

On the Task of Planning Economic Growth for HCMC

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The HCMC economy has made good progress in the past decade but its competitiveness is reducing in comparison with surrounding provinces because of different causes, and one of them is the poor planning task.

In the past decade, the planning in HCMC gained certain achievements: simplifying required targets, paying more attention to quantitative targets, applying macroeconomic reg-

authorities are not close enough, personnel is not up to their tasks. This article aims at discussing inefficiency of methods of identifying macroeconomic targets in HCMC.

In reality, the plan for next year is usually based on statistics of the previous year supplied by the Bureau of Statistics. The numerical data, however, are not accurate at the time the plan is made. This situation is presented in the following table.

2006, especially in data about growth rates of the manufacturing and construction, and service sectors. The growth rates of the two sectors were wrongly calculated or estimated. Thus, the making of the plan based on these data is not exact enough, and shortcomings seem inevitable.

Municipal services also have their own predictions of perspective development in their fields and they include the same shortcomings

by their subordinate agencies. As for data from other fields they rely on what supplied by the HBS. Therefore, their assessment of the situation fails to find out real causes of new developments served as a basis for exact predictions.

In working out predictions, methods in use in their turn include more mistakes and shortcomings instead of helping authorities correct them.

In devising the plan

Table 1: Difference in numerical data of HCMC at different time

Point of time	Sep. 2005	Dec. 2005	April 2006	Sep. 2006	December 2006					
Source of data	Reports (1)	Reports	Yearbook 2005 (2)	Reports	Reports					
Target	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate	Value	Growth rate
GDP in 2005 (compared with 1994 price)	88.911	12,2	88.872	12,2	88.872	12,2	88.874	12,2	88.834	12,2
Agriculture	1.469	1,5	1.469	1,5	1.468	1,4	1.470	1,6	1.470	1,6
Manufacturing and construction	42.070	12,6	41.891	12,2	41.891	12,2	41.768	11,8	41.782	11,8
Service	45.372	12,2	45.512	12,5	45.513	12,5	45.625	12,8	45.615	12,8
Gross investment in 2005	54.480	11,3	54.531	11,4	54.531	20,0	54.459	11,3	57.344	11,3

(1) Report on HCMC Socioeconomic Growth, issued by the HCMC Bureau of Statistics in September 2005, December 2005, September 2006 and December 2006

(2) Statistical Yearbook 2005, published by the HCMC Bureau of Statistics

ulatory methods, and relying on predictions when working out measures to smooth the economic growth. It also reveals many shortcomings: predictions are too simple, the plan is built subjectively, relations between different levels of

The plan for 2006 was made in November 2005. At that time, estimated numerical data of 2005 could only be found in HBS September Report. The Table 1 shows that there are great differences between data gathered in September 2005 and December

because they are based on inexact data estimated in the previous year. In fact, municipal services concentrate more on administrative management than on new developments in their field of responsibility. They rely on numerical data gathered

for the next year, the principle is that the growth rate of the new year should be higher than the previous one. All plan makers in Vietnam, not only in HCMC alone, have had to observe this principle since the days under the centrally - planned

mechanism. In fact, achieving this target is no easy task. Looking back on statistics of recent years, we see that the growth rate in HCMC hasn't taken place in this direction.

should show an upward and steady tendency. For example, if the growth rate is 11.4% in 2003 and 11.7% in 2004, the 2005 growth rate must be fixed at 12.2%, and the target of 12%

climates, quantitative and qualitative predictions, and available resources in each sector. More dangerously, the conclusion that the target is, or is not, achieved is dependent totally on numerical data supplied by the HBS. The data, is frequently adjusted and changed with the result that the report at the year's end says the target is met, and some years later, official statistics show that it is not. This method, however, still prevails among plan makers and all leaders and is considered as reasonable and preferable because it allows them to report that all targets are successfully achieved.

Another problem is the habit of setting forth two projections for the plan. Generally, these projections must be based on what may happen in the upcoming year. Effects of each prospective change in the economic situation will be taken into consideration and are included in the projections. For example, increases in the price of crude oil can improve the budget income but prices of fuel will rise causing market prices to rise accordingly. Many industries will face difficulties. Government subsidies can limit these effects but this means more public expenditure and more smuggling activities. Each projection, af-

ter scrutinizing these effects will suggest measures to deal with them. Thus, working out different projections is necessary to ensure a proactive position in managing the economic growth.

In HCMC, however, two projections are only considered as two sub-plans for fast development and normal development. The HCMC leadership will make their choice based of available information and their management strategy.

Above analyses show serious shortcomings when gathering numerical data and working out the plan for socioeconomic development in HCMV. These shortcomings make the plan inappropriate to realities. And as a result, all municipal services in the last months of the year, try their best to achieve the set targets. Their reports are usually prepared in November, and estimates of achievements in December are very generous in order to prove that all targets are met. In the next year, actual statistics may show that this conclusion is wrong. But reports were submitted, rewards were given and nobody worry about causes of failures to achieve the targets. Plan-makers keep on producing new plans with higher targets and everybody is content with good results and numerical data. ■

Table 2: GDP growth rate of HCMC

	GDP	Agriculture	Manufacturing and construction	Service
1991	9,1	2,9	10,6	8,8
1995	15,3	4,8	17,6	14,5
2000	9,0	2,6	11,9	7,0
2001	9,5	5,5	12,4	7,4
2002	10,2	4,0	12,0	8,9
2003	11,4	11,8	13,0	10,0
2004	11,7	2,3	12,6	11,2
2005	12,2	1,4	12,2	12,5

Source: HBS, Statistical Yearbook 2005

In the Table 2, the numbers in bold show the growth rates that are lower than those of the previous year. This means that changes in the economic life don't comply with the said principle and they are dependent on changes in the business climate and inner forces of each sector. Thus, the above-mentioned principle aims at presenting good results or efforts instead of setting forth targets based on reasonable predictions.

Following this principle when making the plan, the growth rate should be determined first. As said above, determining the growth rate relies more on the will of leaders than on reasonable and scientific predictions. And as everybody knows, all leaders want a high growth rate and it

will be considered as low and slow. But in fact, the economy, after gaining high growth rates, always approaches its margins and requires more reforms in economic policies and administrative machinery, more efforts from companies and more skills and expertise from laborers.

After determining the general growth rate, plan-makers start calculating growth rate for each sector ensuring the total added value from the three sectors equal the growth rate determined beforehand. In working out the growth rate for each sector, plan-makers should observe the above-mentioned principle.

This method is very subjective and it rarely depends on information about changes in domestic and foreign business