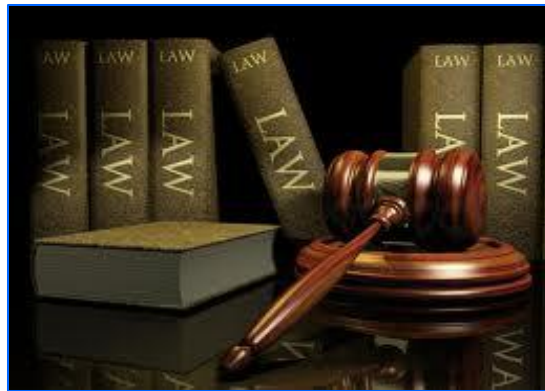


# State Budget Law Amendment

Committee on Financial and Budgetary Affairs  
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# Outline

- **Broader Objective:** A comprehensive, efficient, and transparent budget process
- **State budget amendments:** Some recommendations



# The Code and Fiscal ROSCs

- The *Code of Good Practices on Fiscal Transparency* (The “Code”) was developed in 1998 and updated in 2007
- *Manual on Fiscal Transparency* elaborates Code and assists with practical implementation
- *Reports on Observance of Standards and Codes* (ROSCs) help IMF members assess fiscal transparency



# The Code of Good Practices: Four Principles

## I. Clarity of Roles and Responsibilities

- Clear distinction between government and commercial activities
- Clear legal and institutional framework governing fiscal administration
- Clear arrangements between government and rest of public sector
- Government relations with private sector should be open and based on clear rules and procedures.

## II. Open budget process

- Budget cycle should adhere to a clear timetable (preparation, approval, execution, and audit)
- Budget information should facilitate analysis and promote accountability (objectives, assumptions, policies, and risks)
- Procedures for budget execution, monitoring, and reporting should be clear (robust accounting systems, timely reporting to legislature, supplementary budgets)
- Audit should promote accountability (quality, timeliness, publication)



# The Code of Good Practices: Four Principles

## **III. Public Availability of Information**

- Published information should be complete (budget and extra budgetary activities, central government, sub national, public sector)
- Published information should facilitate analysis (past, current, and projected fiscal activity, fiscal objectives, measures, and risks)
- Publication should be timely.

## **IV. Assurances of integrity**

- Fiscal data should meet accepted data quality standards
- Fiscal activities should be governed by clear guidelines
- Fiscal activities should be subject to independent scrutiny



# State Budget Law

Chapter I: General provisions

Chapter II: Duties and responsibilities of state agencies

Chapter III: Revenue sources/spending authority

Chapter IV: Preparation of Budget Estimates

Chapter V: Budget execution

Chapter VI: Accounting, auditing and disclosure



# Clarify/Modify the State Budget Law

- Chapter I: General Provisions
- Chapter IV: Planning
- Chapter V: Execution
- Chapter VI: Accounting, Auditing, and Publishing



# Ch. I: General Provisions

- **Expand/define scope of state budget**
  - budget elements (revenues, expenditures, prepayments, contingency, deficit and financing, programs/projects)
  - institutional and fund coverage (e.g., equitization proceeds)
  - state budget, central budget, and local budget: clearly define inclusions and exclusions (extra-budgetary)
  - define “authorized agency”
- **Budget classification**
  - Make relevant for policy-making and make consistent with international standards (GFS2001)
    - Include: local budget surplus; off-budget; financial transactions to and from extra-budgetary entities such as SOEs
    - Exclude: brought forward revenues/expenditures; principal payment





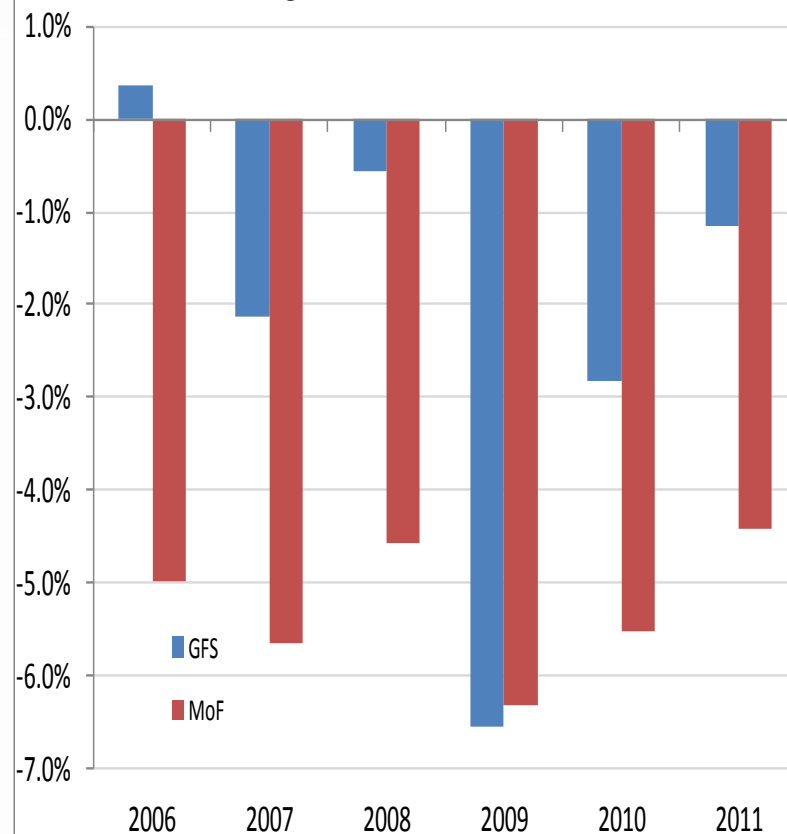
# State Budget: GFS Estimate

## GFS and MoF Deficit

(VND tm)

	2010		2011		2012	
	Plan	FinAcc	Plan	FinAcc	Plan	Est.
State Budget Balanced Revenue	463	777	605	958	763	766
State Budget Balanced Expenditure	582	851	726	1034	903	906
<b>MoF Deficit</b>	<b>-120</b>	<b>-109</b>	<b>-121</b>	<b>-117</b>	<b>-140</b>	<b>-140</b>
(% of GDP)	-6.2%	-5.1%	-4.8%	-4.6%	-4.3%	-4.3%
<i>Adjustment</i>						
<i>Adding Principal repayment</i>	45	54	50	81	50	55
<i>Adding Supplement Financial Reserve Funds</i>	0	0	0	0	0	0
<i>Adding Brought Forward Expenditure</i>	0	202	0	247	0	0
<i>Adding Local Budget Surplus</i>	0	36	0	41	0	0
<i>Deducting Brought Forward Revenue</i>	1	181	10	237	22	22
<i>Deducting Off-budget</i>	56	62	45	45	45	41
<i>Deducting Interest subsidie</i>	7	2	0	0	0	0
<b>GFS Deficit</b>	<b>-138</b>	<b>-61</b>	<b>-126</b>	<b>-29</b>	<b>-157</b>	<b>-148</b>
(% of GDP)	-7.2%	-2.8%	-5.0%	-1.2%	-4.8%	-4.5%

## Budget Deficit: MoF and GFS





# Ch. IV: Preparation of Budget Plan

- Add authority of NA, CFBA, PM, MoF, line ministries, People's Council, local bodies, etc. in preparing and approving the budget
- Content, period coverage, and presentation of state budget document to be submitted by PM and approved by NA
- Define accompanying and supporting budget documents
  - MTFF
  - Budget message from PM
- Prescribe due dates
  - Submission to NA—no later than 3 months before start of budget year
  - Due date for NA approval—no later than end of current budget year



# Ch. IV: Preparation of Budget Plan

- Options in case of non-approval of state budget within designated time (Article 41)
  - NA resolution: indicating reasons and requiring central/local govts to resubmit a new budget; authorize the central/local govts to spend
  - Followed by Article 54: Temporary Budget Advance Payments and Article 51: Major adjustments in the local budget
- Article 51: Item 1. local budget plan readjustment: limit and the approving authority for each case should be specified and restrictions should also be specified



# Ch. V: Budget Execution

- Specify the role, and authority of MoF on budget execution, not only budget entities; include stages of allocation, and fund release
- Add a provision on budget reallocations
- Add a provision on responsibilities of budget entities to monitor and report budget commitments on a quarterly basis to the MoF
- Multi-year contracts should also be reported to the MoF
- Article 66: Item 1. Handling major and unusual budget-related changes:--specify the percentage of deviation of inflation from the time the budget was approved



## Ch. VI: Accounting, Auditing, and Publishing

- Reporting of budget execution should specify periodicity and timing
- Provisions on public reporting should specify responsible entity, frequency, timing, and methods of dissemination
- Provisions should require reporting of major deviations and explanations, transfers, and charges from reserve funds



# Streamlining the State Budget Law

- Consider taking items out of the Law
  - Articles detailing budget drafting guidelines and procedures within central/local governments, e.g.
    - Article 33. Rules on decentralization of the revenue sources and expenditure duties among the local budgets at different levels;
    - Article 34. Determination of additions to budget balancing, focused additions and the percentage (%) applied to the shared revenues between budgets of different levels.
    - Article 35. Basis for budget drafting
    - Article 36. Budget drafting requirements
    - Article 37. Timeline for central budget drafting, summarization, approval and delivery
    - Article 38. Responsibilities of the agencies and units involved in the annual central budget drafting, the medium-term financial plan and the medium-term spending plan
    - Article 39. Discussion and determination of the drafted central budget and the central budget allocation plan
    - Articles 45 (& 46). Timeline for preparing local budgets, approval and delivery during the first year (other year) of the budget stabilization period
    - Article 47. Responsibilities of agencies and units involved in annual central budget drafting, medium-term financial plan and medium-term spending plan
    - Article 48. Drafted local budget and local budget allocation plan discussion and determination



Thank you