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**MASTER PROGRAMME IN PUBLIC FINANCIAL MANAGEMENT**

**Thesis**

**Management of Capital Construction Investment Fund from National Budget of  
Ministry of Public Health of Vietnam to the national hospital system**

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## **ABSTRACT**

The purpose of this thesis is to investigate the management of capital construction investment fund from national budget of Ministry of Public Health of Vietnam to the national hospital system, and to provide recommendations for improving management of capital construction investment fund from national budget. In order to discover efficiency in investment management of capital construction from the national budget of the Ministry of Health to the hospital system, the current legal documents and steps of project management are thoroughly analysed.

The primary data consists of documents and reports of departments under Ministry of Health as well as project profiles of the hospitals under the Central hospital system. Furthermore, I conducted interviews with key informants where I relied on a set of survey questions. After that, the document data was analyzed using descriptive statistics and the interview data using qualitative content analysis method.

Construction investment fund from the state budget for the whole society and the health sector in particular has been growing in recent years, making an important contribution to the development and modernization of health clinics. As a result, the health protection and promotion of Vietnamese people have been improved and enhanced significantly.

The study contributes to prior empirical and theoretical research on the management of construction investment funds in different national contexts. This research is expected to be the starting point for other studies in the future.

## **Chapter 1: Introduction**

The chapter gives an overview of the subject to the reader by providing research background, research objectives and research tasks. In addition, the contributions of the study and the structure of the study are included so as to set a comprehensive scene for the study.

### **1. The necessity of the subject**

Construction investment fund is one of the most important parts of investment activities by building the facilities and infrastructure for society. Also, it is considered as the changing factor, contributing to the growth of the country's economy and living standard.

Construction investment fund from the state budget for the whole society in general as well as for the health sector in particular has been growing in recent years, making an important contribution to the development and modernization of health clinics. As a result, the health protection and promotion of Vietnamese people have been improved and enhanced significantly.

It has been noticed that health ministry has paid attention to the development of central hospital system (including 34 hospitals located across the country) from construction investment fund in order to keep with the world health service as well as to satisfy the demands of Vietnamese health care. Every year, health ministry conducts a dozen of capital construction projects with a total capital worth more than a trillion. According to the capital construction of Health Ministry reports from 2012 to 2016, more than 41% of those projects are to upgrade and develop the system of the central hospital.

In fact, the management of construction investment fund has been gradually strengthened and improved in term of the legal framework. The examination, inspection and audit also are fortified and conducted constantly in order detect the weaknesses and corruptions in management. However, there are many critical problems in the management of construction investment fund from the state budget to the central hospital system in particular as well as Health ministry in general such as the poor and unpractical planning, ineffective investment causing losses and waste in all the stages of the investment process from investment policy, planning, drafting, project appraisal, procurement, testing, settlement to utilization. While annual investment is met more than 35% of the annual capital demand, the inefficiency in the management of construction investment fund from the state budget should be considered carefully and improved promptly.

In order to improve the financial management of health ministry, the topic “Management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system” has been chosen to study.

## **2. Research objectives, research questions and research task**

This paper aims to explore and better understand the financial management of Health ministry. The objectives of the research are:

- Review literature of the management of construction investment fund of Health ministry to central hospital system.
- Analyze and evaluate the reality of the management of construction investment fund of Health ministry in recent years.
- Proposes a number of measures in order to improve the efficiency of the management of construction investment fund and avoid wasteful losses of state budget funds.

In order to achieve these objectives, the study is supposed to answer the following research questions:

- How can instances of success and failure be understood in the management of Capital Construction Investment Fund from Nation Budget of Ministry of Public Health of Vietnam to the national hospital system?
- In what ways might the management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system be improved?

In order to answer research questions, the thesis should clarify the current status, result and obstacles in all steps of the management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam including: planning the allocation of investment capital, advanced and payment of investment capital, final finalization of projects, examination, monitoring the quality of constructions.

- Defining the evaluation criteria in the hospital investment planning and management system including criteria of planning, criteria of budgeting, criteria of implementing, criteria of controlling.

First of all, planning is absolutely important to management. Good planning will help find the best solution for management, create unity for management activities and is the basis for monitoring inspection. According to Koontz(1976), planning is a process including 8 steps(perceive opportunities, setting goals, inheriting premise, developing plans, evaluating plans, selecting

plan, developing supplemental plans and quantifying plans in the form of budget).

In term of criteria of budgeting, according to “Planning and Budgeting: Linking Policy, Planning, and Budgeting”, which are a Background paper of the Third International Workshop on Managing for Development (Hanoi, Vietnam, February 2007), budgeting is very important in implementing policies. Budgeting is a key tool for making national policy a part of the action and a major tool for ensuring national accountability as budget enforcement is subject to regulatory and auditing independence. There are 4 requests of budgeting. To begin with budgeting needs to be clear, avoiding overlaps, and ensuring that actual or planned costs are realistic, time-tested and feasible. Secondly, capital and operating budget allocations need to be implemented consistently to ensure a rational allocation of resources. It is usually easier to do this if the same institution is responsible for the budget and operating budget. Next, the relationship and the rules of responsibility of budgeting must be clear, including the authorization and administrative reporting relationship. Finally, there are independent and high quality audit procedures to provide timely feedback on legislation related to spending.

Thirdly, the implementation of capital construction investment fund from state budget sources must be strict, accurate and highly effective. On the one hand, advance and payment capital investment are the process of State Treasury to implement the proposal of the investor to advance the investment capital to the contractor spend for the investor. Besides that, the settlement of investment capital is the settlement of all legal expenses incurred in the process of investment in order to put the project into exploitation and use. There are two method to perform settlement capital investment including: settlement annual investment budget and final settlement of investment capital of the project.

The last thing is criteria of controlling. Inspection and supervision are very necessary in management of Capital Construction Investment Fund from National Budget. The purpose of the inspection and supervision is to inspect and control all phases of the project investment process, to detect and promptly handle violations and wasteful in all stages of the investment process.

- Synthesize legal document system include: the documents of the Communist Party, Government, Health ministry and the related branches, the management theories,

management practices, the characteristics of the system of the Ministry of Health and the Central Hospital System, the process and human resource allocation of capital investment.

- Survey, analyze and evaluate the situation of the management of construction investment fund from the state budget of Health ministry to the central Hospital system through a number of projects in recent years.
- Make proposals in order to improve the efficiency of management of construction investment fund to central hospitals systems in the near future.

### **3. Contributions of the thesis**

There have been many studies on management of Capital Construction Investment Fund from National Budget in many respects, angles and various scope, including research topics and specific articles to each locality and its ministries.

Tran Van Hong (2002) firstly provided an overview of the management of state budget and showed the limitation in the management approach. After that, Can Quang Tuan (2009) had a research on the using of investment capital from state budget in Hanoi (capital of Vietnam) and gave some solutions to the authority of Hanoi for improving the efficiency of using investment capital from state budget in Hanoi. There also are many researches about the management of investment capital from state budget in provinces around Vietnam such as the finding of Nguyen Ngoc Dung (2014) in Ha Tinh.

In term of other industries, there are some findings of Nguyen Thi Binh about the state management of investment in basic construction from state budget in transport and communication sector of Vietnam in 2012. The study by Nguyen Thi Binh (2012) provided a new approach to state management of investment in basic construction from state budget, which is very useful for my research. According to her finding there are five stages of investment in basic construction process, including (i) state management in making master plan, planning; (ii) making, assessing, approving projects; (iii) implementing projects; (iv) accepting, appraising quality, handing over projects; and (v) making payment and settlement. In addition, Nguyen Thi Binh (2010) also pointed out the way to improve the quality of financial inspection of construction investment using state budget in Vietnam.

Another research from Nguyen Huy Chi (2016) showed that the efficiency of management of capital construction investment fund from state budget depends on nature condition, history, economy, politic, educational standard and scale of investment capital. However, the most important thing is subjective factors of State management

However, there have not been systematic studies on management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system. I have a unique opportunity to shed light on this topic. This is the first study on this topic; hence, it is expected to be the starting point for other studies in the future as well as the references for the Government and the related agencies in order to improve the efficiency of state management for capital construction funds to the central hospital system of Health ministry. Moreover, the results of the research will advance our understanding of the management of construction investment fund of Health Ministry in general and the system of the central hospital in particular. The study will uncover the problems associated with the management of construction investment fund of Health Ministry to the central hospital system from 2012 to 2016. The findings highlight the reasons behind the inefficient use of capital and propose solutions to Health Ministry.

#### **4. Structure of the thesis**

The thesis is structured as follows:

##### **Chapter 1: Introduction**

The chapter gives to the reader an background of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system. In order to give a clearer understanding, research objectives and research tasks are identified. In addition, the contributions of the study and the structure of the study are included so as to set a comprehensive scene for the study.

##### **Chapter 2: Background and Literature Review**

The chapter reviews prior academic studies on construction investment funds and give the background of management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system.

##### **Chapter 3: Methodology**

This chapter describes the research method employed to collect and analyse data. The research philosophy, process, approach, design, data collection and data analysis of the research are explained. The reliability and validity, and potential problems of the research design are also identified in this chapter.

##### **Chapter 4: Results and Discussion**

This chapter presents the results of the questionnaire that was distributed among the respondents. By analyzing survey and interview data using a qualitative content analysis approach, the findings reveal the current status, result and obstacles in all steps of the management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam.

## **Chapter 5: Conclusions and Recommendations**

This chapter summarizes the findings of the study and gives recommendations for the development of the management of of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system. Comparison with previous findings, research limitations and suggestions for further studies are highlighted to provide a critical overview of the study.

### **5. Conclusion**

The chapter has presented an overview of this study by providing preliminary information on Management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system. Research objectives and research questions, the contributions of the study and the structure of the study are identified to set a comprehensive scene for the study. The next chapter will have thorough review of previous theoretical and empirical studies.

## Chapter 2: Background and Literature Review

### 1. Framework for understanding construction investment funds

#### 1.1 Investment

The concept of investment has been defined in different ways. According to Law of Investment-2015, investment is the act of putting of capital into socio-economic activities to achieve the particular purposes in the future. Also, the Law of Investment (2005) stated that investment is when investors spend capital in tangible assets or invest property to conduct investment activities in accordance with this Law and other regulation of relevant laws.

On the other hand, Avram (2009) mentioned that investment is the allocation and substantial consumption of resources, material and human in addition to financial one. Consequently, reasonable investments are not only focused on raising the stakeholder's value but also adding value to the economy. However, poor investment decision may cause major loss to the investment economic entity and its stakeholders (Egbide, Uwalomwa & Agbude, 2013).

There are many types of investment: direct investment, indirect investment (loan); short – medium and long term investments. Long term investments are often associated with the construction of fixed asset. With technological innovation and the development of entrepreneur, investment is one of three pillars for economic development (Schumpeter, 1934). It is true that investment has some its own characteristics. The important one is that, there is a certain amount of initial capital that needs to be spent. John M. Keynes and Irving Fisher pointed out that investment are made until the present value of expected future revenues, at the margin, is equal to the opportunity cost of capital. An investment also is expected to generate a stream of future cash follows. In addition, the objective of investment is to be economically and socially efficient.

Economic theory can give a reasonably good account of how the level of investment activities influences the development of economy (Haavelmo, 1960). It is true that Investment is one of the most important factors contributing to the development of the economy and government should be considered as an investor in capacity (Kemeny, 2016). A country that wants to maintain its average GDP growth rate should ensure a certain percentage of investment. In Vietnam, in recent years, the total investment of the society has maintained a growth rate of over 40% of GDP. According to final report 2016 of General Statistics Office of Vietnam, the total investment of the whole society is 1569 trillion VND, accounting for 40.5% of GDP.

According to Report of Socio-Economic situation of Vietnam during a ten year period from 2001 to 2010 of General Statistics Office of Vietnam(2011), over the past years, the development investment capital sources of the State in particular and of the entire society in general have increased.It greatly contribute to economic restructuring along the direction of industrialization, modernization and socio-economic infrastructure development, considerably raising the new production capacity, boosting economic growth, eliminating hunger, alleviating poverty, creating new jobs and improving the people's material and spiritual life. The State's capital construction investment capital really plays a leading role, guiding, attracting and mobilizing more the society's annual capital sources for development investment

In addition, in order to have the comprehensive overview of the economic efficiency, a project using state budget funds is also analyzed in term of socio-economic aspect such as how many jobs are there in the project? What are the benefits that people have from the project?

## **1.2 Investment of basic construction**

### **1.2.1 Definitions and characteristics of capital construction investment:**

According to Nguyen Thi Binh (2012), Capital construction investment is a part of investment activities, which are funded to implement construction activities for simple reproduction and expanded reproduction of fixed assets for the national economy by forms of new constructions, building expansions, reconstructions, modernizations or rehabilitations of fixed assets.

Nguyen Ngoc Dung (2014) also added that capital construction investment is to build the basic infrastructures of the economy such as transportation systems, irrigation dams, schools, hospitals and so on. Therefore, it plays a decisive and important role in changing the structure of the national economy; speeding up the development of economy followed the direction of industrialization and modernization (Nguyen Ngoc Dung, 2014).

Capital construction investment is a long-term activity, creating the great - valued infrastructures. In particular, there are many huge and important projects that last for tens of years, which is different from other investment forms.

With all the characteristics of capital construction investment, the investment decision has a highly important role, depending on many factors, especially on financial statements. Some of those factors could be named as total construction

investment amount, including compensation, support and resettlement (if any) expenses; construction costs; equipment costs; project management expenses; construction investment consultancy expenses; other costs; and provisional amounts for additional volumes and inflation), financial resource, ability to return capital (Nguyen Huy Chi, 2016)

Capital construction investment products are single unit so the cost and value for each product is different. It also is a high risk activity due to the long investment time, and the highly relative dependences on nature.

#### 1.2.2. Budget for capital construction investment and projects

##### a. Budget for capital construction investment

For all countries, capital construction investment is mainly accumulated from the economy (GDP). There are many resources for capital construction investment, such as domestic capital and foreign capital. Firstly, domestic capital includes State budget capital, credit capital for agricultural development, government bonds, capital of state enterprises (they are called state capital) and the private sector also participates in capital construction investment. Besides that, foreign capital encompasses foreign direct investment (FDI) and indirect investment (ODA - Official Development Assistance).

##### b. Project of capital construction investment.

Investment in capital construction, especially investment from state budget, is carried out through projects.

Under Construction Law: a construction project is a mix of proposals relating to the allocation of funds for the construction, expansion or reconstruction of construction projects in order to develop, maintain or improve their qualities within a certain period of time.

There are two ways of classification of projects. First of all, depending on the scale of the project, projects are divided into 4 types including National projects proposed by the National Assembly, Groups A, B and C projects (according to Decree 12 / ND-CP dated 12/02/2009). Besides that, based on capital resources, they are divided into 3 types including from state capital, mixed capital (the State and other economic sectors) and foreign capital.

There are 3 phases of investment and construction, which are preparation for investment, investment, finishing construction and putting the works into operation.

## **2. Management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system**

### **2.1. Definitions and characteristics of capital construction investment capital from the state budget**

#### 2.1.1. Definitions:

According to the Law on State Budget (2015), the state budget is entire revenues and expenditure of the state that competent state agencies decided and made in a financial year to ensure the implementation of the function, duty of the State.

Shah (2007) also added that by government collect state budget from taxes and bond in order to produce public goods that people or private agencies themselves would not produce such as national defense, social benefit, infrastructure, education and health care. Therefore, by means of budgets, governments exercise their allocative, stabilization and distributive functions (Hogye)

Construction investment capital from State budget is a part of annual state budget capital used for investment in development of infrastructure, social and defense projects, security, for the expenses of the implementation of general plans for socio-economic and territorial development, urban and rural construction planning.

#### 2.1.2. Characteristics

Apart from the characteristics of capital construction investment capital in general, the construction investment capital from the state budget has its own specific characteristics.

First of all, construction investment capital from the state budget in Vietnam is often in large scale. Nguyen Huy Chi (2016) stated that construction investment capital has been usually accounted for over 30% of the total investment capital of the whole society and contributing significantly to material foundations and the development of socio-economic infrastructure. In addition, Nguyen Thi Binh (2012) said that there is a there is a limitation of budget capital while the amount of projects is extremely large. Also, there are many overlap in the management construction investment capital of relevant industries, local authorities and center, resulting in the duplication of works (Nguyen Huy Tuan, 2013). Finally, Nguyen Ngoc Dung (2014) showed that The Procuring Agency is not the true owner of the investment capital

Those above characteristics show that in order to effectively manage construction investment capital from the state budget, there must be strict monitoring process from start to the end, preventing waste, loss and negative effects.

## **2.2. Principles of management and use of construction investment capital from the state budget**

The construction management has been researched and mentioned by many authors in Vietnam and the world in recent years.

From 1987, Issabelle Louis has described the situation of French construction industry. The author believed the revolution in French construction industry in 18th century has a significant impact on the current situation in construction industry in French as well as the world today. The author also mentioned that construction industry depend on many inputs factors such as labor, equipment, material and financial resources.

In term of modern construction industry, Tony YF Ma (2003) also mentioned the role and responsibilities of management consultants in Chinese industrial construction, called project management consultant (PMC). To be more specific, unlike the supervising engineer, PMC is direct on behalf of client to manage the entire project from the inception to completion. In Vietnam, there are some projects using this new PMC such as projects from Viet Duc hospital, Bach Mai hospital and K hospital.

Moreover, P.E.D. Love and P. Mandal (1999) showed that the work of construction projects has been divided into functional areas and performed by different disciplines (such as engineer, architects, contractors) and independent activities. Therefore, in order to achieve success, there should be a comprehensive process of implementing project from the beginning to the end.

In addition, P.E.D. Love (2002) also noticed the importance of management group and quality information systems to support quality management activities in construction projects.

In Vietnam, construction investment capital from the state budget has been managed by Laws on state budget law from the beginning to the end. It is also noticed that people should use the capital efficiently and try the best to prevent the waste of capital. With a important role of construction investment capital from the state budget, capital management should be implemented in accordance with the following principles:

Firstly, the management and use of construction investment capital from the state budget must be economical and efficient. Especially when Vietnam is a developing country and our accumulation of the economy is relatively low, capital should be spent effectively, bringing

more benefits than the amount of its investment.

Secondly, funds for construction investment capital from the state budget are the property of the people and the state is the owner's representative. Therefore, people have the right to know how the state has spent to monitor and supervise easily.

Thirdly, priority of using construction investment capital is given to the national focused and important projects.

Next, the State need to separate the management functions of the State from the production and business functions in order to clearly define the responsibilities and rights of state agencies, investors, consultancy organizations and contractors in whole investment process.

In addition, investment projects belonging to the State budget must be strictly managed by the investment and construction procedures issued by the Government.

Finally, the management of investment capital always goes along with the inspection and supervision by the competent State agencies.

### **3. Overview of the management of construction investment capital from the state budget to the system of central hospitals of Health Ministry.**

#### **3.1. Overview of the Health Ministry and the Central Hospital System**

##### **3.1.1. Overview of the Ministry of Health**

The Ministry of Health is a governmental agency that implements the state management of people's health care and protection, including preventive medicine, medical examination, treatment and rehabilitation, forensic medicine, traditional medicine, pharmacy, cosmetics, food safety and hygiene, medical equipment, population-family planning, production healthcare, government management of public services in the health sector.

The Ministry of Health performs the following main functions:

- Developing strategies, policies and plans for the development of the health sector, including preventive medicine, medical examination and treatment, rehabilitation, maternal and child health care, pharmaceuticals and medical equipment.
- Organizing the management of the public and private health systems throughout the country, and unifying the government management of scientific research and training of medical personnel.
- Interdisciplinary cooperation and international cooperation in the health sector.

Ministry of Health Units include: research institutes, general and specialized hospitals, pharmaceutical corporations, general medical equipment companies, and medical and pharmaceutical training schools.

In terms of finance, the Ministry of Health only manages the financial resources of the units under directly the Ministry of Health, while the financial resources of medical units of other Ministries are under the management of those. The financial resources of local health units are managed by local authorities.

Before 1989, the government provided almost all financial resources for the operation of state-owned medical institutions, resulting in the free medical care to all Vietnamese people.

According to Evaluation Report of Ministry of Public Health (2015), from 1990 to now, there have been significantly fundamental changes in the resources for health care system due to the transformation of the economy from central planning to socialist-oriented market economy. While the state still has played an important role in providing health financing, the policy on hospital fees and health insurance has allowed the mobilization of other financial resources for expenditure of the health sector.

The government has also issued many policies allowing organizations and individuals to participate in the private medicine. In addition, there are financial resources provided by non-refundable or preferential loans from international organizations, governments, non-governmental organizations and foreign individuals.

### 3.1.2. An overview of the central hospital system

According to Article 3,4, 5, 6 of the Health Ministry's Circular No. 40/2015 / TT-BYT of November 16, 2015 on the classification of hospitals based on the Health Ministry's regulations, the hospital class ( first or second)depends on many factors such as: facilities, the quality of staffs and so on.

According to the Prime Minister's Decision No. 246 / QD-TTg dated February 12, 2014 on the promulgation of the list of public service units under the Ministry of Health, Vietnam currently has 34 central hospitals includes: Bach Mai hospital, National K hospital, Vietnam Friendship hospital, Vietnam National Hospital of Pediatrics, Viet Duc hospital, National Lung hospital, National Hospital of Endocrinology, National Institute of Ophthalmology, National Hospital of Obstetrics and Gynecology, National E hospital, National Otorhinolaryngology hospital, National Hospital of Odonto-Stomatology, Vietnam National Institute of Burns, Vietnam National Institute of Gerontology, National Hospital of

Tropical Diseases, National Institute of Dermatology Venereology Vietnam, National Institute of Hematology and Blood Transfusion, National Psychiatric hospital No.1, Cho Ray hospital, Thong Nhat hospital, National hospital of Odonto-Stomatology Ho Chi Minh City, Hue Central hospital, National Psychiatric hospital No.2, Da Nang C hospital, Can Tho Central hospital, Quy Hoa National Leprosy Dermatology hospital, Phu Yen National Lung hospital, National Rehabilitation hospital and Sanatorium, Central hospital Number 71, Thai Nguyen National General hospital, Uong Bi Vietnam – Sweden hospital, Quang Nam Central General hospital, Vietnam – Cuba hospital of Friendship, Quynh Lap National Leprosy and Dermatology hospital.

Central hospitals are built in major cities or regional centers. They also have the highest level of technical expertise in the field of health care and are responsible for providing health care services that are not available in lower level hospitals.

### **3.2. Management of construction investment capital from the state budget of the Ministry of Health to the central hospital system.**

3.2.1. Legal documents systems about the management of construction investment capital from the state budget

The management of construction investment capital is based on the system of mechanisms and policies of the State. In order to have a comprehensive and clear view of the management of construction investment capital from the state budget, there are huge amount of legal documents from many sectors and branches, such as State budget, Investment, construction, land and environment management and so on. In which, the most important legal documents are from state budget management, investment and construction, and bidding.

- The Prime Minister of Vietnam(1999), Resolution No.52/1999/NĐ-CP about legal proceedings of management construction investment project.
- The National Assembly of Vietnam(2005), Investment law No.2005/QH11
- The Prime Minister of Vietnam(2009) , Resolution No.112/2009/NĐ-CP about management the cost of construction investment.
- The Prime Minister of Vietnam(2009), Resolution No.112/2009/NĐ-CP about investment monitoring and evaluation.
- The Prime Minister of Vietnam(2010), Resolution No.48/2010/NĐ-CP about construction contract.

- The Prime Minister of Vietnam(2011), Resolution No.86/2011/NĐ-CP about inspection and examination of construction investment project.
- The National Assembly of Vietnam(2013), Bidding law No.43/2013/QH13
- The Prime Minister of Vietnam(2015), Resolution No.59/2015/NĐ-CP about management construction investment project.
- The National Assembly of Vietnam(2015), State budget law No.83/2015/QH13
- Ministry of Finance(2016), Resolution No.108/2016/TT-BTC about rule of management and payment investment capital from National budget

With the large amount of documents, the mechanism has always been replenished and changed many times while the guiding documents have been issued lately as well as their contents are not consistent or overlapping, causing many huge obstacles and difficulties for the construction investment capital manager in general as well as the Ministry of Health in particular.

### 3.2.2. Management of construction investment capital from the state budget to the central hospital system of the Ministry of Health

#### A. Planning and allocations of construction investment capital from the state budget to the central hospital system.

The planning of investment capital to the central hospital system must represent the sources of investment capital planned by the Ministry of Health

According to the State Budget Law (2015), based on the progress and objectives of project, the investor makes the investment capital plan and then sends the project to the Ministry of Health. After that, the Ministry of Health considers and sends it to the Ministry of Planning and Investment. Finally, both ministries will synthesize and report to the Prime Minister in order to submit the National Assembly for the allocation of investment capital.

Based on the total capital approved by the National Assembly, the Prime Minister assigned the Ministry of Health to allocate capital to the projects of the central hospital system. To be more specific, the allocation investment capital is calculated on the basis of population, development level and natural area according to the Government's Decision No. 210 / QĐ-TTg on principles, criteria and norm of allocation determination of development and investment expenditures from state budget funds.

#### B. Advance payment of investment capital

According to the State Budget Law (2015), advance payment of investment capital is the process of the State Treasury to implement the proposal of the Ministry of Health to

advance and pay the investment capital to the contractor. The mechanism of controlling the payment of investment capital from the state budget is important in minimizing losses and negatives in construction investment capital, improving the use of construction investment capital efficiently from the state budget.

#### C. Final settlement of investment capital

All investment projects funded by the state budget have to settle all legal expenses incurred in the progress of investment in order to put the projects into use.

The State Budget Law (2015) allows the settlement of investment capital in two forms

- Final settlement of investment capital by budget year: at the end of the year, the Ministry of Health compile a table of payment of investment capital for projects of the central hospital system in the financial year as well as the payment amount from the start of construction to the end of the budget year and then send to the State Treasury.

#### **4. Conclusion**

This chapter has reviewed previous theoretical and empirical studies to provide an understanding of management capital construction investment fund from state budget of Ministry of Public Health to national hospital system. It has discussed the main factors that affect management of capital construction investment fund from national budget. However, there is no previous study concentrating on the influence of management capital construction investment fund from state budget of Ministry of Public Health to national hospital system. Therefore, it is necessary to conduct an empirical research about this. The next chapter will introduce research methods used to collect and analyse data.

## **Chapter 3: Methodology**

### **1. Introduction**

This chapter describes the research method employed to collect and analyze data. To specify, the research philosophy, process, approach, design, data collection and data analysis of the research will be explained.

### **2. Research process**

The 08-step-research process developed by Canvana et al. (2001) was selected by the author to apply for the research. The 08 steps are specified as follows:

- Define the catalysis of the research (Reason for selecting the topic)
- Collect information and theoretical overview
- Define problem
- Develop the research framework
- Identify purpose of the research
- Collect data
- Analyze data
- Explain and interpret the findings

First of all, the economy of our country in the past years has been stable with high growth rate, mainly thanks to the policy of increasing investment in technical infrastructure construction contributing significantly to the annual GDP growth rate, enhancing economic potential, improving the material and spiritual life of the people. Therefore, demand on health protection of the people is increasing. Every day, thousands of people come to the central hospital for health examination and treatment leading to overload due to lack of infrastructure as well as material and equipment and there are always more than one patient per bed. So, investment in upgrading and building new infrastructure as well as purchase of modern equipment are the particular concern of the government and the government also deduct a large part of the State budget to invest in basic construction of the hospital system every year. However, management of capital for basic construction from the State budget to the central hospital system under the Ministry of Health still remain many inadequacies. For example, the planning is not aligned with the general objective, investment decisions and policies are ineffective, investment is scattered causing loss and waste in all stages of the investment process. Therefore, the good management of investment in building the central hospital

system will improve efficiency of using the State budget. After defining the catalysis of the research, the author will collect secondary data by reviewing relevant theoretical and practical data. The next step is the management of investment in basic construction from the State budget from the Ministry of Health to the central hospital system. After that, set up framework and research questions to clarify purpose of the research. After applying the method of research, data will be collected and analyzed to get result as well as conclusion and recommendation.

### **3. Research method**

Research methods can be roughly divided into two types: qualitative and quantitative methods. While the quantitative research method is used on numerical data that allows the researcher to quantify the research problem in some way, the qualitative research method is suitable for explorative research and nuanced interpretations (Cavana et al., 2000).

In this study, I rely on two kinds of research methods: descriptive statistics and qualitative content analysis. First of all, by using descriptive statistics, I summarize numerical data on different projects and fund capital from 2012 to 2016 in order to see the efficiency of construction investment capital.

Qualitative method is suitable for creating an understanding of a given research problem or topic from the perspective of the local population it involves (Cavana et al., 2000). In these methods, content analysis is a widely used qualitative research technique in order to indicate the presence of interesting, meaningful patterns (Cavanagh, 1997). By combining survey and interview methods, I shed light on the construction investment capital in ministry of health in Vietnam from the perspective of key actors. There also are a lot of advantages in collecting data using surveys and interviews. Firstly, it is easier to find the answer for in-depth questions and the interviewee may present some new points of view which the researcher has not known yet. In addition, the interviewer may control the problem easily. However, interview method still has many disadvantages. Arranging meetings with interviewees, preparing a set of questions in advance, and transcribing the interviews can take a lot of time.

### **4. Methods of collecting and analyzing data**

The primary data is collected from documents and reports of departments under Ministry of Health as well as project profiles of the hospitals under the Central hospital system. The author aimed at collecting documentation, which related to management of Capital Construction Investment Fund from National Budget of Ministry of Public Health of Vietnam to the national hospital system during the period from 2001 to 2016. However, there is a

limitation of collected documents from 2001 to 2010. Almost documents, which were collected, were from 2012 to 2016. After 20 days collecting the document from 6<sup>th</sup> February 2017 to 25<sup>th</sup> February 2017, the author collected 86 documents and reports, which related to paper, including: 32 documents and reports of Ministry of Public Health, 12 others of Ministry of Finance and Ministry of Construction, 6 related laws , 24 related decrees and 12 project files.

Although there were many reports, data and profiles relating to projects of basic construction of the central hospital system, there is a lack of secondary data relating to effect of the management to use of the State budget in investment in basic construction of the system. According to Nguyen Bao Ve(2010), there are many methods to collect data and information and the interview – answer method is one of the effective methods. By using the interview – answer method along with collection of relevant data, document and reports, the author will more easily grasp the effect of management on the efficiency of the use of State budget through the direct views of those who directly manage the funding.

The author interviewed cadres working at the departments relating to the use of the State budget in the basic construction of Ministry of Health (For example: Department of Finance and Planning, Department of Medical Equipment...) as well as leaders of hospitals under the central hospital system where there are projects of basic construction. The author used questionnaire technique when conducting survey. A questionnaire was designed with 10 questions which interdependent management of capital construction investment from national budget to the national hospital. The survey questions are in multiple choice formats and interval scale formats in order to gather standard data which is based on literature review. The questionnaire was firstly designed in Vietnamese and distributed to Vietnamese respondents. The paper survey was handed over to 30 respondents including: 4 staffs and chief of Department of Finance and Planning of Ministry of Health, 4 staffs and deputy chiefs of Department of Medical Equipment of Ministry of Health, 4 deputy chiefs and chief of Inspector of the Ministry of Health, 5 staffs of Project Management of Ministry of Construction, 5 staffs of Department of National Budget of Ministry of Finance and director, 3 deputy directors and chief accountant of Bach Mai hospital. After 5 days launching the questionnaire from 28<sup>th</sup>February 2017 to 2<sup>nd</sup>March 2017, the investigation received 30 responses from paper survey.

#### ❖ Reliability and accuracy

According to Saunder, Lewis & Thornhill (2003), the reliability and accuracy of the collected data will depend on design of questions and structure of question. The questions

must be understood by the respondent in the way which the researcher intended and the researchers must understand answers in the way which the respondent intended.

## **5. Conclusion**

This chapter shows information about research methodology of this study including research process, research approaches, data collection and analysis. The next chapter will give a deep explanation, discussion and analysis of the results.

## Chapter 4: Results

### 1. Introduction

This chapter presents the results of research, analyses and discusses to reveal the influence of management on effective of using National Budget of Ministry of Health on construction investment of national hospital system.

### 2. The situation of implementation of construction investment capital from the State budget under the Health Ministry to the central hospital system

The Ministry of Health is assigned by the Government to directly manage the medical facilities of the central hospital system, including 34 hospitals in Ha Noi, Ho Chi Minh City, Hue and Da Nang and other regions. All units have been renovated and upgraded at least 1 project.

Currently, according to the health system development plan up to 2020, most of the units are developed in scale and have the need to build the second unit. In addition, the new established units have urgent needs for construction of setting up a new work base, requiring building land. The change of form from investment in renovating, building on the current land to the expansion or new construction on the new areas has a profound impact on investment in medical constructions.

According to the report of the Planning and Finance Department of the Health Ministry, the demand for capital construction investment of the health sector is significantly large. It showed that in the five years (2010-2015), an average of VND 3,140 billion is needed annually while the total state investment in the Ministry of Health is only about 1,120 billion VND, which has gradually increased but only meets more than 35% of investment demand. The imbalance between the demand and the capital investment supply stretches investment over time, reducing its efficiency. Demand and the capital investment supply are shown in the years shown in Table 1.

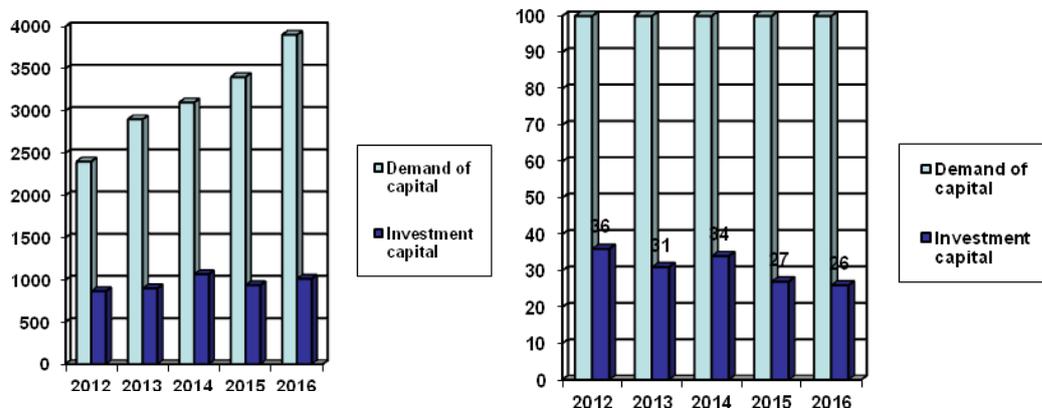
**Table 1: Capital construction investment to national hospital system during the period from 2012 to 2016**

Unit: Billion VND

Ordinal	Year	Projects	Demand of capital	Capital investment
1	2012	32	2400	865
2	2013	30	2900	897.8
3	2014	34	3100	1064.7
4	2015	41	3400	935.8
5	2016	36	3900	1012.2

Source: Report of Conference of Construction investment during the period 2012-2016 of Ministry of Health

**Diagram 1: Comparing demand for capital and investment capital for building National hospital system of Ministry of Health during the period from 2012 to 2016**



During the period from 2012 to 2016, demand of capital increased continuously from 2400 billion VND in 2012 to 3900 billion VND in 2016. However, demand of capital is not demanded by investment capital.

The management and use of construction investment capital from the state budget to the central hospital system in recent years of the Ministry of Health has improved greatly, contributing to the achievements of construction investment. However, there are still many significant problems in the management of construction investment capital of the central hospital system, causing the waste. By analyzing and assessing the management of capital construction investment capital from the State of the Ministry of Health to the central hospital

system in the past, the advantages and disadvantages of the management would be considered carefully and clearly.

## **2.1. Decentralization of the management of construction investment capital from the state of the Ministry of Health to the central hospital system.**

It is true that the decentralization of the management of construction investment capital creates the favorable conditions, speeding up the progress of project as well as strengthening the responsibility of the subordinates in investment project. As a result, they are more active and responsible for the management of construction investment capital.

On the other hand, the expansion of decentralization of construction investment capital management by the Ministry of Health also leads to many inadequacies. Studying the decentralization of Health Ministry management shows a number of emerging issues.

### **a. The authority to decide**

According to the Government issued Decree No. 52/1999 / ND-CP, Decree No. 12/2000 / ND-CP and Decree No. 07/2003 / ND-CP on management of construction investment projects, the ministries and local governments have assigned to decide the whole process of investment from appraisal to approval.

Also, according to the Decree No. 16/2005 / ND-CP; Decree No. 112/2006 / ND-CP and Decree No. 12/2009 / ND-CP on management of construction investment projects and Decision No. 37/2007 / QD-BYT of the Ministry of Health on regulations of the management of construction investment projects, the Ministry of Health is the only decision maker for investment projects in health sector, which means that the Ministry of Health has not decentralize the decision authority to the subordinates.

### **b. The authority of state management**

Regarding the assignment of functions and tasks in the management of construction investment capital of the Ministry of Health, there are still many inadequacies. The responsibilities of the functional departments are also cross-over. It is especially showed in the coordination between the two departments advising the Minister, the Department of Planning and Finance and the Department of Medical Equipment and Construction. For example, in the process of capital announcement, the investors must work with the two departments in order to have two capital notices: one will announce the total amount of capital by the Department of Planning and Finance and the other is capital structure information by Department of Medical Equipment and Construction .

Based on the Decree 12/2009 / ND-CP issued by the Government on the management of investment projects, the Ministry of Health has assigned the owners of project to approve the technical design and general budget of the central hospital system project after the approval of the basic design by Health Ministry in accordance with the provisions of the law. This decentralization has created favorable conditions for owners to take the initiative in implementing the project, increasing their powers and responsibilities. With incompetent developers, the design appraisal is assigned to the consulting organization.

In recent years, the preparation, appraisal and approval of the technical design of the general estimated budget has been carefully monitored by the Ministry of Health in order to obey the state laws of construction management. However, there are still a number of projects that do not have the technical design and the total estimated cost, but only design and estimate works such as construction projects Central Hospital of Endocrinology

For the constructions of the central hospital system, the construction items have many particular characteristics, so there are many complicated items. As a result, the cost estimation faces many difficulties from dispatch volume to procurement of construction equipment, causing the low quality projects or some over-estimation or the un-detailed drawings. There are also some design contents that are not suitable with the requirements of using, surveying and selecting. Therefore, the design, estimation estimate for some renovation works still many mistakes, the application of unreliable unit price leads to inaccurate bid evaluation.

Some design consultancy agencies lack capacity and have no experience in specific works of the health sector, so the design quality is not high. The design dossiers must be revised and adjusted many times during the construction process. In addition, the author's supervision is not carried out regularly by the design consultancy, leading to the fact that when there is the design change, it cannot be handled in time in the field.

Although most of the estimations are evaluated and approved by the consulting agency and the investor in obedience of the current state regimes and policies, and then are verified by other consultancy before being submitted for approval, the price estimations are not accurate in terms of prognosis and unit price. The application of actual or provisional prices to volumes not included in the unit price of the area does not have sufficient legal basis.

So far, despite a lot of efforts in the appraisal and approval of technical design - total cost estimate, but the quality is not high enough. There are still some shortcomings that have been timely repaired by the Ministry of Health such as: Approval of the technical design-total cost estimate of many gas projects without technical design documentation and total detailed cost estimate, or approval based on literature review of the investment preparation phase.

In summary, the capacity of the investor is limited, causing many difficulties from the stage of project planning to the implementation of the project. Until now, there is no reasonable solution for this problem.

## **2.2. The situation of the management of capital construction investment fund from national budget of Ministry of Health to National hospital system**

### **2.2.1. Planning the allocation of investment capital:**

Making plan and allocation of investment capital is one of essential stages in the process of investment capital management. Successful investment capital allocation has positive influence on the implementation of the investment capital management process. However, it actually finds hard to assess the investment capital management process of national hospital system's project because the State has had no detailed regulations and consistent form in this field.

Nevertheless, the existence and development of Ministry of Health over the years are possible to assess capital construction investment management in general and the investment capital allocation in particular. In fact, it has complied with the provisions of the law, and allocated funds to projects which have sufficient investment procedures in the list of investments under the annual plan.

Annually, the allocation of investment capital is implemented under the five-year plan and annual budget allocation plan of the Ministry of Health, based on the approved project and the project duration. Ministry of Health has the plan of funds allocation to each project; yet it still focuses on priority capital for basic construction investment projects to upgrade and build new central hospitals.

In question number 6 about the implementation of plan preparation and capital allocation of paper survey, when interviewing 30 people, there are 19 respondents think that planning and capital allocation is effective. Besides that, Mr. Nguyen Ngoc Hien – deputy director of finance of Bach Mai hospital, who is the key interviewee, thinks that the annual allocation of investment capital is closer to the condition of the Ministry of Health's capital resources than before. There is no separation between the authorized person and the person who executes the capital for the project. Therefore, it leads to restrict mass investment and the number of approved projects with scarce capital. It is clear that the Ministry of Health has achieved a certain level of success from planning and allocating capital construction investment.

In spite of that, some limitations remain in planning and allocating capital construction investment:

- The mechanism of allocating capital for capital construction investment is to prepare funds by the year in short-term, while the project execution process from investment preparation to completion is possible to last several years. The number of projects and constructions, which used investment budget from the State budget of Ministry of Health, has tended to increase over the years. This rate does not always correspond with the growth rate of capital construction investment; so many projects cannot be implemented although they are capitalized.

**TABLE 2: Capital allocation based on group structure of National hospital system during the period 2012-2016**

Unit: Billion VNĐ

Ordinal	Year	Projects	Total of capital investment	Capital investment					
				Group A		Group B		Group C	
				Proj-ects	Capit-al	Proj-ects	Capit-al	Proj-ects	Capit-al
1	2012	32	865.7	5	508.9	22	354.5	5	2.3
2	2013	30	897.8	5	499.2	24	393.7	1	4.9
3	2014	34	1064.7	2	439.2	20	576.4	12	49.1
4	2015	41	935.8	2	335.18	30	561.12	9	39.5
5	2016	36	1011.2	2	315	29	667.9	5	28.3

Source: Report of capital construction of Ministry of Public Health during the period 2012-2016

We can see from the table 2, in 2012, the Ministry of Health allocated funds for the right sectors with 32 projects, 30 projects in 2013, and 34 projects in 2014; in particular for projects of category A, B, C and investment preparation category. From 2012 to 2013, the Ministry of Health was prioritized investment for key projects such as Hanoi Medical University, Ho Chi Minh City Medical and Pharmaceutical University, Bach Mai Hospital, K

Hospital, Huu Nghi Hospital, Thong Nhat Hospital, and C Hospital. The Mekong Delta was concentrated investment with hundreds of billions VND for each unit, such as as Medical University Can Tho, Can Tho Central General Hospital, National hospital of Tropical Diseases.

There was a significant increase of project from 34 projects in 2014 to 41 projects in 2015 because of Resolution No.46 of the Tenth Party Congress of the Politburo, 2014. To be more specific, the Resolution No.46 emphasized the reinforcement and improvement of grassroots healthcare network on facilities, equipment and staff; as well as the construction and upgrade of hospitals. Therefore, the State has been investing considerably to make a breakthrough to upgrade medical facilities, enhance grassroots healthcare network, preventive healthcare, general Hospital.

In 2016, the number of projects also decreased by 5 projects from 2015.

Firstly, the demand for invested capital for units in the following year was higher than the previous year; yet the total investment and development capital provided from State's budget in 2015 was lower than 2014. Specically, 2014 had 1.064.700 million; and 2015 had VND 935.800 million (down by 22%). On the other hand, annual investment and development capital of the State budget grew by about 15% to allocatto the health sector. Thus, in essence, the investment capital plan of building units under the health sector in 2015 decreased by 40% compared to previous years.

Secondly, the price of construction steel, major construction materials, machines and labor costs have been increased by 25-30% since 2014; so most of the projects was increased the total invested capital. Despite reviewing each project to cut down costs, the allocation of capital in 2015 was still a diffusion of capital and insufficient funds for some completed projects (such as National Hospital of Endocrinology2,...).

Thirdly, because the implementing guidelines of the State were not updated following to in the fluctuations of price, the contractors decided to stop "executing the work" and extent "progress"; so most of projects was implemented in time in accordance with the regulations (project of Category B - 5 years). They only focused on complete work items in process, even after the review.

Fourth, because the bank increased interest rates on loans, contractors "did not dare" to advance capital for construction. They just advanced capital according to the plan and solvency of investors, so it led to behind schedule and high costs due to slippage in prices and Execution schedule.

In 2015, The Ministry of Health allocated capital construction investment from Nation Budget for 2 projects of Category A of Nation hospital system, 30 projects of Category B projects of Nation hospital system and 9 projects of Category C of Nation hospital system to carry out necessary, urgent and efficient projects. While the capital was limited, the huge demand of investment make the capital allocation meet many difficulties. In fact, many projects really required capital to accelerate the progress of implementing the project, as well as complete project on time and put into use, in spite of the limited level of capital. The renovation project and the upgrade of Huu Nghi Hospital with 25 billion dong, Thong Nhat Hospital with 15 billion dong, Danang Hospital C with 15 billion dong, and so on. However, the allocation of capital for projects was still a diffusion of capital, non-compliance with the principle under the Prime Minister’s Decision No. 21/2015/QD-TTg of March 12, 2015, which promulgating principles, criteria and norms for allocating state-budget development investment expenditures during 2015-2020. In fact, the capital was allocated to 12 projects in category B over 5 years and 2 projects in category C over 3 years. Some projects incurred outstanding loans due to insufficient fund.

In summary, based on the plan of allocating of investment capital reasonably among projects in Category A, B, C and completed projects and new construction, it helps the investors to implement the project on schedule, put into use soon, and meet the requirements of facilities, technical infrastructure and equipment for the examination and treatment of patients.

Some projects could not be implemented in the right way as the plan because of changes in planning, project scope, design as well as abnormal fluctuations of raw material prices, and changing exchange rates in foreign currencies, or the issuance of new regulations and policies on change the price of construction sites.

**Table 3: Register for capital adjustment of Ministry of Health**

Ordinal	Year	Completed projects	Adjustment projects	Value of adjustment capital investment (billion VNĐ)
1	2012	9	4	138
2	2013	12	7	30
3	2014	10	6	45

4	2015	11	7	48
5	2016	12	8	30

Source: Report of planning allocation capital of Ministry of Health

Due to the specific characteristics of Ministry of Health's investment projects, it was hard to implement both development and exploitation at the same time with purpose of meeting the demand for daily medical examination and treatment. Table 3 shows that from 2013 to 2016 the value of adjustment capital investment was not much although the number of projects, which had to be adjusted capital annually, is large. In particular, in 2012, only 4 projects were approved adjustment with 138 billion of total amount of adjusted fund due to change a project in category A.

#### 2.2.2. Advances, repay invested capital

Advances of investment capital to contractors: because the characteristics of construction investment projects often was great value, contractors had no enough financial ability to implement when period of execution is extended up. Therefore, to have sufficient fund, The Ministry of Health, on behalf of the State, had to advance capital to the contractors in order to prepare essential conditions for the implementation of the project. In general, the payment and the capital construction advance of the central hospital system under the Ministry of Health complied with the provisions of law. The mechanism of the capital construction advance following to from Circular No. 27 to Circular No. 130; and now Decree No. 48 on contracts related to construction activities has been increasingly well-organize and reasonable. Instead of tightening the level of capital advance, the conditions were clearly provided. Specifically the capital advance was not controlled at the maximum level in Circular No.27; although the minimum level was presented in Circular No.130. Now, Decree No.48 was regulated the maximum level of capital advance and the repayment from the first payment to overcome the situation of freeze funds from the contractor. We can look at below table to understand the process of managing the capital investment advance that was supplemented and modified logically and effectively by the State budget .

Criteria	Circular no.27	Circular no.130	Decree no.48
Advanced object	All packages of investment process	All packages of investment process	All packages of investment process

Advanced level	Maximum	Minimum	Maximum is 50%
Proviso of advanced	-	Depending on construction contract	Depending on construction contract
Withdrawal of advance payment	First withdrawal when payment is up to 30% contract value, full withdrawal when payment is up to 80% contract value	First withdrawal when first payment is made, full withdrawal when payment is up to 80% contract value	First withdrawal when first payment is made, the recovery rate of advance payment shall be agreed upon by the two parties and up to 80% of the contract value
Using advance payment for proper purpose	-	-	Contract will be end if the advance payment is used for wrong purpose
Withdrawal of advance payment	First withdrawal when payment is up to 30% contract value, full withdrawal when payment is up to 80% contract value	First withdrawal when first payment is made, full withdrawal when payment is up to 80% contract value	First withdrawal when first payment is made, the recovery rate of advance payment shall be agreed upon by the two parties and up to 80% of the contract value

As shown in the table above, it is clear that the management of advances under Decree No.48/2010 / ND-CP dated 07/05/2010 issued by the Government is logical and effective for overcoming the shortcomings of Circular No.27 and Circular No.130 issued by the Government. The maximum level of advances in Circular No.27 leads to borrowing funds for the implementation of construction, behind schedule, and quality degradation due to

insufficient funds. The Circular No.130 has overcome the limitations of Circular No.27 by mentioning the minimum level of capital advances without the maximum amount of capital advances; so it leads to the possibility of connection between investors and contractors. The Decree No.48/2010 / ND-CP has surmounted the drawbacks of Circular No.7 and Circular No.130 by prescribing 50% of the maximum level of capital advances.

In addition, Circular No. 130 and Decree No.48 strictly regulated the conditions of advances and advances management; specifically the contractor must pay the guarantee advance and comply with the construction contract to ensure full capital and prevent possible risks for investors (overcome many limitations of Circular No.27). Moreover, Decree No.48 prescribed that the investor must take responsibility with the contractor to calculate reasonable amount of advances and manage the use of capital advance with the right purposes and the right beneficiaries. The investor must have the obligation and responsibility to terminate the contract and revoke the capital advance, which used for wrong purposes. The establishment of Decree No.48 is a very useful for the Ministry of Health to manage the investment capital advance to avoid a lot of negative factors and problems in the management of capital advance.

The reimbursement to the State is carried out in accordance with the decision of the Prime Minister and the guidance of the higher-level agency; however, there still exists problems due to low annual capital allocated by units under the Ministry of Health to recover.

The Ministry of Health is to manage capital construction investment for the central hospital system, so the process of advance payment of capital investment is taken place at project management units for individual projects within the responsibility of the Ministry of Health.

According to Nguyen Nam Lien-Chief of Financial and Planning Department of Ministry of Health, who was interviewed as part of the survey, the payment of capital investment was generally slow and uneven. In fact, the small volume of construction works was completed in the first quarter and second quarter; the volume in the third quarter is greater than the first quarter and the second quarter; the fourth quarter had the large number of construction with approximately 60% of the total value. The value of completed construction works was transferred to next year considerable (the disbursement in January next year is about 20% of the plan). In addition, the proposed payment volume sometimes did not follow to estimation and drawings, and exist debt due to lack of investment procedures.

### 2.2.3. Finalization of completed projects

Finalization of investment projects and the completed work is the most important and complexity tasks. Over the past years, the Ministry of Finance has tried to improve the regulatory infrastructure, thus the balance sheets have been finalized and compliant with current management requirements. However, the investors are still remaining the psychology of rely on upper management agencies or managers change, it leads to many constructions which have been completed but haven't finished contract finalization of constructions (For example, National Hospital of Endocrinology 2 has been operated since 2015 but they haven't finished contract finalization). Depending on the resolute direction from Government and Ministry of Health, the finalization of completed projects have been effectively and positively implemented by all the departments, according to the data reported from Ministry of Health's Conference on Investment management about standards construction 2016.

**Table 4: Finalization of capital based on planning**

Unit: Billion

Ordinal	Year	Completed projects	Value of capital investment
1	2012	9	300
2	2013	12	402
3	2014	10	105
4	2015	11	485
5	2016	12	385
<b>Total</b>		<b>54</b>	<b>1677</b>

Source: The construction investment Report of Annual Conference of Ministry of Health in 2016

There are 54 completed projects of the Ministry of Health for 2012-2016, the Ministry of Health have been examined and approved the finalization of investment for 34 completed projects with valuable of 1055.98 Billion VND and it occupies 63% of projects which have been finished on time.

However, some departments still have projects which are completed but they don't have approval yet. At present, the total of projects that have been finalized and approved in 6 months is 20 projects, there are 15 projects on group B and 5 projects on group C. In addition,

6 completed projects are approved but have not completely processed finalization of accounts. The number of projects that have completed administrative and procedures awaiting verification until the year 2016 is about 6 projects, the number of projects tends to decrease than previous years. However, the project appraisal time is still slow, sometimes it doesn't meet the right time.

The annual report on finalization of capital according to the Ministry of Finance's Circular No. 53/2012 / TT-BTC June 23rd, 2012 about guiding for create and appraise the report on settlement of capital construction investment capital from the state budget according to the annual budget; And the Order No. 214/2010 / QD-BTC December 28th, 2010 on the promulgation of the accounting regime applicable to investors who have been strictly complied with by the investors, but the progress has been slower than the regulations. About the quarterly and monthly reporting and investment monitoring and evaluation, most of the departments have not paid due attention to the regulations of the State. Some departments still have not made a report on the annual plan on the basis of annual capital settlement with the local treasury, creating many difficulties to the fund allocation as well as the summarization of disbursement situation of the Ministry of Health

#### 2.2.4. Inspection and supervision of the quality of works

In the processing of work construction and installation, the technical and quality control of works, the pre-acceptance test of works shall comply with the regulations on supervision of the working quality which already promulgated by the Ministry of Construction. The capital allocation and payment must ensure that the acceptance criteria, volume, quality and unit prices of construction and installation have been met exactly requirements from the approved designs, cost estimates, bidding documents and committed contracts. Insufficiently generated volumes, unsuitable materials and construction volumes, unqualified unit prices will not have any payments and must be excluded from the settlement value of the projects. Finally, finalization of investment capital is to verify and approve the settlement although determine the total investment capital structure which are implemented.

The project management board that established or leased by the investor must have enough technicians in the fields of architecture, construction, installation, electricity and water supply suitable to each projects or working items. Working surveillance staffs, technical inspectors, consultants, contractors and investors must fully bear to responsibility before law for any errors that have been happen in the processing of construction.

In the processing of investment execution, the investors must archive all relevant dossiers, report and documents; and they must produce fully of them to a competent State

agency. Annually, the Ministry of Health will set up inspection teams to inspect construction investment management of all projects that have been implemented. The inspection and examination teams must have fully responsibility to review the implementation of the above-mentioned provisions, urge the progress, remedy in time the errors and report the situation of investment implementation to the Ministry of Health Take measures to adjust and handle in time.

To carry out the Government's Prime Minister's task of intensifying the inspection and examination of the management of the using State capital are in order to detect, prevent and promptly handle violations. Annually, the Ministry of Health must plan an inspection teams, inspect and supervise the investment and procurement activities and work on capital construction at the hospital attached to the Ministry. Annually, the Ministry of Health must plan an inspection team, which can inspect and supervise the investment and procurement activities and work on capital constructions at the establishments attached to the Ministry. Through inspections from the stage of survey, design and project, inspectors have detected many mistakes in standard of construction investments and commonly in investment stages. By failing to complete the steps of the survey such as exploration drilling, specifically measured in the field, the construction must change, adjust many times when plan and construct projects. In the course of construction, the main errors are the misuse of materials, incorrect designs, lack of volumes, incorrect process of constructions thus it affects to the quality of works, reducing the effectiveness of the project.

Construction supervisions have been selected from the professional consulting agency by investors and it helps investors to supervise the construction works. However, the supervision is still not tight enough, many phenomenon of acceptance payment is not accurate, highly in finalization constructions, diversity in finalization and the reality of setting value is lower than finalization in papers. According to the report of the Health Inspectorate in 2016, it also found contractors bidding for volume reduction, project planning was not met the requirement of financial capacity; construction was not met with the approved cost which had been estimated, Materials and has been truncated and it announced to withdraw 680 million VND to pay the state budget.

However, Mr. Vu Sy Van- Deputy Chief of Inspector of the Ministry of Health, who is a respondent, answered in questionnaire that the inspection and examination of the Ministry has not been regular and continuous. He also added while the number of projects and works inspected is large, there is a limitation in the human resource of Inspector. It lead to the fact that the inspection and examination of equipment have mainly beenonly checked on related

documents, but not on the implementation of projects as well as the quality of projects proceed. Therefore, inspection and examination has not reached to the high quality.

In general, the inspection and examination of Construction Investment management National hospital system is not be comprehensive and completed. It mainly focused on the implementation phase of investment and after the works have been finalized. Moreover, it was not paying attention to the stage of investment decision, approval of investment projects.

### **3. Evaluation on the situation of management of capital construction investment from the Nation Budget of the Ministry of Health to National hospital system.**

#### **3.1. The result of management in capital construction investment of the Ministry of Health to national hospital system.**

In 5 years (2012-2016), the State budget just allowed construction investment of National hospital system about 3,500 billion VND of construction capital of the central hospital system, renovation, and 54 new construction with VND 1.677 billion of the final settlement value. In particular, the Ministry concentrated investment in purchasing equipment and construction of infrastructure facilities. Over 5 years, the National hospital system were equipped and invested modern equipment such as CT-Scanner machines (15 units), magnetic resonators (06 units), linear accelerator for cancer treatment (05 ones), so on. National hospitals have expanded and improved the quality of service. Moreover, a series of medical construction works have been completed and put into use with high quality such as Bach Mai Hospital, Viet Duc Hospital (6-storey house), The National Hospital of Traditional Medicine.

Besides the guidance on executives, because the state has issued many additional regulations over years, The Ministry of Health organizes and invites the Ministries to enjoy training course and guide new rules and regulations to investors.

The leaders of the Ministry of Health paid attention to direct the management of investment in accordance with the State regulations on management of investment in bidding. The Ministry of Health established the Advisory Council on management construction investment of the Ministry of Health (Decision No. 4729 / QD-BYT dated December 27, 2011), which Nguyen Viet Tien - Deputy minister – was Chairman of Council. The Ministry of Health developed the process of management and implementation in construction investment so as to help the investor to carry out the stages. Thus, the units of the Ministry of Health are executed well and fully in accordance with the regulations of the State.

Regarding the mobilization, allocation and use of investment capital for projects, the Ministry of Health has always ensured the principle: Allocating and assigning capital to

projects that having sufficient procedures as regulations of the State; prioritizing allocations for project in Category A, reciprocal capital of ODA projects, project in Category B and Category C in order to fulfill completion time of project on time according to the State's assignments; prioritizing to projects using the Vietnam Development Bank's loans; giving priority to projects or items for completed works, compensation for ground clearance and limited allocation of capital to new construction projects. All projects have implemented investment based on planned capital.

From 2012 to now, the Ministry of Health has carried out the examination and approval of balancing the capital for 34 completed projects with the value of VND 1,055.98 billion, accounted for 63% of the completed projects.

For the of the inspection and examination, Ministry of Health carried out annually following to the Prime Minister's directive plan. Besides, the Ministry of Health cooperated regularly and actively with the inspectors in Ministry of Finance The State Auditor and the Inspectors in the Ministry of Construction to conducte inspections and examination of construction investment projects of each units of the Ministry of Health.

In the training courses on Management of Construction investment in 2017 of Ministry of Health, Mr. Dang Van Chinh, who is Chief of Inspector of the Ministry of Health, said that Inspection and examination showed that investment projects were executed as following to the current regulations of the State, and the investment policy has met the demand of sector development. In fact, the investment projects had no big mistake or dectection of Corruption phenomenon with big losses. There are recommendations to draw experience in the management of investment capital after each inspection.

### **3.2. Limitation in the management capital construction investment from State Budget of the Ministry of Health to National hospital system.**

#### **3.2.1. Limitations in planning and allocating capital investment**

Some construction works, which are allocated investment capital, were not carried out on schedule, so it led to extended time and overcapacity, while other projects have suffered from lack of capital and the volume of construction works.

According to law on the State Budget, the allocation of funds is the work of the planning department. However, because of no coordination mechanism, the role of the financial agency involved in the allocation of annual investment plans is separated currently between the project investment holder (Minister Is the person who decides to invest in the project but does not decide to allocate the plan) to the person that allocating the capital to the

project (Financial Planning Department). Therefore, it leads to lots of approved projects with the small number of works and dispersed funds

The capital in plan was much lower than the demand of annual investment, allocation of the investment funds was a diffusion without relying on the approved total budget, so it leads to the verification of the demand of capital for inaccurate projects, and unreasonable allocation of capital. Due to unreasonable allocation of capital, it was necessary to adjust the capital in plan many times. It was difficult to disburse for some projects, lasting until December, that have not been adjusted.

The situation of spreading out in investment allocation by the state budget has not been completely overcome. This situation has been accumulated for many years, so it caused great waste and led to low investment efficiency and overcome slowly. The disorganized capital allocation has been weak point and repetitive for many years. It has the large number of projects, which are expected to be put into use in the slow-growing period, while the number of projects with new investment decisions in the technical continue to rise highly. The average capital allocation for a project has tendency to decrease over the years.

### 3.2.2. Limitations in advances and inspection of invested capital

The payment of invested capital under the Ministry of Health has been implemented slowly and unevenly among quarters due to mistake of both the investor and management agencies.

In term of the investor, delaying the completion of investment procedures and bidding procedures, especially the project must adjust the total investment, adjust the design – estimation, and submit the volume of the project, tender package; problems in clearance, delay in taking over A-B to complete procedures for payment of invested capital.

On the other hand, during the implementation of the new mechanism on investment and construction, the investors are still confused when they were not trained and guided sufficiently and timely by the State agencies. In question number 8 about the current legal document system of questionnaire, over half of interviewees reply that the current legal documents are constant change makes it difficult to manage and the rest of the respondent think that there are many shortcomings, no effect in the actual situation. Therefore, the documents about management of capital construction investment are overlapped, lack of synchronism, frequently amended, replaced, administrative procedures are cumbersome, sometimes managers themselves are not aware of the rules.

The most common law is that at the same time, both the existing mechanism and the new mechanism for capital construction investment exist.

The quality of project still has limitations and lack of interest. Most of the works was carried out in the past time are behind schedule. Many problems arising in the course of project implementation (volume change, difference of materials price ...) needed many procedures to meet the State regulations, so it greatly affected the process of payment.

The mechanism of payment for invested capital still has many procedures but it is difficult to close to the reality because only control payment on investor's file. The process of payment of invested capital was improved and reduced administrative procedures; yet it is still time-consuming with investors and contractors.

### 3.2.3. Limitations in payment and final settlement of invested capital

The annual investment capital settlement and final settlement of project of the Ministry of Health is still slow and weak. The implementation of settlement is mainly in the last months of the year with annual average of about 50% of the volume of completed items in the year. In 2012, it had final settlement of nine projects with the total value of VND 300 billion, approved 12 projects with the total value of VND 402 billion in 2013 and in 2016 approved 12 projects with total value of 385 billion. The debt of capital construction investment from the State budget at high level; and it has a tendency to increase continuously. The value of the volume of capital construction completed transferred the following year payment is very large, causing difficulties in the management. In addition, material prices fluctuate frequently and increase very high compared to the original estimate, beyond the control of investors and contractors, causing difficulties for investment units and contractors. Actual market prices vary widely with the local price announcement documents, causing difficulties to the construction unit when making payment volume. There are a number of projects in the health sector after the project has been completed, the PMUs are almost no longer in operation, there is a change of leadership unit, so they are not responsible for management. The final reason for the project is to complete the project finalization.

The general assessment shows that these shortcomings have made the efficiency of capital construction investment at low level. Low investment efficiency is reflected both at the macro level of the economy and at the micro scale of each project, construction or work item under the Ministry of Health. In recent years, investment in new capital construction mainly contributed to the improvement and expansion without creating positive changes in the quality of growth as well as the development of specialized centers and a strong impact on the

sustainable development of the health sector in particular, the whole economy in general. The construction investment in targeted programs has not achieved high results.

Many investors are not fully aware of the investment capital settlement and still confuse in making the final settlement report. Due to the long investment process, many investors, managers and locations must be relocated resulting in the loss of dossiers and vouchers, which may affect the making of reports and the provision of dossiers for examination work. Approve the final settlement. In addition, due to the state investment and construction management mechanism in recent years, many investors have not updated and understood. On the other hand, there are no specific regulations and sanctions on penalty levels for individuals and organizations that violate the regulation on the process of investment and construction management. Some legal documents on investment management and construction had low feasibility. For example, the Circular guides the conversion of investment capital to the price level at the time of hand-over of works No.1/2010/TT-BXD dated 25/10/2010 of the Ministry of Construction; so many ministries, branches and localities reflect that this Circular is too complicated and not practice for the majority of investors (project management unit) to implement themselves. In cases, where it is compulsory to hire consultants, the problem arises because the State has not yet regulated the norms governing this work. Secondly, in the direction of execution, many units have not paid more attention on assigning staff to examine and verify. There is no staff participating in the project management unit, because they mainly hold the position, although their qualifications have not met the requirements of professional qualifications.

To impose sanctions to overcome the situation of late settlement, Prime Minister has just issued Document No. 921 / TTG-KTTH, accordingly from January 1, 2015, which does not assign new investment projects for investors, who have 3 or more projects that violate regulations on deadlines for making final settlement reports as well as not allow contractors to participate in bidding for new projects without completing finalization of completed projects in accordance with regulations. Fault belongs to the contractor. However, this sanction only covers the scope of application for projects completed after 2015. On the other hand, due to the capacity of making and approving final settlement has not improved significantly, few projects can be meet to meet the progress of the Government regulations.

#### 3.2.4. Limitations in examination, inspection and supervision

Firstly, due to the lack of human resources and equipment for serving inspection and examination, it is necessary to inspect and examine documents and vouchers related to projects which not examining and auditing deeply investment policy, effectiveness, quality of

design work, total cost estimation, materials usage for construction, and quality works; so the result was only at a certain level. Inspection and inspection staff are lacking, so the state management of investment in medical facilities is still focused on the agencies attached to the Ministry, not clearly demonstrating the role of direction and management of the State in managing the construction investment in the central hospital system.

Secondly, the handling and implementation of conclusions, recommendations after examination, inspection and audit were not strict, because they just focused on handling financial issues without paying attention to handling mistakes of organization and individual.

Thirdly, the coordination between state inspection agencies, specialized inspectors (construction inspection, financial inspectorate) and the State auditor has remained weakly; leading to the duplication, overlap, and low effectiveness of examination and inspection.

Fourthly, the managerial staff in the Project Management Units has weak capacity; supervision consultants do not perform or perform inadequate tasks following to the provisions of law; functional agencies provide guidance and directions which are not synchronous, timely, and indecisive.

### **3.3. The caused of limitations**

#### **3.3.1. Objective causes**

In question number 8 and number 9 about the legal document system and the overlapped work of the relevant ministries of the questionnaire, all of the interviewees responded that the current legal documents are constantly changing, which makes it difficult to manage them. Some interviewees also added that there are overlaps between the works of the relevant ministries, resulting in the duplication in the management of basic construction investment capital from the State Budget. Moreover, there are some terms of laws and legal documents that have no effect in real situation of Vietnam economy. For example, clause 21 of article 3 of the Construction Law should re-define the powers of the investment decider, the investor and the management board in the investment project using state capital. Therefore, it is easy to realize the objective causes for limitations in the management capital construction investment from national budget to national hospitals.

-The system of legal documents from the plan, management of capital construction investment to bidding, ground clearance, project acceptance and settlement has not been incomplete. Many contents was unsuitable with reality, inconsistency, changeable, inconsistency, as well as lack of specifics and strict punishment.

-Mechanism of division, decentralization and coordination has overlaps and no responsibilities; it leads to create favorable environment for partial status and closed situation. The financial policy is unstable; compensation policy of land acquisition and resettlement are inconsistent. The norms and unit prices and technical standards are always changing. However, the issuance of norms, unit prices are not currently timely and appropriate to the reality to use or apply.

### 3.3.2. Subjective causes

Investment capital construction is a combination of complexity projects which will happen over time. Monitoring and supervision requires a certain amount of time and expertise of staff involved in project management.

The responsibility of the investor, from the highest investor is the State to the ministries and authorities at all levels, has not been properly implemented, reflected through the inspection, inspection and supervision is implemented. Full and lack of serious, work in many projects lack scientific.

For estimation work: Due to the time of construction of budget estimation is usually done in July or August of previous year, the units have not evaluated the performance of the previous year to serve as basis for estimation. For the next year especially for professional expenses, goods and services. In addition, in the process of estimating units not based on cost norms to make cost estimates, but often find ways to increase the expenses, make estimates in the form of "unloading" Department of the unit.

For the examination and approval of finalization: During the time of making investment capital settlement of the units have not been seriously implemented. The number of projects that have not submitted the balance sheet report to the ministry accounts for a small proportion yet, it made a causing difficulties in the management and management of investment capital. The implementation of the investment capital settlement has not been fully implemented. Therefore, the determination of new fixed assets, the accounting for the use of units encountered many difficulties; It opened ways to wasting, losing and corruption in basic construction.

Based on the review and approval of the settlement, there have been many cases of non-observance of regulations on State investment management such as the disapproval of technical designs and total cost estimates, or none legalization the projects which are almost done; Some projects have problem about acceptance the wrong volume in comparison with the technical design drawings, completion drawings and higher than the actual work volumes.

There are many defects in the appraisal which lead to many investment projects that are unnecessarily large or ineffective or have to be adjusted several times during the course of project implementation. The design evaluation and total cost estimates in some units have not yet complied with the State's regulations on the approved contents and the applicable unit prices. Some projects have not complied with the bidding regulations, such as the drafting of bidding invitations, the organization of tenders, especially the appointment of bidders beyond their competence. Project organizations have some problems such as project managers have not updated frequently regimes and policies; the accounting of the investors has not been paid enough attention, many of the accountants of the investors are really weak and unable to control and comply with the spending regulations promulgated by the State; The enforcement of the information and reporting regime of many units is not really good.

Regarding the allocation mechanism, currently expenditures allocated to each item of expenditure. At the end of the budget year if not used up, the surplus will be remitted to the Budget of State. This mechanism leads to the situation that many units have exceeded the level in this category but lack the limit in other categories, due to unplanned estimation or due to unforeseen fluctuations. It means that while the unit has the necessary items due to the lacking money, although the other items need money but the money cannot spend on them. However, at the request of the unit in the year, the managing agency shall adjust the expenditure item to meet the actual spending demand of the unit, but this can only be done in the first, second and third quarter and early fourth quarter; until the end of the year if that arise, it could not timely adjustments. Therefore, the status of the excess level must be used up in the year, the most obvious manifestation is the running of funds at the end of the year or the phenomenon of spending units spent on reality arising and they find all the ways to rationalize payment vouchers and lists for the purposes which can support their purposes to let State Treasury allows the payment. It can be said that is one of the causes leading to the wasteful, inefficient using of budgetary funds such as procurement or spending on things that are not really needed or even cause of losing to the Budget of State.

Control expenditure activities of the State Treasury has not been synchronized in the central hospital system. In addition, some units have taken seriously the pre/during/after-audit process and payment, but State Treasuries have not strictly followed this process. Controlling is usually symbolizes, it performed on billing statements prepared by the beneficiary of the Budget but it does not control receipts for payment. As a result, the status of payment statements is only dealt with by the Treasury, not in the line with actually expenditures of the unit.

For settlement work: Inconsistent management model among different localities is also an important reason leading to delays in the synthesis of settlement reports. In terms of age, political qualities and professional capacity of staffs in Planning and Finance Department are not really better than accountants and chief accountants of the units, as a result it do not really have enough strength of persuasiveness and credibility. In addition, the number of direct management units is too large, according to statistics, the average staff of the Planning and Finance Department must manage 5 units; the department does not have enough staff to conduct field inspections at units except once a year at the time of the annual settlement.

Capacity limited of unit staff: In the survey data, most of the interviewees thought that the civil servants, officials of the unit in charge of managing basic construction investment capital from the State Budget to the central hospitals partly meet professional needs. Furthermore, the answers of questionnaire indicated that the number of the training courses on management of basic construction investment capital from the State Budget each year are quite few (There are 15 people answer that they participate in the training courses on management of basic construction investment capital from the State Budget from 1 to 3 times each year and 8 others said never). Although the vast majority of health care units installed software on financial management accounting, it has not been fully effective due to the limitations about regarding the professional capacity of staffs. At the majority of units, only the chief accountant actually has professional accounting degree, while most accountants have only the intermediate degree in accounting or undergraduate but they belong to other majors of work. In addition, a regulatory problem has a negative impact on the aim of the professional qualification of the accounting staff that is too strict to be in the payroll of the units. The prolonged short-term contract and too low salary for talented young accountants lead to the fact that has left many young staffs who will leave jobs in area of the accounting profession in the health sector and they will find other works elsewhere which has higher, better, stable and deserving income.

**After analyzing and assessing the situation of management of capital construction investment fund from the national budget of the Ministry of Health to the national hospital system, it is possible and reasonable to answer my first finding question about current status, result and obstacle of construction management as below.**

Over the past years, the management of capital construction investment capital from the State budget source of the Ministry of Health to the national hospital system is constantly being improved, there are significant advances in all process of the managing capital invest cycle. However, it still appears many deficiencies and errors, such as:

- The decentralization has been expanded, but it has not really attached responsibilities, while they are not paying attention to the management capacity of the investors.
- Planning and allocation of capital is just standing in a short-term; some investment projects, investment decisions still escape the capital; spreading in distribution of funds; the structure of allocation of funds is not reasonable.
- The liquid balance of investment capital is still slow, unable to meet the requirements and tasks assigned, debts of investment still exist, poor management and cumbersome settlement procedures.
- The examinations and inspections are not comprehensive, extensibility and ineffective; sanctioning penalty is not enough terrifying warning to all potential troublemakers.
- Capital construction investment from the state budget is an investment in the structure of social investment, which is a major investment in the Ministry of Health's investment portfolio, it represented the important part of the socio-economic development in general and the Ministry of Health in particular. Its effectiveness depends very much on the management mechanism. With growing investment, to be detailed, capital construction investment is always the main component which lead to the causing of the capital in management construction investment must be more perfect than before, so it can improve the efficiency of capital construction investment to prevent wastefulness and leaking and it can contribute and promote the socio-economic growth of the country in general and health care in particular.

Therefore, finding solutions to improve the efficiency of capital construction investment management from the state budget under the Ministry of Health to the central hospital system is really necessary and important.

## **Chapter 5: Solutions for improving efficiency in the management of capital construction investment fund from the state budget of Ministry of Public Health to the national hospital system**

This chapter aims to give recommendations for improving efficiency in the management of capital construction investment fund from national budget of Ministry of Public Health to the national hospital system in order to answer the second research question. Comparison with previous findings, research limitations and suggestions for further study are also included to provide a critical overview of the study.

### **1. Orientations for capital investment management of capital construction from the government budget of the Ministry of public health to the national in next years**

#### **1.1. Total planning health system development in 2020**

From the decision on medical objectives of Vietnam government no 1125/QĐ-TTĐ, the aims are that the national hospital system of Vietnam will become modern, efficient, and fair. The hope is to develop a system that meets the increasing number and diversity of demands relating to protection, care, and health improvement. Moreover, the system will need to reduce disease and mortality, increase the life expectancy, and improve the quality of living standard for all. The strategy also includes particular targets for improving health outcomes. These targets will need to be met by 2020.

The new national hospitals should be built appropriately for the development of both economy and society in their locality. Also, their medical waste treatment and anti-bacterial ability have to meet the standards specifically listed in decision no 4858/QĐ - BYT on the criteria for quality assessment of hospitals issued by the Minister of Health.

The national hospitals of traditional medicine in central level are concreted and modernized to 1st standard hospitals, which are purposed for both healthcare and training of medical officers specialized in traditional medicine.

Pharmaceutical industry has developed into a mainly economic and technical industry. Expanding significantly pharmacy industry, improving manufacturing medicine ability domestically, and high-technology in manufacture are prioritized. The pharmaceutical areas and production base of pharmaceutical chemical raw materials are planned and developed. Concreting and expanding traffic networks, supply and distribution are in order to proactively and frequently provide drugs with high quality and suitable price. Furthermore, they aim to stabilize medicine market, prevent and cure for people. Research and production of vaccines, medical products are put more efforts. Ensuring food safety and hygiene, prevention,

overcoming food poisoning and diseases transmitted through food.

It is true that government plays significantly important role in developing the Vietnamese national hospital system following the direction of enhancing socialization of medical work. By orienting to the fairness and efficiency in the supply and use of medical services, the demand for protection, care and health improvement of all Vietnamese residents has been served better and better with higher quality of services over the years.

### **1.2. Orientations of investment management of capital construction investment from the state budget to the national hospital system in next years**

The management aims to put more efforts on the proactive decentralization, financial autonomy for the investor, adding the responsibilities of the project management committee with the investment of units. It is a significant orientation in reforming the financial management and capital construction investment of the Ministry of Health to the management of the health industry project in particular and Management Committee in general. Adding the responsibilities of project managers on the parts of the project are from project establishment and design to the project settlement finished. Besides autonomous investment process, the management also creates the appropriate conditions for directors (head of project management) probably maximizing their leadership role. Obviously, it is an orientation which probably fixes passive status, dependent, and lack of responsibilities in project management.

The decentralization and the increase of financial autonomy in the investment management activities for units require managers not only be good at their job but also have good knowledge in financial management as well. Moreover, they must meet the requirements in financial management of units based on current conditions of economic market.

The inspection, examination, monitoring and investment evaluation are boosted. The difficulties must be proactively solved in order to increase the level of implementation and disbursement.

## **2. Some solutions to enhance the efficiency in investment management of capital construction from the national budget of the Ministry of Health to the hospital system.**

In order to further improve the efficiency of capital construction investment management from the state budget, it is necessary to improve the general mechanism of investment and construction management. There is no doubt that by upgrading the legal framework, it will create better conditions for management agencies, units and individuals involved in construction investment activities to implement. To gain the objectives, some

solutions are mentioned below:

## **2.1. Improving the investment management of the capital construction from the national budget to the national hospital**

2.1.1. Improving legal document system to be foundation for the investment management of the capital construction from the national budget

Recently, in the field of investing capital construction there is a wide range of legal normative document including 8 laws: the government budget law, the investment law, the construction law, the law on tendering, the thrift practice law, the waste combat law, the anti-corruption law, and the amending act. The legal normative document is added 54 decrees of the relevant law such as the decrees of construction investment (The Decree 59/2015/ND-CP, Decree 32/2015/ND-CP... and there are the new Decrees, 161/2016/ND-CP and Decree No. 42/2017/ND-CP), and the decrees of tendering (Decree No. 85/2009/ND-CP, Decree No. 68/2012/ND-CP. .. and this is the new Decree 30/2015/ND-CP)

The situation above requires that government improves the system of legal documents about investment and construction management directed to be synchronous, consistent, and stable. Amending some documents of the investment law, the enterprise law, and the construction law are to be consistent. Government must improve the system of instruction documents for every single law, establish concreted regulations for investment management, create without any overlapping, and remove the conflicting content, lack of uniformity, lack of synchronization. Especially, in the law and the decree should avoid prescribing the too detailed content, the lack of long term vision, causing difficulties in the implementation process.

It is true that capital construction investment from state budget is considered as the public investment because of their specific characteristics and purposes. However, it is still under the adjustment of not only many public investment law but also many legal documents such as to investment law, national budget law, bidding and construction law.

With regards to legal documents, Mr. Nguyen Nam Lien- Chief of Financial and Planning Department of Ministry of Health, who was a key informant in this study, stated that in Vietnam, the management of capital construction investment in Vietnam is regulated by circulars and decrees ( under- law documents), not by laws. Therefore, the management mechanism of capital construction investment from the state budget seems not strong and effective enough, requiring the higher level of legal documents, which will be a foundation for the administration of the Government, the supervision of Vietnamese residents and the

handling of violations.

From the above analysis of legal documents, I would suggest the following immediate and long term solutions.

**The immediate solutions:** Submitting National Assembly and government is to amend some illogical and not homologous terms between legal documents and decrees in terms of investment management to be appropriate with reality of laws such as the law on tendering, construction, investment, land, and government budget. Accordingly, the Government and the ministries should promptly issue the decree and circular decrees of 161/2016/NTĐ-CP, the Decree 30/2015/ND-CP, Decree 42/2017/ND-CP to remove difficulties in the management of capital construction investment currently.

**Long-term solutions:** Submitting the government launches private legal documents of investment and construction management for the project utilizing the government budget (another name: public investment law). Because it is the most complicate investment, the biggest investment resources, and the largest investment scale, but it is wasting, losing, corrupting mostly.

#### 2.1.2. Creating a process of managing investment resources of the capital construction from the government budget in the actual case of the Ministry of Health

Recently, the system of State regulation document constantly has changed to be appropriate to the actual situation at present, however, the promulgation of the norms, standards and unit price of State has been too slow. It leads to the situation that there are many regulations utilized in the wrong way. Furthermore, it also makes inspection, examination, and control expenditure very difficult. Lastly, the wrong application is the reason why the unit price is submitted higher than the material consumption standard in reality. To solve the issue, the establishment of a proper management process with regard to the actual situation of medical industry activity has been viewed as a top urgent solution in order to strengthen the management of investment resources in Ministry of health.

When establishing the investment resources process of the capital construction for the administration agencies of health needs ensuring some requirements:

When establishing the investment resources process of the capital construction for the administration agencies of health, there are some requirements about the cost estimation needed to follow. First of all, the estimation and settlement of capital investment should be based on the law and decree about the basis of norms and unit prices. These commodities and materials also could be adjusted to be suitable for the different characteristics of regions and

areas throughout the country. Finally, for those materials not listed in general documents, the unit prices should be calculated as the similar materials which have been recognized in other investment.

Establishing an appropriate process creates favorable conditions for management from the cost estimate to final settlement as well as the efficiency in terms of the inspection and examination. Besides, Ministry of Health needs to co-operate with Ministry of Finance, Ministry of Construction, and other relevant ministries in order to create appropriate standards of each industry for the base of huge capital investment management in general and the management of construction investment in particular.

When interviewing Mr. Dang Van Chinh- Chief of Inspector of the Ministry of Health on survey question number 10 about recommendation of interviewees, he indicated that in 2007, Ministry of Health was promulgated “The process management of investment projects in construction of health using the State budget which has included management of capital construction investment from State budget sources” and based on some documents of state issued before such tendering process (decree 16/2004/ND-CP of the Government on the management of capital construction, etc.). Nevertheless, this process has no longer matched the actual situation at present by the year 2017; the Government has modified and replaced a lot of document expenditure control of construction projects. Besides, it needs to assign responsibility and coordination in the management of the relevant departments concerned in the management of capital construction investment (Financial Planning department, and Equipment and Health Construction department).

## **2.2. Enhancing the efficiency of planning and capital allocation**

### **Regulations of planning and capital allocation**

To create positive evolution, the state needs to research the allocation plans of capital construction investment following to the medium duration (3-5 years) for the ministries, industries, localities in order to let them proactively manage capital plans for investment projects.

It is true that there is a lack of connection between investment decision maker and the state budget fund manager. It dues to the fact people make investment decisions based on the demand of the development while capital mobilization is not in their right and decided by others. As a result, there are many investment projects are decided, while the capital is too small, not match with demand. Therefore, there should be a breakthrough in decision making

of investment projects and investment planning, which is to attach the responsibility of the investment decision maker and the state budget fund manager to the efficiency of investment project. To be more specific, people who have the authority to decide the investment must understand clearly the sources of capital to create a reasonable allocation plan. In addition, the state budget fund manager should be responsible for arranging the capital in the investment projects. Finally, the owner must be fully responsible for the progress of using capital.

Investment demand of each organization with the limits of the budget needs defining, the government manages the coordination between the department of planning and finance in the allocation of capital and operates capital of State budget accordingly. Renovating methods and capital allocation following projects aim to overcome the situation in sloppily adjusting and supplementing budget estimate, as well as the inefficient allocation of capital causing wastes and losses of the capital construction.

The step of planning and the quality improvement of plan are priority. Whereby the plan works not only maintain the policies and orientations of the party committee and the government by theoretical factual foundations, but also gains flexibility, long-term vision, and explicitness. The capital investment plan must be not permitted to extend to the year after because it is the significant reason why the projects are delayed and difficult to the final settlement. Specifically, in 2016 the Ministry of Health coordinated, adjusted and submitted to government for acceptance of the general plan of Vietnam health system development in phase to 2020 and vision to 2030.

The planning work must concentrate on improving the quality of strategy establishment and planning development for industries, area, and the whole economy. Planning must reflect all sources of investment of the whole society.

Investment planning works annually and investment planning works under projects must be homogeneous to each other. The government budget is focused on the construction of social utility such as schools, hospitals, or Centre of health garbage disposal.

Fund must be enough to ensure the duration of projects decided for investment, the rest of capital is allocated in the new project. Annual capital allocation aims to ensure the duration from beginning to finishing of group B project (under 5 years), and group C project (under 2 years). Moreover, managers must monitor to adjust capital plan from weak projects to potential projects need capital focus. It needs carrying out early (about from August to October annually).

Research and implementation of capital allocation according to the progress of the

project and the working scale. Nevertheless, investment projects of capital construction must be approved and then secured capital resources by government budget. At the same time during allocation, the annual investment budget for capital construction must be disposed enough fund following to the budget estimate and progress. After that, it is the investment consideration for new projects.

In term of enhancing efficiency in tendering and improve the ability of inspectors, tender examination need to be applied widely in order to raise competition and public explicitness, and gain economic efficiency. From that point expanding international bid for consultant and constructive unit speed up the progress to maintaining the duration as well as the quality of projects. As a result, competitive environment in terms of design and construction is increased and then weak organization probably are merged or dissolved.

Lastly, the bid price from the investment planning must be supervised and evaluated. The inspectors are responsible to secure projects following to plans approved to gain the highest quality. They must be resolute to reject weak projects or the ones are not investigated and ensure the possible characteristic of capital resources. With the plans are approved to run, they must not adjust the content as well as investment total when the ones are not supervised and reported according to progress. Besides, they need to have measures to make good the work of community supervision for construction and investment projects.

### **2.3. Enhancing the efficiency of the final settlement activities**

#### **For the Ministry of health**

The Ministry of health establishes motivation and encouragement system for investors, units and individuals if they have good achievement in terms of final settlement, project quality, and project duration. For example, in the end of year, the ministry needs to maintain operating general conference to evaluate the investment activities of the capital construction in order to commend the high - performance unit. At the same time, the weak units should be criticized.

In addition, the number of inspection, examination should be increased in order to control all the approved projects in center hospital system. The ministry of Health also needs to ensure not only the quantity but also the quality of the inspection activities. The inspectors must have good technical knowledge and experience, or in some cases, the Ministry probably hires experts or experienced organizations to co-ordinate in terms of securing project quality. The ministry should increase the training course for inspectors in order to enhance their

working.

**For the investor:**

Firstly, the final settlement of the investment projects must be considered as a significant mission of investors to calculate clearly project prices when using, which is the data base for current financial system. In addition, the investor should choose the qualified officers in order to manage projects, monitor and implement the final settlement report following strictly to rules. Also, the investors also need to co-ordinate with the Ministry of health to decrease the duration of the final settlement after completion.

Finally, by concentrating on enhancing capacities, concreting accounting system, investors would make inspection and final settlement implemented following to the management rules of the state.

**2.4. Strengthen inspection and supervision the investment process**

Funding for the activities of the units of cost estimation in the health industry are mainly allocated from State budget sources, so capital expenditure must be strictly controlled to avoid wastes and losses which create the best condition for the units finish their mission. It is also a vital solution to strengthen management and inspection of state budget expenditure, and ensure the cost estimation units followed totally by financial disciplines.

On the one hand, the works of inspection in construction and investment management needs specific regulations the responsibility and authority of each unit to the content, object, and co-ordination responsibility of inspection between the Ministries and Departments. Furthermore, regulations of inspection and investment audit are implemented fully in all steps of investment such as: decision of investment orientation, investment approval and costs estimate of technical design, bidder selection and ending investment. It avoids the condition only mainly focused on the construction period, or after the completion of works put into use the infrastructure are downgraded.

In addition, the ministry has responsibilities in establishing and launching the progress, efficient inspection method to secure the regulations of investment, construction, and finance followed totally. From that point, the weaknesses are found out and adjusted.

On the other hand, from my interview question no 6 about evaluation of inspection and supervision of investment process, 100% of people, who were all civil servants of inspector of the Ministry of Health assume that the enhancing efficient ability of inspectors

because the derogation in capital construction is very difficult to find out. In many cases, the inspection is hard and the inspectors are not qualified to discover the mistakes and corruption. To solve the situation, government must add more good technical knowledge inspectors, expense, and authority scale. Moreover, inspectors are secured independence and punished strictly tied with individual responsibilities, especially in case: fraudulence in calculating scale and co-ordination between investors and bidders.

Next, Inspector of Ministry of Health need to enhance inspection works in terms of appraising and decide the investment project, from that point it is the consideration of investment objectives, places, surface areas, total budget, and investment scale to appropriate to investment demand or not. After that, adjustments are considered as soon as possible.

Besides that, the frequency of supervision and inspection in investment need to be increased because the investment implements in a long term, so the works must be frequent and constant in order to securing quantity and quality of construction which follow to the contents of contract and the requirements of design and technique. Besides, the works probably find out the problems arising in construction progress, make decision of adjustment immediately as well as maintaining the quality and safety of the construction.

Moreover, Inspector should redouble the frequency of supervision and inspection of final settlement, payment, and completed construction volume between A and B party compared with the terms of contract and appropriate characteristics signed. After that, the ability and the legal representative of B party to the letter of bid and the letter of bidding invitation. From the actual volume inspected aims to define the value paid, settle finally compared between the value of actual volume paid and the final settlement of B party.

Finally, the frequency of inspection, instruction, and speeding up and solving the problems in the units belong to management scale aims to make the units follow to the regulations of investment and construction management need to be raised too. Improving inspection machine of the final settlement aims to secure the project scale and technical knowledge of workers corresponding with the mission. Enhancing common propaganda directs investors in implementing regulations of financial investment and construction management, decree of accounting statistic, accounting system for investor, financial policy.

## **2.5. Investment socialization of capital construction**

It is true that the source of fund has not met the investment demand. Therefore, there are many delayed projects throughout Vietnam that have not been approved for a long time

because of the lack of capital fund and the inappropriate allocation of fund. In Vietnam, ODA is one of the most important sources beside the state fund. However, this is still not enough capital for the demand of investment. While ODA brings many significant benefits for the development of Vietnam, it is still considered as a debt and government should carefully when using it. Also, ODA will decrease in the next few decades and Vietnam should find other sources to replace this fund. To solve this case, investment socialization and socialization for capital construction investment are a priority. Especially in the industry of health, government must encourage every party of social economy to take part in investment activities. As a result, the government budget is only spent in some significant projects to avoid dispersing resource. The government budget must play as an important role of default capital to encourage other investment in infrastructure.

The Ministry of Health needs to develop mainly in the area of privatizing enterprises in construction; encouraging every economic party to take part in investing to construction, for example, services, schools, hospital for the state to hire or to business. To gain the objective and enhance investment socialization of capital construction, it needs researched to apply popularly the PPP model (coordination between the public and private partner) based on establishing clear structure of PPP, a legal framework consistent with international standards and conditions in Vietnam about investing in the health sector and construction investment of the national hospital in particular.

In order to diversify the forms of social investment, encouraging all economic sectors to participate in construction for a public service project and enlist the resources of investment from outside, next to the PPP method, the State should encourage the application of the method to other investments such as: The BOT (build-transfer business), BTO (build-transfer-business), BT (build-transfer).

## **2.6. Strengthen officers' professional skills and expertise**

### **2.6.1. For the Ministry of Public Health**

Enhancing training activities for concreting technical knowledge of workers in the Ministry of Health and implementing the management of capital construction investment from the beginning are priority.

The Ministry of Health should strengthen and improve the management apparatus in order to make the financial management of capital construction investment follow the right direction

Firstly, the group of officers participating in the sector of capital construction

investment must have good technical knowledge and experience to maintain the ability of guidance counseling for staff management and staff involved in the management board in the unit.

Secondly, officers of Ministry of Health should be educated and trained knowledge and skills in order to finish their job with high productivity or should be transformed to other suitable position based on their performance on working, the low-performance employers

In addition, the financial planning department, and the equipment and medical construction department must reorganize the operations in logical way. They need to enhance the coordination between technical and financial activities, at the same time check "cross" in all of the steps of the management processes, overcome "just kick the ball, just blow the horn" in management, ensure the financial management activities of the Ministry of health for the subdivisions is done scientifically, objectively limit the negative in the management.

Finally, Ministry of Health need to enhance the responsible spirit of management staff in every single progress of work from project establishment, apparition, approval for technical design cost estimate, capital allocation, to the final settlement finished.

#### 2.6.2. Project management units

One of the most important factors on the financial management in general as well as in project in particular is the quality of financial staffs and accountants. It is true that there are many limitations in the quality of human resource of project management units in Vietnam. To be more specific, accountants are quite good at their main major - general accounting but the knowledge about construction is limited and not enough for their accounting in construction. Therefore, building the high quality, dedicated and high-responsibility accountants is considered as a significant way to enhance and improve the financial management of project management units. To gain this object, it is necessary to implement the following measures.

First, the whole system of financial accounting management in project management in terms of capacity, level of ability, virtuous characteristic are reviewed and evaluated. Therefore, implementing reorganization follows to be professional and efficient. For subdivisions, step by step perfecting the group of staff in project accounting works aims to

ensure that each project management committee must have at least one accountant with the degree of university and one engineer trained regularly.

Staff in project management committee must follow policies and be assigned with more appropriate mission and more overtime allowance when the project finishes making them feel safe during working, because typically, each project is from 2-4 years.

Second, officers involved in management must be professionally trained. Officers must take part in short-term and medium long-term training courses. At the same time, they need to facilitate and arrange the time and support for higher learning of staff to improve their professional expertise as well as knowledge management for the project management officers, especially for the officers of the Ministry of health who directly participate in management in the subdivisions. It is also important to strengthen cooperation in training and learning the experience of financial management as well as capital management of the countries of the world. The staff would also benefit from regularly organized training classes. Thus, they could experience the management of basic construction investment in the unit and create conditions to join the study and defuse these difficulties in the work.

Furthermore, the Ministries of health needs to regularly host training classes, exchange experience of managing capital construction for units. It also need to update the new legal documents and the new knowledge in management.

Besides training courses, upgrading degrees as well as knowledge improvement, officers in each unit and in the particular project management committee need to be fostered on the quality of professional ethics. Officers in State agencies should have some important characteristics such as being honest, careful and responsible for their decisions. Furthermore, they must also have good political virtue, have high sense of responsibility.

Third, with regard to the work of recruitment, officers must require certain requirements in all the units. The health industry in particular is one of the important criteria to standardization and rejuvenation of working resources. The Ministry of health as well as the subdivisions is rejuvenating by recruiting the group of young, experience and good technical knowledge officers. The Ministry need to delete the condition as before just recruited officers massively and then started to train to enhance the specialist. To avoid this situation, the Ministry of health as well as the units should have an appropriate selection with current needs and adding suitable officers to suitable position.

In general, the health sector needs to improve recruitment practices in order to have a truly capable, qualified and ethical staff. Doing this work well will help the health sector in

general and the financial sector in particular, and the industry can overcome the current situation.

### **3. Conditions to improve the management of capital construction investment fund from the national budget of Ministry of Public Health to the national hospitals**

In order to improve the management of capital construction investment fund from the national budget of Ministry of Public Health, there are some solutions.

First of all, in the bidding, it is necessary to regulate specific provisions to designated contractors or limited tenders, adjust some regulations to reduce the government intervention in the bidding, decentralize more power to the investor.

In term of well manage capital of basic construction from the national budget, the government has to publish a system of complete and consistent legal documents; Complete the detailed legal documents about the functions, tasks, power and responsibilities of the government management organizations in order to avoid conflict, overlap.

Thirdly, the inspection, examination and auditing activities as planned, conduct unexpected inspections of the bidding should strengthen and control the construction quality of important projects in order to soon detect errors to promptly reorganize and discipline violations.

Besides that, Ministry of Health need to promote the administrative reform, rectify and prevent harassment and negative phenomena at all stages, negative situations have to be promptly detected and have strict measures.

Lastly, Ministry of Health should organize well the training and retrain the investment management staff to adjust the new situation. Have a new training plan with fresh, capable staffs, to bring into plans for essential staffs in the future. Concentrate on arrangement of officials with professional capabilities, political qualities and professional ethics.

Consequently, in order to improve the efficiency of investment management on capital construction from the state budget in the current period and build the national hospital system step by step modernly and completely, aiming at equality, efficiency and development; Match the increasing and diverse needs of the people for protection, care and health promotion; Reduce morbidity and mortality, increase life expectancy and improve quality of life; Achieve and exceed the targets set out in the Strategy for the Care and Protection of People's Health 2011-2020, it must have a comprehensive improvement from the legal system to the policy

mechanisms on management investment of capital construction.

#### **4. Petitions**

##### **4.1. Petition to Government**

National Assembly, Government are proposed whenever government issues law, instruction law decree that has to be specific, coherent about responsibility and role of each class, division during all the investment process; To bind each class, division in project management process.

Developing and promulgating consistent law and regulation on investment in construction and policies for management of capital construction investment capital, modification and supplementing conflicts or unclear points in laws and documents that have issued need to stipulate the timetable for the transition period to perform the new legal documents promulgated in line with reality, promulgate regulations on material responsibility for organizations and individuals if inspector detects inaccurate volume and value through the inspection. In addition, it is necessary to develop and complete the information channel referring to investment capital sources under the decisions of the Government and the Ministry of Finance in order to promptly and fully grasp the situation of investment capital project.

It is necessary to continue renovating the construction management of government. In order to accomplish this task, it is necessary to improve ability and responsibility of the advisory organizations in the survey, technical design, constructions and supervision reinforcement in accordance with the correct design, technical design, equipment and materials in the approved design content. Review, modify and supplement the norms and unit prices of construction to be more appropriate. Specifying responsibilities of individuals and units related to quality and products of work such as investors, consultant, designers and construction organizations. Meanwhile, strengthen the supervision and inspection of investment and construction projects.

The mechanism of managing construction investment capital is an important tool to control the governmental investment capital sources, in service of socio-economic development of the country as well as the health sector. In each developing stage of the country, it is necessary to have a suitable investment fund management mechanism that fit the requirements of national development and is an effective management tool.

The government budget management mechanism is indicated through documents such as laws, decrees and norms, spending regimes and management regulations on investment

capital in general, each branch, region in particular.

Since the Law on the Construction of the National Assembly passed on June 18th, 2014 and Decree 59/2015 / ND-CP dated 18th June 2015 of the government on the management project of construction investment, the mechanism of investment construction management has been gradually renovated, however, to impact positively on the it, project planning, bidding, investment capital settlement, also Strengthening inspection and government audit, featuring post-inspection role in the investment management process.

Until now, the documents on regimes, norms and prices of construction are still inadequate and need to be further amended and supplemented. There are too many old documents now that still have to implement even though many standards have been insufficient yet. Therefore, the improvement of management mechanism on investment construction in general, as well the investment capital from government budget in particular is a prerequisite to strengthen government management in the field of socio-economic development investment. On the basis of the management mechanism of investment projects on construction issued by the government, The Ministry of Health in coordination with the Ministry of Finance and the Ministry of Construction establish the common regulations, standards in line with practical situation, the activity of health sector is a basis for managing the subordinate units, at the same time managing the government capital more effectively.

The National Assembly is proposed to spend more on health sector with the concept that health is not a disease-free state but a spiritual comfort. On this assumption, people can learn, work and devote to the general development of the country. Currently, health care problems are authorized health sector by the Party and Government; it is an honor but a heavy responsibility of the sector. Vietnam is too poor and people get too many fatal diseases as a result of the war, so to gradually overcome this condition, the government is proposed to stabilize the budget capital that provide for health sector with the lowest level is 5% total government spending budget.

The government is asked to concern more in investing and developing in the facilities, especially, investing in construction and modern equipment for national hospitals to ensure the best condition for the division to complete the given mission, also take the standard of doctors, medical officials in Vietnam on par with area and over the world.

The government is requested to direct the Ministry of Finance and the Ministry of Construction to alter the standard, basic construction price in line with the common plane price now or cancel the application of basic construction estimated standard, administer the calculated "investment rate" on the basis of evaluation, actual price, instead.

## **4.2. Recommendations to the Ministry of Construction**

The Ministry of Construction is the advisory body of the Government in the field of construction investment, besides coordinating the development of the law and the sub-law. The Ministry of Construction also promulgated the cost of construction investment and the responsibility for managing construction investment costs of the entities involved in construction activities. To complete the mechanism of management of construction investment costs under the market mechanism, the State has only guided by regulatory orientation, and created an equal environment for the entities involved in construction activities.

On that basis, the Ministry of Construction issues guidance the method to determine the cost of construction investment consultancy in detail according to the estimation method and percentages, as well as the regulations on determination and management the cost of construction investment consultancy. At the same time, the provision on wage regime for labor is revised based on the survey of the actual labor cost in the domestic market compared with those of other countries in the region and the world.

Renovating the mechanism of management of construction investment costs in general and managing mechanism of construction investment consultancy in particular is a long-term process and face certainly with many difficulties and challenges. However, if we co-operate and have the same awareness of innovation, the innovation will be surely successful.

## **4.3. Recommendations to the Ministry of Finance**

Issuing legal documents guiding the management of investment and construction under the law by the Ministry of Finance should be specific and suitable to the level of executors.

Firstly, on the basis of policies of the State and the Government, and cost norms for formulation of projects, construction cost estimates and basic construction unit prices that the Ministry of Construction has promulgated, the Ministry of Finance needs to formulate regulations on financial management and management of construction investment capital for construction investment projects funded by the State budget. The Ministry of Finance should promptly issue clear guidance documents in detail as the basis for implementing units. The guidelines should be consistent to avoid overlapping, creating loopholes for violations of financial discipline.

Secondly, coordinating with the Ministry of Health, the Ministry of Construction and other sectors related to developing regulations on investment and planning for the health sector is required to have suitability with the characteristics and nature of specific activities.

Thirdly, plans for spending of Health Sector must be approved based on the prescribed norms, and the specific nature of the sector's work. The allocation of funds should be carried out in accordance with the progress and responsibility to avoid the running of funds at the end of the year. It can lead to negative phenomena and create favorable conditions for the Ministry of Health to run the budget actively.

Fourthly, it is necessary to organize training courses on accounting regime and financial management for staffs who are responsible for managing financial and updating new legal documents, and increase experiences in management.

## **5. Comparison with previous researches**

In what follows, I reflect on the findings in relation to the previous academic literature which was discussed in the literature review section.

First of all, because of the characteristics of Vietnam, every stages of management of capital construction invest from national budget must be controlled by legal document system. Therefore, most of previous studies in Vietnam and my findings have taken into account the impacts of legal document system and policy mechanism. Furthermore, the finding by Nguyen Thi Binh (2012) provides a new approach to state management of investment in basic construction from state budget, which is very useful for my research. According to her finding there are five stages of investment in basic construction process, including (i) state management in making master plan, planning; (ii) making, assessing, approving projects; (iii) implementing projects; (iv) accepting, appraising quality, handing over projects; and (v) making payment and settlement. Besides that, the evaluation criteria of management of the State budget expenditure on capital construction investment from the doctoral thesis of Tran Van Hong (2002) and solutions for the improvement of the efficiency of inspection in construction project of Nguyen Van Binh (2010) help my finding evaluate current status of management of basic construction investment capital from the State Budget more easily and exactly.

On the other hand, there have been many studies on management of Capital Construction Investment Fund from National Budget in many respects, angles and various scopes, including research topics and specific articles to each locality, ministries. However, there have not been studies on management of Capital Construction Investment Fund from National

Budget of Ministry of Public Health of Vietnam to the national hospital system. Because of the specific characteristics of Health sector, which is special service sector, it is too difficult for previous studies to evaluate exactly the efficiency of management of national budget of Ministry of Health. Therefore, my research shows the current status of management state budget of Ministry of Health and recommends the suitable solution for improving efficiency of management of capital construction investment from National Budget to the national hospital system.

Furthermore, Government of Vietnam needs to apply some management project method of foreign countries such as: Engineering-Procurement-Construction (EPC) or Design & Build (D&B), which were successfully applied in China (Tony YF Ma, 2003), and so on. Nevertheless, because of characteristics of economy, policy and society of Vietnam, the State and Ministry of Health should research carefully before applying in order to make them more effectively.

## **6. Research limitations and suggestions for further studies.**

### **❖ Research Limitations**

The present research cannot avoid some limitations. Firstly, because of limited time frame, the research has a small sample size compared with the total staff members and civil servants, who are working in the fields relating to management of basic construction investment capital from the State Budget. Secondly, the author could not gather a greater number of leaders of national hospitals who also play a very important role in this investigation. Lastly, the reliability of data is also a concern because the survey results present informants' subjective views on the topic.

### **❖ Suggestions for further studies**

This is the first research investigating the influences of management of capital construction investment fund from the national budget of Ministry of Public Health of Vietnam to the national hospital system. Thus, it can be the starting point for other researches in the future. Future studies can improve this study by a bigger size of the sample and a more accurate sample with staff members and civil servants, who are working in the fields relating to management of basic construction investment capital from the State Budget. This topic can be researched again by future studies in five years, ten years or even twenty years and these present findings can provide a foundation for those future studies to compare and discover the changes in management method of capital construction investment fund from the national budget of Ministry of Public Health of Vietnam to the national hospital system. Finally, the

management of capital construction investment fund from the national budget of Ministry of Public Health of Vietnam to the national hospital system in developing countries can be the future topic which has not been much studied.

## CONCLUSION

To carry out the renovation and comprehensive development of the country, the economy has been the stable growth of the economy over the past years, because of the high social investment; especially investment in infrastructure construction. Prioritizing the use of investment funds from the state budget for investment in capital construction has created important levers for socio-economic growth and development, increasing production capacity for the national economy, strengthening the potential for national defense, security and health care for the people.

Caring for the people's health is the primary task of the health sector through the provision of health services to the people. People of all social classes have the opportunity to access the essential and quality health services; it is one of methods to implement policies of the Party and State on equity in the enjoyment of social benefits, a problem of socialist social orientation. Therefore, investment in development of national hospitals is one of the priority areas, which the Ministry of Health has coordinated with other ministries and sectors to apply in practice.

In terms of difficult economy, it has limitations to spending the state budget; the management and effective use of state budget is an objective requirement. With the specific nature of the sector's activities, especially the social health service, the management of capital construction investment expenditures from the state budget plays an important role as well as a part of the success of the economic development of the country.

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## APPENDICES

### **Appendix 1: Questionnaire in English version**

**Question 1: How long have you been working in the fields relating to management of basic construction investment capital from the State Budget?**

1.  Less than a year
2.  From 1 year to 3 years
3.  From 3 years to 5 years
4.  More than 5 years

**Question 2: How many times do you participate in the training courses on management of basic construction investment capital from the State Budget each year?**

1.  Never
2.  From once to 3 times
3.  From 3 times to 5 times
4.  More than 5 times

**Question 3: Which is your education level?**

1.  Bachelor
2.  Engineer
3.  Master
4.  PhD
5.  Other (please clarify .....

**Question 4: In your opinion, to what extent is the State Budget capital used for basic construction of the central hospitals? (Only select one option)**

1.  Too little
2.  Sufficient
3.  Too much

**Question 5: How is the infrastructure of the central hospitals? (Can select many options)**

1.  Short, backward
2.  Modern but insufficient for the need of people's health care
3.  Modern and sufficient

**Question 6: How has the implementation of following activities of the process of managing basic construction investment capital from the State Budget affected to the central hospitals during the past? (May select many options and each cell in each line)**



	meet	meet		
1. Staff of the Ministry of Health (Department of Finance and Planning, Department of Medical Material and Equipment, Inspectorate)				
2. Staff of the Ministry of Finance				
3. Staff of the Ministry of Construction				
4. Staff of PMU of central hospitals				

**Question 8: Are the current legal documents sufficient and complete to support well for the management of basic construction investment capital from the State Budget?** (Only select one option)

1.  There are many shortcomings, no effect in the actual situation
2.  Constant change makes it difficult to manage
3.  Sufficient and complete
4. Unknown

**Question 9: Is the work of the relevant ministries overlapped in management of basic construction investment capital from the State Budget?** (Select one option)

1.  No
2.  Yes

**If there is any case of overlapped work, please clarify:**

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**Question 10: State your recommendations to improve the efficiency of managing the basic construction investment capital from the State Budget under Ministry of Health to the central hospitals.**

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**Thanks a lot!**

## **Appendix 2: Questionnaire in Vietnamese version**

**Câu 1: Ông/bà đã làm việc trong các lĩnh vực liên quan đến quản lý vốn đầu tư xây dựng cơ bản từ nguồn Ngân sách Nhà nước được bao lâu?**

1.  Dưới 1 năm
2.  Từ 1-3 năm
3.  Từ 3-5 năm
4.  Trên 5 năm

**Câu 2: Mỗi năm Ông/bà tham dự bao nhiêu lần tập huấn liên quan đến quản lý vốn đầu tư xây dựng cơ bản từ nguồn Ngân sách Nhà nước?**

1.  Không lần nào
2.  Từ 1-3 lần
3.  Từ 3-5 lần
4.  Trên 5 lần

**Câu 3: Trình độ học vấn của Ông/bà?**

1.  Cử nhân
2.  Kỹ sư
3.  Thạc sĩ
4.  Tiến sĩ
5.  Khác (vui lòng ghi rõ .....

**Câu 4: Theo Ông/bà cho biết nguồn vốn Ngân sách Nhà nước đầu tư cho xây dựng cơ bản của hệ thống bệnh viện trung ương đang ở mức độ nào? (Chỉ lựa chọn một phương án)**

1.  Quá ít
2.  Đủ
3.  Quá nhiều

**Câu 5: Xin Ông/bà cho biết, Ông/bà đánh giá như thế nào về cơ sở hạ tầng của hệ thống bệnh viện trung ương?(Có thể chọn nhiều phương án )**

1.  Thiếu thốn, lạc hậu

2. Hiện đại nhưng chưa đủ để đáp ứng hết nhu cầu chăm sóc sức khỏe của người dân

3. Hiện đại, đầy đủ

**Câu hỏi 6:** Xin Ông/ Bà cho biết, mức độ hiệu quả việc thực hiện các hoạt động sau đây của quá trình quản lý đầu tư xây dựng cơ bản từ nguồn ngân sách nhà nước đến hệ thống bệnh viện Trung ương trong thời gian qua? (Có thể chọn nhiều phương án và mỗi dòng chỉ chọn một ô)

Hình thức	Không hiệu quả	Phần lớn hiệu quả	Hiệu quả	Không rõ
1. Lập kế hoạch và phân bổ vốn đầu tư				
2. Công tác quản lý dự án đầu tư				
3. Công tác quyết toán vốn dự án hoàn thành				
4. Công tác thanh tra, kiểm tra, giám sát quá trình đầu tư				

**Câu hỏi 7:** Theo Ông/Bà các công chức, viên chức thuộc các cơ quan tham gia quản lý đầu tư xây dựng cơ bản từ nguồn ngân sách nhà nước đến hệ thống bệnh viện Trung ương có đáp ứng được nhu cầu chuyên môn không? (Có thể chọn nhiều phương án và mỗi dòng chỉ chọn một ô)

Yêu cầu	Không đáp ứng	Đáp ứng phần nào	Đáp ứng	Không rõ
1. Công chức viên chức thuộc bộ Y tế (Vụ kế hoạch tài chính, vụ Vật tư và trang thiết bị Y tế, Thanh tra Bộ)				
2. Công chức viên chức thuộc bộ Tài chính				

Yêu cầu	Không đáp ứng	Đáp ứng phần nào	Đáp ứng	Không rõ
3. Công chức viên chức thuộc bộ Xây dựng				
4. Công chức viên chức của Ban Quản lý dự án thuộc các bệnh viện Trung ương				

**Câu 8.** Theo Ông/Bà, hệ thống văn bản pháp luật hiện hành đã đầy đủ và hoàn thiện để hỗ trợ tốt cho công tác quản lý vốn đầu tư xây dựng cơ bản từ nguồn ngân sách nhà nước chưa? (Chỉ chọn một phương án)

1.  Còn nhiều thiếu sót, không có tác dụng trong tình hình thực tế
2.  Liên tục thay đổi gây khó khăn cho công tác quản lý
3.  Đã đầy đủ và hoàn thiện
4.  Không biết

**Câu 9.** Xin Ông/Bà cho biết trong công tác quản lý đầu tư xây dựng cơ bản từ nguồn vốn ngân sách nhà nước, công việc của các cơ quan bộ ngành liên quan có bị chống chéo không? (Lựa chọn 1 phương án)

1.  Không
2.  Có

**Nếu có hiện tượng chồng chéo công việc**, xin Ông/bà cho biết rõ là giữa đơn vị nào?

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## **Appendix 3: Right and responsibilities of investment deciders, project owners and project management units**

### **1. Rights and responsibilities of investment deciders**

#### **Investment deciders:**

According to Article 12 of the Decree No. 12/2009/ND-CP dated February 12<sup>th</sup>, 2009

- The Prime Minister decides to invest in national important projects according to Resolutions of the National Assembly and other important projects;
- Group-A projects (using State budget funds): Chairpersons of People's Committees and Ministers
- Group-B and -C projects: authorized by investment deciders
- Depending on specific conditions of localities, Chairpersons of Provincial People's Committees assign Chairpersons of District and Commune People's Committees to decide to invest in projects using support funds from State budget funds of higher authorities.

#### **Investment deciders have the following rights and responsibilities:**

According to the Decree No. 12/2009/ND-CP dated February 12<sup>th</sup>, 2009

- Divide group-A projects into component projects (Clause 4, Article 2);
- Decide on appointment to foreign project owners before formulation of investment projects (Clause 1, Article 3);
- Decide to supervise and assess investment in case of projects using State budget funds exceeding 50% of the total investment (Clause 1, Article 4);
- Appraise and approve investment projects (Clause 1, Article 6);
- Decide to establish focal point agencies which appraise projects (Clause 1, Article 10);
- Organize the appraisal of economic-technical reports (Clauses 1 & 2, Article 13);
- Decide to adjust projects when project adjustment changes project locations, scales and objectives or the approved total investment is exceeded (Clause 3, Article 14).

Bidding and selection of bidders:

- Approve bidding plans;
- Approve or authorize other people to approve bidding dossiers;
- Approve or authorize other people to approve the result of bidder selection;
- Decide to settle situations in the bidding process;
- Settle violations in the bidding process;
- Be responsible to law for their decisions.

## **2. Rights and responsibilities of project owners**

### **Project owners:**

According to the Decree No. 12/2009/ND-CP dated February 12<sup>th</sup>, 2009

- Construction project owners are persons who own capital or who are assigned to manage and use capital for construction investment.

- Construction project owners are accepted by investment deciders before formulation of construction investment projects.

- With regard to projects approved by the Prime Minister, project owners are Ministries, Ministerial-level agencies, Government's agencies, other central agencies, People's Committees of Provinces and Cities directly under the central government, and State-owned enterprises.

- With regard to projects approved by Ministers, Heads of ministerial-level agencies or Chairpersons of People's Committees at all levels, project owners are organizations which manage and use constructional works.

- In case of unknown project owners, investment deciders can authorize other eligible organizations to act as project owners or to concurrently act as project owners.

### **Project owners have the following rights and responsibilities:**

According to Article 3 of the Decree No. 12/2009/ND-CP dated February 12<sup>th</sup>, 2009

- In case of directly managing projects, project owners establish Project Management Units which act as focal point agencies for project management. For small-scale projects (with total investment of below VND 7 billion), project owners may not establish Project Management Units and may use their specialized apparatuses to manage projects or may

employ competent and experienced persons to manage and implement projects. (Clause 2, Article 33)

- If project owners employ project management consulting organizations, the two parties shall enter into contracts, and project owners must use their specialized apparatuses or appoint focal point agencies to inspect and supervise contract implementation by project management consulting organizations. (Clause 3, Article 33)

- Project owners implement their obligations and rights from the project preparation phase until the acceptance and handover of constructional works on the basis of assuring project efficiency and feasibility and complying strictly with legal regulations.

- Project owners carry out a direction and inspection and take responsibility for results of task and right implementation by Project Management Units. (Clause 1, Article 34)

- Project owners are responsible for inspecting and supervising contract implementation by project management consultants. (Clause 1, Article 35)

- Project owners are entitled to adjust projects without any change in project locations, scales and objectives and without any exceeding of the total investment. (Clause 2, Article 14)

- In case of three-step design, project owners appraise and approve technical designs and construction drawing designs. (Clause 1, Article 18)

- In case of two-step design, project owners appraise and approve construction drawing designs.

- In case of one-step design, project owners appraise construction drawing designs so that investment deciders approve them together with economic-technical reports. (Clause 2, Article 18)

- Before construction, drawings must be signed and sealed by project owners or persons authorized by project owners. (Clause 1, Article 18)

According to Article 25 of the Decree No.112/2009ND-CP dated December 14<sup>th</sup>, 2009 on management of construction investment costs

- Project owners are completely responsible for management of construction investment costs.

- Formulate construction investment projects and to give instructions, requirements, to limit the investment capital as the basis for the project formulation. Select the design, technology, equipment and main construction materials to submit to investment deciders for consideration and approval;
- Adjust and approve total investment capital allowed in cases of restructuring items of expenses in the total investment or cases of adjustment of the total investment according to the regulations in Clause 1, Article 7 of this decree, but not exceed the total investment approved;
- Organize the establishment, appraisal, and approval of construction forecast;
- Organize the establishment and application of new norms not yet included in the published or applied norm system, to use the norms of adjustment and construction similar to those in other works;
- Decide on the application and use of construction material prices, labor prices, machine prices and construction equipment served as basis for formulation of construction unit prices and construction estimates; to refer to the price published by the authorized organization, the producer's price quotation, the supplier's price information or the price applied to other works of similar quality, standard and value to apply to the works;
- Propose selecting the form of contract price, bidding package price in construction activities for submission to investment deciders;
- Include capital, contract payment and settlement on schedule and regulations in the contract signed with the contractor.
- Organize the control of construction investment expenses as regulated;
- Decide and take responsibility for the accuracy and reasonableness of proposing the agency of payment and capital investment capital to pay to the contractor.
- Employ organizations and individuals in charge of consulting cost management in order to perform cost management and take responsibility before law for the selection of these consultancy organizations and individuals;
- Be entitled to claim compensation or sue in administrative tribunals or economic tribunals for damage caused by the delay of the investment capital-paying agencies;
- Approve or to reject proposals, changes of construction methods, technical requirements proposed by the contractor. Control changes in the process of construction related to changes of construction investment costs or speeding up the construction of works;

- Other rights and obligations related to cost management in accordance with current law.

Bidding and selection of bidders:

- Decide on the contents related to preselection of bidders
- Approve the list of bidders participating in the bidding.
- Establish the group of bidding experts
- Approve the list of bidders meeting the technical requirements and the rank list of bidders.
- Approve the results of appointment of contractor in case of appointing the contractor.
- Be responsible for making request for bidder designation packages.
- Be responsible for the content and signing contract with the contractor.
- Take responsibility for the selection of bidders. before law
- Compensate for damage caused
- Provide information to the bidding group
- Resolve proposals of bidding.