

ARTICLE

# Improving the Efficiency of the State Budget Balance in Vietnam

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ABSTRACT

The state budget balance is always an extremely important issue for each government. In 2020, Vietnam has a relatively small-scale economy. Its economic scale and GDP per capita reached 271.2 billion USD and 2,779 USD respectively. Budget revenue is still limited, but the need for recurrent spending and development investment is still very large now and in many years to come. In the past time, budget revenue and expenditure are in a situation of not having the necessary balance, the state budget deficit has been still around 4.5 percent of GDP. The actual state budget revenue and expenditure balance have been revealing several disadvantages. Faced to such a situation, the author would like to present some important issues about the state budget revenue and expenditure and propose key solutions to increase the efficiency of state budget revenue and expenditure in Vietnam.

## 1. Introduction

The state budget includes all revenues and expenditures of the State estimated and implemented in a year to ensure the performance of the State's functions and tasks. Balancing budget revenue and expenditure is always an important task of the state in any country in the world. We can understand that the state budget balance is an important part of fiscal policy, reflecting the adjustment of the interaction relationship between state budget revenue and expenditure in order to realize socio-economic goals. Associations that the State has set forth in each specific field and area.

In 2020, due to the impact of Covid-19, many countries around the world fell into recession. However, Vietnam is a rare country that maintains positive growth of 2.91 percent. The epidemic is controlled and social security

is ensured. According to the assessment of domestic and foreign economic organizations, by the end of 2020, Vietnam has achieved "dual goals" in the prevention of Covid-19 and maintaining economic growth<sup>[1]</sup>. The Economist magazine in August 2020 ranked Vietnam in the top 16 most successful emerging economies in the world. According to World Bank data, with an average economic growth of 6.8 percent per year in the period 2016-2019, Vietnam is among the top 10 fastest growing countries in the world.

In the additional assessment report on the results of the implementation of the Socio-Economic Development Plan 2020 sent by the Government to the National Assembly on March 22th 2021, the Government affirmed that it has better implemented the main targets assigned by the National Assembly, achieved and exceeded 10/12 key targets. In which, there are 2 additional targets exceeding

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the target. The first one is that the growth rate of total export turnover is 7 percent (the reported number is about 1 percent). The second one, the unemployment rate of working age workers in urban areas is 3.88 percent instead of 4.39 percent as previously reported. There are four actual performance indicators that are better than the estimates reported to the National Assembly: (1) The growth rate of gross domestic product (GDP) reaches 2.91 percent (the reported number is about 2-3 percent); (2) The average growth rate of the consumer price index (CPI) reached 3.23 percent (the reported number is less than 4 percent); (3) The trade surplus was about 20 billion USD, equivalent to 7.1 percent of total export turnover (the reported trade surplus was 7 billion USD, equivalent to 2.6 percent of total export turnover); (4) The proportion of the population participating in health insurance reached 90.85 percent (reported number was 90.7 percent). With the efforts of the Government and the whole society, Vietnam's economic scale reached 271.2 billion USD and GDP per capita reached 2,779 USD<sup>[1]</sup>.

In 2020, the government has restructured the economy in association with renovating the growth model, improving productivity, efficiency and competitiveness, which has been drastically implemented and achieved many positive results. Growth model gradually shifted from breadth to depth, growth quality was improved. The macro-economy is stable, and inflation is under control, ensuring the liquidity, stability and smoothness of the currency and foreign exchange markets. Credit growth is guaranteed to be in line with directional targets, capital absorption capacity of the economy, coupled with credit quality, and interest rate reduction. Credit structure continued to be positively adjusted, focusing credit sources on production, business and priority fields, strictly controlling credit in potential risk areas.

Despite many difficulties and challenges in the face of the complicated situation of the Covid-19 pandemic, Vietnam has still accomplished many socio-economic goals and important financial and state budget tasks, contributing to successfully accomplishing the common goal of the whole country. Major balances including the trade balance and the budget balance have been secured and improved more positively. Total import and export turnover of goods reached 545.4 billion USD, up 5.35 percent, of which goods export reached 282.7 billion USD, up about 7 percent, reaching the set target. Import of goods reached 262.7 billion USD, up about 3.67 percent<sup>[2]</sup>; trade surplus reached about 20 billion USD - the highest level ever, trade surplus for the 5th consecutive year.

Total state budget revenue in 2020 is estimated at

1,507.1 trillion dong, equal to 98 percent of the estimate while the total budget expenditure is estimated at 1,781.4 trillion dong, timely and fully meeting spending tasks. socio-economic development, national defense and security, state management and payment of due debts. State budget deficit in 2020 is strictly controlled. Thanks to better state budget revenue and thorough savings in expenditures, the state budget deficit is estimated at 265 trillion VND (an increase of 30.3 trillion VND compared to the estimate), equivalent to about 4.2 percent of the estimated GDP to the extent permitted by the National Assembly (below 4.5 percent of GDP). By the end of 2020, public debt will be about 55.9 percent of GDP (in 2019 it is 55 percent of GDP), Government debt is about 49.7 percent of GDP (in 2019 it is 48 percent of GDP), within the allowable limit<sup>[3]</sup>.

Although positive results have been achieved, there are still shortcomings, limitations and inadequacies: Economic growth is still not commensurate with the potential and not really sustainable; the competitiveness and autonomy of the economy is still limited; budget revenues and expenditures still have many shortcomings; unsynchronized infrastructure; human resources do not meet the requirements. Especially with the very serious impacts of the Covid-19 pandemic in all fields due to the large openness of Vietnam's economy as well as deeper and deeper international integration, the process of economic restructuring is still slow, the economy's autonomy and ability to withstand unusual fluctuations in the world are still limited.

State budget balance has always been extremely important for the development of the country in general. However, the field of state budget revenue and expenditure in Vietnam also has revealed many shortcomings so that the efficiency of state budget revenue and expenditure is still limited. This article wishes to present more clearly a number of main theoretical issues on revenue - expenditure and efficiency of state budget revenue and expenditure, the current situation of state budget balance in Vietnam and propose solutions mainly to increase the efficiency in the coming years.

## 2. Methodology

This study almost uses secondary data. The author collected data about state budget in Vietnam from Statistical Yearbook by General Statistic Office and from official reports of communist party and government agencies. Besides, the author also referred data of state budget mentioned in some manuscripts published specialized magazines. After that, the author aggregated necessary statistics for this paper.

After obtaining and integrating data, the author analyzed statistics by using graphs, tables and comparative method to make the study clear and lively. Besides, information technology software such as Microsoft Excel, Paint,... and some computer tools were used to support the study.

### 3. Results and Discussion

#### 3.1 Some Theoretical Issues on Balance of State Budget Revenue and Expenditure

##### State budget revenue

The system of national finance is composed of 5 basic parts: (1) State finance; (2) Corporate finance; (3) Household finance and social organizations; (4) Finance of the groups intermediary financial institutions (securities institutions, financial lending institutions...) and (5) International finance (finance of foreigners and international organizations based in Vietnam). All of them are closely related and influencing each other to create efficiency of all system and socio-economy. The larger the purchasing power of the population is, the more people can afford to spend on shopping for goods, travel, medical treatment, enjoyment of culture and art... Thus the more likely they are to contribute to the revenue of state budget. In fact, taxes, fees and charges account for about 84-85 percent of state budget revenue. It shows that residential income and household finance play an extremely important role, having great significance for state budget revenue. Therefore, how to strengthen household finance and corporate finance is a point of great significance for the nation<sup>[4]</sup>.

According to the Law on State Budget of Vietnam issued in 2015 and Resolution No. 163/2016/NQ-CP dated December 21, 2016 on the implementation of the articles in the Law on State Budget have been clearly stated about state budget revenue, including 14 revenues<sup>[5,6]</sup>. The economic development and consumption policy as well as the State's accumulation policy have great impact on balance of state budget revenue and expenditure. Economic sectors including the state, enterprises and households distribute together to find high-paying jobs which is extremely important to increase the scale of the national economy; thereby increasing the mobilization of GDP into the state budget. Therefore, the issue of strongly developing the household economy and increasing the household's financial capacity is of great significance to the increase of the state revenue. The larger the mobilization of GDP into the state budget is, the greater the accumulation capacity for development investment is, and vice versa.

Macroeconomic theory has shown that there are three main sources of funding for development investment of any economy. Firstly, it is the undistributed profits of enterprises that are mostly included in the income of households and are not used for consumption or in other words, it is savings. Issuing equity securities is also an important source of funding because these securities will be purchased with households' savings. Thirdly, credit mobilization through financial intermediaries or bond issuance is also one of popular sources. After all, in order to invest for development, it is essential to implement savings and accumulation. Saving is a function of income,  $S = f(Y)$ <sup>[7]</sup>. Saving is positively related to income so the saving curve is upward sloping. At very low levels of income, saving can be negative. This is because at low levels of income, consumption can be more than income and there can be dissaving in the economy. We will consider the investment to be autonomous, and thus, the investment curve is a horizontal line parallel to the x-axis. In the diagram, point E is the equilibrium point where  $S = I$ . At this point, the amount of money withdrawn from the economy is equal to the amount of money injected into the economy at this level  $AD = AS$  in the economy (Figure 1).

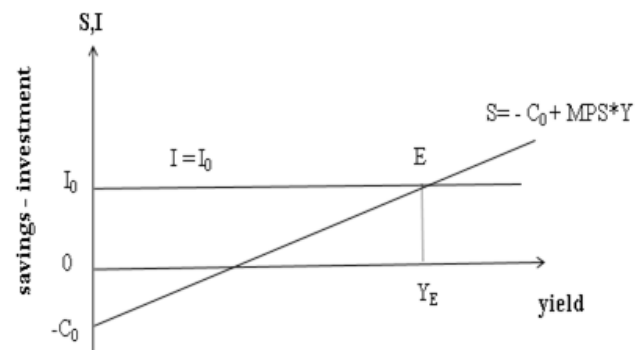
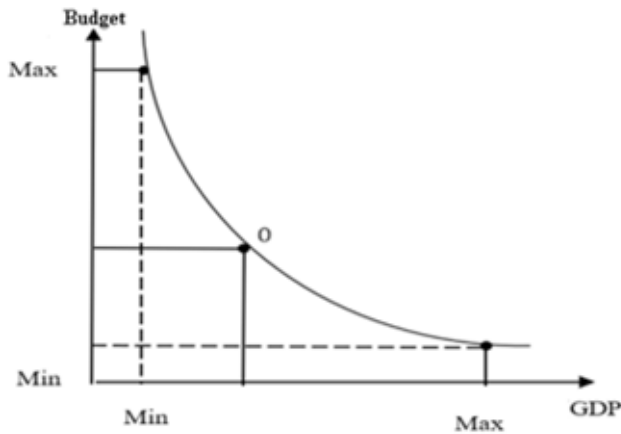


Figure 1. Relationship between savings and investment

If the mobilization of GDP into the state budget reaches Max, the output of the economy will reach Min and vice versa (Figure 2). It means that it is impossible to reach Max for both targets. Therefore, it is necessary to determine how reasonably to mobilize GDP into the state budget so that economic output can reach the necessary high level, creating a premise for the formation of economic resources for the next period<sup>[8]</sup>. The key issue is determining the “o” point and how long it is appropriate to maintain this situation. Observing the relationship between consumption and accumulation in another slice also shows a close correlation between savings and consumption. The level of mobilization of GDP into the budget is inversely proportional to the increase in output of the economy. If taxes, fees, charges or GDP are mobilized too much into the state budget, then production will not develop, which means the size of the country's GDP will decrease.



**Figure 2.** Relationship between the State budget and GDP

A typical example of savings as the primary source of development investment is China. In 1978, China implemented the policy of opening reform associated with the implementation of the four modernizations. To do this, China has implemented the policy of “tighten the belt” and austerity. During the years of 1980-2000, this country achieved a ratio of social investment to GDP about 40-42 percent. Up to now, China has had the second largest economy in the world, surpassing Japan and many European developed countries.

### State budget expenditure

The Law on State Budget of Vietnam specified 9 contents of state budget expenditure<sup>[5]</sup>. In this, recurrent expenditure and development investment expenditure are important spending that have a decisive influence on the efficiency of state budget expenditure. Recurrent expenditure depends on several factors, of which the number of public employees and the salary regime for the public sector are two important ones. Development investment spending, also known as investment with state budget capital, is an important budget expenditure, usually accounting for about 30 percent of total state budget expenditure. Its effectiveness greatly affects the efficiency of state budget expenditure. Development investment spending includes 4 main parts: (1) Investment in construction of technical infrastructure and procurement of public assets (properties for state agencies); (2) Investment in science and technology development; (3) Invest in human resource training for the public sector; and (4) Invest in building and promulgating laws and policies. It is necessary to consider the effectiveness of state budget investment<sup>[6]</sup>. Theoretically, the effectiveness of state budget investment is analyzed through a number of key indicators including contribution rate to GDP growth, rate of job creation for employees, private capital

attraction Index, rate of loss and waste of state budget capital, debt ratio and long construction period.

### State budget revenue and expenditure balance

State budget balance is always a big issue, which is one of the important indicators reflecting the sustainable development of the national economy. For Vietnam, the economy is small, so internal capital accumulation is limited. The government must borrow to balance the budget is a problem to do. Public debt and public debt payment are issues that cannot be ignored when discussing budget balance in our country. For a country with a small economy, low GDP per capita, this is also an issue that needs attention to find solutions to reduce the state budget deficit.

According to the government’s announcement, Vietnam’s public debt at the end of 2019 reached 56.1% of GDP (down from 58.4% in 2018). In 2020, the government implemented the policy of raising the public debt ratio by about 2-3% of GDP to have more resources to support businesses and employees amid great damage from the COVID-19 pandemic. With such a level of public debt, it is still within a safe threshold. Actually, by the end of 2020, the national public debt is equivalent to 55.3% of the economy’s GDP, of which foreign debt accounts for 47.3% of GDP<sup>[1,2]</sup>.

### 3.2 Situation of State Budget Revenue and Expenditure in Vietnam

In fact, in the period 2011-2019, the population increased by about 1.15%/year and GDP increased by 6.3%, so people’s living standards were improved relatively clearly, labor productivity increased by about 5.1 %/year. In 2019, Vietnam’s GDP per capita was about 35% of Thailand’s, 22.5% of Malaysia’s, and 4% of Singapore’s<sup>[2]</sup>. That shows, the ability to accumulate from within the economy of our country is limited. Recently, the economy has developed quite well, the economic openness is increasing, Vietnamese enterprises are participating in economic games on a global scale more and more. The rate of poor households decreased relatively quickly. The ratio of multidimensional poverty in Vietnam in 2020 decreased by more than half compared to 2015, from 9.8% in 2015 to 4.8% in 2020 (Table 1).

The absolute amount of state budget revenue has increased steadily over the years, but the ratio of state budget revenue to GDP has tended to decrease from about 27.8% in 2010 to 24.3% in 2015 and 25.7% in 2019. This indicator is 23.9% in 2020. In the period 2011-2019, the state budget collection rate was at an average of 24.85%

**Table 1.** Some key socio-economic indicators of Vietnam

Indicator	Unit	2010	2015	2019	2020	Average Growth rate (%)
1. Population	1,000	86,947	91,709	96,484	97,580	1.15
Urban demographics	1,000	26,515	31,067	33,816	35,930	2.7
2. Working age population	1,000	50,393	53,984	55,767	54,610	1.13
3. GDP, Nominal GDP	1,000 billion VND	2,157.8	4,192.3	6,037.3	7,899.8	-
Real GDP (Price in 2010)	1,000 billion VND	2,157.8	2,875.8	3,738.5	3,847.3	5.96
4. GDP per capita (Price in 2010)	USD	1,317.9	2,085.1	2,715.3	2,779	-
5. Labor Productivity (Current Price)	USD	1,309	3,657	4,792	5,135.7	-
Labor Productivity (Price in 210)	USD	1,309	1,658.6	2,044.2	2,065.3	5.1
6. Export Turnover	billion USD	72.2	162.02	264.2	282.7	-
7. Ratio of Poverty	%	20.4*	9.8*	5.7*	4.8*	-

\*2010: approaching the Vietnamese Government's standards; 2015, 2019 and 2020 approaching Multidimensional approach poverty line  
Source: General Statistics Office of Vietnam

compared to GDP and the economy still had an increase of about 6.3% per year. In 2020, due to the damage caused by the COVID-19 pandemic, Vietnam's economy fell into a deep decline and only achieved a growth rate of about 2.91%. Accordingly, the state budget revenue also decreased sharply, but state budget expenditure increased because it had to support businesses to maintain production and support workers and people facing difficulties because of the COVID-19 pandemic.

The structure of state budget revenue has changed a lot (Table 2). Of the total state budget revenue, domestic revenue accounted for from 64.7% to 83.9%. Revenue from state-owned enterprises decreased from 18.7% in 2010 to 15.7% in 2015 and down to about 10.6% in 2019 and 2020. Meanwhile, the rate of revenue from the foreign-invested sector increased continuously. The rate of revenue from the balance of import and export activities decreased continuously from 21.7% in 2010 to 16.6% in 2015 and 13.8% in 2019. Total state budget revenue in 2020 is estimated at 1,507.1 trillion VND, equaling 98% of the estimate. Mobilization rate into the state budget is about 23.9% of GDP, and mobilization from taxes and fees is about 19.1% of GDP. According to management decentralization, central budget revenue is about 90%, down about 89 trillion VND compared to the estimate; local budget revenue reached 108.6%, exceeding 56.8 trillion VND compared to the estimate. For the whole period of 2016-2020, the total budget revenue reached 6.89 million billion VND, exceeding the set plan (100.4%), a very positive level in the context of difficult state budget revenue in 2020 when economic growth was much lower than expected. The structure of state budget revenue is more sustainable. The proportion of domestic revenue in total state budget revenue increases from 68% on average in the period 2011-2015 to 85.5% in 2020. The proportion

of revenue from raw oil and balance income from import and export activities decreased from 30% on average in the period 2011-2015 to about 14.2% in 2020 [2]. The fact shows that a reasonable ratio of state budget revenue to GDP (both to increase state budget revenue and to enable the economy to develop quickly) is necessary to focus. For Vietnam, while the economy is still small and the population's income is low, the government needs a lot of budget to solve basic socio-economic problems and modernizing infrastructure of the nation, the ratio of state budget revenue to the total national GDP should be kept at around 24-26 %, which is acceptable [3].

From 2010 to 2020, budget expenditure has always been higher than state budget revenue (Table 2). From 109.6 percent in 2010 to 113.1 percent in 2019 and 118.2% in 2020. In 2015 alone, state budget expenditure was equal to 125% of state budget revenue. In other words, in Vietnam, we spend more than we earn. Recurring expenditure is about 62.8% to 67.6% of total state budget revenue. The budget for education spending has always increased, from about 11.9% in 2010 to 14.5% in 2020 [2]. But spending on science and technology development is still low, averagely less than 1%. It means that If we keep spending the state budget like in the past, we can't create a factor potential growth because investment in human development and in R&D create factors for long-term growth. Vietnam has nearly 3 million people working in the state sector, ranking first among ASEAN countries (accounting for about 4.8% of the population) [9]. Therefore, recurrent expenditure on salary is very large while this number in Thailand accounts for about 4.6%, Singapore 2.4%, Indonesia 1.8%, Philippines 1.2% of the total population [10]. State budget expenditure in 2020 has completed the target, with a total budget expenditure estimated at 1,781.4 trillion VND, promptly

**Table 2.** Some indicators of state budget revenue and expenditure in Vietnam

Indicator	Unit	2010	2015	2019	2020
<b>1. Budget Revenue</b>					
Total state budget revenue	1,000 billion VND	599.9	1,020.5	1,551.1	1,507.1
Proportion of GDP	%	27.8	24.3	25.7	23.9
- Domestic Revenue (Proportion of total revenue)	1,000 billion VND	388.6 (64.7%)	771.9 (75.6%)	1,273.9 (82.1%)	1,264.1 (83.9%)
- Revenue from state-owned enterprises (Proportion of total revenue)	1,000 billion VND	388.6 (18.7%)	771.9 (15.7%)	164.9 (10.6%)	159.2 (10.56%)
- Revenue from foreign- invested enterprises (Proportion of total revenue)	1,000 billion VND	64.9 (10.8%)	141 (13.9%)	210.2 (13.6%)	224.15 (14.87%)
b. Fees and charges	1,000 billion VND	22.6	47.8	81.2	83.1
c. Revenue of oil	1,000 billion VND	130.4	169.3	214.3	34.6
d. Revenue from balance of import and export activities (Proportion of total revenue)	1,000 billion VND	130.4 (21.7%)	169.3 (16.6%)	214.3 (13.8%)	179.30 (11.9%)
<b>2. Budget Expenditure</b>					
Total state budget expenditure	1,000 billion VND	657.6	1,276.4	1,754.5	1,781.4
a. Spending on development investment (Proportion of total expenditure)	1,000 billion VND	252.7 (38.4%)	401.7 (31.5%)	438.4 (24.99%)	389.7 (21.87%)
b. Spending in socio- economic development (Proportion of total expenditure)	1,000 billion VND	376.6 (57.3%)	788.5 (61.8%)	1,049.0 (59.8%)	1,041.8 (58.5%)
c. Spending on education and training (Proportion of total expenditure)	1,000 billion VND	78.2 (11.89%)	177.4 (13.9%)	245.2 (14.0%)	258.75 (14.5%)
d. Spend the career of science and technology (Proportion of total expenditure)	1,000 billion VND	4.14 (0.63%)	9.39 (0.74%)	12.96 (0.74%)	12.80 (0.72%)
<b>3. State budget deficit</b>	<b>%</b>	<b>109.6</b>	<b>125.0</b>	<b>113.1</b>	<b>118.2</b>

Source: General Statistics Office of Vietnam

and fully meeting the spending tasks of socio-economic development, defense, security, state management and payment of due debts. Moreover, the state budget has spent over 18 trillion VND on epidemic prevention and control and supporting people to overcome the impact of the Covid-19 pandemic. The central budget has used about 12.4 trillion VND in reserve to support localities to overcome the consequences of storms, floods and restore production after natural disasters and epidemics. A bright spot in the implementation of budget expenditure in 2020 is the progress in disbursement of development investment capital compared to the previous year.

Another situation in using the state budget in Vietnam is that the state budget expenditure for development investment also revealed many shortcomings. Of the total realized capital of the state sector, loan capital accounts for about 29.5% in 2019. Although loan capital has decreased in both absolute and relative numbers, it still accounts for about one-third of the total realized capital of the state economic sector.

In the period 2011-2019, the index of attracting private capital is still limited. It means every 1 VND of investment capital with state budget capital can attract 3.62 VND of private capital in 2011. This indicator is

3.63 and 4.14 in 2015 and in 2019 respectively (Table 3). The contribution rate of state budget investment to GDP growth is only about 13 -13.6%; while the proportion of contribution to total social investment capital accounts for about more than 17% <sup>[2]</sup>. This shows that the effectiveness of state budget investment is still not high.

**Table 3.** Some indicators of investment efficiency by state budget capital in Vietnam

Indicator	2011	2015	2019
Contribution to GDP growth (%)	13.1	12.6	13.6
Private investment attraction index (times)	3.62	3.63	4.14
Rate of contribution to social investment (%)	17.1	17.08	16.7

Source: General Statistics Office of Vietnam

Entering 2021, facing the huge challenges brought by the Covid-19 pandemic to the world, Vietnam's total state budget revenue in the first six months of the year reached 781 trillion VND, equaling 58.2% of the estimate, an increase 16.3% over the same period in 2020, up 4.5% over the same period in 2019. State budget expenditure is estimated at 694.4 trillion VND, equaling 41.2% of the estimate. State budget balance is guaranteed, in which, the

central budget deficit balance is about 63 trillion VND, the local budget surplus is approximately 150 trillion VND<sup>[3]</sup>.

#### 4. Recommendations to Increase the Efficiency of State Budget Revenue and Expenditure

Renovating state budget revenue and expenditure is very necessary and urgent. The management and administration of state budget revenues and expenditures must be in the direction of determining revenue levels that should and should benefit economic growth, encourage enterprises to develop and do profitable business. State budget expenditure should and should be done properly, creating a leap in efficiency. The provinces should also follow the direction to conduct state budget revenue and expenditure in a reasonable manner. To do this, it is essential to implement the following solutions synchronously.

Continuously increase the economic growth rate, sharply increase the size of the national economy basing on modernization; rapidly increase the proportion of non-agricultural sectors along with an increase using high technology in all industries and sectors, thereby increasing high-income jobs nationwide.

In other words, digital transformation and digital economy must be strongly developed. The GDP growth rate has to be above about 6.5-7% per year and goes hand in hand with increasing the ability to mobilize GDP into the state budget, so that the state budget revenue rate is about 23-24% of GDP in the next few years. Moreover, reducing public investment spending is also one of effective solutions. The possible recommendations can be: only investing in projects that the private sector does not work as efficiently, increasing the form of PPP investment, rearranging the contingent of civil servants and public employees to streamline the administrative system...At the same time, in the coming years, Vietnam should still implement the “tight the belt” policy to increase the budget to spend on implementing socio-economic development tasks. It is necessary to strongly develop a number of businesses, including large and global enterprises, striving to have about 10% of large enterprises by 2025<sup>[11]</sup>.

In the very complicated context of the COVID-19 epidemic, a reasonable saving policy of state budget expenditure is an important solution. It means that we must strive to spend the state budget on investment development at an acceptable level, i.e. less than 30% of the total state budget expenditure. Expenditure on education and training development is at 17-20% and expenditure on scientific development is about 1.8-2%

of total state budget expenditure. Economic institutions determine the success or failure of the economy, so guaranteed budget must be devoted to build and implement laws and policies directing to increase the efficiency of state budget spending.

The third solution is improving the capacity of economic development managing system as well as state budget revenue and expenditure one so that the government always plays a decisive role in prosperity, accelerates the national economy and increases the efficiency of state budget revenue and expenditure. Simultaneously with completing the apparatus, it is necessary to promulgate and organize the implementation of policies conducive to economic development as well as to genuine businesses. In addition, the government needs to tighten the appraisal and approval of state budget plans to improve the quality of state budget revenue and expenditure plans and enhance the efficiency of state budget revenue and expenditure activities. To do this, firstly we must improve the quality of civil servants and strengthen the building of e-government to match with the 4.0 era.

Another solution is strengthening decentralization in the field of state budget revenue and expenditure for localities. Localities need to plan to balance their budgets as soon as possible. The following solutions can be considered as effective recommendations for localities to contribute to improving the macro-efficiency in the management of state budget revenue and expenditure balance.

Firstly, exploiting fully and effectively local revenue sources: Thoroughly managing budget revenues from taxes, fees and charges, land use levies, land rents, house rents and other revenues such as collection of fines for traffic safety violations, fines for administrative violations, etc. In addition, potential revenue sources include collection of loans, aid, collection of labor cooperation, revenue from mobilization of the public to invest in construction of public works, implementation of poverty reduction programs.

Secondly, perfecting the decentralization of revenue management between the central budget and the local budget: (1) Revenue from value-added tax levied on state-owned enterprises and foreign-invested enterprises should dedicate 100% to the local budget; (2) Regulatory revenue between the central budget and the local budget should be distributed reasonably such as corporate income tax, value-added tax, tax on remittance of income abroad. The rate of distribution of regulatory revenues is only valid for a stable period of 3 to 5 years. (3) Collecting subsidies for localities, for instant the central budget only provides a

balance supplement for local budget, not the entire deficit. This level of subsidy is about 80% to 90% of the shortfall.

Thirdly, expanding the autonomy for commune-level authorities in exploiting local revenue sources by: (1) Reviewing and developing revenue sources that leave 100% for the commune-level budget; (2) Guiding on mobilization of the public's contributions; (3) Coordinating and directing the management of revenue sources divided by percentage (%); (4) Improving timely settlement of additional revenue from the superior budget for the commune budget; (5) Building a regime to generate revenue and manage commune budget revenues to ensure the spending needs of commune-level units.

Fourthly, improving the capacity of budget management apparatus at all levels: (1) Organizing well the classification of cadres according to the standards of competence, qualifications and ethical qualities to be placed in appropriate positions of managing system; (2) Strengthening professional training and retraining for budget managers and officers in the direction of specializing in management skills, strictly implementing professional processes, exploiting and proficiently using informatics applications to serve the needs of the public.

Fifthly, perfecting the legal system in the management of state budget revenue and expenditure is an important point. In tax policy, it is necessary to form a reasonable tax structure in order to increase revenue sources and the role of the macro-regulatory state. Tax policies must contribute to improving competitiveness, increasing investment in technological innovation to meet the requirements of industrial modernization in the context of Vietnam's integration into the region and the world. The tax system must be simple, stable, highly legal and similar to regional and international practices. Simultaneously with that, the improvement of the accounting regime, finalization of state budget revenues and expenditures to meet the needs of renovation of state budget management play important roles.

Finally, implementing the national policy of thrift in state budget expenditure by respecting financial discipline. Due to limited economic resources, an increase in state budget expenditure will increase the debt and tax burden for the economy in the future, so it is necessary to improve efficiency in resource allocation. State budget expenditures must be aligned with the strategic priorities of the state to ensure overall financial discipline as well as compatibility between the planned budget and the actual budget in order to maximize the allocation of financial resources. This requires the government to pay more attention to outputs in distribution and use of financial resources at the lowest cost. One of modern choices is

issuing local bonds to raise capital for investment in key local economic projects while ensuring strict compliance with bond issuance and payment procedures.

## 5. Conclusions

State budget balance is an important part of fiscal policy which is one of the most important macroeconomic regulatory policies of the State. The balance of state budget includes several features that are mainly financial in nature. Firstly, it reflects the interaction relationship between state budget revenue and expenditure in the year in order to achieve the set goals. It is both a tool to implement the state's social policies and is influenced by socio-economic indicators. State budget balance is the balance between total revenue and total expenditure, between revenues and expenditures, balance in the allocation and transfer of resources between levels in the state budget system, and at the same time it controls the state budget deficit. Actually, state budget revenue and expenditure balance cannot be achieved absolute balance because economic activities are always in fluctuating situation. The State must adjust revenue and expenditure activities accordingly and need to allocate reasonable revenue to ensure socio-economic stability among localities. In addition, the state budget balance is quantitative and predictive. In the process of balancing the state budget, the governors must determine the state budget revenue and expenditure figures compared with the domestic income situation, detailing each revenue and expenditure in order to devise a mechanism for using the state budget, and manage revenue sources in line with expenditure activities, thereby serving as a basis for resource allocation and transfer between budget levels. The State budget balance must be able to estimate the overall budget revenues and expenditures to ensure the realization of socio-economic goals.

Few could argue that balancing the state budget is an important tool for the State to intervene in the country's socio-economic activities. In other words, balancing the state budget in a market economy plays a decisive role in stabilizing the macro-economy through tax policy, annual spending policy and determining the specific overspending level. The result is an impact on economic activity as well as the balance of international trade, thereby, contributing to stabilizing the implementation of macroeconomic policy objectives such as: increasing the average income level in the economy, reducing the unemployment rate, maintaining inflation at a stable level and maintaining a stable estimated level of inflation. Moreover, balancing the state budget contributes to the effective allocation and use of financial resources, to ensure this role right



from the time of making the state budget, when the state chooses to present a reasonable priority in the distribution of financial resources. State budget allocation and the close connection between the socio-economic development strategy and budget planning. In addition, balancing the state budget contributes to ensuring social justice and reducing inequality among localities. Recently, although Vietnam's socio-economy has been achieving many positive changes in the direction of urbanization and modernization, there are still many regions with very difficult socio-economic conditions. Therefore, balancing the state budget will ensure fairness and reduce inequality between people and regions. The state can mobilize resources from people with high incomes and developed economic regions. Balancing the state budget also contributes to promoting the advantages of each locality, creating economic strengths for that locality based on the available potential of the locality.

In the context of the complicated developments of the Covid-19 pandemic, which has had a serious impact on the world economy. A reasonable balance of the state budget is an important task of Vietnam's government to ensure socio-economic goals and safety for the people.

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