

Equitization in An Giang

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1. Equitization of state-owned companies in An Giang Province

In early 2001, there were 34 state-owned companies in An Giang. All of them were of small size and suffered poor performance. Some of them had financial problems (bad debts and losses). They relied too much on subsidies from the provincial government. This situation made equitization a must.

The equitization and reorganization of state-owned companies in 2001 - 05 achieved the following results.

- From 1998 to the end of 2000: Only three state-owned companies were privatized and turned into joint stock companies: Sand Exploitation Company (privatized in 1998), Printing Company (1999) and Freezing Transport (2000).

- In 2001, Thoại Hào Company was dissolved but one of its shops was developed into an Ice Factory; the Municipal Water Company was merged into the An Giang Water and Power Company; and the Seafood Export and Import Company was privat-

ized. By the end of the year, there were 32 state-owned companies.

- In early 2004, there were 29 state-owned companies and this figure was 21 by the year's end: five companies were turned into joint stock ones (Pharmaceutical Company, Châu Đốc Transport Company, Automobile Transport Company, Hoàn Mỹ Company and Crops Protection Company); the Ice Company was dissolved; and the Long Xuyên Municipal Works Company and Irrigation Works Company were turned into utility services.

- In early 2005, there were 21 state-owned companies and this figure was reduced to 14 by the year's end: five companies were privatized (Book and School Equipment Company, Construction Consultancy, Rural Development Consultancy, Tourism Company and Housing Development Company); the Long Xuyên Design Consultancy was dissolved; and the An Giang Stone Processing Company was turned into a one-member limited company.

Thus, 22 state-owned companies were rearranged or had their legal status altered in the

years 2001-2005 (one was turned into one-member limited company; 11 were privatized; four were merged; three were dissolved and three were turned into utility services.)

After reorganization of the public sector, 12 new joint stock companies have come into being since 2001; 11 of them were totally privatized and one of them was a part separated from a state-owned company (Chợ Mới Engineering Joint Stock Company separated from the Engineering Company in 2002).

2. Performance of state-owned companies after equitization

Data show that most equitized obtained good business performance after the equitization. More details are as follows:

- Profit earned by the Crops Protection Company rose from VND65,847 million in 2004 to 108,672 million in 2005.

- Hoàn Mỹ Company earned VND612 million in 2004 and 1,234 million in 2005.

- Automobile Transport Company made a profit of VND520 million in 2004 and 1,375 million in 2005.

Table 1: Business performance before and after the equitization (VND million)

Company	Year of equitization (year N)	Sales			Profit		
		Year N-1	Year N	Year N +1	Year N-1	Year N	Year N+1
A. Totally equitized companies		3,078	4,199	7,431	418	917	1,435
1. Sand Exploitation	Nov. 1998	509	1,287	2,507	123	410	388
2. Freezing Transport	July 2000	1,500	1,912	3,024	250	456	828
3. Chợ Mới Engineering	April 2002	1,069	1,000	1,900	45	51	219
B. Partly equitized companies		1,674,813	2,214,935	1,819,970	72,583	102,053	137,219
1. Printing	Jan. 1999	5,500	5,990	6,079	201	374	387
2. Seafood Import- Export	Aug. 2001	383,409	539,391	493,178	11,074	24,475	23,424
3. Pharmaceutical	June 2004	42,370	52,925	79,682	654	2,547	3,128
4. Châu Đốc Transport	Nov. 2004	4,291	4,482	7,146	58	(131)	190
5. Automobile Transport	Jan. 2004	6,947	8,202	11,750	403	520	1,375
6. Crops Protection	Oct. 2004	846,838	1,041,170	1,211,334	53,802	65,847	108,672
7. Hoàn Mỹ	Nov. 2004	7,496	8,390	10,801	441	612	1,234
8. Book and School Equipment	March 2003	20,847	24,002		943	1,397	
9. Construction Consultancy	July 2005	3,961	3,525		931	915	
10. Rural Development Consultancy	March 2005	11,623	13,472		493	270	
11. Tourism	Aug. 2005	302,797	461,873		3,242	3,654	
12. Real Estate	Nov. 2005	38,734	51,513		341	1,573	

Source: An Giang Service of Finance

- Real Estate Joint Stock Company earned VND1,573 million in 2005.

- The Seafood Import-Export Company was equitized in 2001 and its profit rose from VND24,475 million in 2001 to 25,549 million in 2005.

- The Châu Đốc Transport Company suffered a loss of VND131 million in 2004 when it was equitized but it made a profit of VND190 million in 2005.

At present, the following 10 state-owned companies are in need of more reorganization: Irrigation Construction Company, Transport Works Company, Public Works Investment and Consultant Company, Agricultural Technical Service Company, An Giang Installation Company, An Giang Engineering Company, An Giang Export- Import Company, An Giang Farm Product Export and Import Company, An Giang Footwear Company, and An Thài Food Technology Limited Company.

3. On results of the equitization and reorganization program

From 2001 to 2005, An Giang authorities achieved 72% of the target planned for the program. After the equitization and reorganization, most companies gain good performance. Income for laborers and managers rose remarkably making them more interested in their jobs. Some others, however, failed to do so and even suffered losses (such as the Chợ Mới Engineering Joint Stock Company) because of their shortage of capital, poor competitiveness and management.

The program also reveals many shortcomings:

- Regulations on the equitization are not perfect and sufficient. Policies on incentives, evaluation of companies, and use of proceeds from the equitization, etc. are not appropriate enough to encourage state-owned companies to take part actively in the program.

- Equitized companies suffer some discrimination from authorities, especially in terms of credit

and land use right, which make many companies reluctant to take part in the program. Lack of clear regulations on financial statements submitted annually by equitized companies makes it difficult to supervise their operations.

- Task of evaluating the company is carried too slowly and sometimes fails to value exactly the company in question.

- Difficulties in handling financial problems in would-be equitized companies make the equitization process time-consuming.

- In equitized companies, the provincial authorities still hold some 33% of their shares – a rather high percentage. This situation makes it difficult to establish a new way of management in these companies.

- The aim of turning laborers into co-owners of the company is hard to achieve because many laborers can't afford the shares sold to them at low prices, and many of them have to sell shares to other investors.

4. Measures to accelerate the equitization and reorganization program in An Giang

- The legal infrastructure for the program must be improved and perfected. Duties of each gov-

ernmental agency responsible for the program must be made clear. Responsibility and interests of the management and laborers of the equitized companies must be defined.

- Necessary investment must be put in the program in order to ensure good results.

- Obstacles to the program must be removed. Financial problems in would-be equitized companies must be solved before equitization.

- Proceeds from the equitization must be used effectively and reasonably, especially for accelerating the program.

- Mechanism for supervising part of capital held by the State in equitized companies must be beefed up but authorities had better refrain from intervening too much in operations of the equitized companies.

- Equitized companies, like others in any sector, must be treated equally, and they must send regular reports to relevant authority as required by law.

- Although part of capital still belongs to the State, equitized companies had better adopt new managerial methods, recruit competent managers and skilled laborers, and carry out necessary researches in order to improve their competitiveness. ■



Photo by Huỳnh Thơ