

The Mekong Delta plays an important role in ensuring the national food safety and exportation of agricultural products. The Delta not only supplies the better part of locally-consumed food, but also brings in millions of dollars by exporting various agricultural products.

According to the Ministry of Agriculture and Rural Development, in 1996, in spite of a lot of natural disasters, the Mekong Delta also produced 11.69 million tonnes of brown rice (40.3% of the national rice output of 29 million tonnes). Of the increase of 1.5 million tonnes of rice made in 1996 in comparison with 1995, 1.041 million tonnes (or 69.4%) came from this delta. Of 9 million tonnes of rice put on sale in 1995, some 8 million tonnes came from the Mekong Delta. The Delta also supplied the better part of some 3 million tonnes of white rice exported from Vietnam in 1996. Export earnings from rice exports



tion of the Delta increased by 60% compared with 1995.

Besides rice, the Mekong Delta also produces some VND20,000 billion worth of various kinds of fruits, handicrafts, and maricultural products a year.

Although most of its potentials have been exploited but there is plenty of room for development of the Delta economy and many problems need to be solved (poor infra-

CAPITAL NEEDED FOR DEVELOPMENT OF THE MEKONG DELTA

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on April 1996 providing guidelines on ways of solving basic difficulties in the Mekong Delta, especially what concerning communication, irrigation and development of family businesses.

To realize these guidelines, the banking system has started to supply capital needed for the development of the Mekong Delta. Up to the end of 1996, all kinds of banks and financial institutions have come into operation in the Delta, including 52 branches of state-run commercial banks, 10 rural joint stock banks, 160 credit unions and some branches of municipal commercial banks, that is, the network of rural banks has developed and operated well.

Regarding the mobilization of capital, up to the end of 1996, the network of banks and credit unions in the Mekong Delta has attracted VND3,875 billion (increasing by 27% compared with 1995 and representing 6% of total capital mobilized by the banking system) from provinces in the Delta and VND4,423 billion from other provinces, that is, an increase of 55% has been made.

Up to Dec. 31, 1996, commercial banks in the Delta have loaned VND8,298 billion (an increase of 51% in comparison with 1995). This sum amounted to VND12,000 if loans supplied by other provinces and used for buying rice and fertilizer are added.

In short, borrowings supplied by

structure, low intellectual standard, high rate of poverty-stricken families, etc.). In addition, annual floods have made its infrastructure go from bad to worse. These problems have to be solved as soon as possible in order to help local residents survive flood and exploit existing potentials bestowed on this delta.

To deal with these problems, the Government issued the Decisions 99/TTg on Feb. 9, 1996 and 256/TTg

the network of banks and credit unions in the Delta increased from VND15,000 in 1995 to some 20,000 billion in 1996.

Regarding medium- and long-term loans, commercial banks have tried to supply as best they could. Up to the end of 1996, they have supplied VND1,100 billion worth of medium- and long-term loans (representing 14% of total bank borrowings) increasing by 83% compared with 1995. Particularly, this percentage in the Bank for Agriculture and Rural Development was 160% (from VND 214 to 557 billion) and 33% in the Bank for Investment and Development.

Bank borrowings supplied by the banking system increased only by 15% but this percentage in the Delta was 50%. Most of these borrowings were used for developing rice production, purchasing rice from farmers, exporting rice, helping poor farmers or helping farmers in flood plains build their houses on stilts and developing non-farming businesses in the Delta.

Regarding loans for production development, up to the end of 1996, Banks for Agriculture and Rural Development in Southern provinces have loaned VND3,100 billion to over one million borrowers (increasing by 34% compared with 1995), 299 of this amount are of long and medium terms.

As for the task of purchasing rice, from 80% to 90% of capital needed for this task in the Delta was supplied by banks. Annually, the banking system has to loan some VND9,000 billion to this program, and this program regularly owed banks some VND1,200 billion. Under the direction of the Government, the banking system has supplied Southern and Northern Food Corporations with loans needed for purchasing and exporting foodstuffs. Those two corporations have owed some VND350 billion to banks at times. In 1996, the Southern Food Corporation borrowed VND775 billion from banks.

In 1996, to supply fertilizer to the Delta, the banking system has extended credit and given bank guarantee to importers (total bank borrowings amounted to some US\$300 million). Up to the end of 1996, unsettled debts and bank guarantee were worth some US\$250 million. Main debtors were such fertilizer import companies as Grainco (US\$150 million) and Agricultural Materials Corporation (US\$61 million).

The banking system has also supplied loans to farmers in flood plains in order to help them build houses on stilts. In 1996, Banks for Agriculture and Rural Development loaned some VND220 billion to 47,000 families helping them build houses with total area of 3.7 million sq.m., and around VND177 billion were unsettled. Of these debtors, 9,000 are revolutionary families who owed over VND37 billion, and over 37,000 are poor families owing some VND140 billion. Besides Banks for Agriculture and Rural Development, Banks for the Poor also loaned around VND350 billion to some 325,000 borrowers in 11 provinces in the Delta.

The banking system also helped farmers repair damage caused by floods. A rough estimate shows that in 1996, VND850 billion (600 billion of which came from Banks for Agriculture and Rural Development, and other 200 billion from Banks for the Poor) were loaned to farmers in flood plains.

Many other loans were also supplied to farmers in the Mekong Delta and development programs in different zones, such as the program to build sugar refineries in Cần Thơ, Sóc Trăng, Bến Tre and Kiên Giang (each of these refineries can handle 1,000 tonnes of sugarcane per day, with a total investment of US\$29 million).

The banking system also loaned about VND130 billion to 85,000 farmers who grew sugarcane in Kiên Giang, Long An, Bến Tre, Trà Vinh, Cần Thơ, Minh Hải and Sóc Trăng; VND5 billion to projects growing manioc and hybrid maize for export in Long An and An Giang; and other VND150 billion to 17,000 farmers who need farming machines to develop their businesses.

In projects to develop mariculture, commercial banks have supplied some VND100 billion to over 7,900 farmers in Long An, Bến Tre, Trà Vinh, Sóc Trăng, Kiên Giang, An Giang, Minh Hải and Đồng Tháp. Over 1,700 farmers in different provinces were also provided with VND40 billion needed for the building of their fishing vessels.

To realize the Decision 99/TTg, Banks for Agriculture and Rural Development have invested in projects to develop rural cottages in Cần Thơ, An Giang and Bến Tre (loaning VND11 billion to 2,300 households), road networks in Tiền Giang, Cần Thơ and An Giang (VND241 million), electricity net-

works in Long An, Tiền Giang, Sóc Trăng and Bến Tre (VND6 billion), 3,700 farmyards in Tiền Giang, Vĩnh Long, Cần Thơ, An Giang and Kiên Giang (VND1 billion), clean water supply (VND1.3 billion), irrigation and land reclamation (VND10 billion).

Besides state-run commercial banks in the Delta, there are 10 rural joint stock banks (5 in Cần Thơ, 3 in An Giang, 1 in Kiên Giang and 1 in Long An). These banks loaned some VND376 billion in 1996 (or 4.5% of total borrowings supplied in the Delta).

The system of credit unions, in the past three years of the pilot scheme, has developed well and firmly. Up to the end of 1996, there were 160 credit unions and two credit funds at regional level in 12 provinces of the Delta. Up to the end of 1996, this system has loaned VND409 billion. Although this amount isn't big but this system is within easy reach of poor farmers and proved to be of great help.

However, the Delta is in need of medium- and long-term capital which the banking system has failed to satisfy because its organization wasn't perfect, its personnel were badly trained and the network of banks and credit unions could only satisfy 50% of its customers.

Most investment projects in the Delta haven't produced intended results because of the poor infrastructure. Moreover, the source of dead money in the Delta is limited, so the banks have to attract money from other provinces with the result that the bank charge became higher and farmers in the Delta had to suffer from it.

The percentage of overdue debts is high and on the increase. This affects unfavorably the operation of banks. Most of these overdue debts owed by dissolved state-run businesses, old-style cooperatives and other organizations suffering from natural disasters haven't been settled by the Government.

In state-run banks in the Delta, the total of doubtful debts amounted to VND976 billion, representing 29% of the national doubtful debts and 13% of current debt in the Delta. If the value of overdue debt is added, the total unsettled debt to the banks will amount to VND1,196 billion, or 14.5% of current debt.

These problems have to be solved as soon as possible in order to make investment from banks a real lever to exploit potentialities of the Mekong Delta.