

MEASURES TO ENHANCE ECONOMIC EFFICIENCY OF THE COLLECTIVE SECTOR

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Developing the collective sector is considered as part of the socioeconomic development strategy adopted by the VCP and Government. Many resolutions and laws have been made to make this a reality. Up to now, however, all efforts haven't produced intended results and this sector seems less attractive in the eyes of the public. That is why the problem of how to enhance the economic efficiency of the sector becomes increasingly urgent.

I. SOME DATA ABOUT THE COLLECTIVE SECTOR

1. Working population

According to statistics gathered by the Hà Nội National University of Economics at the end of 2001, there were 14.5 million families in Vietnam; 11.27 million of them (or 77.7%) lived in rural areas and 3.23 million (22.3%) lived in cities. The number of 11.27 million families in rural areas included 59.1 million out of 77.7 million. Of these families, 9.9 million families, or 87.9%, lived on farming, and 1.36 million families, or 12.1%, lived on other occupations. These data affirm that the best part of Vietnamese families and working population lived on the agricultural production.

2. Cooperatives

In 1960 when the collectivism was at its height, there were 40,442 agricultural cooperatives in the North, and this figure reduced to 17,022 in 1987. Thus the number of cooperatives reduced by a half

within 30 years. This means that the organization of this sector faced serious problems.

According to reports by the VCP Central Economic Board, Union of Vietnamese Cooperatives, and the Ministry of Agriculture and Rural Development, the number of cooperatives reduced fast in the years 1987-2001 as shown in the following table.

Regarding the performance, 28.2% of agricultural cooperatives were of the good level, 46.9% of medium level and 25.0% of

poor level. As for non-agricultural ones, these figures were 39.5%, 43.5% and 17.0% respectively.

This shows that only a few cooperatives achieved good performance. That is why the collective sector was less attractive in the eyes of laborers.

3. Assets, capital and liability

a. Fixed and working capital:

Reports from 5,143 cooperatives in seven regions (Northern midlands, Northern lowlands, coastal

provinces of North Central Vietnam, coastal provinces of South Central Vietnam, Western highlands, Eastern South Vietnam and Mekong Delta) show that an agricultural cooperative has a fund of VND557.56 million on average, 407 million of which was fixed capital and 150.3 million was working capital. Working capital from retained profit was VND64.7 million but only 8.3% of which was newly paid up.

In non-agricultural cooperatives, the average capital was VND1,833,500. Transport cooperatives have the biggest capital, 3.03 billion on average, and 87.5 of which was fixed capital. A credit cooperative has a capital of VND2.95 billion, 39% of which was fixed capital and 97.1% was working capital.

Generally, the average working capital of a cooperative was small, that is why it couldn't increase in-

Table 1: Cooperatives in 1987-2001

| Cooperatives in | December 1987 | December 2001 |
|---------------------|---------------|---------------|
| Agriculture | 17,022 | 10,289 |
| Small manufacturing | 32,034 | 1,566 |
| Construction | 3,900 | 341 |
| Transport | 3,300 | 951 |
| Trading | 9,600 | 370 |
| Credit | 7,160 | 974 |



vestment for better performance and output.

b. Fund for benefit and production development:

In 2000, the average fund of a cooperative was VND35.96 million, and 90.3% of which was for production development and 9.07% for benefit. Small part for benefits explained why cooperatives lacked a dynamic of development.

In an average transport cooperative, the production development accounted for 43% of the fund of VND35.8 million.

c. Receivable, payable and balance:

Most cooperatives suffered losses and their capital became smaller and smaller.

4. Performance

According to a report by the VCP Central Committee, 54.3% of the total of 3,628 cooperatives made profit, 39.4% broke even and 13.8% suffered losses. The average sales of a cooperative was VND million a year; the profit-sale ratio was 3.9%. The lowest sales were found in agricultural and salt cooperatives and the highest in trading ones (from VND5 to 6 billion) and transport, credit and construction ones (2 to 3 billion).

5. Personnel

These date, gathered in June 2001, show that the intellectual level of cooperative personnel was very low, especially in forestry cooperatives.

The decline of the collective sector originated from the following causes:

- The establishment of cooperatives wasn't based on the will of potential members. They were forced to join cooperatives because authorities were afraid that private businesses would lead to the capitalism. The compulsory cooperation provided no benefit for both the State and laborers because laborers couldn't live on income from their cooperatives and the State collected no tax from them. In addition, authorities failed to support cooperatives in terms of capital, techniques and organizational skill. All cooperatives couldn't access formal credit from state-owned banks or technical assistance from the manufacturing sector. In short, the hasty establishment of a collective sector in Vietnam after the Liberation Day was merely a voluntarist action.

- In fact, the collective sector is a satellite of the public sector that depends totally on subsidies from the State. When the subsidization was removed, both the public and collective sectors faced great difficulties. It's the subsidization that made those two sectors less competitive. To replace the subsidization with a more reasonable mechanism for the collective sector becomes a problem of great urgency.

- Dependency on the public sector, lack of

ductivity and competitiveness. When the market economy was introduced, this sector naturally suffered losses and went bankrupt.

These analyses allow us to find out measures to develop this sector.

II. MEASURES TO DEVELOP THE COLLECTIVE SECTOR

1. A need for a new way of thinking

This change must originate from the concept that the collective sector is the result of division of labor and capital accumulation, otherwise it exists in name only. Certainly, not everybody can understand this overnight. Therefore, education and dissemination of right knowledge should be done regularly and intensively. This situation also explains why many progressive policies introduced by the VCP couldn't produce intended results.

The collective sector is diverse in terms of types and contents. As for the types, cooperatives could engage in all economic fields, from agriculture to manufacturing and service. Regarding its contents, the collective sector is based on collective ownership combining laborers, family businesses and small and medium enterprises without limit on its scope and locality. The distribution principle applied to cooperatives is also flexible: wealth could be distributed

bers of cooperatives could be legal entities or natural persons. Their existence and development must be based on voluntarism, equality, mutual benefit and democratic management.

To accelerate changes in the structure of industry with a view to industrializing the production and reducing the poverty, the collective sector must be developed in rural areas. In this process, the business autonomy of cooperatives and their members must be ensured and developed.

2. Legal and psychological infrastructure for the development of the collective sector

The Cooperatives Law must be amended because it hasn't been suitable to the collective sector in the market economy. Some problems with it are: The sector doesn't enjoy a status equal to other sectors when cooperatives could only do business at district level while other companies could do at provincial level although companies may have a smaller size.

Up to now, the managerial skills of the head of cooperatives hasn't been taken into consideration seriously. This concept must be adjusted and this quality must be of top priority. Manager must be considered as a profession and this title couldn't be given to anybody. To ensure this standard, the development of the collective sector must be included in the curricula of universities and vocational centers.

Cooperatives must have rights to hire laborers, buy know-how and technologies, and receive technology transfer. Cooperatives with excellent performance must be glorified with a view to disseminating the concept that the collective sector is no less important to the

Table 2: Quality of personnel of cooperatives (%)

| Cooperative | Director | | Chief accountant | | Supervisor | |
|-------------|------------|-----------|------------------|-----------|------------|-----------|
| | VCP member | Untrained | VCP member | Untrained | VCP member | Untrained |
| Agriculture | 64.7 | 51.20 | 53.85 | 45.63 | 56.41 | 72.66 |
| Farming | 70.26 | 49.53 | 53.98 | 42.34 | 62.52 | 71.84 |
| Forestry | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Salt | 40.00 | 30.00 | 30.00 | 20.00 | 50.00 | 50.00 |

6. Problems with the development of the collective sector

preparations, and shortage of skilled personnel and facilities explained why cooperatives had poor pro-

according to working hours, shares held by members or the amount of services supplied. Mem-

economy than other sectors.

3. New mechanism and policies for the collective sector

Based on local conditions, provincial authorities could make plan to train managers and officials for cooperatives. Cooperatives could take measures to attract managers and technicians by offering better pay and other benefits. The Government could force cooperatives to adopt social security scheme for their workers and members.

As for the policy on land agricultural cooperatives, they could be exempted from fee for the land use right when their members want to exchange their pieces of land or the management need land for their offices and shops. Non-agricultural cooperatives could lease land at lower rental or be exempted from the fee for the land use right, temporarily or permanently.

Regarding the policy on credit for cooperatives, they could be exempt from the land tax, agricultural tax and company income tax. In addition, authorities could help them to buy raw materials and find market for their produce, publicize shares and stakes held by each member, settle all overdue debts generated before 1996, etc.

Cooperatives, like other companies, should have rights to access formal credit. They can mortgage their assets for bank loans. In addition, they could borrow from national programs and non-government organizations. People's Credit Funds must be beefed up by providing them with

technical assistance and strict guidelines on credits for members of cooperatives.

Cooperatives must be provided with financial support needed for applying scientific advances through agricultural extension programs. More investment should be put in local research centers to transfer more technologies to cooperatives. Incentives could be given to organizations to transfer technology with a view to helping cooperatives develop new products and exploit local sources of raw materials.

Local authorities must take measures to encourage the development of concerns processing farm products, producing traditional goods or engaging in cottage industry in order to reduce the proportion of peasants to the population without forcing them to migrate to big cities for business opportunities.

The Government could adopt a new mechanism to encourage ministries and local governments to supply business information to cooperatives, help them promote trading, market their goods on domestic and foreign markets, and facilitate the signing of contracts with foreign trading partners. Processing factories could enter direct contracts with agricultural cooperatives and encourage members of the cooperatives to buy shares from farm product processing companies, thereby establishing close relations between those two parties.

Local government should push ahead with programs to develop the infrastructure in rural areas in order to promote trading there. These pro-

grams could be based on the cooperation between authorities and local residents.

4. The role of the Government

Besides the above-mentioned causes of failure of the collective sector in the past decades, it's necessary to include one more cause. It is the lack of government support for the sector. After the economic reform was launched, the Government took no measures to develop the sector when cooperative after cooperative collapsed, especially the agricultural ones. It seems that the Government adopted a laissez-faire policy on the sector. That is why the development of this sector needs a governmental body responsible for combining efforts from ministries and local governments to recover this sector. This effort is also entirely appropriate to the socialist orientation adopted by the VCP. Necessary lessons must be drawn from the past shortcomings and failures before working out suitable plans for the development of the sector. At present, some cooperatives are doing business very well and making reasonable profits. Their experiences could be disseminated among local governments in order to help them make plans suitable to local conditions.

As for local governments, they must be more determined to recover the sector in order to remove all doubts and worried raised by the old model of cooperatives, and make the collective sector, along with the public one, a solid foundation for the economy. ■



Photo by Hoàng Tuấn