State-Owned Corporations
Shortcomings and Achievements

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State-owned corporations, as large-scale state companies comprising many affiliates that have common financial, economic technical or scientific interests, are established in order to enhance their capital accumulation and specialization needed for implementation of tasks assigned, improvements in their performance, and satisfaction of market demand.

Major corporations were established by the PM according to Decision 91/QĐ/TTg dated March 7, 1994 (referred to as Corporations 91 for short) while lesser ones established by ministries and provincial governments according to Decision 90/QĐ/TTg dated March 3, 1994 are called Corporations 90.

Their operations since then have revealed many shortcomings.

- The management mechanism adopted by corporations is not clear and the board of directors is not really a representative of the owner of the corporation.
- Supplying and adding capital to corporations is still done as an administrative procedure with low efficiency.
- Many corporations lack financial strength and ability to support their affiliates.
- Relationship between the corporation and its affiliates is an administrative, instead of an economic, one, which fails to help affiliates become more active and autonomous in doing their business. Moreover, they are usually hindered by complicated procedures.
- Some corporations still carry out both state and business control, that is, those two tasks are not separated clearly.
- When facing difficulties, most corporations wait for support from the Government instead of trying to cut production cost and making preparation for international integration.

However, there is no denying that these corporations have contributed a lot to the economic growth and played an important role in recent developments. They still exert control over key industries, such as oil, telecommunications and aviation, and make huge earnings from export of clothing and aquatic products for example.

Corporations constitute an effective instrument for the Government to stabilize prices of such essentials as food, fuel, cement, and steel; preserve initial capital and accumulate profit needed for technological replacement. Many corporations have undertaken major public works and produce competitive goods on the regional markets. Up to now, 16 out of 18 corporations 91 and 48 out of 74 corporations 90 are strong enough to integrate into the world economy.

In recent years when wide fluctuations occurred on the world market along with natural disasters, state-owned corporations have gained good performance. In 2003 for example, corporations 91 gained total sales of VND202,625 billion accounting for 43.66% of the sales made by the public sector; their profit reached VND14,529.2 billion equaling 71% of total profit earned by the public sector; and its payment to the budget rose to VND36,916.5 billion equaling 42.55% of contribution from the public sector to the budget income.

To improve the performance of state-owned corporations, the Decree 1/2004/NQ-CP has introduced many measures, on of them is to "carry out a pilot scheme to turn state-owned corporations into holding companies and their affiliates with a view to forming groups of companies." In recent months, the Post and Telecommunications Group and Vietnam Insurance Group have come into being. And there have been plans to form Vietnam Oil Group, Electricity Group and Cement Group. Developing groups of companies is a complicated process that requires intensive studies and a reasonable track in order to avoid unnecessary disturbances in operations of corporation and future groups.■