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**STATE MANAGEMENT OF ENTERPRISE EQUITIZATION
IN HANOI CITY**

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PREFACE

1. Reasons for choosing the subject

1.1. Theoretical basis

Equitization of state-owned enterprises (SOEs) is a basic content of the arrangements and innovation of SOEs. Equitization will diversify the ownership of assets of SOEs and impact on production relations in all 3 aspects, including ownership of the means of production, management rights, and product distribution rights. This is the basic content of economics that many scholars are very interested in.

Because there is transition from corporate management with only one owner (the State) to many owners (shareholders), it is needed to strengthen scientific researches on the role of State management on equitization.

The change of ownership upon the equitization of SOEs, especially the right to distribute products shifted to distribution in the labor-based principle of economics in the socialist-oriented market economy conditions in Vietnam raises the need of depth studies on this process.

1.2. Realities

The equitization of SOEs has been deployed by the Party and the State for a decade. In particular, the State has issued many legal documents and implemented measures to deploy equitization. However, the implementation remains slow, confusing and inadequate.

The objective of equitization is to renew SOEs and boost the country's economic development, which set out the need to address this issue in practice.

The Capital serves as the headquarters and a political - economic - cultural center of the country. The study of the city equitization of SOEs will contribute to making the overall solution to accelerate the equitization process and complete state management of SOE equitization in the whole nation.

Although there have been a couple of local topics on SOE equitization of a number of ministries and central agencies, they only focused on the construction of methodology and the improvement of the system of documents, policies and regulations of the Government. So far, there is no project which researches comprehensively and systematically the equitization of state management in Hanoi City.

With such necessity, the author has developed a research topic named: ***“State management of equitization of SOEs in Hanoi city”***.

2. Research objective and duties:

2.1. Research objective

The purpose of the dissertation is to clarify the theoretical framework of the equitization of SOEs, the current situation of state management of the equitization of SOEs in Hanoi City and propose solutions to perfect state management on the equitization of SOEs in the future.

2.2. Research duties:

To develop a theoretical research framework on the equitization of SOEs in Hanoi city.

To analyze the current situation of state management of the equitization of SOEs in Hanoi City and point out the achievements, limitations and the causes of such limitations.

To develop perspectives, orientations, and solutions, contributing to promoting and perfecting state management of the equitization of SOEs in Hanoi City.

3. Research object and scope

3.1. Research subject and object

Research subject: The systematization of theories and scientific management in the equitization process and state management of the equitization of SOEs in Hanoi.

Research object: The process of equitization of SOEs established and managed by Hanoi City.

3.2. Research scope:

Content: To do research on the equitization process and state management of the equitization of SOEs established and managed by Hanoi City.

Space: To research the equitization process and state management of the equitization of SOEs established and managed by Hanoi City (*except the central SOEs headquartered in Hanoi and other joint stock companies in Hanoi City*).

Time: To study the equitization of SOEs in the city since 1991 (the time the country started equitization), thereby providing a comprehensive assessment of the equitization and plan for the coming years associated with innovation and integration in the process of industrialization and modernization of the national economy.

Research area: Institutions, schools, state management agencies of corporate finance and enterprises.

4. Methodology and research methods

The dissertation uses primary research methods such as: dialectical materialism, historical materialism, meta-analysis, logical positivism, comparison, practical surveys, scientific inheritance, and interviews.

5. Scientific hypothesis and research questions

5.1. Scientific hypothesis

The equitization quantity and quality of SOEs in Hanoi have not met the requirements set out due to lack of effective state management measures that are suitable with the socio-economic conditions in Hanoi. Thus, if state management measures consistent with local socio-economic characteristics are proposed and taken, they can help improve the equitization quality of SOEs in Hanoi in the near future.

5.2. Research questions

First, what is the concept of state management of SOE equitization? Why must the state management of SOE equitization in Hanoi be perfected?

Second, what does the state management of SOE equitization in Hanoi include? Which results, limitations and causes are there?

Third, what are the criteria for evaluating the results of state management of SOEs equitization? What are the factors that affect the state management of equitization?

Fourth, Which solutions (*including specific ones*) to boost the equitization of SOEs in Hanoi in the coming time?

Fifth, which measures to improve state management of the equitization of SOEs in Hanoi? Which conditions are needed to successfully implement such measures?

6. Scientific and practical significance of the topic

The dissertation has codified the theoretical basis for equitization and introduced the concept of equitization state management. It has determined

systematically the contents of equitization state management. The inevitable process of equitization has been analyzed. It has affirmed the form of JSC is an optimal model of mobilizing and using capital.

The dissertation has clarified the current situation of the equitization process and the state management on equitization, thereby pointing out shortcomings and limitations and causes of this situation.

A system of solutions has been built to accelerate the equitization process and perfect the state management of the equitization of SOEs in Hanoi City.

The dissertation is complete with a system of scientific rationales and practical solutions to innovate the state management of equitization.

7. Layout of the dissertation

Besides the introduction and overview of the studies (literature review) related to the subject, conclusions, appendix, and references, the dissertation is arranged into 3 chapters.

LITERATURE REVIEW

1. Summary of researches

1.1. Foreign studies

Through some of the views of foreign scientists and scholars, they agree that it is needed to maintain SOEs in the market economy, although clearly express doubts about the performance of SOEs. Some proposals attracted attention are to separate the management organization agency of SOEs from the administrative apparatus to form an independent regulatory agency. In general, the scholars have proposed to strictly control SOEs by the law and expand the space for SOE management.

1.2. Domestic studies

Local articles and studies have stated the need to restructure SOEs (including equitization). However, they have not clarified that the role of SOE restructuring is to contribute to improving the efficiency and competitiveness of SOEs and motivate a dynamic management mechanism.

2. Comments on the overall study findings and issues needing further clarification in the dissertation

Through foreign studies, and domestic theses, books, and articles, the author would like to divide them into 3 groups, including:

- *Group 1*: Theoretical studies on equitization and innovation of SOEs
- *Group 2*: Empirical studies on and results of the equitization of SOEs
- *Group 3*: Studies on the solutions to accelerate the equitization process of SOEs.

The issues that need further clarification in the dissertation:

1. Scientific issues on SOE equitization;
2. Giving new management methods consistent with state management mechanisms for high effectiveness of equitization;
3. Specific missions of the dissertation:
 - To systematize and clarify the basic theory of SEO equitization in Vietnam's economy.

- To assess the current situation of SOE equitization in Hanoi city and the state management to indicate the achievements, shortcomings, limitations, obstacles and causes.

- To propose some perspectives, models, conditions, and effective solutions of state management for SOE equitization in Hanoi.

CHAPTER I

SCIENTIFIC BASIS ON STATE MANAGEMENT OF SOE EQUITIZATION

1.1. REASONING ON SOE EQUITIZATION

1.1.1. Overview of SOEs and JSCs

1.1.1.1. State-owned enterprises (SOEs)

The concept of SOEs

- The definition of United Nations Industrial Development Organization;
- Regulations on SOEs of World Trade Organization.

Characteristics of SOEs: Regarding the investor, capital ownership, asset liability, legal status and applicable laws.

The roles of state-owned enterprises: *First*, SOEs dominate key economic sectors; *Second*, SOEs are the motivation for the development of other types of enterprises; *Third*, SOEs are the primarily material resources of the State; *Fourth*, SOEs are good examples of addressing social policies.

1.1.1.2. Joint stock companies

The concept of JSCs

Characteristics of JSCs: There are 6 characteristics.

Forms of JSCs in the world: The birth of JSCs has gradually dominated one sector to another. They have been increasingly perfected, developed and diversified.

The roles of JSCs: There are 4 roles.

1.1.2. Equitization of SOEs

1.1.2.1. The concept and nature

The concept: The equitization of SOEs is the transition of ownership from an enterprise's charter capital 100% owned by the State to an enterprise owned by many stakeholders.

The nature of SOE equitization: It is presented in 3 perspectives, including legal, form and practice.

1.1.2.2 The objective necessity of SOE equitization: SOE equitization is consistent with the development rules and trends in the world because of the advantages of JSCs compared to others, the requirements to enhance business performance of SOEs in the economy and the increasingly limited government budget of the country.

1.1.2.3. The equitization methods in the world: To sell shares to the managers and employees of enterprises, to the public, or to the private sector.

1.1.2.4. The impact of SOE equitization on the society and economy

Equitization to the economic growth: Equitization will screen and eliminate inefficient enterprises, thereby creating growth motivation. Through the issue of shares, enterprises will easily attract capital in the society.

Equitization to the development of the stock market: *First*, the existence of the stock market increases the number of potential shareholders for equitized SOEs. *Second*, securities companies play a big role in helping equitized SOEs in consulting and share issuance underwriting. *Third*, the participation in the stock markets forces JSCs to implement the fiscal regimes.

Equitization to social issues: One of the subjects directly affected by the equitization is workers. Its potential is able to divide the society and increase the gap between rich and poor. SOE equitization also reverses wastefulness and corruption. Equitization is a positive solution to enhance democracy and social equality.

The positive impacts of SOE equitization on enterprises' operations: Equitization mobilizes social capital to invest in business activities, create many owners for an enterprise, facilitate the workers to actually own the enterprise and create a dynamic and flexible management mechanism for the enterprise.

1.2. STATE MANAGEMENT OF THE EQUITIZATION OF SOEs

1.2.1. The concept of state management

1.2.1.1. The role of the State in the economy according to some early modern and modern economic theories: In the view of different schools, State management shows the regularity of changes on perceptions about the role of the State in the market economy and the principle of balance in addressing the relationship between the market and the State.

1.2.1.2. State management perspective for the equitization of SOEs: *First*, the State promotes SOE equitization to be effective, contributing to improve the social - economic development; *Second*, the State creates favorable conditions and environment in all aspects in order to accelerate the process of SOE equitization; *Third*, the State makes a necessary impact on the equitization process in line with the movements of the rules in the market economy.

1.2.2. The concept, necessity and requirements of state management of SOE equitization

1.2.2.1. The concept: It is an organized and oriented impact with the nature of state power of state management agencies to the equitization of SOEs by management methods and tools to promote effectively the equitization process and achieve goals of reorganization and innovation and restructuring of SOEs, contributing to sustainable social and economic development.

1.2.2.2. The necessity *First*, the equitized subjects are the property of the State; *Second*, equitized assets are managed under the multi-level mode; *Third*, the equitization of SOEs is not only an economic - financial issue, but also a political - social one.

1.2.2.3. Requirements: To select the appropriate form for the handled objects; to execute quickly and timely, immediately after the issuance of the policy; the equitization must be conducted openly and transparently; the equitization must be recorded by unified legal documents; the State shall be responsible for the interests of workers and shareholders.

1.2.3. Contents of state management of equitization of SOEs

1.2.3.1. To develop target programs for SOE equitization: It includes target identification, equitization scope, mechanisms, policies and regulations of the law, planning, and a SOE equitization road map.

1.2.3.2. To organize the implementation of the target programs for SOE equitization: It consists of the apparatus and manpower for equitization, inspection and supervision of the observance of the laws during the equitization, the settlement of issues related to the equitization policy implementation and public financing.

1.2.3.3. Implementation results of the target programs for SOE equitization: It includes the propaganda, the quantitative results, impact of equitization to business efficiency and the State management apparatus for equitization.

1.2.4. Criteria for evaluating the results of state management of SOE equitization

1.2.4.1. Balance of rights and obligations between the concerned parties during equitization: It requires a balance of rights and obligations between the equitized SOEs and employees, shareholders

1.2.4.2. Stability in issuance of guidelines, policies and laws: Ensure orientations, policies, regulations and harmony of interests are maintained stable. The laws related to equitization must be specific and obvious with minimized adjustments and supplementations.

1.2.4.3. The level of legal compliance and exercise of state power: Assessing the state management effectiveness through the levels of compliance with the law and exercise of state power.

1.2.4.4. Efficiency and appropriateness: It reflects the operation results to the maximum at the minimum cost. The State management efficiency is assessed by comparing the achievements with the objectives. The appropriateness between these objectives and legal provisions.

1.2.5. Factors affecting the state management of SOE equitization

1.2.5.1. Objective factors: The socio-economic development and policy mechanisms; the level of development of the market and the size of the private sector; and the element of change in the business.

1.2.5.2. Subjective factors: The selection of state management tools and state support for equitization; Compliance and observance of the law on state management for SOE equitization; Public financing and corporate governance

1.3. EXPERIENCE IN STATE MANAGEMENT OF EQUITIZATION

1.3.1. Foreign experience

1.3.1.1. Britain's experience: It have been done in different forms: Auction of the shares of SOEs for those who want to buy through stock exchanges, sale of partial of the fixed capital of SOEs for a group of individuals or private companies; sale of shares to managers and workers in the enterprise.

1.3.1.2. Equitization experience in Mexico: The Mexican government has seen equitization programs as corrective measures for inward thinking and massive nationalization. Mexico has equitized state-owned enterprises in the industrial manufacturing sector. Once reached a certain scale, they switch to the monopoly sectors of the State.

1.3.1.3. Experience of China

Equitization measures include:

- Sale of part of the enterprise value to outside individuals and organizations in which the State holds the controlling shares.
- Sale of the majority of the SOE asset value through the sale of shares for all subjects, in which the State is a shareholder which does not hold the controlling shares.
- Sale of the entire SOE for private companies to form private companies or JSCs.
- Maintenance of the state capital and mobilization of capital of other shareholders to transfer into a JSC.
- The State and private companies contribute capital to form a new JSC.

1.3.4.4. Experience of South Korea

During the non-nationalization of South Korea as it differed from other countries, South Korea has not paid much attention to the deficit or losses of state-owned enterprises. Another experience of South Korea in the private sector is the Government has fully shared responsibility with the country's development.

1.3.2. Experience of a number of domestic agencies and localities

1.3.2.1. Experience of the Ministry of Transportation: The Ministry has directed the construction enterprises to make an equitization plan in which the State does not hold controlling shares and qualified investors are called to participate as a strategic shareholder.

1.3.2.2. Experience of Ho Chi Minh City: The city has checked and urged consultancy firms to ensure the equitization consulting under the contract signed. The Enterprise Innovation Management Board has been assigned to define the enterprise value with the departments and agencies. Concerns and difficulties are reported for timely direction.

1.3.3. The lessons for Vietnam and Hanoi City

1.3.3.1. For Vietnam: The popularity of equitization, the particular nature of equitization; the strategic nature of equitization; several stages of equitization; the regulatory environment of the implementation of equitization.

1.3.3.2. For Hanoi City

First, the reorganization and renovation of SOEs should be done synchronously.

Second, it requires sticking to practice, timely capture and propose mechanisms and policies to remove difficulties and obstacles.

Third, there must be coordination between the central ministries and local authorities and departments.

Fourth, the City leaders and departments should regularly and drastically direct and issue written guidance on equitization.

Finally, personal responsibility and roles must be clearly defined roles with support from the state budget for addressing equitization issues.

CONCLUSION OF CHAPTER I

Chapter I have systematized the basic theories of equitization and state management of the equitization of SOEs and the concept of equitization, thereby clarifying the nature of equitization.

The first part has stated the objective necessity of the equitization of SOEs, consistency with the law of development and trends in the world and a change of the role of the State in the market economy. Moreover, it also derives from the need of raising business efficiency of enterprises in our country's economy.

The equitization of SOEs is one of the important directions during the reform of SOEs. In the process of renewing our country's economy, strong development of productive forces and gradual construction of production relations suitable with the development level of productive forces is very necessary. To release productive forces, it is inevitable to strongly develop the commodity economy with many components, eliminate the bureaucratic centralized and state subsidies mechanisms, and switch to the state-oriented market economy. To do so, strong reforms of SOEs are required. In this direction, after years of research and experimentation in practice, our Party has chosen equitization as a method to effectively innovate SOEs.

From the concept of SOEs, JSCs and SOE equitization, the author has presented the nature, objective necessity, implementation modes and impacts of SOE equitization.

The author has tried to clarify the concept of state management, presented the roles of the State in the economy generally and the state management perspective for SOE equitization. The concept, necessity and requirements of state management of SOE equitization have been mentioned as well.

It is notable that contents of the state management of SOE equitization are identified as follows: To build target programs for equitization; to implement the target programs of equitization and the results of target programs for SOE equitization.

The criteria for evaluating the results of state management of the SOE equitization includes the balance of rights and obligations between the concerned parties in the equitization process, the stability of legal guidelines and policies, the level of legal compliance and exercise of state power, efficiency and appropriateness.

The author has stated the objective and subjective factors affecting the equitization process, collected some equitization experiences in countries around the world and of the domestic ministries, sectors and local authorities to draw lessons, and apply to the specific conditions in the state management of the equitization of SOEs in the management of Hanoi City.

The contents of Chapter I will serve as a basis for in-depth analysis of the current situation of state management of the equitization of SOEs in Hanoi in Chapter II.

CHAPTER 2

THE CURRENT SITUATION OF STATE MANAGEMENT OF THE EQUITIZATION OF SOEs IN HANOI

2.1. OVERVIEW OF SOE EQUITIZATION IN VIETNAM

2.1.1. Why Vietnam must implement the equitization of SOEs

2.1.1.1. The concept of SOEs under the provisions of Vietnam: The concept of SOEs under the Enterprise Law 1995, the Enterprise Law 2003 and the Enterprise Law 2014.

2.1.1.2. The reasons Vietnam must implement equitization of SOEs:

Equitization contributes to the implementation of the policy to diversify the forms of ownership, socializes productive forces, attract productive resources, forms and promotes the stock market, attract idle capital in the society. It also has an impact on the innovation of both macro and micro economic management and acts as an important solution to restructure the economy.

2.1.2. The policies of the Party and the State on equitization

- Resolution of the 3rd Central IX dated Aug 22, 2001, regarding “*Further restructure, innovate, develop and improve the efficiency of SOEs*”;

- The Conclusion No. 10-KL/TW dated Oct 18, 2011 of the Central Committee, regarding “*SOE restructuring with focus on state-owned groups and corporations*”;

- The Conclusion No. 50-KL/TW dated Oct 29, 2012 (Central Conference 6) on the Scheme “*Further restructure, innovate, develop and improve the efficiency of SOEs*”;

- The Conclusion No. 103-KL/TW dated Sept 29, 2014 of the Politburo Committee, deciding to promote the SOE equitization according to the market principles;

- The Congress issued the Resolution No. 10/2011/QH13 on the 5 year socio-economic development plan for 2011-2015, which emphasizes the task of restructuring the economy in the field of public investment and SOEs. The Management Law, using State capital in the business and production of enterprises No. 69/2014/QH-13 dated Nov 26, 2014 and amended Enterprise Law.

The Government and ministries and sectors have had synchronous action programs and plans, focusing on basically completing the system of legal documents for restructuring, strengthening and improving the operational efficiency (*including equitization*) of SOEs.

2.1.3. Results of the equitization of SOEs in Vietnam

2.1.3.1. Results

As of Dec. 30, 2015, the country has conducted rearrangement of more than 7,000 SOEs, 4,303 of which have undergone equitization (3,886 enterprises and 415 enterprise departments).

The number of equitized SOEs in the past 5 years is 478, including: 2011: 12 enterprises; 2012: 13 enterprises; 2013: 74 enterprises; 2014: 143 enterprises; 2015: 236 enterprises.

The equitization process in Vietnam in the past years can be summed up by the results as follows: SOEs’ rearrangement has undergone an important step, basically focusing on the key sectors which the State needs to control. The equitization has followed closely to the guidance in the Party’s resolutions. Workers have been facilitated to own shares and most enterprises have achieved better efficiency after equitization.

2.1.3.2. Limitations and difficulties: The equitization process is slow compared with the requirement. Many equitized SOEs cannot sell their shares. After equitization, corporate management still has many shortcomings to overcome.

2.2. OVERVIEW OF THE SOCIO-ECONOMIC AND SOEs SITUATION IN HANOI

2.2.1. The socio-economic situation

Economic growth is maintained;

Curbing inflation has achieved good results and social security is guaranteed;

Social investment and enterprise development have been toward growth;

Planning, management, construction of urban and rural areas have achieved important results.

The fields of culture, education and training, science and technology and health care continue to grow;

Political security, social order and safety are maintained. The defense and local military tasks are maintained with foreign activities focused;

Administrative reforms and settlement of complaints have been deployed. The prevention and fighting of corruption, practice of saving to combat waste are focused for directing.

2.2.2. The situation of SOEs

2.2.2.1. Introduction of SOEs under the City management: SOEs were formed since 1954. The former SOEs were often called state-owned firms. They have grown with a fairly large scale and quantity during the focused planning period and they are identified as a key economic sector.

2.2.2.2. Performance evaluation

Business efficiency: The SOEs under the city still struggle to adjust their business operations in accordance with the orientation of the Government's reforms, creating a prerequisite for the development and scale expansion and performance improvement.

Training, employment and salaries: Salaries and remunerations to employees have been paid attention for improving.

2.2.2.3. Shortcomings and limitations *First:* The size of most enterprises remains small and scattered; *Second:* The technical level and technology are generally outdated; *Third:* The distribution of sectors remains irrational; *Fourth:* The business efficiency of SOEs is not high and the state management mechanism for SOEs remains inefficient; *Fifth,* the city's SOEs are less likely to compete in the market.

2.3. THE CURRENT SITUATION OF THE SOE EQUITIZATION IN HANOI CITY

2.3.1. The City's SOE equitization through the stages

2.3.1.1. 1990-1996: The equitization undertakings in our country were raised quite early in the directive documents of the Party and the Government. However, as the actual implementation has encountered many obstacles, it was very sluggish.

2.3.1.2. May 1996 to June 1998: As of June 1998, there were 07 SOEs under the city transformed into a JSC. After equitization, the enterprises have developed relatively stable with a high annual growth target. The City's equitization progress in this stage remained slow.

2.3.1.3. An active period from July 1998 to June 2002: During 1998-2001, Hanoi has completed the equitization of 19 enterprises in average each year. Although these results were promising, if compared to the target set, the progress was still slow.

2.3.1.4. July 2002 to October 2004 (the early period of the promotion phase): Although there were only 02 enterprises equitized in 2002, this number in 2003 had soared to 45 equitized SOEs (*achieving 150% compared to the plan*).

2.3.1.5. The promotion phase (from November 2014 to present): This is a period with high number of equitized enterprises compared to the previous periods. However, the equitization progress in this phase has also revealed many problems, especially when compared with the spirit of the Central Resolution IX.

2.3.2. Assessment of the results of the SOE equitization

2.3.2.1. General assessment

Quantity: As of Dec 30, 2015, Hanoi has arranged and equitized 496 enterprises (*including enterprises in the old Hanoi and Ha Tay*). Particularly, 316 enterprises have been equitized.

Structure: In the form of equitization; According to the proportion of the sectors in the capital's economy; According to the State capital structure.

- **Quality:** *First*, the equitization has been switched from some areas to most of the areas; *Second*: the equitization has been switched from small-scale SOEs to large-scale profitable enterprises; *Third*: It has also switched from closed and internal sale to public auction and sale of shares to the outside; *Fourth*: equitization is an inevitable and breakthrough trend to transform SOEs from single-ownership to multi-ownership.

2.3.2.2. Positive results

Business efficiency: 87.53% of the enterprises have confirmed the results of the financial activities of a JSC are better. It is shown by the data on the charter capital; revenue, profits, budget contribution, labor and income.

Equitization creates a type of multi-owned enterprises: It has allowed the enterprises to attract large amounts of idle funds in the society through the stock market.

SOE equitization brings social effectiveness: The survey of 60 equitized enterprises in more than 01 years (2014) showed that labor productivity has increased by 18.3% on average, the average salary increased by 11.4% and the settlement of redundant labor has achieved certain success.

2.3.2.3. Limitations

The equitization has had an initial success but still remained slow: The result only reached 80% compared to the equitization plan. The number of equitized enterprises achieved in several years was positive. However, it has not met the requirements of the plan.

The equitization time has been prolonged: The equitization time of an enterprise has fallen from 512 days (2001) to 236 days (2015). However, according to the latest regulation which is 180 days, it was still longer than required.

The State still hold many controlling shares: According to the data compiled from 198 JSCs at the time of equitization, there are 23.8% of them which the State holds more than 50% of capital, 42% of them which the State holds less than 50% of capital and only 34.2% of them which the State does not hold any capital.

JSCs are discriminated: Due to the lack of clarity about land use rights, not definitively settling the land rights and obligations when switching to the form of JSC, many enterprises have encountered difficulties. Equitized enterprises also face difficulty in accessing credit.

There are inadequacies in determining the enterprise value and debts: The biggest obstacle that slows down the equitization is the determination of the enterprise value. Besides, the determination of value of the brand has also confused the enterprises.

Many companies have not yet been innovated: Many enterprises after equitization still use almost all the old management apparatus.

The awareness of shareholders of the rights and obligations to the enterprise remains incorrect: There is still a small part of the shareholders who are not aware of their rights, benefits and obligations to the enterprise.

Labor and salary issues in equitized enterprises: After switching to a JSC, many companies still apply the wage scale and payroll specified by the State.

2.4. THE CURRENT SITUATION OF STATE MANAGEMENT OF THE EQUITIZATION OF SOEs

2.4.1. The current situation of state management

2.4.1.1. The development of target programs for equitization

The determination of the objectives and scale of the equitization The Decision No. 37/2014/QĐ-TTg dated Jun 18, 2014 on the issuance of classification criteria of SOEs: *Group 1:* Enterprises with 100% of the charter capital held by the State; *Group 2:* Enterprises implementing arrangement and equitization which the State holds 75% of shares or more; *Group 3:* Enterprises reorganized and equitized which the State holds 65% to less than 75% of shares; *Group 4:* Enterprises reorganized and equitized which the State holds 50% to less than 65% of shares.

To implement the directive of the Government, Hanoi City has classified and reviewed the submissions and been approved by the Prime Minister in 04 decisions and 01 document.

The formulation and promulgation of mechanisms and policies for the SOE equitization process: Through the system of directive detailed documents, Hanoi has established a powerful and more open mechanism for the equitization process.

Planning of the SOE equitization: The SOE equitization plan in the period of 2002-2008; the rearrangement plan of SOEs in the city in 2011-2015.

2.4.1.2. The implementation organization of the target programs for equitization:

Propaganda: The Party, State and Government have taken the initiative to strengthen, renew and diversify the propaganda, education and dissemination of the law on equitization, regularly performed to raise awareness and change the habit of wage subsidy period of SOEs transferred to JSCs.

The organization of the state management apparatus: The city has assigned direct leadership on the equitization of SOEs, establish the Enterprise Innovation Management Board. The Board has regularly worked with the departments and corporations to determine the list of enterprises included in the annual equitization plan. In 2014, the city decided to establish the Standing Equitization Division.

The inspection and monitoring of the equitization process includes the monitoring of the party committees and the inspection and monitoring of the equitization process.

Public financial management consists of: The operating fund of the Enterprise Innovation Management Board, the financial settlement during equitization and the

divestment of the State capital in JSCs and the implementation of the function of the owner's representative of the State.

2.4.2. Evaluation of the positive results of state management

2.4.2.1. The building of target programs on the equitization of SOEs includes the determination of objectives, the scope of equitization of SOEs, mechanisms and the planning of equitization of SOEs.

2.4.2.2. The implementation organization of the target programs for equitization of SOEs: ideological work, propaganda, organizational apparatus; inspection and monitoring of the equitization of SOEs; divestment of the State capital in JSCs and the implementation of the function of the owner's representative of the State.

2.4.3. Difficulties and limitations

2.4.3.1. Construction of target programs

Objectives and criteria for classification of SOEs: The criteria for classification are stipulated quite clearly in the Decision No. 37/2014/QĐ-TTg. However, however, with the demand of the extensive economic integration and investment socialization in some socio-economic fields, their application has faced some inadequacies.

Mechanisms and policies: The city has not been flexible yet to suit the local situation. Some policies and regimes of the Central have not been detailed by Hanoi, resulting in slow implementation.

Some concerns about the current equitization of SOEs are raised in: The Decree No. 91/2010/ND-CP; The Decree No. 189/2013/ND-CP; The Decree No. 59/2011/ND-CP.

Construction on the SOE equitization plan

The equitization plan is visionary and quickly becomes outdated. The City has to submit the overall SOE arrangement plan 4 times to the Government for approval.

When planning, Hanoi has proposed retaining 19 enterprises. However, only 10 enterprises are allowed. It means there are 9 enterprises not approved by the Prime Minister and they must be equitized. It proves that the City has not kept abreast of the Government's direction.

2.4.3.2. The implementation organization of the target programs for equitization

Propaganda:

The propaganda in some places is limited and downplayed;

Due to low awareness, many officials and employees in the enterprises are "afraid" of being equitized.

At some enterprise, they still want to keep low charter capital and limit the number of shares sold outside.

Organizational apparatus and personnel in charge of equitization:

The current organization of state management apparatus of the Central and Hanoi for equitization remains inadequate.

Enterprise leaders have not paid much attention while some has limited capacity.

The training of human resources has not been properly concerned by the City government.

State agencies still intervene in management of JSCs.

For some JSCs, because they still think that they are a SOE, they consider the City People's Committee as their superior body and require treatment as if they were a SOE.

There is a phenomenon in which the City also imposes administrative orders, especially in cases of enterprises whose controlling shares are owned by the state .

Inspection and monitoring:

The management and supervision of equitized enterprises remain weak. Monitoring of equitized enterprises after equitization was rather loose.

The role of party organizations and unions in JSCs is confused. The salary and bonus mode of the employees has not been paid attention to.

The collection of information relating to the equitization process remains limited.

The information management for enterprises after equitization from the sources also differs in data and business situation.

Public financing and divestment of State capital:

The addressing of existing financial issues has not been well implemented. Therefore, so many shortcomings are unresolved.

The clear determination of the responsibility of the agencies and individuals related to assets and liabilities is troubled.

The determination of the enterprise value for the enterprises that have been assigned to the management and use of many factories and land has many shortcomings.

The method of determining the starting price of shares offered for the first time of equitized enterprises has not yet suitable.

Under the new criteria, the equitized SOEs that the State holds shares must be divested. However, progress remains slow.

The implementation of the function of the owner's representative of the State:

The Government and the Ministry of Finance are requesting to transfer the proceeds from the equitization of SOEs of the City to the Fund for support of arrangement and development of Central enterprises. Moreover, the owner's representative of the State capital in enterprises must be transferred as well. This will affect the resources and economic advantages of the capital, the city budget to support unemployed workers, redundancy and other costs incurred during the equitization.

2.4.4. The causes of the difficulties and limitations

2.4.4.1. Objective causes:

The restructuring and equitization are carried out in the context of the difficult and complicated situation of the world and the country's economy.

The City does not have a lot of experience on the equitization of large-scale SOEs while some enterprises have a complex financial situation.

The number of SOEs needed to be equitized is large while the projects that Hanoi needs to develop are often complex and difficult.

2.4.4.2. Subjective causes

Propaganda:

- The work has not been carried out deeply without creating consensus. There is still a thought of relying on the State and slow changing. The aversion to change of the leaders who are retiring impedes the process of equitization of SOEs.

- There is not much consistency in the awareness of the role and economic position of the state on the requirements and solutions for the restructuring, innovation and efficiency improving of SOEs.

Mechanisms and policies:

- The implementation organization and institutionalization of the Party's policies have been slow, inconsistent and nonspecific. The City has not focused on issuing mechanisms under the proposed plan.

- There are some periods when the city has not followed closely and strictly in directing and implementing the plan of restructuring and equitization of SOEs.

- There are no strict measures and sanctions for strong deterrence for individuals and leaders of local ministries, sectors, authorities and enterprises reluctant to the equitization.

- The attraction of investors to participate in the equitization process has been troubled due to lack of openness and transparency of information.

- The State still holds the controlling shares in enterprises of the sectors which the State does not need to hold the controlling shares.

Public financing:

- The coordination in solving difficulties and problems arising in the restructuring and equitization process of the authorities has been slow and unsatisfactory. Some SOEs are not drastic and proactive in disclosing their arrangement and equitization scheme.

- The valuation of SOEs for the equitization is inadequate. The process of determining the enterprise value is still mainly based on comparison without standard valuation to determine potential values such as the brand or the ability to grow in the future.

- The financial resources for the arrangement and equitization of SOEs, especially the debt settlement, are very limited.

The organization of apparatus:

As the officials and cadres who are assigned to conduct equitization as their additional tasks, the time for the equitization is limited. The assignment between departments and sectors is overlapping. The officials in charge of equitization still have the thought of the "application/approval" mechanism and sense of dependence while performing official duties.

CONCLUSION OF CHAPTER II

From the overview of SOEs in Vietnam, which has confirmed the equitization policy implemented by the Party and the State for many years, the author has summed up the results and outlined some of the limitations and difficulties in the equitization process in Vietnam.

The author has also given an overview of the socio economic situation of the city, assessed the business efficiency and pointed out the limitations of SOEs.

The equitization process of the city has been divided into 6 stages from 1991 to the present. This Chapter has evaluated in terms of the quantity, structure and quality of the equitization. It has confirmed the positive impact of the equitization of SOEs and identified equitization as an inevitable trend and a breakthrough solution to convert SOEs from single ownership to multi-ownership. The above changes have significantly enhanced the efficiency of equitized enterprises in all key indicators of capital, revenue, profit, and budget contribution, number of employees and workers' incomes, dividends and the settlement of redundant employment.

Besides achievements, the author has also mentioned shortcomings and limitations in the process of SOE equitization of City such as slow speed, long equitization time, the State still occupying lot of controlling shares, initial successful yet still slow equitization, JSCs being discriminated, the incorrect awareness of shareholders of their rights and obligations of enterprises.

The author has analyzed the current situation of state management of equitization, starting from the construction of the equitization target programs, in which, the objectives and scope of equitization of SOEs and the equitization planning have been clarified. It is followed by the implementation organization of the target programs for equitization, including: the propaganda, organizational apparatus, inspection and monitoring of the equitization of SOEs, divestment of the State capital in JSCs and the implementation of the function of the owner's representative of the State capital.

In the evaluation of positive changes in the state management of equitization, the author believes that, thanks to the correct policies, the arrangement and equitization of SOEs have achieved many positive results. The management authorities in Hanoi have captured the essence and characteristics of the equitization process and the issues arising in reality for the improvement of the legal environment and policies. They have also actively asked for advice from the City Party Committee, People's Council, People's Committee of the city on solutions to accelerate the equitization. The mechanism to exercise the rights, obligations and responsibilities of the owner has been strengthened.

However, besides these positive results, the mobilization and propaganda for equitization have been still overlooked. Moreover, although the City has been actively reviewed and developed an overall plan of arrangement and renovation of SOEs, this plan has become outdated quickly.

The system of legal documents issued by the State on equitization has improved. Nonetheless, the city has not yet been flexible in the application to suit the local situation. The management and supervision of equitized enterprises remain weak. The clear determination of responsibilities of the agencies and individuals related to the assets and liabilities, and financial and tax settlement in the enterprises has faced difficulty. The current state management apparatus on SOE equitization of the City is also inadequate.

The author has pointed out the causes of these limitations, consisting of both objective and subjective reasons.

From the above causes and limitations, the author suggests that if the reform and restructuring of SOEs is implemented well, including the change of ownership for effective use of available resources of SOEs, the competitiveness of the enterprises shall be enhanced and the GDP growth rate of the Capital in particular and the country in general shall be raised. This is also the basis for offering solutions to accelerate the

equitization process and complete the state management of SOE equitization in the locality to be presented in Chapter III.

CHAPTER III

SOME SOLUTIONS FOR PERFECTING THE STATE MANAGEMENT OF THE EQUITIZATION OF SOEs IN HANOI CITY

3.1. THE CONTEXT OF THE INTERNATIONAL AND LOCAL ECONOMY AND THEIR IMPACTS ON THE EQUITIZATION

3.1.1. The context of international economy: The context of international politics and economy has shown that businesses will have to operate based on the market principles. Vietnam's businesses will not be discriminated against those of other countries.

3.1.2. The context of the country's economy Although the macro-economy has been developed in a positive direction, the aggregate demand of the economy has been slow and business activities of enterprises remain difficult. Our Party has thoroughly continued to strictly implement the Central Resolution 3, Central Resolution 9 (IX), Resolution of XI Congress and the resolutions and conclusions of the Central Government on the arrangement, renovation and improvement of efficiency of SOEs.

The new Enterprise Law has stipulated that SOEs are a 100% state capital companies instead of 51% or more of state capital as before. This provision will create a greater momentum for the SOE reform process in Vietnam.

Thanks to the government's policy requiring investors to hold fewer shares in SOEs undergoing equitization, investors, especially foreign investors, regardless of economic components, shall shift to invest in the equitized SOEs.

3.1.3. Strategy for socio-economic development of the capital to 2020

- On Jan 6, 2012, the General Secretary issued the Resolution No. 11-NQ/TW of the Political Bureau on the direction, mission development objectives of Hanoi Capital in the period of 2011- 2020.

- The Party and the City authorities have given many solutions, including those for boosting of the arrangement and equitization of SOEs.

3.2. SOME VIEWPOINTS, OBJECTIVES AND ORIENTATION OF THE EQUITIZATION OF SOEs IN HANOI CITY IN THE COMING YEARS

3.2.1. Viewpoints

3.2.1.1. Raising the state management efficiency

In addition to the legal factor, the state management also uses macro-management measures, indirect methods and planning tools. Strengthening management in order to ensure strict control of the compliance with the law will increase autonomy and self-responsibility of enterprises implementing equitization. Consistency and uniformity between state management agencies must be ensured in a comprehensive plan.

3.2.1.2. Taking the operational efficiency as the standard: Economic efficiency is demonstrated by the creation of momentum and competitiveness while social efficiency creates jobs, guarantee income, improve living standards and the

qualifications of workers. Furthermore, the financial efficiency increases budget contributions for the city, supplements the fund and enhances GDP.

3.2.2. Objectives and orientation

3.2.2.1. Objectives and orientation of the Party and State

- To complete the reorganization and equitization of SOEs in order to focus on the key sectors and areas, bringing benefits to the nation.

- To promote the equitization and divestment from those which are not the key sectors, to sell off state capital in the sectors that the State does not need to hold the controlling shares.

- To soon establish a ministerial agency to perform the owner's representative function of the State capital in the enterprises.

- By 2020, the SOE reform must be basically completed, forming a modern enterprise system with international competitiveness.

3.2.2.2. Objectives and orientation of Hanoi City

- In the period of 2016-2020, the city strives to complete the equitization plan of SOEs under the City. According to the plan, the enterprises implementing equitization will be focused for guiding and take steps under the process, ensuring quality and the schedule.

- The city continues to withdraw State capital in SOEs subject to equitization, those in the sensitive sectors and those not in the key business sectors under the restructuring scheme approved.

3.3. SOLUTIONS TO BOOST AND PERFECT THE STATE MANAGEMENT OF SOE EQUITIZATION

3.3.1. Solutions to create the necessary prerequisites for the equitization of SOEs

3.3.1.1. Propaganda:

- It needs to promote education and fostering of political ideology, guidelines and policies of the City for officials and employees of SOEs.

- For the directors of the SOEs, similar tasks are required, including not only the material benefits but also the titles and social status.

3.3.1.2. Strengthening administrative reforms in the SOE equitization process: The departments, sectors and corporations should actively make an equitization plan and submit to the City, enhance and strengthen the role and capacity of officers of the Enterprise Innovation Management Board, continue strengthening the role of the Standing Equitization Division, and assign specific responsibilities to each department and sector when deploying the equitization.

3.3.1.3. Supplementing and completing the classification criteria as a basis for building the equitization plan: According to this classification, SOEs under the city are divided into three groups: Group 1: Enterprises with 100% State capital; Group 2: Enterprises implementing equitization which the State holds 50% of shares or more; Group 3 Enterprises implementing equitization which the State holds less than 50% of shares or does not hold any shares.

3.3.1.4. Supplementing and completing the equitization plan of SOEs under the city management: The dissertation has provided an equitization plan for the near future with additional recommendations for the Document No. 2252/TTg-DMDN dated Dec 29, 2012 of the Government.

3.3.1.5. Solutions on the organization of state management apparatus and personnel during the equitization of SOEs

Supplementing and upgrading the functions of the Enterprise Finance Sub-Department (under the Department of Finance):

Option 1. To keep the current name, and add the owner's representative function of the state capital invested in enterprises as stipulated in the Decree No. 99/2012/ND-CP dated Nov 15, 2012 of the Government.

Option 2. To allow the City People's Committee to establish a state management agency for unified and effective implementation of the owner's representative function of state capital invested in enterprises, in accordance with the spirit of the Central Resolution 9 (IX), the Conclusion No. 78-KL/TW dated Jul 26, 2010 of the Political Bureau and the Resolution 11 of the Political Bureau on the direction, development objectives of Hanoi in the period of 2011-2020 on the basis of reorganizing and upgrading the Enterprise Finance Sub-Department to the Enterprise Finance Management Department under the City PC.

Proposal to establish Hanoi Capital Investment and Trading Company: The dissertation would like to propose the establishment of Hanoi Capital Investment and Trading Company under Hanoi city's management.

Enhancing the operation of management apparatus in charge of SOE equitization:

- To continue organizing conferences to implement the arrangement and innovation plans of enterprises with 100% state capital;

- The city's Enterprise Innovation Management Board should regularly report to the city People Committee's leaders on the progress and results of equitization.

- To maintain the activities of the group in charge of equitization.

3.3.1.6. Solutions for inspection and monitoring

Requirements: To track and monitor under the principle of grasping the overall situation of the main and necessary economic indicators. To promptly resolve and remove the difficulties of operating enterprises. To reduce the inspection and monitoring focal points.

Content:

There should be more specific regulations on the organization, mechanisms and operational modes of the system of inspection, supervision, guidance, and direction and promptly correct any deviations to ensure the SOE equitization progress.

To constantly concern about enterprises implementing equitization in order to promote the efficiency and create favorable conditions for them to develop equally.

To specify the responsibilities of State management agencies in providing information and disseminating policies to enterprises subject to equitization.

3.3.1.7. Organizing workshops and compiling documents for the equitization of SOEs

- To organize the implementation of city-level scientific research projects on equitization in each department and corporation.

- To disseminate widely the results of research and compiling textbooks.

- To organize seminars and exchange between research organizations, state management agencies and enterprises subject to equitization.

3.3.2. Solutions related to financial mechanisms and policies

3.3.3.1. Institutional, mechanisms and policies solutions

Institutional aspect

- To complete the Law on management and use of state capital in SOEs;
- The Ministry of Finance has issue an implementation guiding document the Decree No. 189/2013/ND-CP and the Decree No. 206/2013/ND-CP;
- To complete a decision to replace the Decision No. 37/2014/QĐ-TTg;
- To request the Government to issue a decree on the management title holders at 100% state-owned enterprises and those which the State holds more than 50% of the charter capital.
- To complete the Decree No. 99/2012/ND-CP dated Nov 15, 2012 of the Government;
- The city Party Committee needs to continue directing the City People's Committee to issue directives for accelerating the equitization according to the plan;
- To report to the Central government for supplementing mechanisms and policies to properly and fully determine the value of business advantages, brand, business culture, expertise, etc. to the enterprise value.

Mechanisms and policies

- To continue modifying and supplementing the Decree No. 59/2011/NĐ-CP; amending the Circular No. 196/2011/TT-BTC;
- To perfect the Decree No. 91/2010/ND-CP dated Aug. 20, 2010.

3.3.2.2. Identifying, separating, and handling of the enterprise's financial issues during equitization process

Classification of financial issues: *Group 1:* The issues and problems that there are sufficient grounds of mechanisms and modes for handling; *Group 2:* The issues and problems not specified clearly in the mechanisms and policies but the City can still handle under its competence; *Group 3:* The issues and problems not specified in the mechanisms and policies that need flexibility to handle or are beyond the competence of the City.

Settlement of outstanding issues during the equitization of SOEs: Notwithstanding the provisions of mechanisms and policies, the dissertation would like to propose measures for handling some financial problems on assets, debts, losses or profits.

Settlement of financial issues when SOEs are officially transformed into a JSC: In the period from the time of determining the enterprise value to the time of officially transforming into a JSC, the enterprises implementing equitization need to transfer, sell or liquidate their assets, financial investments and securities investment as prescribed

3.3.2.3. Public finance solutions

Handling of proceeds from equitization: To propose to the Government allowing Hanoi to retain the proceeds from the sale of the state capital when equitizing so as to implement the enterprise restructuring plan approved.

Divestment and handling of the State capital in JSCs:

- For the state capital in JSCs with 100% state-owned capital subject to equitization, they will be decided as follows: Divesting capital before equitizing, adding the state capital to the equitized enterprise value, transferring to an enterprise

which the City continues holding 100% of the state capital or the enterprise Finance Management agency in the City for management.

- The dissertation has given 5 measures to enhance the divestment of state capital.

3.3.2.4. Equitization of SOEs associated with the development of the stock market

- To organize conferences for the dissemination of new policies on capital divestment and sale of shares, registration of transactions and listing on the stock market.

- The Stock Exchange should promptly be at service for auctions and support enterprises after the auctions.

- For the shares of JSCs that have not been listed on the stock market and are priced lower than the par value, they will be sold publicly.

- It should have a plan to deal with unsold shares and remaining shares.

3.3.3. Solutions to improve state management after the equitization

3.3.3.1. The training, assignment and arrangement of key personnel

- To propose to the City Party Committee for early policy on the arrangement, use and remuneration for personnel. - There should be measures to deal with enterprises and leaders delaying the equitization.

- It is required of plans for training and retraining of personnel for reasonable arrangement of key staff and leaders in enterprises in the course of equitization.

- There should be mechanisms to ensure the responsibility of each individual on the equitization. - It also needs reward for well implemented places and people and punishment for those who did not complete the task.

3.3.3.2. Settlement of redundant employment

The City government: The departments and sectors need to strengthen inspection and closely monitor the construction of support plans and subsidy payments for redundant workers.

Enterprises: To disseminate the guidelines and policies of the State on equitization and handle redundant employees of the enterprise. To build a personnel arrangement plan.

3.3.3.3. Innovation of management practices and improvement of the management capacity of equitized enterprises

- The City should suggest the Central to complete the management mechanisms of equitized enterprises.

- The equitized enterprises need to clearly determine and carry out the rights and obligations between the Board of Directors and the Board of Management.

- The enterprises must pay particular attention to human resources management.

- The JSCs should soon complete the procedures for land lease with the City.

- To facilitate employees and shareholders to understand their rights and responsibilities.

3.3.3.4. Strengthening and enhancing of the role of Party organizations and unions in equitized enterprises

Strengthening Party organizations and unions

- To combine under one roof or into a district union or vertical sector union.
- The City Party Committee, Labor Union, and Youth Union should quickly enact rules and regulations guiding the operations of these organizations.

Some solutions to enhance the role of Party organizations and unions::

- There should be a good mechanism to handle relevant relationships in management, direction and coordination.
- To consider to combine the management of Party organizations in the enterprises.
- It needs mechanisms to combine the business owners concurrently holding the committee Secretary in the enterprises with 50% or less of state capital.
- To further improve the pioneering role of Party organizations in SOEs.

3.3.3.5. Communication and report: To complete the content of reports, to specify and inform to the enterprises the reports to be prepared, to standardize the report forms and specify the reporting responsibilities and obligations and handle with administrative sanctions for non-compliance.

CONCLUSION OF CHAPTER III

The context of the international and domestic economy as well as the socio-economic development strategy of the Capital to 2020 has impacted on the equitization of the City in the coming period.

The author has stated some views on the equitization objectives and orientation in the next phase of the city, which are to strive to complete the equitization plan of SOEs in the City. The enterprises are required to conduct the arrangement and restructuring in line with their management capacity, monitor and improve the governance of SOEs in the direction consistent with the international principles and rules. The list of enterprises implementing arrangement and equitization needs continuous review and supplementation by the classification criteria.

Among the solutions creating the necessary prerequisites for equitization, the author has given measures such as promoting the propaganda, enhancing the administrative reform, supplementing and completing the classification criteria as a basis for building the SOE equitization plan, completing the SOE equitization plan and strengthening supervision and inspection.

In which, the author has proposed to upgrade the function for the Department of Finance (Enterprise Finance Sub-Department), add the owner's representative function of the state capital invested in enterprises as stipulated in the Decree No. 99/2012/ND-CP dated Nov 15, 2012 of the Government and establish a state management agency to implement consistently and effectively the owner's representative function of state capital invested in enterprises in the spirit of the Central Resolution 9 (IX) on the basis of reorganizing and upgrading the Enterprise Finance Sub-Department to the Enterprise Finance Management Department under the City People's Committee.

The solutions on mechanisms and financial policies recommend the Government and the National Assembly to continue improving the mechanism of the owner of state capital in enterprises with state capital. It should soon develop and complete the Law on management and use of state capital in SOEs. The Ministry of

Finance is recommended to urgently issue a circular guiding the implementation of the Decree No. 189/2013/ND-CP on transformation of enterprises with 100% state capital to JSCs; a Circular guiding the implementation of the Decree No. 206/2013/ND-CP on SOE debt management and completing the participation of foreign investors in the restructuring and divestment of state enterprises in other sectors. The Decision replacing the Decision No. 37/2014/QD-TTg on the classification criteria of SOEs needs to be completed to create a legal basis for divestment and sale of the entire state capital in enterprises which the State does not need to hold controlling shares. The Government is requested to issue a decree on the management title holders at 100% state-owned enterprises and those which the State holds more than 50% of the charter capital.

The solutions in this group have also proposed to identify, separate and handle financial issued of equitized enterprises. The Government is proposed to allow Hanoi retaining the proceeds from the sale of the state capital when equitizing so as to implement the enterprise restructuring plan approved, increase competitiveness and improve the efficiency of business operations. The divestment in JSCs with state capital must be strengthened to have more funds for handling other works related to the arrangement and innovation of SOEs under the City.

The solutions have also suggested the coordination between SOE equitization with the securities market development, in which, Hanoi Stock Exchange shall be in service for auctions and support enterprises after the auctions to be able to participate directly in the Unlisted Public Company Market (UPCoM) and the Listed Public Company Market in the fastest time.

Regarding the solutions to improve state management after equitization, the author has presented the solutions on training, assignment and arrangement of key staff of SOEs subject to the equitization, the settlement of redundant workers and innovation of management practices, enhancing governance capacity, strengthening and enhancing the role of Party organizations and unions in equitized enterprises and the information reporting regime for state management on equitization.

SOME RECOMMENDATIONS TO IMPROVE STATE MANAGEMENT EFFICIENCY OF THE EQUITIZATION OF SOEs

1. TO CONTINUE PROMOTING THE RESTRUCTURING OF SOEs WITH THE FOCUS ON STATE OWNED CORPORATION

The dissertation would like to propose a number of recommendations to the Party, the State, and the Government as follows:

1.1. Restructuring of state-owned enterprises

1.1.1. SOEs are divided into two main types, commercial SOEs and public service SOEs

For commercial SOEs: I would like to recommend the Party and the State to issue policies for those enterprises to operate under the market mechanism and proceed to equitization.

For public service SOEs: The State should conduct the equitization or encourage non-state sectors to participate in the form of purchase of services or entrustment for some companies if they are deemed eligible.

1.1.2. To build a scheme using proceeds from the equitization of SOEs: The Government is recommended to gather the process from the equitization and

divestment of state capital in JSC with state capital, proceeds from profit after deduction of funds of SOEs as specified.

1.1.3. To research for the completion of institutions, mechanisms and policies to accelerate the restructuring and equitization process: Especially the regulations on the sale, exchange or lease of the enterprises, policies for redundant workers after equitization and the determination of land lease rights, land use rights, trademarks and the list of sectors and areas in which the State does not need to control foreign investors.

1.1.4. To continue restructuring state-owned economic groups and corporations comprehensively: For large-scale equitization of corporations, groups and parent companies, it requires the participation of big investors in the country and abroad with financial strengths and corporate governance experience.

1.2. To accelerate the equitization and divestment

The Party and the State should consistently promote the equitization towards reducing the proportion of state ownership in enterprises in a transparent way, especially the equitization roadmap. The ministries, sectors, localities, state-owned corporations and group should improve accountability, actively promote the equitization and implement the equitization plan, the management after the equitization, and seel state capital in enterprises which State does not need to control under the market principles.

It is also required to strengthen the direction, inspection and supervision of the implementation of the approved SOE equitization schemes. The equitization plan and roadmap for public service SOEs must be deployed.

2. TO APPLY AND INNOVATE A MODERN MANAGEMENT FRAMEWORK

2.1. To issue SOE governance innovative mechanisms with the focus on state-owned corporations and groups to improve the autonomy and self-responsibility in business and production.

2.2. To identify and clarify the powers and responsibilities of the owners, the owner's representatives (Board of Members, Board of Directors) and executives (general director, director) of the enterprises in management, investment, use of state capital and property.

3. TO PERFECT THE MANAGEMENT MECHANISM OF THE OWNERS FOR SOEs AND JSCs WITH STATE CAPITAL

3.1. Model

To recommend the Government to establish a ministerial-level agency specialized in performing the owner's functions with an appropriate objects and scope and release of State management ministries from the management functions of state owners.

3.2. Objectives

The agency representing the state owner in enterprises will manage large-scale corporations and group with modern management so as to be able to compete in the region and the world for implementing the national economic and social development strategies.

3.3. Principles

The Committee will control large corporations, groups, JSCs with state capital in some natural monopoly industries to implement the national economic and social development strategies.

3.3. Functions and tasks:

To act a focal point to assist the Government in exercising the rights, obligations and responsibilities of the state owner in state-owned corporations, group and JSCs with state capital.

To advise the Government to build the national development strategies with key industries and sectors of the economy.

To direct and promote the reform and restructuring of SOEs, to be responsible for inspecting and monitoring enterprises and representatives of state capital for ensuring the value and increase the state assets.

To advised the Government to build management institutions and policies for SOEs and JSCs with state capital, to approve the charter and regimes relating to the enterprises and representatives of state capital in the enterprises.

CONCLUSIONS

Through the determination of theories related to state management of equitization of SOEs under Hanoi City, the analysis of the actual situation and the evaluation of the achievements, shortcomings and limitations and the causes, and proposals of solutions to complete state management of equitization of SOEs, the dissertation has achieved some results as follows:

1. It has systematized the basic theories of equitization and state management of the equitization of SOEs and the concept of equitization of SOEs, thereby clarifying the nature of equitization. It has also determined the contents of state management of equitization of SOEs on the strategic orientation and plans of the State, mechanisms, policies, laws and regulations, the inspection and monitoring of the observance of the laws during the equitization process, public financing, the apparatus and manpower for equitization.

2. The current situation of state management of equitization has been assessed based on the scientific bases. It has pointed out the limitations on the propaganda and mobilization for equitization, the overall plan of reorganization and renovation of SOEs, the inadequacies in the application of mechanisms and policies, the state management apparatus, the determination of the responsibilities of the agencies and individuals related to assets and liabilities as well as the settlement of financial issues during equitization.

3. In the context of the international and domestic economy, the development orientation of Hanoi Capital in the coming years, and the thorough instruction of the Government on stepping up the reorganization and reforming SOEs is the foundation for the dissertation to determine the views, objectives and proposed solutions for completing state management of equitization of SOEs in the city.

4. Some suggestions and recommendations are given to the Party, State, Government and ministries to contribute to the restructuring and arrangement of SOEs at the national level.

As state management of equitization of SOEs in Hanoi city is a combination of rather broad contents with many complex problems, the

dissertation has sought to give the key perspectives and contents. However, due to its limited ability, shortcomings are inevitable. The author wishes to receive contributions from scientists, managers, instructors, and experts in the field of SOE equitization to address the shortcomings in future studies, contribute to improving the quality of state management of SOE equitization in the coming years.

LIST OF PUBLISHED PROJECTS RELATED TO THE DISSERTATION

1. Hoang Tuan (2009), The equitization of state-owned enterprises (through the practices of Hanoi), *Journal of Party History (Ho Chi Minh National Academy of Public Administration)*, vol 7-2009, p. 67.

2. Hoang Tuan (2014), The settlement of financial issues for promoting the equitization of state-owned enterprises in Hanoi city, *Journal of Accounting and Auditing*, Vol Sept 2014, p. 13.

3. Hoang Tuan (2015) Factors affecting the equitization of SOEs, *E-Finance Journal*, Vol 144 dated Jun 15, 2015, p. 32.

4. Hoang Tuan (2015), Some solutions accelerating the equitization process in Hanoi city, *Finance Journal*, Vol 2- Jun 2015, p. 33.