

Committee, the central bank will promulgate grounds for assessment of commercial banks' internal inspection and audit.

- The banks must train and retrain their human resource. Ineffective employees have to be replaced with skilled ones. This is one of necessary measures to restore customers' trust. At the same time, they plan to improve the competence of executives so that they can meet requirements of the market economy, especially for international integration. They should hire the executive director on a pilot basis. They will suggest the Government to offer incentives to high-qualified employees to attract them to work for state commercial banks.

- Local banks should cooperate with foreign partners having strong financial position and reputation in the international market for their restructuring. In addition, the foreign partner also introduces the bank's shares to foreign investors.

- Commercial banks are required to upgrade their accounting and information systems to evaluate their business performance accurately.

- Banks' healthy and fair competition must be encouraged and boosted.

- The bank's autonomy and self-responsibility for its performance must be secured and expanded: this right is regulated in Article 15 of the Law on Credit Institutions. However, the right should be given more details with a view to enhancing commercial banks' efficiency. At the same time, the Government should reduce its direct intervention by administrative measures. The obligations and rights of the central bank's inspectors must be publicized and properly implemented in working with commercial banks.

- To promote inspection and supervision is one of important measures to keep commercial banks' activities safe and effective. Responsibilities, objectives and independent operations must be specified. The army of inspectors should be trained, and retrained to meet the requirements of the market economy.

- The role of the central bank in flexible management of monetary policies should be strengthened: the system of commercial banks will be better if the government takes the following positive measures: establishing and maintaining the macroeconomic environment, giving assistance, continuing to renovate state-owned enterprises and developing the capital market.■

# Some Measures to Accelerate

## Equitization in Vĩnh Long Province

by MEcon. NGUYỄN THỊ GIANG

### 1. Facts of SOE equitization in Vĩnh Long

The equitization is targeted at improving production and business activities of enterprises, creating strong motivation and energetic management system for them to make the best use of the Government and their capital and assets. The mechanism of joint stock companies will help mobilize capital of the entire society for corporate development. Moreover it also enhances the inspection of shareholders' money and harmonizes interests of the State, investors and workers.

Like other state-owned enterprises (SOEs) across the country, state enterprises in the Vĩnh Long Province also indicate ineffective operations. Therefore, the restructuring of SOEs and their equitization is extremely important and crucial to their better performance. It also an urgent problem requiring practical measures for their efficiency.

The Vĩnh Long Province authorities had paid special attention to the equitization of SOEs since 1995 and officially launched the campaign by early 1997. Nevertheless, until the end of 2000, only one SOE went public (The Auto Transport Company). Furthermore, the results gained from this equitization were very low: the percentage of state-owned shares remain too high (86.6%). So the renovation of business management faced a lot of restrictions. Upon the equitization, the company's scope of activities was also narrowed by regulations of the Transport Ministry on the utilization term of inter-provincial long-distance buses. As a result of this, the company's shares were hard to be sold. Until the first general meeting of shareholders on October 26, 2000, the company sold only 6,418 out of total 48,000 shares, accounting for 13.37%. So far, this company operates in a perfunctory manner.

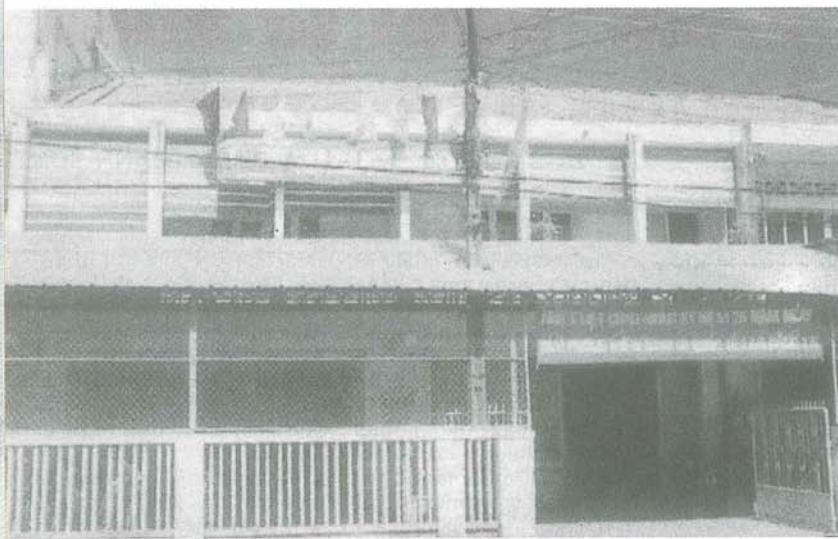
Over a long time from 1997 to 2003, the rearrangement of Vĩnh

Long's SOEs saw no progressive changes. By 2002, the province had 21 SOEs ruled by the local government. Several companies of which produced profits although their income was not large due to small investment capital. In the meantime, the rest suffer losses because these businesses' products are not competitive on the market.

According to the road map of SOE restructuring in 2002 and 2003 which has been approved by the Government, two SOEs had to be incorporated, one SOEs transferred to the central government's ruling. In addition, the province shall instruct 10 SOEs to go public.

Although the province's Steering Board for SOE Renovation and Development had operated actively, by the end of 2003, the Vĩnh Long Province only equitized two more SOEs, including the Book and Stationery Company and the Construction Advising Company. As such, Vĩnh Long has three joint stock companies out of 21 SOEs. However, those companies have small equity capital ranging from VND2 to 5 billion. Two companies going public in the end of 2003 have operated very well and their shares were sold out. Moreover, some businesses under equitization are facing a lot of challenges. Their business plans after equitization are not firm, and various debts not yet specified. They consist of the Agricultural Technical Service Company, the Export Fine Art Ceramic Enterprise and the Materials and Construction Company.

As such, the Vĩnh Long province's SOE equitization is very slow and badly affects the province's socio-economic growth. The major cause is that businesses have not yet reformed their management and working style in the market economy, and not yet promoted their product competitiveness. Therefore, provincial companies have not yet tapped potential funds from the local people.



In 2002, the people's balance in bank deposits was four times more than the equity capital of SOEs (VND744 billion against VND199 billion). If the source is well utilized, the province economy will see a robust growth.

## 2. Obstacles to SOE equitization

The following factors have hurdled and lowered results of SOE equitization in the Vinh Long Province:

In respect of businesses: they deal with bad debts very slowly and less effectively in accordance with regulations. Several SOEs fear to lose their interests, so they want to use the state budget to offset their loss. Other SOEs face low efficiency after equitization. The Auto Transport Company, for example, headed the equitization process but their performance remained not promising. This is a main reason for other businesses' hesitation. Moreover, their shares are slowly sold. This also made other SOEs reluctant and they wanted to extend the deadline of going public.

The provincial related agencies have not yet given full attention to the SOE equitization and not yet given them appropriate aids.

When troubles arising in the implementation, the agencies of the central government settle them slowly.

## 3. Measures

In my opinions, the following measures should be taken to boost the SOE equitization in the Vinh Long Province:

cooperation in assessing related assets.

The Service of Labor, War Invalids and Social Affairs helps businesses to settle labor redundancy before and after equitization.

The central government's agencies should immediately remove obstacles to local businesses in their equitization process. Over the past years, the provincial government had to waste time and energy to wait for the central government's responses to its questions.

In respect of businesses, after they complete equitization, the trouble is they cannot take loans from banks because they have not yet established their ownership of assets for mortgage.

As a result, relevant agencies are required to guide them to certify their asset ownership so that they are able to borrow money from banks for working in the change into joint stock companies.

The Vinh Long Province has been determined to implement the Government's decisions on SOE equitization. In the process of going public, businesses face not a few obstacles such as insufficient understanding, lack of experience, as well as requirement for the central government's assistance and instruction. However, the province's equitization makes good progress. Each business to be equitized can determine its stages and detailed plans in each stage.

At present, the equitization of businesses in Vinh Long Province can be seen in the following table:

The Vinh Long Province's authorities, the Steering Board for Business Reform and Development as well as SOEs hope they will record significant achievements in the equitization process in 2004. ■

Business	Steps of implementation			
	Step 1	Step 2	Step 3	Step 4
1. The Vinh Long Port				X
2. The Housing Development Company				X
3. The Construction Company				X
4. The Tourism Company			X	
5. The Pharmaceutical and Medical Materials Company		X		
6. The Rural Construction and Development		X		
7. The Materials and Construction Company		X		
8. The Export Fine Art Ceramic Company		X		