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STATE BUDGET ALLOCATION POLICY FOR NEW RURAL CONSTRUCTION IN VIETNAM

Ph.D. Nguyen Thi Hoang Yen
University of Labour and Social Affairs

Corresponding author : nguyenhoangyen1972ulsa@gmail.com

ABSTRACT:

Developing rural areas is an essential task in the socio-economic development process in countries. The state's role in rural development is critical, as reflected in the investment of funds and the promulgation of rural development policy institutions. Depending on the specific circumstances of countries, the state invests funds from the state budget for rural development in different measures and ways. Through investing large amounts of money and promulgating policies on budget allocation, management, and use, rural areas in many countries have made essential developments. In Vietnam, allocating the state budget to serve the construction of new rural areas is an essential macro policy of the state to invest in infrastructure, develop the rural economy, eliminate hunger and poverty, improve material life, and raise the spirit of the people. The state has issued a policy to allocate resources from the state budget for new rural construction to comprehensively implement new rural criteria, creating a premise to attract capital from other areas. However, in recent years, allocating the state budget for new rural construction in Vietnam has faced challenges because the need for investment capital for new rural construction is substantial; while the state budget is limited, attracting investment from other areas still needs improvement. State budget allocation policies need to be innovated so that funds allocated from the state budget are concentrated and practical, meeting the funding needs for long-term and sustainable new rural construction. This article addresses the issue of state budget allocation policies for new rural construction and proposes a complete solution.

KEYWORDS:

Policy, new rural areas, state budget, and allocation.



1. Introduce

According to theoretical studies, the state is indispensable in rural development, as demonstrated through interventions using different measures. To develop rural areas, all countries focus on investing large amounts of funding from the government budget and promulgating financial policy institutions to support rural development. In OECD countries, rural development is often built into a development program for the national countryside. Countries in the Asian region, such as China, Korea, Japan, and Vietnam, in rural development, set out programs to build new rural areas and invest funds to realize the goal of building new rural areas in accordance with the context of each country. All countries aim to achieve comprehensive development in their rural societies, encompassing all aspects of economics, culture, society, political institutions, and the environment. Recent new rural studies have shown that the countryside has an overall set of characteristics and structures that create a type of rural organization with synchronous institutions and institutions, achieving new criteria to meet advanced modernity and appropriate infrastructure. In combination, the rural economy develops, rural society is stable, and the people's material, cultural, and spiritual life is improved. According to "Modernization Campaigns and Peasant Politics in China, Taiwan, and South Korea" by Looney and Kristen (2012), building new rural areas is described as a policy to eliminate the previous backward model in rural areas to build a new rural model with socio-economic development, people's income is increasing. To achieve that, the state's role in mobilizing resources for building new rural areas is indispensable, mainly from state budget sources, credit capital, business capital, and people, highlighting the role and contribution of state budget resources to building new rural areas. The study "Mobilization of domestic financial resources for agricultural productivity in Nigeria" by Awe AA (2013) claimed that budget subsidies and investment budget capital for agricultural and rural works and projects are significant for this area. From another perspective, the research "Investment Priorities for Rural Development OECD" belong to the Organization for Economic Cooperation and Development OECD, 2004, believes that investment from the state budget for national rural development is significant but needs to be changed the form from subsidies and support to investment in rural areas, gradually shifting from traditional subsidies to investment in economic development. Over-reliance on state subsidy policies will limit development motivation and reduce the competitiveness of rural areas. The US. Senator Martin Heinrich (2018), in his work "Investing in Rural America", also points out that the state has a significant role in investing in developing rural areas, but investment in rural areas cannot rely entirely on capital from the state budget because the investment capital for this area is very large; there needs to be a combination between the public and private sectors. For investment from the state budget, priority should be given to infrastructure to stimulate economic development and improve people's livelihoods. It is recommended that in these projects, investment capital from the government budget should be higher than the investment capital of the enterprise.

Resources from the state budget allocated for new rural construction include expenditures from the state budget, including spending from the central budget and the local budget allocated to new rural works and projects. The subject of capital management and use is the government at all levels. State budget expenditures for new rural construction include regular examinations, development investment expenditures, subsidies, supporting people and businesses to develop production, and supporting people's daily lives. The state decides on the scale and structure of state budget capital allocation for new rural construction, adjusting the scale of state budget capital allocation based on budget balance, socio-economic conditions, and actual capital needs in the

market. State budget expenditures for new rural construction are estimated, managed, allocated, and settled according to the provisions of the State Budget Law, inspected, audited, and supervised according to the requirements of the law. The state budget allocation policy for new rural construction is one of the critical macroeconomic policies of the state to establish an operating mechanism and divide financial resources according to principles, criteria, bases, norms, and specific calculation methods. The goal of the budget allocation policy for new rural construction is to ensure financial resources to implement works and projects according to new rural criteria, balancing and minimizing inequality between rural areas.

2. Research methods

The author used the desk research method to systematize and synthesize current state budget allocation policies and compile statistics on state budget funds allocated for new rural construction, mainly for 2016–2023. The author collects data and specific situations, uses statistical, analytical, and comparative methods to identify and clarify viewpoints on the state budget allocation mechanism for new rural construction, and evaluates its effectiveness. The author compares and evaluates policy implementation by studying the government budget allocation mechanism from countries with developed agriculture and rural areas, especially countries with the movement to build new rural areas in the community, such as China, Korea, and Japan. The results of resource mobilization are shown in data tables, calculated through Excel software, analyzed, and used to illustrate charts. The author used the method of generalizing theoretical and practical analysis of state budget allocation policies for residents to build new rural areas and proposing several perfect solutions.

3. Research results

3.1. Policy on allocating state budget resources for new rural construction

The state's policy of allocating resources from the state budget for new rural construction is an important macro policy. Depending on the country's socio-economic conditions and political institutions, each country has its measures and methods of allocating the state budget. The state budget decentralization mechanism involves the participation of all levels of government and decentralization subjects, and management and use of the budget are carried out according to law through assigned state agencies. Through that decentralization mechanism, resources from the state budget are allocated to new rural construction works and projects with the participation of the state and people in the management and supervision. In developing agriculture and rural areas in the US, the government invests significant amounts of funding from the budget to develop the rural economy (vocational training for farmers, investment in machinery, mechanization of agricultural production, conserving and nourishing reserve soil, etc.). The government supports farmers through the policy of repaying loans with products, giving farmers farming loans corresponding to harvest output and a "predetermined selling price" recorded in the loan contract. At a higher stage of development, the government focuses on strategic reserve programs, natural disaster prevention, environmental protection, and scientific research to effectively serve the US agricultural industry. In Korea's "new village" movement, the government supports villagers who contribute their labor to build rural infrastructure through the supply of cement, iron, and steel. The government supports resources based on the achievements and performance of new rural areas and the construction of villages. Data from the Korean Ministry of Internal Affairs shows that in the period 1971–1979, the total capital for implementing the movement was 2,752 billion Won, of which government support accounted for 51% and mobilization from the people accounted for 49% (Vu Nhu Thang et al., 2015). Regarding direct

capital support from the state budget, the government regulates works and projects that require investment funds from the state budget. State budget funding supports infrastructure construction, transportation systems, irrigation, clean water, and environmental sanitation associated with people's lives and activities. Support is provided through the price stabilization fund and credit incentives for borrowers to invest in rural areas with a 2% reduced interest rate compared to investing in other industries. The government supports budget capital directly by providing money and in-kind items to villages and hamlets and is settled into the content of budget support expenditures for rural areas. The level of support from the state budget depends on the results of new rural construction in each locality. The government's indirect support is implemented through preferential credit mechanisms, tax exemptions and reductions (tax exemption on gasoline, agricultural machinery, and supplies), exemption and reduction of land use fees; policies to provide cheap electricity for agricultural product processing activities; rent agricultural machines to farmers; and support people in rice production. This approach has yielded significant policy lessons for other countries.

During the NEW RURAL construction period, the Japanese government invested significant funds from the budget to develop airports, highways, seaports, and communication systems to improve production conditions and the investment environment in rural areas. Investment from the state budget for new rural areas of the Japanese government is carried out through the budget spending mechanism according to the provisions of the Budget Law. State budget spending focuses on infrastructure, environmental improvement, and electric irrigation systems for each house (state budget spending on agricultural infrastructure accounts for about 23% of total state budget spending). The government allocates investment capital for agricultural and rural development and new rural construction budgets to villages through the budget plan. The Ministry of Finance allocates funds from the central budget to local authorities at all levels for new rural construction, evaluates the implementation of investment projects, controls subsidies for localities, and assigns support fees for new rural construction for each locality to implement. The Ministry of Agriculture, Forestry, and Fisheries controls and supervises central agricultural subsidies to localities.

Government budget investment in rural areas in Japan focuses on (i) supporting funding to build new rural areas for villages and hamlets; (ii) supporting the "one village, one product" movement to encourage people to take advantage of local resources and strengths; (iii) large capital investment for rural economic development: building infrastructure, clean water, environmental sanitation, etc. (iv) investing in agricultural cooperative development. The government supports new rural construction through an indirect support mechanism with regulations on incentives, tax exemptions, price subsidies, credit, and land financial incentives for agricultural production activities. To solve the problem of a lack of investment funds for agricultural development, the Japanese government has developed agricultural support policies and agricultural product price subsidies (rice subsidy policy) to stimulate production and build funds to cope with the risk of agricultural prices, which farmers pay 30%, and the government spends 70%. The Japanese government always has timely support policies for the rural area program, such as supporting infrastructure construction, investing in rural construction items, improving the environment, providing water supply and drainage, and installing telephone lines in homes. The government also offers various benefits such as tuition exemptions and reductions, includes equipment and supplies for agriculture, promotes trade, and offers credit lending services.

In building socialist new rural areas in China, state budget capital for new rural areas is implemented through two main activities: (i) investment in rural infrastructure works and (ii)

investment in agricultural production development to improve people's lives and income. Support funds from the central and local budgets (province, district, commune) for new rural construction, focusing on new rural areas. The state budget and contributions from organizations and individuals support funds established at localities at all levels. The fund has provided valuable insights into rural development movements in other countries.

In Vietnam, state budget decentralization is implemented through budget expenditure decentralization, budget revenue decentralization, debt decentralization, and budget supplementation through budget balancing and targeted supplementation according to the law on State Budget (2015). Decentralized state budgets for new rural construction help local governments have autonomy in budget management, proactively mobilize local resources to invest in building new rural areas, and invest from available local resources to compensate for the insufficient budget. Local governments are more decentralized in revenue management, expenditure tasks, and state budget revenue and expenditure management. According to the principles of decentralization of the state budget prescribed in the 2015 State Budget Law, localities can use the annual revenue increase that local budgets enjoy according to decentralization to carry out socio-economic development tasks. If the local budget generates revenue from a new project, causing a significant increase in local budget revenue, this revenue source will be in addition to paying the central budget. The locality can use the increased revenue to make a targeted supplement to a portion of the lower-level budget to support local infrastructure investment. Local budgets are assigned revenue sources to implement assigned spending tasks proactively. The Provincial People's Council decides on the decentralization of revenue sources and expenditure tasks between local budget levels in accordance with the decentralization of socio-economic management, national defense, security, and the management level of each individual. That level's budget guarantees expenditure tasks belonging to any budget level; the promulgation and implementation of new policies and regimes that increase budget expenditures must have solutions to ensure financial resources, consistent with the ability to balance the budget at each level; and decisions on investment in programs and projects using budget capital must be within the budget scope according to decentralization. In specific cases, the superior budget supports the subordinate budget according to its capacity.

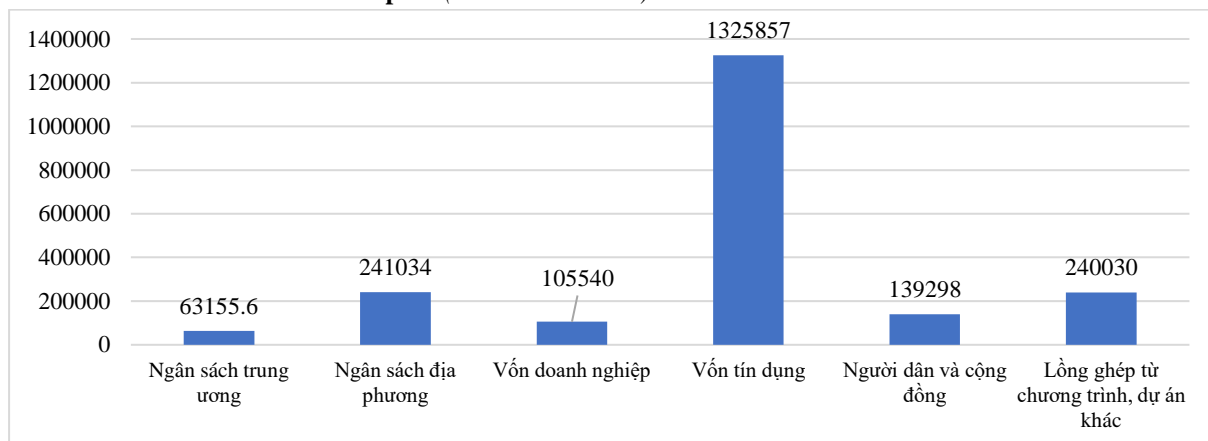
During the recent new rural construction phase, local governments have been quite autonomous in managing budget revenues and expenditures. The Provincial People's Council decides on budget allocation and spending norms and decides on the collection, exemption, reduction, collection, payment, management, and use of fees within your authority. Commune-level authorities are allowed to mobilize, manage, and use a number of revenue sources, which are divided into non-agricultural land use tax, license tax collected from individuals and business households, agricultural land use tax collected from households, and land registration fees. These sources have contributed to increasing resources for the commune-level budget to implement the criteria for building new rural areas. Regulations: The Provincial People's Council decides to collect fees, charges, and contributions from the people according to rules and mobilize maximum local resources (province, district, commune) to organize and implement the new rural program, which has helped local authorities be more proactive in devoting resources to new rural construction. Allocation: The state budget for the new rural construction program is implemented according to the principles and criteria for the allocation of central budget capital and the proportion of capital corresponding to the local budget in each period. Budget decentralization and procedures for developing budget estimates and approving the budget are strictly regulated by law.

State budget expenditures for the new rural construction program include regular expenditures and development investment expenditures according to the State Budget Law 2015 provisions. The principle of only implementing state budget expenditures for new rural construction when they are part of the project is crucial. Development investment capital from the state budget is allocated to prepare for investment and implementation of socio-economic infrastructure projects that cannot pay back capital, are direct, or cannot be socialized, including infrastructure works. Rural areas Regular expenditures for local rural construction are carried out according to the principles, criteria, and norms for allocation of state budget regular expenditure estimates issued annually. The allocation of regular spending resources for local socio-economic development is determined according to the regional structure. Prioritizing funding allocation for essential areas and ethnic minority areas, especially difficult mountainous regions, borders, and islands, demonstrates the state's interest in allocating the budget fairly to rural areas. During the 2021–2025 new rural construction period, the regulation of norms and criteria for allocating state budget capital aims to ensure publicity, transparency, the proper subjects, legal regulations, focus, key points, and sustainability. In particular, resources for communes and districts that have not met new rural standards or have met standards but the criteria are still low should be prioritized to improve the quality of criteria and ensure sustainability.

3.2. Results of implementing state budget allocation policies for new rural construction and raised issues

The policy of allocating state budget resources to build new rural areas in recent times has achieved positive results, helping localities be proactive in using financial resources to build new rural areas. Localities that regulate the central budget must allocate local budget capital at a higher level than other localities and reasonably mobilize capital sources outside the state budget to implement the objectives of the New Rural Areas program. The Central Budget prioritizes localities receiving 50% or more support to allocate resources at a high level appropriate to the total number of communes in difficult areas. We ensure fairness and support sharing in the state budget allocation for new rural construction.

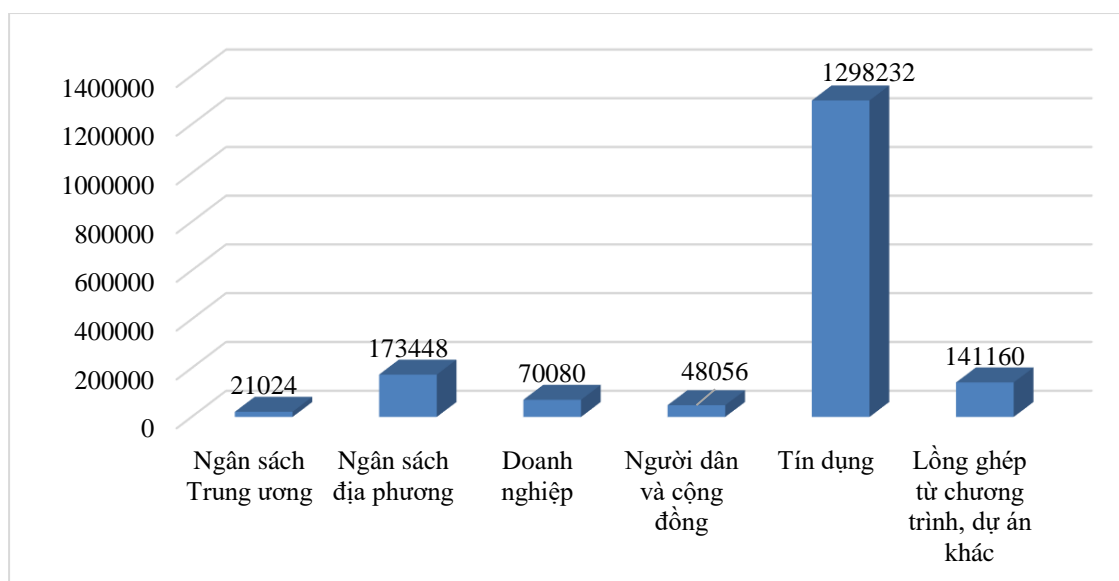
Results of state budget expenditure on construction revenue for the period 2016–2020 reached 1,268,823.5 billion VND, of which central budget capital was 37,000 billion VND, accounting for 3% of total mobilized capital. The local budget capital is 149,977 billion VND (accounting for 12% of total mobilized capital). Integrated capital from other programs and projects is 149,977 billion VND (accounting for 11% of total mobilized capital). Mobilization results are shown in the following chart:

Figure 1: Results of state budget allocation to implement the new rural construction program for the period 2016-2020 out of total mobilized capital (unit: billion VND)

(Source: Ministry of Agriculture and Rural Development)

The chart shows that, in the period 2016-2020, capital mobilization for new rural construction achieved higher results than in 2011-2015. Although the central budget capital has only been allocated about 60% of the National Assembly's resolution, it is 2.3 times higher than the previous period. State budget capital still plays the leading role (including credit capital from the state budget).

In the period 2021-2023, the whole country can mobilize 1,752,000 billion VND invested in implementing the NEW RURAL program. Of which, central budget capital is 21,024 billion VND (accounting for 1.2%), local budget capital is 173,448 billion VND (accounting for 9.9%), and integrated capital from the national target program of other programs and projects in rural areas is 141,912 billion VND (accounting for 8.1%) (Ministry of Agriculture and Rural Development, 2020).

Figure 2: State budget resources for new rural construction in the period 2021-2023 out of total mobilized capital sources (unit: billion)

(Source: Ministry of Agriculture and Rural Development)

After nearly 3 years of implementing the new rural construction program for 2021-2023, the whole country has mobilized 1,752,000 billion VND invested in implementing the program. Central budget capital is 21,024 billion VND (accounting for 1.2%), local budget capital is 173,448 billion VND (accounting for 9.9%), and integrated capital from the National Target Program of other programs and projects in rural areas is 141,912 billion VND (accounting for 8.1%). Resources from the state budget still play a key role in implementing the goals and tasks of building new rural areas. Localities have proactively increased resources from local budgets for new rural construction.

General assessment: The policy of allocating the state budget for new rural construction has achieved certain results, demonstrating the role of the state budget in building new rural areas. Through allocation mechanisms, the central budget and budgets of local authorities at all levels have received, managed, and used allocated resources, and they have been more proactive in allocating resources for new rural construction. However, currently, financial resources from the state budget to invest in rural areas are mainly regular expenses, investment expenses, and support amounts according to the provisions of the State Budget Law. In contrast, state budget capital is still limited, leading to expenditures. The state budget for rural areas cannot avoid difficulties. If state budget revenue does not increase much, difficulty in balancing the state budget will affect the allocation of resources for new rural construction. Besides, the policy system on investment and support from the state budget for rural areas is quite diverse and complex, implemented in many different forms, and it is difficult to avoid some duplication and overlap when applied. The process and procedures for allocating and settling the state budget have many procedures that do not meet the project's capital schedule. Strengthening the inspection and supervision of state budget capital for new rural construction is crucial to control loss, waste, and outstanding capital construction debts. The failure to separate state credit capital from the state budget and commercial credit capital is also a limitation in evaluating policy implementation. Local governments tend to be less proactive when creating and allocating budgets for new rural construction, particularly in areas still facing challenges, have low budget revenues, rely on state budget support, and have not yet developed their economies. Therefore, the poverty rate is high.

3. Recommendations

In a context where the state budget is still difficult, the need for state budget capital for new rural construction is significant, and mobilization from other areas is limited, the state budget must still ensure the leading role in investment in rural development. Completing the state budget allocation policy for new rural construction needs to focus on the following core solutions:

Firstly, it is necessary to carefully evaluate and consider the context of the socio-economic situation in the period 2021–2025, which has positive changes but also faces many difficulties and challenges. Although the state budget funding for investment in new rural areas has increased, the demand for investment capital for new rural projects and works is still very high, and the state budget cannot fully meet it. To achieve the goal of having 80% of communes meet new rural standards by 2025, it is necessary to increase the generation of budget revenue for new rural construction by reviewing the system of tax and fee policies related to real estate, especially regulations on agricultural and non-agricultural land use taxes, which are annual tax revenues.

Secondly, budget allocation needs to aim at stronger decentralization to local governments to increase the authority to decide on a number of specific local revenue sources, create initiatives for local governments to regulate local budget expenditures, and reserve additional resources. Resources

for new rural construction clearly stipulate central agencies' tasks and local governments' responsibilities in building new rural areas.

Thirdly, amend and supplement the current state budget decentralization policy. The 2015 State Budget Law added regulations assigning the Provincial People's Council to regulate local budget expenditures for new rural construction to adapt during implementation.

Fourthly, it is necessary to review state budget decentralization for new rural construction associated with requirements for authorities at all levels to access state budget resources for new rural areas. In accordance with the provisions of the legal system, state budget decentralization for new rural construction must aim to achieve unity between the central budget's leading role and the proactiveness of local budgets.

Fifthly, a strong administrative procedure reform in budget decentralization to local authorities is required to facilitate access to resources. At the same time, the inspection and supervision of state budget funds allocated for new rural construction should be strengthened.

Thus, decentralizing the state budget is important in determining the criteria and norms for allocating central budget capital and the proportion of the local budget's counterpart capital for new rural construction. Completing the state budget allocation policy for new rural construction in the direction of a more precise division of responsibilities between central agencies and local governments is vital. Delineating revenue sources and budget expenditure tasks at all levels for new rural construction, empowering, publicizing, fostering transparency, and building a list of works and projects with funding from the state budget are necessary solutions to be applied.

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