REPORT ON

ASSESSING FISCAL IMPLICATION OF THE RECENT CHANGES IN POVERTY LINES AND REVISION OF ALLOCATION NORMS OF CAPITAL EXPENDITURES AND RESOURCES FOR TARGETED PROGRAMS

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ABBREVIATIONS

GSO	General Statistics Office
MOF	Ministry of Finance
MOLISA	Ministry of Labor, Invalid, and Social Affairs
MPI	Ministry of Planning and Investment
MTEF	Medium-Term expenditure Frameworks
NTP	National Targeted Program

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The views presented in the study are the author alone and should not be attributed to the World Bank or any other organizations.

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EXECUTIVE SUMMARY

This research assignment is carried out to describe the evolution of budgeting mechanism in the recent years in association with capital expenditure transferred from central to provincial budgets with a focal on changes in budgeting process and allocation norms. It is also to carry out an assessment of how recent changes in the allocation norms, poverty line, and identification of provincial poverty rate would affect the redistribution of capital expenditures from the central to provincial budgets, and then to verify whether these recent changes are pro-poor. The report also mentions how recent changes in the allocation norms, poverty line, and identification of provincial poverty rate would affect availability of resources for the national targeted programs.

The introduction of the State budget Laws in 1996 and 2002 further elaborated the changes in this field. Following up these changes, allocation norms for distributing state budget capital expenditures from the central to lower budget levels were significantly developed. All allocation norms are divided into five groups, which cover many aspects such as population, levels of development, natural geographic areas, the number of district administrative units, and additional criteria (Decision 210/2006/QD-TTg, 2006). For the budgetary stability period of 2011-2015, allocation norms are basically similar to those stipulated in the Decision 210/2006/QD-TTg with some minor changes. For example, arable land area of rice is added into natural geographic areas; indicators for city types 1, 2, and 3 and provinces and cities belonged to dynamic economic development or center of regions and sub-regions were also added to the allocation norms.

These changes in allocation norms are believed to have significant impacts on allocation of capital expenditures from the central to provincial budgets. They have improved transparency, equality, and predictability of the budgeting process as well as in allocation of capital expenditures from the central to provincial budgets. The analysis results of the budgetary stability period of 2007-2010 suggest that the capital expenditures are unfavorably distributed to more advanced provinces, and seem to be supportive to more disadvantage provinces and regions. At the provincial level, evidence also shows that

new allocation norms used to distribute capital expenditures from the central to provincial budgets are pro-poor. In the budgetary stability period of 2011-2015, newly added allocation norms do not support advanced developed provinces and regions, and they are not strongly favorable to the most disadvantage provinces.

Besides, there are changes in insights of allocation norms such as change in the way of identifying provincial poverty rate (shifting from MOLISA to GSO provincial poverty rates) and change in the poverty line (starting in late 2010). The analysis results suggest that, for the budgetary stability period of 2007-2010, the GSO provincial poverty rate would be more pro-poor than MOLISA counterpart. For the budgetary stability period of 20011-2015, in the other case, analysis results show that the new poverty line seems to be supportive to the most disadvantage provinces and regions but not strong as GSO provincial poverty rate. They also imply that, however, the "new poverty line" poverty is unfavorable to the poor provinces than using GSO poverty rates.

Resources available to the NTPs and specific goals-oriented programs are an important supplement to capital expenditure allocated from the central to provincial state budgets. This amount of capital has contributed to sustain objectives of the specific programs, support disadvantage areas over the country on catching up, promote economic development, and improve living standard of population. Changes in allocation norms and in insight poverty identification as well as new poverty rates have certain impacts on resources available to the NTPs and other specific goals-oriented programs. Evidence shows that both GSO and MOLISA provincial poverty rates are positively associated with amount of capital allocated to the programs, but GSO provincial poverty rate seems to be more pro-poor than using MOLISA one.

1. INTRODUCTION

1.1. Background of the research

The promulgation of the State Budget Law in 2002 has marked a significant change in state budgeting process of Vietnam. The Law has directed to increase the transparency, accountability and predictability in budgeting process. Many significant changes have been resulted from the introduction of the State Budget Law. Decentralization between the central and local budgets is improved and more than 50 percent of state budget expenditures have been directly managed by local governments. It has promoted initiative and creativity of local authorities in managing budget to meet expenditure demand for economic development.

There have been important changes in the budgeting process in Vietnam since 2006 when Government issued Decision 210/2006/QĐ-TTg and Decision 60/2010/QĐ-TTg on promulgating a set of quantitative norms for state budget allocation for investment expenditures in the periods of 2007-2010 and 2011-2015, respectively. This is a revolutionary reform in the management and allocation of state budget. For the period of 2007-2010, the norms include ethnic minority population and poverty rates, and the addition made the allocation norms become progressive. It would be a greater progression once the newly revised allocation norms are used to allocate investment expenditure from the central state budget to local budget levels, for targeted transfers as well as for national targeted programs.

According to the Decision 60/2010/QĐ-TTg on promulgating a set of quantitative norms for state budget allocation for investment expenditures in the period 2011-2015, allocation of investment expenditures is still progressive, but the weight of norms or allocation criteria is significantly changed. Recently, the new poverty line has been introduced, and it is twice as high as that used for the period of 2006-2010. This change would result in a significant change in provincial poverty rates. In addition, government has decided to use the General Statistic Office (GSO) provincial poverty rate rather than that provided by Ministry of Labor, Invalid, and Social Affairs (MOLISA). These

changes would have fiscal impact on allocation of capital expenditures and resources for national targeted programs.

The above changes are likely to make the budget allocation criteria, weight, and norms flexible; therefore, they would have significant impacts on redistribution of state budget for capital expenditures and availability of resources for the national targeted programs. A thorough understanding of how central state budget is transferred to lower-state budget levels and how those changes in budget allocation criteria, weights, and norms affect poverty reduction is critically important for the assessment of poverty reduction effort. This understanding also provides valuable inputs for designing next poverty reduction programs and allocating resources for the national targeted programs.

1.2. Objectives of the research

This research is follow-up assistance, which was provided to the Ministry of Planning and Investment to develop the Social Economic Development Plan for the period 2011-2015 and to the government for making the Decision 60/2010/QĐ-TTg. The main objective of this assignment is to review evolution of budgeting mechanisms in recent years in relation to resource transfers between the central and provincial state budget levels. In addition, the assignment will also carry out an assessment of how recent changes in the allocation norms, in poverty lines and in the identification of provincial poverty rates would impact the redistribution of budget resources. In particular, this research assignment is carried out to get the following goals.

- To describe the evolution of budgeting mechanism in the recent years in association with capital expenditure transferred from Central to provincial state budgets with a focal on changes in budgeting process and allocation norms.
- To carry out an assessment of how recent changes in the allocation norms, poverty line, and identification of provincial poverty rate would affect the redistribution of capital expenditures from the state budget to provincial budget level, and then to verify whether these recent changes are pro-poor. The report also mentions how recent changes in the allocation norms, poverty line, and

identification of provincial poverty rate would affect availability of resources for the national targeted programs.

1.3. Research approach

With given objectives and our understanding, our approach for this assignment follows three steps, which are described in the figure 1.

The first steps will provide basic information about budgeting process in Vietnam and its historical development. This is critical stage for better understanding how capital expenditures has been allocated, which criteria have been used, and how allocation of capital expenditures would be changed if there are changes in the ways of allocation imposed. At this stage, information about 15 national targeted programs (NTPs) will also be provided to bring better understanding of the NTPs. This step supplies necessary input for the latter.

The second step focuses on how allocation norms, provincial poverty identification, and new poverty line affect capital expenditure allocation from the central to provincial state budget levels. The research will collect data on provincial poverty rates in 2006, 2008 and 2010, which have been calculated by MOLISA, as well as by GSO. The provincial capital expenditures in 2006, 2007, 2010, and 2010 will also be collected. Based on the data collected, the research will calculate:

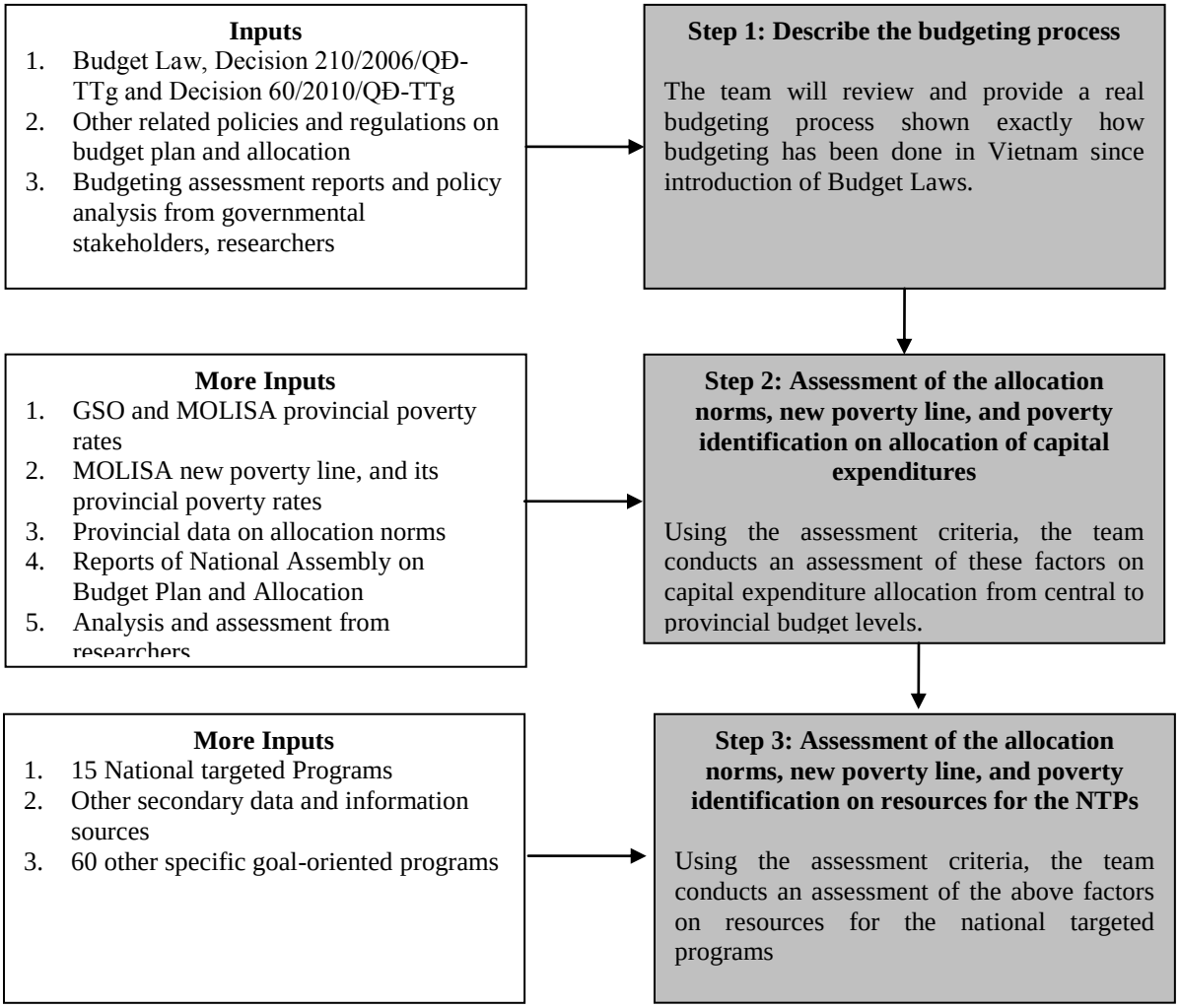
- Provincial growth rate of capital expenditures between the year when new allocation norms applied and the previous year when new allocation norms had not applied. Negative provincial growth rate of capital expenditures means the new allocation norms results in a decrease in capital expenditures allocated to the provinces.
- Changes in shares of capital expenditures in each province and region. A negative share change means that capital expenditures distributed to a province is smaller than that of previous year when new allocation norms had not applied, and vice versa. If positive share changes occur in disadvantage provinces, the new allocation norms are pro-poor. If negative share changes occur in high developed provinces, the new allocation norms are unfavorably to the rich provinces.

- Relationship between per capita capital expenditures and provincial poverty rates. When GSO and MOLISA provincial poverty rates are used relatively in associated with provincial per capita capital expenditures and their shares, they will show the effects when changing in provincial poverty rate calculation and when changing in poverty line.
- Regression of provincial per capita capital expenditure and their shares on provincial poverty rates. If coefficients of poverty rate are positive, a province with higher poverty rate would receive higher capital expenditures or their shares. In this case, it would be said that allocation norms is pro-poor.

This step is time-consuming because of data collection for the analysis, and quality of this calculation would determine the quality of the research.

The step 3 is also critical for this research assignment. Besides investigating effects of allocation norms, provincial poverty identification, and new poverty line on capital expenditure allocation from the central to provincial state budget, the research also studies how these factors associate to availability of resources for the national targets programs. To understand of how the changes in allocation norms affecting resources available to NTPs, research also use similar approaches done in the second step, but in which capital expenditures are now replaced by resources distributed to the NTPs respectively. The indicators used would be provincial growth rates and change in shares of resources distributed to NTPs in the province; relationship between resources distributed to NTPs and provincial poverty rates; and regression of resources distributed to NTPs and their shares on provincial poverty rates

Figure 1: The approach of the research assignment



1.4. Literature reviews

This quick literature review is to provide brief summary of previously done research/studies which relates to budgeting process in Vietnam since the State Budget Law was introduced in 2002. It also provides a short summary of impact of changes in allocation norms, provincial poverty identification, and new poverty line on redistribution of capital expenditure from the central to lower state budget levels, with focus on the provincial state budget, and resources for the national targeted programs.

The state budget Law was introduced in 2002 and run in effect from January 1, 2004. From its introduction, many studies have been done to understand the Law and its

innovation from the previous. Most of studies in this related issues confirmed that the introduction of the State Budget Law have been improved the budgeting process in Vietnam towards more transparent, accountable, and decentralized. Out of those studies, World Bank (2004) had an overview study of governance in Vietnam, in which budgeting process was a small component. According to this study, many aspects of budgeting process have been improved as stated above, and the coordination between Ministry of Planning and Investment (MPI) and Ministry of Finance (MOF) is critical for the success of budgeting process. In addition, the introduction of Medium-Term expenditure Frameworks (MTEF) could play important roles in supporting integration of planning and budgeting. This studies also emphasized on budget allocation norms, especially allocation from the central to provincial budget level. The allocation norms helped to increase transparency and decentralization in public finance management. This kind of arguments can be found in some other studies (Vasavakul et al., 2009; Hanai and Bach, 2008; Bartholomew, 2006; and Cheng, 2004).

Those studies found that some limitations when the new Law was introduced. For example, poverty reduction rates used as an allocation norm, thus there is no incentives/effort made by provinces to reduce its poverty rate (World Bank, 2004). Another problem was a coordination of MPI anf MOF in the budgeting process. If this coordination somehow failed, the planning could not be based on resources because the MOF does budgeting (Cheng, 2004, and World Bank 2004). The allocation norms are used for long period but did not take into account the differences in inflation among provinces, and a wider gap between the norm and the reality (Office of National Assembly, 2011).

In terms of achievements in governance, previous research and studies confirmed that the introduction of State Budget Law 2002 have improved transparency, accountability, and decentralization. While the introduction of the Decision 210/2006/QĐ-TTg and Decision 60/2010/QĐ-TTg makes a further step towards more transparent, accountable, and decentralized (Vasavakul et al., 2009; and Office of National Assembly, 2010).

Regarding to the impact of allocation norms, provincial poverty identification, and new poverty line on capital expenditures and resources for the national targeted program,

there are fewer previously done studies/research. As far as knowledge of the research team, only one comprehensive study has been done about this issue (Office of National Assembly, 2011). This study also investigated the social-economic effects of allocation norms on distribution of capital expenditures to provincial level. It found that capital mobilization for investment from state budget increased so that many national important projects have been done in the period of 2006-2010. However, many limitations should be addressed once new allocation norms would be designed. Those obstacles are thoroughly presented in Office of National Assembly (2011).

In short, this research assignment will fulfill empty holes in literature relating to the issue. It will not only focus on budgeting process with strengths, weaknesses, and new changes of allocation norms, but also impacts of those changes on allocation of capital expenditures and availability of resources for the national targeted programs.

2. BUDGETING PROCESS

Many diagnostic studies have been undertaken on public finance management in the recent years. The Vietnam public expenditure reviews were carried out in 1996, 2000, and 2004; a review of fiscal transparency was in 1999; a country financial Accountability assessment was in 2001; country procurement assessment review in 2004 and 2004; a joint evaluation of general budget support was in 2006; a review of AECID-UNDP strategic Partnership Initiative was in 2009. A general consensus is that the quality of public finance management in Vietnam has been improved, even though weaknesses still remain. An important improvement in treasury management and control of budget execution has been recognized; financial decentralization and transparency have also been improved.

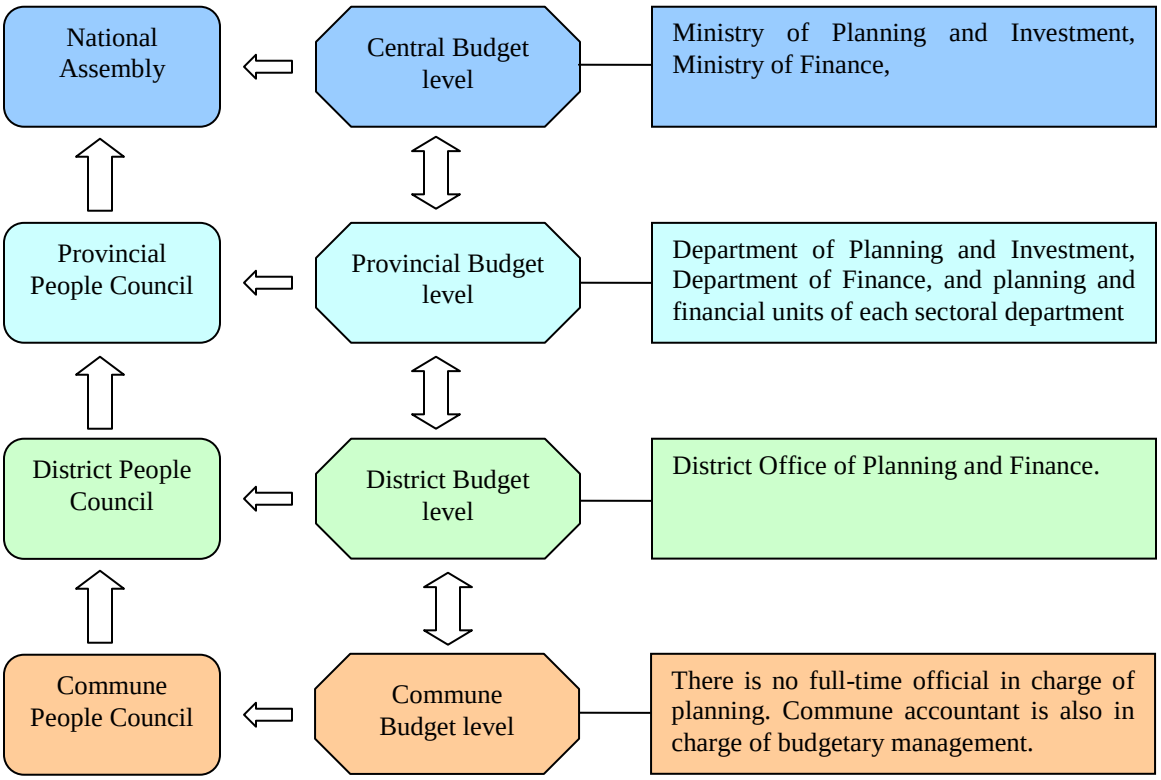
This section briefly describes the budgeting process in Vietnam in two different periods: before the introduction of the State Budget Law 2002 (limit to period after the introduction of State Budget Law 1996), and the current budgeting process. Based on the description, the section will summary new changes in the current system with focuses on changes in budgeting process and changes in allocation norms of capital expenditures from the central to provincial budget levels.

2.1. Budgeting process before the introduction of State Budget Law 2002

Before the implementation of the State Budget Law 2002, fiscal management of state budget was highly centralized (Hanai and Bach, 2008). The central budget level took control and allocated both recurrent and capital expenditures to the lower budget levels by allocation norms set discretely by central government. The lack of transparency in budgeting process and lack of incentives of local government resulted in the introduction of the State Budget Law 1996. This is the first budget law in Vietnam, and it is the most important regulations in the area of budgetary and fiscal management at that point in time. Its enactment created a turning point in management of state budget, a legal framework for controlling budgeting process, and critical contribution to social economic development (Hanai and Bach, 2008). The introduction of the State budget Law 1996 was also considered as a first step of shifting from input-control system toward early stage of result-oriented budgeting process in Vietnam (World Bank, 2004).

According to the State Budget Law 1996, budget levels were divided into four different levels equivalently to four governmental levels: central, provincial, district and commune levels. The structure of governmental and budget levels is reconfirmed in the State budget Law 2002. The figure 2 provides an overview of planning and budgeting system in Vietnam, which is regulated by the State Budget Laws.

Figure 2: Planning and budgeting system in the State Budget Laws



Source: Consolidation from existing legal documents

2.1.1. General budgeting procedure regulated by state budget law 1996

The State Budget Law 1996 also regulated budgeting process which is carried out annually. The budgeting process is started by a Directive of the Prime Minister on planning of socio-economic development and drafting the state budget. Based on the Directive of the Prime Minister, Ministry of Finance issues a Circular guiding on drafting the state budget, which includes some basic items: (i) revenue estimation is based on tax laws and other guidance documents, including the collection of additional taxes (if any);

(ii) cost estimation is based on the policies and spending norms agreed by the central government regulations.

The MOF has a drafted budgetary plan to assign revenues and expenditures to the ministries, central agencies, provinces and cities under central authority. Based on the Directive of the Prime Minister, Circular of the MOF, and its drafted budgetary plan, ministries and other central agencies assign revenue sources and budgetary expenditure tasks to units under their management; while People's Committees at all levels assign revenue sources and budgetary expenditure responsibilities to units under their control.

Based on the instructions, estimation of state budget is conducted "bottom up", from the base unit (budget beneficiaries), and it is consolidated at each level. Then, the MOF calculates the total revenues and expenditures of whole country. Eventually, all sub-national budgets will be consolidated into state budget and then submitted to the Government and National Assembly for approval.

2.1.2. Activities and timeline of budgeting process in State Budget Law 1996

The State Budget Law 1996 stipulates that the National Assembly decides drafted state budget plan and allocates state budget before November 30. The main activities and timeline can be summarized in the following table.

Table 1: Main activities and timeline of budgeting process stipulated in the state budget law 1996

Stages of budgeting process	Main activities	By the State budget Law 1996
Preparation of budget Plan	Prime Minister issues instruction on building state budget plan	by June 15th
	MOF, MPI issue instructional guidelines; then ministries, central bodies and people committee instruct lower levels to build their budget plans	From Jun 15 to the end of July
	Provincial authorities submit budget plans to MOF and MPI	By August 15th

	MOF works with the central and local agencies, consolidating and building national budget plan.	From August to the end of October
	Government submits national budget plan to National Assembly via the Committee of Economic and Budget Affairs for verification	Early of November
Review, approval and allocation of the state budget	National Assembly Congress is held where discussion, hearings and decision on the state budget plan and central budget allocation scheme are made	By November 30th
	Conducting distribution of the national state budget; National Assembly Standing Committee decides to allocate the central budget	Within one month from December 1st to December 31st

Source: Consolidation from existing legal documents

Based on the legal framework of the State budget Law 1996, the budgeting process can be divided into several steps as follows:

- Step 1: Before June 15th, Prime Minister issues a Directive on the plane of social-economic development and state budget plan for the coming year.
- Step 2: After getting the Directive mentioned above, prior to June 10th, MOF issues a circular guiding the central agencies and lower budget levels on requirement, content, deadline of budget estimation. MOF also has a decision on checking state budget estimation for each sector and total revenue and expenditure (for the ministries, central agencies) and total revenues and expenditures for important areas such as education, science and technology (for the provinces and cities under central management). At the same time, MPI issued a circular guiding on planning of socio-economic development, investment plan. In addition, coordinated with MOF, MPI announces amount of estimated capital investment from the state budget and capital investment from credit.
- Step 3: Based on the Directive of Prime Minister, the Circular of MOF and MPI, and upon the request of specific local agencies, ministries, central agencies and Provincial People's Committees have responsibilities for informing on budget

estimation to lower units under their direct management. This step is usually done in mid-June.

- Step 4: Once getting instructions from the upper levels, state budget beneficiaries have to draft their budget estimation as instructed and send it to the direct management level. The upper management level will review the budget estimation of the lower units, then consolidates and send consolidated budget estimation to the budget level-I unit. The budget level-I units review and consolidate all drafted budget plans of their under direct management levels, then send consolidated budget estimation to the agencies of finance and planning and investment offices, which are at the same level. The central agencies have to send budget plans prior to July 20th. Budget plans of ministries, central bodies, and localities must be accompanied by a written explanation on basis for calculating each of revenue source and expenditure responsibility.
- Step 5: By August 15th, the budget plan of ministries, governmental bodies, and localities have to send their budget plans to MOF and MPI. Once getting budget plans, the MOF will work with ministries, governmental bodies, and localities on their budget plans, and then consolidates the national budget plan.
- Step 6: During October, the MOF have to consolidate national budget plan, and then submit to the government.
- Step 7: Government has to submit national budget plan to the National Assembly via the Committee of Economic and Budget Affairs for verification.
- Step 8: After consulting with the agencies of the National Assembly, Government (MOF and MPI) reviews and has explanations on budget plan such as issues in budget estimation and budget allocation plans. MOF and MPI also work with ministries, provincial people's committee to complete such budget plan, budget allocation plan, which will be submitted to National Assembly for approval such that they are in accordance with regulations in Constitution and the State Budget Law. The budget plan and budget allocation scheme have to be sent to all members of National Assembly at least ten days before the session begins.

- Step 9: Congress decides the state budget plan, budget allocations for the coming year before November 30th.

2.2. The current budgeting process

The current budgeting process in Vietnam is implemented under legal framework regulated by the State Budget Law 2002. According to the Law, the state budget includes the central and local budget levels, which are central, provincial, district, and communal state budget levels. This budget system is designed as a vertical structure, in which a hierarchical relationship can be seen in accountability and reporting system of the local budget levels. Local budget levels are accountable to the upper level government as well as jurisdictional People Council. Description of the system is presented in the figure AA, and the budgeting process will be described as follows.

2.2.1. General budgeting procedure regulated in the state budget law 2002

The current budgeting process in Vietnam is followed the regulations of the State Budget Law 2002, which was enacted by Congress on December 16, 2002. Accordingly, the basic steps and procedure is inherent from the previous State Budget Law mentioned in the section 2.1.1. Only some changes in decision making power of budget authorities such as Congress and People's Councils and the milestones of budgetary plan have been made.

The introduction of the State Budget Law 2002 has strengthened the autonomy and discretionary responsibilities of provincial government in controlling local budgets such as budgetary plan, allocation, and execution. It is a further step to make the budgeting process more transparent and accountable. The introduction of the State budget Law 2002 also helps clarifying the revenue sources and budgetary expenditure responsibilities to lower budget management levels. The detailed revenue resources directly controlled by the central and local budget are presented in the annex 1.

2.2.2. Budgeting procedure regulated in State Budget Law 2006

According to the State Budget Law 2002, budget allocation and budgetary plan assignment is carried out as follows:

- National Assembly decides total revenues and total expenditures, and level of budget deficit in each sector. It also decides allocation of central budget and additional budget from the central to the provinces and central cities.
- Based on the allocation of central budget plan, and allocation of central to provincial, which was approved by National Assembly, Prime Minister to ministries, provinces and cities under central direct management.
- Based on the budget plan assigned by the central government, ministries and central government agencies decide to assign budget estimates to the units under direct management of ministries, the central government agencies. At that time, People's Councils at various levels will allocate local budget. Based on the draft budget approved the People's Councils, People's Committees at all levels, budget is allocated to the units under their direct management.

The main activities and timeline can be summarized in the following table.

Table 2: Main activities and timeline of budgeting process stipulated in the state budget law 2002

Stages of budgeting process	Main activities	By the State budget Law 2002
Preparation of budgeting process	National Assembly's Standing Committee have comments on budget allocation norms, which are basis for estimating budget plan of the first year stabilization period (the period of stable local budgets from 3 to 5 years)	by May 1st
	Prime Minister (MPI) issues instruction on building state budget plan	by May 31st
Preparation of budget Plan	MOF, MPI issue instructional guidelines; then ministries, central bodies and people committee instruct lower levels to build their budget plans	by June 10th
	Provincial authorities submit budget plans to MOF	by July 20th

	MOF works with the central and local agencies, consolidating and building national budget plan.	by the end of July
Review, approval and allocation of the state budget at National Assembly	Government submits national budget plan to National Assembly via the Committee of Finance and Budget Affairs for verification (MPI has explanations if needed)	before October 1st
	National Assembly's congress is held where discussion, hearings and decision on the state budget plan and central budget allocation scheme are made. In this congress, there are two important documents will be approved, including drafted budget plan and budget allocation plan.	before November 15th
	Conducting distribution of the national state budget; National Assembly Standing Committee decides to allocate the central budget to lower budget levels.	before November 20th
Review, approval and allocation of the state budget at the localities, by the People councils	Provincial People Council decides provincial budget allocation	before December 10th
	District and communal People Councils decide district and communal budget allocation, respectively	within ten days once the upper People committee decided budget allocation plan; and state budget has to be transferred to communal budget level by December 31st

Source: Consolidation from existing legal documents

In this process, when the drafted budget plan is submitted to National Assembly, the Committee of Finance and Budget Affairs has to review and comments on the budget plan. Then, all documents such as report on implementing budget plan of the current year, drafted budget plan for the coming year, and budget allocation plan for the coming year will be submitted to all members of National Assembly at least ten days before the congress begins. National Assembly has to decide drafted budget plan and budget allocation plan before November 15th.

According to the current State Budget Law, the MPI annually has instruction on how to make local social economic development plans and associated capital need to implement successfully the social economic development plans. It also coordinates with MOF in building central state bubget estimation and distributing the approved budget to assigned tasks (mostly development capital expenditures). MPI has a leading role on designing the NTPs and draft budget plan as well as allocation budget plans for NTPs.

2.3. New changes in current system

The introduction of the State budget Law 2002 marks a period of accelerating transform from input-control to result-oriented budgeting process. This Law helps to improve the transparency, accountability, and quality of budgeting process. It also speeds up financial decentralization and eventually reforms public finance management in Vietnam. This section will provide more information about new changes in the current budgeting process in terms of budgeting procedure, and budget allocation norms.

2.3.1. Changes in budgeting procedure

There are significant changes in budgeting procedure regulated in the State Budget Law 1996 compared to the Law 1996. The National Assembly Congress is a unique agent having power to decide the central budget allocation, not National Assembly Standing Committee as stated in the State Budget Law 1996. Time duration for deciding drafted budget plan is also tightened, just 45 days, and saving the time for budget allocation to the end-beneficiaries. This budgeting process requires that all governmental agencies have to work and coordinate closely in order to meet requirements of budgeting process. Compared to the previous state budget law, the law 2002 has some important changes in budgeting process, which will be described as follows.

- The State budget law 2002 has created a legal framework for the budget process and clearly defines the role of legislature agencies (National Assembly and People's Councils), executive agencies (Government and ministries, branches and People's Committees at all levels). The law provides legal procedures for monitoring the state budget of the legislature and creates a mechanism for the State Auditor agency to audit state budget allocations' reports. In addition, the law

stipulates the role, powers and interests of the governmental agencies at different levels.

- The law stipulates revenue resources and state budget expenditure tasks of the budget s and sharing revenues between the central and local budgets.
- The assigned revenues and expenditures of local budgets are stable from three to five years; it thus helps local government to have a plan to mobilize for and spend from local state budgets actively.
- State budget revenues and expenditures at all government levels are unified, and they can be used similarly from the central to local budget levels. Under this new law, the budget has to include all revenues and expenditures in current fiscal year, and voluntary contributions. That means the law define which resources and objects of state budget revenues are, and it increases transparency as well as improves accountability at all budget levels and in all sectors.
- The new law has some provisions to take into account of the impact of unforeseen circumstances and changes in policies for income and expense, for example bonuses when exceeding revenues collected, adjusted annual drafted state budget plan ... It will also allow adjusting the budget allocations and state budget expense responsibilities, if any unexpected changes in revenues and the expenditures of state budget occur.
- The state budget Law 2002 allows local governments to mobilize its budget revenues via charges, fees, surcharges, and borrowed money. Local government debt does not exceed 30 percent of its total annual domestic investment in the province, except for Hanoi and Ho Chi Minh cities where their debt can be reach to 100 percent of their total annual domestic investment. This allows localities actively raising funds, voluntary contributions from individuals and organizations at the local levels, eventually to increase capital for development.

2.3.2. Changes in allocation norms

According to the decision 210/2006/QD-TTg, dated 12/9/2006, capital expenditure allocation of state budget from central to the provincial budget have been based on a set

of allocation norms, which includes five groups of criteria: (i) Population includes provincial population size and its number of ethnic minority; (ii) Provincial development level consists of provincial poverty rate, domestic revenue, and portion transferred to the central budget; (iii) Area of province; (iv) Number of administrative units within provincial boundary include number of districts, mountainous district, remote, island, and disadvantage districts and cities (v) additional allocation criteria include special cities, central cities, provincial cities level I, and the central of dynamic economic regions.

The allocation norms are used the first time to allocate the central to lower budget levels in the 2007-2010 state budget stability. After four years of implementing the decision 210/2006/QD-TTg, there are achievements and limitations in allocating capital expenditures from the central to provincial budgets. The main achievements can be assessed in terms of implementation in the practice at all budget levels to meet requirements of capital expenditure for development. The state budget allocation, using the allocation norms, is equality, transparent, and highly supported by ministries, authorities, and local people. These allocation norms also help to eliminate rent-seeking mechanisms of capital expenditure allocation from state budgets. With the four years of budget stability, local governments (provinces and cities) have their longer investment plans. Using the allocation norms for capital expenditures ensure development objectives and priorities support to the mountainous, border, island, ethnic minority areas and other disadvantage areas to reduce the gap in economic development, incomes and living standards among regions in the country.

The decision 210/2006/QD-TTg has been applied for four years and reveals some limitations.

- Capital expenditure from budget of ministries and sectors are not specified, and which sector, areas, and projects are funded by state budget, especially investment in projects of national economic groups, the state owned enterprises and social organizations have not been defined, so allocation of capital expenditure of those are not as transparent as that from the central to provincial budgets.
- Many provinces have their internal revenue higher than their previous ones, but the increase in budget transfer to provinces is uneven and unchanged in some

provinces. It thus leads to an additional capital for investment this province lower than that in other province, especially provinces with high revenue sources.

For the state budget stability period 2011-2015, allocation of capital expenditure from the central to provincial budgets are mainly similar to allocation process and norms in the previous state budget stability. It means that, the current state budget stability still uses same set of allocation norm, but some changes have been made. Following are some key changes in allocation norms of capital expenditure from the central to provincial budgets stipulated in the Decision 60/2010/QD-TTg compared to that stipulated in Decision 210/2006/QD-TTg.

The decision 60/2010/QD-TTg on principles of budget allocation has to follow the resolution of Politburo and the Central Executive Committee of Communist Party. The decision stipulates all ministries, industries, and areas, to which state budget will be delivered such that destinations of state budget will be allocated to the defined beneficiaries. The decision more clearly defines which economic groups, state owned corporations, and social and professional associations as well as specific programs/projects are received capital expenditure allocation from the state budgets.

In terms of allocation norms used for distribution of state budget from the central to provincial budget level, some minor changes are made.

- The decision 60/2010/QD-TTg has made five groups of criteria more clear and specified. They include basic criteria groups as stipulated in the previous decision, including population, development level, area, district administrative units, and additional criteria. In which a criteria of rice-planted area is added to the additional criteria group in order to support more investment for the key rice-producing provinces to ensure food security. Among the additional criteria, urban types 1, 2, and 3 have been specified to match the current practice.
- Regarding to the additional allocation from the central budget to local budget to NTPs, the number of NTPs has been reduced by program integration (from 60 to 29 programs) to make sure that the NTPs are focused and efficient. In addition, an increase in additional investment has been made to support provinces, which have their high portion of budget revenue sent back to the central budget level. This

support is done by conclusions of the Politburo on building a specific mechanism for provinces, which have large contribution to the central budget, to increase their investment in public works, social security, and environmental protection.

- In the development level criteria groups, the insights of provincial poverty rate have been changed. As stated in the decision 210/2006/QD-TTg, the provincial poverty rate used was statistics of MOLISA, but in the decision 60/2010/QD-TTg, the GSO provincial poverty rates, which are calculated from Vietnam household Living Standard Living 2008, have been used in stead.

2.4. Shortcomings of the State budget law 2002

The State Budget Law was carried out in the practices and had its significant contribution to budget process during its validation. After seven years in services, however, the State Budget Law 2002 had appeared some major shortcomings, and it was needed to be changed. The main limitation of this law can be summarized as follows:

- Budget system was complex and overlapped. Provincial budget includes both district and commune budget levels; the central budget level covers budgets of local government; competence to decide the agency's budget is unclear; and budget process is complex;
- Regulations on revenue sources and expenditures are unclear; several charges, fees, revenues from lotteries, and land use fees have not been brought into balance; budget deficit calculation methods are not appropriate with international practice;
- Decentralization of revenue sources and spending tasks between the central and local budgets, among different levels of local budgets does not fit reality; regulations on additional budget allocations from the upper budget to lower budget levels was inappropriate;
- Annual budget plan is not appropriately built: inappropriate basis, unlinked to the medium-term budget plan, and disconnected with outcomes.
- There is no regulations on operating state budget in case of emergency, no specified time frame for adjusting budget estimates assigned; regulations on using

budget of the following year in advance to carry out the urgent tasks are inappropriate;

- Some provisions on settlement, auditing, and publicizing state budgets are incomplete; spending tasks performed by changing budget sources are not be specified appropriately;
- The responsibility and authority in management as well as allocation of development capital are not clearly and appropriately defined.

3. ASSESSMENTS ON ALLOCATION OF CAPITAL EXPENDITURES

Introduction of the State Budget Law 2002 marked a fundamental change in way the government of Vietnam manages its public finance. It gives more autonomy to lower levels of governments and then increases decentralization. The law has also empowered members of National Assembly by increasingly involved in the budgetary process, giving responsible for approval and allocation of state budget from central to lower levels of governments.

Budget allocation is an important component of the budgeting process, and it determines transparency, accountability and equality of the budgeting process. This section will focus on changes in budget allocation norms and their effects on allocation of capital expenditures from the central to provincial budgets, while the allocation of resources from provinces to districts and communes is less encouraging. In particular, this section concentrates on assessment of how changes in budget allocation norms affect capital allocation in both budgetary stability period of 2007-2010 and 2011-2015; how a change in provincial poverty identification (from MOLISA to GSO poverty rates) impacts on capital expenditures distributed to provinces; and how a change in the poverty line would affect the capital expenditures allocated from the central to provincial state budgets.

3.1. Assessment on changes in capital expenditures allocation norms

Budgetary stability period of 2004-2006 was carried out on basis stipulated in the decision 139/2003/QD-TTg, dated 11/7/2003. According to this decision, many specific characteristics of ministries, industries, and provinces such as the number of civil servants, number of pupils in each province, or number of hospital beds,... were used as budget allocation norms. In terms of capital expenditure allocation, it is stipulated that each province has to spend 27 to 28 percent of its total budget expenditures on investment capital, and this annual capital expenditure had continuously increased at least 7 percent compared to the previous plan. As a result, the resources available at local levels (provincial and district levels) are not commensurate with local needs, and the budget allocation process itself does not always reach to transparency and equality.

Introduction of the decision 210/2006/QD-TTg makes a turning point towards more transparency and equality of state budget allocation of capital expenditures. A significant change in allocation norms is newly built a set of criteria and allocation norms which totally get rid of previous inappropriate ones. The allocation norms of decision 210/2006/QD-TTg are divided into five groups:

- Population criteria include provincial population size and its number of ethnic minority;
- Provincial development level consists of provincial poverty rate, internal revenue, and portion transferred to the central budget;
- Natural area of province;
- Number of administrative units within provincial boundary include number of districts, mountainous district, remote, island, and disadvantage districts and cities;
- Additional allocation criteria include special cities, central cities, provincial cities level 1, and the central of dynamic economic regions.

With the changes in the state budget allocation norms, a change in volumes and shares of capital expenditure in the total state budget expenditures were made. The structure of total expenditures and capital expenditures are presented in the table 3.

Table 3: Structure of budget expenditures in 2006 and 2007

	2006			2007		
	Total	Central budget	Local budget	Total	Central budget	Local budget
Total expenditures	100.0	64.8	35.2	100.0	64.1	35.9
Capital expenditures	27.6	15.4	12.2	25.8	14.4	11.4
Education and training				3.3	1.4	1.9
Science and technology				0.8	0.4	0.4
Recurrent expenditures	45.1	26.1	19.0	50.2	27.2	23.0
Education and training	12.5	3.5	9.0	13.6	3.1	10.5
Science and technology	1.1	0.8	0.3	1.0	0.8	0.2

Source: The Finance and Budget Committee of National Assembly

The share of capital expenditures in total budget expenditures decreased from 27.6 percent in 2006 to 25.8 percent in 2007 due to a fall in share of both budget distributed from the central and local budgets on capital expenditures. This situation is resulted from a slower increase in capital expenditure from both central and local budgets. While annual growth rate of total expenditures in 2007 was 19.7 percent, the annual growth rate of capital expenditures is just 18 percent. It is similarly trended to expenditures from central and local budgets.

By using these new allocation norms, capital expenditures seem to be distributed to the regions where capital expenditures are most needed. Most disadvantage regions received a significant increase in capital expenditures from both central and local budget, while more developed areas still received sufficient amount to sustain social economic development. For example, capital expenditures allocated to the North Mountainous region in 2007 increased by 58.1 percent compared to 2006. This increase provided the region an appropriate amount of capital to implement its annual development plan and to achieve its social economic development goals. The capital expenditure in the South East region just increased 3.8 percent compared to the 2006, but its amount of capital expenditures accounts for 29.6 percent of total expenditures in 2007, a significant decrease compared to that in 2006.

Table 4: Change in capital expenditures from central to provincial budgets if changing in the allocation norms between 2006 and 2007 by regions

	2006 (billion)	2007 (billion)	% change	Shares of 2006	Shares of 2007
North Mountainous	1847.4	2920.2	58.1	5.5	7.4
Red River Delta	9544.0	11766.6	23.3	28.7	30.0
North Central and Central Coast	6319.3	7448.9	17.9	19.0	19.0
Central Highlands	1217.4	1444.8	18.7	3.7	3.7
South East	11220.3	11646.1	3.8	33.7	29.6
Mekong River Delta	3148.6	4053.4	28.7	9.5	10.3
Total	**33297.0**	**39280.0**	**18.0**	**100**	**100**

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Data in the table 4 also show that Red River Delta and South East regions capture approximately 60 percent of total capital expenditure in 2007, a 2.8 percent-point

decrease compared to that of 2006. For the North Mountainous and Mekong River Delta regions, their capital expenditure shares significantly increased.

The above analysis implies that capital expenditures are unfavorably distributed to more developed regions compared to that of previous year by using the new set of allocation norms. It seems to be that more disadvantage regions get a higher share than they did in the previous year, and more developed regions, however, still capture larger shares of total capital expenditures of a single year in general.

By using new allocation norms, capital expenditures seem to be favorably distributed to disadvantage provinces. This can bee seen in the table follows.

Table 5: Provincial growth rates and shares of capital expenditures using new allocation norms between 2006 and 2007

	Capital expenditures in 2006	Capital expenditures in 2007	% Change	Share of 2006	Share of 2007	Share change
Hải Phòng	895.0	762.6	-14.8	2.688	1.941	-0.747
Cà Mau	217.8	202.6	-7.0	0.654	0.516	-0.138
Hậu Giang	165.5	155.4	-6.1	0.497	0.396	-0.101
Bạc Liêu	175.3	167.2	-4.6	0.526	0.426	-0.101
Bà Rịa - Vũng Tầu	1793.9	1726.5	-3.8	5.388	4.395	-0.992
Hưng Yên	363.0	356.2	-1.9	1.090	0.907	-0.183
Bình Phước	311.4	313.2	0.5	0.935	0.797	-0.138
TP Hồ Chí Minh	7057.2	7323.7	3.8	21.195	18.645	-2.550
Đồng Nai	1077.6	1128.1	4.7	3.236	2.872	-0.364
Đà Nẵng	1923.7	2016.5	4.8	5.777	5.134	-0.644
Kon Tum	165.2	178.5	8.0	0.496	0.454	-0.042
Quảng Trị	146.8	159.5	8.7	0.441	0.406	-0.035
Bình Định	490.8	533.4	8.7	1.474	1.358	-0.116
Phú Thọ	204.4	224.0	9.6	0.614	0.570	-0.044
Lâm Đồng	423.2	465.5	10.0	1.271	1.185	-0.086
Quảng Nam	331.3	364.8	10.1	0.995	0.929	-0.066
Ninh Thuận	128.2	141.4	10.3	0.385	0.360	-0.025
Quảng Ngãi	249.7	277.3	11.1	0.750	0.706	-0.044
Hải Dương	485.6	539.4	11.1	1.458	1.373	-0.085
Thừa Thiên - Huế	343.0	385.9	12.5	1.030	0.982	-0.048
Đồng Tháp	392.2	446.0	13.7	1.178	1.135	-0.043
Bình Thuận	477.1	545.0	14.2	1.433	1.387	-0.045
Vĩnh Long	205.0	237.4	15.8	0.616	0.604	-0.011

Bến Tre	128.5	148.9	15.9	0.386	0.379	-0.007
Ninh Bình	317.4	370.5	16.7	0.953	0.943	-0.010
Vĩnh Phúc	1122.8	1310.4	16.7	3.372	3.336	-0.036
Tây Ninh	187.1	219.0	17.1	0.562	0.558	-0.004
Bình Dương	793.1	935.6	18.0	2.382	2.382	0.000
Hoà Bình	178.7	211.6	18.4	0.537	0.539	0.002
Quảng Bình	219.9	261.2	18.8	0.660	0.665	0.004
An Giang	377.8	453.1	19.9	1.135	1.154	0.019
Kiên Giang	362.4	439.6	21.3	1.088	1.119	0.031
Gia Lai	267.7	325.1	21.4	0.804	0.828	0.024
Hà Nam	150.8	184.6	22.4	0.453	0.470	0.017
Hà Nội	4111.5	5135.5	24.9	12.348	13.074	0.726
Long An	295.9	370.1	25.1	0.889	0.942	0.054
Tiền Giang	240.7	304.0	26.3	0.723	0.774	0.051
Phú Yên	139.0	180.3	29.7	0.417	0.459	0.042
Đăk Lăk	259.1	341.1	31.6	0.778	0.868	0.090
Đăk Nông	102.2	134.7	31.8	0.307	0.343	0.036
Quảng Ninh	529.7	707.2	33.5	1.591	1.800	0.210
Thanh Hoá	505.0	674.7	33.6	1.517	1.718	0.201
Yên Bái	144.0	192.5	33.7	0.433	0.490	0.058
Lào Cai	144.0	194.2	34.8	0.433	0.494	0.062
Sóc Trăng	176.4	239.3	35.6	0.530	0.609	0.079
Nghệ An	488.3	666.0	36.4	1.466	1.696	0.229
Trà Vinh	110.8	151.5	36.7	0.333	0.386	0.053
Thái Bình	322.6	443.1	37.3	0.969	1.128	0.159
Khánh Hoà	666.6	925.7	38.9	2.002	2.357	0.355
Bắc Ninh	408.5	595.9	45.9	1.227	1.517	0.290
Bắc Giang	254.5	374.7	47.2	0.764	0.954	0.190
Hà Tĩnh	210.0	317.2	51.0	0.631	0.808	0.177
Sơn La	169.2	255.7	51.1	0.508	0.651	0.143
Thái Nguyên	193.8	293.4	51.4	0.582	0.747	0.165
Nam Định	260.2	410.0	57.6	0.781	1.044	0.263
Tuyên Quang	111.9	176.5	57.8	0.336	0.449	0.113
Bắc Kạn	83.1	135.2	62.6	0.250	0.344	0.094
Hà Giang	89.1	182.1	104.5	0.267	0.464	0.196
Điện Biên	64.2	137.3	113.8	0.193	0.349	0.157
Cao Bằng	76.4	165.3	116.4	0.229	0.421	0.191
Cần Thơ	300.2	738.2	145.9	0.902	1.879	0.978
Lai Châu	55.5	150.3	170.5	0.167	0.383	0.216
Lạng Sơn	78.7	227.5	189.2	0.236	0.579	0.343

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Table 5 indicates that a higher developed province captured smaller share of capital expenditure in 2007 than that in 2006, while a disadvantage province received a higher share of capital expenditure in 2007 than that did in 2006. It would be said that it is evidence showing pro-poor of the allocation norms during the budgetary stability period 2007-2010.

For the budgetary stability period 2011-2015, there are some additional changes in the state budget allocations norms, which are identified in the section 2. Using this set of allocation norms for distributing capital expenditures from the central to provincial state budget, disadvantage regions have received higher share than they did in the previous year when the new allocation norms had not applied. The inversed trend happens to the more developed regions such as South East and Red River Delta.

Table 6: Change in capital expenditures distributed from central to provincial budgets if changing in the allocation norms between 2010 and 2011 by regions

	2011 (billion VND)	**2010 (billion VND)**	**% change between 2010 and 2011**	**Share change***
North Mountainous	2882	2128.6	35.4	1.16
Red River Delta	10242.8	10084.1	1.6	-3.50
North Central and Central Coast	5109.8	3824	33.6	1.91
Central Highlands	1381.1	1004.6	37.5	0.60
South East	14378.3	12930.7	11.2	-1.20
Mekong River Delta	3858	3028.1	27.4	1.02
Total	**37852**	**33000.1**	**14.7**	**0.00**

Note that "share change" is the difference between the shares of 2011 and that of 2010.

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

At the provincial level, the newly added allocation norms does not support high developed provinces and not strongly favorable to the most disadvantage provinces. The share changes in capital expenditures distributed to provinces show that higher developed provinces such as Ho Chi Minh, Vinh Phuc, Da Nang, Ha Noi, Can Tho, Ba Ria-Vung Tau, and Hai Phong are negative. Those negative changes in shares of capital expenditures imply decreases in shares of capital expenditures distributed to these provinces in 2011 compared to those in 2010 when applied the old allocation norms.

Table 7: Provincial capital expenditures growth rates and share changes due to new allocation norms applied for 2011-2015

Provinces	Capital expenditures in 2011	Capital expenditures in 2010	Growth rates (%)	Share changes (%)
TP HCM	8414.6	8407.9	0.08	-3.2481
Vinh Phuc	1160.2	2000	-41.99	-2.9955
Da Nang	538.2	870.7	-38.19	-1.2166
Ha Noi	5952	5450	9.21	-0.7907
Can Tho	640	817.9	-21.75	-0.7877
Ba Ria - Vung Tau	2058.4	1885	9.20	-0.2741
Hai Phong	689.6	660	4.48	-0.1782
Binh Phuoc	235.9	252	-6.39	-0.1404
Hai Duong	341.5	340	0.44	-0.1281
Thua Thien - Hue	242.1	237.2	2.07	-0.0792
Bac Lieu	138.9	135.5	2.51	-0.0436
Hung Yen	233.9	210	11.38	-0.0184
Bac Ninh	268.3	239.5	12.03	-0.0169
Ca Mau	264.4	235.3	12.37	-0.0145
Tay Ninh	201.9	180	12.17	-0.0121
Ben Tre	145.6	124	17.42	0.0089
Bac Giang	193.2	161.4	19.70	0.0213
Thai Nguyen	214.6	180	19.22	0.0215
Lam Dong	277.5	234.5	18.34	0.0225
Tuyen Quang	155.6	126.6	22.91	0.0274
Ninh Thuan	125.4	99	26.67	0.0313
Son La	268.6	223.7	20.07	0.0317
Nam Dinh	229.4	185.8	23.47	0.0430
Phu Yen	160.5	117.6	36.48	0.0677
Bac Kan	160.6	116.6	37.74	0.0710
Ninh Binh	145.6	103.4	40.81	0.0713
Yen Bai	178.2	131	36.03	0.0738
Tien Giang	276.2	215	28.47	0.0782
Lang Son	210.4	156	34.87	0.0831
Ha Giang	219.7	163.7	34.21	0.0844
Quang Binh	168.9	119.3	41.58	0.0847
Ha Nam	141.5	92.3	53.30	0.0941
Quang Nam	311.2	239.4	29.99	0.0967
Hoa Binh	234	170.5	37.24	0.1015
Binh Dinh	256.8	190.3	34.94	0.1018
Thai Binh	226	163.1	38.57	0.1028
Dak Lak	383.7	299.3	28.20	0.1067

Lai Chau	190.8	129.6	47.22	0.1113
Dak Nong	174.2	113.3	53.75	0.1169
Ha Tinh	210.5	144.4	45.78	0.1185
Quang Tri	158.3	98.5	60.71	0.1197
Cao Bang	218.2	149.3	46.15	0.1240
Lao Cai	200.4	133	50.68	0.1264
Tra Vinh	197.6	129.3	52.82	0.1302
Nghe An	430	329.5	30.50	0.1375
Dien Bien	199.5	128.4	55.37	0.1380
Kon Tum	202.8	130	56.00	0.1418
Binh Thuan	224	148	51.35	0.1433
Phu Tho	238.2	158.8	50.00	0.1481
Hau Giang	196	120.5	62.66	0.1527
Soc Trang	233.6	151.3	54.40	0.1587
Vinh Long	227.9	145	57.17	0.1627
Thanh Hoa	460.6	347.3	32.62	0.1644
Long An	345.4	245	40.98	0.1701
Dong Thap	363.3	260	39.73	0.1719
Gia Lai	342.9	227.5	50.73	0.2165
Quang Ninh	854.8	640	33.56	0.3189
Kien Giang	353.6	201	75.92	0.3251
An Giang	475.5	248.3	91.50	0.5038
Binh Duong	1789.3	1275.8	40.25	0.8610
Khanh Hoa	1130.5	662	70.77	0.9806
Quang Ngai	692.8	220.8	213.77	1.1612
Dong Nai	1678.2	930	80.45	1.6154

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Table 7 also shows that provinces, which lie on a top highest change in shares of capital expenditures, are not most disadvantage provinces. The new allocation norms applied for 2011-2015 seem to be unfavorable to the rich provinces and not significantly support the poorest provinces.

This section just gives an assessment of changing in allocation norms in both budgetary stability periods. Based on the growth rate of capital expenditures and its shares (at regional and provincial levels), the research have found:

- Changes in the allocation norms applied for the period 2007-2010 seem to support disadvantage regions and poor provinces, while they are unfavorable to more developed provinces in terms of capital expenditures they had been distributed. Although, more disadvantage regions get a higher share than they did in the previous year, more developed regions still capture larger shares of total capital expenditures of a single year in general.
- For the budgetary stability period of 2011-2015, changing in allocation norms would support the disadvantage regions and be unfavorable to more developed regions. At the provincial level, the set of new added allocation norms does not support the more developed and most disadvantage provinces.

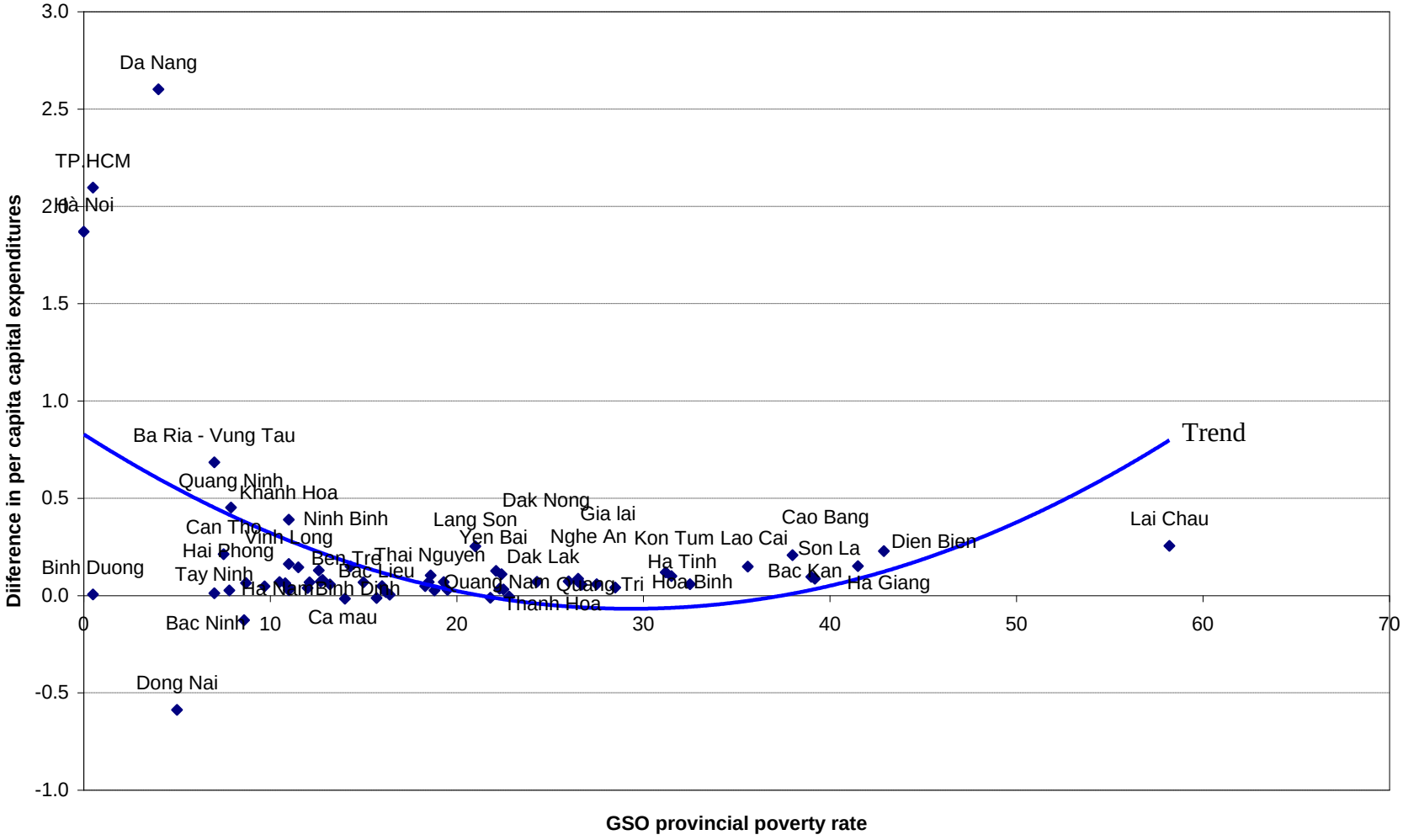
3.2. Assessment on change in poverty identification

According to the decision 210/2006/QD-TTg, MOLISA provincial poverty rates were used to calculate scores, with 10 percent of poverty rate equals to 1 point. Statistics from the Finance and Budget Committee of National Assembly indicate that total poverty scores used to allocate capital expenditures for budgetary stability period of 2007-2010 was 117.8 points (data of 2006). It would be 147.2 points, a 31.4-point increase or an approximately increase by 26.6 percent, if GSO provincial poverty rates were used.[1]

To evaluate how the change in provincial poverty identification affects capital expenditures to provinces, this section will use two measurements on capital expenditures, including (i) differences in per capita capital expenditures allocated to provinces and (ii) differences in capital expenditure shares allocated to provinces.[2] According to the measurements, the changes in the measurements show whether provincial poverty rate identification is pro-poor or not. If provincial poverty rate identification brings higher positive change in the measurements, it is more pro-poor, and vice verse. The relationship between MOILSA/GSO provincial poverty rates and differences in per capita capital expenditures distributed to the province is not clearly defined. This relationship is clearly presented in the figure 3 and 4.

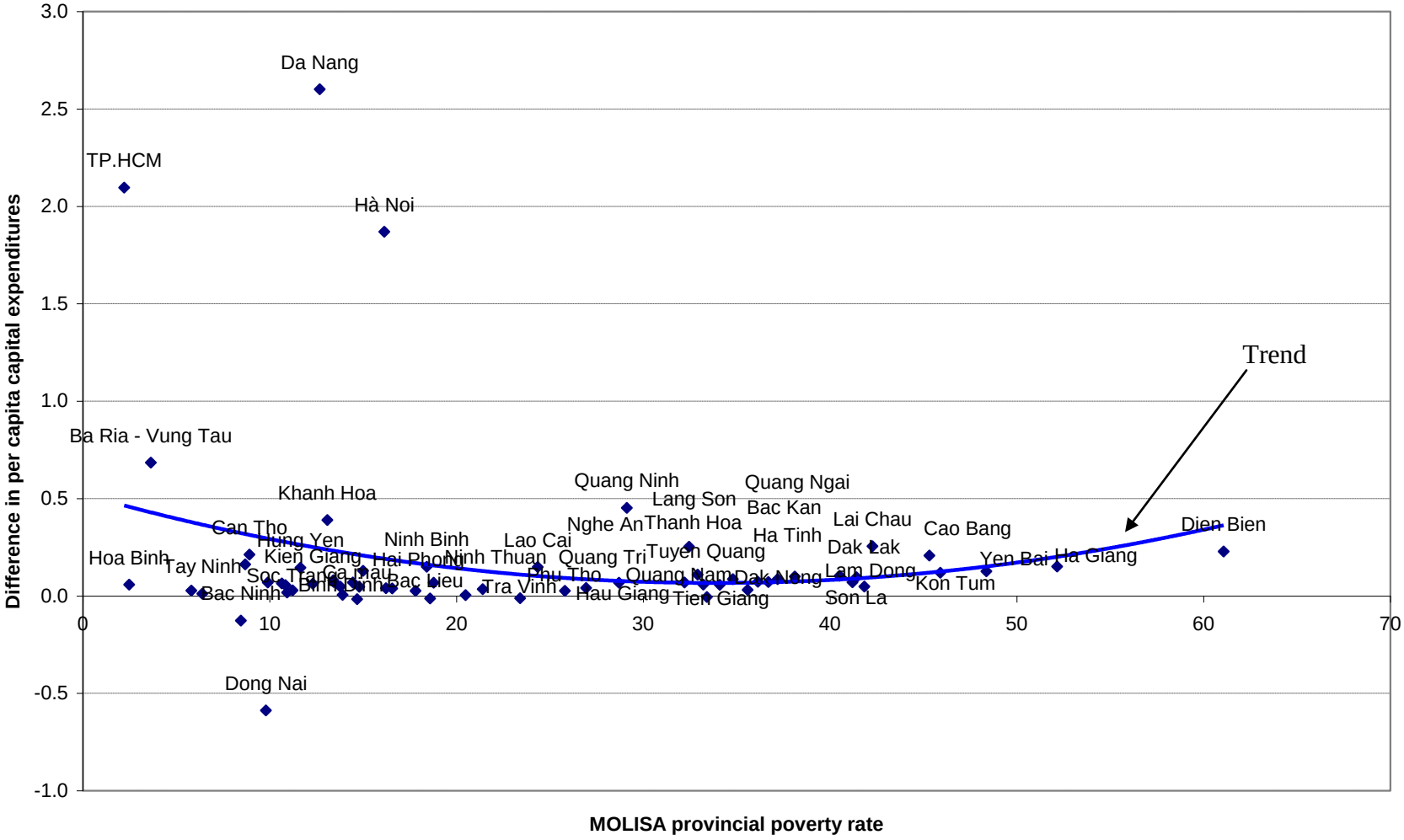
[1] See more detail in the annexes from 4 to 8 for more information about allocation scores.
[2] The differences per capita capital expenditures are measured by taking the difference of per capita capital expenditures allocated to the provinces between after change level and prior change level. It is similar to the difference in capital expenditure share allocated to the provinces.

Figure 3: GSO provincial poverty rates and difference in per capita capital expenditure between 2006 and 2007



Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Figure 4: MOLISA provincial poverty rates and difference in per capita capital expenditure between 2006 and 2007



Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

The figures show that both provincial poverty rate identifications do not clearly present the relationship between provincial poverty rate and difference in per capita expenditure allocated to the provinces. When the trend mainly described the relationships is added, it somehow reveals those relationships. The quadratic trends presented in those figures mean that both MOLISA and GSO provincial poverty rates benefited the rich and poor provinces. The slop of the quadratic trend, however, shows more pro-poor of GSO provincial poverty rates than that of MOLISA in terms of differences in per capita capital expenditures allocated to provinces.

Regression results also show negative relationships between the two variables, and it is presented in the table 8. Using MOLISA provincial poverty rate, its total effect is less than that when using GSO provincial poverty rate, at all poverty rate levels less than 26.8%.[3] It means that GSO poverty rate has its larger total effects on difference in per capita capital expenditures than that of MOLISA poverty rate for a cluster of provinces with their poverty rates are less than 26.7%. When provincial poverty rates are, however, larger than 26.8%, total effects of MOLISA provincial poverty rate are larger than that of GSO. This allocation mechanism (shifting from MOLISA to GSO provincial poverty rates) seems to support both rich and poor provinces, but it is more pro-poor the provinces for provinces with less than 26.8% of provincial poverty rate.

Table 8: Regression results of difference in per capita capital expenditures on provincial poverty rates, 2006-2007

Poverty identification	Intercept	Provincial poverty rate Coef.	Square of provincial poverty rate Coef.	R-Squared
GSO	-0.3905***	0.0330***	-0.0005***	0.2322
MOLISA	-0.2106	0.0116	-0.0001*	0.0944

Note: *** means that the coefficients are statistically significant at 1 percent level, ** at 5 percent level, and * at 1% level.

[3] Total effect of GSO provincial poverty rate (PPR) should be 0.033 – 0.001*PPR, while the total effects of MOLISA 0.0116 – 0.0002*PPR. From these two total effect equations, the

For the budgetary stability period of 2011-2015, regression results show that coefficients of GSO provincial poverty rates are higher than that of MOLISA one (even both coefficient are only statistically significant at 10 percent level). These results imply that GSO provincial poverty rates are more pro-poor than that of MOLISA identification in terms of per capita capital expenditures allocated to the provinces.

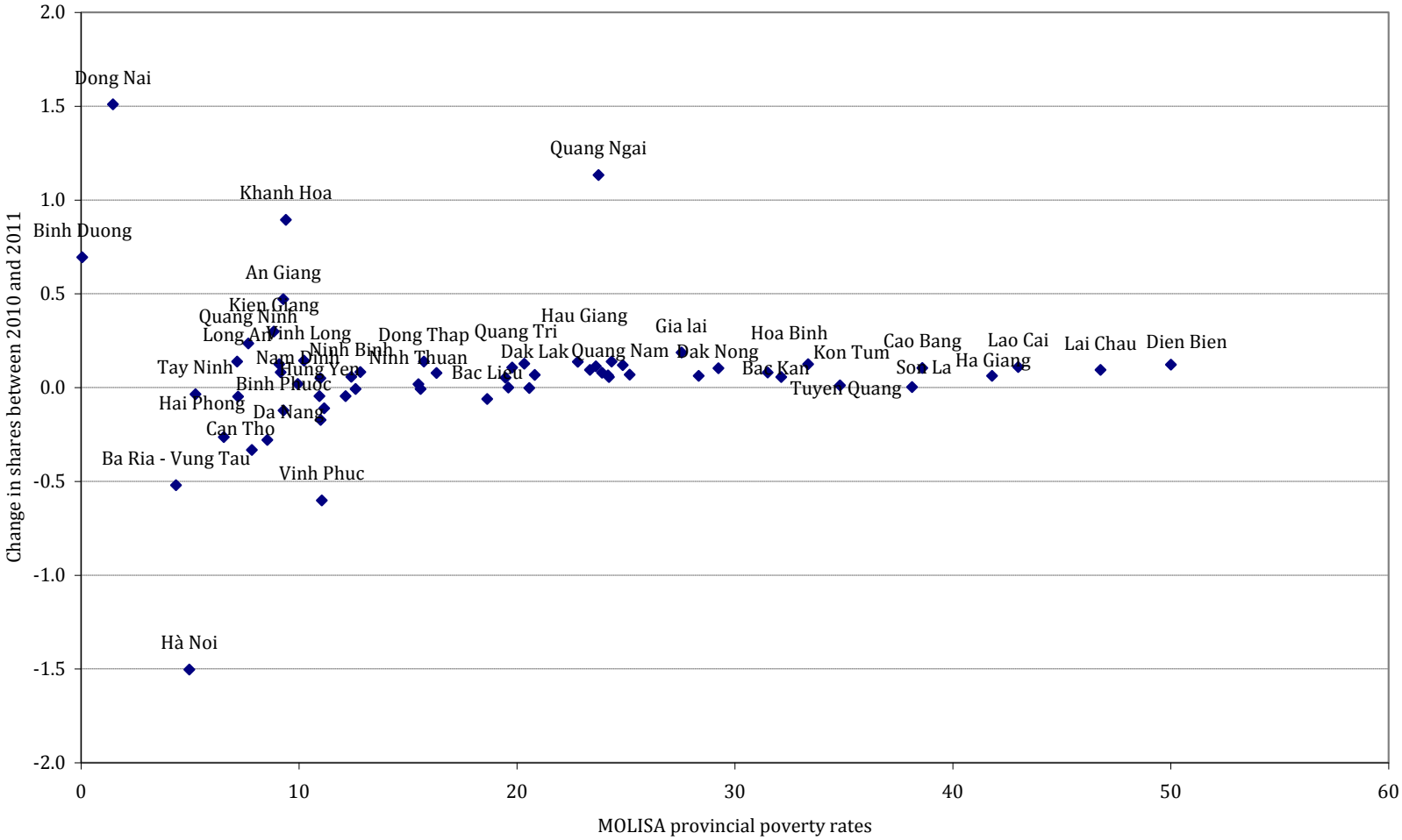
Table 9: Regression results of differences in per capita capital expenditures allocated to province on provincial poverty rates, 2010-2011

Poverty identification	Intercept	Provincial Poverty Rate Coefficients	R-Squared
GSO	0.0910232**	0.0007205*	0.002
MOLISA	0.0925208**	0.0007426	0.002

Note: *** means that the coefficients are statistically significant at 1 percent level, ** for 5 percent level, and * for 10% level.

When studying provincial poverty rates and change in shares of capital expenditures distributed to the province, however, a positive relationship between the two variables is obtained. Showing both MOLISA provincial poverty rates and change in share of provincial capital expenditures in a scatter diagram (figure 5), the changes in allocated capital shares of richer/more developed provinces, at least in the top ten provinces, lie under the zero line. It implies that provincial poverty rates seem to support poorer rather than the rich provinces. A similar trend is also found in showing GSO provincial poverty rate and changes in allocated capital shares in a scatter diagram (figure 6). In this case, however, provinces scattering far away from the zero line include most developed provinces, which away down, more developed provinces, which away upward, and poor provinces, which insignificantly above zero line. As an allocation norm, thus, provincial poverty rate seem to support middle-classed and poor provinces, and it does not support the rich provinces.

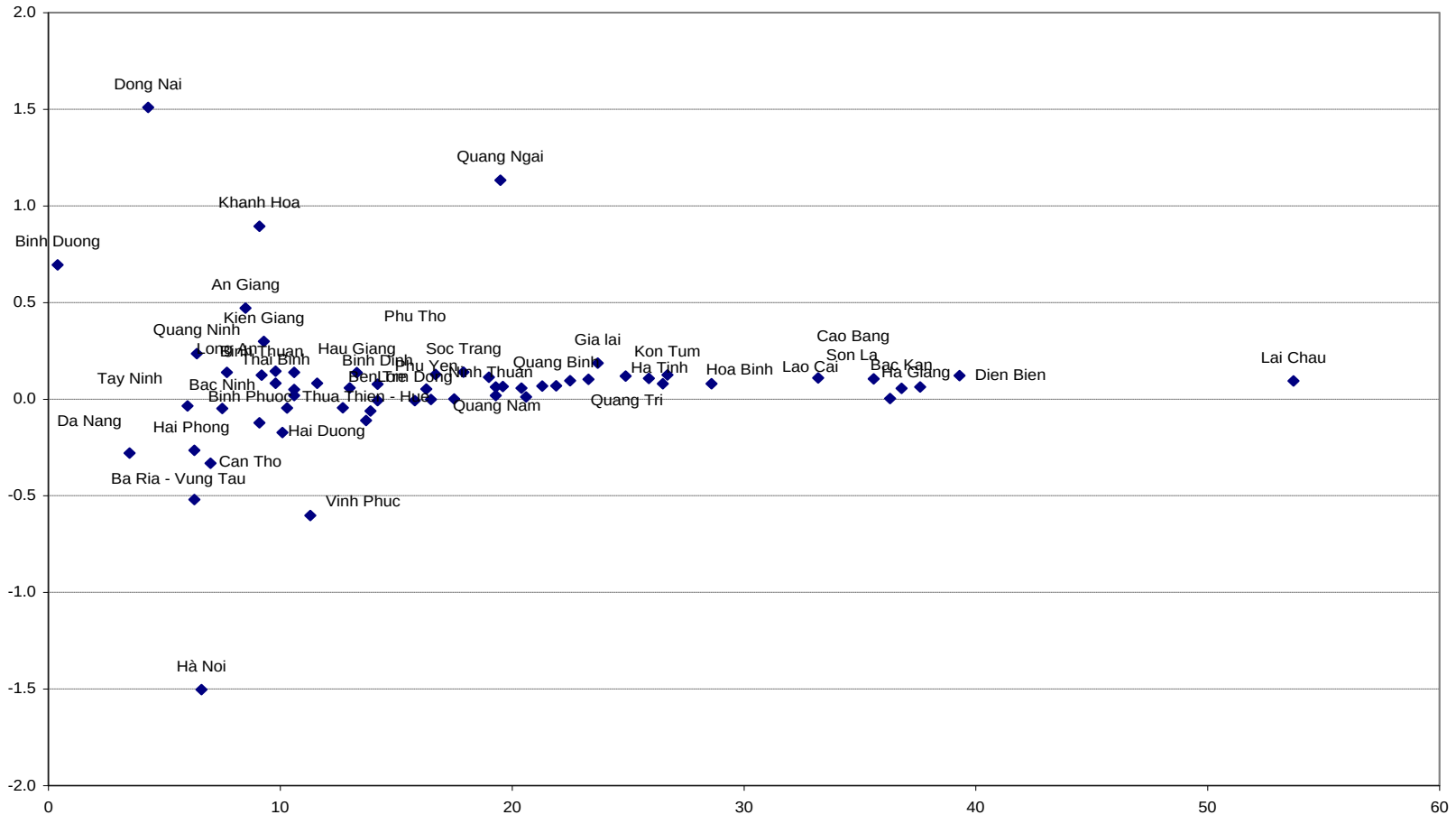
Figure 5: MOLISA provincial poverty rates and changes in shares of capital expenditures during the budgetary stability period 2011-2015



Note that a change in share of Ho Chi Minh city was -4.3, and it was too large to be included in the scatter, so it was taken out of the graph.

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Figure 6: GSO provincial poverty rates and changes in share of capital expenditures during the budgetary stability period 2007-2010



Note that a change in share of Ho Chi Minh city was -4.3, and it was too large to be included in the scatter, so it was taken out of the graph.

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Regression results show a positive relationship between provincial poverty rates, including MOLISA and GSO identification, and shares of capital expenditures distributed to provinces for both budget stability periods. The result implies that MOLISA provincial poverty rates are less pro-poor than GSO one. In these budgetary stability periods of 2007-2010 and 2011-2015, using GSO provincial poverty rates is more pro-poor than using MOLISA one as an allocation norms of capital expenditures. These results are shown in the tables 10 and 11.

Table 10: Regression results of provincial shares of capital expenditures on poverty rates for 2006-2007

Poverty identification	Intercept	Provincial Poverty Rate Coefficients	Adjusted R Square
GSO	-0.1941***	0.0104***	0.1484
MOLISA	-0.1626**	0.0069**	0.0916

Note: *** means that the coefficients are statistically significant at 1 percent level, ** for 5 percent level, and * for 10% level.

Table 11: Regression results of capital expenditure share allocated to province on provincial poverty rates for 2010-2011

Poverty identification	Intercept	Provincial Poverty Rate Coefficients	R-Squared
GSO	-0.2004139*	0.0119861*	0.0355
MOLISA	-0.1294523 *	0.0091121	0.0178

Note: *** means that the coefficients are statistically significant at 1 percent level, ** for 5 percent level, and * for 10% level.

In the budgetary stability periods, MOLISA provincial poverty rates were used as one of the allocation norms to distribute capital expenditures to the provinces. Using this norm, several findings have been found:

- When MOLISA provincial poverty rates are used as an allocation norm, the total poverty scores would be lower than that when using GSO. In terms of poverty scores, thus, GSO poverty would be more pro-poor than MOLISA;
- Regarding to the amount of per capita capital expenditure allocated to the province, provincial poverty rate identification does not support the richest provinces, and do not strongly benefit poorest provinces as expected. The GSO provincial poverty rates seem to be pro-poor for provinces whose poverty rates are less than 26.8%; for the poorest provinces (their annual provinical poverty rates are larger than 26.8%), MOLISA poverty rate is more pro-poor than GSO one.
- Using changes in share of capital expenditures allocated to the provinces for both budgetary stability period of 2007-2010 and 2011-2015, GSO provincial poverty rates is more pro-poor than using MOLISA one.

3.3. Assessment on changes in poverty line

GSO provincial poverty rates in 2008 are used as an allocation norm to distribute capital expenditures from the central to provincial state budget, as stipulated in the decision 60/2010/QD-TTg. According to the decision, each 5 percent of provincial poverty gets a point. In 2010, however, the new poverty line was applied. This section is to investigate how change in the poverty line would affect capital expenditures distributed from central to provincial budgets. Data from the Finance and Budget Committee of National Assembly have shown that total poverty scores used to allocate capital expenditures for budgetary stability period of 2010-2015 was 210.7 points. It would be 231.9 points, a 21.2-point increase when the new poverty line was used to calculate poverty rate in 2010.

Table 12: Scores of poverty for capital expenditure allocation of central to provincial state budgets during 2011-2015 due to a change in poverty line

Provinces	Scores of provincial poverty-GSO 2008	Scores of provincial poverty-MOLISA 2010	Change in poverty scores
North Mountainous	83.70	95.51	11.81
Red River Delta	19.42	19.21	-0.21
North Central and Central Coast	49.22	50.89	1.67
Central Highlands	22.16	24.72	2.56
South East	5.28	4.08	-1.20
Mekong River Delta	30.90	37.44	6.54
Total	**210.68**	**231.85**	**21.17**

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Using the new poverty line would be favorable to the poor provinces, which currently have higher poverty rates. For example, disadvantage regions like North Mountainous and North Central and Central Coast regions have higher scores when the new poverty line applied; while some such as Red River Delta and South East regions have a decrease in their poverty scores. In terms of poverty scores, the new poverty line seems to be supportive to the poor provinces.

When investigating the relationship between provincial capital expenditures and poverty rate, a negative relationship has been found, and it is true for both GSO provincial poverty rates and the "new poverty line" poverty rate. The results imply that the poor provinces would receive less capital expenditure or allocation norm is not pro-poor. The regression results presented in the table 13, however, show that the new poverty line seems to be favorable to the poor than using GSO poverty rates.

Table 13: Regression results between differences in per capita capital expenditures allocated to province on provincial poverty rates, 2010-2011

Poverty identification	Intercept	Provincial Poverty Rate Coefficients	R-Squared
GSO	0.0910232**	0.0007205*	0.002
MOLISA	0.0944076**	0.0004708*	0.001

Note: *** means that the coefficients are statistically significant at 1 percent level, ** for 5 percent level, and * for 10% level

Relationship between changes in share of provincial capital expenditure and provincial poverty rates has been shown in the figures 5 and 6. The results do not show a clear relationship when negatively affecting richest but positively affecting middle-classed provinces, while modest positively affecting on the poorest provinces. To understand this relationship, regressions of change in share of provincial capital expenditures on GSO provincial poverty rate and the "new poverty line" poverty rates are applied, and results are presented in the table 14.

Table 14: Regression results between provincial shares of capital expenditures and poverty rates when poverty line changed

Poverty identification	Intercept	Provincial Poverty Rate Coefficients	Adjusted R Square
GSO	-0.2004139	0.0119861	0.0355
MOLISA	-0.2045585	0.0111169	0.0382

Note: *** means that the coefficients are statistically significant at 1 percent level, and ** for 5 percent level, and * is for 1 percent level.

The regression results show that both coefficients of GSO provincial poverty rate and the "new poverty line" rate are positive but not statistically significant at the conventional significance levels. Thus, no clear relationship between those two variables has been found.

In the budgetary stability period of 2011-2015, GSO provincial poverty rate has been used as one of the allocation norms to distribute capital expenditures to the provinces. Using this norm, several findings have been found:

- Using the new poverty line would be favorable to the poor provinces, and in terms of poverty scores, the new poverty line seems to be supportive to the poor provinces.
- Concerning about the amount of per capita capital expenditure allocated to the province, the poor provinces would receive less incremental of per capita capital expenditure. This implies that allocation norm is still support the poor, but not as

strongly pro-poor as using the GSO poverty rates. The new poverty line, therefore, seems to be unfavorable to the poor than using GSO poverty rates.

- Using changes in share of capital expenditures allocated to the provinces, the change in the poverty line does not have statistically significant effects on changes in share of provincial capital expenditures. When considering the coefficients, however, GSO provincial poverty rate still pro-poor than the "new poverty line" poverty rate of MOLISA

4. ASSESSMENTS ON RESOURCES FOR THE NATIONAL TARGETED PROGRAMS

4.1. National targeted program snapshot

In the period 2006-2010, Vietnam was implementing twelve NTPs, and all of the NTPs have still been in effects. In 2011, National Assembly agreed to implement 15 NTPs as request of the Government in the Decision No. 2331/QĐ-TTg dated on December 20, 2010. The 15 NTPs decided in 2011 include:

- The national target program on employment: This NTP is designed to raise the vocational training quality and effectiveness with a view to creating jobs and increasing incomes for rural labor; to contribute to labor and economic restructuring for the cause of agricultural and rural industrialization and modernization. It also aims at supporting the job creation and developing the labor market, especially in rural areas and non- formal sectors. This program has six different component projects.
- The poverty reduction national target program: The NTP on poverty reduction is designed to create development opportunities for the poor and poor households to stabilize and diversify their livelihood, increase their incomes, overcome poverty and advance to be better-off and rich; to increase and improve essential infrastructure facilities for socioeconomic development, improving the quality of life of people in poverty-stricken areas; to minimize the widening gap in incomes and living standards between regions and population groups. This program includes three component projects.
- The rural clean water and environmental sanitation national target program: Objective of the program is to materialize the national strategy on rural water supply and environmental sanitation towards 2020; to raise the quality of life for rural inhabitants through improving the conditions for clean water supply and sanitation, raising awareness and change behaviors related to hygiene and minimizing environmental pollution. To get to objective, the program is designed in four component projects.

- The health national target program: Objective of the program is to proactively prevent and combat a number of social diseases and dangerous epidemics; to reduce morbidity and mortality rates of social diseases and dangerous epidemics, contributing to the achievement of social equity in health care and life quality improvement. This program has divided into seven different component projects.
- The population and family planning national target program: This NTP is designed to proactively maintain a reasonably low birth rate in order to early stabilize the population of around 115- 120 million people by mid-21st century; to raise the population quality physically, intellectually and mentally, meeting the requirements of national, industrialization and modernization; and to prevent gender imbalance upon birth. This program is divided into four component projects and one scheme.
- The food hygiene and safety national target program: Objective of this NTP is to build capacity for the system of food hygiene and safety state management organizations from the central to local levels, which are capable of managing and administering activities to ensue food hygiene and safety, satisfying the international and regional economic integration demands. The program includes six component projects under management of Ministry of Health and Ministry of Agriculture and Rural development.
- The national target program on culture: Objectives if this NTP are to raise the awareness of the entire population, authorities and sectors, mobilize the strength of the entire society for participation in and contribution to the cause of cultural development so that culture will be truly the spiritual foundation, a driving force and a factor contributing to the acceleration of national industrialization and modernization; to preserve cultural heritages in close association with and proper service of the performance of important political tasks of the Party and the State; to prevent the danger of degradation of historical relics and the decline of intangible culture; and to eliminate uncultured spots and build bright cultured spots in all aspects and fields of the spiritual life. This program is divided into six component projects under management of Ministry of Culture, Sports and Tourism.

- The national target program on education and training: This is an important NTP that is designed to universalize preschool education for five-year children, to maintain the results of universalization of primary education for eligible children, to universalize lower secondary education for eligible children; to provide schooling conditions for ethnic minority pupils and pupils in difficulty-hit areas; to raise educational quality at all education levels and grades through the training and retraining of teachers and the improvement of education curricula and materials; to intensify foreign language teaching and learning in the national educational system; and to consolidate and increase physical foundations for schools. This program is divided into five component projects and carried out by Ministry of education and Training.
- The national target program on drug prevention and combat: Objective of this NTP is to fight to reduce drug-related crimes and drug supply sources; to control and reduce the number of drug addicts. The program consists of eight schemes, under management of Ministry of Public Security.
- The national target program on crime prevention and combat: This NTP is designed to maintain rule of law, to raise the sense of law observance and respect in communities, schools, families and the entire society; to raise public awareness about crime prevention and combat, building a healthy living environment, law-abiding living and working styles; to strongly improve social prevention and professional prevention activities; to proactively suppress crimes in key and complicated areas; to control and curb crime rise and development, proceeding to reduce crimes in general and substantially reduce serious crimes in particular. This program includes seven schemes and controls by Ministry of Public Security.
- The national target program on energy efficiency and conservation: This NTP is designed to strive to save 5% to 3% of the total consumed energy amount as compared lo the current forecasts about energy development and socio-economic development under the normal development plan on the basis of forming and efficiently commissioning energy efficiency and conservation management models; to widely use high-efficiency equipment for gradual replacement of low-efficiency

equipment and proceed to remove backward technologies; to tap to the utmost the capacity of means and equipment, minimize fuel consumption in transport, experiment models of using substitute fuels and limit emissions of means of transport and protect, the environment. There are five component projects under management of the Ministry of Industry and Trade.

- The national target program on response to climate change: Objectives of the program are to assess climate change impacts on all domains, sectors and localities in each period and formulate feasible short-term and long-term action plans on response to climate change with a view to ensuring sustainable national development, seizing opportunities to develop a low-carbon economy and join the international community in mitigating climate change and protect the global climate system. This program includes five component projects under control of the Ministry of Natural Resources and Environment.
- The national target program on building of a new countryside: This is a newly added NTP. It is designed to build a new countryside with incrementally modern socio-economic infrastructure; the rational economic structure and forms of production organization, closely linking agriculture to the fast development of industries and services; rural development associated with urban centers under planning; to build a democratic and stable society deeply imbued with national cultural identity, protected ecological environment, firmly maintained security and order, constantly improved people's material and spiritual life under the socialist orientation. This program is under control of the Ministry of Agriculture and Rural Development.
- The national target program on HIV/AIDS prevention and control. This NTP is also a newly added program. It is designed to further realize the objectives of the national strategy for HIV/ATDS prevention and control, controlling the HIV/AIDS infection rate among the population to below 0.3%; to reduce HIV/AIDS harms to socio-economic development. The program is divided into four component projects and it is conducted by the Ministry of Health.

- The national target program on introduction of information to mountainous, remote, border and island regions. This is another newly added NTP. Its objective is to narrow the gap in information and propaganda benefits between regions; to intensify the propagation of the Party's line and policies and the State's laws, contributing to boosting socio-economic development, raising the people's cultural and spiritual life, and maintaining security and defense in mountainous, deep-lying, remote, border, island and ethnic minority regions. This program includes three component projects, under control of the Ministry of Information and Communications.

The above NTPs are critical, inter-sector, and inter-regional. They have been designed to mobilize resources to meet requirements of social-economic development. The capital allocation to NTPs are made depending on (i) demand for capital of ministries and industries for implementing specific projects belonged to the program, (ii) MPI and MOF, based on the availability of resources and ability to balance the budget each year, allocate capital to the program. In recent years, implementing the NTPs has helped bring positive effects for social economic development of the country. These NTPs have contributed to social economic achievements of Vietnam so far (Finance and Budget Committee of National Assembly, 2011)

However, the management of the program requires innovation and more transparency. There are still some programs that set objectives unclear or too broad/general, some goals are identical (such as the NTP for poverty reduction; the NTP on culture; the NTP on rural clean water and environmental sanitation; the NTP on building of a new countryside, and the NTP on food hygiene and safety. Activities and tasks of NTP's components are often overlapped with the regular tasks of the ministries, for example, building a legal framework for NTP on energy efficiency and conservation, training manager of the NTP on employment.... professional training for social workers in the NTP on introduction of information to mountainous, remote, border and island regions. The TNPs are also overlapped among the NTPs such as the biogas practice in both the programs on building of a new countryside and the program on energy efficiency and conservation. Sustainability of the NTP is not as high as initial expectation. The achievements of some NTPs are hard to be maintained when changed into regular tasks.

Most of the NTPs were approved by late 2007, so the implementation of the programs has not been long enough to see impacts of the programs, which are usually designed for five years. Any performance and effectiveness assessment of the programs will be inaccurate when they are in effect of two or three years. Many programs have set their targets by 2010 so ambitious, difficult to assess, hard to quantitatively measure, and not directly associated with resources. Some NTPs such as drug prevention and combat and crime prevention and combat are implemented simultaneously overall the country, thus it is hard to concentrate scare resources, and not take advantage of economy to scale.

Due to an increase in number of NTPs, each program consists of many projects which are located in many different places, while resources for the NTPs are limited, it leads to a shortage of investment, scattered investment to localities and projects, and lack of resources to carry out projects/or NTP's components. For some NTPs, the program objectives, activities, and tasks have been approved but not associated resources. This situation can bee seen in the NTPs on crime prevention and combat, drug prevention and combat, energy efficiency and conservation, and HIV/AIDS prevention and control., These programs therefore do not have enough resources to perform their tasks and responsibilities.

In the meantime, some rich and high potential provinces/cities like Hanoi and Ho Chi Minh cities still distributed limited resources for the programs such as NTP on employment and NTP on poverty reduction, while these cities would call for socialization and contribution of society and save resources for other disadvantage provinces in mountainous, remote, and island localities.[4] According to a report of Finance and Budget Committee of National Assembly, only 65 percent of provinces allocated their local state budget for the NTPs, and their total contribution accounts for less than 10 percent of total investment of NTPs needed for the whole period 2006-2010. Because of insufficient investment from the local state budget, completion of the NTPs has been affected and objectives of the NTPs are hard to be reached.

[4] Hanoi spent 27 billion dong on employment program, 600 million dong on rural clean water and environmental sanitation NTP, 6 billion dong on building of a new countryside. Ho Chi Minh city also allocated 21.2 billion dong on employment program, 600 million dong on rural clean water and environmental sanitation NTP.

In short, introduction of the NTPs is critical and necessary to deal with urgent problems emerging in the society and strategic issues involved in development of the country. Conducting the NTPs has helped bring positive effects for social economic development of the country and has contributed to social economic achievements of Vietnam so far. The NTPs have been carried out on larger geographical areas with multiple components and NTPs approval is not associated with resources, this situation thus results in a lack of investment and resources for conducting their tasks. Some NTPs are overlapped on their responsibilities and tasks, while some NTPs are carried out in provinces/cities which would not be necessarily taken place, so it is hard to save resources for more disadvantage provinces to complete the NTPs' objectives.

4.2. Resources for the National Targeted Programs

The national targeted programs have been a critical additional capital contribution to the state budget capital expenditure in the localities. Additional capital allocation from the central to local state budget has contributed to success of national targeted programs and specific goals-oriented programs, especially in the poor localities (Finance and Budget Committee of National Assembly, 2010). With capital from the NTPs and specific goals-oriented programs, localities, whose capital expenditure for the 2007-2010 budgetary stability modestly increased, have an additional source of investment capital, and this additional amount has contributed to the balance of local capital expenditures during the whole period of budgetary stability.

Capital expenditure allocated from the central to provincial state budgets had reduced since 2007 to 2010. According to the statistics of Finance and Budget Committee of National Assembly, the proportion of capital expenditure decreased from 30.9 percent in 2007 to 26.5 percent in 2010. In an adverse trend, capital allocated to the NTPs and specific goals-oriented programs had increased. This amount accounted for 17.1 percent in total capital expenditure in 2007 increased to 20.6 percent in 2010. The combination of the two investment capital sources helped localities have sufficient investment capital for local social and economic development, as well as successfully reached to their objectives of NTPs and goals of specific goals-oriented programs in the localities.

During 2007-2010, twelve NTPs and sixty specific goals-oriented programs were carried out overall the country. Total capital allocation to the NTPs in this period is of 61,637.3 billion VND, and its shares of capital sources are presented in the following table.

Table 15: Capital allocation to the national targeted programs during 2007-2010

Capital sources	Allocation capital (billion VND)	Allocation capital (%)
Central state budget	35,065.0	56.9
Allocated to NTPs	8,448.4	
Capital expenditures	26,616.9	
Local state budget	5,948.0	9.7
Foreign sources	7,888.0	12.8
Preferred loan	4,119.0	6.7
Private contribution and others	8,617.0	14.0
Total	**61,637.3**	**100**

Source: The Finance and Budget Committee of National Assembly

Capital allocation to those programs has been carried out based on allocation norms and criteria. According to the Decision 210/2006/QD-TTg, capital allocation to a specific NTP is done by using its owned allocation principles and criteria, which take into account its objectives, component project locations, and many program-specified characteristics. The capital allocation criteria stipulated in the Decision 210/2006/QD-TTg are said to be simple, understandable, and traceable. Such capital allocation to the NTPs and specific goals oriented programs has ensured both objectives of development and giving resource priorities to disadvantage areas, including mountainous, border, island, and ethnic minority areas to narrow down economic development gap, living standard of population among regions. This allocation mechanism helps to improve transparency, accountability, and equality among the provinces and state budget beneficiaries. This budget allocation has also been received support from ministries, government agencies, provinces and local government at all levels as well as people, and it is a step further to eliminate the so called “rent-seeking mechanism” in budgeting process. With the four-year budget

stability, provinces and state budget beneficiaries are active in planning and using their allocated budget to reach to objectives of the programs.

Table 16: Change in capital allocation to NTPs due to change in the allocation norms and criteria between 2006 and 2007 by regions

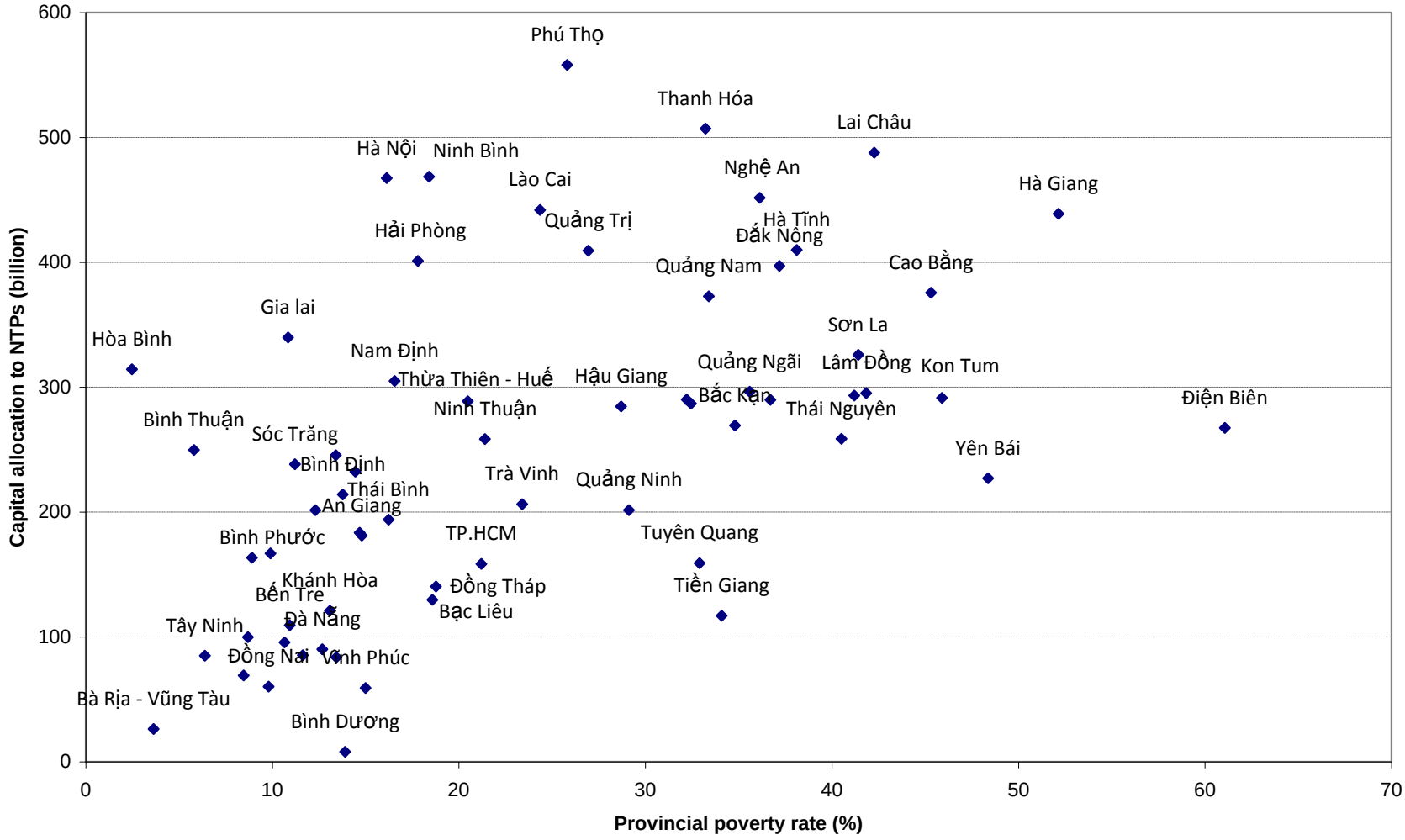
	2006 (billion VND)	2007 (billion VND)	% change between 2006 and 2007
Total	12299.5	15782.1	28.3
North Mountainous	3570.9	4516.3	26.5
Red River Delta	1728.9	2826.0	63.5
North Central and Central Coast	3540.6	4182.7	18.1
Central Highlands	1409.9	1608.3	14.1
South East	384.6	516.2	34.2
Mekong River Delta	1664.7	2132.7	28.1

Source: The Finance and Budget Committee of National Assembly

Table 13 shows changes in capital allocation to the NTPs due to changes in the allocation norms and criteria. At the country level, total capital allocation to the NTPs in 2007 increased by 28.3 percent compared to that in 2006. In terms of growth rate of capital allocated to the NTPs, it seems that high developed regions have higher growth rate of capital allocated to the NTPs in the regions. This evidence, however, is not sufficient to conclude whether changes in allocation norms benefit richer regions.

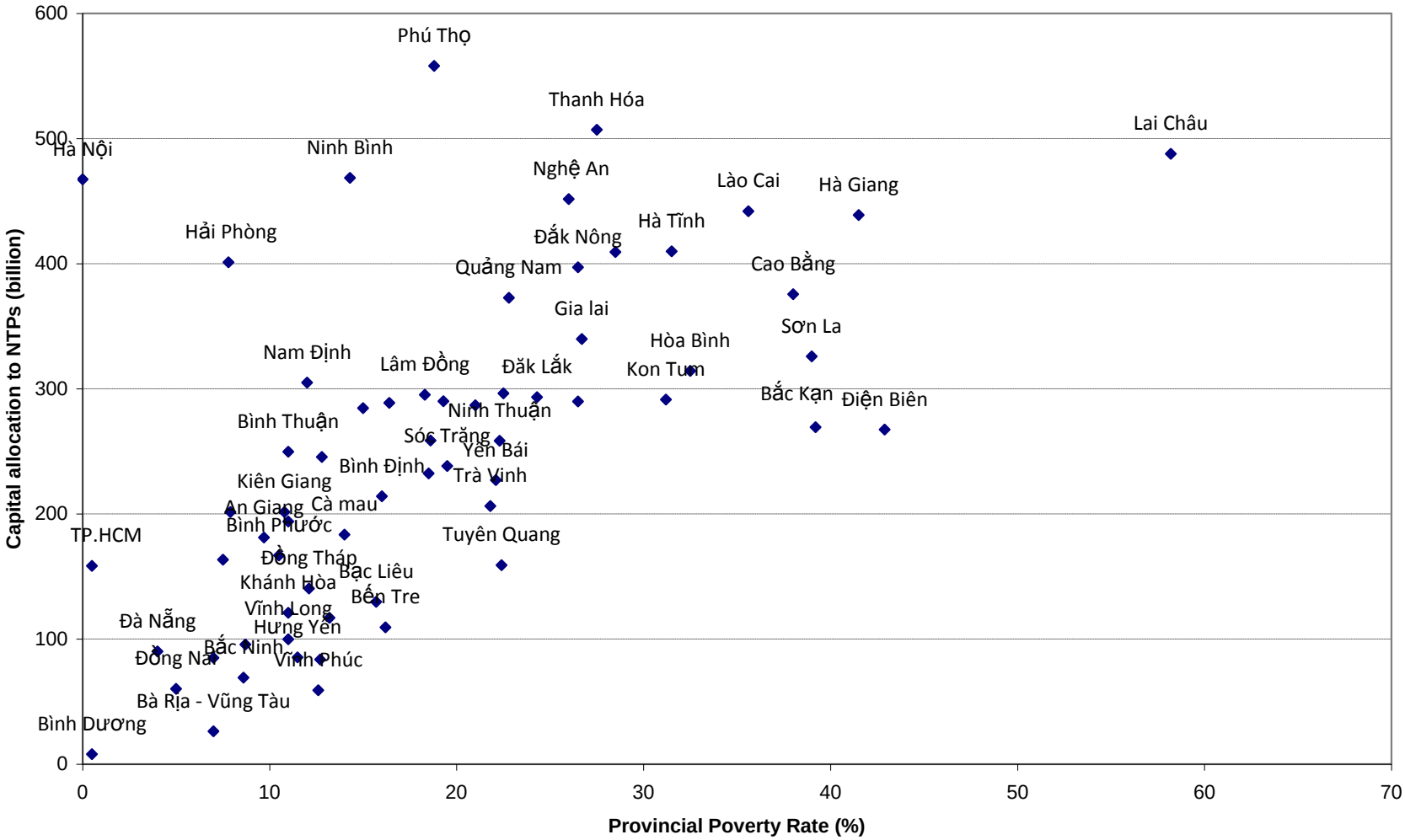
An important change in allocation norms is a shift from MOLISA to GSO provincial poverty rate calculation. This change has significant effects on capital allocation to the NTPs, and the effects are shown in the figures 7 and 8. The figures show a positive relationship between provincial poverty rates and capital allocation to the NTPs. Using MOLISA provincial poverty rate, most combinations (points) are spread out on the North-east, and they do not concentrate as using GSO provincial poverty rates. It may imply that GSO provincial poverty rate has a stronger positive relationship with capital allocation to the NTPs, graphically.

Figure 7: MOLISA provincial poverty rate and capital allocation to the NTPs in 2007



Source: Producing from the Finance and Budget committee of national Assembly

Figure 8: GSO provincial poverty rate and capital allocation to the NTPs in 2007



Source: Producing from the Finance and Budget committee of national Assembly

Table 17: Regression results between capital allocation to the NTPs and provincial poverty rate, 2006-2007

	Intercept	Provincial Poverty Rate	Adjusted R Square
GSO	121.90***	6.85***	0.345
MOLISA	132.90***	4.94***	0.249

Note: *** means that the coefficients are statistically significant at 1 percent level, ** is for 5% level, and * is for 1% level.

The positive relationship between provincial poverty rate and capital allocation to the NTPs means that a province with higher poverty rates would have a higher amount of capital allocated to the NTPs in the locality. Using the MOLISA provincial poverty rate, the slope coefficient showing the relationship between the two variables is smaller than that when using GSO provincial poverty rate. The bigger slope coefficient implies that using GSO provincial poverty rate is more pro-poor in terms of capital allocation to the NTPs in the province than using MOLISA provincial poverty rate.

Additional capital allocated to the NTPs and specific goals-oriented programs is an important supplement to capital expenditure allocated from the central to provincial state budgets. This amount of capital had contributed to sustain objectives of the specific programs, support disadvantage areas over the country on catching up, promote economic development, and improve living standard of population. The change in allocation norms of distributing capital to the NTPs and specific goal-oriented programs increases capital allocated to these programs towards more transparency, accountability, and equality among provinces. The change in allocation norms seems to support richer regions/provinces when richer regions have their higher growth in capital allocation to the NTPs than disadvantage regions. However, this evidence is not sufficiently to make a conclusion because allocation norms of capital to a NTP are based on its owned specific criteria. Changing in provincial poverty rate calculation also matters to capital allocation to the NTPs and specific goals-oriented programs. Evidence shows that both GSO and MOLISA provincial poverty rates are positively associated with amount of capital allocated to the programs, but GSO provincial poverty rate seems to be more pro-poor than using MOLISA one.

5. CONCLUSIONS

Fundamental changes have been taking place in the way government manages its public finance. The introduction of the State budget Laws in 1996 and 2002 further elaborated the changes in this field. These laws empowered members of National Assembly to be responsible for approval of the budget, including allocation to the lower government levels. The Laws also stipulated the budgeting process, in which they gave more time for making budget plans and completely distributing expenditures before the budget year starts, towards more transparency, accountability, and equality.

In this reform of budgeting process, allocation norms for distributing state budget capital expenditures from the central to lower budget levels were developed. All allocation norms are divided into five groups, which cover many aspects such as population, levels of development, natural geographic areas, the number of district administrative units, and additional indicators (Decision 210/2006/QD-TTg, 2006). These allocations were used for allocating capital expenditure from the central to provincial budgets during the budgetary stability period of 2007-2010.

For the budgetary stability period of 2011-2015, allocation norms are basically similar to those stipulated in the Decision 210/2006/QD-TTg with some minor changes. For example, arable land area of rice is added into natural geographic areas; indicators for city type 1, 2, and 3 and provinces and cities belonged to dynamic economic development or center of regions and sub-regions were also added to the allocation norms. These changes in allocation norms are believed to have significant impacts on allocation of capital expenditures from the central to provincial budgets.

They have improved transparency, equality, and predictability of the budgeting process as well as in allocation of capital expenditures from the central to provincial budgets. The analysis results of the budgetary stability period of 2007-2010 suggest that the capital expenditures are unfavorably distributed to more advanced provinces, and seem to be supportive to more disadvantage provinces and regions. At the provincial level, evidence also shows that new allocation norms used to distribute capital expenditures from the central to provincial budgets are pro-poor. In the budgetary stability period of 2011-2015,

newly added allocation norms do not support advanced developed provinces and regions, and they are not strongly favorable to the most disadvantage provinces.

Besides, there are changes in insights of allocation norms such as change in the way of identifying provincial poverty rate (shifting from MOLISA to GSO provincial poverty rates) and change in the poverty line (starting in late 2010). The analysis results suggest that, for the budgetary stability period of 2007-2010, the GSO provincial poverty rate would be more pro-poor than MOLISA counterpart. For the budgetary stability period of 20011-2015, in the other case, analysis results show that the new poverty line seems to be unsupportive to the disadvantage provinces and regions. They also imply that, however, the “new poverty line” poverty is unfavorable to the poor provinces than using GSO poverty rates. Using GSO provincial poverty rate as a budget allocation norm, therefore, is more pro-poor.

Resources available to the NTPs and specific goals-oriented programs are an important supplement to capital expenditure allocated from the central to provincial state budgets. This amount of capital has contributed to sustain objectives of the specific programs, support disadvantage areas over the country on catching up, promote economic development, and improve living standard of population. Changes in allocation norms and in insight poverty identification as well as new poverty rates have certain impacts on resources available to the NTPs and other specific goals-oriented programs. Evidence shows that both GSO and MOLISA provincial poverty rates are positively associated with amount of capital allocated to the programs, but GSO provincial poverty rate seems to be more pro-poor than using MOLISA one.

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ANNEXES

Annex 1: Revenue assignment between central and local budgets under the State Budget Law 2002

Type of resources	Central Budget	Local Budget
Unshared revenue sources	Export/import duty Value added tax on imported goods Excise tax on imported goods Corporate income tax Tax and other revenue from crude oil Proceeds collected from Government lending and capital contributions Non-refundable aids for Central Government Fees and charges Unused revenue of previous fiscal years Others	Housing and land tax Natural resources tax (except that on crude oil) License tax Land transfer tax Agricultural land use tax Land use fees Rental of land Proceeds from sale and lease of the State owned house and building Registration fees Proceeds from lottery activity Proceeds collected from Government lending and capital contributions Grants for local governments Fees and charges Proceeds from utilization of public lands Proceeds mobilized from businesses and individuals in accordance with regulations Unused revenue of previous fiscal years Supplemented from central budget Contributions from local people for construction of infrastructure in accordance with regulations Voluntary contributions
Shared revenue sources	Value added tax (except that on imported goods) Corporate income tax (except that of nationwide business activity) Income tax on high income earners Profit remittent tax Excise tax on domestic goods and service Petroleum fees	

Source: Ministry of Finance

Annex 2: Capital expenditure changes when changing in allocation norms between 2007 and 2006

	Capital expenditure 2006	Capital expenditure 2007	% change (2007/2006)
North Mountainous	***1847.4***	***2920.2***	***58.1***
Hà Giang	89.1	182.1	104.5
Tuyên Quang	111.9	176.5	57.8
Cao Bằng	76.4	165.3	116.4
Lạng Sơn	78.7	227.5	189.2
Lào Cai	144.0	194.2	34.8
Yên Bái	144.0	192.5	33.7
Thái Nguyên	193.8	293.4	51.4
Bắc Kạn	83.1	135.2	62.6
Phú Thọ	204.4	224.0	9.6
Bắc Giang	254.5	374.7	47.2
Hoà Bình	178.7	211.6	18.4
Sơn La	169.2	255.7	51.1
Lai Châu	55.5	150.3	170.5
Điện Biên	64.2	137.3	113.8
Red River Delta	***9544.0***	***11766.6***	***23.3***
Hà Nội	4111.5	5135.5	24.9
Hải Phòng	895.0	762.6	-14.8
Quảng Ninh	529.7	707.2	33.5
Hải Dương	485.6	539.4	11.1
Hưng Yên	363.0	356.2	-1.9
Vĩnh Phúc	1122.8	1310.4	16.7
Bắc Ninh	408.5	595.9	45.9
Hà Nam	150.8	184.6	22.4
Nam Định	260.2	410.0	57.6
Ninh Bình	317.4	370.5	16.7
Thái Bình	322.6	443.1	37.3
North Central and Central Coast	***6319.3***	***7448.9***	***17.9***
Thanh Hoá	505.0	674.7	33.6
Nghệ An	488.3	666.0	36.4
Hà Tĩnh	210.0	317.2	51.0
Quảng Bình	219.9	261.2	18.8
Quảng Trị	146.8	159.5	8.7
Thừa Thiên - Huế	343.0	385.9	12.5
Đà Nẵng	1923.7	2016.5	4.8
Quảng Nam	331.3	364.8	10.1

Quảng Ngãi	249.7	277.3	11.1
Bình Định	490.8	533.4	8.7
Phú Yên	139.0	180.3	29.7
Khánh Hoà	666.6	925.7	38.9
Ninh Thuận	128.2	141.4	10.3
Bình Thuận	477.1	545.0	14.2
Central Highlands	***1217.4***	***1444.8***	***18.7***
Đăk Lăk	259.1	341.1	31.6
Đăk Nông	102.2	134.7	31.8
Gia Lai	267.7	325.1	21.4
Kon Tum	165.2	178.5	8.0
Lâm Đồng	423.2	465.5	10.0
South East	***11220.3***	***11646.1***	***3.8***
TP Hồ Chí Minh	7057.2	7323.7	3.8
Đồng Nai	1077.6	1128.1	4.7
Bình Dương	793.1	935.6	18.0
Bình Phước	311.4	313.2	0.5
Tây Ninh	187.1	219.0	17.1
Bà Rịa - Vũng Tầu	1793.9	1726.5	-3.8
Mekong River Delta	***3148.6***	***4053.4***	***28.7***
Long An	295.9	370.1	25.1
Tiền Giang	240.7	304.0	26.3
Bến Tre	128.5	148.9	15.9
Trà Vinh	110.8	151.5	36.7
Vĩnh Long	205.0	237.4	15.8
Cần Thơ	300.2	738.2	145.9
Hậu Giang	165.5	155.4	-6.1
Sóc Trăng	176.4	239.3	35.6
An Giang	377.8	453.1	19.9
Đồng Tháp	392.2	446.0	13.7
Kiên Giang	362.4	439.6	21.3
Bạc Liêu	175.3	167.2	-4.6
Cà Mau	217.8	202.6	-7.0
Total	**33297.0**	**39280.0**	**18.0**

Source: The Finance and Budget Committee of National Assembly

Annex 3: Capital expenditure changes when changing in allocation norms between 2010 and 2011

	Capital expenditure 2011	Capital expenditure 2010	% change (2011/2010)
North Mountainous	***2,882.00***	***2128.6***	***35.4***
Hà Giang	219.70	163.7	34.2
Tuyên Quang	155.60	126.6	22.9
Cao Bằng	218.20	149.3	46.1
Lạng Sơn	210.40	156.0	34.9
Lào Cai	200.40	133.0	50.7
Yên Bái	178.20	131.0	36.0
Thái Nguyên	214.60	180.0	19.2
Bắc Kạn	160.60	116.6	37.7
Phú Thọ	238.20	158.8	50.0
Bắc Giang	193.20	161.4	19.7
Hoà Bình	234.00	170.5	37.2
Sơn La	268.60	223.7	20.1
Lai Châu	190.80	129.6	47.2
Điện Biên	199.50	128.4	55.4
Red River Delta	***10,242.80***	***10084.1***	***1.6***
Hà Nội	5,952.00	5450.0	9.2
Hải Phòng	689.60	660.0	4.5
Quảng Ninh	854.80	640.0	33.6
Hải Dương	341.50	340.0	0.4
Hưng Yên	233.90	210.0	11.4
Vĩnh Phúc	1,160.20	2000.0	-42.0
Bắc Ninh	268.30	239.5	12.0
Hà Nam	141.50	92.3	53.3
Nam Định	229.40	185.8	23.5
Ninh Bình	145.60	103.4	40.8
Thái Bình	226.00	163.1	38.6
North Central and Central Coast	***5,109.80***	***3824.0***	***33.6***
Thanh Hoá	460.60	347.3	32.6
Nghệ An	430.00	329.5	30.5
Hà Tĩnh	210.50	144.4	45.8
Quảng Bình	168.90	119.3	41.6
Quảng Trị	158.30	98.5	60.7
Thừa Thiên - Huế	242.10	237.2	2.1
Đà Nẵng	538.20	870.7	-38.2
Quảng Nam	311.20	239.4	30.0

Quảng Ngãi	692.80	220.8	213.8
Bình Định	256.80	190.3	34.9
Phú Yên	160.50	117.6	36.5
Khánh Hoà	1,130.50	662.0	70.8
Ninh Thuận	125.40	99.0	26.7
Bình Thuận	224.00	148.0	51.4
Central Highlands	***1,381.10***	***1004.6***	***37.5***
Đăk Lăk	383.70	299.3	28.2
Đăk Nông	174.20	113.3	53.8
Gia Lai	342.90	227.5	50.7
Kon Tum	202.80	130.0	56.0
Lâm Đồng	277.50	234.5	18.3
South East	***14,378.30***	***12930.7***	***11.2***
TP Hồ Chí Minh	8,414.60	8407.9	0.1
Đồng Nai	1,678.20	930.0	80.5
Bình Dương	1,789.30	1275.8	40.2
Bình Phước	235.90	252.0	-6.4
Tây Ninh	201.90	180.0	12.2
Bà Rịa - Vũng Tầu	2,058.40	1885.0	9.2
Mekong River Delta	***3,858.00***	***3028.1***	***27.4***
Long An	345.40	245.0	41.0
Tiền Giang	276.20	215.0	28.5
Bến Tre	145.60	124.0	17.4
Trà Vinh	197.60	129.3	52.8
Vĩnh Long	227.90	145.0	57.2
Cần Thơ	640.00	817.9	-21.8
Hậu Giang	196.00	120.5	62.7
Sóc Trăng	233.6	151.3	54.4
An Giang	475.5	248.3	91.5
Đồng Tháp	363.3	260.0	39.7
Kiên Giang	353.6	201.0	75.9
Bạc Liêu	138.9	135.5	2.5
Cà Mau	264.4	235.3	12.4
Total	**37852**	**33000.1**	**14.7**

Source: The Finance and Budget Committee of National Assembly

Annex 4: Scores of poverty for capital expenditure allocation of central to provincial state budgets during 2007-2010 if changing in poverty identification

Provinces	Scores of provincial poverty-GSO 2006	Scores of provincial poverty-MOLISA 2006	Change in poverty scores
Hà Giang	4.15	5.22	1.07
Tuyên Quang	2.24	3.29	1.05
Cao Bằng	3.80	4.53	0.73
Lạng Sơn	2.10	3.25	1.15
Thái Nguyên	1.86	4.05	2.19
Bắc Giang	1.93	3.22	1.29
Lào Cai	3.56	2.44	-1.13
Yên Bái	2.21	4.84	2.63
Phú Thọ	1.88	2.58	0.70
Quảng Ninh	0.79	2.91	2.12
Bắc Kạn	3.92	3.48	-0.44
Sơn La	3.90	4.14	0.24
Điện Biên	4.29	6.11	1.82
Lai Châu	5.82	4.23	-1.59
Hòa Bình	3.25	0.25	-3.00
Bắc Ninh	0.86	0.85	-0.01
Vĩnh Phúc	1.26	1.50	0.24
Hà Nội	0.00	1.61	1.61
Hải Phòng	0.78	1.78	1.00
Nam Định	1.20	1.66	0.46
Hà Nam	1.28	1.34	0.06
Hải Dương	1.27	1.34	0.07
Hưng Yên	1.15	1.16	0.01
Thái Bình	1.10	1.62	0.52
Ninh Bình	1.43	1.84	0.41
Thanh Hóa	2.75	3.32	0.57
Nghệ An	2.60	3.61	1.01
Hà Tĩnh	3.15	3.81	0.66
Quảng Bình	2.65	3.67	1.02
Quảng Trị	2.85	2.69	-0.16
Thừa Thiên - Huế	1.64	2.05	0.41
Đà Nẵng	0.40	1.27	0.87
Quảng Nam	2.28	3.34	1.06

Quảng Ngãi	2.25	3.56	1.31
Bình Định	1.60	1.38	-0.22
Phú Yên	1.85	1.45	-0.41
Khánh Hòa	1.10	1.31	0.21
Ninh Thuận	2.23	2.14	-0.09
Gia lai	2.67	1.08	-1.59
Đăk Lắk	2.43	4.12	1.69
Đắk Nông	2.65	3.72	1.07
Kon Tum	3.12	4.59	1.47
Lâm Đồng	1.83	4.18	2.35
TP.HCM	0.05	2.12	2.07
Bình Thuận	1.10	0.58	-0.52
Tây Ninh	0.70	0.64	-0.06
Bình Phước	1.05	0.99	-0.06
Bình Dương	0.05	1.39	1.34
Đồng Nai	0.50	0.98	0.48
Bà Rịa - Vũng Tàu	0.70	0.36	-0.34
Long An	0.87	1.07	0.20
Đồng Tháp	1.21	1.88	0.67
An Giang	0.97	1.48	0.51
Tiền Giang	1.32	3.41	2.09
Bến Tre	1.62	1.09	-0.53
Vĩnh Long	1.10	0.87	-0.23
Trà Vinh	2.18	2.34	0.16
Hậu Giang	1.50	2.87	1.37
Cần Thơ	0.75	0.89	0.14
Sóc Trăng	1.95	1.12	-0.83
Kiên Giang	1.08	1.23	0.15
Bạc Liêu	1.57	1.86	0.29
Cà mau	1.40	1.47	0.07
Total	**117.8**	**149.2**	**31.4**

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Annex 5: Scores of poverty for capital expenditure allocation of central to provincial state budgets during 2007-2010 if changing in poverty identification

Provinces	Scores of provincial poverty-GSO 2006	Scores of provincial poverty-MOLISA 2006	Change in poverty scores
North Mountainous	45.70	54.52	8.82
Red River Delta	10.33	14.71	4.38
North Central and Central Coast	28.45	34.18	5.73
Central Highlands	12.70	17.70	5.00
South East	3.05	6.48	3.43
Mekong River Delta	17.52	21.57	4.05
Total	**117.75**	**149.16**	**31.41**

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Annex 6: Budget allocation scores by regions for two budget stability periods

	Allocation scores for 2007-2010 period	**Allocation scores for 2011-2015 period**
North Mountainous	378.9	800.5
Red River Delta	892.7	2845.2
North Central and Central Coast	549.5	1416.7
Central Highlands	153.7	383.7
South East	1514.4	3996.5
Mekong River Delta	415.2	1071.6
Total	**3904.4**	**10514.2**

Annex 7: Scores of poverty for capital expenditure allocation of central to provincial state budgets during 2011-2015

Provinces	Scores of provincial poverty-GSO 2008	Scores of provincial poverty-MOLISA 2010	Change in poverty scores
Hà Giang	7.52	8.36	0.84
Tuyên Quang	4.12	6.97	2.85
Cao Bằng	7.12	7.72	0.60
Lạng Sơn	3.86	5.67	1.81
Thái Nguyên	3.30	4.11	0.81
Bắc Giang	3.50	3.92	0.42
Lào Cai	6.64	8.60	1.96
Yên Bái	4.08	4.85	0.77
Phú Thọ	3.34	4.07	0.73
Quảng Ninh	1.28	1.54	0.26
Bắc Kạn	7.36	6.43	-0.93
Sơn La	7.26	7.63	0.37
Điện Biên	7.86	10.00	2.14
Lai Châu	10.74	9.36	-1.38
Hòa Bình	5.72	6.30	0.58
Bắc Ninh	1.50	1.44	-0.06
Vĩnh Phúc	2.26	2.21	-0.05
Hà Nội	1.32	0.99	-0.33
Hải Phòng	1.26	1.31	0.05
Nam Định	2.12	1.99	-0.13
Hà Nam	2.32	2.56	0.24
Hải Dương	2.02	2.20	0.18
Hưng Yên	2.06	2.19	0.13
Thái Bình	1.96	1.83	-0.13
Ninh Bình	2.60	2.48	-0.12
Thanh Hóa	4.98	4.97	-0.01
Nghệ An	4.50	4.67	0.17
Hà Tĩnh	5.30	4.78	-0.52
Quảng Bình	4.38	5.03	0.65
Quảng Trị	5.18	3.96	-1.22
Thừa Thiên - Huế	2.74	2.23	-0.51
Đà Nẵng	0.70	1.71	1.01
Quảng Nam	3.92	4.84	0.92

Quảng Ngãi	3.90	4.75	0.85
Bình Định	2.84	3.26	0.42
Phú Yên	3.26	3.90	0.64
Khánh Hòa	1.82	1.88	0.06
Ninh Thuận	3.86	3.10	-0.76
Gia lai	4.74	5.51	0.77
Đăk Lắk	4.26	4.16	-0.10
Đắk Nông	4.66	5.85	1.19
Kon Tum	5.34	6.67	1.33
Lâm Đồng	3.16	2.52	-0.64
TP.HCM	0.06	0.00	-0.06
Bình Thuận	1.84	1.82	-0.02
Tây Ninh	1.20	1.05	-0.15
Bình Phước	1.82	1.86	0.04
Bình Dương	0.08	0.01	-0.07
Đồng Nai	0.86	0.29	-0.57
Bà Rịa - Vũng Tàu	1.26	0.87	-0.39
Long An	1.54	1.43	-0.11
Đồng Tháp	2.12	3.15	1.03
An Giang	1.70	1.86	0.16
Tiền Giang	2.12	2.20	0.08
Bến Tre	2.84	3.12	0.28
Vĩnh Long	1.96	2.05	0.09
Trà Vinh	3.80	4.72	0.92
Hậu Giang	2.66	4.56	1.90
Cần Thơ	1.40	1.57	0.17
Sóc Trăng	3.58	4.87	1.29
Kiên Giang	1.86	1.77	-0.09
Bạc Liêu	2.78	3.73	0.95
Cà mau	2.54	2.43	-0.11
Total	**210.7**	**231.9**	**21.2**

Source: Consolidation from data provided by the Finance and Budget Committee of National Assembly

Annex 8: Budget allocation scores by provinces for two budget stability periods

Province	Allocation scores for 2007-2010 period	Allocation scores for 2011-2015 period
Hà Giang	29.7	61.0
Tuyên Quang	22.9	43.2
Cao Bằng	27.0	60.6
Lạng Sơn	28.3	58.4
Lào Cai	24.1	55.7
Yên Bái	23.7	49.5
Thái Nguyên	30.9	59.6
Bắc Kạn	21.1	44.6
Phú Thọ	27.4	66.2
Bắc Giang	29.2	53.7
Hoà Bình	27.2	65.0
Sơn La	40.5	74.6
Lai Châu	23.5	53.0
Điện Biên	23.3	55.4
Hà Nội	530.0	1653.3
Hải Phòng	75.7	191.5
Quảng Ninh	39.6	237.5
Hải Dương	37.5	94.9
Hưng Yên	26.0	65.0
Vĩnh Phúc	65.1	322.3
Bắc Ninh	24.2	74.5
Hà Nam	15.9	39.3
Nam Định	33.6	63.7
Ninh Bình	17.8	40.4
Thái Bình	27.0	62.8
Thanh Hoá	62.9	127.9
Nghệ An	59.7	119.4
Hà Tĩnh	26.2	56.0
Quảng Bình	21.6	46.9
Quảng Trị	17.8	44.0
Thừa Thiên - Huế	29.7	67.2
Đà Nẵng	59.3	149.5
Quảng Nam	36.5	86.4
Quảng Ngãi	33.4	192.5
Bình Định	32.8	71.3

Phú Yên	18.7	44.6
Khánh Hoà	111.0	314.0
Ninh Thuận	16.3	34.8
Bình Thuận	23.6	62.2
Đăk Lăk	46.7	106.7
Đăk Nông	19.5	48.4
Gia Lai	35.8	95.2
Kon Tum	22.1	56.3
Lâm Đồng	29.6	77.1
TP Hồ Chí Minh	997.7	2337.4
Đồng Nai	150.9	468.7
Bình Dương	125.6	497.0
Bình Phước	28.0	65.5
Tây Ninh	27.5	56.1
Bà Rịa - Vũng Tầu	184.8	571.8
Long An	33.8	96.0
Tiền Giang	34.5	76.7
Bến Tre	21.9	40.4
Trà Vinh	23.4	54.9
Vĩnh Long	19.8	63.3
Cần Thơ	103.2	177.8
Hậu Giang	16.8	54.4
Sóc Trăng	27.4	64.9
An Giang	35.8	132.1
Đồng Tháp	27.1	100.9
Kiên Giang	30.9	98.2
Bạc Liêu	17.7	38.6
Cà Mau	22.9	73.4

Source: Produced from data provided by the Finance and Budget Committee of National Assembly

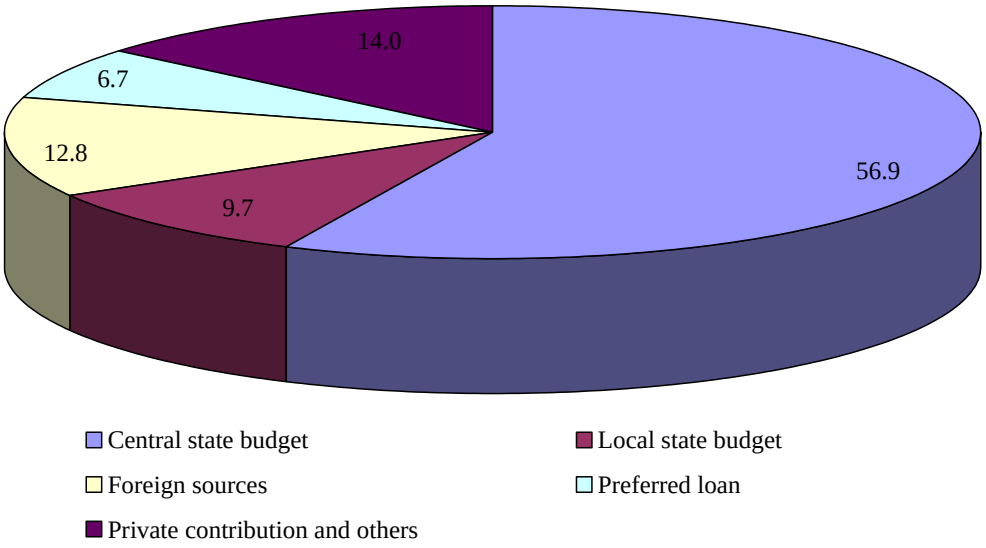
Annex 9: Provincial shares of capital expenditures, 2006-2007 and 2010-2011

Provinces	Share of capital expenditures in 2006	Share of capital expenditures in 2007	Share change 2006-2007	Share of capital expenditures in 2010	Share of capital expenditures in 2011	Share change 2010-2011
Ha Giang	0.27	0.48	0.20	0.52	0.58	0.06
Tuyen Quang	0.34	0.47	0.13	0.40	0.41	0.01
Cao Bang	0.23	0.43	0.20	0.47	0.58	0.10
Lang Son	0.24	0.59	0.35	0.49	0.56	0.06
Thai Nguyen	0.63	0.77	0.13	0.57	0.57	0.00
Bac Giang	0.88	1.00	0.13	0.51	0.51	0.00
Lao Cai	0.41	0.53	0.12	0.42	0.53	0.11
Yen Bai	0.36	0.50	0.14	0.41	0.47	0.06
Phu Tho	0.62	0.61	-0.01	0.50	0.63	0.13
Quang Ninh	1.53	1.98	0.45	2.02	2.26	0.24
Bac Kan	0.35	0.35	0.00	0.37	0.42	0.06
Son La	0.52	0.67	0.15	0.71	0.71	0.00
Dien Bien	0.15	0.36	0.20	0.41	0.53	0.12
Lai Chau	0.21	0.39	0.18	0.41	0.50	0.09
Hoa Binh	0.52	0.55	0.04	0.54	0.62	0.08
Bac Ninh	2.13	1.56	-0.58	0.76	0.71	-0.05
Vinh Phuc	2.80	3.42	0.62	3.67	3.07	-0.60
Hà Noi	13.61	13.41	-0.20	17.23	15.72	-1.50
Hai Phong	2.25	1.99	-0.26	2.09	1.82	-0.26
Nam Dinh	1.10	1.10	0.00	0.59	0.61	0.02
Ha Nam	0.39	0.48	0.10	0.29	0.37	0.08
Hai Duong	1.39	1.46	0.07	1.07	0.90	-0.17
Hung Yen	0.71	0.98	0.27	0.66	0.62	-0.05
Thai Binh	1.21	1.21	0.00	0.52	0.60	0.08
Ninh Binh	0.79	0.97	0.18	0.33	0.38	0.06
Thanh Hoa	1.54	1.79	0.25	1.10	1.22	0.12
Nghe An	1.49	1.76	0.27	1.04	1.14	0.09
Ha Tinh	0.64	0.83	0.19	0.48	0.56	0.08
Quang Binh	0.67	0.71	0.04	0.38	0.45	0.07
Quang Tri	0.45	0.43	-0.02	0.31	0.42	0.11
Thua Thien - Hue	1.05	0.90	-0.14	0.75	0.64	-0.11
Da Nang	5.87	4.74	-1.13	1.70	1.42	-0.28
Quang Nam	1.01	0.85	-0.16	0.76	0.82	0.07
Quang Ngai	0.76	0.74	-0.03	0.70	1.83	1.13
Binh Dinh	1.50	1.42	-0.08	0.60	0.68	0.08

Phu Yen	0.42	0.48	0.06	0.37	0.42	0.05
Khanh Hoa	2.03	2.44	0.41	2.09	2.99	0.89
Ninh Thuan	0.39	0.37	-0.02	0.31	0.33	0.02
Gia lai	0.85	0.85	0.00	0.72	0.91	0.19
Dak Lak	0.79	0.92	0.13	0.95	1.01	0.07
Dak Nong	0.31	0.35	0.04	0.36	0.46	0.10
Kon Tum	0.45	0.47	0.02	0.41	0.54	0.12
Lom Dong	1.32	1.22	-0.10	0.74	0.73	-0.01
TP.HCM	20.32	19.12	-1.20	26.58	22.23	-4.35
Binh Thuan	1.65	1.46	-0.19	0.47	0.59	0.12
Tay Ninh	0.65	0.58	-0.07	0.57	0.53	-0.04
Binh Phuoc	0.81	0.82	0.01	0.75	0.62	-0.12
Binh Duong	2.84	2.44	-0.40	4.03	4.73	0.69
Dong Nai	2.88	2.94	0.07	2.92	4.43	1.51
Ba Ria - Vung Tau	5.48	4.51	-0.97	5.96	5.44	-0.52
Long An	0.90	0.97	0.06	0.77	0.91	0.14
Dong Thap	1.08	1.16	0.09	0.82	0.96	0.14
An Giang	1.15	1.18	0.03	0.78	1.26	0.47
Tien Giang	0.68	0.79	0.11	0.68	0.73	0.05
Ben Tre	0.41	0.40	0.00	0.39	0.38	-0.01
Vinh Long	0.29	0.62	0.33	0.46	0.60	0.14
Tra Vinh	0.49	0.40	-0.10	0.41	0.52	0.11
Hau Giang	0.34	0.41	0.06	0.38	0.52	0.14
Can Tho	1.88	1.93	0.05	2.02	1.69	-0.33
Soc Trang	0.66	0.64	-0.02	0.48	0.62	0.14
Kien Giang	1.11	1.15	0.04	0.64	0.93	0.30
Bac Lieu	0.54	0.44	-0.10	0.43	0.37	-0.06
Ca mau	0.66	0.53	-0.14	0.74	0.70	-0.05

Source: Produced from data provided by the Finance and Budget Committee of National Assembly

Annex 10: Capital allocation to the national targeted program 2006-2010



Annex 11: Capital allocation to the NTPs by provinces in 2006 and 2007

Provinces	Capital for NTPs in 2006 (bil. VND)	Capital for NTPs in 2007 (bil. VND)	Capital change (bil. VND)	Provincial shares 2006 (%)	Provincial shares 2007 (%)
North Mountainous	**3570.9**	**4516.3**	**26.5**	**29.03**	**28.62**
Hà Giang	317.7	371.8	17	2.58	2.36
Tuyên Quang	116.3	163.5	40.6	0.95	1.04
Cao Bằng	310.3	360.7	16.2	2.52	2.29
Lạng Sơn	244.6	292.4	19.6	1.99	1.85
Lào Cai	333.6	453.4	35.9	2.71	2.87
Yên Bái	196.4	201.5	2.6	1.60	1.28
Thái Nguyên	178.8	266.2	48.9	1.45	1.69
Bắc Cạn	252.8	250.8	-0.8	2.06	1.59
Phú Thọ	330.3	552.6	67.3	2.69	3.50
Bắc Giang	166.9	261.5	56.7	1.36	1.66
Hoà Bình	214.9	307.3	43	1.75	1.95
Sơn La	260.9	316	21.1	2.12	2.00
Lai Châu	397.4	458.3	15.3	3.23	2.90
Điện Biên	250.1	260.3	4.1	2.03	1.65
Red River Delta	**1728.9**	**2826**	**63.5**	**14.06**	**17.91**
Thành phố Hà Nội	21.3	471.4	2108.2	0.17	2.99
Thành phố Hải Phòng	227.2	405.1	78.3	1.85	2.57
Quảng Ninh	156	205	31.4	1.27	1.30
Hải Dương	71.5	87.7	22.7	0.58	0.56
Hưng Yên	47.1	89.3	89.7	0.38	0.57
Vĩnh Phúc	42.2	64.1	52.1	0.34	0.41
Bắc Ninh	37.6	72.6	93.1	0.31	0.46
Hà Tây	200.4	233.9	16.7	1.63	1.48
Hà Nam	211.7	249.1	17.6	1.72	1.58
Nam Định	250.8	308.5	23	2.04	1.95
Ninh Bình	312.9	441.6	41.2	2.54	2.80
Thái Bình	150.3	197.9	31.6	1.22	1.25
North Central and Central Coast	**3540.6**	**4182.7**	**18.1**	**28.79**	**26.50**
Thanh Hoá	488.8	506.8	3.7	3.97	3.21
Nghệ An	368.8	456.1	23.7	3.00	2.89
Hà Tĩnh	340.1	413.4	21.6	2.77	2.62
Quảng Bình	237.8	283.9	19.4	1.93	1.80
Quảng Trị	316	403.8	27.8	2.57	2.56
Thừa Thiên - Huế	228.5	297.2	30	1.86	1.88

Thành phố Đà Nẵng	60.8	93.7	54	0.49	0.59
Quảng Nam	335.7	368.8	9.8	2.73	2.34
Quảng Ngãi	276.8	294	6.2	2.25	1.86
Bình Định	197.4	217.5	10.2	1.60	1.38
Phú Yên	201.8	233.3	15.6	1.64	1.48
Khánh Hoà	86.8	127.5	46.8	0.71	0.81
Ninh Thuận	217.9	243.5	11.8	1.77	1.54
Bình Thuận	183.4	243.2	32.6	1.49	1.54
Central Highlands	**1409.9**	**1608.3**	**14.1**	**11.46**	**10.19**
Đắc Lắc	285.3	295.9	3.7	2.32	1.87
Đắc Nông	340.5	385.6	13.3	2.77	2.44
Gia Lai	276.5	343.3	24.2	2.25	2.18
Kon Tum	291	275	-5.5	2.37	1.74
Lâm Đồng	216.6	308.5	42.4	1.76	1.95
South East	**384.6**	**516.2**	**34.2**	**3.13**	**3.27**
T.P Hồ Chí Minh	155	162.4	4.8	1.26	1.03
Đồng Nai	22.2	62.2	180.1	0.18	0.39
Bình Dương	16	11.5	-27.9	0.13	0.07
Bình Phước	106.5	162.4	52.5	0.87	1.03
Tây Ninh	62.8	87.9	40	0.51	0.56
Bà Rịa - Vũng Tàu	22.2	29.8	34.4	0.18	0.19
Mekong River Delta	**1664.7**	**2132.7**	**28.1**	**13.53**	**13.51**
Long An	59.1	100.7	70.4	0.48	0.64
Tiền Giang	84.6	121	43	0.69	0.77
Bến Tre	74.1	112.2	51.5	0.60	0.71
Trà Vinh	146.6	208.9	42.4	1.19	1.32
Vĩnh Long	80	94.7	18.3	0.65	0.60
Cần Thơ	200.6	166.9	-16.8	1.63	1.06
Hậu Giang	208.6	261.6	25.4	1.70	1.66
Sóc Trăng	175.3	218.7	24.8	1.43	1.39
An Giang	118	191.6	62.4	0.96	1.21
Đồng Tháp	121.2	141.9	17.1	0.99	0.90
Kiên Giang	186.4	214	14.8	1.52	1.36
Bạc Liêu	82	119.3	45.4	0.67	0.76
Cà Mau	128.2	181	41.2	1.04	1.15
Total	**12299.5**	**15782.1**	**28.3**	**100**	**100**

Source: The Finance and Budget Committee of National Assembly

Annex 12: Legal documents as basis of state budgetary allocation

1. The State Budget Law 1996, National Assembly
2. The State Budget Law 1998 (amendment), National Assembly
3. The State Budget Law 2002, National Assembly
4. Decision 210/2006/QD-TTg, dated 12/09/2006 about issuance of principles and allocation norms of capital expenditures during budgetary stability period 2007-2010
5. Decision 60/2010/QD-TTg, dated 30/09/2010 about issuance of principles and allocation norms of capital expenditures during budgetary stability period 2011-2015
6. Decision 139/2003/QĐ-TTg, dated 11/7/2003 about issuance of allocation norms of state budget expenditures in 2004