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Theoretical Issues on Financial Autonomy at Public Universities in Vietnam

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Abstract

Nowadays, university autonomy is a global trend in higher education management. University autonomy, especially financial autonomy in public universities, is becoming an essential trend worldwide, including Vietnam. This article clarifies the theoretical and legal aspects related to financial

autonomy in public universities in Vietnam, identifies the factors influencing financial autonomy in public universities in Vietnam, and draws lessons from the experiences of financial autonomy in public universities worldwide and in Vietnam.

Keywords: Financial Autonomy, Public University, Vietnam

1. Introduction

University autonomy is a major policy of the state aimed at enhancing the capacity and responsibility of higher education institutions, improving the quality of education and university management in a modern direction. University autonomy is when a university carries out autonomous activities in areas such as organization and personnel, finance and assets, training, science and technology, international cooperation, and ensuring the quality of higher education.

In Vietnam, the concept of "university autonomy" has only emerged in the past two decades and is reflected in Article 32 of the Higher Education Law (2012) ^[1], which introduces the term "Autonomy Rights of Higher Education Institutions." In 2014, new university regulations were issued. Accordingly, university autonomy in our country is understood as universities being able to exercise autonomy according to legal provisions, being responsible for their own actions, and having a partially institutionalized structure in each area of their operations.

University autonomy is demonstrated in four aspects, including organizational autonomy, financial autonomy, personnel autonomy, and academic autonomy. Among them, financial autonomy is one of the most important components. With the goal of university autonomy and sustainable development, financial autonomy is both a tool and a solution to achieve full autonomy for higher education institutions.

2. The Legal Basis for Financial Autonomy in Public Universities in Vietnam

Decree No. 60/2021/ND-CP dated June 21, 2021 of the Government regulates in Article 3 the mechanism of financial autonomy of public sector units: which includes provisions on the right to autonomy, responsibility for implementing regulations on the list of public sector activities; prices, fees, and pricing roadmap for public sector services; classification of financial autonomy levels; autonomous use of financial resources; autonomy in joint ventures, partnerships; management and use of state assets and other related regulations.

For public universities, financial autonomy refers to their autonomy in the following areas: autonomy in professional activities (the right to decide on training and scientific research activities, develop strategic plans in a modern direction, and have the ability to compete to fulfill the functions of the university), autonomy in organizing the staffing system (the right to independently arrange personnel, recruit or dismiss staff members), and financial autonomy (the right to decide on financial activities of the university). Financial autonomy is related to autonomy in managing revenue, expenses, financial management and distribution of financial results, fund management, asset management,... Among these, managing revenue and managing financial expenses are the most important.

Classification by level of financial autonomy: According to Decree No. 60/2021/ND-CP dated June 21, 2021, issued by the Government on the mechanism of autonomy of public universities, public universities are divided into 4 groups:

- Public universities cover their own recurrent and investment expenses.
- Public university self-financed recurrent expenses.

- Public universities cover part of their own recurrent expenses.
- Public universities are funded by the State Budget for recurrent expenses.

Circular No. 56/2022/TT-BTC dated September 16, 2022 of the Ministry of Finance provides guidance on certain aspects of the financial autonomy mechanism of public sector entities; handling assets and finances during restructuring and dissolution of public sector entities. This circular specifically addresses some unresolved issues in the implementation of Government Decree No. 60/2021/NĐ-CP dated June 21, 2022 on the financial autonomy mechanism of public sector entities.

The directive provides guidance on determining the level of regular self-assurance in each field of education and training, specific instructions on determining identified revenue levels of financial autonomy, identified expenditure levels of financial autonomy, and classification of levels of financial autonomy, as well as delegating financial autonomy to public universities.

Decree 81/2021/ND-CP issued on August 27, 2021 regulates the mechanism for collecting and managing tuition fees for educational institutions under the national education system, as well as policies on tuition fee exemptions, support for study costs, and prices of services in the field of education and training. Accordingly, the prices of services in the field of education and training are determined according to the regulations on prices and the government's provisions on the financial autonomy mechanism of public career units, and are adjusted appropriately in line with the quality of educational and training services, but the rate of increase in service prices does not exceed 15% per year.

Determining the Self-Sufficiency Level of Recurrent Expenses

Public universities implement the determination of regular self-financing levels according to the following formula:

$$\text{Self-sufficiency of recurrent expenses (\%)} = \frac{A}{B} \times 100\%$$

In which:

A is the total amount of revenues that determine the level of financial autonomy by public universities, including:

1. Tuition fees as regulated in Decree No. 81/2021/NĐ-CP dated August 27, 2021 of the Government on the mechanism of tuition fee collection and management for educational institutions under the national education system and policies on tuition fee exemption, reduction, and support for study costs; service prices in the field of education and training (hereinafter referred to as Decree No. 81/2021/NĐ-CP).
2. The state budget provides additional funding for educational and vocational institutions to implement the policies of exemption and reduction of tuition fees as stipulated in Decree No. 81/2021/NĐ-CP (based on the actual number of students and projected new admissions at the time of determining the level of regular self-financing by the unit).
3. The revenue from the provision of public career services falls under the category of public career services using the state budget in the field of education and vocational training, including revenue from state budget orders or tenders for the provision of public

career services as regulated.

B is the sum of specific expenses for financial autonomy of public universities, including expenses for carrying out procurement or bidding for the provision of public service using state budget, recurrent expenses for fee-based services as regulated. These expenses include: salary payments based on rank, position, contribution-based payments and allowances for officials and lecturers; expenses for scientific research tasks; expenses for professional activities; management expenses; regular maintenance and asset maintenance expenses, expenses for procurement using autonomous funds and other recurrent expenses.

Delegating Financial Autonomy

Circular No. 56/2022/TT-BTC clearly stipulates the authority to delegate financial autonomy to ministries, central agencies, and localities. At the same time, it provides guidance on temporarily allocating funds and implementing additional income payments for units in groups 1, 2, and 3; as well as expenses for additional income and welfare benefits, rewards for group 4.

The estimation and approval of procurement budgets from the revenue of public universities' service activities are carried out in accordance with the regulations of the state budget law and the provisions in Chapter IV of Decree No. 60/2021/ND-CP dated June 21, 2021 by the Government and Chapter IV of Circular No. 56/2022/TT-BTC dated September 16, 2022 by the Ministry of Finance. Accordingly, each year, universities prepare budgets for the revenue and expenditure of their service activities along with the budgeting process for the state budget. For budgets related to revenue and expenditure for providing public career services that do not use state budget funds and other service activities, higher-level management agencies do not allocate budgets to these public career units.

The principals of public universities decide on the budget estimates for revenue and expenditure based on plans, regulations, standards, and expenditure norms set by the competent state authorities and internal expenditure regulations of the unit. Regarding the authority to approve procurement budgets, it is implemented according to the regulations on decentralization of management and procurement of current assets (Government Decree No. 151/2017/ND-CP dated December 26, 2017, Circular No. 58/2016/TT-BTC dated March 29, 2016 by the Ministry of Finance).

Distribution of Financial Results within the Year and Internal Spending Rules

At the end of the financial year, after fully accounting for regular revenue and expenditure transfers, depreciation of fixed assets, tax payments, and state budget contributions as prescribed, the surplus of revenue over regular expenditure transfers (if any), public universities shall use in the following order:

- *Public universities cover their own recurrent and investment expenses and Public university self-financed recurrent expenses*

+ Allocate a minimum of 25% to the Career Development Fund.

+ The establishment of the supplementary income fund applies in cases where the unit pays salaries according to the provisions at point a, clause 1 of this Decree: Group 1 units are allowed to decide the amount to be deducted (without

controlling the deduction amount); Group 2 units can deduct a maximum of not more than 2 times the salary fund, rank, position, contributions according to salary and allowances prescribed by the State. In cases where the unit pays salaries according to the provisions at point b, clause 1 of this Decree, no supplementary income fund shall be established.

+ Allocate a Reward Fund and a Welfare Fund: The total of both funds shall not exceed 3 months' salary or wages earned by the unit during the year;

+ Allocate other funds as required by specialized legislation;

+ Any surplus revenue after allocating the prescribed funds shall be added to the Career Development Fund, if any;

- *Public universities cover part of their own recurrent expenses*

+ Allocate to the Career Development Fund:

For units that self-fund between 70% and less than 100% of recurrent expenses: allocate a minimum of 20%.

For units that self-assure between 30% and below 70% of recurrent expenses: a minimum of 15% should be set aside.

For units that self-assure between 10% and below 30% of recurrent expenses: a minimum of 10% should be set aside.

+ Establishing a supplementary income fund and additional income fund: During the period when the Government has not yet issued a new salary regime according to Resolution No. 27-NQ/TW dated May 21, 2018 of the 7th Plenum of the 12th Central Executive Committee on salary policy reform for officials, civil servants, public employees, armed forces and workers in enterprises, public universities establish a supplementary income fund not exceeding twice the salary fund level as prescribed. If the salary regime changes, public universities will implement it according to the regulations of the document.

+ Allocating funds for rewards and welfare:

For units that self-assure from 70% to below 100% of recurrent expenses: the maximum reserve should not exceed 2.5 months of salary and wages incurred during the year by public.

For units that self-assure from 30% to below 70% of recurrent expenses: the maximum reserve should not exceed 2 months of salary and wages incurred during the year by public.

For units that self-assure from 10% to below 30% of recurrent expenses: the maximum reserve should not exceed 1.5 months of salary and wages incurred during the year by public universities.

+ Establishing Other Funds as required by specialized legislation;

+ The larger surplus of revenue over expenditure (if any) after allocating funds according to the additional regulations shall be transferred to the Career Development Fund.

- *Public universities are funded by the State Budget for recurrent expenses:*

To supplement the income of officials and workers, the unit shall increase the average income for officials and workers by a maximum of 0.3 times the basic salary fund of officials and workers of the unit, based on the principle of being linked to the effectiveness and results of each individual's work.

Recognition and benefits: Regular or unexpected recognition for teams and individuals both within and outside the organization based on their work results and contributions; support for collective welfare activities of

civil servants and workers; emergency assistance for civil servants and workers, including those who are retired or unable to work; additional support for employees during the process of streamlining the workforce.

If it is determined that there is unstable cost savings, the unit may set up a reserve fund to stabilize income for civil servants and workers.

The saved budget amount that is not used up by the end of the year will be transferred to the following year for continued use.

Circular 56/2022/TT-CP also clearly states that in order to manage and use regular expenditure funds, self-governing units must ensure transparency, accountability, adherence to purpose, efficiency, and suitability for the specific activities of public universities. It encourages employees to fulfill their assigned tasks and requires public career units to establish internal spending regulations as a basis for implementation. When implementing internal spending regulations, units must ensure the provision of legitimate and valid invoices and documents according to regulations.

The internal expenditure regulations include provisions on regimes, standards, quotas, and unified spending levels within the unit, ensuring compliance with the current financial expenditure system of the institution and the financial resources of the unit. The development of internal expenditure regulations should be organized through extensive, democratic, and transparent discussions within the institution and with the unanimous opinion of the trade union organization; reporting to higher-level management agencies before issuance.

3. Factors Affecting Financial Autonomy in Public Universities

External Factors

▪ Mechanisms, policies, and legal systems of the state.

This is the legal basis for public enterprises in general and public universities in particular to implement the financial autonomy mechanism. Regulations on the type of public enterprise, financial autonomy mechanism, fees, roadmap for autonomy, innovation methods,... need to be clearly and timely issued to meet the urgent innovation requirements from both inside and outside the unit. Building a legal document system, a comprehensive administrative system for the public sector will have positive effects, creating favorable conditions for the flexible, proactive, and effective reform process of public enterprises; otherwise, it will become a barrier causing difficulties and slowing down the innovation process.

▪ Management environment

Setting up a management environment is a crucial aspect in most educational management systems, from control to supervision. Creating an environment that allows schools to make decisions and take responsibility is chosen by the government as a means to innovate financial management and drive school development. Granting more autonomy to schools aims to establish and improve a clear, unified, equitable legal system as well as consistent and relevant supportive policies. Policies and methods of financial allocation or control can either promote or limit the autonomy and responsibility of schools.

▪ The progress of science and technology

In the era of Industry 4.0, almost every field and profession must adapt to keep up with the technological advancements. The field of education and training is no exception.

Applying new technological techniques provides favorable conditions for both teachers and students to easily access new knowledge through modern methods, thereby contributing to the improvement of the quality of education and training at the institution. However, investing in new, advanced, and modern technological equipment requires the institution to have financial resources for both "hard" technology (machinery, equipment...) and "soft" technology (training personnel to use modern technology).

Internal Factors

- The strategic direction of the school's development
The direction of development directly affects the financial activities of the institution, therefore, schools must accurately determine the strategic development direction to establish appropriate financial management goals and solutions. The general goal of financial management that schools must aim for is efficiency and fairness. Efficiency means ensuring the highest results with the lowest costs. Therefore, schools need to carefully consider decisions regarding investment, procurement, and use of technical equipment, technology, allocation methods, and utilization of resources, expenditure control systems, and quality of training services provided to learners. Fairness means that when implementing autonomy mechanisms, schools are allowed to determine tuition fees but must ensure that low-income individuals can still participate in the program. This is also one of the major challenges for public universities when transitioning to a financial management model based on autonomy mechanisms.

- Scale of development and quality of training.
With the current development of the economy and society, the demand for learners is increasing. Therefore, schools must expand the scale of training, diversify training methods, and improve the quality of training to attract learners and enhance competitiveness. As the scale of training increases, schools need to invest in spacious facilities, modern equipment, and a highly qualified faculty. When determining the appropriate scale and improving the quality of training, it will increase income and balance financial income and expenditure for the institution.

- Awareness and capability of the team within the unit.

- For the head of the unit:

Responsibility for all activities of the unit is delegated to the head. This person is responsible for all management tasks and any issues related to the unit's operations. Therefore, the capacity, vision, effort, determination, and implementation methods of the head play an important role in the implementation of financial autonomy mechanism.

- For the team of officials, lecturers, and workers.

The team of officials, lecturers, and workers, with a reasonable number and structure, and with the ability, will be the decisive factor in the process of reforming the mechanism of operation towards autonomy. Lecturers with high professional qualifications, flexible and proactive officials, civil servants, and workers who are dedicated and creative will enhance the quality of education at the university, increase the effectiveness of activities, and successfully achieve goals in the process of financial management reform towards autonomy. This will help the university seize opportunities, cope with challenges to develop its "brand" in the field of higher education, while

also enhancing competitiveness with public universities and integrating with the region and the world.

4. Experiences of Financial Autonomy at Some Universities in Vietnam and Around the World

Experiences of Implementing Financial Autonomy at Hanoi National University of Education

Hanoi National University of Education is one of the key universities in the country. Based on a deep understanding of the authority and responsibility of the university in implementing financial autonomy, the university has organized coordination between the school's leadership and Party organizations and mass organizations to widely disseminate the content of implementing autonomy according to decrees and circulars guided and implemented by state agencies according to a unified roadmap. Specifically:

Firstly, the school has gradually implemented financial autonomy and self-accounting in each of its operational activities. Functional departments establish revenue and expenditure norms to create their own units, while also developing financial management regulations for subordinate units. Next, based on the specific regulations established in each department and subordinate unit, the school will summarize, modify, and adjust them accordingly to build a unified financial management mechanism for the entire school. The fundamental content of this mechanism is to establish internal expenditure regulations for the school and provide guidance for subordinate units to develop their own internal expenditure regulations.

Some achievements have been made when implementing financial autonomy at Hanoi National University of Education:

- The revenue-generating units of the university have been granted financial autonomy.
- Regarding revenue the university is committed to enhancing the socialization of education, contributing to raising the intellectual level through diversifying training programs, opening new majors, expanding dual-training programs, distance learning, and collaborative activities. Other service revenues are also fully exploited by the university.
- Reviewing and establishing expenditure levels: The internal expenditure regulations have helped the school review all expenditure levels in order to timely adjust any unreasonable ones. The internal expenditure regulations have truly become a tool for school leaders to effectively manage the use of financial resources.
- With the goal of saving expenses to improve income for officials, lecturers, and workers, and enhancing the quality of education, the school management effectively uses funds by allocating a fixed amount for certain items such as telephones, office supplies, fuel, etc. These fixed amounts have been adjusted and are reflected in the internal expenditure regulations. The establishment of expenditure limits has been discussed, exchanged, and democratically debated, with special attention given to ensuring that the expenditure for officials and lecturers is higher than the state's standard. The expenditure limits for professional teaching activities are also given high priority and a significant portion of the budget is allocated for these activities.

Experiences of Implementing Financial Autonomy and International Collaboration at the International Faculty - Vietnam National University, Hanoi

The International Faculty at Vietnam National University, Hanoi is a special training institution with the mission of implementing socialization and internationalization of higher education. The activities and development process of the International Faculty not only reflect specifically but also serve as evidence of the effectiveness of changes in university financial management policies.

In terms of finance, the International Faculty has the following characteristics:

- It is a public training institution but does not receive funding from the state budget.
- The entire investment and operational costs rely on diverse sources of revenue, including tuition fees, sponsorships, grants, donations, and services.
- Non-profit: all revenue sources are used to build infrastructure, operate, and fulfill financial obligations to the state and the Vietnam National University, Hanoi.

International faculties exist and develop thanks to the enhancement and expansion of financial resources, ensuring good infrastructure for teaching and learning. Based on various social resources, selective training programs are conducted with criteria for quality, reasonable investment costs for classrooms, libraries, equipment, and laboratories.

As a self-sustaining organization, the Faculty places great emphasis on developing financial resources through the socialization of education, mobilizing reasonable contributions from students, and implementing flexible tuition policies based on fields, levels, and training models. In addition to revenue from its operations, the faculty also receives funding and support from partner universities and foreign entities such as the HELP University Scholarship Fund (Malaysia) for students in the Faculty's undergraduate programs; the University of Nantes (France) covers all teaching costs for visiting lecturers sent to the Faculty; and the "World of Russia" Fund provides financial support for library investments.

As can be seen, with the diversification of training methods and the diversification of financial resources, the expansion of international partnerships, and the attraction of funding and support, the International Department has been able to sustain and develop over time.

The Experience from the Process of Reforming Higher Education in South Korea

South Korea is one of the countries with significant achievements in science and technology development, particularly in higher education. Before 1995, South Korea also implemented a centralized management mechanism, limiting the autonomy of universities. The Ministry of Education had control over the establishment of universities, curriculum duration, exams, graduation standards, appointment issues, faculty quality standards, budget approval, etc. In 1995, South Korea officially reformed this management mechanism by granting autonomy to universities with the following contents:

- Diversify and deepen the higher education system;
- Empower decision-making on enrollment targets and autonomy in management;
- Establish a special support system for scientific research activities;

- Forge a strong connection between the quality of universities and financial support from the government.

In order to achieve policy reforms as in South Korea, the following steps have been gradually implemented:

- Since 1982, the Association of Korean Universities has been established to promote research and collaboration among universities, as well as to assess and evaluate quality.

In 1987, the Ministry of Education proposed a plan to autonomize universities with the goal of enhancing their autonomy and accountability.

The two mechanisms in the reform of higher education in South Korea aim to ensure the social responsibility of universities when granted autonomy, encourage innovative knowledge creation, and promote diversity in higher education.

According to the Korea Herald, South Korea plans to enhance their international competitiveness by strengthening their autonomy. In order to attract more foreign students, the Ministry of Education allows universities to have more flexibility in recruiting postgraduate programs. Local organizations have dormitories abroad to encourage partnerships with foreign institutions. This promotes research activities for students, professors, and researchers. The Korea Foundation, a government-affiliated organization aimed at enhancing Korea's global image, initiates academic and cultural exchange programs and launches the "Global e-School" project. The Korea Foundation supports overall costs for program development, lecture management, and administration. This project aims to provide a range of Korean courses for young students in South Korea and promote scientific research.

The educational reform process in South Korea is a prime example for Vietnam to learn from and draw lessons in the education reform process, particularly in granting autonomy to universities, especially in terms of financial autonomy.

5. Conclusion

Financial autonomy essentially means taking proactive measures to ensure internal resources serve the educational and scientific research activities of the institution. To achieve financial autonomy, universities need to have the freedom to decide and take initiative in exploring and seeking financial resources, determining how to use existing financial resources and assets, investing in future assets, and balancing financial income and expenses to ensure a transparent financial system that complies with the law and avoids any conflicts of interest. Financial autonomy requires universities to manage their finances tightly, openly, transparently, and be accountable, thereby facilitating proactive university management. On the other hand, expenditure items must adhere to the principles of transparency and effectively implement democratic regulations within the school, promoting cost-saving measures and contributing to the socialization of education while improving the quality of life for faculty and staff members. In general, effective financial management mechanisms create the best conditions for universities to proactively organize educational and scientific research activities, thereby enhancing the comprehensive quality of the institution.

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