

# On Performance of Real Investment Projects in HCMC

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In recent years, HCMC government has spent a lot of money on real investment projects. The share of these projects in the municipal budget rose from 19.3% in 1995 to 36.8% in 2000; 57.9% in 2002 and some 62% in 2004 (according to report by HCMC Service of Finance). Moreover, the HCMC government also takes many measures to attract investment and capital from both private and foreign sectors to these projects. Generally, some 800% projects are funded by the public funds every year; some 60% of them are projects that were started in previous years; 20% are newly started and the rest have just finished the land clearance.

In 2004 for example, 846 projects worth VND8,471.695 billion were funded by the municipal budget: 24 of them were of the A Group; 471 of the B Group and 349 of the C Group. In addition, there were some 700 projects that have just finished their feasibility study. The following are major projects that are carried out in 2004:

- 7 projects to produce high-quality young plants with a total capital of VND119.2 billion
- 3 projects to build the Quang Trung Software Park: 2,183.15 billion
- 13 projects to reduce social evils: 584.12 billion
- 13 projects to build sport facilities: 274.9 billion
- 3 projects to build memorials to Hùng kings: 399.96 billion
- 21 projects to reduce inundation: 3,074 billion



- 106 projects in 106 schools: 1,396.75 billion
- 37 projects in health care service: 712.8 billion
- 5 projects to build main marketplaces: 529.7 billion
- 18 projects to develop social infrastructure: 266.26 billion
- 49 projects to develop technical infrastructure at district level: 931.3 billion
- 1 project to develop the information network: 360 billion
- 18 projects in administrative machinery and national defense: 729.89 billion

a. With these efforts, the real investment from the public funds has produced several positive results.

+ HCMC government has tried to make the best use of limited resources to develop all socioeconomic aspects. All projects are examined minutely. The HCMC government has tried its best to spread its limited resources over too many fields and its deci-

sions are based on preset priorities. In addition, the municipal government has delegated certain rights and duties to its subordinates in order to help them become more proactive in developing their districts.

+ Public investment in the social and technical infrastructure has helped improve the face of HCMC and give good impressions on foreign visitors.

+ Many roads and bridges have been built or upgraded to deal with traffic congestion and facilitate flows of goods, thereby encouraging the development of economic and cultural activities.

+ The real investment has helped develop many industries, such as building materials, transport, construction and other services.

+ The army of civil servants has learnt a lot of experience of supervising and inspecting the realization of projects. This is no easy task because various crimes that are very hard

to discover could arise from public investment projects.

b. Besides the positive effects, however, the realization of real investment projects has revealed a lot of shortcomings and mistakes.

- There is a conflict between the need to increase the real investment and the limited source of finance. Urbanization is taking place in HCMC at very high speed. New districts and residential areas came into being within a short time, which requires huge investment in the infrastructure. All districts and services have their own urgent problems that demand a lot of money and efforts to solve. This situation makes the public investment in HCMC spread over too many fields and projects.

In recent years, some projects have been carried out too early when the problems in question were not much urgent or the source of finance was not secured. And as a result, many projects couldn't be completed as planned and caused bad impression on the public. Moreover, this fact also shows that the limited source of capital wasn't used effectively. In fact, in examining and making decisions on investment projects, full attention hasn't been paid to opportunity cost and construction technology, which makes the project less useful, or even wasteful.

- The total capital needed for all projects carried out within a year is usually beyond the reach of the municipal government with the result that projects aren't completed in

time and local authorities suffer great pressure caused by the shortage of fund.

According to reports by the HCMC Service of Construction, many district authorities failed to keep expenditure below the budget approved or sometimes, used the capital for the projects for other purposes. This practice leaves a lot of difficulties to both municipal and district authorities in the future. According to the Decision 110/QĐUB dated April 22, 2004, there are 189 projects that have been approved and most of them are to be carried out in 2004 and 2005. They require VND12,551 billion while only 1,306 billion is provided for in 2004. This means that more than 10,000 billion must be secured in those two years, not to mention the need for fund for transitional projects. It seems that many projects next year will be kept waiting for fund and many of them could deteriorate over time.

- Embezzlement is very common in real investment projects in spite of efforts made by local authorities. Up to now, 13 companies (nine advisory firms and three constructors) have been banned from taking part in real in-

vestment projects for the next two to three years. In fact, many constructors didn't have enough machines and financial strength to undertake the project; and they have to hire machines or secure loans from other companies with the result that they failed to complete the project as planned.

Of 52 projects inspected by related authorities, violations of public financial principles were found in 22 projects; and 5.76% of the total inspected value was spent illegally. However, 52 is a small number in comparison with over 800 projects carried out in HCMC, and the figure 5.76% didn't reflect the whole loss and embezzlement underlying all public investment projects. The loss is certainly much higher than that because corruption in advising, designing and constructing the project is not taken into account.

According to the HCMC Service of Construction, it always has to cut the budget submitted by designing advisory firms. The average cut in 2001 was 2%, and it rose to 3% in 2002 and 4.8% in 2003. Is it because the advisory firms do their business poorly or they did it in connivance with the

constructor? It is a common knowledge that any constructor has to pay 5% of the project value to the body undertaking the project.

- Most project management boards and inspectors lack necessary knowledge and expertise in their jobs. In 2003, 12 boards failed to report on the quality of project as required while the salary scale is too low to attract graduates in construction and public engineering although many of them are still jobless. As for the role of the public in the supervision of the project as instructed by the PM and Politburo, most project boards didn't pay attention.

c. To improve the performance of real investment project in HCMC and reduce losses and embezzlement, we suggest the following measures.

- Workshops maiming at drawing lessons from the past projects must be held regularly from the district to municipal levels. After pointing out good and weak points, necessary measures must be worked out and applied to the next projects.

- In calculating the investment project, optimization and opportunity

cost must be taken into account. Priority list must be publicized in order to avoid discrimination in favor of certain district or industry. All projects must be included in the 5-year plan in order to keep them within budget.

- Training courses must be given to project management boards and inspectors. Their rights, duties and responsibility must be made clear and delegated officially.

- Municipal government must make plan to recruit and employ the talented and experts. In addition, private companies could be used for supervising and inspecting major projects in order to avoid connivance and force both constructors and designing advisors to do their jobs properly.

- Punishment and awards must be given properly and correctly in order to encourage good performance and reduce violations.

- Democratic principles must be observed in order to encourage the public to take part in supervising the project. Compensation after land clearance must be paid reasonably in order to avoid public protest to the project if any.■

