

# POLICIES TO ENCOURAGE INVESTMENT IN ĐÀ NẴNG

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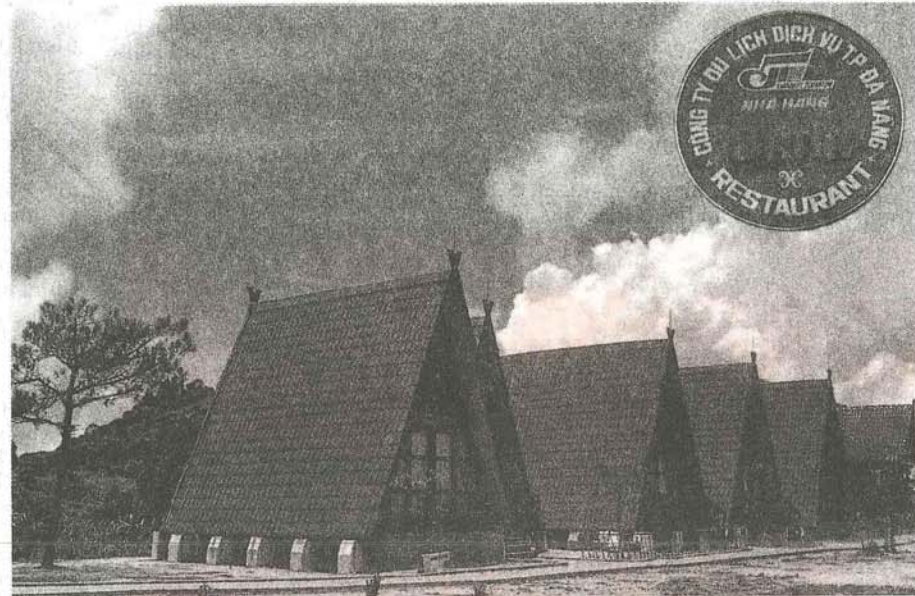
power to the border of the project site.

As for investment projects outside industrial estates, the city government covers land clearance and 50% of damages paid to local residents while investors are exempt from land rental for seven years from the completion of construction work if they meet one

After 10 years of economic reform, Đà Nẵng's economy has passed its doldrums and many industries in this city have gained high growth rates. In the years 1997-2002, its gross product increased by 10.6% a year, higher than the national average. Its industrial output rose by 19.12% a year, agricultural production by 5.38%, tourist receipts by 15.01% and export value by 17.16%. The personal income rose to US\$550 in 2001. In the 5-year period, the gross investment increased by 4.5 times accounting for 58.3% of the local public expenditure. Some 16,000 new jobs are created annually. Up to 2000, no family in Đà Nẵng suffered hunger and only 5.1% of families lived below the poverty line by 2001.

As a centrally-directed city and an economic center of the Central Vietnam, Đà Nẵng is facing difficulties and challenges: poor infrastructure, badly-developed commercial production, untapped resources, and low productivity and competitiveness. Situated on the north-south axis and affected by the globalization, Đà Nẵng started to feel keen competition from both local and foreign companies. In the coming years, the greatest problem for Đà Nẵng is to work out policies on investment with a view to ensuring high and stable growth rates set by the socioeconomic development plan every year.

The plan for the years 2001-2010 sets forth the following main targets: av-



erage growth rate of 13.5%, personal income of US\$2,000, percentage of undernourished children reduced to 10%; power supply for all families and clean water for 95% of them, from 22,000 to 25,000 new jobs created every year, and balance between economic growth and social equality. To achieve these targets, Đà Nẵng government has adopted many policies to encourage investment from all sectors. Some of them are as follows.

1. Decision 03/QĐ-UB issued on March 3, 2003 providing policies to encourage foreign investment in Đà Nẵng offers the following:

+Foreign investors are allowed to enjoy a preferential land rental (not including indices of position, infrastructure and industry) that varies from US\$0.05 to 0.5 per square

meter a year, to sign long-term lease and to be exempt from fees relating to investment procedures.

All investment projects in Liên Chiểu, Hòa Khánh and An Đồng industrial estates are eligible for preferential treatment of various kinds defined by Decree 24/2000/NĐ-CP issued by the Government on July 31, 2000 according to the Foreign Investment Law. Projects capitalized at US\$5 million or below will get online license. Projects launched before Dec. 31, 2005 in Hòa Khánh will be exempt from land rental for seven years or 14 years if they are high-tech projects. In addition, the city government agrees to refund 75% of the company income tax for the first five years, exempts projects from taxes on their raw materials for the first five years and ensures supply of water and

of the following requirements: investing in depressed areas, investing in industries eligible for preferential treatment, and employing at least 300 laborers. If the project is realized in mountainous areas and employs more than 500 laborers, it will be exempt from land rental for 11 years after it comes into operation. Projects will enjoy a 40% cut in the land rental during the construction time if they are developed within 12 months after getting license, and a 20% cut if they start within 24 months.

If new policies with better treatment are introduced, the city investment authority will make necessary adjustments to help investors to enjoy new policies.

2. Decision 134/2000/QĐ-UB dated Dec. 12, 2000 and Decision



136/QĐ-UB dated Dec. 14, 2000 introduced policies and measures to encourage domestic investment. The following are some main ones.

a. Land policy:

Organizations and individuals can get long-term lease based on the city master plan for land use (In Hòa Khánh industrial estate in particular, the lowest rental is VND960 a square meter a year and the highest one is VND4,200), get land use certificates after fulfilling procedures and documents as required by law, and get

the company income tax will be allowed to keep back 50% of the difference to expand their businesses.

c. Marketing policy:

The city government has made Decision 118/2002/QĐ-UB to give support to marketing and trade promotion campaigns carried out by companies (gathering information about customers and markets, advisory service needed for export business, taking part in fairs and exhibitions in foreign countries, etc.) The maximum support will equal 50% of reasonable expenditures

company must pay a fee of 0.2% a month and repay within six months.

e. Human resource:

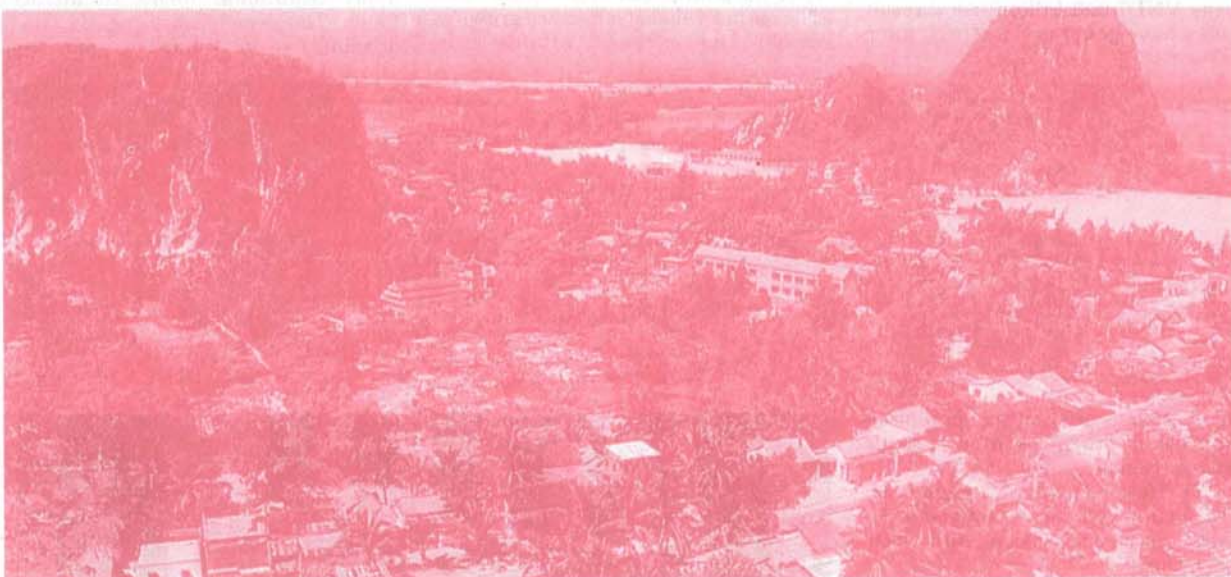
The city government has made Decision 86/2000/QĐ-UB on Aug. 2, 2000 introducing a policy to give financial support to those who agree to take long-term jobs in Đà Nẵng, including civil servants working for the city authorities.

- The policy ensures them long-term jobs suitable to their expertise and good working conditions. Besides salary as stipulated in the scale, they are

Those who are eligible for the allowance include civil servants and qualified professionals whose expertise is needed for the socio-economic development of the city. They could be professors, assistant professors, doctoral candidates, doctors, masters and graduates from local or foreign universities with good record.

f. Export incentive:

Export incentives are offered by Decision 104/2002/QĐ-UB dated Oct. 2, 2002 to export companies whose export value increased by 15% and at



support from the city government when carrying out land clearance, paying damages and completing procedures for getting land lease. If the projects is required to move according to changes in the master plan, it will get damages and compensation needed for renting a new piece of land.

b. Tax policy:

- Tax exemption and reduction will be applied as stipulated by Decree 51/1999/NĐ-CP dated July 8, 1999 and Decree 24/2000/NĐ-CP dated July 31 2000.

- State-owned companies run by the city authorities that pay year-on-year bigger payment in

spent by companies. Companies could include the other 50% in the production cost.

d. Financial support:

Decision 119/2000/QĐ-UB provides regulations about the formation, use and management of the Đà Nẵng Business Promotion Fund. This fund covers from 10% to 70% of payment in bank interest for a maximum period of five years if the company carries out an eco-friendly project, or a project to treat pollutants and waste from factories. State-owned companies run by municipal authorities could get advances from the fund. The advance is interest-free but the com-

provided with accommodation without rental for a 5-year period. If they are qualified officials in the public sector and the administrative machinery, their spouses could get employment from municipal authorities.

- Besides salary and regular allowances, the city also offers a one-time allowance to qualified personnel: VND50 million for professor and doctor; VND40 million for assistant professor, VND30 million for doctoral candidate; VND10 million for master and athlete and VND5 million for graduate with good or excellent record.

least US\$200,000 higher in comparison with the previous year. The incentive equals 0.5% of the increased value and doesn't exceed VND30 million. As for new exports (any new one from any company) and new markets (any new market for any product or product line), the incentive is 1% of the export value if the value is at least US\$50,000 per year.

These policies along with a concerted effort by companies and city government allow us to expect Đà Nẵng to make good progress, attract more investors and experts and play well its role as an economic and scientific center of the Central Vietnam. ■