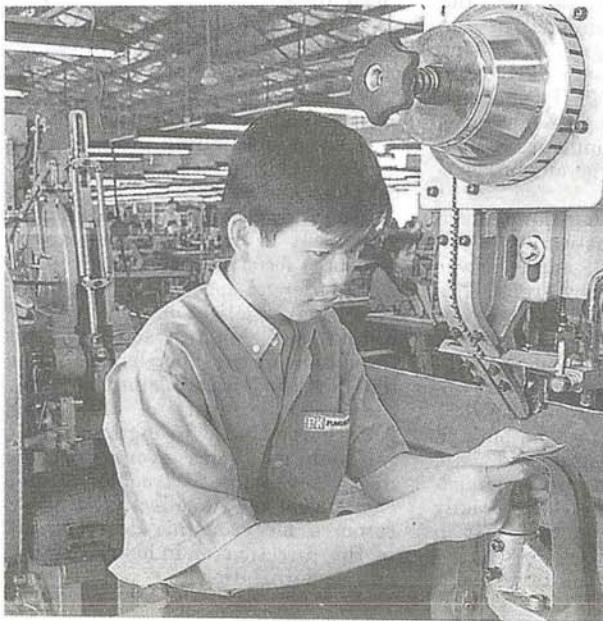


HOW TO MAKE IP INFRASTRUCTURE DEVELOPMENT COMPANY EFFECTIVE

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From initial progress and remaining troubles in 53 industrial park infrastructure development companies (IDCs) across the country (see previous issues), we draw some necessary experience for the establishment and development of IDCs.

Firstly, IDC is a decisive factor for the industrial park's (IP) success. Therefore, the decision on what is viable of capital, staff, marketing to manage the IP infrastructure is crucial to the IP effectiveness.

Secondly, the right understanding of every level, branch in provinces and

pand the IP as we are facing financial difficulties at present.

Sixthly, the IP location is very important to IDC's business performance.

The IDC's operations will decide the IP's growth. If it works ineffectively in management, capital mobilization, investment attraction and marketing, the IP's area will not be fully covered. As a result, the IDC may be in red and bust. Therefore, the IP authorities should make appropriate plans and solutions to help IDCs soon lease the whole IP area. This is really problem to current IPs in Vietnam.

Although it is not a long time to make an exact conclusion to the new economic model, but evidences of 53 IDCs in the past years also give us precious lessons to build IDCs.

From those evidences, we should devise measures to help IDCs remove their obstacles. Some are suggested as follows:

Capital

We should think investment in the IP's infrastructure is not only a real estate business to earn profits. In contrast, the infrastructure construction is a requirement to attract domestic and foreign investors into the IP. The major revenues for the State budget are derived from production of firms in the IP. From that view, the Government should make some considerations:

Regarding places with favorable conditions for attracting foreign capital such as southern focal economic region (HCMC, Đồng Nai, Bình Dương, Bà Rịa-Vũng Tàu) and northern focal economic region (Hà Nội, Hải Phòng, Quảng Ninh), local investors could be permitted to invest in building the IP infrastructure. Besides foreign partners could enter joint ventures with local businesses to

cities about the IP establishment and local governments' energetic assistance are preconditions for IDCs to reach their targets.

Thirdly, the Government's support to IDCs (such as capital, land rent, tax, etc.), especially for central provinces and less developed ones is an important incentive to IDCs.

Fourthly, the site clearance for IP construction is convenient at places IDCs and local governments reach consensus in planning, satisfactory compensation prices and creating jobs for workers there.

Fifthly, it is a good lesson to use investors' prepaid land rent to ex-

develop IP infrastructures.

As for less developed regions such as central provinces, Central Highlands, Southwestern region and other northern regions, the Government should pour its funds in building the IP infrastructures. Foreign loans and long-term soft loans should be given to those investing in these regions. With the supports, these challenging regions can have a chance to build their own IPs and implement the national industrialization and modernization.

The Government should also grant suitable funds to investment in projects outside the IP or accept flexible forms to generate capital such as bartering land for infrastructure, BOT (Building-Operate-Transfer), permitting the IDC owner to enjoy financial preferences including tax credit when they pour their money in setting up works outside and serving the IP.

The establishment of IP infrastructure development assistance funds need be implemented pilotly in some provinces and cities. The capital for these funds is derived from the State Treasury (the prescribed capital), local enterprises' contribution, soft loans, real estate sales and others.

In addition to these sources, the Government should allow the equitization of IDCs and sales of shares and bonds so that the public could invest in building the IP.

The reletting of the IP land will help solve actively the IDC's capital problems and seduce investors to the IP more easily. This flexible practice should be given guidance in writing of related ministries and branches.

To survive in the region competition of investment alluring, in addition to joint ventures with for-

ign partners in setting up IDCs, the Government could consider to apply other forms such as allowing private domestic and foreign companies to form their totally-owned IDCs in difficult regions with poor infrastructures. By doing so, we would overcome current problems of investment capital and marketing to attract foreign investors into Vietnam.

These said measures would be a breakthrough to beef up less developed and challenging regions in the country. And only the

help investors save their energy and time.

When devising pre-feasibility studies, the building of infrastructures outside the IP should be clarified and regulated as a ground for planning local funds of capital construction.

These above issues if uniformly resolved will have good effects on the IDCs' operations and help attract more foreign investors into the IP construction. In contrast, the IDC will incur losses and may go bankrupt.

their guidance for the execution.

Partnership and location

The IP construction requires huge funds and skilled staff who are good at captivating local and overseas investors to build firms in the IP. The decision on local IDCs and foreign partners is decisive to the IP performance. Some joint ventures have picked up fruitful results in building IP infrastructures due to choosing right partners who have potential finance, marketing experience, wide deal-



Government's great investment in these locations helps them to narrow the gap between the country's regions.

Concensus and uniformity

Leadership of every levels, especially of related authorities should reach concensus and uniformity in setting up the IP and prevent hurdles caused by themselves, planning compensation, assistance policies when clearing site for the IP construction.

New firms operating in the IP should be arranged in line with the plan, avoiding scattering and polluting the environment. The IP authorities should apply one-door policies to

Policies

The Government should soon perfect a legal framework for the IDC to operate easily, legally and in line with international common practices, especially in Dung Quát IP and Hòa Lạc High-tech IP. Currently, there are still vague policies on the lending, leasing and reletting land, compensation for site clearance, moving factories from cities to IPs...

The issue of Decree 7/1998/NĐ-CP and Decree 10/1998/NĐ-CP has helped improve the investment climate. However, the relevant ministries and branches has not yet completed

ing network and prestige on the market.

The location for IP construction should be taken into careful consideration. In theory, if the location is properly determined, entrepreneurs will hold 30% their success.

In short, the IP infrastructure development company is a new economic model arising in the open door process. Although few companies started operation, but they offered us some precious lessons so that we continue to perfect policies and legal framework with the aim to intensify this model for the national industrialization and modernization.