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Discussing the Current Management of Capital Construction Investment from the State Budget

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ABSTRACT: The state budget plays an important role in financing basic construction investment projects and accounts for a large proportion of the total development investment capital in localities. In addition to the achieved results, the current management of capital for basic construction investment still has shortcomings and limitations such as the quality of some construction works is not guaranteed, some works are behind schedule; site clearance work still faces difficulties; state management of capital construction investment is sometimes and in some places not good; the capacity of some design consulting contractors to make estimates is still limited; capital investment plans are still scattered and dispersed; warranty, maintenance and repair of works are not well implemented in some places and works. Through research, analysis and assessment of the current situation, the article proposes a number of solutions to improve the effectiveness of this work.

KEYWORDS: investment, public investment, state budget, capital, basic construction

1. MAKE A PROBLEM

The country's socio-economic development is always associated with investment, in which basic construction investment is an important factor to ensure social security, balance the economic structure, promote economic growth, contribute significantly to the construction and development of technical facilities, form the common infrastructure for the country such as: traffic works system, irrigation network, electricity system, schools, hospitals, ... promote the development of the national economy, improve and enhance production capacity, increase labor productivity, increase national income and total social product. In order to shift the economic structure in the right direction. A well-developed infrastructure system will promote social development.

To implement the work of basic construction investment in general and the work of managing basic construction investment capital in particular. The National Assembly of Vietnam has issued the 2015 Budget Law, the 2019 Public Investment Law , the 2014 Investment Law , the 2013 Land Law, the 2014 Construction Law, and the 2013 Bidding Law. The National Assembly Standing Committee issued Resolution No. 973/2020/UBTVQH14 dated July 8, 2020, stipulating the principles, criteria and norms for allocating public investment capital from the state budget for the period 2021-2025. The Government issued Decree No. 163/2016/NĐ-CP dated December 21, 2016 detailing and guiding the implementation of the Law on Budget , Decree No. 40/2020/NĐ-CP dated April 6, 2020 detailing the implementation of a number of articles of the Law on Public Investment, Decree No. 25/2020/NĐ-CP dated February 28, 2020 detailing the implementation of a number of articles of the Law on Bidding on investor selection, Decree No. 43/2014/NĐ-CP guiding the Law on Land.

2. ACHIEVEMENTS IN THE MANAGEMENT OF BASIC CONSTRUCTION INVESTMENT CAPITAL FROM THE STATE BUDGET

Firstly, perfect the management institution of capital investment for basic construction, tighten public investment discipline to improve investment efficiency.

The policy of restructuring public investment was mentioned at the 3rd Central Conference of the 11th tenure and has been institutionalized by a number of Laws and guiding Decrees from 2014 to present (Law on Public Investment and 07 guiding Decrees; Law on Construction and 04 guiding Decrees; Law on Bidding and 02 guiding Decrees...).

In particular, the Law on Public Investment took effect from January 1, 2015, with many innovations, such as: Institutionalizing the process of deciding on investment policies to prevent the approval of public investment decisions from being spread out, causing loss and waste of investment resources; Switching from annual short-term public investment plans to 5-year medium-term public investment plans; Allocation of public investment capital is carried out on the basis of principles, criteria, and norms for allocating public investment capital in each period, ensuring public, transparent and fair allocation of investment capital, actively contributing to the prevention and fight against corruption; Decentralization of public investment management authority is stronger and clearer, associated with specific responsibilities of each subject...

In addition, resolutions of the National Assembly, resolutions and decisions of the Government and the Prime Minister have been issued to improve the quality and efficiency of public investment such as: Resolution No. 25/2016/QH14 dated November 9, 2016 on the 5-year national financial plan; Resolution No. 26/2016/QH14 dated November 10, 2016 on the medium-term public investment plan for the period 2016-2020; Resolution No. 60/NQ-CP dated July 8, 2016 on key tasks and solutions to accelerate the implementation and disbursement of the 2016 public investment capital plan; Resolution No. 70/NQ-CP dated August 3, 2017 on key tasks and solutions to accelerate the implementation and disbursement of public investment capital plans... has contributed to restructuring and improving the efficiency of public investment capital use.

Second, the arrangement of investment capital has been arranged more concentratedly and effectively than before, contributing to affirming the leading role of state budget capital as a source of capital to attract resources from other economic sectors. The outstanding debt of basic construction has been controlled and timely measures have been taken. The planning of investment capital has closely followed the 3-5 year financial-budgetary plan, taking into account the total resources to ensure financial safety and control overspending and public debt. ODA capital and preferential loans are only for development investment and do not carry out regular spending tasks.

Third, the investment proportion of the state sector is gradually decreasing in accordance with the Party and State's policies and orientations on encouraging the participation of the non-state sector in development investment.

State sector investment compared to GDP in the period 2018 - 2024 is at about 12%, but the proportion in the capital structure has changed. The proportion of investment from the State budget gradually decreases, from 54.1% in 2024 to 48.2% in 2023, capital from State-owned enterprises and other capital sources also tend to decrease from 31.4% in 2024 to 16.3% in 2023.

Investment capital from government bonds and ODA capital has been focused on developing essential infrastructure systems, large, important, focused, connected, and spreading projects that create momentum for development such as national target programs and important target programs in the fields of transportation, irrigation, health, education, etc.

3. ISSUES RAISED

Besides the achieved results, the management of basic construction investment capital from the state budget in recent times also has shortcomings and limitations, as follows:

First, on public investment institutions. According to the provisions of the Law on Public Investment, to be allocated capital in the medium-term public investment plan, projects must have their investment policies approved.

Conditions for submitting for approval of the policy include many procedures such as capital appraisal, environmental impact assessment report preparation, etc. However, in reality, these requirements are not effective but also prolong the approval time because the total cost for the entire period has not been determined at the time of investment policy preparation. The contents stated in the investment policy proposal are only general in nature, so environmental impact assessment encounters many difficulties and is not close to reality due to its wide and complex scope.

Some small-scale projects with simple techniques but within the planning scope of national monuments, especially group A projects, but without affecting the original monuments, still have to carry out complicated investment procedures, must submit to the Prime Minister for approval of the investment policy decision, or some projects to purchase assets, apply information technology with a construction component but a very small proportion according to the provisions of Clause 1, Article 6 of the Law on Public Investment, this project is still classified as a project with a construction component (must obtain appraisal opinions from specialized construction agencies). This makes the process of project preparation and implementation prolonged, affecting the effectiveness of the project in general and the effectiveness of public investment in particular.

The order and procedures for approving investment policy decisions have many problems, in which the appraisal of capital sources and the ability to balance capital are not clearly regulated. The Law on Public Investment stipulates that projects must have an investment policy decision to be allocated capital, while the appraisal of capital sources and the ability to balance capital are mandatory conditions for deciding on project investment policies, creating a vicious circle.

Regarding the agency in charge of appraisal and submission to the competent authority for investment decision, the Construction Law stipulates that for projects using state budget capital, the specialized construction agency shall take the lead in organizing the appraisal of investment and construction projects to submit to the competent authority for investment decision; meanwhile, the Law on Public Investment and guiding documents stipulate that the investment planning agency is the agency in charge of appraising capital sources and capital balancing capacity to submit to the competent authority for investment policy decision and investment project decision. The investment capital management process is separated in many stages by many agencies such as: Planning and capital allocation are carried out by the planning and investment agency, while summarizing implementation results and final settlement are the responsibility of the financial agency.

Second, some regulations do not yet ensure compliance with financial discipline. Typically, the extension of the disbursement period for 2 years according to the Law on Public Investment and Decree No. 77/2015/ND-CP dated September 10, 2015 of the Government creates a mentality that there is no need to urgently implement payment within the year, thereby greatly affecting the progress of disbursement of public investment capital and increasing capital transferred to the following year.

A large amount of capital has been allocated and is waiting to be disbursed, while the Government still has to borrow and pay interest to carry out the assigned tasks. The process of approving qualified projects takes a long time and is announced late by the Ministry of Planning and Investment (late April, early May every year), causing disruptions and lack of capital in the first months of the year but an increase in workload at the end of the year.

Advance capital for public investment plans is still inconsistent and lacks criteria for selecting eligible projects. The State Budget Law limits the total advance capital to no more than 20% of the estimated capital expenditure for basic construction of the year of implementation. This limit leads to large, key projects being stuck with the capital allocation ceiling to increase progress. Meanwhile, the Public Investment Law stipulates that projects included in the medium-term public investment plan, if needed, will be advanced capital for implementation. Without specific criteria to assess the need for advance capital, it is easy to lead to budget imbalance.

Third, the orientation of restructuring state budget expenditures towards increasing the initiative for affected local governments. The Law on Public Investment stipulates that the authority to decide on investment policies is mostly related to the central level. The appraisal of capital sources, adjustments... related to the central budget all require the opinion of the central government and follow a complete and time-consuming process.

All Group A projects using budget capital are decided by the Prime Minister (including Group A projects using local budget capital). In addition, a significant portion of Group B and C projects using central budget capital are also submitted to the Prime Minister for decision.

Fourth, supervision and inspection work still has many limitations. According to the annual report on investment supervision and evaluation, competent authorities have appraised and approved more than 65 thousand new investment projects; adjusted more than 33 thousand projects, and organized the implementation and supervision of about 35 thousand projects/year.

According to statistics from the Ministry of Planning and Investment from 2020 to 2024, the number of public investment projects reported by provinces fluctuates between 34,000 and 38,000 projects, of which only about 24,000 - 26,000 projects have implementation monitoring reports, accounting for about 60%. Thus, on average, each year, more than 40% of projects using public investment capital do not have investment monitoring and evaluation reports, but are still implemented.

The reason for this situation is that the number of projects that must report on annual supervision is very large, so only large, concentrated projects and localities make reports, while small projects worth several hundred million VND at the district and commune levels are not listed, so the reports are also incomplete. In addition, the supervision reports of ministries, branches and localities do not accurately reflect the reality of construction quality and there is still a lot of waste in construction investment.

4. SOME RECOMMENDATIONS AND PROPOSALS

Firstly, perfecting the legal documents related to the public investment sector, including: reviewing and amending all problems and unreasonableness of the Public Investment Law and related documents to simplify administrative procedures, thoroughly resolve issues related to public investment procedures and processes, thereby accelerating capital disbursement, bringing public investment capital into the economy, stimulating growth and development. Implementing high decentralization and delegation of authority in the spirit of autonomy and self-responsibility for local ministries and branches.

Second, improve the quality of capital management for basic construction investment, especially continue to reform the appraisal and supervision of public investment programs and projects to promote efficiency in capital management and use as emphasized in Resolution 27/NQ-CP dated February 21, 2017: "Complete the public investment management system according to international practices to achieve quality equivalent to the average of ASEAN-4 countries, in which priority is given to innovating the method of establishing, appraising, evaluating and selecting public investment projects.

Relevant ministries, branches and agencies shall review and complete the system of regulations, standards, economic-technical norms, construction unit prices, investment rates and prices in the construction sector of economic sectors to strictly manage and save public investment. Strengthen inspection, examination, auditing and supervision of compliance with discipline and order in public investment management; Strictly control the objectives and effectiveness of using investment capital sources;

Ensure publicity and transparency in mobilizing, managing and using loans according to the provisions of the State Budget Law, the Public Investment Law, etc.

Third, research to unify the focal point for state budget management of capital construction investment should be assigned to only one implementing agency (finance agency or planning agency). This will ensure the principle of assigning one task to only one agency to take charge of implementation, and assign one focal point to take primary responsibility; at the same time, the budget cycle will be implemented uniformly and closed by one agency from the stages of budget preparation, budget implementation and final settlement.

Fourth, complete the work of establishing and assigning plans for capital investment in basic construction from the state budget.

Based on the local socio-economic development plan and approved planning, select investment projects to be included in the short-term and medium-term investment phase and must be approved by the People's Council meeting at the same level to submit for investment policy. Regarding the policy for establishing new projects, in addition to the projects that have been announced for investment preparation in the planning year, investors are only allowed to submit for investment policy for truly urgent projects, carefully consider the policies allowing project establishment to concentrate investment capital to resolve outstanding debts and implement urgent approved projects. It is not allowed to change the scale of projects before entering the investment implementation phase.

Allocate capital plan in the direction of prioritizing repayment of basic construction debt in order of priority: urgent projects, repayment of basic construction debt, projects with volume to be paid... Assign investors: must have appropriate functions and tasks, have professional qualifications in investment project management.

Investment assessment work needs to be carried out right from the planning, surveying, establishing, appraising, examining investment projects, approving investment projects, and allocating investment capital to ensure compliance with approved planning and plans. Develop a specific plan to implement investment assessment and inspection work, propose appropriate solutions to improve investment efficiency, overcome the situation of budget loss, waste, and slow progress in construction investment. Review plans, monitor each stage in the investment project implementation process to find measures to improve the efficiency of 5-year investment plans, promptly draw experience and rectify investment management.

The investment project preparation must clearly state the necessity and investment objectives, the form of construction investment, the construction site, the need for land use, the conditions for supplying raw materials, fuel and other input factors. Only select qualified consulting contractors to conduct surveys and designs in accordance with the provisions of law. Pay attention to the initial survey work in the survey supervision task of the investor. The work of accepting survey and design documents is not only carried out on completed documents but must be combined with detailed inspection and acceptance on site to ensure the accuracy and feasibility of the documents. The preparation of the total investment, determination of the cost of compensation components for site clearance, support and resettlement must strive to achieve maximum accuracy. Design work ensures correct process, progress and quality.

Investment project appraisal and approval. This is the decisive step for the project investment process. Research, survey, calculation and prediction require thoroughness and accuracy in all aspects to ensure the safety and efficiency of investment capital. Units assigned to do appraisal work must be responsible for strictly controlling the scope and scale of each investment project in accordance with the approved objectives and program areas, and only decide to invest when clearly identifying the capital source and the ability to balance capital at each budget level. Improve the quality of investment project bidding. Conduct bidding according to regulations for all bid packages that must be bid according to regulations, only for bid packages that are truly urgent, the investor reports to the investment decision level to allow limited bidding. For bid packages that require designated bidding, the investor must submit the capacity profiles of at least 3 contractors for consideration.

Fifth, complete the control and payment of basic construction investment capital from the state budget.

The organization of project acceptance must be in accordance with the approved design and industry standards. Resolutely fight against bureaucracy, failure to closely monitor construction projects, and strictly handle cases of false acceptance of volume and fraud in payment.

The work of acceptance and settlement of payments has a great influence on the disbursement of investment capital and plays a very important role in investment activities. It is not only meaningful in the disbursement of financial matters for contractors in speeding up the construction progress, handover, and early putting the project into operation, but it also has a direct impact on economic relations at the macro level.

Sixth, complete the settlement of basic construction investment capital from the state budget.

Final settlement of completed projects and works put into use is the final stage of the investment process. From the final settlement of completed projects to evaluate the results of the investment process, determine the investment capacity, the value of new assets increased due to investment; clearly define the responsibilities of investors, contractors, funding agencies, lenders, payment controllers, relevant state management agencies, and thereby draw experience to continuously improve the state's mechanisms and policies, improve the effectiveness of management and use of capital for basic construction investment.

The settlement management work is timely, speeding up the progress to meet management requirements, putting the project into use soon and promoting the efficiency of basic construction investment capital. In addition, through the settlement work, we can also evaluate the results of the investment process, draw lessons for the management of other projects and works, thereby leading to better management and improvement of investment capital efficiency.

Supplementing sanctions when contractors prepare and submit final volume settlements late, intentionally making mistakes, leading to investors not having a basis to prepare final settlements of capital construction investment and send them to the settlement review agency, leading to delays in the general settlement progress. Specifying the level of penalties for investors when preparing and submitting final reports late to the settlement review agency, specifically, the penalty can be calculated based on the number of days of late submission according to regulations.

Seventh, complete the work of inspection, supervision and monitoring of the use of basic construction investment capital from the state budget.

Supervision, inspection and examination are important contents in the management and use of investment capital. Due to the specific characteristics of construction investment activities from the state budget: large capital scale, low capital recovery ability and capital management related to many levels, many sectors, many stages... Therefore, along with the assignment of management, strengthening control, inspection and examination of the use of investment capital from the state budget is extremely necessary.

Strengthening community investment supervision to monitor and evaluate the compliance with regulations on construction investment management by competent investment decision-making agencies, investors, project management boards, construction consulting organizations, and construction contractors during the construction investment process. Detecting and recommending to competent state agencies violations of regulations on construction investment management, in order to promptly prevent and handle illegal acts. Avoid overlapping inspection, examination, and audit work. Therefore, competent authorities must approve inspection and examination plans for subordinate units; each year, a unit shall have no more than two working groups (except in special cases or in cases of signs of law violations). Strengthen supervision and management of construction quality. Investment and construction management agencies, investors and contractors must be responsible for regularly checking and monitoring the quality of products from consulting to construction and equipment supply. The responsibility for poor quality works lies primarily with the investor.

5. CONCLUDE

Thus, investment capital management in general and management of basic construction investment capital from the state budget is a complex activity, the management subject has many levels, many sectors and the main management object is capital, especially in basic construction using state budget capital not for profit but for the overall economic - social, security - defense goals, so it is necessary to implement synchronous solutions and have close coordination and control between levels and sectors, mobilize resources and manage the use of resources effectively to ensure the right direction and right goals.

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