

MINISTRY OF EDUCATION AND TRAINING

MINISTRY OF FINANCE

ACADEMY OF FINANCE

Kham Phan Keo Ma ny

**DECENTRALIZATION OF STATE BUDGET MANAGEMENT IN
ATTAPEU PROVINCE, LAO PDR**

Major : Finance - Banking

Code : 9.34.02.01

SUMMARY OF DOCTORAL THESIS IN ECONOMICS

HANOI - 2019

The thesis is completed at
Academy of Finance

Scientific research supervisors

- 1. Prof., Dr. Nguyen Cong Nghiep**
- 2. Dr. Vo Thi Phuong Lan**

Reviewer 1:

Reviewer 2:

Reviewer 3:

The doctoral thesis is defended before the doctoral thesis jury
at the Academy of Finance
at on, 2019

LIST OF THE AUTHOR'S PUBLISHED WORKS RELATED TO THE DOCTORAL THESIS

1. Kham phan keo ma ny (2018), "Decentralization of state budget management: Lessons learnt in Attapeu province, Lao PDR ", *Magazine of Finance*, (688).
2. Kham phan keo ma ny (2018), "Experience in decentralization of state budget management in some countries and lessons which can be applied to Laos and Attapeu province", *Magazine of Financial and Banking Research*, (09).

INTRODUCTION

1. Urgency of doctoral thesis topic

Since the late 1990s of the 20th century and the early years of the 21st century, the trend towards decentralization of state budget management has been rising in most countries, especially developing countries with transitional economies. The trend stems from the following main reasons:

The use of state budget resources is closely related to economic and political interests among regions and ethnic groups, which can lead to national disunion and political instability. A country losing its political stability cannot develop. Therefore, expansive decentralization of state budget management towards efficiency, fairness and rationality is considered a measure to enhance the national solidarity and political stability of the country.

Decentralization of state budget management is a consequence of decentralization of socio-economic management and the ability of local authorities to respond to local people's needs. A simple principle is that the task assignment must be associated with financial support and empowerment to perform the task. Administrative and socio-economic decentralization is, in fact, delegating responsibility of administrative, economic and social management to local authorities. To fulfill that responsibility, local authorities must have financial resources and be relatively independent in the use of financial resources as prescribed by law. Decentralization of state budget management is a way to satisfy the need for delegation and is an important area of state management decentralization. Decentralized authorities of each level can only independently and effectively implement assigned tasks when they actively acquire necessary resources and have the right to make expenditure decisions.

In theory and in reality, decentralization of state budget management has been recognized as an important method to improve efficiency of state budget management and, accordingly, to ensure timely performance of state management tasks by authorities from central to grassroots levels.

One of the most important issues of decentralization of state budget management is decentralization of state budget management for a specific province. In the past years, decentralization of local state budget management (decentralization of state budget management between the provincial government and district authorities) in Attapeu Province has followed the State Budget Law and local characteristics and obtained

remarkable results. Revenues and expenditures of local authorities at each level have been clearly specified. Local authorities have been proactive in developing and allocating their own budget, actively exploiting local potentials and strengths. Allocation of budget spending has been more effective, lowering the involvement of higher level authorities in the work of lower level authorities. However, in the trend of globalization and international and regional economic integration, there have been many changes in the economic context in the country and Attapeu province, and more local administrative reforms have been implemented, which have caused decentralization of state budget management in Attapeu province to change and complete.

Therefore, it is urgent that there be an objective and comprehensive assessment of decentralization of state budget management in Attapeu province to point out shortcomings and come up with right solutions to perfect decentralization of state budget management in localities. Although there have been some studies on decentralization of state budget management between the central government and local authorities in Lao PDR, there has not been any comprehensive research or evaluation work on decentralization of state budget management in Attapeu province during the period of 2011 - 2017, orientation to 2017-2020 with a vision to 2030.

To meet theoretically and practically pressing requirements of decentralization of state budget management in Attapeu province, I have decided to choose the title "Decentralization of state budget management in Attapeu province, Lao PDR" as my doctoral thesis topic.

2. Research objective and tasks of doctoral thesis

Research objective of doctoral thesis:

The research objective of my doctoral thesis is to develop theoretical basis and practical basis to propose a system of feasible solutions to perfect decentralization of state budget management for Attapeu province in the period of 2017-2020 with a vision to 2030.

Research tasks of doctoral thesis:

- The doctoral thesis systematizes and clarifies the theory of decentralization of state budget management, including decentralization of state budget management among levels of local authorities.

- After looking into decentralization of state budget management in Attapeu province, the doctoral thesis focuses on analyzing and assessing

scientifically the real situation of decentralization of state budget management among levels of local authorities in Attapeu province; clarifying results, shortcomings and causes.

- The doctoral thesis gives orientations, goals, views and a system of feasible solutions to perfect decentralization of state budget management for Attapeu province in the new period, up to 2020, with a vision to 2030.

3. Research subjects and scope of doctoral thesis

Research subjects of the doctoral thesis are theoretical issues on decentralization of state budget management (decentralization of state budget management among levels of local authorities taken into account); practice on decentralization of central state budget management to a specific locality (province) and decentralization of state budget management among levels of local authorities in that province.

Research scope of the doctoral thesis:

Research contents:

In the first place, the doctoral thesis studies decentralization of central state budget management to a specific locality (province), with three basic contents: (1) Decentralization of authority to issue laws and policies; (2) Decentralization of state budget revenue, expenditure and additional funding management; (3) Decentralization of implementation process of state budget management. Furthermore, the doctoral thesis focuses on researching decentralization of state budget management between the provincial government and district authorities of the province with the main content as follows: Decentralization of state budget revenue, expenditure and additional funding management.

Research scope:

The doctoral thesis is set in Attapeu province and investigates experiences of some countries in the world and some provinces in the country in decentralization of state budget management.

Research period of time:

The research on decentralization of central state budget management to Attapeu province and decentralization of state budget management among levels of local authorities in Attapeu province is conducted for the period of 2011 – 2017 with orientations, goals, views and feasible solutions to complete decentralization of state budget management in Attapeu province towards 2020 with a vision to 2030.

4. Research methodology of doctoral thesis

Based on the methodology of dialectical materialism and historical materialism, during my research, I use the following specific research methods:

- *Methods of analysis and synthesis:*

I analyze the theory of state budget management and decentralization of state budget management by looking into their aspects, components and chronologic relationships to be aware of, discover and make use of various respects of the theory, thereby collect necessary information for the research. At the same time, I synthesize all the collected aspects and components of the theory to create a theoretical basis for decentralization of state budget management, especially decentralization of local state budget management in a province. Combining the theory with the reality and analyzing the reality based on the theory, I make assessments and synthesize them to give scientific views and suggestions which are appropriate for the theory and real situation of decentralization of state budget management in Attapeu province.

- *Historical method:*

I use this method to approach and examine decentralization of state budget management in Attapeu province in the period of 2011 - 2017. Based on the historical context and the sources of materials related to decentralization of state budget management, I build a theoretical framework of the doctoral thesis. In the research scope of the doctoral thesis, it is very important to understand the materials related to decentralization of state budget management in Attapeu province, in order to have bases to study current decentralization of state budget management. Through the research, I find out theoretic and real problems and propose solutions to decentralization of state budget management in Attapeu province.

- *Comparison method:* I have used this method to clarify similarities and differences, advantages and disadvantages of research issues, thereby make appropriate proposals to achieve the research objective.

- *Scientific reference method:* I use relevant research results that have been published at home and abroad to perfect the theoretical basis and solutions of the doctoral thesis.

5. Overview of research situation related to doctoral thesis

Since launching the reform policy up to now, Lao PDR has step by step accelerated decentralization of state management between the central

government and local authorities and among levels of local authorities. The central government has made positive and specific solutions to strengthening more decentralization of tasks and authority to local authorities and among levels of local authorities in the fields of finance - budget, planning - investment, land - natural resources, health, culture, education, staffing, etc. There have been a few small research projects on decentralization of state budget and local budget management in different aspects. However, there have been no domestic doctoral theses on decentralization of state budget and local budget management in Lao PDR.

Some authors have done scientific research projects on decentralization of state budget management, or on one of the contents of decentralization of state budget management. For example, Tran Thi Dieu Oanh, in 2012, did a research project with the topic: "Decentralization of management and legal status of local authorities in the process of reforming state apparatus in Vietnam". However, there have been no research projects overlapping with the research topic, subject, scope and tasks of the doctoral thesis I have chosen.

6. Structure of doctoral thesis

In addition to the Introduction, Conclusion, List of works published by the author related to the thesis, List of references and Appendixes, the doctoral thesis consists of 3 chapters:

Chapter 1: Decentralization of state budget management

Chapter 2: Real situation of decentralization of state budget management in Attapeu province in the period of 2010 - 2017

Chapter 3: Solutions to complete decentralization of state budget management in Attapeu province

Chapter 1

DECENTRALIZATION OF STATE BUDGET MANAGEMENT

1.1. GENERAL THEORY OF STATE BUDGET

1.1.1. Concept and characteristics of state budget

1.1.1.1. Concept of state budget

The state budget is all state revenues and expenditures that are estimated and implemented within a certain period of time decided by competent state agencies to ensure performance of the state's functions and tasks.

1.1.1.2. Characteristics of state budget

Firstly, state budget revenues and expenditures are always closely attached to the state's economic and political power, and functions and tasks performed by the state on the basis of certain laws.

Secondly, the state budget activity is redistribution of financial resources, which is reflected in the two areas of state revenues and expenditures.

Thirdly, the state budget is always tied to state ownership with shared and public interests;

Fourthly, the state budget also has characteristics like other monetary funds.

Fifthly, state budget revenues and expenditures are mostly based on the principle of no direct refund.

1.1.1.3. Roles of state budget

Firstly, in terms of the economy, the state creates environments and conditions to build a new economic structure, stimulate business development and fight against monopoly.

Secondly, in terms of the society, through revenues and expenditures, the state budget allocates funds to activities for social welfare purposes.

Thirdly, in terms of the market, through revenues and expenditures, the state budget contributes to stabilizing market prices.

1.1.1.4. Functions of state budget

The first function is distribution.

The second function is supervising the process of mobilizing revenues and implementing expenditures.

1.1.2. State budget revenue and expenditure

1.1.2.1. State budget revenue

State budget revenue collection is the State's financial activity established by the system of policies and laws issued by the State on the basis of the State's political power over other subjects in the society to mobilize some social wealth to constitute the state budget to meet the State's spending needs.

1.1.2.2. State budget expenditure

State budget expenditure is the process of allocating and using the state budget to implement the State's tasks in each period.

1.1.3. State budget management process

According to international practice, the state budget management process involves all activities of 3 stages: (1) Preparing and deciding the state budget; (2) Implementing the state budget; (3) Auditing and evaluating the state budget.

1.1.4. State budget system

The state budget system is a set of budget levels from the central to local levels, built in vertical relations, based on certain principles to ensure the uniform operation of each level in the entire system and achieve the goal of the system.

1.2. DECENTRALIZATION OF STATE BUDGET MANAGEMENT

1.2.1. Concept and models of decentralization of state budget management

1.2.1.1. Concept of decentralization of state budget management

Decentralization of state budget management is dividing financial resources and expenditures together with determining the scope, responsibilities and authorities of budget management and decision among the state administration levels in line with decentralization of socio-economic management.

1.2.1.2. Models of decentralization of state budget management

Decentralization of state budget management is aimed at stimulating local authorities to implement decentralized socio-economic tasks. Therefore, the process of decentralization of state budget management is just like decentralization of socio-economic management, including the following models: *deconcentration* and *devolution*.

1.2.2. Requirements and principles for decentralization of state budget management

1.2.2.1. Requirements for decentralization of state budget management

Decentralization of state budget management must:

- *firstly*, ensure the consistency of the state budget.
- *secondly*, respect the specificity of each type of public goods and services when decentralizing spending tasks to the state budget levels.
- *thirdly*, focus on the characteristics of each tax and the cost of assigning taxes to the budget levels that organize the collection management.
- *fourthly*, consider the minimum difference among regions in the ability to provide public services when developing a mechanism of additional funding from higher levels to lower levels.
- *fifthly*, when determining the authority to issue policies and regimes of revenues, expenditures and borrowing, take into account the financial security standards, ensure the sustainability of the state budget, promote the autonomy of authorities at the grassroots levels in exploiting strengths in regions to formulate policies and regimes.

1.2.2.2. Principles for decentralization of state budget management

Decentralization of state budget management must:

- *firstly*, be conformable and synchronous with administrative and socio-economic decentralization.

- *secondly*, ensure the prime role of the central budget and, at the same time, promote the relative independence of local budgets in a unified budget system.

- *thirdly*, ensure efficiency and reduce unnecessary intermediate stages.

- *fourthly*, ensure fairness.

- *fifthly*, ensure the effectiveness of independent and objective control throughout the system.

1.2.3. Bases for decentralization of state budget management

Decentralization of state budget management is based on:

- the legal system on decentralization of state budget management

- organizational structure of the state apparatus

- the ability of authorities at all levels to provide public goods

- natural, economic and social characteristics of territorial administrative units

1.2.4. Contents of decentralization of state budget management

Decentralization of state budget management is reflected in:

- *firstly*, the design of organizational model of the state budget system including a certain number of levels.

- *secondly*, the legal basis to regulate the authority of State agencies and departments from central to local levels.

- *thirdly*, material relationships among levels of state authorities.

- *fourthly*, relationship among levels of state authorities and between each level of state authorities and budget estimation units of their level in a state budget cycle.

1.2.5. Factors affecting decentralization of state budget management

Decentralization of state budget management is affected by:

1.2.5.1. the nature of public goods provision

1.2.5.2. the organizational structure of the state apparatus

1.2.5.3. the nature and degree of decentralization of administrative and socio-economic management among levels of authorities

1.2.5.4. the decentralization factor

1.2.5.5. the deconcentration factor

1.2.5.6. natural, economic and social characteristics of territorial administrative units.

1.2.6. Experience in decentralization of state budget management in some countries and some localities in Lao PDR and lessons which can be applied to Attapeu province

1.2.6.2. Experience in decentralization of state budget management in Vietnam

1.2.6.3. Experience in decentralization of state budget management in the Philippines

1.2.6.4. Experience in decentralization of state budget management in Thailand

1.2.6.5. Experience in decentralization of state budget management in Indonesia

1.2.6.6. Experience in decentralization of state budget management in China

1.2.6.7. Experience in decentralization of state budget management in the Federal Republic of Germany

1.2.6.8. Experience in decentralization of state budget management in Sweden

1.2.6.9. Experience in decentralization of local budget management in Khammuane province, Lao PDR

1.2.7. Some lessons which can be applied to Attapeu province

Through experience in decentralization of state budget management in some countries, some lessons can be drawn to apply for Attapeu province.

Firstly, Sweden and the Federal Republic of Germany are more economically developed countries with comprehensive and complete legal systems.

Secondly, in terms of the power of the National Assembly over state budget, the NA has full power to make decisions on budget and can change revenues and expenditures, budget deficit or surplus submitted by the Government. State budget estimates are decided by the National Assembly as the annual law on budget.

Thirdly, in terms of tax administration, the above-mentioned countries have a modern, detailed and very specific tax system, both contributing to increasing state budget revenues and stimulating and regulating the economy.

Fourthly, democracy, fairness and publicity in discussions about state budget associated with promoting the role and real power of the National Assembly have always been enhanced.

Fifthly, the countries are seeking to conduct administrative reform and budget reform.

Sixthly, the autonomy of district authorities is enhanced.

Chapter 2

REAL SITUATION OF DECENTRALIZATION OF STATE BUDGET MANAGEMENT IN ATTAPEU PROVINCE IN THE PERIOD OF 2010-2017

2.1. OVERVIEW OF NATURAL AND SOCIO-ECONOMIC CONDITIONS IN ATTAPEU PROVINCE

2.1.1. Overveiw of natural conditions in Attapeu province

Attapeu province is located in the southern part of Laos. It has an area of 10,320 km² with mountainous areas and plains making up two-thirds and one-third of its total land respectively. It is divided into 5 districts. There are 150 villages in the whole province, 23,387 households with a population of 126,271 people (including 63,567 women), 85,235 Lao Loum people (including 49,264 women), Aod 20.235 people (including 11,700 women), 20,723 Hmong people (including 10,270 women) and 78 foreign-born people (including 39 women); its population growth rate is 1.9% a year; its average population density is 12 people per square kilometre. It has borders with Sekong province to the north, Cambodia to the south, Vietnam to the east, Champasak province to the west.

Attapeu's terrain has 3 distinct areas: plain, hilly and semi-mountainous areas. Moreover, Attapeu has resources of land, water, forests, minerals and diverse tourism potentials, especially cultural and spiritual tourism.

Attapeu's natural characteristics offer many advantages. Making use of its its own strengths will help promote socio-economic development as well as facilitate decentralization of state budget management in the province.

2.1.2. Socio-economic conditions in Attapeu Province

In the past six years, while implementing the Resolution of Attapeu province's 10th Party Congress of the 2010 - 2016 term, closely following the central government's orientation on 3 strategic breakthroughs, restructuring the economy associated with innovating the growth model, the party committee, the authorities, the army and people in the province have always upheld the spirit of solidarity - unity, proactivity - creativity, promoted democracy, overcome difficulties, strived and achieved important and relatively comprehensive results in all areas.

Despite economic difficulties in the country and the world, Attapeu's economy has grown well with the average growth rate of 13% per year in the period of 2010 - 2017, twice as high as the average one of the whole country. Its economic structure has shifted towards increasing the proportion of industry and service sector. Wood-based and mineral-based production value has made up 29.8% of the total industrial production value of the province. Capital

sources mobilized for development investment have increased rapidly. Its infrastructure has undergone important developments. The urban and rural appearance has been greatly improved, and there have been many advances in culture and society. In spite of low state budget revenues, the provincial party committee and authorities have placed great emphasis on education - training and social security. Attapeu has always been in the list of top 10 provinces and cities with the highest education quality in the country. The rate of poor households decreased from 40.94% in 2010 to 10% in 2017; every year, the province has funded and encouraged public involvement in the taking care of social welfare beneficiaries and the poor with tens of billions of kip.

In 2017, besides basic advantages, the province faced many difficulties and challenges such as economic downturn, natural disasters, epidemics affecting production and people's life in the province. However, thanks to the governor's leadership and timely administration, determination of authorities at all levels and all sectors, local people's solidarity and efforts, and dynamism of all economic sectors, the provincial socio-economic background remained stable and developed somehow, achieving such important results as: the GDP growth rate of 13.8%; relatively rapid development of industrial production, service, tourism; steady development of agricultural production; widely-deployed movement of new rural construction with outstanding results. The socio-cultural background were greatly advanced, social security was ensured, investment promotion was strengthened, foreign affairs were expanded; political security was maintained, social order and safety were ensured; District defense was strengthened; direction and administration of authorities at all levels and sectors, administrative reform, anti-corruption, handling of complaints and denunciations were paid attention to and achieved good results.

2.2. REAL SITUATION OF DECENTRALIZATION OF STATE BUDGET MANAGEMENT IN APPATEU PROVINCE

2.2.1. Real situation of decentralization of central and local state budget management

2.2.1.1. State budget revenue and expenditure in the period of 2011-2017

Table 2.3: Percentage of central budget revenue and local budget revenue in total state budget revenue

No.	Criterion	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
1	Central budget revenue/Total state budget	45.6%	38%	39.7%	44.2%	40.8%	44.4%	39.9%

	revenue							
2	Local budget revenue/ Total state budget revenue	54.4%	62.1%	60.3%	55.8%	59.2%	55.6%	60.1%

(Source: Lao Ministry of Finance, 2010-2017)

- In general, the local budget revenue rate was often lower than the central budget revenue rate over the years. It means, in terms of decentralization, the prime role of the central budget was ensured.

- Local budget revenues were unequal among provinces. While Vientiane's revenue was the highest, equal to 20% of the total state budget revenue in the period of 2010-2017, Xaysomboun province's revenue only accounted for 0.4% of the total state budget revenue with details as follows:

Table 2.5: Laos' state budget expenditure in the period of 2010-2017

Rate: billion kip

No.	Criterion	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	GDP	61,952.0	70,343.0	80,199.2	90,823.0	100,702.4	108,605.0	140,101.0
2	Total expenditure of the whole country	15,997.4	19,115.0	26,269.2	28,160.4	30,926.5	30,548.0	30,426.0
3	Total expenditure of all ministries	12,245.2	14,917.2	18,771.7	20,672.9	22,963.6	22,123.0	21,327.0
4	Total expenditure of all provinces	3,752.2	4,197.8	7,497.5	7,487.5	7,962.9	8,421.0	9,099.0
5	Expenditure/GDP (%)	25.82%	27.17%	32.76%	31.01%	30.71%	28.12%	21.717%
6	Central expenditure/Total expenditure of the whole country (%)	76.54%	78.03%	71.45%	73.41%	74.25%	72.42%	70.09%
7	Local expenditure/Total expenditure of the whole country (%)	23.46%	21.97%	28.55%	26.59%	25.75%	27.56%	29.91%

(Source: Lao Ministry of Finance, 2010-2017)

In general, the ratio of state budget revenue to GDP was often much higher than the ratio of state budget expenditure to GDP. In the period, the average state budget expenditure accounted for about 29.26% of GDP, while

the average state budget revenue made up about 22.27% of GDP. Central budget expenditure accounted for a relatively large proportion of state budget expenditure compared to local budget expenditure.

In summary, the real situation of state budget revenue and expenditure in this period raised some following major issues:

- The ratio of state budget revenue to GDP tends to decrease.
- The ratio of provincial state budget revenue to GDP is often higher than the ratio of central state budget revenue to GDP.

2.2.1.2. Decentralization of state budget management centrally and in Attapeu province

In the period 2011-2017, the provincial economic structure shifted towards increasing the proportion of industry and service sector and reducing the proportion of agriculture and forestry. After more than 20 years, Attapeu developed from an agriculture-based province to a fairly industrialized and modernized one. In 2011, the proportion of industry - construction accounted for 43%, service sector accounted for 22%, agriculture, forestry and fishery only 35%. The economic structure shifted towards forming economic regions of driving force for provincial economic development, protected forest areas, a concentrated industrial zone in Xaysetha district, a region of high quality rice cultivation in Sanamxay district, a concentrated agricultural zone of fruit and industrial trees such as coffee, peanut, rubber, and chilli for export in Sanxay district, and industrial zones in districts based on their own conditions. A healthy and open investment and business environment, along with preferential mechanisms and policies, stimulated development of non-state enterprises in both quantity and scale. Many businesses with large projects, for example factories of sugar cane, rubber and wood processing, etc. contributed positively to the socio-economic development of the province. Provincial competitiveness index in 2015 was quite high compared to other provinces in the country.

2.2.2. Real situation of decentralization of state budget management in Attapeu Province

2.2.2.1. Real situation of state budget in the period of 2010-2017

Table 2.10: Ratio of revenue from provincial departments, agencies and sectors to total provincial state budget revenue

Rate: %

No.	Provincial departments, agencies and sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Provincial Hospital	0.034	0.053	0.032	0.013	0.922	0.765	1.17
2	Department of Justice	0.029	0.042	0.057	0.038	0.037	0.066	0.032
3	Department of Transport	0.136	0.195	0.104	0.093	0.218	0.208	0.124
4	Department of Education	0.013	0.026	0.007	0.010	0.014	0.004	0.052
5	Department of Police	0.212	0.261	0.106	0.094	0.101	0.27	0.140
6	Department of Culture	0.004	0.010	0.005	0.011	0.009	0.014	0.004
7	Department of Industry and Commerce	0.019	0.016	0.028	0.015	0.022	0.029	0.040
8	Department of Planning and Investment	0.0003	0.0004	0.0009	0.0007	0.002	0.001	0.015
9	Department of Agriculture and Forestry	0.181	0.374	0.318	0.259	0.196	0.365	0.028
10	Department of Science and Technology	0.001	0.001	0.008	0.003	0.011	0.014	0.002
11	Department of Labor and Social Welfare	0.002	0.244	0.121	0.078	0.060	0.24	0.258
12	Department of Health	0.0003	0.0004	0.0004	0.0005	0.0005	0.0004	0.0002
13	Department of Energy and Minerals	0.001	0.001	0.002	0.002	0.012	0.0015	0.001
14	Department of Foreign Affairs	0.020	0.073	0.064	0.002	0.0006	0.0005	0.0005
15	Department of Post and Telecommunications	0.004	0.005	0.012	0.013	0.012	0.016	0.008

16	Office of Water Resources and Environment	0.001	0.001	0.133	0.159	0.064	0.107	0.106
17	Provincial Supreme Court	0.0007	0.0008	0.001	0.001	0.005	0.006	0.003

(Source: Provincial Department of Finance, budget report for 2010-2017)

The reason for differences in budget revenues among districts is their different economic potentials. The differences partly show shortcomings of regulation mechanism in decentralization of state budget management.

In general, the ratio of state budget expenditure to GDP was much higher than the ratio of state budget revenue to GDP. In the period, the average state budget expenditure accounted for about 19.54% of GDP, while the average state budget revenue made up about 20.61% of GDP. State budget expenditure of provincial departments, agencies and sectors represented a quite large proportion compared to that of districts. Details are as follows:

Table 2.11: Provincial state budget expenditure in the period of 2010-2017

Rate: billion kip

No.	Criterion	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	GDP	500.263	853.130	1.211.393	1.586.249	1.743.443	2.187.257	2.390.880
2	Total expenditure of the whole province	126.689	177.627	267.843	272.563	307.552	324.870	451.13
3	Total expenditure of departments, agencies and sectors	109.642	147.581	223.795	229.573	242.800	266.934	395.41
4	Total expenditure of all districts	17.047	30.046	44.048	42.990	64.752	57.936	55.72
5	Ratio of expenditure to GDP (%)	25.32	20.82	22.11	17.18	17.64	14.85	18.86
6	Expenditure of departments, agencies and sectors/Total expenditure of the whole province (%)	86.54	83.08	83.55	84.22	78.94	82.16	87.65
7	Expenditure of all districts/ Total expenditure of the whole province (%)	13.45	16.91	16.44	15.77	21.05	17.83	12.35

(Source: Attapeu's Department of Finance, 2010-2017)

Table 2.12: Provincial state budget expenditure on additional funding to districts during the period of 2010-2017

Rate: billion kip

No.	Criterion	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	Total provincial expenditure	126,689	177,627	267,843	272,563	307,552	324,87	451,13
2	Expenditure on additional funding to districts	12,180	23,990	37,307	33,137	49,951	48,418	45,24

(Source: Attapeu's Department of Finance, 2010-2017)

In summary, the real situation of state budget revenue and expenditure in this period raised some following major issues:

- The ratio of provincial state budget expenditure to GDP was higher than the ratio of state budget expenditure of sectors to GDP and much higher than that of districts.

- To some extent, the mechanism of decentralization of state budget management in Attapeu province in this period could not really promote the positive and leading role of state budget of districts and sectors still relied on budget support from lower levels and were not financially autonomous.

2.2.2.2. System of provincial state budget in Attapeu Province

Attached to the government apparatus, the system of state budget is divided into the provincial budget level and the district budget level:

- The provincial budget includes budgets of departments, agencies and sectors and centrally-run agencies.

- The district budget includes budget of local authorities.

2.2.2.3. Decentralization of state budget management in Attapeu Province

Decentralization of state budget management in Attapeu is not clear or comprehensive, so the provincial budget is made to subsidize and cover expenditures for districts and sectors although its revenue does not reach the target. This doesn't encourage the units to rise themselves.

It can be seen from the table of revenue and expenditure ratios between district budgets and the provincial budget that there were certain difficulties of state budget in Attapeu province in the period of 2010-2017. Although the provincial budget had to cover large expenditures., its revenue was not guaranteed. It can be said that the unclear decentralization of state budget

expenditure to districts led to erratic increases and decreases in ratios of district state budget expenditure to provincial state budget expenditure over the years.

2.2.2.4. Decentralization contents of state budget management in Attapeu Province

- Decentralization of authority to issue regime policies
- Decentralization of state budget revenue sources and spending tasks
- Decentralization of state budget cycle management

2.3. GENERAL ASSESSMENT OF REAL SITUATION OF DECENTRALIZATION OF STATE BUDGET MANAGEMENT IN ATTAPEU PROVINCE

2.3.1. Results

Attapeu's state budget revenue sources and spending tasks have been more decentralized. The provincial People's Council has been empowered to decide on decentralization of revenue sources and spending tasks to each local budget level, management of capital construction investment and regular increases in spending tasks, which has helped better allocate public resources to supply public goods and services to local people. Decentralization of revenue sources to local budget levels is relatively suitable to characteristics of revenue sources, ensuring enough revenues for local authorities to perform spending tasks assigned and dealing with the situation of imbalance in the vertical direction, increased additional funding among budget levels contributing to improving the imbalance in local budget levels. Targeted additional funding has helped localities to achieve poverty reduction targets well. In addition, decentralization of state budget management has a positive impact on local economic growth and poverty reduction. The policy of decentralization of state budget revenue has promoted local socio-economic development and partly helped to promote gradually transparency and accountability of authorities at all levels in implementing state budget-related tasks.

2.3.2. Some shortcomings

In addition to the above-mentioned positive results, Attapeu province's decentralization of state budget management still has some following main problems:

Shortcomings in the central government's decentralization of state budget management to Attapu province

Firstly, decentralization of state budget management affects the efficiency of state budget use; Attapu province's government has been more proactive in state budget management but still needs to be more proactive.

Secondly, the serious unfairness in local state budget revenues and

expenditures among provinces has lasted for decades. The imbalance among regions is evident in contributions to state budget revenue, the state budget spending and additional funding from the central state budget.

Thirdly, decentralization of implementation of state budget process is inadequate. For example, decisions on budget estimation and allocation are still overlapping.

Fourthly, supervision and inspection of state budget at the central level and in Attapeu have not met practical requirements.

Shortcomings in decentralization of state budget management among authorities at all levels in Attapeu province

Firstly: Shortcomings in promulgation of policies, regimes, standards and norms for budget revenue and expenditure

Secondly: Shortcomings in decentralization of local budget revenue, additional funding and loans

Thirdly: Shortcomings in decentralization of local budget spending tasks

Fourthly: Shortcomings in decentralization of local budget management process

2.3.3. Causes of shortcomings

- There has not been a mechanism for decentralizing budget revenue sources to districts that is appropriate to the actual situation of each district in the province, so districts are not encouraged and motivated to increase their budget revenues.

- The state's regimes, policies, standards and norms of state budget have not yet been issued or not fully and timely issued, slowly amended and supplemented to suit the actual situation.

- Decentralization is not based on strengthening management capacity, supporting conditions and facilities for lower levels.

- Decentralization of state budget revenue sources has not been coupled with decentralization of revenue management, thus affecting revenue sources of budget levels.

Chapter 3

SOLUTIONS TO COMPLETE THE STATE BUDGET MANAGEMENT IN ATTAPEU PROVINCE

3.1. SOCIO-ECONOMIC DEVELOPMENT PLAN AND ORIENTATION OF DECENTRALIZATION OF STATE BUDGET

MANAGEMENT IN ATTAPEU PROVINCE FROM NOW TO 2020 WITH A VISION TO 2030

3.1.1. Socio-economic development plan of Attapeu province from now to 2020 with a vision to 2030

3.1.2. Orientation of state budget decentralization in Attapeu province from now to 2020 with a vision to 2030

SOLUTIONS TO COMPLETE DECENTRALIZATION OF STATE BUDGET MANAGEMENT IN ATTAPEU PROVINCE FROM NOW TO 2020 WITH A VISION TO 2030

3.2.1. Perfecting the system of legal documents issued by the central government related to decentralization of state budget management

3.2.2. Perfecting the state budget process

3.2.3. Perfecting the mechanism of decentralization of state budget revenue among local authorities in the province

3.2.4. Perfecting the mechanism of decentralization of state budget spending tasks

3.2.5. Decentralizing state budget management attached to budget management based on results of performance of 5-year financial tasks and plans, 3-year financial and state budget plans

3.2.6. Specifying responsibilities of tax authorities and the State Treasury offices at all levels

3.2.7. Strengthening supervision and inspection of local budget decentralization

3.2.8. Perfecting the system of legal documents issued by Attapeu province related to decentralization of local budget management

3.2.9. Perfecting decentralization of revenue sources and additional funding to the local budget in Attapeu province

3.2.10. Perfecting decentralization of local budget spending tasks in Attapeu province

3.2.11. Enhancing publicity and transparency; closely monitoring management and decentralization of local budget management in Attapeu province

3.2.12. To raise the level of finance and budget officials and public employees of Attapeu province levels

3.2.13. Some other solutions for implementation

3.3. RECOMMENDATIONS TO POLICY ON DECENTRALIZATION OF LOCAL STATE BUDGET MANAGEMENT IN LAOS FROM NOW TO 2020 WITH A VISION TO 2030

3.3.1. Decentralization of state budget revenue

Provinces need to actively create some self-revenues. Currently, local authorities of Laos have almost no revenues of their own. Given the specificity of Laos, allowing localities to come up with a separate tax law or change the current tax structure may not work for economic growth, or even it may have a reverse effect. But it is also necessary that localities be gradually given relative autonomy over taxes. This will enable localities to exploit their local revenue sources, reduce the passive dependence on the central government, and increase their proactivity to implement assigned tasks.

Based on experience of decentralization of countries in the world, it can be seen that taxes over which localities can be given more autonomy in the coming time are: housing tax, land use right transfer tax and land use tax.

In terms of tax administration, the solution at the present time is that local taxes should still be collected according to the centralized mechanism.

3.3.2. Decentralization of state budget expenditure to localities

Reorganizing public investment is one of the three main areas of the economic restructuring program - changing the Lao economic growth model.

Firstly, coordinating decentralization of state budget expenditure on investment with decentralization of planning management, socio-economic development plans should be in the following direction: The Government exercises unified management of planning work nationwide, ministries of different sectors coordinate with the Ministry of Planning and Investment to develop development plans for their sectors and submit them to the Prime Minister for approval. Ministers shall decide specific internal development planning for their sectors assigned by the Government

Secondly, decentralization of state budget expenditure on investment does not apply empowerment from the higher level of authority to the lower one.

Thirdly, decentralization of state budget expenditure on investment should be attached to clear definition of authority of managing and using assets invested in by authorities at all levels (accountability of explanation) in the direction of classifying assets into national, provincial and district levels.

Fourthly, decentralization of state budget expenditure on investment should also be associated with decentralization of management of non-business and public service activities.

Fifthly, in order to decentralize expenditure on investment effectively, it is necessary to soon complete and implement the Public Investment Law and draft the Law on Protection of National Security and Benefits and the material for standardizing the process of selecting positions State management officials and a number of other relevant laws, creating a synchronous and appropriate

legal basis for the process of strengthening and implementing decentralization of state budget expenditure on investment in particular, decentralization of state management in general .

3.3.3. Budget regulation policy

The budget regulation mechanism is used as a financial tool to address socio-economic problems and inequalities across regions. The budget regulation mechanism must be aimed at promoting local economic growth, building socio-economic infrastructure, contributing to narrowing the gap among regions. At the same time, the budget regulation mechanism must also focus on promoting efforts to collect taxes, combat revenue losses, create conditions for effective mobilization and use of the country's resources.

However, there are still certain shortcomings in the budget regulation mechanism. Solutions proposed include:

Firstly, in the short term, the Government needs to upgrade its current accounting system by adding clearer revenue norms, based on better revenue forecasting capabilities and issue transparent norms for state budget allocation to expenditure on investment.

Secondly, the Government should consider reforming the budget regulation system in Laos.

3.3.4. Local public sector administration reform

The public sector of Laos is operating under the traditional administration model, focusing mainly on managing inputs, not paying due attention to evaluating outputs and results (this is clearly reflected in the state budget management and decentralization of state budget management). Therefore, to overcome weaknesses, it is necessary to apply the management mechanism and tools of the private sector to the public sector.

Improving the capacity of local authorities in terms of decentralization of state budget management

Laos needs to develop a capacity building program for government officials to provide better training opportunities at the central as well as local levels, innovate training programs and methods, modify contents to be more suitable to the actual job skills required.

Centralizing control and decentralizing management

When undertaking decentralization of state budget management, it is necessary to redefine responsibilities of central and local authorities. At the same time, policies must agree on responsibilities, and self-determination of local leaders and their officials must be explicitly concretized and accompanied by resources and flexibility for specific activities to meet public needs, and must be

accompanied by mechanisms to ensure accountability and prevent take-over of key personnel.

Applying uniformity but not unification in the use of civil servants

Civil servants will share national identity separately without depending on the exact same pay and recruitment regulations.

Enhancing responsibility of local authorities

In the process of transferring power and responsibility to local authorities, the central government needs to consider the ability of administrative units to take on complex technical and managerial tasks, while avoiding rapid development of local administrative units which are not effective.

CONCLUSION

The industrialization - modernization process of the country requires a large amount of capital to promote the economy, thus requiring more and more responsive expenditures including regular expenditures. In order for these expenditures to be highly effective for right purposes and subjects, controlling the state budget expenditure is necessary. Based on the reality of decentralization of state budget management in Lao PDR, to take advantage of local revenue sources, to better meet spending requirements, to improve the capacity and efficiency of state management, to promote local socio-economic development, to better meet development needs and benefit local people, and for more effective decentralization of state budget management, the state needs specific actions and stronger changes. How to implement decentralization of central state budget management to provinces and among provincial authorities is a significant problem for Attapeu province as well as many other localities in the country today. The doctoral thesis has dealt with the following basic contents:

In theory:

Systematization sheds more light on the theoretical basis of decentralization of state budget management. The theoretical framework developed includes: (1) State budget and state budget system. (2) Theory of decentralization of state budget management including such specific contents as: Concept, models, bases, contents, principles, advantages and disadvantages of decentralization, measurement of decentralization level and factors affecting decentralization.

In order to clarify the theoretical judgments about decentralization of state budget management, the doctoral thesis includes research on decentralization of state budget management in some countries in the world, experience in

decentralization of state budget management in some provinces in Lao PDR, and lessons drawn for decentralization of state budget management in Attapeu province.

In practice:

The doctoral thesis includes an overview and analysis of advantages and disadvantages of natural and socio-economic conditions in Attapeu province affecting decentralization of state budget management.

Based on regulations on legal framework, sources of materials from the provincial government of Attapeu province and other sources, the doctoral thesis analyzes the real situation of decentralization of state budget management in the province in the period of 2011 - 2017, including 2 issues: (1) Central government's decentralization to the province including 3 basic contents: (a) Decentralization of authority to issue laws and policies, (b) Decentralization of state budget revenues, expenditures and additional funding, (c) Decentralization of implementation process of state budget management; (2) Decentralization among levels of local authorities in Attapeu province with the major content of decentralization of state budget revenues, expenditures and additional funding. The doctoral thesis then assesses results and shortcomings in decentralization of state budget management in Attapeu province in the period of 2011 - 2017, and also points out causes of the shortcomings. Assessing the real situation and causes of the shortcomings in decentralization of state budget management in Attapeu province is a practical basis for me to propose solutions to decentralization of state budget management in the coming time.

Regarding solutions and recommendations:

On the basis of assessing the real situation of decentralization of state budget management in Attapeu province in the period of 2011 - 2017, orientations and objectives of decentralization of state budget management in Attapeu province for the period of 2017 - 2020 with a vision to 2030, I propose 13 solutions to decentralization of state budget management in Attapeu province and make a number of recommendations to implement solutions.

Because of limited theoretical understanding, the research scope of just one province, rapid changes in the socio-economic situation of the country and limited practical experience, it is difficult to avoid mistakes and shortcomings in the doctoral thesis. I expect to receive comments and suggestions from teachers and readers to make the doctoral thesis more perfect. Thank you very much.