

**HO CHI MINH NATIONAL ACADEMY OF POLITICS**

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**MANAGEMENT OF OFF-BUDGET STATE  
FINANCIAL FUNDS IN VIETNAM**

**SUMMARY OF THE DOCTORAL THESIS**

**MAJOR: ECONOMIC MANAGEMENT**

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**The thesis will be defended before the Academy-level Thesis  
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## INTRODUCTION

### 1. The Necessity of the Research Topic

Within the public finance system, there are two main groups: the State Budget (SB) and the Off-Budget State Financial Funds (OBFs). OBFs are considered financial institutions established by the State, operating independently of the SB, with the purpose of mobilizing social resources to serve socio-economic development tasks. The establishment of these funds contributes to supplementing resources for the public sector, supporting investment in areas that need to be encouraged, while at the same time providing a more flexible mechanism of use compared to the SB, thereby enabling the State to promptly respond to urgent requirements such as price stabilization, epidemic prevention and control, or assistance to vulnerable groups.

In Vietnam, there are currently more than 40 OBFs established, of which more than 20 are managed by the central government and are divided into five groups according to their operational objectives: (i) social security funds; (ii) funds supporting enterprises and business production; (iii) funds for the implementation of social policies and community development; (iv) funds for science and technology development and environmental protection; and (v) contingency and reserve funds. Among these, 19 funds were established on the basis of socio-economic development policies of the Party and the State, concretized by law; 3 funds are stipulated in government decrees; 3 funds in decisions of the Prime Minister; 2 funds based on directives of the Prime Minister; and 1 fund established under an inter-ministerial resolution.

The resources from OBFs play an important role in assisting the State in performing its economic functions. The organizational models of OBFs operate in three forms: (1) concurrently managed by a state agency or a unit supported by the SB; (2) operating under the model of a public service unit; and (3) operating under a specialized model in the form of a one-member limited liability company. The financial mechanisms and accounting regimes applied vary depending on each type of fund.

However, practical management reveals that many inadequacies still exist. The legal framework for managing OBFs is fragmented and complex, with no unified legal document serving as a common foundation. The organizational structures and operating mechanisms among the funds lack consistency; many OBFs are directly managed by officials from ministries, sectors, or inter-

ministerial bodies, which creates difficulties in coordination. These limitations reduce transparency in public financial management and affect the efficiency of resource utilization at the national level.

In light of the above realities, studying the current management of OBFs in Vietnam is essential in order to identify the limitations in the management of these funds and to enhance transparency in public financial management. Therefore, the doctoral candidate has chosen the topic “*Management of Off-Budget State Financial Funds in Vietnam*” as the subject of this thesis, with the aim of proposing solutions to improve and perfect the management of these funds.

## **2. Research Objectives and Tasks**

### **2.1. Research Objectives**

On the basis of analyzing the management of OBFs in Vietnam, the thesis will propose solutions to improve the management of OBFs for the period 2025-2030, with orientations towards 2035.

### **2.2. Research Tasks**

To achieve the above research objectives, the thesis will carry out the following tasks:

- Review published studies related to the thesis in order to inherit or further develop their findings, while identifying the research gaps and directions that the thesis needs to continue to explore.
- Synthesize and generalize the theoretical framework of OBF management, including the construction of concepts and the specification of management contents for OBFs.
- Assess the current situation of OBF management in Vietnam.
- Propose solutions and policies to improve the management of OBFs in Vietnam.

## **3. Research Object and Scope**

### **3.1. Research Object**

The research object of the thesis is state management of OBFs in Vietnam.

### **3.2. Research Scope**

**Scope of content:** The thesis studies the management of OBFs across three specific aspects: (i) management of the establishment of OBFs; (ii) management of the operation of OBFs; and (iii) management of the review and reorganization of OBFs.

**Scope of space:** The study focuses on OBFs under the management of the central government in Vietnam in order to ensure concentration and feasibility in data collection. At the same time, research on OBFs at the central level will serve as a basis for expanding the scope of evaluation and provide grounds for proposing appropriate policies at the local level in the future. Due to limitations in data accessibility regarding OBFs, the doctoral candidate selected 21 funds managed by the central government.

**Scope of time:** Research data were collected for the period from 2019 to 2024. The proposed solutions extend to 2030, while primary survey data were collected in February 2025.

#### 4. Research Methodology

The thesis applies the methodological foundations of dialectical materialism and historical materialism to study issues in their dynamic state, ensuring logical consistency, comprehensiveness, and close relevance to practice. On this basis, the author employs a combination of various economic research methods, including synthesis, qualitative and quantitative analysis, statistics, comparison, data collection through questionnaire surveys, and secondary document review.

- **Synthesis method:** selectively inherits domestic and international studies to establish the theoretical foundation for the management of OBFs.
- **Qualitative and quantitative analysis:** qualitative analysis is used to describe the actual operation of OBFs managed by the central government; quantitative analysis is used to assess the degree of influence of management factors through exploratory factor analysis (EFA) and linear regression.
- **Data collection:** primary data were obtained from surveys of 186 officials and civil servants working at OBFs, the Ministry of Finance, and several other ministries and agencies; secondary data were collected from reports of the Ministry of Finance, the State Treasury, and relevant authorities.

With respect to sample size, the thesis adopts the recommendations of Hair et al., who state that EFA requires a minimum of 50 observations, preferably 100, with a ratio of observations to measured variables of 5:1; meanwhile, linear regression commonly applies the formula  $n \geq 50 + 5p$  (where  $p$  is the number of independent variables). With 18 observed variables, the minimum required sample size is 140. Therefore, the collection of 186 survey responses fully satisfies the requirements of both EFA and linear regression.

## **5. New Contributions of the Thesis**

### ***5.1. Theoretical Contributions***

The thesis has systematized and further clarified theoretical issues related to the management of OBFs. Specifically, it identifies the following theoretical novelties:

- *First*, it specifies three core aspects of OBF management, including: (i) management of the establishment of OBFs; (ii) management of the operation of OBFs; and (iii) management of the review and reorganization of OBFs. These were identified after synthesizing and generalizing the concept of OBF management from the perspective of economic management.
- *Second*, the research analyzes and synthesizes the factors influencing OBF management, which include: leadership apparatus; transparency; national financial capacity; the contingent of officials and civil servants; national public financial policy; and information technology infrastructure.

### ***5.2. Practical Contributions***

*First*, The thesis provides a detailed and updated assessment of the actual state of OBF management in Vietnam during the research period.

*Second*, among the factors influencing OBF management that were addressed in the theoretical model, the degree of influence is ranked in order from strongest to weakest as follows: the leadership apparatus of OBFs; national financial capacity; the contingent of officials and civil servants managing OBFs; national public financial policy; and information technology infrastructure in OBF management.

*Third*, the thesis proposes several groups of solutions to improve the management of OBFs under the central government for the period 2025-2030, with orientations toward 2035.

## **6. Structure of the Thesis**

Apart from the introduction, conclusion, and list of references, the thesis is structured into 4 chapters and 13 sections.

## **Chapter 1**

# **OVERVIEW OF RESEARCH STUDIES ON THE MANAGEMENT OF OFF-BUDGET STATE FINANCIAL FUNDS**

## **1.1. STUDIES ON OFF-BUDGET STATE FINANCIAL FUNDS**

### **Studies on Ho Chi Minh's Ideology on Political Theory Education and Its Practical Application**

- Studies on the concepts, roles, and classification criteria of OBFs include: research by Joulfaian and Marlow [46], Dirk-Jan Kraan [48], Allen and Radev [41], [42], Petrie, Renzio, and Moon [69], and the Ministry of Planning and Investment in collaboration with USAID [2].
- Studies on the operation of certain types of OBFs: research on the operation of social security funds includes Veinbender [75], Nigmatullina et al. [67], Nguyễn Trọng Thân [33], and Đỗ Văn Sinh [29]. Research on the operation of OBFs with a credit nature includes Phạm Quang Trí [36] and Dương Thị Phương Anh [1].

## **1.2. STUDIES ON THE MANAGEMENT OF OBFs**

- Studies on the management contents of OBFs include: Allen and Radev [42], Kwon [59], Phan Văn Dũng [11], Hoàng Thị Thúy Nguyệt and Lê Thị Mai Liên [26], Phạm Thị Hoàng Phương and Nguyễn Thùy Linh [28], Nguyễn Thùy Linh [24].
- Studies on the factors influencing the management of OBFs, both domestically and internationally, remain incomplete. Based on research on the public sector and public financial management, several fundamental factors affecting the management of OBFs include: the leadership apparatus of OBFs (Kendie [56]); the national public financial policy (Allen, Hemming & Potter [43]); the contingent of officials and civil servants managing OBFs (Diamond and Khemani [47]); transparency in OBF management (Natision et al. [66]); information technology infrastructure serving OBF management (Karanja & Nganga [54]; Kimwele [57]); and the financial resources of the nation (Kawesha & Kabwe [55]).

## **1.3. GENERAL ASSESSMENT OF PREVIOUS RESEARCH STUDIES**

The published studies have mainly focused on the following issues:

- General studies on the concepts, characteristics, roles, and classification of OBFs, as well as factors influencing the development of OBFs and the processes of industrialization and modernization.
- Studies on the experiences of several countries in developing OBFs.

- In-depth analyses of the development of OBFs within the socialist-oriented market economy.

The published studies are generally consistent in their view that OBFs are recognized in many countries and play an important role in addressing socio-economic issues due to their flexibility and autonomy, which are compatible with market economies.

All the studies also agree that the most important issue is that the establishment of OBFs must be based on state regulations and must correspond to the socio-economic development conditions of the country in each specific period.

At the same time, the studies point out that it is necessary to strengthen and reform the management of OBFs, particularly in the context of strong public sector reforms at present. The fundamental solution is to reorganize and restructure OBFs so that they are aligned with the socio-economic context, operate effectively, and truly reflect the essence of the existence of OBFs within the economy.

#### **1.4. RESEARCH GAPS**

- Research on the management of OBFs is of significant importance in national public financial management, particularly in the context that the number of OBFs established in Vietnam is relatively large but has not truly generated consistent and distinct changes in line with the rationale for their establishment. The studies of Phan Văn Dũng [11], Nguyễn Trọng Nhân [33], Đỗ Văn Sinh [29], Phạm Quang Trí [36], and Dương Thị Phương Anh [1] have mainly focused on the management of the operation process of a single type of OBF. In addition, the study by Nguyễn Thùy Linh [24] clarified only one aspect of OBF management, which is the reorganization of their activities. Unlike the previous studies, including that of Phan Văn Dũng [11], this thesis will focus on constructing a consistent theoretical framework for OBF management across three main contents: (i) management of the establishment of OBFs; (ii) management of the operation of OBFs; and (iii) management of the reorganization of OBFs.

- Previous research has primarily focused on the rationale for the existence of OBFs and their roles in public management. Meanwhile, critical issues that need to be clarified in OBF management, such as management principles, tools employed for management, management objectives, and the factors influencing this activity, have not been comprehensively addressed in the studies reviewed above. These missing aspects will be systematized and analyzed in greater detail in this thesis.



## Chapter 2

# THEORETICAL FOUNDATIONS FOR THE MANAGEMENT OF OFF-BUDGET STATE FINANCIAL FUNDS

### 2.1. OVERVIEW OF OBFs

#### 2.1.1. Concept of OBFs

- Based on the definitions and interpretations of OBFs, they can be understood as follows: *“An OBF is an organization with legal entity status, established by a competent state authority, having revenue sources as prescribed by law or funded by the State Budget (SB), with the purpose of mobilizing and concentrating resources to meet specific expenditure tasks determined according to certain functions.”*

#### 2.1.2. Reasons for the Existence of OBFs

OBFs are established to overcome the limitations of the SB management process and as a result of certain economic and political factors such as time inconsistencies, incomplete mechanisms for resource allocation, and insufficiently stringent regulations on accountability and transparency.

#### 2.1.3. Characteristics of OBFs

- First, the entity deciding on the establishment, organizational structure, capital mobilization, and use of these funds is the State.
- Second, the capital sources of the funds include two primary components: a portion from the SB and another portion mobilized from idle financial resources (of socio-economic organizations and the population) in society.
- Third, OBFs are part of public finance, used for the common interests of society, not for profit-making purposes, but they must ensure the preservation and growth of their capital.
- Fourth, the operational mechanism of OBFs is more flexible compared to that of the SB.

#### 2.1.4. Roles of OBFs

- First, they mobilize and concentrate additional financial resources to contribute to achieving national as well as local socio-economic development objectives.

- Second, they promote the socialization of the provision of public services, thereby contributing to improving service quality and reducing the burden on the SB.

- Third, they enable the State to proactively and effectively implement socio-economic development objectives and tasks in response to adverse domestic and international economic fluctuations.

- Fourth, they promote the development of the financial market and diversify public financial activities.

- Fifth, they contribute to the improvement and diversification of the functions of public finance within the socialist-oriented market economy in each period.

### **2.1.5. Differences Between OBFs and the State Budget**

- First, OBFs have distinct purposes of use.
- Second, the operational mechanisms of OBFs are subject to less regulation and oversight from state authorities.
- Third, while the SB primarily serves the long-term, regular, and stable objectives of the State, OBFs are characterized by lower stability.

### **2.1.6. Classification of OBFs**

- Classification by level of management.
- Classification by financial sources of the funds.

## **2.2. MANAGEMENT OF OBFs**

### **2.2.1. Concept of OBF Management**

The management of OBFs is the process by which the State employs an appropriate system of instruments and methods to influence the system of OBFs, ensuring that they operate in accordance with the objective requirements of the socio-economic system, in order to best serve the fulfillment of functions entrusted to the State.

### **2.2.2. Necessity of State Management of OBFs**

- First, OBFs were created to ensure financial resources for the State to fulfill urgent or specialized tasks.
- Second, the limitation of national public financial resources.
- Third, the fluctuations in the economic, political, and social life of the country.

- Fourth, the risk of loss and waste of financial resources during the operation of OBFs.

### **2.2.3. Principles of OBF Management**

- Principle of equity.
- Principle of transparency.
- Principle of efficiency.

### **2.2.4. Contents of OBF Management**

#### **2.2.4.1. Management of the Establishment of OBFs**

The conditions for establishing an OBF include: (i) a clear and reasonable purpose for the establishment; (ii) no duplication of tasks; and (iii) financial independence.

#### **2.2.4.2. Management of the Operation of OBFs**

Managing the operation of OBFs refers to the process by which competent state authorities examine and evaluate the effectiveness of the funds' performance according to established criteria. It is the process of using management instruments to influence the mobilization of resources from OBFs to carry out their assigned tasks. More specifically, it involves designing the financial mechanisms for the operation of the funds, and determining the principles, procedures, and processes for fund management and utilization.

#### **2.2.4.3. Management of the Reorganization of OBFs**

The management of the review and reorganization of OBFs is the process of classifying them according to appropriate criteria in order to review and decide whether to maintain, abolish, or merge certain OBFs so as to align with the State's management objectives.

### **2.2.5. Instruments of OBF Management**

The legal normative documents; accounting and reporting systems; inspection and supervision mechanisms.

### **2.2.6. Objectives of OBF Management**

- First, to enhance the operational efficiency of OBFs.
- Second, to ensure the effective implementation of the State's socio-economic policies.
- Third, to allocate public financial resources appropriately.

### **2.2.7. Factors Influencing the Management of OBFs**

#### ***Subjective factors***

- First, the leadership apparatus of OBFs. Kendie [56] shows that leadership apparatuses influence the financial management processes of public organizations.
- Second, the contingent of officials and civil servants managing OBFs. The professional competence and ethics of this contingent significantly affect the management of funds. Diamond and Khemani [47] emphasize the demand for skilled professionals in human resource management to ensure effective governance.
- Third, transparency in OBF management is one of the essential requirements in state management in general and in OBF management in particular. Natision et al. [66] demonstrate that transparency affects a nation's public financial management.
- Fourth, information technology infrastructure for OBF management. Karanja & Nganga [54] and Kimwele [57] show that IT infrastructure affects national public financial management, serving as a necessary condition for modernizing and enhancing transparency in fund management processes.

#### ***Objective factors***

- First, the financial resources of the nation. In practice, the financial resources for the operation of OBFs are primarily drawn from the SB. A strong national financial capacity enables abundant mobilization into the SB, which in turn finances OBFs. Limitations in financial resources create barriers, preventing funds from having adequate capital for operations (Kawesha & Kabwe [55]).
- Second, the national public financial policy. Allen, Hemming & Potter [43] demonstrate that a country with a strong and coherent institutional and policy framework has greater capacity for effective public financial management.

## **2.3. INTERNATIONAL EXPERIENCES IN MANAGING OBFS AND LESSONS FOR VIETNAM**

### **2.3.1. Experiences in Managing OBFs in Selected Countries: Korea, Russia, India, and China**

The management of OBFs in Korea, Russia, India, and China demonstrates diverse approaches reflecting their institutional frameworks, economic structures, and public financial management systems. These countries provide

practical insights into the establishment, operation, and oversight of OBFs that can be useful references for Vietnam.

### **2.3.2. Lessons for Vietnam**

- First, establish a unified legal framework for managing OBFs at the level of law or government decree. This framework should clearly stipulate the sectors eligible for fund establishment, the authority to establish funds, the determination of fund organizational types, mechanisms of management, operational practices, risk management, and the supervision of fund activities.
- Second, integrate OBF data with State Budget data in national financial reports, consistent with public sector classification and accounting standards. This integration supports fiscal analysis and enhances transparency in public financial management.
- Third, the financial plans of OBFs must be consolidated and submitted to competent authorities. Transactions of these funds should be carried out through dedicated fund accounts opened at the State Treasury, and they must comply with unified requirements for accounting, reporting, control, and internal auditing.
- Fourth, promote greater autonomy while simultaneously strengthening accountability, monitoring, and evaluation by government authorities regarding the performance outcomes of OBFs.

## **Chapter 3**

### **CURRENT SITUATION OF THE MANAGEMENT OF OFF-BUDGET STATE FINANCIAL FUNDS IN VIETNAM**

#### **3.1. GENERAL OVERVIEW OF OBFs IN VIETNAM**

##### **3.1.1. Organizational and Operational Models**

As of December 31, 2024, at the central level, Vietnam has 21 OBFs. Each fund operates under its own charter issued by a competent authority. Typically, an OBF is organized with a Management Council, a Supervisory Board, and specialized professional bodies, or with a Board of Directors and operational departments of the fund.

##### **3.1.2. Legal Basis for the Operation of OBFs**

The management of centrally managed OBFs in Vietnam is governed by a complex and multi-tiered system of legal normative documents. In general, the operation of an OBF is directed and supervised by a law enacted by the National

Assembly, a decree issued by the Government, or a decision of the Prime Minister. Subsequently, the fund's operation is further guided by regulations on operational mechanisms and financial management issued by the supervising ministry and the Ministry of Finance.

### **3.1.3. Revenues and Expenditures of OBFs**

#### ***3.1.3.1. Revenues of OBFs***

During the period 2019-2024, the operations of OBFs basically met requirements and aligned with the orientations of the Party and the State in mobilizing additional financial resources from society to achieve socio-economic development objectives, thereby reducing the burden on the State Budget.

#### ***3.1.3.2. Expenditures of OBFs***

In the period 2019-2024, the Government began to conduct a more determined review and reorganization of OBFs at the central level. The number of funds was reduced, while their operations were guided in a more specific and detailed manner. This process has helped enhance transparency in the use of public financial resources mobilized through OBFs and has supported greater efficiency and savings in fund expenditures.

## **3.2. CURRENT MANAGEMENT OF OBFS IN VIETNAM**

### **3.2.1. Management of the Establishment of OBFs**

All centrally managed OBFs in Vietnam do not have a unified regulation on the authority for their establishment by group of funds; instead, each fund has its own provisions on establishment authority and differs in terms of legal hierarchy. In practice, each OBF is usually governed by a government decree or a ministerial circular that stipulates its operational mechanism, organizational structure, and functions and tasks. This results in a large number of legal normative documents concerning OBFs—over 100 documents regulating their functions, tasks, organizational apparatus, financial mechanisms, management, and utilization.

### **3.2.2. Management of the Operation of OBFs**

#### ***3.2.2.1. Organization of OBF Operations***

##### ***(1) Organizational models of OBFs***

Currently, OBFs in Vietnam are organized under several models: (i) Concurrent model managed by a state agency, unit, or organization supported by the State Budget; (ii) Model of a public service unit; (iii) Model of a single-member limited liability company.

##### ***(2) Principles of financial management of OBFs***

The general principle of OBF financial management is that funds must disclose publicly their mobilization, management, and use of resources, and report on their financial performance as required. The mobilization, management, and use of funds must ensure appropriateness, effectiveness, and compliance with the State's current financial management regime and with fund-specific regulations.

***(3) Guidelines on budget preparation, execution, and settlement of OBFs***

Each OBF has its own regulations on budget preparation, execution, and settlement, tailored to its particular characteristics and nature of operation. Some funds have their budget processes integrated with the SB's procedures in accordance with the State Budget Law, while others operate with independent budget preparation, execution, and settlement processes.

***(4) Requirements on accounting and reporting***

OBFs must comply with the accounting and reporting regime applicable to their financial operations. The accounting regime is selected for each fund on the basis of appropriateness to its organizational model and operational characteristics.

***(5) Inspection, examination, and supervision***

Most centrally managed OBFs are subject to regular inspection by the supervising ministry and the Ministry of Finance regarding organizational activities and financial revenues and expenditures through periodic reporting. In addition, OBFs may also be subject to ad hoc inspections or audits by the supervising ministry and the Ministry of Finance when necessary.

***3.2.2.2. Operations of OBFs***

In this thesis, the doctoral candidate analyzes the operations of OBFs according to five groups of funds. Each group is presented in detail regarding budget revenues and expenditures as well as tasks performed during the period 2019-2024.

***3.2.3. Management of the Reorganization of OBFs***

The review and reorganization of OBFs are carried out on the basis of the following legal documents: Clause 19, Article 4 of the 2015 State Budget Law; Resolution No. 792/NQ-UBTVQH14 dated October 22, 2019 of the Standing Committee of the National Assembly; Resolution No. 23/2021/QH15 dated July 28, 2021 of the National Assembly; and Official Document No. 20/VPCP-KTTH dated January 2, 2020 of the Prime Minister.

### **3.3. MODEL OF FACTORS INFLUENCING THE MANAGEMENT OF OBFS IN VIETNAM**

#### **3.3.1. Research Model Design**

Based on the theoretical foundations of factors influencing OBF management discussed in Chapter 2 (Kawesha & Kabwe [55]), the doctoral candidate proposes a research model.

#### **3.3.2. Research Data**

The doctoral candidate conducted a survey using questionnaires, reaching 186 officials and civil servants working at ministries and centrally managed OBFs. The questionnaire was designed on the basis of a five-point Likert scale to collect respondents' assessments of the factors influencing the management of OBFs in Vietnam at present.

#### **3.3.3. Analysis Results**

##### ***3.3.3.1. Scale Reliability Testing***

To evaluate the reliability of the scale for each independent variable in the model assessing the influence of factors on the management of centrally managed OBFs in Vietnam, the doctoral candidate employed Cronbach's Alpha analysis. The results show that all observed variables have Cronbach's Alpha coefficients  $\geq 0.6$ , meeting reliability requirements and indicating a good scale.

##### ***3.3.3.2. Exploratory Factor Analysis (EFA)***

In the exploratory factor analysis, the Kaiser-Meyer-Olkin (KMO) coefficient ranged from 0.5 to 1, indicating suitability of the factor analysis. The Bartlett's test of Sphericity was statistically significant with  $\text{sig} < 0.05$ , demonstrating that the observed variables are correlated within each factor. The rotated component matrix coefficients of the variables in the model were all greater than 0, thus meeting the requirement.

##### ***3.3.3.3. Regression Analysis***

The regression analysis identifies the causal relationship between the dependent variable (management of OBFs) and the independent variables (leadership apparatus, national public financial policy, officials and civil servants, transparency, IT infrastructure, and national financial capacity). The regression model shows the extent to which these factors influence the management of centrally managed OBFs in Vietnam.

The adjusted  $R^2$  value of 0.441 indicates that the independent variables in the model explain 44.1% of the variation in the dependent variable, while the remaining 55.9% is due to external factors and random error.



The doctoral candidate applied the F-test to verify the model's overall significance. According to the ANOVA table, the F-test significance level was  $0.000 < 0.05$ , confirming that the regression model is valid. The standardized regression equation is expressed as follows:

$$Y = 0.346MB + 0.161ITP + 0.263NFC + 0.370LA + 0.205NPFP + 0.257OCS$$

(where *MB* = transparency, *ITP* = information technology infrastructure, *NFC* = national financial capacity, *LA* = leadership apparatus, *NPFP* = national public financial policy, *OCS* = officials and civil servants)

All regression coefficients are greater than 0, indicating that all independent variables positively influence the dependent variable. Based on the size of the standardized coefficients (Beta), the order of influence from strongest to weakest is as follows: leadership apparatus (37%); transparency (34.6%); national financial capacity (26.3%); officials and civil servants (25.7%); national public financial policy (20.5%); and IT infrastructure (16.1%). Overall, the influence of the six factors on the management of centrally managed OBFs does not differ significantly.

### 3.4. RESEARCH MODEL DESIGN

#### 3.4.1. Achievements

##### *Management of the establishment of OBFs*

The management of OBF establishment has generally met the requirements of mobilizing and allocating financial resources in a timely manner to support state management activities and to achieve the country's socio-economic development objectives. The legal framework for the establishment and operation of each centrally managed OBF is relatively diverse and flexible, consistent with the specific characteristics of OBFs.

##### *Management of the operation of OBFs*

The management of OBF operations has made positive contributions to socio-economic development as well as to supporting state management tasks. Although the effectiveness of managing and using OBFs has not been as high as expected, it cannot be denied that the funds have mobilized significant social resources, addressed urgent social issues, and effectively supported the State Budget in implementing socio-economic programs and objectives.

The system of legal normative documents guiding the operations of OBFs has also been developed in considerable detail. These documents stipulate and ensure the enforcement of important principles and objectives in fund management and utilization. For example, the principle that funds must not operate for profit; that

reserve funds are strictly prohibited from lending; and provisions identifying the beneficiaries, payments, or loans to be made from OBFs.

#### *Management of the review and reorganization of OBFs*

The review and reorganization of OBFs in Vietnam have shown progress in recent years. At the central level, six OBFs have been dissolved. In addition, the Government has been improving the legal framework for fund establishment and operation, drafting proposals to eliminate expenditure tasks overlapping with the State Budget, adding new functions, and revising financial regulations applicable to certain funds.

### **3.4.2. Limitations**

#### *Management of the establishment of OBFs*

The establishment of too many funds risks fragmentation, loose management, corruption, and abuse. From the perspective of state management and supervision, it is essential to control the processes of fund establishment, distribution, and use, and to classify funds in order to design common management mechanisms. Moreover, it is necessary to supplement legal provisions based on fundamental principles to ensure unified management of national finance, avoiding arbitrariness and abuse in fund establishment.

#### *Management of the operation of OBFs*

Expenditure by OBFs is often not based on fixed standards and norms as in the State Budget. Some funds lack clear definitions of revenue sources and expenditure tasks, making them inconsistent with legal regulations. The objectives of certain funds are unclear, overlapping, inefficient, and non-transparent, leading to waste of resources. The functions of some funds overlap with the State Budget, as many revenue and expenditure categories are duplicated.

The rapid proliferation of funds, if not strictly controlled, could result in excessive levies that exceed the capacity of enterprises and citizens. Some funds have failed to achieve their stated objectives, and have not mobilized contributions from non-budgetary resources in society.

#### *Management of the review and reorganization of OBFs*

Although legal foundations for fund reorganization exist, only three OBFs were actually reviewed and reorganized after two years of implementing Resolution No. 792/NQ-UBTVQH14, a modest figure that indicates the process remains slow. Furthermore, while some funds have been reviewed and reorganized, new funds continue to be established, resulting in the total number of centrally

managed OBFs remaining at 22. Thus, in terms of quantity, there has been no reduction, and the spirit of reorganizing OBFs has not been clearly realized.

### **3.4.3. Causes of Limitations**

#### *Subjective causes*

- First, the State has not yet developed a specific, unified, and comprehensive legal document regulating the authority to establish funds as well as the conditions and standards for their establishment.
- Second, the leadership apparatus of OBFs is not organized in a consistent manner.
- Third, Vietnam's public financial policy has not provided clear orientations for the operation of OBFs.
- Fourth, transparency in the management of centrally managed OBFs in Vietnam remains limited.
- Fifth, regulations on accountability and sanctions against fund managers who misuse funds, operate inefficiently, or cause losses of assets are insufficient, particularly with respect to the requirement for compensation by managers responsible for damages.
- Sixth, the reorganization process has not been implemented decisively, leading to a lack of clarity in the roadmap for restructuring the funds.

#### *Objective causes*

- First, the period 2019-2024 was marked by the severe impacts of the Covid-19 pandemic and global economic instability, which created major challenges for public financial management in many countries, including Vietnam. Consequently, the management of OBFs was also adversely affected and less effective.
- Second, Vietnam's public financial resources remain limited. Although the country has been recognized in recent years as one of the fastest-growing economies in the world, State Budget revenues still account for only a modest proportion of national GDP.
- Third, the information technology infrastructure supporting public management in general, and OBF management in particular, remains underdeveloped.

## **Chapter 4**

# **SOLUTIONS FOR IMPROVING THE MANAGEMENT OF OFF-BUDGET STATE FINANCIAL FUNDS**

## **4.1. PERSPECTIVES AND ORIENTATIONS FOR IMPROVING THE MANAGEMENT OF OBFS**

### **4.1.1. Perspectives on Improving the Management of OBFs**

- First, enhance the efficiency of OBFs that are still in operation. These funds will continue to exist in order to achieve economic development objectives, address social issues, and protect the rights and legitimate interests of the poor and vulnerable groups in society. This requires the prompt consolidation of organizational structures and the assurance of adequate resources for the funds to better perform their assigned functions.
- Second, accelerate the reorganization of OBFs whose tasks overlap with those of the State Budget or with other OBFs. For funds with overlapping objectives, functions, and tasks—particularly profit-oriented investment funds—it is necessary to design plans to adjust their objectives, functions, and tasks to improve efficiency, and submit these for approval by competent authorities. For funds operating contrary to their mandates, performing ineffectively, or having fulfilled their assigned objectives, decisive termination and dissolution must be implemented.
- Third, establish new funds only when absolutely necessary and when legal conditions are fully satisfied.
- Fourth, strengthen supervision, inspection, and auditing of OBF activities and their compliance with laws on management and use, ensuring that state financial resources are managed and utilized effectively, openly, and transparently.
- Fifth, consolidate the organizational apparatus for OBF management, and regularly improve the capacity of officials and civil servants managing these funds.

### **4.1.2. Orientations for Improving the Management of OBFs**

- From now to 2027: This phase should focus on improving the legal framework for OBF management.
- From 2027 to 2030: Based on a unified legal framework, central government agencies must review and examine the operations of the funds under their management to identify those no longer suitable for national needs and those overlapping with other funds or with the State Budget, and carry out merger or

dissolution procedures. At the same time, depending on new national needs, new OBFs may be established if they meet all legal criteria and conditions.

- From 2030 onward:

(1) Modernize fund operations, with an emphasis on applying information technology in operations, credit management, risk management, and supervision.

(2) Train and develop high-quality human resources for OBFs; concentrate financial resources and diversify channels of capital mobilization to enhance effectiveness in fulfilling state-assigned tasks.

(3) Continue strengthening management, supervision, and clear assignment of responsibilities and authority at each level in the management of OBF activities.

### **4.1.3. Global and Domestic Socio-Economic Context**

#### ***4.1.3.1. Global Context and Outlook to 2030***

In the present period and toward 2030, the world continues to evolve within a volatile environment that interweaves profound opportunities and challenges. Following the COVID-19 pandemic, global economic recovery has been uneven. While developed countries have recovered relatively quickly thanks to strong financial and health capacities, developing countries continue to face difficulties such as rising public debt, resource shortages, and deepening inequality.

Rising inflation during 2021-2023—caused by supply chain disruptions, the Russia-Ukraine conflict, and tightened monetary policies in major economies—has left risks of recession and macroeconomic instability persisting until 2025. Geopolitical tensions are intensifying, especially among major powers such as the United States, China, Russia, and the European Union. A trend of “strategic autonomy” has become increasingly evident.

The Fourth Industrial Revolution continues to develop rapidly, driven by core technologies such as artificial intelligence (AI), blockchain, the Internet of Things (IoT), automation, cloud computing, and biotechnology. Notably, AI is creating breakthrough changes in production, services, education, healthcare, and governance. The period 2025-2030 is forecast to be a phase of comprehensive digital acceleration, requiring bold innovation in institutions, human resources, and digital infrastructure.

The world is also facing growing challenges from climate change, severe natural disasters, and resource depletion. Extreme weather events are occurring more frequently, demanding urgent adaptation measures and green growth. Countries have committed more strongly to achieving net-zero emissions, accelerating renewable energy transitions, electrifying transportation, and promoting climate finance. Green economy, circular economy, ESG

(Environmental - Social - Governance), and sustainable investment are increasingly seen as foundations for future development.

Multiple agreements and initiatives are reshaping international cooperation frameworks. The Regional Comprehensive Economic Partnership (RCEP), commitments made at COP conferences, as well as initiatives on “Sustainable Supply Chains” and “Climate Alliances” among major powers, are significant milestones that set the stage for deeper economic linkages and development cooperation in an uncertain global environment.

#### ***4.1.3.2. Domestic Context and Outlook to 2030***

Vietnam is undergoing a major transformation, simultaneously recovering from the COVID-19 pandemic and pursuing long-term sustainable development strategies while adapting to profound global changes. In the medium term (2025-2030), Vietnam targets economic growth reaching double digits in certain years, particularly by leveraging new drivers such as public investment, digital transformation, high-tech industry, smart agriculture, and green growth.

One of the current priorities in administrative reform is building a two-tier local government system (province and commune), by eliminating the intermediate district level and merging administrative units at the commune level. The Government is also intensifying reforms of state administrative agencies, abolishing or merging units from central to local levels, cutting intermediate layers, streamlining the apparatus, reducing budget expenditures, and improving efficiency in management and administration.

Vietnam is actively implementing energy transition policies, promoting investment in wind power, solar power, hydrogen, and smart grid systems. The digital economy, green economy, circular economy, and sustainable growth strategies linked with environmental protection and climate adaptation have become pillars of development policy.

The financial and real estate markets experienced significant volatility in 2021-2024 due to corporate bond risks, rising bad debts, and declining investor confidence. In the coming period, policies will focus on strengthening oversight, enhancing transparency, improving the institutional framework of the capital market, and accelerating the digitalization of the financial and banking system to support the recovery of production and consumption.

## **4.2. SOLUTIONS FOR IMPROVING THE MANAGEMENT OF OBFS**

### **4.2.1. Solutions for Improving the Management of OBF Establishment**

The development of a Law on the Management of OBFs is necessary to ensure consistency and transparency in public financial management. This law

should clearly stipulate the authority to establish funds, the conditions for their establishment, essential principles of financial management, and general provisions on accounting, reporting, disclosure, supervision, as well as regulations on the authority to dissolve OBFs.

Furthermore, the law should specify that all OBFs must comply with financial and budgetary management requirements and be subject to the supervision of the National Assembly and People's Councils in order to minimize the negative impacts of OBFs on the State Budget.

#### **4.2.2. Solutions for Improving the Management of OBF Operations**

##### **4.2.2.1. Establishing a Unified Organizational Model for OBFs**

The organizational model of OBFs is the foundation for determining structures, management mechanisms, personnel arrangements, and related aspects. In practice, OBFs are currently organized under different models, such as public service units, specialized enterprises, and financial organizations. Therefore, establishing a unified organizational model for OBFs is necessary to develop a consistent legal system governing their structure and operations.

- First, if OBFs are unified under the model of public service units, the procedures for establishing funds must comply with the procedures for establishing public service units. Under this model, funds would fall under the supervision of a line ministry. The organizational structure should include a Management Council, a Board of Directors, and an executive apparatus. Personnel, especially those in management positions, would largely consist of civil servants and public employees assigned by management authorities.
- Second, if OBFs are defined as enterprises, the existing regulations on OBFs should be revised to ensure consistency in organizational structure and operational mechanisms, particularly regarding the policies applicable to public employees assigned to work at these funds. The organizational structure should follow the provisions of the Law on Enterprises for one-member limited liability companies.
- Third, if OBFs are identified as a special type of organization, neither fully enterprises nor public service units, state management authorities must design an appropriate legal framework for their existence and operation.

##### **4.2.2.2. Strengthening Governance, Administration, and Risk Management of OBFs**

The organizational apparatus of OBFs must be consolidated, with regular improvements in the capacity of officials and civil servants. Consider gradually

separating OBFs from line ministries, socio-political organizations, and administrative agencies to form independent, specialized funds. Policies and tools for integrated risk management must also be developed.

#### **4.2.2.3. Enhancing Financial Autonomy of OBFs**

- First, improve the comprehensive legal framework for OBF management activities.
- Second, increase the efficiency of OBF lending and investment activities. Strengthen transparency and accountability in the use of fund resources. Clearly stipulate the responsibilities of managers in cases where funds are misused, inefficiently managed, or assets are lost, including specific accountability and sanctions. Establish an internal control and audit system to ensure strict fund management, minimize risks, and enhance efficiency in investment and lending, similar to private sector models to prevent and limit ineffective plans.
- Third, tighten the management of mandatory revenues to prevent losses and waste.
- Fourth, adopt flexible approaches in mobilizing voluntary contributions.

#### **4.2.2.4. Strengthening Supervision, Inspection, and Auditing of OBFs**

Supervision, inspection, and auditing of OBF activities must be reinforced to ensure that state financial resources are managed and used effectively, openly, and transparently. It is also recommended to strengthen the supervision of the National Assembly and People's Councils, and to enhance inspection and auditing of compliance with laws on OBF management and use. Comprehensive and public disclosure of OBF activities should be strictly implemented, and legal violations must be strictly sanctioned.

Internal supervision of OBFs should be improved. The roles of Supervisors and Heads of Supervisory Boards must be enhanced in monitoring fund activities and making timely recommendations to the Executive Board. The disclosure of OBF activities and inspection results to supervising agencies and government authorities must be ensured.

Training and capacity-building should be provided to supervisory officers and fund inspectors to ensure professional competence, legal knowledge, political integrity, ethical standards, impartiality, and objectivity.

#### **4.2.3. Solutions for Improving the Reorganization of OBFs**



- **Step 1:** Clearly define the degree and order of priority for establishing or maintaining OBFs.
- **Step 2:** Merge or dissolve certain funds.

(1) Merge the Fund for the Protection of Vietnamese Citizens Abroad into the State Budget.

(2) Merge the National Employment Fund, the Fund for Supporting Poor Women, and the Farmers' Support Fund into the Vietnam Bank for Social Policies.

(3) Dissolve certain funds: the Fund for Supporting People Living with HIV, the Tobacco Harm Prevention and Control Fund, the Fund for the Development of Small and Medium Enterprises, and the Fund for the Support and Development of Enterprises under Restructuring.

## CONCLUSION

In recent years, the system of Off-Budget State Financial Funds (OBFs) in Vietnam has developed relatively strongly and diversely, with the establishment of various types of funds serving socio-economic development objectives. The development of these funds has made an important contribution to mobilizing and allocating public financial resources outside the State Budget, creating a flexible financial mechanism to support targeted programs, social security policies, technological innovation, and sustainable development.

However, alongside these positive contributions, a pressing issue at present is that the management and supervisory mechanisms for the operation of OBFs remain inadequate, lacking a unified and comprehensive framework.

On the basis of analyzing the theoretical foundations and the current situation of OBF management in Vietnam, the doctoral candidate has constructed a system of viewpoints and orientations aimed at gradually improving this work in the upcoming period. The overarching principle is the necessity of establishing a unified management mechanism, ensuring autonomy and flexibility while still being tied to accountability, transparency, and strict supervision by competent authorities. From this orientation, the thesis proposes comprehensive groups of solutions, covering legal aspects, organizational structure, finance, technology, and communication.

The thesis develops solutions for improving the management of OBFs based on three management dimensions. The first solution focuses on improving the management of fund establishment. Accordingly, Vietnam needs to concentrate on perfecting the legal framework that governs the foundation and conditions for establishing OBFs. The second solution relates to improving the management of fund operations, emphasizing the need to clearly define the legal status, financial mechanisms, organizational structures, operational procedures, and supervisory mechanisms for each type of fund. It highlights the necessity of enhancing the financial performance of funds, including improving credit efficiency, fundraising, and capital utilization, as well as developing sustainable financial resources. The solutions also propose strengthening executive apparatuses, improving managerial capacity, and enhancing training for human resources with expertise, ethics, and innovative thinking. Furthermore, the study underscores the importance of intensifying inspection, supervision, auditing, and state control over the funds' operations, while promoting the application of information technology to modernize management, strengthen data connectivity among relevant agencies, and ensure timely monitoring and evaluation. Finally, communication efforts and raising community awareness about the roles, functions, and policies of OBFs should be prioritized, thereby fostering social consensus and encouraging the participation of stakeholders.

Overall, improving the management of OBFs in Vietnam is an urgent requirement, not only to maximize the role of these funds in socio-economic development but also to contribute to building a modern, transparent, and sustainable public financial institution in the context of Vietnam's deep international integration and the many new challenges of its development era.

## **LIST OF PUBLISHED WORKS BY THE AUTHOR RELATED TO THE THESIS**

1. Nguyen Dang Hai (2024), “The Current Legal Framework on Extra-Budgetary State Financial Funds”, *Finance Journal, (Tập chí Tài chính)* Issue 1, April 2024, No. 822, pp. 38-40.
2. Nguyen Dang Hai (2024), “Operations of Extra-Budgetary State Financial Funds: Emerging Issues and Proposed Solutions,” *Journal of Economics and Forecasting, (Tập chí Kinh tế và Dự báo)* Issue 12, June 2024, pp. 195-198.
3. Nguyen Dang Hai (2024), “Improving Legal Policies on Extra-Budgetary State Financial Funds,” *Journal of Economics and Forecasting, (Tập chí Kinh tế và Dự báo)* Issue 13, July 2024, pp. 25-25.