

Reforming Financial Policies for Research and Development Activities In Higher Education Institutions: Real Situation And Some Recommendations

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Abstract: Reform of financial mechanism is one of the important solutions to basically, comprehensively and synchronously reform research and development activities in higher education institutions in particular and promote scientific and technological activities of our country in general. That a series of financial mechanisms and policies related to research and development activities in higher education institutions have been reformed in recent years creates an important motivation for development of this field; however, in fact, there are still shortcomings that need to be continuously reformed and perfected, etc...

From reform of financial mechanisms...

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Along with the process of international economic integration and development, over the past years, Vietnam has always paid attention to perfection and reform of financial mechanisms and policies for scientific and technological development. In each period, all mechanisms, policies and investments for scientific and technological development promulgated by the Government, the Ministry of Finance and the Ministry of Science and Technology follow practical requirements. The main solutions in reforming financial mechanisms and policies for research and development activities in higher education institutions include: Diversifying investment capital sources for science and technology; Reforming investment policy and state budget allocation mechanism, etc...

Accordingly, the reform orientation is determined specifically as follows: Strive to increase total social investment in science and technology to 1.5% of GDP in 2015 and more than 2% in 2020; Mobilize the capital sources not belonging to the state budget for this activity (amending the Law on Corporate Income Tax, enterprises are allowed to deduct up to 10% of their income subject to corporate income tax in order to establish their Science and Technology Development Fund or to contribute to the local Science and Technology Development Fund). At the same time, build a mechanism to basically overcome the situation of spreading and dispersing the state budget used to invest in science and technology, improve investment responsibility and efficiency; Develop the regulations on principles, criteria and processes for allocating investment budget to science and technology; Develop a mechanism to regulate the allocated science and technology budget to suit the needs, capacity and actual situation of budget use; Reform the process and procedures for making annual science and technology budget planning (flexible time for approval of scientific and technological tasks); Build a roadmap to gradually increase the proportion of science budget capital through the funds such as the National Foundation for Science and Technology Development, and the National Technology Innovation Fund.

Annually, the State budget always gives priority to allocate enough 2% of total state budget expenditure to science and technology (equivalent to 0.5 - 0.6% of GDP), the average annual growth rate of expenditure is 18.6% equivalent to the growth rate of total state budget expenditure. Up to now, the state budget is still the key resource, accounting for 65-70% of the total social investment in science and technology activities. Along with the expenditure level equal to 2% of the total state budget expenditure for science and technology (which is a high level compared to the general level of other countries in the world), the State has issued a lot of preferential financial mechanisms and policies suitable with the characteristics of science and technology. For example, the preparation and allocation of cost estimates and settlement for the State-level science and technology tasks have been flexibly implemented up to now. Besides, for unexpected tasks via Science and Technology Funds, the State budget annually allocates 200 billion VND of charter capital to the National Foundation for Science and Technology Development.

In the process of making cost estimates, a flexible budget allocation mechanism has been applied in accordance with the requirements of science and technology activities. Accordingly, the presiding organization and the individual in charge of science and technology tasks will open a deposit account at the State Treasury and be entitled to withdraw funds according to the implementation schedule, which creates an initiative when implementing science and technology tasks. Funding can be made at any time of the year, and is not limited by the annual State budget allocation and verification time.

Advance and payment of funding advances are also more open. The mechanism of funding advance from the State budget for science and technology tasks is higher than the one for development investment capital and other fields. Specifically, the State-level science and technology tasks are considered to advance up to 100% of the allocated budget in the year, but not exceed 70% of their total estimate; after the settlement of 50% of the advance funding level, these tasks will continue to be advanced for the next installments, which facilitates scientists to take the initiative in using funding for task implementation.

In addition, the mechanisms and policies on estimating and using science and technology budget have also been reformed in the direction of: Building norms and regulations on allocation of regular operating expenses for the public science and technology organizations in cost estimates of science and technology tasks and regular tasks by function; Completing the budget contracting mechanism (according to the final product); Simplifying settlement procedures; Adjusting and supplementing expenditure items as well as budget norms for each expenditure item of science and technology tasks (purchase of equipment, intellectual property rights, designs, technological know-how, software, hire of expert, communications, cost contingency, etc...); Studying, proposing, amending and supplementing the State Budget Law, guidance documents and some legal documents related to financial work for science and technology.

...To legalization of regulations

To take advantage of international cooperation opportunities to develop science and technology in the context of deeper and broader integration, it is very necessary to have appropriate science management policies. Regulations on finance and investment mechanisms for science and technology have also had a basic change. In terms of investment from the state budget for science and technology, the Law on Science and Technology clearly affirms that the annual budget spending level for science and technology is 2% or more, and increases gradually in accordance with the development requirements of science and technology. The allocation of funds will apply the mechanism of contracting, the mechanism of the State's ordering, and the fund mechanism to implement science and technology tasks, avoiding having to worry about annual settlement. In addition, specially-important national projects will apply special investment mechanisms.

The amended Law on Science and Technology has introduced the policies to encourage organizations and individuals, especially enterprises, to invest in technological innovation in production and business. The Law on Science and Technology stipulates that state-owned enterprises deduct a minimum percentage of their income subject to corporate income tax in order to establish their Science and Technology Development Fund. Non-state-owned enterprises are encouraged to deduct their taxable income to set up their own Science and Technology Development Fund (up to 10% according to the provisions of the Law on Corporate Income Tax), or contribute to the Science and Technology Development Fund of sectors and localities, and then enjoy benefits in accordance with the Fund's regulations.

It can be said that the Law on Science and Technology has had breakthrough regulations to overcome some shortcomings in science and technology activities, specifically: (1) Legalize the minimum investment rate of 2% from the annual State budget for science and technology, strengthen the implementation of contractual spending for performance of science and technology tasks; (2) Systematize the decentralization of management and implementation of science and technology tasks; (3) Supplement the regulations on establishment of science and technology organizations to promote the establishment and strengthen state management for non-public science and technology organizations as well as science and technology enterprises; (4) Supplement incentives to attract individuals to participate in science and technology activities; (5) Legalize the regulations to promote enterprises to implement technological innovation and develop science and technology market.

Shortcomings

The groups of financial solutions for research and development activities in higher education institutions are quite flexible, however there are still shortcomings and problems in implementation. The problem is not because there is no money, but scientific topics and tasks have to go through many stages, from selection, evaluation to approval of topics. With the financial mechanism in accordance with cost estimate, scientists who want to withdraw money must submit enough documents, etc... Many mechanisms and policies have been implemented in the direction of most favorable support for science and technology activities; however, with the current evaluation process, in spite of immediate disbursement, it takes years to receive funding from the time of proposing tasks. Furthermore, science and technology sector also has to apply a re-evaluation process for the approved topics when disbursing, which makes research funding slower and slower.

In the past years, budget for science and technology activities has been evenly allocated to the provinces, cities, ministries and sectors based on the amount of funding assigned in the previous year without basis on specific criteria. Although many higher education institutions have weak potentiality of research and development, lack highly-qualified scientific staff, they are still allocated a quite large amount of funding, which leads to excess of funding or investment in their other work items. Meanwhile, the higher education institutions which have strong potentiality of research and development, and a large number of highly-qualified scientific staff are not allocated the funding sources suitable for their research needs. This situation leads to the consequences of waste of funding, low efficiency of science and technology activities, incompatibility with investment funding sources.

In fact, the investment expenditure for scientific and technological research is increasing; despite a large volume of research, the topics which can be applied in production and life are only counted on the fingers. In other words, the obtained efficiency is not commensurate with the State capital invested in science and technology. According to the statistics of the Ministry of Science and Technology, for scientific and technological research in agriculture only, the total budget for the period of 2015 - 2020 disbursed by the Ministry of Finance is more than 12,000 billion VND, i.e. an average of 2,400 billion VND per year. However, only about 10% of research topics are truly effective.

On the other hand, for many years now, the mechanism to monitor the funding use for science and technology tasks has been very backward and slow to be reformed. The procedures for settlement and payment of science and technology tasks and topics are cumbersome and heavily administrative, forcing scientists to deal with, have deception behavior, and making many genuine scientists discouraged.

Some proposed solutions

Reforming the financial mechanism is a component of the basic, comprehensive and synchronous reform of the scientific and technological management, operation and organization mechanism, in which it is necessary to focus on major solutions such as:

Firstly, it is necessary to continue to research to comprehensively and synchronously reform science and technology activities to ensure effective use of 2% of total state budget expenditure. The Ministry of Finance proposes to consider not balancing the science and technology expenditures according to the funding proportion of state budget, but balancing them according to cost estimates, associated with specific annual needs and tasks. On the other hand, the expenditure maybe more than 2%, however, it must be associated with specific tasks to create quality products to meet the requirements of socio-economic development of the country.

Secondly, currently, the medium-term financial framework and the medium-term expenditure framework are being piloted to put into the state budget estimation process. Therefore, it is possible to study to replace the hard regulation on spending 2% of the total annual state budget expenditure with introducing programs, projects, research topics into the medium-term financial framework and medium-term expenditure framework, show the priorities in the science and technology field in the medium term to allocate appropriate budget sources. Along with that, thoroughly solve the problems caused by administrative procedures. Administrative procedure reform also contributes to overcoming the situation of too slow disbursement due to having to spend too much time on financial procedures.

Thirdly, because the funding source is still limited, to improve investment efficiency, the State needs to resolutely end the situation of small and fragmented investment. It is necessary to survey and accurately evaluate the scientific and technological potentials of the ministries, sectors and localities as a basis for investment. At the same time, unify the investment management agencies for science and technology into one focal point, and it is advisable not to be as spread out as at present.

Fourthly, reform the procedures of payment and settlement of expenditures. Should apply the mechanism of contractual funding to the final scientific and technological product; assign maximum autonomy to organizations and individuals in charge of science and technology tasks in using funds. The State actively purchases scientific and technological research results.

Fifthly, the State needs to strengthen decentralization to ministries, sectors and localities; improve autonomy and self-responsibility in research and development activities. For the tasks ordered by the State, the ministries, sectors and localities should allocate expenditures directly to higher education institutions for implementation. For the major and interdisciplinary science and technology tasks of the country, expenditures should be provided to the Ministry of Science and Technology for management or through science and technology development funds.

Sixthly, instead of direct allocation of funding, ordering the scientific and technological research is considered as the optimal solution not only to solve the problem of finding suitable topics for scientists, but also to ensure effective investment for scientific research, and waste reduction.

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