

Financial Mechanisms for Relocation Support

HO CHI MINH CITY¹

Main contents: Exchanges of information on mechanisms, financial policies supporting industries when these industries carry out relocation into centralized industrial zones and surroundings.

In the latest years, there have been many plants, enterprises, and business-production units established in HCMC. This development has contributed more to economic development of the city. Besides, rapid urbanization, many residential areas have been set up and business-production areas have resulted in serious environmental pollution in the HCMC area. The environmental pollution situation has influenced on activities and lives of people, especially on health of the city public. This is one of the biggest challenges of HCMC and other cities in the Southern Focus Economic Zone.

Before this current situation, HCMC Committee of the Party, HCMC People's Committee put forward many policies and measures to limit and overcome environmental pollution situation, which is more and more serious. In the process of organization and implementation of the environmental pollution reduction program in HCMC area, the city government has carried out many measures as follows:

- Guide the city people, business-production units to understand clearly adverse impacts caused by environmental pollution;
- Raise awareness and the spirit of responsibilities of the city people so that all city people can participate in carrying out the program;
- Enhance management by administrative measures;
- Strictly treat/settle for units or organizations, which violate regulations on environment reduction.

In addition, the city government has several support policies to help units/industries to strengthen, reorganize their business-production activities, invest to improve and renovate technologic process; especially, support capital so that units/industries can carry out relocation into the centralized industrial zones and surroundings, which was planned to treat environmental pollution issues and adjust population distribution as well as reduce traffic jam situation in the urban areas.

On October 20, 1999, HCMC PC promulgated the Instruction no. 32 concerning implementation of the policy of industrial relocation for State-owned industries, and with investment to renovate technologies at the same time. Following this Instruction, the city government established an environmental pollution reduction fund. The environmental pollution reduction fund has the following purposes: support industries to get a loan without an interest rate to improve and upgrade the environmental pollution treatment process at sites in the period from 3 to 5 years according to each project.

On February 23, 2003, HCMC People's Committee promulgated the Instruction no. 04 concerning implementation of the program of supporting industries to modernize with low costs, creating comprehensive and competitive ascendancy and promoting export activities in the period of 2000-2003.

In general, the financial policies and measures carried out in the last period have contributed to settle the difficulties of the industries in environmental pollution treatment. However, there are still many industries, which are not fully aware of their responsibilities in environmental protection. The industries have not actively invested in environmental protection activities or have invested to deal with the environmental management agencies, but without any operation of treatment facilities as well as any treatments of wastes,

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gases, wastewater, etc. Therefore, the environmental pollution situation caused by the industries and business units is almost not reduced but has an upward tendency.

Before the environmental pollution situation increased, the city government concentrated on promoting implementation of industrial relocation and regarded these activities as one of pilot programs of the city. The purpose of these activities is by 2004, the industrial relocation will be basically settled to facilitate better and effectively for treating environmental pollution situation thoroughly.

The city government enhanced measures by some administrative management policies and measures in details: Some financial policies of the city are presented in the Decision no. 81/2002/QĐ-UB dated July 8, 2002 of HCMC PC. The main contents of this decision are:

1. The purposes of the financial policy presented are:

- To support and facilitate industries, business units cause environmental pollution to carry out their relocation into centralized industrial zones according to the plans approved by HCMC PC;
- To give opportunities to industries/units to strengthen and reorganize their business-production activities, upgrade or renovate their equipment as well and modern technologies so that these industries/units can increase their labour productiveness, quality of products, and decrease prices, improve design and packing to compete on national and international markets.

2. Objects:

All industries and business units in all fields causing environmental pollution without difference amongst economic components (state-owned or non-state owned). Before receiving the decisions on relocation of HCMC PC, the industries will receive consideration for the granting of a Certificate of financial preference for industrial relocation. Industries/units invested by foreign capital and industries/units invested by domestic capital when established (after the Environmental Law was promulgated in 1994) had their projects of pollution treatment must to actively carry out settlement of pollution issues according to the projects approved. These are not on the preference list for this regulation. However, HCMC Investment Fund for Urban Development (HIFU) will consider and give these industries/units a loan without interest rates so that these industries/units invest to construct environmental pollution treatment buildings at site.

3. The preferential policies include:

3.1 Support policy of capital sources for new unit/factory investment and construction:

For relocated industries/units having properties/factories, which are presently used and belong to the State, after projects are approved by the authorities, the industries/units are permitted to:

- Sell their properties/factories and transfer right of land use,
- The value is collected from transferring right of land use (according to auction) will regrant to the State-owned industries/units.

Non-State owned industries are permitted to get a preferential loan to invest in new units/factories, and support the industries to have finance to relocate.

3.2 The policy for subsidies for interest rates, if the relocated industries get a loan to invest new units/factories

When implementing relocation activities, the industries can lack capital and must get a loan. The city government will partly support interest rates for the industries, and the support rate will be from 3% to 4% per year, according to the years the industries carry out their relocation. If relocation is carried out early, the industries will receive high preferences.

3.3 The preferential policy in taxes:

- Exemption of cost for land lease within 3 years (if the part, which leases land belongs to the State)
- Preference in income tax of the company (pay a tax rate of income tax of the company lowest, exemption of income tax of the company within 2 years and decrease of 50% total income tax of the company in the next 2 years...)
- Supplementary preference in income tax of the company for export products

- Exemption of import tax for products, which Vietnam has not produced yet, etc.

3.4 The preferential policy in cost of land lease in the industrial small-scale industry zones

The city government will permit to invest some centralized industrial small-scale industry zones so that the relocated industries will lease and relocate. For investment in these industrial zones, the city government will support 100% of the interest rate for investing to construct some infrastructure such as roads, centralized wastewater treatment plants, and public buildings serving the staff of the industries such as nurseries, kindergartens, and health services to reduce the total cost for industrial zones and reduce land lease costs for the relocated industries.

3.5 The preferential policy for staff of the relocated industries

If the industries have a need of house construction to sell to their staff or lease, the city government will support interest rates for 3 years at 3% per year.

3.6 The support policy for new employees at new industries/units

The city government will support each new employee at local area with a support of VND300,000 per person to partly support costs of training, fostering and professional skill raising.

3.7 The policy for redundant labours if the industries are relocated State-owned factories:

This policy is carried out according to the regulations of the Ministry of Finance.

3.8 Others to encourage, mobilize the industries to actively carry out relocation:

The city government will further support each industry with a sum of money, maximum is VND 500,000,000. According to the scale, quantity of labours and relocation implementation period of each industry, each industry will receive correlative support.

Steering viewpoint of proposing this policy is to assign responsibilities, purposes and rights between the State and business and production units. In which, the State with its role of leadership and steering must facilitate so that the business and production units carry out relocation. As for the business and production units must define that it is not only their responsibility but also their right. They, therefore, must positively and actively settle environmental pollution issues at sites or organize and carry out prompt relocation into the centralized industrial zones and surroundings (if the units must relocate).

HCMC PC steered HCMC Industrial Relocation Steering Unit to continue research activities to obtain more appropriate financial policies for small and medium enterprises in operation so that these units have enough conditions to transform their products, carry out relocation according to the schedules or treat environmental pollution issues at sites. Besides, HCMC Industrial Relocation Steering Unit also should promote administrative management measures such as revoking permits/licenses, imposing a fine on the industries, which deliberately delay relocation according to the schedule of HCMC PC. There are measures actively impacting the industrial relocation program to obtain projected results according to the plan.

Dear participants at the conference,

The financial policies applied for the industrial relocation program in the HCMC area are being set up, carried out, and assessed for lessons. There are still many matters which need to be carefully considered and adjusted/amended. At this conference, we would like to receive all your opinions and to exchange experiences with all of you.

We would like to sincerely thank all of you for listening and wish you all good health.

Wishing the conference success.