

Privatization in Cần Thơ

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1. Situation

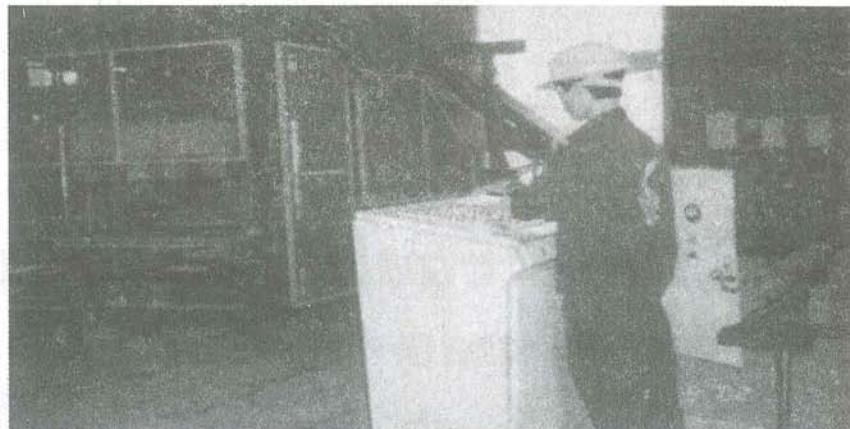
Cần Thơ is a municipality directly under the central government, situated in the middle of the Mekong Delta, and also a cultural, economic and research center of this zone. Its natural area is 138,593 hectares and is divided into eight districts (four rural and four urban ones) housing 1,112,121 people.

After the economic reform was launched nationwide, Cần Thơ experienced sea changes and obtained many achievements in economic, social, cultural and education development.

According to its master socioeconomic development plan, Cần Thơ is expected to establish a new structure of industry by 2010 in which the manufacturing and service sectors will play the leading role.

To carry out successfully the plan, Cần Thơ has made great efforts and after having realized the VCP Resolution 3 of the VCP Executive Committee of the 9th term for two years, Cần Thơ authorities has planned to privatize 17 state-owned concerns (12 companies and five subsidiaries), equaling 53.57% of the number of state-owned companies in the city. In companies to be privatized, the public sector will control some 47% of the total capital. Due to various difficulties, however, only 13 concerns have been privatized up to the end of 2003. The rest will be privatized in 2004.

After privatization, most companies adopted new business plans and tried to secure their footholds on the market. After two years operating as



joint stock companies, they achieved the following results.

The Table 1 shows that the total sales, profit and tax payment made by these companies increased steadily while the financial support from the State was cut. However, the average wage only rose slightly, which requires more attention from the company management.

2. Rough estimate and some suggestions

Although the privatization program is encouraged by the central government and promises great benefits, it is carried out very slowly in Cần Thơ because of many difficulties: huge bad debts, large stockpile, problems with the land use right and land lease, and difficulties in evaluating assets of the companies during the privatization process. In addition, Cần Thơ authorities are busy with its organization after it was separated from Hậu Giang Province.

To accelerate the privatization program under local conditions, municipal

authorities had better take the following measures:

- Stabilizing the administrative machinery as quickly as possible before carrying out the privatization plan for 2002-05 as approved by the central government.

- Selling preferred shares to persons doing business with the company, such as wholesalers, retailers or agents, instead of selling them to laborers and suppliers only.

- Asking for permission from the central government to use proceeds from the sale of shares to make redundancy payments according to the years they worked in the public sector and the company to make payments for the time they worked for the company only.

- Paying more attention to intangible assets owned by the company and allowing equal treatment for both privatized and state-owned companies.

- Asking the central government to allow Cần Thơ government to make decision on the privatization of companies that are worth VND1.5 billion instead of VND500 million as stated by current regulations.

The privatization is a right way to reform the public sector and liberate productive forces. The program certainly meets with difficulties and hidden protests from the vested interests, therefore it requires great efforts and determination from both Cần Thơ and central governments. ■

Table 1: Business performance of privatized companies in Cần Thơ in 2003 (VND million)

Indicators	2002	2003
Total capital	207,314	439,753
Total sales	318,624	1,074,439
Total overheads	299,038	922,037
Gross profit	19,586	152,402
Payable to the treasury	8,998	42,298
Grant-in-aid from the treasury	0	0
Payroll	9,339	13,172
Average pay for a laborer per year	10.48	10.94