deficit to GDP to reduce the scale of state budget expenditure to GDP to a reasonable level; ensure the safety of public debt, government debt and foreign debt of the country.

***Thirdly***, to strengthen financial discipline; make public and transparent the use of the budget; implement thrift, fight waste, and prevent corruption in the management and use of the state budget.

***4.2.2 Detail objectives***

The ratio of state budget expenditure to GDP in the 2021-2030 period is about 19-20% of adjusted GDP (corresponding to 24-25% of unadjusted GDP), in line with socio-economic development goals, the ability to balance resources and ensure national financial security and public debt safety; in which, in the period 2021-2025 about 20% of adjusted GDP, in the period 2026-2030 about 19% of adjusted GDP.

Gradually increase the proportion of direct expenditure of the central budget in total state budget expenditure, reaching 55% by 2025, and reaching 60% by 2030.

Increase the proportion of development investment expenditure in the total state budget expenditure, to reach about 27-28% in the period 2021-2025, to reach 28% by 2025; about 28-30% in the period 2026-2030 and to reach 30% by 2030.

Gradually reduce the proportion of recurrent expenditure in the total state budget expenditure, of which in the period 2021-2025 it will reach about 62-63%, and by 2025 about 62% (in case of implementation of salary policy reform according to Resolution No. 27-NQ/TW from the beginning of 2022, it reached about 62.5%); by 2030, it will drop to about 60-61%.

Prioritize allocating state budget funds to fully and promptly pay debt obligations (both principal and interest), including increasing debt payment for foreign loans according to market conditions because Vietnam had graduated from International Development Association (IDA).

Increase expenditure on national reserves, by 2030 the scale of national reserves will reach about 3-4% of GDP, in order to proactively reserve resources to promptly respond to abnormal developments of natural disasters and epidemics, to ensure people's life.

Reduce direct expenditures from the state budget for public non-business units; in which, the period 2021-2025 decreased by about 10% on average compared to the period 2016-2020; the period 2026-2030 decreased by about 15% on average compared to the period 2021-2025.

By 2025, complete the institutionalization and renewal of management and financial mechanisms and reorganization of public non-business units; to achieve at least 20% of self-financed non-business units; 100% of economic and other non-business units are eligible to convert into joint stock companies.

Continue to restructure state financial funds, overcome the situation of overlapping and duplicating revenue sources and spending tasks of funds with the state budget, and improve the operational efficiency of funds.

**4.3 Solutions to improve the state budget expenditure structure towards fast and sustainable economic development in Vietnam in the coming time**

On the basis of assessing the current situation of the state budget expenditure structure in the past time combined with reference to international experience; in order to achieve the goals of restructuring the state budget in the 2021-2030 period towards fast and sustainable development, it is necessary to synchronously implement the following solutions:

***4.3.1 Solutions to improve institutions and policies on management and use of the state budget***

***First***, continue to promote the development and improvement of financial institutions and policies, policies on allocation and use of state budget resources, management of state budget expenditures to ensure synchronization, publicity, transparency, stability and in accordance with the requirements set forth in the process of socio-economic development of the country and international integration.

***Secondly,*** gradually reduce the scale of state budget expenditure compared to GDP; enhance the guiding role of state financial resources in socio-economic development, strongly attract resources in society to achieve rapid and sustainable economic development goals.

***Thirdly***, reviewing, amending and supplementing the state budget expenditure policy to ensure the achievement of social security and poverty reduction goals.

***Fourthly***, continue to strongly renovate the organizational and management system, improve the quality and operational efficiency of public non-business units, and reduce direct expenditures from the state budget on public non-business units.

***Fifthly***, continue to review, restructure and rearrange existing non-budget state financial funds to promote the effectiveness of fund operations and meet socio-economic development requirements. There is a plan to deal with funds that have revenue sources and expenditure tasks that overlap with the state budget's revenue and expenditure tasks, transferring the fund's revenue and expenditure tasks into the state budget.

***4.3.2 Solutions to improve the state budget expenditure structure according to economic content***

Continue to restructure state budget expenditure in the direction of reducing the proportion of recurrent expenditure, increasing the proportion of development investment expenditure; restructuring investment and recurrent expenditures associated with improving the effectiveness and efficiency of budget expenditures to implement socio-economic development guidelines, orientations and goals. Whereby:

***First***, for investment expenditures:

Restructure public investment expenditure, strongly improve the efficiency of public investment in the direction of focusing investment in sectors that other economic sectors don’t participate.

Formulate and implement medium-term and annual public investment plans of the country, of each ministry, of each sector, and each locality within the framework and ability to balance to ensure the sustainability of fiscal policy.

Promote the implementation of strategic breakthroughs in building a synchronous infrastructure system with a number of modern works, focusing on large-scale and pervasive projects.

Allocate adequate reciprocal capital for important ODA projects and capital for urgent transitional works; investment in construction in the fields of agriculture and rural areas, remote and extremely difficult areas; support important infrastructure investment projects in the form of public-private partnership (PPP), perform well the function of "priming capital", gradually reduce the size of state investment, promote investment of non-state sector.

Use the income from the lottery for development investment, according to the principle of giving priority to the fields of education - training, health care and a number of important social welfare works, focus on the new rural construction plan .

***Secondly***, for debt payment:

Balance and arrange sources to fully and on time repay the due principal and interest; prioritize allocation from sources of revenue increase and annual savings for debt payment in order to reduce public debt.

Strictly control foreign loans for on-lending, government-guaranteed loans, loans and debt repayment from local budgets, so as not to create contingent debt obligations of the state budget.

***Thirdly***, for recurrent expenses:

Save recurrent expenditures; reduce the proportion of recurrent expenditures on the basis of rearranging the organizational apparatus and streamlining the staff; reduce the proportion of expenditure in some public non-business fields associated with the adjustment of prices and fees, especially for public non-business services with high socialization potential.

State budget funds for basic and essential public services (such as spending on pre-school education; general education; preventive medicine; grassroots health care; examination and treatment of leprosy, tuberculosis, and mental illnesses; basic scientific research; traditional culture and folk art; training for athletes and national sports coaches; social protection and care for people with meritorious services to the revolution... ); support public non-business units in remote, isolated and ethnic minority areas.

***4.3.3 Solutions to improve the state budget expenditure structure according to the functions of the Government***

 ***First****,* for education and training expenditures: Continue to review and integrate state budget expenditure policies to support people to access education and training services; focus resources, eliminate overlap, duplicate policies.

***Secondly****,* for healthcare expenditures: Focus on strongly developing preventive medicine and commune health; finance health services that the state must guarantee; research and application of in-depth medical science and technology; review the policy of supporting 100% of health insurance premiums for near-poor households who have just escaped poverty.

***Thirdly****,* for administrative expenditure: Continue to accelerate the reorganization of the state apparatus, streamlining the payroll towards effective and efficient operations; renovate the operation and financial mechanism of public non-business units.

***Fourthly****,* for science and technology expenditure: Strengthen the potential of science and technology; invest in modern and advanced science and technology organizations; build a national innovation system; develop the science and technology market; promote research and effective application of scientific and technological achievements for socio-economic development.

***Fifthly****,* for environmental protection expenditure: Continue to increase spending on environmental protection, combined with mobilizing more investment resources and contributions from businesses and people; associate the rational exploitation and use of natural resources with environmental protection.

Research and implement credit policies in which the State budget supports interest rates for programs and projects related to environmental protection, for projects using cleaner production lines, using energy saving , renewable energy; green traffic projects,...

***Sixthly****,* for expenditure on economic activities: Improve the maintenance and operation of infrastructure, thereby improving the efficiency of state budget investment expenditure.

***4.3.4 Solutions to improve the state budget expenditure structure according to budget decentralization***

Local governments have a certain degree of autonomy in allocating resources according to local priorities and being proactive about how to achieve their goals.

There should be coordination and control to ensure that the selection of localities doesn’t go against the national strategy and goals. Harmonizing these two demands requires appropriate mechanisms. In order to promote the leading role of the central budget and at the same time increase the initiative for local authorities, the solutions that need to be implemented are:

***First***, review the additional mechanism targeted from the central budget to local budget, on the principle of sharing local responsibilities in ensuring resources to implement social security policies promulgated by the central government in the locality.

***Secondly***, the central budget focuses on supporting localities to implement large-scale, inter-regional programs and projects that are important for socio-economic development, creating spillovers and attracting investment.

Develop regional and inter-regional economies to bring into play the potentials and strengths of each region; at the same time, strengthen and promote the development of dynamic economic zones, creating development spillovers to localities in the region.

***Thirdly***, continue to empower local governments to allocate resources according to local priorities and be proactive about how to achieve their goals.

***4.3.5 Solutions to strengthen management and improve the efficiency of state budget expenditure***

***First***, increase powers and responsibilities in the stages of estimating, managing and using the state budget of all levels and units using the state budget; strengthen the publicity and transparency of the budget and the accountability of budget revenue and expenditure; expanse contract spending, especially with state administrative agencies; implement downsizing of staff; perfect the organizational apparatus; efficient use of budget resources; to step by step implement budget management according to the performance of the tasks associated with the enhancement of standard development and service quality management.

***Secondly***, effectively implement the medium-term financial plan (5-year, 3-year financial plan), in which the 5-year medium-term plan that acts as the orientation of the whole period, concretized by the medium term of 3 years according to the “rolling” method; annual budget estimate is built based on the socio-economic situation updated.

***Thirdly***, strictly manage state budget expenditure within the estimate; budget expenditure must ensure the principle of thorough thrift and efficiency; mechanisms and policies that increase state budget expenditure are only issued when there is a guaranteed financial source; minimize the advance of the next year's estimate and transfer the budget to the next year.

Unified management of investment and recurrent expenditures at budget levels as a basis for linking recurrent and investment expenditures; in which both investment and recurrent expenditures are detailed in 13 sectors in order to improve the efficiency and effectiveness of allocation and use of the state budget.

Improve quality in all stages of the investment process: from project preparation; appraisal and decision on investment policy; investment decision; formulating and implementing public investment plans; monitor, examine, evaluate, inspect and supervise programs and projects under the public investment plan in accordance with the Law on Public Investment.

Accelerate the disbursement of capital, overcome the situation of scattered investment, loss and waste. Cut back on ineffective and not really necessary programs and projects.

Thoroughly save on recurrent expenditure; vigorously implement the mechanism of contract spending, both increasing the initiative for the head of the unit, and improving the efficiency of thrift practice.

***Fourthly***, strengthen inspection, examination and audit; increase publicity and transparency in the management and use of the state budget, promote accountability in the state budget, strengthen supervision of the community

***Fifthly***, propagate and disseminate widely, create unity in awareness and action in the observance of the state budget law and raise the awareness of thrift and anti-waste.

**4.4 Conditions for implementing the solution**

The thesis contains many important contents, having great significance in policy making on ensuring macro stability, aiming at the goal of rapid and sustainable economic development; its research scope is wide, involving many ministries, branches and localities. For good performance, it is recommended:

- The National Assembly considers and promulgates new laws; amending, supplementing and promulgating new policies on state budget expenditure; creating a breakthrough in economic growth and restructuring; attracting more resources for development investment towards rapid economic growth; ensuring social security; enhancing social welfare; protecting the environment; responding to climate change, ensuring national defense and security.

In particular, in the period of 2025-2030, consider and promulgate the Law amending and supplementing the Law on State Budget (2015), to overcome shortcomings and limitations in budget decentralization, meet the requirements of management in the new situation.

Promulgate resolutions and plans on socio-economic development, finance - budget, medium-term and annual public investment, ensuring suitability and feasibility in implementation. At the same time, strengthen supervision of the implementation of these resolutions and plans.

- The Government promulgates the Scheme on the structure of state budget expenditure for the 2021-2030 period, stabilizing the macro-economy, maintaining economic growth, accelerating the implementation of three strategic breakthroughs, restructuring the economy, aiming to sustainable economic development. At the same time, directing the implementation of the proposed policies and solutions to the state budget expenditure structure.

Formulate and submit to the National Assembly legal documents for promulgation or promulgation according to its competence, in order to improve institutions, promote the state budget expenditure structure, and serve the goal of rapid and sustainable economic development in the coming time.

- Ministries and central agencies shall develop and submit to competent authorities policies and regimes on state budget expenditure, investment, and public debt management for promulgation or promulgation according to their competence, and at the same time organize effective implementation. In which:

Review and evaluate 10 years of implementation of the State Budget Law (2015), amend, supplement and overcome shortcomings, limitations, and meet management requirements in the new situation.

Develop and submit to the Government to amend and supplement guiding documents of the Law on Public Investment (2019), ensuring synchronization with the Law on State Budget (2015), overcoming shortcomings and limitations.

Improve analytical and forecasting capacity in the formulation of strategies and plans for socio-economic development, finance and state budget, medium-term public investment plans, quality assurance, and conformity with reality and feasibility.

Perfect the system of standards and norms of state budget expenditures, the regime of management and use of public assets, especially on the management and use of automobiles in state agencies, organizations, and public non-business units, and on land use management...

Strengthen the management of state budget expenditure closely, within the estimate, thoroughly thriftily and effectively. Proposing to promulgate mechanisms and policies to increase state budget expenditure only when there is a secure financial source; minimize the advance of the next year's estimate and transfer the budget to the next year.

Strengthen inspection, examination and audit; increase publicity and transparency in the management and use of the state budget, promote accountability for the state budget, and strengthen community supervision.

- Local authorities at all levels shall elaborate and submit to the Government local development plannings, strategies and plans for promulgation or promulgation according to their competence, ensuring synchronous and financially feasible.

Strengthen the management and effective use of state budget. Cut down ineffective and not really necessary programs and projects; thoroughly save on recurrent expenditures.

# CONCLUSIONS OF CHAPTER 4

In Chapter 4 of the thesis, the world context and Vietnam's policies and orientations on sustainable development and challenges to the state budget expenditure structure of Vietnam in the implementation of this policy were outlined.

With the overall goal of developing and implementing state budget expenditure policies synchronously and in accordance with the context of international economic integration, ensuring resources for sustainable economic development.

Specific objectives on the state budget expenditure structure in the period of 2021-2030: increase the proportion of development investment spending; gradually reduce the proportion of recurrent expenditure in the total state budget expenditure; prioritize allocating financial sources to ensure full and timely payment of debt obligations; increase spending on national reserves; reduce direct support expenditures for public non-business units; reduce expenditures from the state budget to support non-budget state financial funds.

To restructure state budget expenditure to promote sustainable economic development, in the coming time, it is necessary to focus on implementing 5 groups of solutions; at the same time, making recommendations to relevant agencies in organizing the implementation of tasks and solutions to restructure state budget expenditure.

# GENERAL CONCLUSION

State budget expenditure structure to promote sustainable economic development is an issue that has attracted much attention both in country and abroad in recent years. In the ability to balance the state budget and the socio-economic development requirements of each country, it is very important to build a reasonable state budget expenditure structure, ensuring the sustainable development of the economy; especially in the current trend of globalization, integration and opening up.

On November 20, 2016, the Politburo issued Resolution No.07-NQ/TW on policies and solutions to restructure the state budget and manage public debt to ensure a safe and sustainable national finance. In which, it is required to gradually restructure the state budget in a positive direction; increase the proportion of expenditure on development investment, reduce the proportion of recurrent expenditure; give priority to ensuring debt payment and national reserve expenditure. At the same time, renew the management of state budget expenditures in line with the socialist-oriented market economy; clearly define the roles and functions of the State and the market; review social policies, social security to use the budget in a concentrated and highly effective manner; promote the implementation of contract spending; calculation of public service revenues to ensure adequate cost cover; improve the efficiency of budget expenditure, gradually implement budget expenditure management according to the results of tasks associated with the implementation of socio-economic development goals.

Efforts to implement in the past time, Vietnam has achieved many important results in the restructuring of state budget expenditure, contributing to better meet the requirements of concentrating resources for socio-economic development, ensuring social security, protecting the environment, ensuring national defense and security.

The management and administration of state budget expenditure is also increasingly tight, thrifty and efficient, better meeting the requirements of rapid and sustainable economic development of the country.

However, in addition to the achieved results, the structure of state budget expenditure over the past time also revealed many existing problems, limitations, and negatively affected the implementation of the country's sustainable economic development goals.

In the coming time, in order to promote the role of the state budget in promoting sustainable economic development in accordance with the policy of the Party and State set forth throughout from the 10th Congress to the present, it is necessary to continue to study to perfect the state budget expenditure structure in the most optimal way.

The thesis has in turn solved the proposed research tasks, which are to systematize, supplement and complete the general theory on sustainable economic development, on the structure of state budget expenditures, on criteria for assessing the structure of state budget expenditures; clearly assess the status of state budget expenditure structure to promote sustainable economic development in Vietnam in recent years; analyze the achieved results, the shortcomings and limitations that need to be overcome; analyze the context and general situation, identify difficulties and challenges; refer to international experiences to draw lessons for Vietnam. On that basis, the thesis has achieved the research objectives set out; at the same time, propose solutions to improve the state budget expenditure structure to promote sustainable economic development in Vietnam in the period of 2021-2030.

During the research process, the PhD student tried to find, collect, and synthesize both theoretical and practical sources to complete this thesis.

However, this is a large, wide-ranging topic, not only related to economic, financial and budget issues, but also related to the country's socio-economic development policy system.

Therefore, the thesis inevitably has limitations and shortcomings. The PhD student looks forward to receiving contributions from Scientists and Managers so that this topic can continue to be developed and improved./.

# LIST OF RESEARCH WORKS OF THE AUTHOR

# HAS BEEN PUBLISHED IN RELATED TO THE THESIS

[1] Duong Tien Dung (2016), *“Cơ cấu lại chi ngân sách nhà nước - Nhìn từ việc rà soát, sắp xếp lại các quỹ tài chính nhà nước” (Restructuring state budget expenditures - Viewed from the review and rearrangement of state financial funds)*, Journal of Financial Inspector, No. 169 (July 2016), pp.27-28.

[2] Duong Tien Dung (2018), *“Cơ cấu lại chi ngân sách nhà nước - Nhìn từ việc rà soát, sắp xếp lại các quỹ tài chính nhà nước” (Restructuring state budget expenditures - Viewed from the review and rearrangement of state financial funds)*, Review of Finance, period 1 - December 2018 (694), pp.46-48.

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