

UNIVERSITY OF TAMPERE

Faculty of Management

**IMPROVING THE MECHANISM FOR
FINANCIAL AUTONOMY
IN NAM DINH EMPLOYMENT SERVICE CENTER**

PUBLIC POLICY AND PUBLIC FINANCIAL MANAGEMENT

MASTER'S THESIS

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ABSTRACT

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This research has studied the financial autonomy mechanism of Nam Dinh Employment Service Center. More specifically, it examines the implementation of the financial autonomy mechanism of the Nam Dinh Employment Service Center, the validity and effectiveness of the financial autonomy mechanism, the challenges of the financial autonomy mechanism and solutions to improve financial autonomy at Center.

This research employs qualitative research methods such as document analysis and in-depth interviews with managers and some of Center's staffs. The findings from the literature analysis and interviews show the problems of the financial autonomy mechanism of Center. First of all, the information is on the situation of revenue exploitation, which use the financial resources and the awareness of employees on financial autonomy within the units. Second, there is the adequacy of information in Center's performance report and financial reporting. Third, there is the understanding of the financial autonomy in the provincial culture and culture center. Fourth, there is the decentralization of the management coordination between the sections at the PCC. Fifth, they are also the challenges and difficulties of Center when implementing financial autonomy. Finally, over 65% of respondents have offered solutions to improve financial autonomy at Center. They provide four groups of solutions to address these challenges in a self-regulatory framework at Nam Dinh Employment Service Center, a group of solutions on organizational structure and management model help diversify revenue sources and improve expenditure management and human resource solutions.

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LIST OF ABBREVIATIONS

<i>Abbreviation</i>	<i>Explanation</i>
ESC	Employment Service Center
ES	Employment Service
PSDUs	Public <u>service delivery units</u>
FA	<u>Financial autonomy</u>
SB	<u>State budget</u>
ST	State treasury
FixA	<u>Fixed assets</u>
BC	<u>Basic construction</u>
SOE	<u>State-owned enterprises</u>
PSUs	Public <u>Service Units</u>

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CHAPTER I. INTRODUCTION

1.1. Importance of the topic

Effective control of state budget is the prerequisite for sustainable development of the national socio-economic performance (Allen and Radev, 2007). In Vietnam, persistent problems of ineffective budget-setting, overspending as well as lack of transparency in budget control have pressed the importance of better management in budget creation and utilization. In response, Vietnamese government, with the successful comprehensive reform of the public administration system, has enabled local authorities with certain degree of freedom in budgeting and financing (Morgan and Trinh, 2016). The financial autonomy is not limited to budget handling. Decentralization of fiscal management is associated with the authorization to local governing bodies in setting taxes, distributing financial resources for higher generation of income as well as cutting cost of administrative operations (Castellucci, 2000).

The increasing autonomy in financial management has given the municipal units more sense of responsibility in handling the State budget and operating more efficiently. Combined with close and regular monitor by government, financial autonomy has helped generated significant cost reduction in regular administrative activities in Vietnam. Hence, there has been an increase in the number of public services which are delivered to local people at greater quality and frequency (Castellucci, 2000). Living standard in the South East Asian country is therefore generally improved with the evidence of greater community satisfaction over the public welfare system observed in recent years.

In order to demonstrate the improvement of local financial accountabilities as the decentralization takes place, a specific case of Nam Dinh Employment Service Center (here after NDESC or Center) - a public job center located in a northern province of Vietnam - will be analyzed. Prior to the overhaul of management and operating system, NDESC strictly follows the State instructions in political, administrative and financial activities. The financial autonomy granted by Vietnamese government is the origin for subsequent improvement of operational effectiveness at NDESC. However, the process of maximizing potential benefits of financial autonomy is hindered by the rigid, old-fashioned operational nature of Vietnamese public agencies. Under such circumstances, identifying the limiting factors, taking corrective actions and improving the operating and financial system as a whole are the most crucial tasks for NDESC to get the most out of the financial autonomy.

In order to analyze thoroughly NDESC's application of financial autonomy, comprehensive review of the literature will be conducted. The academic research kicks off with an overview of local government's characteristics and the current implementation of financial autonomy in Vietnam. These

are followed by the conceptual definition of financial autonomy, its pros and cons and challenges when applying to Vietnamese political environment. The theoretical findings will be empirically applied to the case of NDESC. Opportunities and challenges for the financial autonomy in NDESC will be thoroughly studied with recommendations for improvement given at the end.

1.2. The research gap and significance

The topic of financial autonomy has been studied in previous researches. However, the results are yielded with certain limitations in finding the most applicable solutions to maximize the benefit of financial autonomy, under the context of local public agents in Vietnam.

Ms. Tran Thu Ha has done research on renovation of financial management mechanism for non-productive agencies in 1997. It is a relatively general study on financial management mechanism for non-business units. Study have clarified the roles and positions of non-business units for the socio-economic development and the objective existence of non-business activities. The work has summarized and evaluated quite comprehensively the status of non-productive activities and the financial management situation of non-business units in the transition to the market economy mechanism (1991-1995 period). On the other hand, the work has been appreciated the difficulties and limitations of policies such as fees and charges management. Financial management mechanism for unconformity of FAs have not been assessed and are not suitable for various forms of non-productive activities. The topics have given some views, recommendations and solutions to contribute to finalization of financial management mechanism for forest rangers in 1999-2005. Based on these proposals, the Ministry Finance has continued to study and submit to the Government for promulgation Decree No. 10/2002 / ND-CP dated January 16, 2002 implementing financial autonomy mechanism for income tax collectors and following Decree No. 43/2006 / ND-CP of the Government promulgating the financial autonomy mechanism for all public works. However, the research focus is only on assessing the status of financial management mechanism for income earning households, summing up the reality. The analysis of differences in the nature of the financial management mechanism of the FAs in this period compared to the subsidy period has not been clarified yet. The general theory on financial policy for the public service sector has not been clarified. The impact of market economy rules on the public service sector has not been clearly articulated. Major new proposals stop addressing the problem of management mechanism. State budget expenditure management policy is still influenced by subsidy thinking and unclear financial policy for public sector. Tax policies, incentives for public service development, policies on management of capital and public assets are not compatible with the market mechanism.

Mr. Nguyen Dang Khoa has studied renovation of the financial management mechanism for the administrative and non-profit units in 1999. The research is relatively in-depth study of the financial management mechanism in Administrative units of career. The work has clarified a number of issues regarding the financial management mechanism for non-profit units in the market mechanism, such as nature, content, role of financial management mechanism and its impact on with activities of administrative units. The work has generalized theoretical and practical issues, comments on the process of making, implementing, finalizing the budget and managing public assets in the administrative and non-business sector. The author has introduced the requirements and principles of financial management for administrative units in the market economy and when implementing the Law on State Budget, proposed recommendations and solutions for renovation, To improve the financial management mechanism for administrative and non-productive units in the 2000-2005 period. These are prerequisites for the research and innovation of financial policy for the public service sector. The research still has limits to overcome. The author does not distinguish the difference between financial management of non-business units and financial management of administrative agencies. Therefore, proposals and proposals do not provide solutions to the requirements of financial management reform for public service delivery agencies. The laws of market economy affecting management mechanism, financial policy for public service sector have not been mentioned and explained clearly. Therefore, the proposals remain focused on improving the efficiency of state budget expenditure management.

Ms. Bach Thi Minh Huyen, in 2001, has studied the situation and financial solutions to implement the expenditure package for administrative agencies and the self-supporting mechanism at the non-productive unit. In the study, the authors focused on clarifying the mechanism and nature of the implementation of administrative package expenditures for administrative agencies and the financial autonomy mechanism for non-business units. The author has elaborated on management theory on output; Summarize and assess the experience of Sweden, Canada, the Republic of France, Korea, Colombia, and draw lessons learned from the implementation of package management. However, the research topic has just stopped in the review of the practical situation in financial management for administrative agencies and non-business units aimed at solving the problems in management practice. Generality, theories are not comprehensive. The solutions in research to implement the self-supporting mechanism in income-generating public service units have only been drafted in general terms and have not yet been specifically applied. Difference between career fields, difficulties in practice of regions and regions with different socio-economic conditions. On the other hand, since these studies have been carried out since 2000, so far there has been a lot of content that is no longer relevant.

Duong Dang Chinh and Nguyen Ngoc Anh (2003) studied the subject of financial mechanisms and policies for the social security system. This subject has focused on comprehensive research and assessment of social security policy in Vietnam in the period 1995-2001, summarizing social security models of some countries. The project has introduced a model of the social security system and proposed solutions and recommendations on the system of financial mechanisms and policies for the social security system in Vietnam. The content and approach of this topic, though not aimed at reforming fiscal policy for public service delivery organizations. However, the research results in this topic have made clear the need for the State to have policies to support people in ensuring the right to enjoy social welfare in education, health, literature. These are provided by public service delivery agencies; There are suggestions for groups of solutions to support the people in the provision of services of non-business units.

Mr. Pham Duc Phong has studied the topic of improving the management mechanism of public assets in non-productive units. The topic focused on the public asset management in public service units, studied, summarized and assessed the state of public asset management in this area. The topic has clarified the scope, decentralization and management mechanism of public assets. However, the author does not have a comprehensive approach to clarify the nature of the productive assets of public assets in public service delivery units. Therefore, the topic of analyzing and evaluating the public asset management policy to propose the proposal must fully account the asset depreciation expense into the cost of non-business service activities. To change policies on land use tax which the State has assigned to public non-business units for management and use for a long time.

Pham Chi Thanh (2011) studied the topic of financial policy reform for the public sector in Vietnam. In this topic, the author approaches financial research for the public sector as an economic category reflecting the relationship between the State and public service delivery units in the formation, distribution, use monetary funds. Thereby clarifying the nature and financial functions of public service delivery units in the socialist-oriented market economy. The author analyzes the financial relationship between the State assigning tasks and funding for the performance of tasks with public service delivery agencies providing services, ie, the State purchases the services of the unit This. Therefore, the units are entitled to decide on the management and use of financial and financial policies for the non-business sector to be reformed in the direction of abolishing the subsidy, implementing the financial autonomy and self-responsibility and operation of public service delivery agencies. The author has also studied the reform of fiscal policy for the whole public sector, which is considered as a continuous process aimed at managing the state budget for public service delivery units according to the performance. The author proposes a system of solutions to reform the financial policy for the service sector, including breakthrough solutions such

as the transfer of current charge and fee policies to the service charge management policy. The public non-business units shall fully account their operation expenses, including the depreciation expense and the transfer of the State budget spending mechanism to the currently subsidized public non-business units for management. Expenditure according to the results of operation, direct support policies for policy beneficiaries. However, the thesis only focused on qualitative analysis, the impact assessment of financial policy for public service units has not been fully quantified. On the other hand, the solution for renovating the general financial policy for the service sector has not been specific to each sector such as health, culture, education and training, society, etc.

Bui Tien Hanh (2006) studied the improvement of the financial mechanism to promote the socialization of education in Vietnam. In this thesis, the researcher has focused on the financial mechanism for socialization of education on the contents of the state budget management mechanism for education, the public financial management mechanism for public education, the financial incentive mechanism for education non-public education, the mechanism of collection and use of tuition fees. The study reviewed the overall situation of the financial management mechanism for educational activities in the 1999-2006 period. It has studied in depth the policy on tuition and incentives for non-public education institutions (such as land, tax, credit ...) to deepen the issue of financial policy in the field of education and training. The approach to tuition policy is similar to many other topics which are influenced by the policy of fees and charges - which is considered a revenue source of the state budget. It has clarified the nature of service prices of education and training activities.

Nguyen Truong Giang (2003) studied the topic of reforming the state budget expenditure management mechanism in the health sector in Vietnam during the transition to a market economy under the state management. This subject has been relatively comprehensive study of management of state budget expenditures in the field of health care. In the study, outstanding results were achieved, such as research and clarification of the nature of public goods. These include the provision of preventive health services, the provision of social welfare through the provision of health care access to health services, access to basic health services for the poor, social policy beneficiaries. The author has assessed the characteristics and specific conditions of medical activities (including preventive medicine and medical treatment) in the market economy. This clarifies the nature of the problem why the State should have policies to manage and intervene, not float to the market. The research on health insurance funds is an intermediary financial institution - a very important tool for the State to intervene in the field of health financing, in order to bring into full play the resources needed for the development of health insurance and to ensure the better quality of preventive and health care for the people. However, the thesis has certain limitations in

clarifying the nature of service prices of medical activities. Only deep evaluation of the state budget management mechanism for health care activities has been conducted. On the other hand, the author does not have a comprehensive assessment of financial health management, and has not elaborated on the problems in health financing policy, especially for district, commune and district health services in remote areas, in border areas, on islands. Some solutions to health insurance policies, which have been studied since 2001-2002, are no longer suitable.

The Economics of the Public Sector studies the financial management of public hospitals in the United States. The author has turned his attention to efficiency and equity in public hospital operations with a series of questions that need to be addressed. These are "Increasing general spending and the cost of health services occur at the same time as the government increases the rate of financial support." (Joseph E. Stiglitz, 1995, 82).

We have a fair system to provide services. Obviously, to solve the above problem, financial management of public hospitals must take into account many complex relationships: Primary covered with hospital, hospital with health service users, government with people, market with government intervention, etc. This is considered a reasonable approach. When researching financial management of public hospitals in developed countries, the author's solutions are not specific enough to solve the problems.

The application of financial autonomy in the operation of public agencies have been previously studied in a number of academic researches. Although covering a wide range of operating nature (business/non-business units), these studies do not thoroughly cover the case of public service agents in dealing with challenges when transiting to independent financial system. For example, Mr Nguyen Dang Khoa (1999) has not distinguished between non-productive and administrative agencies in determining the research subject, which makes the finding non-applicable to the case of public service delivery center. On the other hand, these researches were conducted long time ago (mostly 20 years), which make the empirical findings irrelevant to some extent. Given such limitations in the previous findings, this research is expected to provide a more comprehensive and updated picture of Vietnamese financial autonomy in the context of a public service delivery center – NDESC.

1.3. Research objectives and research questions

In this thesis, the objective is to study the components and mechanisms of financial autonomy and the challenges they behold based on the existing academic literature. This thesis is also a case study of one employment service center in Vietnamese province and city of Nam Dinh where the challenges of mechanisms of financial autonomy is studied in order to pose recommendations and solutions to those challenges. The research questions are

- What are the mechanisms of financial autonomy and what are the challenges in those mechanisms?
- What are the challenges of mechanisms of financial autonomy in Nam Dinh Employment Service Center?
- How to face those challenges and improve the mechanisms of financial autonomy in Nam Dinh Employment Service Center?

1.4. Research methodology

Overall, my research is conducted in three main steps. First, I performed an in-depth literature review of financial autonomy with the application into Vietnamese regulatory system. The transition to decentralized decision making is not complete as the local government is still faced with inherent remains of state owned economy. These factors significantly limit the benefits of financial autonomy and could even jeopardize the efficiency and effectiveness of administrative operation. Second, I performed empirical research into the case of NDESC by studying the effects of local autonomy on financial performance during the period from 2011 to 2013. I utilized the local unit's financial statements as well as self-conducted interview with responsible personnel (Operational / Financial manager) to gain further understanding into the unit's decentralized financial management performance. Lastly, based on these practical findings, I developed structured solutions and recommendations for NDESC to overcome challenges related to maximizing benefits of independent financial system.

The research method for this study is qualitative research, which uses a set of predetermined procedures to create questions and gather evidences to analyze the non-numerical findings (Mack et al., 2005). In particular, in-depth interviews were conducted with interviewees from senior management of the Center with detailed and open content to fully collect information on the activities of the Center. Data for analysis consists official information for post-financial autonomy period and public financial statements from 2011 to 2013. The additional information is collected from the interview, which generally probes into the manager's experiences on the implementation of financial autonomy (positive influences/ challenges) and measures to cope with the transition's difficulties.

1.4.1. Interview sample design

The interview is conducted on the basis of targeted sampling which intentionally selects a representative group of population as interviewees. The sample is determined to follow the saturation theory, which inspect certain individuals from the population for the most relevant findings. The population in my research is working personnel of NDESC. The selected sample for

the study includes Director, Chief Accountant and Head of Administrative Affairs, who have the in-depth knowledge and experience on the effects of financial autonomy upon the performance of the local unit.

Before conducting actual interviews with NDESC key personnel, I have gone through the question set with a fellow researcher from the University to ensure the inquiries are germane and comprehensive. Then, consent was sought from the interviewees before proceeding. I called the managers of the NDESC to arrange the interview and briefly discuss the purpose of this research. Then, after reaching mutual understanding over the subject of financial autonomy, we set the date for face-to-face interview. On this occasion, I recorded the information and pledged to keep all information received confidential.

I selected 21 people to ask. Of these 21 people only 15 agreed to record, 6 did not agree. The interview time is from 50 to 60 minutes / session. I recorded some of the main ideas of the answer to compare with the profile after the interview.

The qualitative findings of the research are analyzed deductively. This approach of data analysis is based on the predetermined set of questions to group and analyze data respectively. As the researchers have certain understanding and expectation of the answers for each question, this method is efficient and effective in terms of cost and time (Mack et al., 2005). The content analysis method (Hancock, 1998) was employed to collect, categorize and interpret the data. Based on the research findings, recommendations were provided to NDESC to curb the limitations and improve the effectiveness of financial autonomy.

1.4.2. Research Process

This study was conducted in the following steps. In the first step, I have documented the functions, duties of the Center and the financial mechanism to identify financial autonomy issues. The second step is to collect the original materials and refine the building into a matter that needs to be researched and resolved. I formed the content of the study and reviewed the document developed by collecting financial autonomy documents in the third step.

Nghiên cứu này được tiến hành theo các bước sau đây. Bước một, tôi đã thu thập tài liệu về chức năng, nhiệm vụ của Trung tâm và cơ chế tài chính để xác định các vấn đề về quyền tự chủ tài chính. Bước thứ hai là thu thập các tài liệu gốc và tinh chế xây dựng thành vấn đề cần nghiên cứu, giải quyết. Tôi hình thành nội dung nghiên cứu và xem xét tài liệu được phát triển bằng cách thu thập các tài liệu về quyền tự chủ tài chính vào bước thứ ba.

The next step is to collect data from the Center's materials. First, content collected from results of NDESC in the period from 2011 to 2013, same as the financial statements from the same period. In addition, the dataset of this research was collected from State Budget Law No. 01/2002/QH 11 dated 16/12/2002 of the National Assembly of the Socialist Republic of Vietnam; Internal expenditure regulations of NDESC. Second, 21 in-depth interviews were conducted with the management of the NDESC. Data collection was followed by qualitative data analysis, including: quality content analysis of the document and interview data. Then, explanation of the results has been made

The results of this study are presented in Chapter 3. The final step is to discuss and conclude and propose improvements to the financial autonomy mechanism in the Center.

CHAPTER II. LITERATURE REVIEW

In this chapter, I will introduce the basic concepts of this study, namely the concept and characteristics of local authority, its financial implications, the definition and concepts of financial autonomy and self-regulation mechanism, their impact and influencing factors and at the end the criteria for assessing financial autonomy. These concepts are important in understanding the nature and challenges of financial autonomy. At the same time, I study and refer to a number of countries to understand their advantages, difficulties and challenges in implementing the financial autonomy mechanism. In brief, the purpose of this chapter is to review the literature to answer the question of what financial autonomy is and what kind of challenges it poses.

2.1. Autonomy in local authorities

It is crucial to obtain the core understanding of decentralization in managing national financial resources. Decentralization is most frequently observed in the context of developing economy, where the governmental and economic system used to be centrally planned. The process of decentralization cannot take place in the ground of budgeting and financing alone. This has to be concurrent with the autonomy of political, administrative and fiscal decentralization altogether (Isufaj, 2014, pp.459-463). Indeed, a district's total control of budget management cannot be exerted if the provincial committee plays a significant role in setting the political and administrative policy at the district level. Financial resources have to be allocated to serve such political and administrative setting.

The process of decentralization is in line with the democratic tendency of political government in the global scale. Further purpose of decentralization is to increase the effectiveness of budget management as the decision making lies within the local units – which have the most knowledge and understanding over the local fiscal situations (Pandey, 2005, pp 1-8). Also, decentralization promotes higher transparency in the political system, where the local governments are run by people's committee, selected by the public and run for the people, theoretically.

In definition, governmental decentralization takes place when fiscal, administrative and political decision makings are not centralized to the principal government. Instead, these authorities are attributed to local units at discretion (Warokka and Warokka, 2013, pp. 1-14). Accountability is therefore largely maintained at the level of local units instead of central government. The performance of local authorities over the distribution of national resources is closely followed and monitored by the higher level of authority. Therefore, inefficient or ineffective distributions of

resources at local level reflect poor management ability of local authorities. Responsive actions will be undertaken by the superior authorities to correct and maintain the highest level of responsibility in local government. In fact, local government is established to base on the vote of public and their willingness to appoint specific personnel. Therefore, it is expected that subnational jurisdictions act for the needs of the public and allocate government's resources accordingly (Michels and De Graaf, 2010, pp 477-491). In line with full autonomy in public expenditures, local government also requires autonomy in generating revenue to fund the spending. Apart from the governmental budget allocated to the local authorities, local units could implement several tax generating activities (cleaning taxes, public road taxes, etc.), provision of public services (parking etc.) to guarantee period income. However, the planning of levying more taxes or charging for public services requires careful planning and approval of the central government. This could be a two bladed sword which causes dissatisfaction over the public if the local government exploit these revenue generating tools. Also, the transparency in expenditure and income of local government is the highlighted topic for both central government and the society. All information regarding the financial activities of local government should be available to both the public and central government, simply because all of the available financial resources come from the working people (Rodríguez, Gómez and Hernández, 2017, pp 1-15). They have the rights to know.

2.2. Decentralization of financial autonomy

The financial management mechanism is the operation of economic mechanism. From another perspective: the financial management mechanism is the overall system of methods, forms and tools to be operated. Financial mechanism is expected to organize, manage the process of creating, distributing, and using financial resources to achieve macroeconomic goals.

The nature of autonomy is the decentralization of the central government to the local government. The scope of autonomy varies over time, but it is linked to academic, executive, legal, and financial issues (Oulasvirta, 2009, pp. 311-332).

Decentralization not only plays an important role in the allocation of public services, but also positively impacts on economic development (Oulasvirta & Turala 2009). Although empirical evidence on this causal link is not unambiguous, there are some results showing that some aspects of local government autonomy seem to be positively related to economic growth (Ebel and Yilmaz, 2002; Meloche et al., 2004; Akai et al., 2007).

The political strategy of fiscal decentralization has long been a topic of discussion for scholars due to the operating effectiveness of local units after implementation. The neo-classical approach, which is also known as the orthodox, mainstream version of the economic world, highlights the

independence of local government in administrative, politic and economic operation. Nevertheless, as the higher level of autonomy is promoted in the micro scale of governance, the functional objectives between local authorities and central government would be challenged to be aligned with each other. Indeed, neo-classical point of view regards local committees as small, opened economies which are interrelated and influenced by the central government at will (Marks and Hooghe, 2000, pp. 795 -816). There are several noteworthy points in the concept of local jurisdictions in Neo-classical regards. First, the decentralized decision making allows local governments to provide specific sets of public services at distinct quality and quantity in comparison with other regions (Nhema, 2015, pp. 165). Over the country, people would feel that the appropriation and allocation of national resources is favoring some local governments and disfavoring others. Public dissatisfaction over the local jurisdictions' ineffective (or unfair) allocation of national welfare could be a main reason for regional political instability which could potentially spread to other areas. Second, the autonomy of local government in allocation of national funds could be misused for the interest of the individual authorities alone. In fact, as the extent of public service provision is largely determined by the local government, head of the committee could intentionally provide more resources or favorable treatments to the public for the return of favor in the upcoming election (Curristine, Lonti and Joumard, 2007, pp. 1-41). Overall, over-provision is not worse than under-provision of public welfare. The latter is truly an act of crime which is the individual misappropriation of governmental assets.

In general, fiscal decentralization under the neo-classical view may lead to misalignment of local authorities over the national fiscal objectives. Due to the over-independency granted to the subnational units, central government is required to implement suitable policies to realign the political objectives at the local scale. Neo classical scholars press forward the idea of keeping the allocation function at the regional jurisdiction and rely on their local knowledge (Woodham, 1980, pp. 3-16). The local objectives are set by government and the distribution of national resources (budget) to local units still lies within the hand of central government. Budgets are periodically revised when a certain period "defined by the government" ends or a political event that requires financial resources that arise. The neo-classical view of government's control over fiscal decentralization needs to be supplemented with close supervision by the Government. As the local government's expenditure documentation could be easily manipulated upon checking by the central agents, the supervision and monitoring activities should be conducted more frequently at a much more detailed level. Also, if the needs for sovereign budget are justified, it is crucial that government provides sufficient fund for the supply of necessary public services. Otherwise, the risk

public resentment would be problematic, not only for the local authority but also for the central government.

2.3. Concept of financial autonomy

Simple definition of financial autonomy is the delegation of central government to local jurisdictions in the process of fiscal decision making. As can be seen from previous sections, financial autonomy cannot be achieved without the harmonization of social, administrative and political decentralization to the local units (Cuza, 2014). At the same time, subnational authorities have to bear full responsibility and accountability for their distribution of national resources.

The scope and relative importance of different functions are assigned to local governments based on the degree to which Government functions are carried out by the private sector. More importantly, size relates to the decision-making powers of local governments regarding assigned functions and sources of income (Molander, 2004).

Technically, the financial autonomy covers three categories of autonomy. The first category is public expenditure autonomy which is the full rights of local government to determine the size and scope of public goods and services to be provided (Kopańska, 2017). Subnational jurisdictions are able to select the public products and services to be delivered to the public. Also, the allocation of funds towards each type of deliverables is in the hand of local authorities. The extent of provision (time, substance) is also determined by the authority.

The second is local revenue autonomy: the ability to generate revenue (taxes or other public contributions) to fund for public expenditure (Gil-Serrate, López-Laborda and Mur, 2011). Local government is fully capable of deciding the tax level which is set to achieve the revenue target. Also, regional authorities are allowed to commit to different sources of funding apart from taxation. For example, borrowing and capital investment could be reliable sources of funding which do not impose dissatisfaction over the public like increasing tax rate.

Last, local budgetary autonomy (Renaud and van Winden, 1991) is the final concept of financial autonomy which refers to the ability of setting revenue and expenditure in accordance to the current state of local budget. In case of fiscal deficit or surplus, local government could automatically adjust the level of spending and revenue generation to rebalance the budget.

The local authorities are deemed to achieve total autonomy if the three conditions are achieved altogether.

2.4. Factors of financial autonomy

According to Oulasvirta (2009), decentralization not only brings the response and efficiency of public service delivery but also affects economic growth in a positive. Although the empirical evidence for this causal relationship is unclear, some results suggest that some aspects of local government autonomy seem to be positively related to growth (Ebel and Yilmaz, 2002; Meloche et al., 2004)

Financial autonomy (fiscal decentralization in other word) is the common jurisdictional apparatus adopted by many countries around the world. The popularity of this political structure is the solid proof for numerous advantages brought about by fiscal autonomy at local level. However, the fact that the extent of financial autonomy varies with different governments and political structures prove that there are some limitations of financial autonomy which requires central government to curb. This section will first look at some of the advantages of financial autonomy, under the view of different scholars.

First and foremost, due to the close interaction and relationship between local government and local community, the public needs and wants are theoretically closely followed and comprehended by the authority. Whenever the new and special needs of people are justified, subnational jurisdictions allocate the financial resources at will to satisfy the public demand (Scutariu and Scutariu, 2015). If the financial decision making is centralized to the top government, it can take a long time for the central government to appreciate and recognize that the basic needs of local people should be catered. Cutting the process of financial resources allocation to the local discretion is the fundamentals to improve the quality and quantity of public services provided to the community.

Second, financial autonomy is inherently associated with the higher accountability and responsibility for the local government. From the view of central government, sovereign budget is allocated to the local units so that the efficient and effective use of national financial resources is evaluated (Isufaj, 2014). The appraisal of local government's financial performance is necessary for the implementation of cost-effective budget or personnel changes for the subnational authorities in the future. Any misconducts or continual over-budget expenditures would result in poor performance of local government's staffs in both administrative and financial grounds. The current governing system is therefore expected to be responsible for their actions and the resources allocation results. With regards to the performance evaluation of local authorities, besides the compliance of local policies with national political objectives being one of the criteria, the basis for performance evaluation is largely based on the satisfaction of local community over the subnational provision of public products and services. From the view of people, public and community, they are

on the receiving end of the governmental financial resources. In theory, the higher quantity and quality of public services provided, the better public satisfaction. The community has little incentive to consider the cost-effectiveness of financial resource management by the local authority (Steiner et al., 2018). However, as the sovereign budget is constituted from public funding (taxation and other contributions), the cost of beyond-optimal provision of public products will be equally borne by the community. In the short-run, people from local regions which enjoy lax fiscal and administrative policies are better off than other regions providing public services at a cost-effective manner. In fact, there are ideas that actually promote the total financial independence of the local authorities by utilizing the revenue generating tools which are used for self-funding of public expenditure at the local scale. With the subjection to full-cost bearing when providing public services, subnational jurisdictions are expected to be more cost-aware in the allocation of financial resources (Arachi and Filippini, 2003). This structure certainly comes with the help of central government when the major public projects (infrastructure improvement) arise with substantial funding required. On the other hand, if the input (public budget) is totally supplied to local governments from the top, there would be little or no incentive for regional committees to be cost-effective and not wasteful of national resources.

Third, as the interaction between local government and community is strengthened and more meaningful under a decentralized political system, citizens are more proactive in having their voice heard by the government, making impactful contribution to process of allocating financial resources (Mohanty, 2003). In a political structure which promotes public democracy, the political decision making actually represents the majority of people's wishes, even in key political areas such as tax rate imposition or local budgeting. If the political mechanism at local or central governments are operated by officers elected by the public community, local government has to be more accountable and responsible to satisfy the community, especially in a democratic political system.

Last but not least, there are other miscellaneous benefits with regards to the autonomy of financial system at the local scale. In fact, interregional comparison could be conducted for local government to improve the efficiency in the allocation of financial resources. Achievement of the neighboring jurisdictions over the cost-effective provision of certain public services should be the most practical example for other regions to learn from. The local community would exert due pressure over the authorities in case of failure to take after the neighboring examples (Rondo and Saliterer, 2007). At the same time, the difference in performance of subnational governments suggest different implementations of political, administrative and fiscal policies. This could be the result of central government experimenting different policies over several local regions with different

characteristics. Under the circumstance that the implemented policies yield success, national government could consider a nationwide execution of the political strategies.

Overall, there are plenty of advantages of fiscal decentralization, which have been experienced by many political structures around the world. However, the local autonomy comes with certain trade-offs, especially in the alignment of local authority's interests with the central government. These limitations will be examined in the next section.

2.5.Impacts of financial autonomy

The fact that the extent of local autonomy varies between different jurisdictional systems implies that there are limitations to this political structure which requires central government to impose certain control. Understanding these challenges is the prerequisite to maximize the political, financial benefits of governmental decentralization and minimize its drawbacks.

Decentralization does not automatically lead to a good response to local needs and it can have negative impacts on the equality of people living in different localities. The end result of decentralization depends on a number of events, such as the level of socio-economic development, local distribution, capacity of the local bureaucracy, culture the decision, the political maturity of society (Bahl, 1999). There are situations when strong autonomy is not a good solution, for example if there are no prerequisites for local government to exercise good governance and democracy at the local level.

Under the view of economic efficiency, when local authorities are given autonomy in managing financial resources with regards to both revenue generation and public expenditure, the problem of interregional tax disparities could trigger the inefficiency of financial resources distribution (Naito, 2006). The local taxation system targets not only the local residents. Indeed, the contribution of tax revenue from non-residents is also substantial, especially in large cities in which there is a large amount of non-residents working away from home. Local government could export taxes (levy taxes on people living outside the geographical area under control of local authorities) and earn certain amount of tax revenue (Feld, Kirchgässner and Schaltegger, 2010). The export tax could then be used to strictly provide public products and services (housing allowance, unemployment benefit) to residents, leaving the non-residents out of the receiving-end of local welfare. On the other hand, the inefficiency of resources allocation could reflect in the problem of free-riders (individuals enjoy other region's public services (roads and other infrastructures) without contributing by paying taxes) (Hatfield, 2013). The aforementioned cases of tax exporting and benefit spillover demonstrate the inherent mismatches of the contribution and allocation of financial resources to local government under the financial autonomy framework. Taxpayers are discouraged

to travel out of their living areas to avoid being taxed excessively by other local jurisdictions. Also, local government allocate less resources for public services and infrastructures (especially road, state-built facilities), which are likely to be exploited by non-residents, who happen to contribute little or no tax to the provision of such services.

Another problem with respects to the generation and allocation of financial resources - is that the financial autonomy would result in unnecessary competition between jurisdictions in tax setting and public expenditure level (Sato, 2003). In theory, people tend to desire for the local areas with high quantity of available public services and low level of taxes imposed (positive net tax benefit area). Local governments which fail to offer positive net-tax benefits to community are often regarded as inefficient and disfavored by electorate. Therefore, such competitive pressures exerted by other jurisdictions force the local government to impose public-preferential taxation and revenue generation policies without considering the long-term political objectives and characteristics of the local, administrative, political and financial features. The prolonged interregional competition with lower tax rate, high level of public expenditures would result in severe fiscal deficits for the local authorities in the long-run, which again make the local people suffer.

Apart from the allocative inefficiency in resources allocation, there are several arguments against financial autonomy in the ground of productive inefficiency. The quality and quantity of public products and services are largely determined by the availability of financial resources, besides the effective management of fiscal budgetary. Indeed, projects of large scale, such as constructions of highways, bridges, public schools, healthcare centers would require substantial resources and expertise from central government (Bardhan, 2002). The economies of scale and scope to conduct the projects at a cost-effective manner would only be available at central government level. National government with abundant financial resources and adept human resources, technology and experiences are totally more capable of handling different types of public services provision in the most cost-saving way.

2.6. Common challenges of financial autonomy

Challenges of financial autonomy to the national government is not limited to fiscal and economic grounds. It is extended to administrative and fiscal aspects with serious threats upon the national stability.

Challenges in human capacity also come in many forms. The public finance management reforms in the Czech Republic have faced the following initial challenges: Lack of an experienced professional staff at central and local government levels, as well as in congressional agencies and among local representatives who are capable of dealing with rapidly changing and unstable circumstances. There

is a series of new legal documents issued. In this context, the professional capacity and adaptability of local leaders is one of the key factors that lead to differences in local development experience (Strassman, 1994).

The Lithuanian public financial management analysis shows a mixed succession from the Soviet era: on the one hand, abnormal operations such as chronic budget restoration, cash distribution, and delays in the disbursement of funds by the Treasury until it is ensured that disbursements are able to meet urgent obligations. On the other hand, positive traits include good econometric and accounting skills, knowledge of programming and planning, and experience with hierarchical administrative organizations.

From the viewpoint of centralization advocates, financial autonomy would impose serious threats over the stabilization of the national economy as a whole (Okonkwo and Godslove, 2015). The state of national economic, fiscal, social stability are only achieved by the harmonization of all local units. Upon having substantial autonomy in allocating national financial resources, local governments could leave non-reversible consequences upon the national fiscal and monetary performance by irresponsibly imposing tax or exceeding public expenditure. With the perception that each local government only covers a small part of the national budget and has limited impacts upon the national political objectives, each subnational jurisdiction has little incentive to generate less tax revenues or maintain the optimal level of public service provision. When the local irresponsibility to comply with national monetary and fiscal targets take place at multiple jurisdictions at the same time, the collective impacts upon the national economy are undoubtedly devastating.

Another challenge to the central government with regards to the excessive autonomy of local financial setting is the regional disparity of fiscal policy. The inconsiderate taxation and public expenditure programs would jeopardize the stability of national economy, leaving alone other social and administrative impacts. Consumers, workforce would migrate to regions with better tax policies and better welfare system for individuals and businesses, without realizing the unsustainability of such fiscal policies imposed by local governments. The social disturbance and time waste for such movement of labor would likely result in the inefficient of resources allocation.

On the other hand, if the tax setting function is taken away from local authorities and sovereign budgets are the only source of income, jurisdiction units may be irresponsible and unaccountable for their decision making. The local units may commit to excessive borrowing from other subnational authorities or third parties to fund for the public expenditure. When the control of

budget utilization and borrowing limits are not effective, it is likely that the local fiscal imbalances would impose further burden for national economy.

2.7. Practical application of financial autonomy

First and foremost, there must be a reason why financial decentralization is the global trend applied in many economies and government apparatus. It is one of the most important factors for significant boost in tax revenue of central governments around the world. Along with tax reform that promotes spending and foreign direct investment, the development of global economy generates significant tax revenue for government. In parallel with the increase in sovereign revenue, public expenditures in many economies have been in line with significant spending on improving public infrastructure, living condition, eradication of poverty and human development. These programs are monitored at local level as government distribute financial budgets towards provincial and city level with specific target of development assigned to the local authorities. This process is regarded as the allocation of central budget to local budget (Yakita, 2011). The budget spending plan is designed by local administrative and approved by central government. However, the execution and monitoring power of budget lies within the local bodies. Overall, the decentralization of governmental budget structure is described as a nested system, in which the central government is the most outer part, covering the inner parts of provincial, district and commune budget in a decreasing order of size and importance. From this structure, it is conceived as the autonomy of budgetary control as well as financial management of the local administrative are still largely dependent on the higher level (Vazquez and Gomez, 2005). Budget deficit in local level should be strictly avoided as the performance of budget is closely monitored by the governmental agencies. Any discrepancies of expenditure and income are timely investigated.

In general, there has been a higher autonomy with regards to the operation and financing of local government. More financial resources are allocated to local administrative units for the authorities to spend on public welfare (healthcare and education) as well as providing public services, social securities (job delivery center, housing and accommodation, etc.). The levels of commune and district have the most practical knowledge over the local areas' household and current conditions. Hence, granting financial autonomy to spend and generate income is theoretically the most effective method to manage public budget. However, in practice, local management of governmental budget is still under influence of nation-wide's fiscal objective. For example, certain percentage of local budget (20%) has to be allocated to education/healthcare. The periodic level of budget is strictly decided by government. The budget management is no longer target orientated. Rather, local government is under the pressure to spend in order to maintain such level of budget in the next period. Efficient public expenditure is rather not a motivation for local government. Also, the issue

of transparency in local budget management is still an aching issue need to be resolved (Jandl, 2014). Lack of effective governmental control and monitoring system imposes significant challenges upon the decentralization of national financial resources. Cases of manipulating and misappropriation of state's assets are believed to happen every day.

2.8. Experiences from different countries

Developed countries usually apply the following methods of state budget management:

The management of state budget expenditure is based on outputs. In this way, the development and allocation of budget estimates must have a close link between the level of budget estimates expected to be achieved and the achievement of the objective, thereby achieving an output. This management approach also requires changes in the legal, institutional, and budgetary frameworks, as well as management culture, to ensure accountability for performance.

For example, Federal Republic of Germany, since 2000, through the Federal Parliament's Budget Committee, has piloted the implementation. The project tests the reliability and effectiveness of the output-based budget as an output-oriented performance tool. The output-based budget is considered as an annex to the budget plan and it has the effect of providing managers and parliamentarians with output-oriented information. Output-based budget management is based on fundamental principles, the federal budget rules, and the budgetary regulation governing the results, which are defined both in terms of quantity and quality (Yakita, 2011). Participating in this pilot project are six German Federal Offices: the Press and Information Administration, the Public Management College, the Bureau of Statistics, the Road Traffic Department, the Railway Bureau, the Customs Office and the Consumption Tax. Under the Hamburg Taxation Department. At the state level, the new management approach was piloted in the State of Hesse with results-based apportionment, which included: decentralization and attachment of professional responsibility with financial responsibility, goal orientation and administrative agencies, budget reform and accounting (Yakita, 2011).

The offices are tasked to clearly define the responsibilities, funding and authority to implement a decentralized system of responsibilities for that office within its financial framework and with the resultant volume of results. Prior to self-determination of the use of funds in accordance with the needs of time, nature and in principle not to exceed the financial framework allowed. When planning is associated with output, budgeting includes work plans, results plans, and financial plans. Budget settlements are carried out on the basis of a cost-effective and cost-effective double-entry accounting system, which is supplemented by a statement on the work.

In New Zealand, the government has focused on the efficiency of public institutions since the late 1980s, with greater clarity of responsibility for costs and performance. New Zealand's experience attaches budget allocation to the definition of similar output groups in terms of level, in which the outputs of the same group must be homogeneous in nature or in homogeneity; Having sufficient information on quality, quantity, time and expenses for the output to cover the decision-making; there is a binding obligation between the supplier and the manager and between the manager and the buyer and the authorities responsible for the oversight (Yakita, 2011). Before the National Assembly approves the budget, the government makes policy statements that include targets for next year's budget and at least the next three years. This is the basis for the ministries to develop budget programs, in which new programs are considered and adopted, clearly announced in the economic and fiscal budget report. The report sets out the overall revenue and expenditure plan for the implementation of the strategy. In addition, the government must inform its fiscal strategy, report on the consistency of budget decisions against policy strategies, and report on fiscal strategies to provide fiscal forecasts for the budget in the next 10 years (Yakita, 2011).

Another method is the management of the budget under the medium-term expenditure plan. c

It is a tool to link policy, planning and budget over a medium term (3-5 years) at the central government level. This tool targets six specific objectives: Strengthening fiscal discipline by estimating more substantive balances for the economy; integrate different policy priorities into the budget, to ensure relevance; allocating resources between different sectors and between units in the same sector; Longer budget estimates for each sector by providing a 3-5 year vision; boosting the efficiency of the operation and making the quality increase and the cost decrease; Emphasis on accountability for public expenditures.

Typically, in Norway, the country has set up a performance-based budgeting model, which is geared towards the implementation of a rigorous, high-paying fiscal discipline. Based on the organizational structure of the governmental agencies, Norway has adopted a performance-based budgeting model as well as a budget management model in the medium-term expenditure planning framework (Yakita, 2011). State budget is reflected in the accounting system of the public sector with 4 main tasks as below:

- Set measurable objectives for public organizations;
- Using the budget estimation process from the top down;
- Decentralize budget implementation of units;

- Decentralization of human resource management and management policy of quantity and quality of personnel.

From the budget management approach of some countries, it can be seen that State budget management based on outputs and budget management in the medium term expenditure plan are new approaches that are being approached by many countries, including those with developed economies, abundant budgetary resources, and developing countries. This comes from the fact that each country's development requirements are always higher than budgetary resources and budgets must be used efficiently and transparently and publicly.

Mainstreaming budget management is to address these needs by quantifying the efficiency of budget use through specific outputs that all citizens can assess. Budget management in the medium-term expenditure plan is a mechanism that allocates public resources across sectors and activities within a sector within a pre-defined budget ceiling. In other words, budget management in the medium-term expenditure plan helps to allocate limited public funding in line with government policies and strategic priorities in a multi-year fiscal space that takes into account opportunity cost of the decision. The highlight of this tool is that the plan is always updated, updated every year, making the plan more lively and practical. For Vietnam, these are new ways to measure the effectiveness of budget management with outputs. According to experts, in the coming time, we need a complete legal framework. Information technology staff, management team with thinking and qualifications enough to approach new methods. In the context that our country is accustomed to apply the traditional budgetary management model based on inputs, capital budgets of small scale must be spread and used inefficiently. In the immediate future, it is necessary to strengthen the blockade of spending and give autonomy, take responsibility for payroll, funds, products and services for the budget using units, to seriously review and evaluate the implementation results. The gradually study the pilot application of the output-based budget management approach in selected ministries and sectors when eligible. Combination using the above tools allows addressing the relationship between limited budgets and high output requirements expressed by appropriate programs, projects and outputs in the medium term to enhance the efficiency and effectiveness of state budget management (Huong, 2010).

CHAPTER III.MECHANISM OF FINANCIAL AUTONOMY IN NAM DINH EMPLOYMENT SERVICE CENTER

3.1. Introducing Nam Dinh Employment Service Center

3.1.1. General introduction

Nam Dinh Employment Service Center is a public service delivery unit, self-ensuring a part of expenses for its regular operations in accordance with the applicable laws, has the legal status, separate seal and account. Center is under the direction, management about the organization, personnel and works of the Department of Labor, War Invalids and Social Affairs; simultaneously, is under the professional direction, inspection and guidance of the Ministry of Labor, War Invalids and Social Affairs.

NDESC was established from its precursor as Nam Dinh Province's Employment Center formed in 1998 under the Decision No. 1054/1998/QD-UB dated August 04, 1998 of the People's Committee of Nam Dinh Province. In 2005, Center was renamed as Nam Dinh Province's Employment Service Center under the Decision No. 3592/2005/QD-UBND dated November 24, 2005 of the People's Committee of Nam Dinh Province. In 2009, Center was supplemented with tasks of receiving the unemployment insurance registration records, implementing the procedures to handle the unemployment insurance regime as prescribed under the Decision No. 3055/QD-UBND dated December 17, 2009 of the People's Committee of Nam Dinh Province.

3.1.2. Functions and tasks

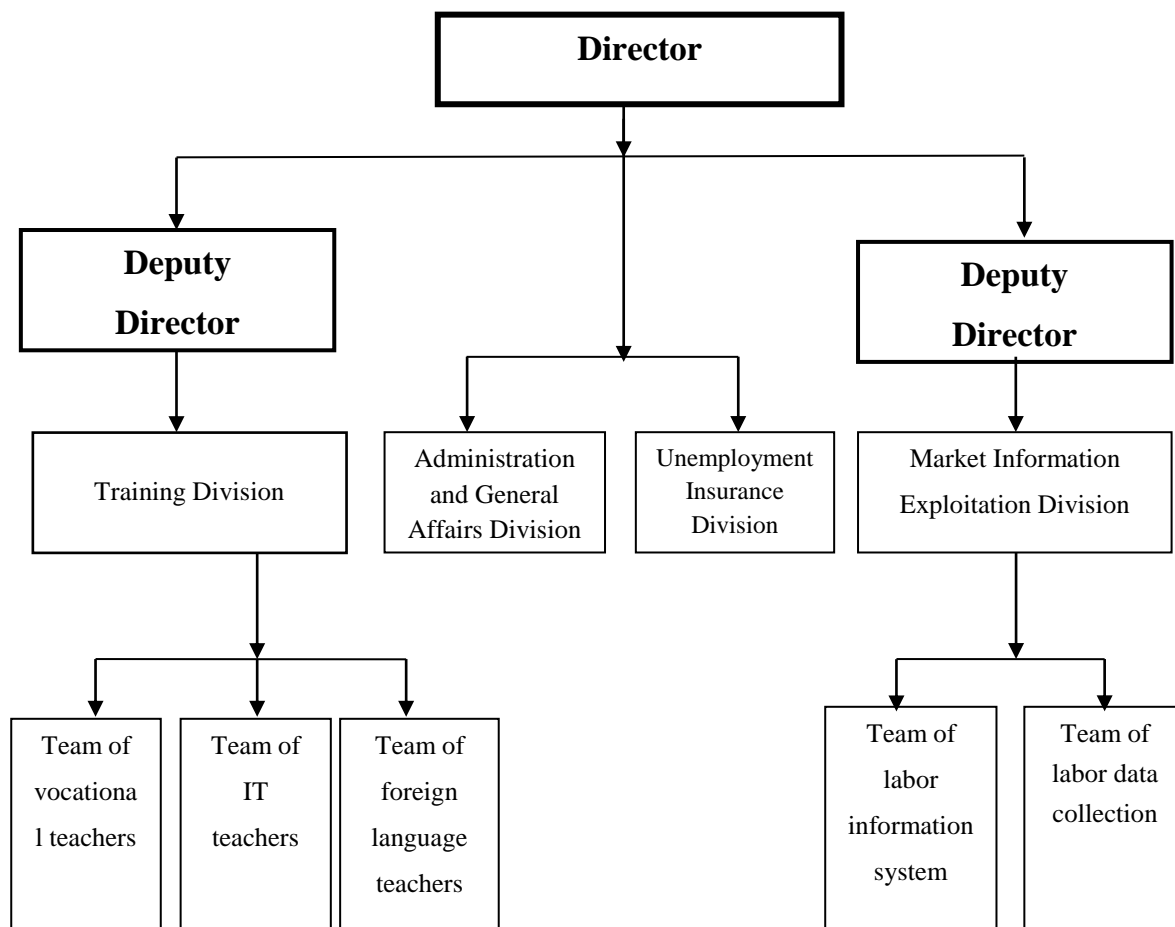
Center has the function of counseling jobs, vocational training, policies related to labor relations in accordance with the law. At the same time, Center has the task of collecting, analyzing and providing information on the labor market, including: the need for recruitment, the demand for employment, labor standards, salary and wages in the area province, region and the whole country. In addition, Center also conducts training, enhancement of job search, vocational training, foreign language and vocational training in accordance with the law, propaganda and dissemination of policies, Law on labor and employment.

3.1.3. Organizational structure of NDESC

Center's leaders include one Director and two Deputy Directors.

Center's Director is the head of Center, responsible before the Director of the Department of Labor, Invalids and Social Affairs, and before the law for all activities of Center.

NDESC has four departments, including the Administration and General Affairs Division (including the accounting committee), the Market Information Exploitation Division, the Training Division, the Unemployment Insurance Division. Also, there are 05 specialized teams.



The Training Division has the function of managing and organizing the training work of Center.

The Administration and General Affairs Division has the tasks of assisting the Director of Center to build the working plans, supervising and speeding up the implementation of the working plans of Center, organizing and implementing the administrative works, synthesis and other tasks assigned by Center's Director.

The Unemployment Insurance Division is responsible for receiving the registration records of the unemployment beneficiaries, considering and submitting to the leaders for decision on enjoying unemployment insurance for the beneficiaries.

The Market Information Exploitation Division is responsible for collecting, analyzing and providing information on the labor market, including: Demand for labor recruitment, employment needs, labor standards, salaries and wages in the province, as well as in the region and the country.

3.2. Implementing the financial autonomy mechanism in NDESC

The State grants financial autonomy to public service agencies.

The State gives financial autonomy to public service agencies through a legal policy system that is concretized by normative legal documents.

When transforming to a market economy, although the activities of non-profit units are not profit purposes, the activities and financial relations must be resolved through market relations which must be consistent with the market. At the same time, the activities of public agencies must implement the policies of the State to support those who cannot access the above services. The Government issued Decree No. 43/2006/ND-CP dated April 25, 2006 stipulating the right to autonomy and self-responsibility for the performance of organizational, staffing and financial tasks of public service units. Decree No. 43/2006/ND-CP created the fundamental change of operation of public service units from planning mechanism, focus and subsidy to market mechanism managed by the State.

Compared with the past, Decree No. 43/2006/ND-CP created a legal framework for VBFs to organize financial activities more effectively which can meet their objectives and mission more effectively. For example, extending the right to mobilize capital (can borrow CBVC); expanding the right to organize service activities, joint ventures in accordance with the functions and tasks.

Main contents of implementing financial autonomy under Decree No. 43/2006/ND-CP are as follows:

Firstly, the objective is to give autonomy and self-responsibility to public service agencies in organizing which uses the labor and financial resources to complete the tasks and providing services with the high quality. Besides, it is also aim to increase revenue, increase income for employees. Moreover, there is the socialization of service delivery to society, increasing of community contribution, reduction of subsidy of state budget.

Second, the principle of implementing autonomy is to fulfill the tasks assigned, the service activities must be consistent with the functions and tasks.

Third, autonomy, self-responsibility for finance: Pursuant to the functions and tasks of Decision No. 3592/QD-UBND dated November 24, 2005 of the People's Committee of Nam Dinh Province, and pursuant to Decree No. 43/2006/ND-CP dated April 25, 2006 of the Government regulating the autonomy and self-responsibility for implementing tasks, organizational structure, personnel and finance; Circular No. 71/2006/TT-BTC dated August 9, 2006 of the Ministry of Finance guiding the

implementation of Decree No. 43/2006/ND-CP dated April 25, 2006 of the Government regulating the autonomy and self-responsibility for implementing tasks, organizational structure, personnel and finance for the public service delivery units.

Center has developed the plan of autonomy and self-responsibility for implementing the financial tasks to submit to the Department of Finance for approval. Pursuant to the Regulations on classifying the public service units and the State budget funds is to ensure the regular operation, the People's Committee of Nam Dinh Province shall issue a decision on allocating the financial autonomy and self-responsibility to Center; in which identifies that: NDESC is a public service unit.

3.2.1 Exploiting the financial resources

Financial sources of Center mainly include two main sources: State budget, non-business incomes and service incomes.

Expenditures issued by the state budget, include: Expenditures for regular activities; Expenditures for the target programs; Expenditures for investing in basic construction; Other non-autonomous expenditures (Downsizing, retraining and advanced training of the qualifications, vocational training in rural areas).

Non-business expenditure sources, include: Charges from labor supply for export (charges from the exporting labors to foreign countries, foreign labor centers...); Charges from foreign language supplement for students (tuition of learning Korean, English and Chinese of students); Other non-business incomes (charges from investing in infrastructure, funds and aid...).

To have a basis for assessing the real situation of incomes from the State budget and non-business incomes in the period 2010-2012 combined with Center's efforts in using the budget to expand, improving the quality of public service activities when implementing the financial autonomy mechanism, the author synthesizes the data on income sources, income structure, and assesses the real situation of income sources from the State budget in the period 2011-2013 at Center through the following table:

Table 3.1: The development of regular expenditure sources of NDESC

Unit: million VND

Year	State budget		Non-budget income		Total
	Quantity	%	Quantity	%	
2011	5,814	46	6,894	54	12,708

2012	6,362	45	7,710	55	14,072
2013	7,085	44	8,508	56	15,993

(Source: Final financial statement of NDESC)

Researching about the income contents, income source structure and analyzing fluctuations in scale, financial income structure in the period 2011-2013, the table 3.1 shows that the total financial resources over the years in the period 2011-2013 tended to increase from year to year; this proves that the financial resources used to perform the functions and tasks of developing and expanding the public service activities which are increased. In which, the scale of financial resources has increased in income sources both from the public service activities and from the State budget.

In the structure of financial resources, the proportion of financial resources from the State budget decreases in comparison with the income outside the budget. The State budget, as the decisive financial source initially (more than 50%), has gradually declined in proportion while the non-business income sources have increased in both quantity and proportion. It is a good signal that shows the implementation of the financial autonomy mechanism has been successful initially, but it is necessary to analyze particularly each income source to assess the stability and quality of the income source.

Income sources from the State budget: As the public service unit, NDESC still has financial resources from the State budget to invest in improving the infrastructure and to pay for professional activities, including: Regular expenditures, Irregular expenditures, Expenditures for the national target program on employment - vocational training.

Specifically, the State budget items are shown in the table 3.2.

Table 3.2: Income sources from the State budget

Unit: million VND

No.	Target	2011		2012		2013	
		Quantity	%	Quantity	%	Quantity	%
1	Regular expenditures	3,714	63.8	3,962	62.3	4,485	63.3
2	Irregular expenditures	1,200	20.7	1,400	22	1,500	21.2
3	Expenditures for the national target program on employment - vocational training	900	15.5	1,000	15.7	1,100	15.5
	Total	5,814	100	6,362	100	7,085	100

(Source: Final financial statement of NDESC in the period 2011-2013)

The table 3.2. shows that annual State budget funding is structured particularly according to the items with relatively stable rates over the years. In which, the State budget is mainly granted to serve for the regular expenditures of Center.

Regular expenditures: Expenditures for regular activities over the years account for the highest proportion of total State budget funding which are relatively stable over the years. In 3 years (2011, 2012, 2013), the rate is relatively stable. From 2011, to implement the Resolution No. 11/NQ-CP dated February 24, 2011 of the Government focus on inflation control, macroeconomic stability, ensuring social security and practicing thrift, the funds from State budget is reduced slightly, but it is not significant.

Irregular expenditures are stabilized and adjusted suitably from year by year, account for a significant proportion of total income sources granted by the State budget.

Expenditures for the National target program on employment - vocational training is implemented for rural vocational training programs under Decision No. 1956 of the Government. Besides, it is to implement the national programs on employment to hold a job exchange monthly, give the information to propagandize about labor export and employment. This funding is slightly increased each year and relatively stable. The financial autonomy mechanism enables the public service units to strengthen the mobilization of non-business income sources from providing the public services to the society. These financial sources ensure that the public service units may implement effectively the autonomy, self-

responsibility, and stand firm in the face of changes in the socio-economic environment. Along with the funding granted annually by the State budget, the non-business income sources are important financial resources to serve for the employment services and other activities of NDESC, including regular expenditures and irregular expenditures. The non-business incomes of NDESC come from the following sources: Incomes from labor supply for export, Incomes from studying complementary Korean, English, Chinese, Other non-business incomes (cafeterias, dormitories, parking services...), Incomes from work contracts with the Ministry of Labor, Invalids and Social Affairs on vocational training and employment.

The author found that total incomes from non-business d activities over the years in the period 2011-2013 are as follows:

Table 3.3: The situation of non-business incomes and other incomes of the Employment Service Center

Unit: million VND

No.	Non-business incomes and other incomes	In 2011		In 2012		In 2013	
		Amount	%	Amount	%	Amount	%
1	Incomes from labor supply for export	3,605	52.2	4,300	55.8	4,680	55.0
2	Incomes from teaching complementary Korean, English, Chinese	1,495	21.8	1,460	18.9	1,698	19.9
3	Incomes from professional activities	1,195	17.4	1,200	15.6	1,325	15.6
4	Other non-business incomes	599	8.6	750	9.7	805	9.5
	Total	6,894	100	7,710	100	8,508	100

(Source: Final financial statement of NDESC in the period 2011-2013)

The non-business income sources of NDESC have increased steadily over the years, the income in following year will be higher than in preceding year.

- (1) Incomes from labor export account for the largest proportion, from 52% to 56% of the non-business income sources at the unit. However, such income sources depend significantly on the employment policy of the country importing Vietnamese labors, the target of labor export of the Department of Overseas Labour, the Ministry of Labor, War Invalids and Social Affairs. Because currently, Vietnamese labors who are hired to work abroad, often

hide to work further when their visa expires. As the results, it decreases their prestige, especially in the Korean market.

- (2) Incomes from teaching complementary foreign languages to the students and employees account for a significant proportion of the non-business income sources at the unit, from 19% to 21%, which are relatively stable over the years. Currently, Center has very young, dynamic and qualified foreign language teachers. It is a prestigious force to create the trust for the learners, so they attract a relatively large number of students, whereby to increase the income from this activity over the years.
- (3) Incomes from professional activities include the incomes from work contracts with the Department of Labor, Invalids and Social Affairs on reviewing the information of the employees in need of jobs, local businesses, employment counseling, vocational training, vocational teaching, employment introduction for the employees; Center will become the bridge between the employees and the enterprises. However, this income source has increased very little over the years.
- (4) Other non-business incomes include service charges such as parking, canteen, hall rental, house rent, or electricity and water fees at the dormitory. In general, this income source is relatively small, less than 10% and mainly used to offset the cost of maintaining the such services.

3.2.2 Expenditure contents of NDESC

Expenditures for regular activities and non-business activities include expenditures for the employees (salaries, wages, salary allowances, deductions under salary as prescribed), expenditures for administrative management (Office supplies, public services, communications, expenses for business trips, conferences), expenditures for professional activities (expenses related to consulting employment, vocational training, unemployment insurance, overtime pay for office employees), expenditures for fees and charges collection, and expenditures for other regular activities (welfare, emulation, reward, etc.).

Irregular expenditures include expenditures for training and fostering officials and employees, expenditures for implementing the national target programs, expenditures for reciprocal capital to implement the projects with foreign capital as prescribed, expenditures for basic construction investment, purchase of equipment and overhaul of fixed assets, expenditures for joint ventures, associations, and expenditures for implementing the unexpected tasks.

The above sections (Irregular expenditures, Expenditures for regular activities and non-business activities) are detailed in each specific sub-item according to the current State budget appendix,

issued under Decision No. 54/2011/QĐ-BTC dated January 12, 2011 and Circular No. 30/2011/TT-BTC dated March 2, 2011 of the Ministry of Finance, amended and supplemented under the circular on guiding, amending and supplementing the system of the State budget appendix.

According to data from accounting department (see table 3.4) In the expenditure structure of Government expenses for salaries and salary allowances account for the highest proportion and tend to increase over the years. The reason is that the training scale of the employee of the Government is being increasingly expanded, the number of lecturers recruited annually increases. In addition, in 2011, the State changed the salary policy, increased the minimum salary, so the salary fund of Center has been increased.

Expenditures for administrative management also accounts for a high proportion, in which, mainly for goods and services (electricity, water, communications, stationery, conferences, expenses for business trips, etc.). These expenditure items are not recommended annually. Board Directors of Parliament guide to enhance the sense of spending thrift and anti-wastefulness. As a result, the proportion tends to decrease but still be high.

Expenditures for professional activities and investment in infrastructure have increased over the years. However, the proportion of expenditures for professional activities, investment in the infrastructure now is still low while the scale of Government is increasingly expanded, so it has not met the requirements of vocational training, foreign language supplementing for students, improving the conditions of teaching, learning, collecting the information of labor supply and demand, in order to improve the quality of human resources, as well as of State's services.

In general, the expenditure structure of State has been adjusted more and more reasonably and implemented in accordance with the State's norms. However, it is also necessary to change in building the estimate of further reasonable expenditure structure, especially focus on human factor and enhance to invest in improving the infrastructure to create a professional, modern working environment, and improve the quality of Local Government 's public services.

Other unusual expense items are unexpected expenses excluded in the estimate early in the year. The above table shows the amount and proportion of expense for this item are quite high; it indicates that the income and expense estimated of Local Government have not adhered to the reality; thus, the rising of unusual expenses may cause waste, and inefficiently.

The above expense items are not only taken from State budget but partially offset by Local Government 's non-business income sources. In which, for the State budget source, Center must ensure the spending in accordance with the State's norms and the approved estimates. For the non-

business income sources, Local Government may self-balance their spending and ensure the duly and suitable spending, and report it to the superior about the annual final settlement.

Specific contents of the expenditure structure of Local Government is shown in the following table

Table 3.4: Expenditure structure of NDFESC

Unit: million VND

No.	Target	2011		2012		2013	
		Amount	%	Amount	%	Amount	%
1	Expenses for salaries and allowances	4,011	33.4	4,469	33.8	5,735	38.0
2	Expenses for administrative management	2,402	20.0	2,433	18.4	2,581	17.1
3	Expenses for professional activities	2,113	17.6	2,340	17.7	2,596	17.2
4	Expenses for procurement, repair	2,017	16.8	2,459	18.6	2,581	17.1
5	Other expenses	1,465	12.2	1,520	11.5	1,599	10.6
	Total	12,008	100	13,221	100	15,092	100

(Source: Accounting Division - NDESC)

As a sensitive content, it directly affects each employee. Salaries and wages are the incomes received by the employees due to their labor results. Therefore, it creates motivation to encourage the employees to enhance the labor productivity and quality.

Salary of the employee = Basic salary + Salary allowances.

Basic salary = Minimum salary x Coefficient of enjoyed salary level.

Salary allowances = Minimum salary x coefficient of enjoyed allowances.

Basic salary is designed by the coefficient of salary scale for the officials, the monthly fixed basic salary serves for the basic needs of the officials and employees, including: purchase of food, clothes, appliances, household appliances, electricity and water fees, and as a basis for calculating

pension. Basic salaries of the civil servants are designed into many payrolls corresponding to many scales of different ranks of civil servants. Each payroll corresponds to some scales of civil servants depending on the professional standards. The payroll divides into many seniority levels, which are more or less depending on the working time of each scale and the time period specified to raise a salary grade.

Allowances is as an addition to salaries to offset the missing elements which are not taken into account when building basic salary.

There are the other payments for employees besides the salaries such as Bonus; Contributions; Payments for individuals

In addition, after completing the assigned tasks, the remaining saving source for regular expenses will be added the income of the employees in the unit.

In such conditions, Center tried to explore proactively the non-business income sources to pay for an additional income allowance to the employees, in addition to the amount allocated by the State budget.

According to the results of implementing Decree No. 43 of the Academy of Finance, in 2011, the average income of the whole Center increased by 10%. Until 2013, the average income of the whole Center increased by 17% because the State adjusted the minimum salary.

Table 3.5: Average income of the employees at NDESC

Unit: million VND/person/month

No.	Target	2011	2012	2013
1	Teachers of foreign languages, vocational training	6,214	6,532	7,036
2	Management staff and service staff	4,346	4,751	5,213

(Source: Report on implementation results of Decree No. 43 and the financial autonomy mechanism at NDESC in 2011-2013)

The financial autonomy mechanism creates the autonomy for the public service units to build the plans, salary funds and plans of salary payment based on the results of financial activities and labor results. This is an important breakthrough to overcome the rigid regulations of the system of public service salary scale. For NDESC, the officials and employees may receive their salaries from the State budget,

and their allowances shall be paid from the non-business income sources of Center after balancing the annual incomes and expenses.

Thus, the financial autonomy mechanism not only creates the motivation for the employment of the service centers including NDESC to increase income sources, to reduce expense for improving the quality of public services and training the employees, but also contributes to improve the income of the civil servants.

However, the biggest difficulty of NDESC as well as of the public service units when implementing the autonomy in organizing and arranging the employees includes the inadequacies and backwardness of the regulations on organization, norms, job responsibilities associated with the position, allocating the annual personnel targets.

The above shortcomings partially affect the positive aspects of the financial autonomy mechanism, limit the results achieved.

In such conditions, Center tried to explore proactively the non-business income sources to pay for an additional allowance to the employees, the amount is allocated by the State budget. This is shown in the following table:

Table 3.6: The structure of expenses for salaries and salary allowances at NDESC

Unit: million VND

Year	Expenses from the State budget		Expenses from the non-business income sources	
	Quantity	Proportion %	Quantity	Proportion %
2011	2,511	62.6	1,500	37.4
2012	2,865	64.1	1,604	35.9
2013	3,756	65.5	1,979	34.5

(Source: Accounting Division - NDESC)

Expenses for administrative management under the Regulations on internal spending at NDESC include the following specific items: Expenses for business trips; conferences and seminars; communications; fuel, energy and environment sanitation.

As analyzed above, the expenditure for management still accounts for a relatively high proportion in the expenditure structure of NDESC, is not really thrifty and efficient, contributing to improve the quality of public services.

One of the reasons causing the above situation is the backwardness, unreasonability of some expense regimes, standards, norms of administrative management such as Conference fees, expense for business trips, car usage, phone usage. The financial autonomy mechanism solves this problem for the public service units as they may take the initiative in building the norms of expenses for administrative management which depends on the characteristics and conditions of the units within the allowed financial resources to facilitate for the units to promote their autonomy to save the expenses for administrative management. In which, the units are encouraged to implement package of administrative expenditure (with the contents: office supplies, communications, public services...). Package level is determined by the unit heads within the financial resources used.

Table 3.7: Expense structure for administrative management at NDESC

Unit: million VND

Year	Expenses from the State budget		Expenses from the non-business income sources	
	Quantity	Proportion %	Quantity	Proportion %
2011	586	24.4	1,816	75.6
2012	579	23.8	1,854	76.2
2013	594	23.0	1,987	77.0

(Source: Accounting Division - Nam Dinh Province's Employment Service Center)

The above data table shows that the expenses for administrative management of the following year are higher than of the previous year, because the scale of Center is expanded over the years. The number of officials and employees has increased, so the expenses for administrative management have also increased. In particular, Center has some disadvantages of its transaction location, which is not centralized in one place but it has two establishments; thus, many expenses incur during the operation, and also cause many difficulties in administrative management.

However, the funding source to pay for this expense is mainly taken from the non-business income sources, because the State budget allocated for regular expenditures is mainly used to pay for the staff's salaries. This requires the units under Center to implement actively to use the income sources of the units effectively.

Following the direction of the Board of Directors of Center, most of the administrative expenses have been allocated in package to the departments and divisions of Center. As a result, the departments and divisions save money from the expenses for administrative management. The

saved expenditure is spent partially to supplement into the additional salaries to the employees. It cannot deny that the implementation of the financial autonomy mechanism helps the financial management to be stricter, comply with the policies, regimes and minimize the wasteful wastage; therefore, the expenditure for professional activities and human is increased, the expense structure tends to get better.

Regarding to the expenses for professional activities, it is the particularized expenses of each sector, each field of public services, which directly affect the quality and efficiency of public services provided by the sector or field to the society. In the field of employment introduction and vocational training at Center, the expenses for professional activities include as below:

- ❖ Expenses for employment counseling and introduction, unemployment insurance: expenses for the activities of job exchange, the maintenance and operation of employment website, e-news, propagandizing the information of employment, job seeking, jobs to recruiting, policy of unemployment insurance, printing professional documents.
- ❖ Expenses for hiring experts and lecturers about vocational training, learning the foreign language of Center.
- ❖ Expenses for conferences, seminars on employment policies, unemployment insurance.
- ❖ Expenses for training and retraining the officials.

The poor quality of the public service in general and employment counseling services are now explained by State managers for one of the following reasons: limited level of the expenditures for professional activities in the employment sector; backwardness, lack of equipment and infrastructure of the employment service centers, low income of the officials which do not encourage them to give their whole mind in the job.

Expenditures for using public services are exactly as the payment for the State when using the State's services. Payments for public services include paying for electricity and water fees; fuel; environmental sanitation.

Expenses for office supplies are the items such as stationery; purchase of tools, office tools and other office supplies.

Expenses for using the communications include domestic phone charges; postage; fax; advertisement; movies; books, newspapers and magazines; telephone subscribers and other communications paid according to actual usage in the spirit of thorough savings.

Conference fees are the expenses serving for the conferences such as costs for printing materials; retraining the lecturers, reporters; rental costs of the hall, means of transport; rental cost of guest room; meals and other rents.

Expenses for business trips are the amounts related to the diplomatic travel of Center's employees. Expenses for business trips include flight, train tickets; room rent; travel allowances; package expenses for business trips, and other expenses. The unit will proactively set up the level of fixed package including costs for accommodation by the State and the conditions of the workplace.

Rental costs are expenses that the unit outsources such as renting the means of transport; hiring domestic labors; hiring the specialists retraining for the officials; other rental costs under the contracts.

Repair of assets serving for professional work is the expenses for repairing machinery and equipment for professional purposes

Table 3.8: Expense structure of professional activities at NDESC

Unit: million VND

Year	Expenses from the State budget		Expenses from the non-business income sources	
	Quantity	Proportion %	Quantity	Proportion %
2011	632	29.9	1,481	70.1
2012	737	31.5	1,603	68.5
2013	805	31.0	1,791	69.0

(Source: Accounting Division - NDESC)

Expenditures for professional activities increase when implementing the financial autonomy mechanism which initially meet the requirements of professional activities in order to increase the quality and efficiency of activities. Most financial resources paying for this item are taken from the non-business income sources of Center. This is a positive signal showing that Center has taken initiative early in the financial resources to solve the spending during its operations. However, if compared to the scale of expansion and development of Center, the expense level of professional activities is still low.

For NDESC, the professional activities are also weak in the labor supply and introduction, vocational training. As the same as other employment service centers, NDESC has not had

conditions to invest for the students in practicing and contacting to the enterprises. Therefore, the training quality is still low; skills of practice and reality of the students are weak. Some other expenses for professional activities such as expenses for business trips, supporting the officials to improve professional qualifications are still inadequate.

Regarding to expenses for purchases and repair, in the recent years, the investment in basic construction, procurement of assets and equipment account for a significant proportion in the regular expense structure of NDESC. Currently, Center still has two locations in Nam Dinh City which cannot concentrate in one place that causes difficulties in the management as well as professional activities. Moreover, this is also the reason why investing in the infrastructure becomes more difficult, more expensive, but is not really effective.

The role of non-business income sources has been gradually improved as the expenditures for basic construction. The equipment investment have increased over the years; however, the majority of financial sources to pay for this item is still taken from the State budget. This has reduced the autonomy and self-responsibility of NDESC.

Especially, according to the current regulations, expense items for purchase and repair are not in regular expenditures; when it is required for such expenses, the estimation and final settlement must be implemented more closely, so it is more difficult. The regulations on depreciation of fixed assets are also inconsistent with the actual use of assets, thus, the new purchase, improvement of infrastructure and equipment are still delayed, have not met the actual needs.

The role of non-business income sources has been gradually improved as the expenditures for basic construction and equipment investment have increased over the years; however, the majority of financial sources to pay for this item is still taken from the State budget.

Therefore, it must determine that the expense for purchasing of assets, annual overhaul of fixed assets is constantly raised, and the State budget supplement the non-self control funding to invest in upgrading and repairing the houses and infrastructure for professional works and job exchange floor.

Table 3.9: Expense structure of paying for purchase and repair of NDESC

Unit: million VND

Year	Expenses from the State budget	Expenses from the non-business income sources
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	Proportion %	Quantity	Proportion %	Quantity
2011	1,257	62.3	760	37.7
2012	1,387	56.4	1,072	43.6
2013	1,471	57.0	1,110	43.0

(Source: Accounting Division - NDESC)

3.2.3. Evaluation of the financial autonomy mechanism in NDESC

The analysis of the financial autonomy of the NDESC been analyzed from two perspectives. First, from the aspect of state management of finance, that is the authorities giving autonomy and self-responsibility for financial activities of NDESC by legal documents. Second, from the perspective of NDESC, it is to exercise financial autonomy and concurrently attach responsibility to the State management agencies in charge of financial activities of the units.

Based on the analysis of the financial autonomy of the NDESC, some comments on the results achieved are as follows:

The validity of the financial autonomy mechanism at Center: The system of legal policies on autonomy and financial responsibility of NDESC has created the legal framework for the transformation of financial activities from the state budget subsidy mechanism to the financial autonomy mechanism of public service agencies. This will reduce the pressure on budgets and restructure budget expenditures so that budgetary funds will be used more efficiently and help general public service agencies and NDESC to take initiative to exploit to increase revenue.

At the request of the renewal process, in order to be perfect the market economy mechanism and further expand the autonomy and self-responsibility of the non-business units, the Government issued Decree No. 43/2006/ND-CP dated 25/4/2006 regulating autonomy and self-responsibility for performance of tasks, organizational structure, staffing and finance for applications in public career. Decree No. 10/2002/ND-CP replaces the Government's Decree No. 10/2002/ND-CP of January 16, 2002 on the financial regime applied to non-business units with revenues. Ministry of Finance issued Circular No. 71/2006/TT-BCT, guiding the implementation of Decree No. 43/2006/ND-CP. Implementation of Decree No. 10/2002/ND-CP, many documents issued by various branches and levels are to guide agencies to organize the implementation of Decree No. 10/2002/ND-CP such as: Circular No. 81/2006/TT-BTC dated 6 September 9, 2006 of the Ministry of Finance guiding the regime of expenditure control over public non-business units in exercising their autonomy and self-responsibility for task performance, organizational structure, payroll and finance; Circular No.

113/2007/TT-BTC of the Ministry of Finance amending and supplementing the Circular No. 71/2006/TT-BTC dated 9 August 2006 of the Ministry of Finance; Joint Circular No. 02/2008/TTLT-BYT-BNV of the Ministry of Health and the Ministry of Home Affairs guiding the implementation of a number of articles of Decree No. 43/2006/ND-CP; Decision No. 1792/QĐ-TTg of the Prime Minister to implement wage reform; Directive 09/TTg-CT of the Prime Minister dated 24/5/2013 on enhancing the direction and management of the implementation of budgetary tasks in 2013.

On the other hand, the financial autonomy mechanism at Center has shown its effectiveness to non-business units in general and NDESC. The creativity and initiative of units, heads of units are entitled to actively arrange labor in a rational manner, improve efficiency and quality of work, limit negative phenomena. Units have many solutions to create brand, prestige, compete between units in the provision of public services.

Changing the revenue structure gradually increases the proportion of revenue from service provision and reduces the state budget allocated in the total expenditure of the NDESC.

Center shall use efficiently and economically the sources of funds for the development of non-business activities and increase the incomes of the staff.

Because of the autonomy and self-responsibility in the use of state budget and revenue sources, the units have actively used financial resources for professional activities, rational allocation of expenditures. The budget is allocated to avoid the redundancy and shortage of funds between items / groups of expenditures. Due to the transfer of funds is not used, the unsettled balance to the next year should encourage the efficient use of state budget and non-revenue sources.

The economic management effectiveness of Center not only ensures that Center performs its functions and tasks but also creates a source of reinvestment for development and supplementation of incomes for the staff. The fund is to develop the career activities, bonus welfare, prevention, stability of income. According to the report of the hospital these funds are quite good growth. The average increase in annual income of staffs has increased.

In summary, the results of implementing the financial mechanism and self-responsibility of financial activities of NDESC have improved the quality and efficiency of non-productive activities of the Labor, Invalids and Social Affairs in general. This confirms the correctness and suitability with the requirements of financial management mechanism reform for public service units in general and units in the industry in particular. Units have taken the initiative in using their financial resources, labor and material facilities to perform their assigned tasks; The units take initiative in

allocating financial sources of the units according to their actual spending demands, ensuring thriftiness, efficiency and efficiency; The financial mechanism strengthen the supervision of staff in the use of staffing, funding of the agency to complete the task. However, the NDESC continues to supplement and amend policies and laws because it demonstrates the superiority of implementing financial autonomy. For all units in the sector, it is necessary to promote the implementation of the mechanism of autonomy, prepare sufficient and be ready conditions for the implementation of the reform of operation mechanism in the renovation period.

However, besides the achievements of financial autonomy of NDESC, there are shortcomings.

Mechanisms and financial policies for non-productive units NDESC in particular, still face many shortcomings, problems and low effectiveness. Due to the delay in renewal, the system of legal documents is incomplete but overlapping, the lack of specific regulations leads to the situation of the WBs to embarrass financial autonomy when implementing untimely. Therefore, it has not brought into the full initiative of creating and exploiting financial resources, managing, distributing and using financial sources effectively.

It is not fully promoted the right to autonomy and self-responsibility for the use of assets for joint ventures. This restriction is due to the lack of practical guidance from ministries and sectors. Example of land use for capital contribution to joint venture Circular No. 71/2006 / TT-BTC dated 9 August 2006 of the Ministry of Finance guiding the general.

The use of land to contribute to joint ventures and joint ventures must comply with the provisions of the Land Law and current guiding documents (Ministry of Finance, 2006) [4]. On the other hand, this Circular guides only those assets invested from the non-business development fund or from the borrowed money and mobilized capital to contribute capital with other organizations in the form of joint ventures covering all types of assets and factors such as gray matter, staff.

3.3. Analysis of the interview data

Firstly, all interviewees confirmed that the use of revenue sources, the use of financial resources, awareness of officials on financial autonomy are followed to guidance . For example, revenue from the state budget, revenue from services, using of financial resources are according to internal expenditure regulations, staff morale and attitude, etc However, these indicators come from different, irregular, and arbitrary reports. On the other hand, these types of content are reported on a yearly basis, which are reported monthly, quarterly and not yet analyzed. The financial statements of NDESC are prepared on a quarterly basis, so that managers can just collect financial information quarterly. There are some important criteria for managers that have not been carefully considered

which are revenue and expenditure structure. This is a very important content, however, managers of the Center have not really interested.

Second, on the adequacy of information in the Center's financial report, the majority of respondents said that the information in the financial autonomy reports was incomplete. Many issues were raised during the meeting but there was no effective and resolute solution for implementation. For example, the issue of electricity and water savings has been discussed for a long time but has not been resolved. According to an employee's reply, the Center has not fully integrated opinions from employees to take measures to direct the way of working. Some employees respond to indicators in this report that meet their job requirements. In particular, the staff responded that they wanted to know more about the State's interests, the coordination with the concerned units to operate the Center better. With this information, the managers have not had enough management tools. This can be considered a very difficult issue in transforming the Center's strategy into action, leading to problems in financial management.

Thirdly, approximately four out of five respondents said that exploiting revenue sources and spending structure is equally important, leading to the effectiveness of NDESC's financial performance. It is important to pay close attention to non-financial indicators from the start. Both revenue sources exploitation and spending structure are equally important for effective management. In particular, one respondent, commented that "For high efficiency of financial autonomy, exploitation of revenue sources and spending structure must be well managed".

In contrast, some interviewees felt that as they were not decision makers, they could not accurately compare revenue sources exploitation and spending structure. However, they argued that information on revenue sources exploitation is important but it is not possible to exclude information on the spending structure because information on the spending structure indicated that the tasks had not been allocated properly.

Although the similar views of Center's managers are expressed in two different ways, all respondents indicated that information on revenue exploitation and spending structure **were equally** important in decision-making to improve the efficiency of financial use and increase staff income.. This finding suggests that managers' understanding of the balance of indicators of expenditure structure and revenue harvesting is an important element for the development center to meet the requirements of public service delivery.

Fourthly, most managers interviewed expect the information in the financial report to be sufficiently clear for analysis to find objective and subjective causes leading to stagnation. of the

Center and at the same time propose measures to promote the Center, they needed more information to cooperate with other functional departments in negotiating with service providers, recovering debts, and especially assessing the capacity of employees to pay full wages. To meet this requirement, employees must improve the quality of their work. For example, when reporting the increasing of the utilities and stationery expenses, the functional department must report what factors influence on the change of the expense. Most managers assume that the qualifications of employees do not meet the requirements of the task. Some people think that there should be training plans to improve the level of staff, quality of work, employee skills, etc. Moreover, respondents said they needed to develop technology applications in management and operations to increase the efficiency of their use of financial resources. In a nutshell, the fourth result of the interview showed that the managers of the RC wanted to establish sufficient financial indicators to plan and organize activities more effectively..

Thus, the attitude of Center's managers is likely to be a decisive factor in turning strategic objectives into concrete and comprehensive plans for implementation.

Fifthly, over two thirds of respondents said that: (1) The organization and arrangement of staff is inadequate and outdated in terms of organization, norms, responsibilities related to the position, allocation of annual personnel targets; (2) The allocation of funds is too slow to solve urgent problems. Financial and accounting staff have been trained and trained, but their professional skills is still not competent enough to make accurate planning and estimation; (3) Public finance reform has not been fully implemented and many cumbersome procedures have created difficulties in establishing a causal link between reform and outcomes. Other elements include various rules, regulations and procedures of the public sector that are issued with different objectives including control, accountability, transparency, assertion, balance between political science and political science of compromise among elected leaders, often impedes efficiency and effectiveness in converting inputs into results; (4) The average budget allocation of the state has not brought into play the ability to exploit the revenues of the units. The system of legal documents on financial autonomy issued by the State is not uniform and contains many inadequacies; (5) The system of legal documents on financial autonomy issued by the State is not uniform, for example, the State encourages autonomy, but also regulates on spending norms, or the right to procure, transfer and liquidate assets, which is inadequate.

There are reasons for the above-mentioned findings.

One reason is that Center has not paid much attention to propagandizing and propagating widely to the employees about the significance, objectives and contents of the autonomy mechanism. Even

the plan of financial autonomy and related reports when implemented publicly are not well understood and paid much attention by many officials.

It could also be explained by the fact that the organizational apparatus of financial management, the qualifications of the accounting and financial staffs of Center have not met the requirements when shifting to the financial autonomy mechanism, have not fully performed the financial advisory function for the leaders; the accountants not trained to improve the professional accounting regularly.

Due to limited infrastructure, Center has not effectively exploited the basic vocational training for the local employees serving for the needs of enterprises.

Additionally, the system of documents on the financial autonomy mechanism of the public service units in general and the public service delivery units in particular also reveals some restrictions in the implementation process. The spending norms and regimes in the public service delivery units are provided by the State, but their feasibility are not high, not suitable with reality, difficult to apply, or make the accounting unit becomes dishonest due to impossible to apply. General expense norms as a basis for making the estimate, allocating the estimate for budget spending and annual financial management are inconsistent with the reality and the assigned tasks.

Furthermore, it is because the management mechanism of the State about the financial autonomy is still inadequate. The system of legal documents guiding the implementation of the autonomy mechanism in Vietnam issued since 2006 has some outdated points, no longer suitable with the day by day changes of the society, especially the standards on the public expense norms. This backwardness leads to the formation of alternative circulars that results in overlapping the regulations between the documents, causes difficulties for the schools and the officials in Center to update and adopt new regulations. Finally, it is because the accountants are not retrained regularly about professional works, this is the reason leading to the negative phenomena such as the wasteful use of the allocated expenditures, spending improperly to the regime.

Sixthly, the following presents interviewees' suggestions to improve financial autonomy at Center. More than 65% of respondents provided 4 groups of solutions to address these challenges in the financial autonomy mechanism at NDESC: Solutions group on organizational structure and management model; Diversification of revenue sources; Improvement of spending management and human resource solutions. According to the interviews, more than 70% of respondents said that the solution to organizational structure and management model is the most important one. They argued that people with good qualifications and abilities would meet the tasks and challenges of financial

autonomy. Therefore, Center needs to rearrange its staff structure and staffing to suit the job position. On the other hand, they also affirmed that Center needed to diversify revenue sources and strengthen the propaganda on the public services of the unit, improve the quality of public services, so as to increase revenue for the unit, encourage staff and increase staff income as well as contribution to society. At the same time, Center should have a plan for developing human resources, training and retraining staff to improve the quality, meeting the task requirements.

CHAPTER IV. CONCLUSIONS AND SOLUTIONS TO IMPROVE THE FINANCIAL AUTONOMY MECHANISM IN NAM DINH EMPLOYMENT SERVICE CENTER

4.1. Conclusions

By studying the financial mechanisms of some countries around the world, I found that the countries focus on controlling output rather than input. Many countries now place their first priority on performance indicators. The challenges is the public finance management tools must be used selectively and in line with national conditions. In term of capacity problem, there is lack of professional staff at both central and local levels.

The financial mechanism in Vietnam focuses on controlling inputs. In the process of reform, the improvement of the financial autonomy mechanism of public service units in general and NDESC in particular is a necessary requirement to set up high quality public services. It contributes to the reform of public finance management in Vietnam. Based on the determination of objectives, subjects, scope of research, the thesis has resolved the basic content set out:

To add and systematize the theoretical basis to clarify the nature of financial autonomy, financial autonomy mechanism, and summarize lessons learned in countries around the world on financial autonomy. To systematize theoretical basis of public service units and financial autonomy mechanism in the spirit and content of Decree 43/2006 / ND-CP. In particular, NDESC as a public service unit established by the State, and operates as income-generating unit in the fields of labor and employment. The thesis affirms that the reform of the management mechanism of NDESC by improving autonomy and self-responsibility is an objective requirement, which consistent with development.

An in-depth analysis of the implementation of the financial autonomy mechanism of the State at the NDESC from 2011 to 2013 highlights the challenges and constraints of the financial autonomy mechanism and positive results of financial autonomy implementation after three years. The challenges are: The organization and arrangement of the staff contain inadequacies and backwardness of the regulations on organization, norms, job responsibilities related to position, allocation of personnel goals every year. The capacity of professional staff is not capable of addressing rapidly changing and unstable situations. The allocation of funds is still not timely to solve urgent problems. Financial and accounting staffs have been trained, but professional skills fail to make accurate planning and estimation. Positive results include good accounting skills, knowledge of programming and planning, and experience with decentralized administrative

organizations. Public finance reform has not been fully implemented and many cumbersome procedures have created difficulties in establishing a causal link between reform and outcomes. Other elements include various rules, regulations and procedures of the public sector that are issued with different objectives including control, accountability, transparency, assertion, balance between political science and political science of compromise among elected leaders, often impedes efficiency and effectiveness in converting inputs into results. The average budget allocation of the state has not brought into play the ability to exploit the revenues of the units. The system of legal documents on financial autonomy issued by the State is not uniform and contains many inadequacies.

4.2. Solutions to improve the financial autonomy of NDESC

The socio-economic development policy and strategy set out by the 11th Party Congress requires a system of employment service centers in the provinces and cities to create opportunities to find jobs for all employees. NDESC has been also being invested by the People's Committee of Nam Dinh Province to develop and meet the employment need of the employees, the need to find employees for the enterprises in the province as well as exporting employees abroad.

Since 2009, the Provincial People's Committee has assigned more functions, tasks, and expanded Center's scale to be more and more developed. In 2010, the plan of approving the key projects of Nam Dinh Province also included the investment in infrastructure for Center: To grant the land, build a new job exchange floor, invest in more spacious and modern infrastructure to meet fully the demand for jobs finding and labor supply. This further affirms that the role and prestige of Center as well as implementing the policy of developing the employment service system of the Party and the State are extremely valuable.

Up to now, NDESC has achieved the targets in the innovation and development stage of the employment service system. Center has established its organizational model and management mechanism, confirmed the most important criteria to become a nucleus of promoting the renovation process of Nam Dinh Province's employment. Center's model has stabilized, then the investment of the State will be larger and larger.

This is a great opportunity, but it also faces new difficulties, new challenges that requires every staff, teachers and employees at Center to make efforts, work together to operate and use the State budget's investment in a highly effective way, to enhance the quality of services in the conditions of limited resources.

NDESC will become an employment service establishment to implement the three combined functions as follows: Consulting of vocational training, employment, policies on labor law - vocational training - labor introduction and supply; this is a typical employment service model for the employment service centers of other provinces and cities to visit and learn.

It is suggested the State Department should conduct the employee oriented in which the employees and staff are centered. The employees are also trained to improve the qualities with the scope of the jobs.

It also suggested to connect with the college and universities to train the students with the skills and knowledge required by the companies and enterprises. The employees should improve the foreigner languages to adapt with requirement of the foreigner firms.

4.2.1. Objectives of the implementation of the financial autonomy mechanism

Renovating the financial management mechanism at the public service units is the task set by the State in the trend of reform and international integration. Therefore, with NDESC, actively innovating and reforming the management under the financial autonomy mechanism are inevitable. In the coming time, NDESC will maintain to improve the autonomy mechanism to achieve the following objectives:

- 1) To manage and use the financial resources effectively. Once the autonomy has been allowed, Center may be proactive in building a mechanism of internal spending. Therefore, in order to ensure effective savings, it is necessary to limit unexpected expenses, balance the revenue and expenditure and always have contingency plans if there are difficulties..
- 2) The financial autonomy must be associated to raising the incomes for the employees. Increasing income is a way to stimulate increasing the work performance of each employee. To do that, Center shall establish the reserve fund for income stabilization for each year.
- 3) To diversify the income sources, to reduce the burden to the State budget. In the next period, NDESC gets the target of increasing the incomes, saving the expenses and gradually reducing the dependence on the State budget.
- 4) To renovate the working methods to meet the increasingly high demands of the society, the financial autonomy and still ensure to implement well the professional tasks and political tasks of Center.
- 5) To compete healthily in the services supply for the enterprises providing the employment services, to improve gradually the quality and diversify the forms of employment and labor services to become a bridge between the employees and enterprises.

Implementing the financial autonomy must ensure that Center still has sufficient expenditures to maintain and develop all activities, instead of reducing or cut resources to save for the autonomy implementation. The efficiency of employment services must still be at the forefront, and it should not have the thought of implementing the autonomy by any ways.

4.2.2. Solutions to improve the organizational structure and management model

➤ *Completing the financial management organization of Center*

- 1) Arranging the specified staff to check each work sector of the related department to (monitoring the foreign exporting labor supply fee collection and foreign language learning tuitions). Arranging a specified staff to manage income-expense sector of the service activity: short- term training contracts of information technology, foreign languages and short- term jobs, etc. Arranging a staff responsible for managing the sector of funds granted by the State budgets and summarizing the settlement report. Assigning a staff as the comrade cashier and store-keeper
- 2) Institutionalizing Circulars, Directives and Policies of the Government about making financial management to be suitable with the management model of Center to implement united and synchronized.
- 3) Constructing united accounting software used only one accounting method enables the inspection and control to perform favorably.
- 4) Well organizing to perform the duties of accounting, seriously carry out regulations and management procedures sources of funds as well as protecting assets, materials and capitals of Center.
- 5) Clearly assigning and defining the function and duties of accounting sector to enhance roles and responsibilities of the accounting staffs, organizing to transfer the documents reasonably and logically, making the accounting structure to become compact and work efficiently.

➤ *Completing financial management mechanism at NDESC*

- 1) Renovating financial management mechanism towards socialization and finance source diversification
- ❖ Public service socialization in general, and job services in specific have been a very basic orientation to mobilize the strengths of the overall society for the development of the whole nation. It is the process aiming at promoting the responsibilities of all resident classes for expanding investment sources, efficiently exploiting the potential of labor, materials, and financial resources in the society; promoting and efficiently using resources of the residents

to create a favorable condition for labor and job activities to develop faster and get higher quality

- ❖ Public service socialization is not coincident with mitigating the obligations of the State and reducing the state budgets. In contrast, it requires the government to implement budget sources for labor and employment, and well control to enhance the efficiency of using the state budgets. The expenditures by the State budgets must comply with the State's norms and towards promoting self-monitoring and inspecting, publicizing financial income and expense sources.
- 2) Increasing the control of state budget income and expense through State Treasury system: Non-business incomes (export labor supply fees, foreign language supplementary fees, and income from service activities, etc), in terms of management shall also be concentrated and unified like other incomes of the State Treasury. As a consequence, these incomes must be fully accounted in the accounting books and unified centralized management through State Treasury System. At the same time, the regular and irregular expenses from the State budget shall be tightly controlled through the Treasury to ensure spending efficiency and on right purposes.
- 3) The financial management mechanism completion must be carried out coincidentally with the administrative reform.
 - ❖ Administrative procedure reforms should be implemented through a process from establishment, execution and settlement the budgets; inspect and control the budget spending process tightly, reform the procedures troubling to the transactions related to the finance duties.
 - ❖ Administrative procedure reforms should be combined with building, training and fostering staffs responsibility of financial accounting. Together with building official staffs is modernizing machinery equipments and information technology serving management and enabling the staffs to the officers to work efficiently and favorably.

4.2.3. Diversifying financial resources

- 1) For incomes exploited foreign labor exporting supply activities, Center needs to seek partners and diversify other firms and enterprises with labor exporting certificate to different markets in order for the employees to possess more labor exporting selections, and enables them to work with high salaries. Since 2010, Center has opened 02 more affiliations in Hai Hau and Y Yen suburban districts in order to advertise, propagate and attract labors.

- 2) Signing labor supply contracts with enterprises, big company and other local regions demanding labour forcing resources.
- 3) For incomes exploited from foreign language supplementing for labor exporting trainers: Center needs to improve teaching staffs with good level and high qualification to attract trainees, supply with enough teacher responsible for different foreign languages and meets the demands of widening the labor markets to the regions such as Middle East, Europe and North Africa
- 4) Center should also promote the role of one prestigious and responsible job placement center to attract the aids through bilateral and multilateral cooperation and the support from the philanthropists and foreign organization, actively building projects to attract the investment capital of government and foreign organizations for developing labour service policies and unemployment insurance.
- 5) Efficiently use land resources and location to raise the incomes from the services. Center needs to establish a specialized faculty (for investment and trade) to exploit the markets and inner advantages. The overall services including parking, dormitories, meals, banking and printing to short-term training services to students shall be managed and exploited by this specialized faculty.
- 6) Link with universities and colleges to provide vocational training to labors who seek the jobs in the countries with labor recruitment demands.

4.2.4.Improving expenditure management in NDESC

Renovating expense mechanism to enhance using efficiency of funding resources at NDESC.

- 1) Renovating financial management mechanism in public service units to enhance the financial resources to meet the requirement of improving operational quality. Together with the budget growth allocated to the Job centers, mechanism and contents of the expenses have also been renovated to meet that above requirement.
- 2) Other efficient expense management solutions need to be considered, regular expense reduction in administrative management, using saving funding to enhance developmental investment and improving life of labors.
- 3) Board of Directors needs to apply strong attention. Direction and appropriate mechanisms as well as strong sanctions to encourage and increase pressure for the rooms and specialized faculties to apply advanced information technology in financial management, unemployment insurance management, trainers, accounting finance management, etc.

Applying these methods shall help simplifying administrations, lowering the management expenses and improving the quality of task fulfillment.

- 4) Renovating expense mechanism regularly not only helps completing finance management mechanism of Center towards autonomy and self responsibilities but also improving job service quality and raising efficient using of funding of Centers.

In order to these objectives, it needs to supply some solutions:

- 1) Encouraging the departments to apply forms of administrative package management expenditures (fixed telephone using, stationery, petrols and oils) of units and individuals within the agencies. Through periodical collation and check, adjusting inappropriate norms (too high or too low) in order to totally save expenditures spent on management
- 2) Implementing the scheme of salary payment with the increased coefficient salary for labours themselves, legalizing non-salary incomes of officers and staffs to avoid the confusion between professional expenses and human expense.
- 3) Having medium and long-term schemes in investing in faculties, equipment, improving working conditions, avoiding spreading investment without concentration causing wastefulness.
- 4) Minimizing arising expenses that do not include in the estimates and expending scheme from the year beginning. Currently, “other expenses” accounts for considerable shares in the regular spending mechanism due to other expenses incurred outside the estimates.
- 5) Besides, in order to simplify the workforce and save regular spending, the staff recruitment needs allocating individuals with the right position, paying the salary and interest under the rules of working requirements and proficiency. It needs to supplement unified solution and opinion in the work of recruitment, training and using she staffs, resolutely not arrange and use the wrong staffs with their professions and careers and incompatible with the assigned requirements, causing the waste of financial resources, human resources, failing in exploiting roles, competency and enthusiasm of the officers and inequity in distribution.
- 6) Establishing reserve funds for income stabilization and career development funds to reinvest in the facilities, equipment innovation, enhance the staff quality and improve public service quality.
- 7) Enhancing the application of information technology and computerization in financial management. Scientific and technology Revolution, especially information technology with a strong speed has a far-reaching impact on all aspects and activities of economic and social life. The process of acquisition and processing information as well as managing decision

shall be convenient, fast, accurate and highly effective in case applying the achievements in science and technology, among them, information technology takes an important impact.

Other solutions related to internal expenditure regulations are:

- 1) Constructing the internal spending regulations to perform autonomy about using financial sources (execute a meth problem) of Center needs specific, and ensure the publicity; the details of income sources, income levels and total income scale; the details of spending, spending levels and spending scale; details of the objectives and financial sources distribution standards the details of the regulations and procedures on inspecting and supervising.
- 2) More important, among the internal spending regulations, Center needs to suggest management methods to improve income, spending savings and define the obligations of groups and individuals in the task of managing and using financial sources,
- 3) Only when the internal spending regulations is built basically, scientifically and reasonably, the Director Board can only see the panorama of Center's panorama to establish scheme, give appropriate decision and policies to well perform the assigned duties and widen, improve the quality of public service activities

Below suggestions are for enhancing publicity, inspecting and supervising.

- 1) The act inspecting and supervising is an important aspect in management activity to achieve the setting goals and tasks. Inspecting and supervising aim to provide feedbacks for management, timely get the limitation, shortcomings, adjust the appropriate mechanism and management policies.
- 2) Together with inspecting and financial checking, Center needs to perform seriously financial publicity regulations. Publicity financial sources and procedures of using fundings,
- 3) Publicify sources of funds and funding usage procedure. Publicity the financial funding enables individuals and groups to attend the procedure of financial management, financial activity supervision and fulfill financial management, and ensure financial management to be supervised by the individuals and groups in the unit.
- 4) Enhancing inspecting and supervising purchasing high value specified equipment to ensure appropriate quality and cost of the equipment, avoid exchanging old machines and equipment, renew, low quality, high cost invoice causing the waste of capital source
- 5) Strictly implement publicity as legal regulations as well as widely under various forms (written documents, meeting, electronic media). Enhancing the inspection and supervision of groups and each individual to financial activity of the unit.

- 6) Throughout checking observance of spending limits, checking the purposes of using the expense, implementing the inspection and supervision in each section: estimation, implementation and finalization of Center
- 7) Enhancing rights and obligations of People's Inspection Board, coincidentally, having appropriate solutions to each funding misusing case,
- 8) Regularly checking and inspecting combined with extraordinary examining to ensure the honestly and objectively inspecting procedure, seriously performing state's regulations on financial accounting regime, self-checking regulations and financial publicity regulation. Creating favorable conditions for the individuals and groups within unit to promote ownership: is involved in surveillance and inspection financial management activities of the units.

4.2.5. Solutions to improve human resource management

Staffs are important part of financial accounting regime, in specific and financial management in general. Working capacity of financial accounting staffs shall decide quality and efficiency of accounting and financial management. Therefore, enhancing the capacity of the financial accounting staffs is the objective requirement of whichever unit prior to the new financial regime's requirement.

Human is the factor of all triumph, success, efficiency and management effectiveness of the units; therefore, the units need to inspect, structure and arrange officials based on their position and profession consistent with the capacity and level of training; building working regulations clearly and specifically the authority of each position of the official in each unit suitably with their obligations and rights.

Besides, simplifying the officials as prescribed by the national regulations with the officers that cannot meet the requirement about profession, qualification or transferring, arranging jobs consistent with their performing ability. In official recruitment, it needs to build standards and requirements of profession and qualification for each job position, on which, performing officer recruitment under the methods of testing examination, avoid the recruitment inconsistent with the working requirements or performing admission and then arranging positions or work

Originating from the particularities of financial management as well as using funds and assets of the state which bear the transitionality and relation among the budget level and stability of official staffs responsible for financial management is really important, it takes an impact and directly affect the act and efficiency of spending expenditures of the unit. As a consequence, the arrangement the

officials responsible for financial management at the unit must be stabilize at their working position with the maximum period from 03- 05 years and ensure to meet the requirement of professional and qualification, limit the arrangement of staffs to do more than one position; coincidentally, besides enhancing and implementing for enough number, the officials responsible for financial management shall regularly be improved their qualification through spending certain amount of funds for training, fostering, enhancing level of financial management knowledge, state treasury, especially in this current stage, budget scale, number and asset value which are assigned to management

On the other hand, each official responsible for financial management in the unit must self enhance sense of responsibility to their profession, constantly improve their political characteristics, professional ethnics and expertise, update information, access and apply advanced technological science in performing and processing in order to complete their assigned work with highest quality and efficiency.

This is also the issue that NDESC meets during the renovation and completing financial management regime, to fulfill the purpose of improving capacity of financial accounting staffs, they need to have an overall scheme, long term performance under many appropriate methods to select, use, train and foster the staffs. To that direction, some solutions to be used as:

- 1) Constructing standards for the officials and professionals for financial accounting staffs as a basis for recruiting new working staffs; create favorable conditions for the young officials to work under their right professionals and recruited position to improve their capacity, improving their knowledge civil servants and working specification.
- 2) In case of recruited and received, the officials must possess suitable capacity and specify qualification with actual demands of the unit, avoid reverence which can lead to surplus labor due to not able to arrange compatible work and waste of labor force as well as budget of the unit
- 3) For a number of staffs currently working who have low professional qualifications, there need to scheme of training and fostering to improve their qualification; have the policies to encourage the staffs to study to meet the assigned professional requirement together with efforts of each individual.
- 4) Implement publicly, democratically and ensure the legal rights of the officials. To ensure this principle, it need to emphasis on the characteristics of regularity, public and transparency of the conversation in verifying staffing and atomically allocated budget to ensure the reasonability and unity among the main subjects relating to performing the autonomy. It needs to annually organize the periodic assessment of performing the

autonomy, which focuses on collecting feedbacks about the reasonability of self-management regime from autonomy assigned centers. This principle ensures the stability and long-term for performing autonomy and creates the basis for improving long term effects and profound sense of autonomy.

- 5) Organizing training course for staffs working in the field of financial accounting to update new guidelines and policies of party and State in the fields of financial management and accounting. Coincidentally, circulars of the state management policies need to be institutionalize for matching Center pattern to manipulate and deploy effectively
- 6) Planning to train and foster the officials in politics, computer and foreign language to equip with necessary skills for the professional tasks.
- 7) Construct the system of criteria for evaluating the activity performance of each labor focusing on the solution of paying income based on working efficiency, encouraging, engaging and attracting individuals with capability and qualification.
- 8) Having remunerative policies to ensure adequate income with the officials. For aging staffs who have low level of professionals, computer and foreign language skills, the units should encourage them to study for improve their professionals to meet job requirements. In case they cannot meet the requirement, they may be entitled to enjoy retirement prior to their age, make conditions to recruit new qualified staffs.

4.3. Recommendations

The thesis has presented four groups of solutions to address the challenges in the financial autonomy mechanism at NDESC: Group of solutions on organizational structure and management model; Diversification of revenue sources; Improvement of expenditure management and human resource solutions. Therefore, Center needs to rearrange its staff structure and staffing to suit the job position. On the other hand, Center needs to diversify sources of income, to increase the propaganda on the public services of the unit, improve the quality of public services, so as to increase revenue for the unit, encouraging staff and increasing staff income as well as contributing to society. At the same time, Center should have a plan for developing human resources, training and retraining staff to improve the quality, meeting the requirements of tasks.

The thesis gives recommendations to the State and relevant Ministries on financial autonomy at non-productive units in general and in particular in NDESC. It is the State to consider a number of regulations on autonomy mechanism in Decree 43 to suit reality such as exemption and reduction of corporate income tax on vocational training and employment services to encourage the development of Center is limited to investment, which allows the school to purchase equipment for living.

Secondly, the State needs to continue building more synchronized and supplementary documents for non-business units with better legal mechanisms: Ministries and branches should soon issue normative documents and standards the quality of the work of the mechanism, policies, enhanced inspection, review, revision, promulgation of new standards, norms, extension of automatic assignment of fields for the units. Thirdly, it is necessary for the State to change the financial management mechanism to be more flexible. Third, the state needs to change its financial management mechanism more flexibly so that the units are proactive in using public finance to develop public services that contribute to economic growth.

There are three basic issues to be recommend.

The State should reconsider amending some regulations in the Decree 43 to match with the reality. Exempting and reducing corporate income tax on vocational training and employment services to encourage and make conditions for Center to develop under the limited state budget for investment, this budget permits the schools to purchase equipment for professional services.

Vietnam is a developing country, many provinces do not balance their income with the support of the central government, so there should be a support mechanism to help non-profit agencies take the initiative in financial autonomy, to develop public services in line with the economic development of the country (Ebel and Yilmaz, 2002; OECD, 2004; Fesha and Kirkby, 2008).

The State needs to continue constructing further synchronizing supplementing documents for the public service delivery units to have a better legal framework. The ministries and departments needs to early issue instructing documents, criteria for assessing the level and task fulfillment quality of the autonomy assigned the units to remove difficulties of mechanism and policies, and enhancing inspection, review, modification, and new promulgation of standards, norms and widen autonomy assigning fields for the units.

The State needs to change financial management mechanism to be more flexible

NDESC should recommend state's financial management regime for flexibly using incomes from exporting labor supply, foreign language supplementation incomes at the bank account prior instead of forcing to fully remit into the State Treasury. The annual budget sources of Center are not small, if it is used effectively towards this direction, it shall bring a good income for Center. There should be a mechanism for decentralizing financial autonomy and a policy to support localities that do not balance revenue sources, creating favorable conditions for local authorities to take the initiative in developing public services growth and economic development (Ebel and Yilmaz, 2002; Meloche et al., 2004; Akai et al., 2007).

Above-mentioned ideas are some certain solutions for completing financial management regime at NDESC. These above solutions have a strong relationship with each other, and complement each other, take the advantages of these solutions for solve the disadvantages of others, there is not a unique solution to get over the difficulties and inadequate of the abovementioned situation. As a consequence, the solutions need to be carried out synchronously and a complex of solution shall create a high practicability. To perform these solutions, there need not only the efforts of NDESC but also the intervention and favorable conditions of the State Management Agencies at all levels. Successfully implementing the above specific solutions shall help upgrading the efficiency of financial management of NDESC.

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APPENDIX: INTERVIEW QUESTIONNAIRE

I. Interview introduction

Hi, are you an employee of the Nam Dinh Employment Service Center? I would like to know some of the contents related to the financial autonomy of your unit to serve my research, you agree to help me, thank you! Pham Thi Kim Dung

Functions and duties of the Center: _____

Date establishment: _____

Interview time from to _____

Details about the provider:

First and last name : _____

Address _____

Gender: _____

The mission you are implementing at the Center _____

Time has done this task: _____

II. Interview List

1. How does your unit perform financial autonomy?

(Example: Status of revenue, use of financial resources, awareness of officials on financial autonomy in unit, etc).

2. How do you assess the adequacy of information in operations and finance?

3. What are the key indicators in the unit's report? Especially the financial sector?

Example: The importance of decision making in revenue collection and allocation of spending tasks.

- 1) Only measures to exploit revenues are important.
- 2) Exploiting revenues is more important than spending structure.
- 3) Exploiting revenues is as important as spending structure.
- 4) Spending structure is more important than revenue sources..
- 5) Only measures of spending structure are important.

4. What is the decentralization of management coordination between the divisions at Center?
5. What are the challenges, difficulties and obstacles that the unit encounters when implementing financial autonomy? What are the causes: Objective, subjective?
6. What are the measures to improve the effectiveness of financial autonomy in the coming time?

(Examples of solutions to exploit revenue sources, structure of expenditures:

- ✓ Diversifying revenue sources, saving expenses, improving the quality of staff.
- ✓ Regulations on internal expenses: electricity, water, stationery, etc.
- ✓ Performance: Assessing the performance of tasks and the use of financial resources, encouraging individuals to use expenditure effectively and average income of employees, etc.

7. What suggestions do you propose to your higher level to improve your financial autonomy at the unit? (Example: Policy mechanism, etc.)