

PREAMBLE

1. The necessity of the research topic

Apparently, Industrial Zone (IZ) development is a major and important policy of Vinh Phuc. However, the development of industrial zones in the province is facing many problems to be able to aim and ensure a sustainable development, especially:

Firstly, the industrial zones are mostly concentrated in economic centers, located next to or very close to national highways with convenient traffic.

Secondly, starting more than 20 years ago, Vinh Phuc did not have much experience, making the investment attraction process not as effective as expected.

Thirdly, in the planning and investment and development of industrial zones in the province, the sustainable development factor has not been taken into account or is incomplete and comprehensive.

Fourthly, the waste from the industrial zones of the province has not been thoroughly treated, making the environmental pollution tending to increase.

To ensure the sustainable development of industrial zones, it is necessary to have a comprehensive system of appropriate solutions, including financial solutions.

Due to the above situation, "*Financial solutions for sustainable development of industrial zones in Vinh Phuc province*" has been selected as the subject of this thesis.

2. Overview of research on the topic

2.1. The research result that are available in the country

Currently in Vietnam, there are dozens of research works on IZs, focusing on the connotation and role of the development of IZs in industrialization and modernization, their impact on socio-economic development and solutions to develop them. Recently, there have been research dissertations on the sustainable development of industrial zones and financial solutions to develop them in Bac Giang, Hung Yen and Hai Phong, but no works mentioning in depth the solutions finance under the perspective of sustainable development of industrial zones, especially industrial zones in Vinh Phuc. The topic of sustainable development of industrial zones has also been studied by many international scientists, especially experts from UNIDO, UNTAD as well as experts from China, the United States,

Korea, Belarus, India, Egypt and other developing countries. These works analyze policies (including financial solutions) on industrial zone construction and development, their successes, failures and causes in a number of countries.

3. The dissertation's purposes and missions

The purpose of the dissertation is to propose a system of financial solutions of related entities for the sustainable development of industrial zones in Vinh Phuc province to 2025, with a vision to 2030.

4. Object and scope of the study

- The research object of the thesis includes theoretical and practical issues about financial solutions for sustainable development of industrial zones.

- Research scope:

+ Content: The thesis's writer researches financial solutions of the State, primary enterprises and secondary enterprises in industrial zones.

+ Regarding space and time: The thesis researches the current situation in the period 2010-2019 and proposed solutions for the period 2025 and vision to 2030 in Vinh Phuc province; experiences from financial solutions for sustainable development of the industrial zone, which have been studied in a number of localities in the country in the past 10 years.

5. The scientific and practical significance of the research topic

In theory, the thesis systemizes and updates knowledge about construction and sustainable development of industrial zones, criteria and factors affecting the sustainable development of industrial zones, and financial solutions for sustainable development in the zones;

In practical terms, the meaning of the thesis is shown in:

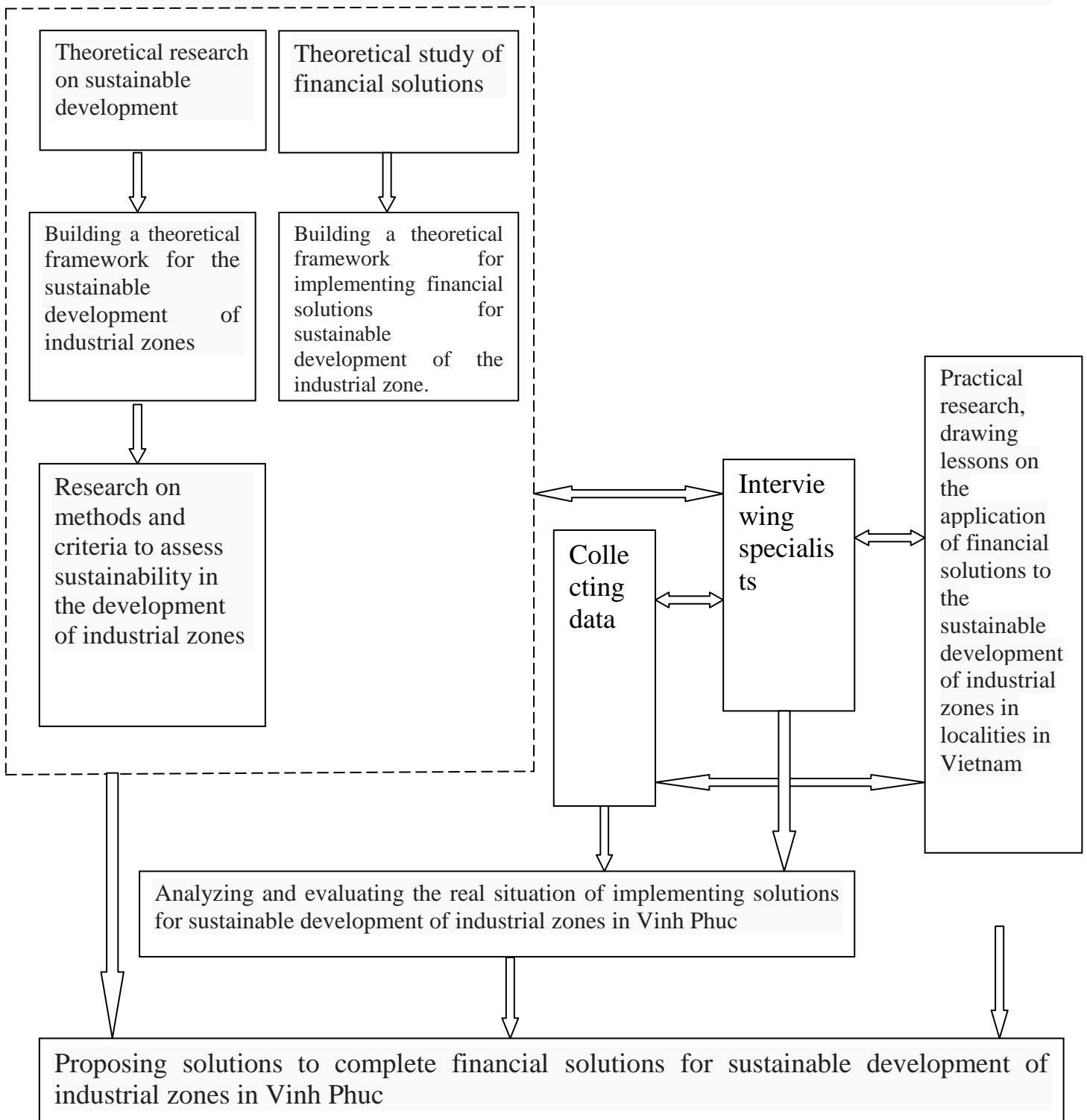
- Analyzing and assessing the development status according to the sustainable criteria of industrial zones in Vinh Phuc province in the period from 2010 up to now;

- Analyzing and evaluating the current situation of using financial solutions to develop industrial zones in Vinh Phuc province in the period from 2010 to present; objective and subjective reasons leading to the shortcomings and limitations of using those solutions;

- Proposing a number of financial solutions related to subjects for sustainable development of the province's industrial zones in the period up to 2025, with a vision to 2030.

6. Research methodology

Research and analysis framework used to perform thesis research tasks can be briefly described through the following diagram:



Primary data for the thesis are gathered through a sociological survey using the sampling method with sample size = 200, selected according to the convenience principle; surveyed subjects are i) Business owners and some key managers in enterprises in industrial zones; ii) IZ managers and representatives of infrastructure construction investors (primary investors) entering the IZs; iii) State management staff of IZs and related to the development of IZs and iv) research staff with thorough knowledge about the formation and development of IZs, about the application of financial solutions to promote those industrial zones.

Primary and secondary data, after being compiled and cleaned, will be analyzed according to the descriptive statistical method.

7. Conclusion of the thesis

In addition to the introduction, conclusion and appendices, the thesis is divided into three chapters

- Chapter 1: Rational and experience on financial solutions for sustainable development of industrial zones;
- Chapter 2: Current status and financial solutions for industrial zones development in Vinh Phuc province;
- Chapter 3: Completing financial solutions for sustainable development of industrial zones in Vinh Phuc province.

CHAPTER 1

RATIONAL AND EXPERIENCE ON FINANCIAL SOLUTIONS FOR SUSTAINABLE DEVELOPMENT OF INDUSTRIAL ZONES

1.1. Industrial zone and sustainable development of industrial zones

Industrial zones (IZ) are territories reserved for industrial production. The Law on Investment of Vietnam in 2014 defines *'The Industrial Park is an area with defined geographical boundaries, specializing in manufacturing industrial goods and providing services for industrial production.'*

"Sustainable development is development that meets current requirements without harming future generations' ability to satisfy that need", including two basic elements: rapid and powerful growth in the present; Does not adversely affect future developments. The three pillars of sustainable socio-economic development include 1) economic growth; 2) social stability and 3) sustainable natural environment.

Thus, the sustainable development of IZs *is an economical, social, technical and technological process in which industrial zones in general as well as specific industrial zones can create and maintain the development rapidly, while ensuring stable development in terms of social and natural environment within and around it.*

The sustainable development of the industrial park is assessed by criteria such as:

- Geographical location of the industrial park;
- Quality of industrial zone planning;
- Land area and industrial park occupancy rate;
- Total registered capital and invested capital to be realized in IZs;
- Results and performance of enterprises in IZs in reality;
- Level of technology and technology application of the enterprises in the industrial park;
- Level of specialization and economic linkage of the industrial park and enterprises in the industrial park;
- Ability to meet the needs of investors in IZs;
- The ability to ensure the sustainability of the natural and ecological environment;
- Ensure stable social development in and around the industrial zones.

1.2. Financial solution for sustainable development of industrial zones

Financial solution is the sum of different ways to use financial instruments to bring state or corporate financial policies into practice in economic activities. The

financial solution for the sustainable development of the Industrial Zones is the concretization of the financial policies of the State and of enterprises, covering all ways and measures to use financial instruments to ensure economic growth to be stable with increasing efficiency of the IZ itself. At the same time, it needs to be developed in harmony with the social aspects and environmental protection.

Financial solutions have very strong impacts on the sustainable development of industrial zones, which are in detail:

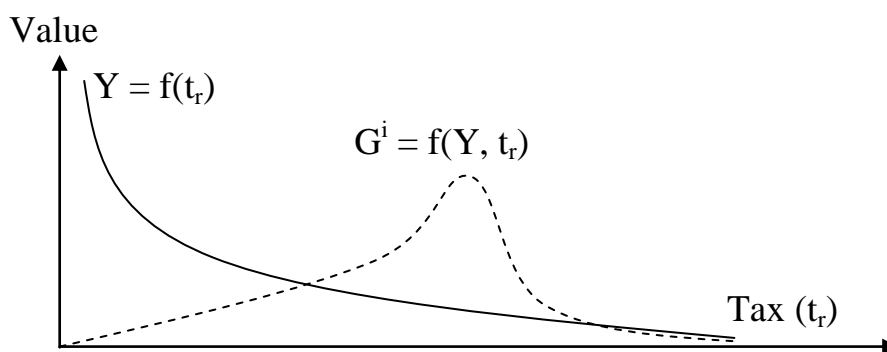
- Create a driving force to promote industrial enterprises to develop;
- Create macroeconomic stability, an attractive business investment environment;
- Save costs for investors.

The financial solutions for sustainable development of industrial zones can be distinguished according to the subjects, including the solutions of the State, the solutions of primary investors and the solutions of secondary investors.

The State's financial solutions include those decided, directed and supervised their implementation by the State, including:

a) *Tax solutions.* Fluctuations in tax rates and growth are in opposite directions, while in a certain range an increase in tax rates will increase state revenue,. However! if it exceeds a certain level, an increase in tax rates will lead to a decrease in state budget revenues (figure 1.1).

Figure 1.1: Relationship between tax rates and GDP and the state budget revenues



In which, Y represents the change of GDP (within the national economy) or the production value of the enterprise, as a function of the independent variable, the tax rate (t_r). G^i (revenues from taxes) is a variable function dependent on independent variables Y and t_r . Common state tax measures include:

- Reducing tax rates.
- Exemption of tax payable for certain subjects in specific taxes.
- Delaying/prolonging the tax payment time for subjects in specific tax categories.

b) *Fee and charge solutions.* The solution is used in three ways: 1) regulating the services for which fees and charges are payable; 2) setting fees and charges; 3) determining the circumstances of exemptions or reductions of fees / charges and the rates of fee exemptions or reductions. Thereby, the State affects product prices, product competitiveness, including products of enterprises in industrial zones.

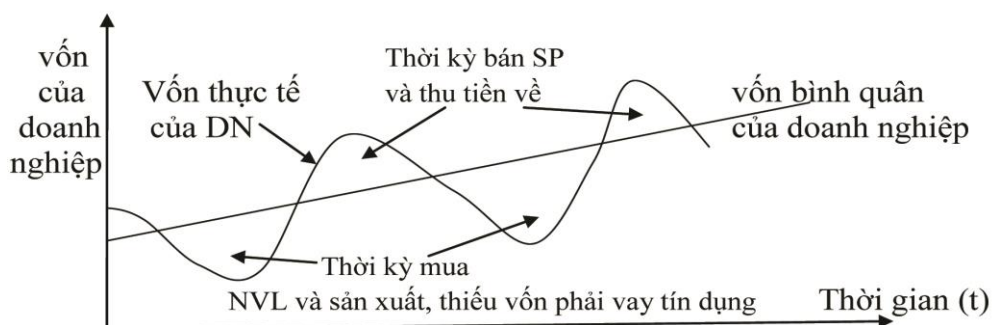
c) *State budget expenditures.* This is a solution that the State uses its budget to spend on related items, directly or indirectly serving IZs, for example: i) Direct investment to build IZs; ii) Building a system to provide services for enterprises in the IZ; iii) Constructing social service works for workers in the IZ; iv) Developing a vocational training system to train employees for enterprises in the industrial park; v) Supporting passengers to participate in local public transport, including workers of enterprises of the industrial park; vii) Supporting for primary investors in site clearance and investing in infrastructure of the IZ and around the IZ.

d) *Provide credit to enterprises in the industrial park.* The State may pass a number of banks to lend businesses with lower interest rates than commercial interest rates or provide loans with more favorable conditions. The impact of this factor on the sustainable development of IZs is reflected in: i) creating conditions for enterprises in the IZ to easily secure operating capital and expand production when being given the opportunity; Helping enterprises in the industrial park avoid business risks. When cash inflow slows down, payment obligations cannot be delayed.

Besides the State, primary investors in IZs also need to have appropriate financial solutions for the industrial park to develop in a sustainable direction. That is:

a) *Mobilizing and arranging capital sources for investment in an optimal way, taking advantage of preferential capital sources with the lowest possible costs.* Production scale depends on the variables Capital (C), Labor (L). However, capital of enterprises depends on business cycle, around the average capital of enterprises (figure 1.2).

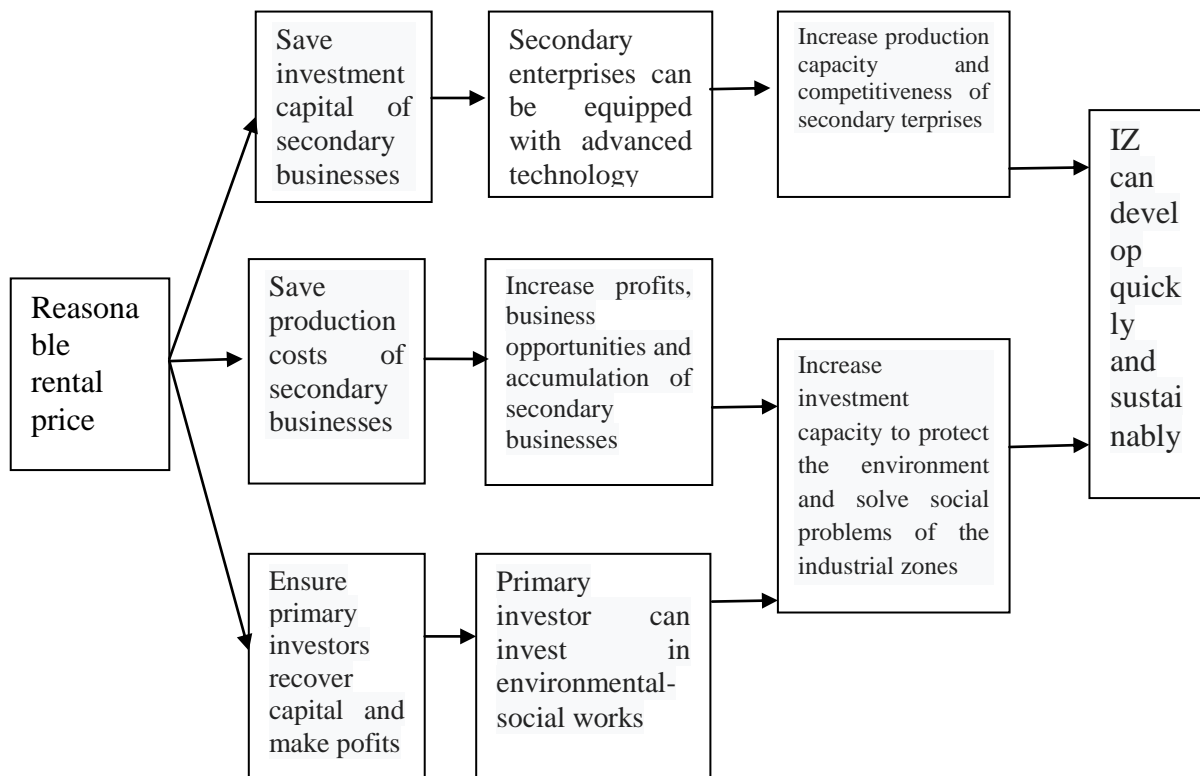
Figure 1.2: Fluctuation of a firm's capital in the business cycle



The effect of credit on the sustainability of industrial park development is that it regulates the cash flow of businesses to be continuously balanced. The fact that enterprises invest in the construction of industrial zones (primary investment enterprises) helps secondary investment enterprises to mobilize capital. Actually, the aid of arranging capital is of great significance for the sustainable development of industrial parks.

b) Determine the reasonable level and regime of industrial premises for rent. The specific price as well as the conditions, mechanism and level of rental discount are decided by primary investors on the basis of the market as well as the regulations of the State. The role of primary investor for secondary investment enterprises in industrial zones is reflected in identifying how the primary investor decides the rate of return for themselves and which ways to search and mobilize support resources to minimize their investment capital needs. The impact of applying this solution is depicted in Figure 1.3.

Figure 1.3: The impact of solution of applying reasonable ground rentals on the sustainable development of industrial zones



c) Determine the rates and fees for the services reasonably. Primary investors often take the initiative or call on organizations being capable of providing services to secondary businesses in the area to collect fees for offsetting their expenses. In fact, the provision and determination of reasonable fees for these services have a positive impact on the sustainable development of the industrial park in two main aspects: 1) Minimizing the impacts that industrial production causes to the environment, thereby ensuring the environmental sustainability and 2) Helping secondary businesses to have services with favorable conditions and lower costs than doing themselves.

d) Invest to fulfill environmental obligations for enterprises in the IZs. The primary investor can assist the secondary business in setting up and maintaining a friendly environment in their own space. This will certainly i) help the secondary enterprise reduce the need for investment capital or transfer capital from this to other

categories, thereby increasing production capacity, contributing to rapid development; ii) provide businesses with lower cost services for primary investment.

e) Financial assistance to solve social problems. They are i) Creating jobs and livelihoods for farmers whose land is acquired; ensuring accommodation and cultural services for IZ's workers; solving travel needs for workers working in industrial zones and ensuring political security and social order in and around the industrial park. The primary investor's solutions are: 1) Attracting investors inside and outside the business area for services related to solving the above tasks and 2) Attracting investment capital from another entities to deal with the above social problems.

The financial solutions of secondary invested enterprises in order to develop the industrial park sustainably are also the solutions to maintain and develop their production and business activities. These solutions may include: i) - Exploiting external financial resources to protect the environment and solve social problems; ii) Making use of expenditures from State programs as well as calling for funding to build and operate model models; iii) Attracting capital from domestic and foreign investors to jointly build and exploit projects for socio-economic goals in accordance with their principles, purposes and priority directions of secondary investment enterprises; iv) Increasing investment capital and restructuring investors' capital in order to increase the amount of useful capital for solving socio-economic goals.

Factors affecting the implementation of financial solutions to promote the sustainable development of industrial zones include:

- Strategies and policies to develop industrial zones;
- Context and conditions for the development of industrial zones;
- The development of industrial zones;
- Management capability of entities related to the development of Izs.

1.3. Experience in implementing financial solutions for sustainable development of industrial zones in several provinces in Vietnam

From Hung Yen, Bac Giang, Hai Phong, Binh Duong, some lessons for Vinh Phuc can be drawn as follows: *Firstly*, it is necessary to make use of most of the resources and implement financial solutions to suit specific local conditions. *Secondly*, it is necessary to have centralized and unified management for resources to maximize their impact on the local economic development, including the sustainable development of industrial zones. *Thirdly*, it is suggested to use tools, perform these solutions scientifically. *Fourthly*, financial solutions for sustainable development of industrial zones are placed in the overall socio-economic development measures. *Fifthly*, financial solutions must be implemented within the framework of common laws and policies and need flexibility in applying general regulations.

CHAPTER 2

CURRENT STATUS AND FINANCIAL SOLUTION FOR INDUSTRIAL ZONE DEVELOPMENT IN VINH PHUC PROVINCE

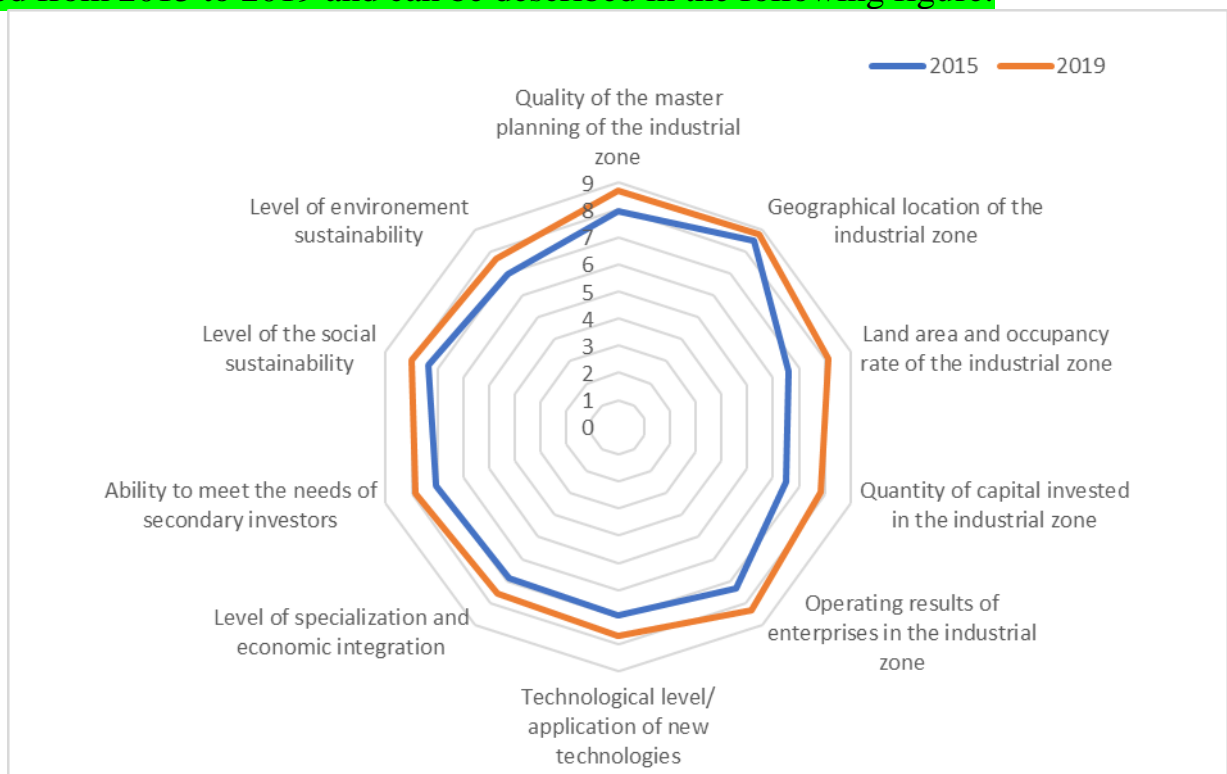
2.1. Current status of developing industrial zones in Vinh Phuc province

2.1.1. Establishment and development of industrial zones in Vinh Phuc province

The industrial zones in Vinh Phuc were built in 1997 but have only grown rapidly since about 5 years (see table 2.2). Vinh Phuc IZs have the following basic characteristics: i) the province's industrial zones are small in size; ii) Vinh Phuc IZs have just been established, have just operated and developed strongly for about 15 years; iii) The province's industrial zones are diverse in respect to ownership and management, including IZs invested by the State and the private sectors; iv) Vinh Phuc IZs have a clear orientation to attract investment, in accordance with the advantages of the province and each industrial park.

2.1.2. Sustainability in the development of Vinh Phuc Industrial zones

Sustainability in the development of Vinh Phuc IPs has been improved in the period from 2015 to 2019 and can be described in the following figure:



2.1.3. General assessments of the development of industrial zones in Vinh Phuc and its sustainability

We can comment on the sustainability in the development of Vinh Phuc Industrial Park as follows:

- Vinh Phuc IZs were born late and developed more slowly and their competitiveness is more limited than that of some other localities in the region.

- IZs are small in scale, which adversely affects the attraction of large investors and is difficult to form linkages.

- IZs have classified the priority fields to attract investment for each industrial park in the direction of specialization.

- The occupancy rate of industrial zones is still relatively low.

- Infrastructure and infrastructure planning have been taken care of.

Thus, the criteria for planning quality, geographical location of Vinh Phuc IZs have met sustainable requirements, but the criterias of occupancy rate, production value, technology level, level of economic results, the ability to serve secondary enterprises; in terms of environment and society, have not yet met the requirements of sustainable development.

Table 2.2: Development of industrial zones in Vinh Phuc province in the period of 2010-2019

No.	Targets	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of projects and investment capital of enterprises in Vinh Phuc Industrial Zone (Accumulated to the end of the year)												
1	Total number of valid projects	Project	89	93	98	119	147	164	188	233	288	344
2	FDI project	Project	63	65	68	83	111	127	148	187	234	290
	Total investment capital	Million USD	893	1.032	1.132	1.407	1.731	2.025	2.333	2.748	3.110	3.952
3	DDI project	Project	26	28	30	36	36	37	40	46	54	54
	Total investment capital	Billion VND	4.554	4.935	4.965	4.998	5.181	6.424	7.289	6.859	6.175	6.648
Reality of business operation of enterprises in Vinh Phuc Industrial Zones (Accumulated to the end of the year)												
4	Revenue											
	FDI enterprise	Million USD	2.456	3.159	3.319	3.891	4.329	4.348	4.392	4.480	4.748	5.526
	DDI enterprise	Billion VND	4.670	5.494	7.493	5.936	7.375	8.328	9.482	10.326	11.643	12.980
5	Export value											
	FDI enterprise	Million USD	324,4	403,2	477,2	832,3	1.004	1.518	2.054	2.650	3.343	4.022
	DDI enterprise	Billion VND	30,5	36,1	38,2	40,3	40,6	44,0	307,1	28,1	58,9	69
3	Pay the State budget (FDI) ¹	Billion VND	4.779	5.634	4.611	5.533	6.379	7.445	1.722	2.013	2.548	2.781
Reality of job creation in Vinh Phuc Industrial Zone (Accumulated to the end of the year)												
1	Total number of employees in the Industrial zone	People	33.000	41.100	43.900	45.800	52.200	54.400	61.259	70.500	77.825	87.235
2	In which labors are from Vinh Phuc	People	26.400	32.880	35.120	36.640	41.760	43.520	49.007	52.875	58.369	65.426

Source: Vinh Phuc Industrial zone's authority (2020), *Comprehensive data on Industrial Zones of the province*

¹ Data on the State budget payment from 2016 not including Honda Company

2.2. Reality of using financial solutions to develop industrial zones in Vinh Phuc

2.2.1. Financial solution of the State

2.2.1.1. Tax solution

Vinh Phuc has applied the *corporate income tax incentives* as follows:

- Apply the tax rate of 10% within 15 years for i) hi-tech enterprises; ii) with the enterprise's income from implementing new investment projects in priority areas (scientific research and technology development; software production; advanced material production; ...); iii) with income from new investment projects in production with invested capital of more than 6,000 billion VND, disbursing less than 3 years, total revenues of more than 10,000 billion VND per year at the latest after 3 years of having revenues or projects with investment capital of more than 6,000 billion VND, disbursing no more than 3 years after being licensed and employing more than 3,000 employees after 3 years of having revenues.

A tax rate of 20% is applied for a period of ten years in the following cases: i) Income of an enterprise from implementing new investment projects in other priority manufacturing sectors (high-grade steel; savings products energy; machinery and equipment for agricultural, forestry and fishery production; production of irrigation equipment; production and refinement of feed for cattle, poultry and aquatic animals; development of traditional professions.

- Apply the tax rate of 22% for the remaining businesses.

The province has exempted the corporate income tax for enterprises investing in industrial zones for 2 to 4 years, reduced 50% of the payable tax amount for the next 4 to 9 years for the enterprise's income depending on the registered business lines. (see table 2.9).

Table 2.9. Exemption from corporate income tax for businesses (Million VND)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
FDI	62.535	71.058	105.124	74.081	79.351	149.967	224.891	1.047.503	1.290.730
DDI	4.589	5.26	7.586	6.524	8.65	7.21	6.623		

Source: Vinh Phuc Department of taxation

In reality, Vinh Phuc has applied the provisions to exempt import tax for several categories i) Import goods to create fixed assets; ii) supply directly materials to serve the production of goods that cannot be domestically manufactured; iii) goods imported for use in scientific research and technological development.

The province has also i) exempted the land rent and water surface rent towards the land for construction of common infrastructure in the IZ according to the approved planning; ii) exemption from land and water surface rentals for a maximum

of 3 years; iii) Exemption from land and water surface rent for 11 years after the land and water surface rent were exempted during the construction period.

Enterprises in Vinh Phuc IZs have to pay fees and charges arising such as the fees for appraisal of assessment reports towards environmental impact, environmental protection projects; fees for assessment of application for certificate of land use rights; The working permit fee for foreigners working in Vietnam; Construction licensing fees; Business registration fee; Fees for evaluation of investment, investment projects; Fees for assessment of professional conditions and standards in the field of industry, commerce, construction, etc. Currently, Vinh Phuc has a policy of 100% fee and fee support for a number of priority businesses. In addition, businesses also have to bear consulting fees, service fees, and so on.

2.2.1.2. Solutions in terms of the State budget spending

- Budget expenditure to provide general support to IZs

Vinh Phuc supports enterprises to implement supporting industry projects when investing in industrial zones with up to 200 million VND to prepare project documents, adjust investment certificates; set up funding support for the announcement of business establishment, and promote products. The province also stimulates 100% of the amount of fees and charges that the enterprises have paid. Furthermore, it gives priority to labor supply and support for vocational training with the rate of 400,000 VND / person. As regards of infrastructure investors, the province will support 100% of the budget for preparing environmental impact assessment reports; planning scale 1/500; clearance, bomb and mines in the industrial park. They will also support for the construction of a centralized waste collection and wastewater treatment system with the rate of VND 5 billion with an area of less than 10 ha; 7 billion VND with an area of 10-20 ha; VND 10 billion for an area of over 20- 75 hectares. In reality, the facilities in the industrial zone are supported with one-time funding for vocational training of 700,000 VND per person.

- Budget expenditure to support construction of some industrial zones

The province supports site clearance which is less than 15% of the cost for site clearance for normal cases, 100% of the cost is spent for site clearance and construction protection when being forced. For investment projects in the encouraged fields, if the scale is more than 2,300 billion VND, the support will be 350 million VND; VND 800-2300 billion will be supported with VND 100-350 million; VND 45-800 billion will be supported with VND 60-100 million; less 45 billion VND will be supported with 30 million VND.

- Bus fare subsidy for routes to industrial zones since 2010, Vinh Phuc has compensated more and more losses for the local bus system (operated by 3

companies), of which over 50% of passengers are workers working in industrial zones (see Table 2.14a).

Table 2.14a: Funding to cover losses for bus routes in Vinh Phuc (million đ)

Year	Vinh Phuc automobile transportation joint stock company	Vinh Phuc passenger transport joint venture company	Viet Duong Trading and Construction Limited Company	Sum of units
2010	13.261,770	3.317,127	2.525,839	19.104,737
2011	17.496,280	10.187,927	3.643,771	31.327,978
2012	22.600,275	10.256,486	4.319,302	37.176,063
2013	26.386,367	13.087,179	4.089,766	43.563,312
2014	28.676,541	11.550,914	4.094,037	44.321,492
2015	23.918,262	9.585,666	3.190,690	36.694,618
2016	24.472,099	8.624,319	2.599,095	35.695,513
2017	31.862,387	10.502,171	3.139,466	45.504,024
2018	38.234,402	12.200,798	3.348,571	53.783,770
2019				69.000,000 (Esstimation)
2020				71.000,000 (Estimation)
Total	226.908,381	89.312,588	30.950,538	487.171,507

Source: Department of Finance (2019), Annual budget expenditure report.

- Expenditure of budget to support retraining and new job training for farmers to give up land to build industrial zones

In Vinh Phuc, since 2011, the province has issued Resolution 37/2011 / NQ-HDND dated December 19, 2011 on a number of policies to support vocational training, job creation and poverty reduction in the period 2011-2015. According to the statistics of the Department of Labor, Invalids and Social Affairs of Vinh Phuc province, implementing this Resolution, in the period from 2011 to 2019 the province has supported the training and retraining of 232,352 people, with a total amount of 521 billions dong.

2.2.1.3. Credit solutions for sustainable development of industrial zones in Vinh Phuc

According to the survey results, 2.86% of the surveyed people rated Vinh Phuc's credit policy for the development of industrial zones as a very good policy, 40% rated it as a good one and 47.62% considered it being justifiable, only 4.76% did not rate it as a good one.

Up to 82.86% of organizations and individuals think that it is necessary and very necessary to change the credit policy, to prioritize the support for site clearance (27%), support the construction of industrial infrastructure (26%), support the construction and operation of the wastewater treatment center (26%) and develop business support services (21%).

2.2.2. Corporate financial solutions for the sustainable development of Vinh Phuc Industrial zone

The solutions implemented by businesses are:

- *Ensuring optimal capital.* Up to 55.6% of enterprises questioned increased their equity to expand production, 11.1% chose to borrow domestic credit, and only 7.4% cared about international loans. The main reasons for choosing different sources are the high cost of using (27.8%) and the difficult ability to access capital (44.4%).

- *Manage and use capital and assets effectively.* Primary enterprises are investing gradually to ensure sufficient investment capital. Secondary investment firms often choose the option of fast capital turnover, cost saving and capital appropriation as ways to solve their business capital shortage problem.

- *Create and use a risk reserve fund in production and business.* Basically, enterprises in industrial zones in Vinh Phuc buy compulsory insurance. Only 20.4% of the enterprises implement the setting up of risk reserve funds; 79.6% of the enterprises do not set up this fund. 92.6% of surveyed companies buy insurance, but only 7.4% of the businesses determine the proportion of revenues to buy.

- *Create and use environmental protection fund.* Enterprises in the IZ are aware of the need to set up a fund for environmental maintenance and protection, but 96% of enterprises have not established this fund. They often act only when there are incidents and mistake detected by the inspection teams. The basis requirement is just to meet mandatory regulations. In contrast, businesses spend a lot of areas for planting green trees (57.4% of the survey samples spend 10-30% of the area, 7.4% do not spend land for green trees).

- *Create and use a financial fund to deal with employee issues.* The two solutions to be implemented are training support and unemployment assistance. In 2018, 96.3% of enterprises in Vinh Phuc IPs currently pay fees to support the training of workers, only 3.7% of enterprises do not do this. 24% of enterprises established

and used unemployment fund, 40% of enterprises made spending according to each actual case and accounted for all during the period.

- *Design appropriate pricing and fees policies.* The rent of premises in Vinh Phuc Industrial Park is 50-70 USD / m² / 50 years (10 USD higher than Bac Giang and Bac Ninh); Wastewater maintenance and treatment service charges range from USD 0.3-0.35 / m² / year (about VND 1,400 / m³ lower).

- *Ensure finance to complete the project of industrial waste and waste treatment center for the whole area.* Industrial zones in Vinh Phuc fully comply with the requirements of wastewater treatment centers. Currently, 3 out of 10 industrial zones in the province have centers with sufficient capacity to meet demand, the rest have low capacity, causing secondary enterprises to handle wastewater by themselves. Regarding solid waste, secondary enterprises in Vinh Phuc IZs are now finding service providers in the market and cooperating under the agreement mechanism.

- *Ensure financial resources to provide some support services to secondary businesses.* Primary investment enterprises only provide some basic services such as providing socio-economic information, investment attraction policy, consulting investment project formulation, etc; only one industrial zone builds houses for workers and another one builds houses for professionals.

2.3. Evaluate the use of financial solutions for the sustainable development of Vinh Phuc Industrial zones

2.3.1. Some positive results from the use of financial solutions

The use of financial solutions has had positive results. *Firstly*, the locality has strictly followed the guidelines and policies of the state. *Secondly*, the province has guided and created conditions for businesses to follow the issued policies. *Thirdly*, the infrastructure for the development of industrial zones is paid special attention. In comparison with other localities in the region and across the country, the infrastructure of Vinh Phuc province is basically of good quality. *Fourthly*, the state financial solutions for the industrial zone development are also quite comprehensive.

2.3.2. Some limitations in the construction and implementation of financial solutions for the development of industrial zones in Vinh Phuc

Firstly, the financial solutions of Vinh Phuc province apply original state policies without making a difference.

Secondly, financial solutions are still poor, not showing the diversity in the use of financial tools to promote the development of industrial zones.

Thirdly, not boldly using budget spending tools, works and investment items from the local budget that have been focused but have not met the needs.

Fourthly, the credit support programs have not been carried out effectively.

2.3.3. The cause of the limitations in implementation of financial solutions to develop industrial zones in Vinh Phuc

In terms of the State, there are two reasons related to institutions and policies. In fact, there are still many unclear regulations and the sanctions are not strong enough.

On the local side, there are a number of reasons: they have not actively developed and applied their own preferential policies to support industrial zones; not diversified capital sources in supporting investment in industrial zones; there is no mechanism to allocate and effectively use the local budget to optimize the impact of promoting the development of industrial zones in the area. The locals also have not yet formulated and implemented credit incentive policies for investment projects in industrial zones; has not yet paid attention to, perceived and properly assessed the role of non-financial support services. Moreover, there are no incentives and financial support for these support services.

On the business side, there are also important reasons such as much high dependence on the parent companies; having a small scale and having just come into operation; limited awareness of sustainable development; lack of spontaneous strategy and operation.

CHAPTER 3

FINANCIAL SOLUTION FOR SUSTAINABLE DEVELOPMENT OF INDUSTRIAL ZONES IN VINH PHUC PROVINCE

3.1. Orientation for socio-economic development and development of industrial zones of Vinh Phuc province in the period 2020-2025

The development *orientation* of Vinh Phuc in the period 2020-2025 is:

- Maintaining and continuing to accelerate the process of economic restructuring;
- Comprehensively raising the level of science and technology, improving the competitiveness of the province
- Improving the sustainability of the province's socio-economic development;
- Synchronizing the system of material and technical infrastructure and the socio-economic infrastructure system in the province;
- Linking economic development with social progress and equity; good implementation of social security policies.
- Associating economic development with the efficient exploitation and use of natural resources and protection of the ecological environment; proactively responding to climate change; to closely combine socio-economic development with ensuring national defense and security, maintaining stable political security and social order and safety.

Regarding the development of industrial zones, the province needs to fully grasp the following views:

- It is necessary to stick closely to the socio-economic development orientation of the country and the province, closely with the industrial development and industrial development planning of the whole country;
- Priority should be given to improve the scientific and technological capacity of enterprises;
- Need to develop and expand linkages between enterprises in industrial zones of Vinh Phuc with each other and with other enterprises in Vietnam, and at the same time strengthen the position of enterprises in Vinh Phuc Industrial Park in the global supply chains;
- It is necessary to constantly improve the efficiency and competitiveness of the industrial zones as well as enterprises in the industrial zones of the province.

It is necessary to study, renovate and perfect the organizational model and management of industrial zones. Some basic orientations for the sustainable development of industrial zones in the province in the period 2020-2025 are:

- Quickly raising the occupancy rate of operating industrial zones and putting new industrial zones into operation.

- Completing the infrastructure system in and around the industrial zones, ensuring that Vinh Phuc IZs are conveniently connected with domestic and international.

- Associating the sustainable development of industrial zones with environmental protection, enhancing the responsibility of the industrial zones in protecting and improving the environment;

- Promoting investment attraction to develop supporting industries for industries prioritized for development in Vinh Phuc industrial zones.

3.2. Some financial solutions of local state management agencies to sustainably develop Vinh Phuc industrial zones in the period 2020-2025, with a vision to 2030

3.2.1. Proposing to adjust some tax incentives and apply them in accordance with local conditions

In the short term, the province needs to propose an adjustment of corporate income tax, in which:

- Adjust the tax rates towards reduction for businesses on the priority lists; adjust the scope of the preferential entitlement scale; Eliminate or mitigate the need to use labor when implementing investment projects.

- Corporate income tax exemption for 2 to 5 years from the start of business in the industrial park and 50% reduction of corporate income tax payable for the next 5 to 10 years.

- Expand the business income tax exemption and reduction for enterprises which are not located in the industrial zones but produce components, spare parts, materials and goods to supply to enterprises in the industrial zones.

For import-export tax, the province needs to simplify relevant administrative procedures so that enterprises can promptly receive materials and equipment to serve production needs or promptly supply goods and products for foreign partners.

3.2.2. Diversifying investment capital sources for the development of industrial zones

In the coming time, the locality should consider and allocate local state budget sources to build one or two more industrial zones, operate according to the model of

Ba Thien Industrial Park, the owner of which is invested by the Provincial Industrial Park of Development and Investment Company. In addition, every year, the province needs to develop a plan and allocate budget appropriately to build items to support industrial zones such as frontage roads, roads with provincial roads, national highways, support the liberation, premises, housing construction for industrial zone's workers, etc.

Private capital source: Vinh Phuc needs to perfect the institutional and legal framework, quickly create a stable and open investment environment to attract investment capital from businesses and the population; create an equal environment for domestic and foreign investment as well as between the private sector and state-owned enterprises, and eliminate the differences in land, credit, export-import policies. Furthermore, foreign investment capital sources such as FDI, ODA, and NGOs are the directions that the province needs to strengthen to attract in a timely and effective manner. In reality, the province should pilot the application to learn from experiences in attracting private capital in the form of BT, BOT and other public-private partnerships. To do this, Vinh Phuc is advised to:

- Research and forecast the needs of the province's socio-economic development, needs and plans for industrial development as well as industrial zones in the area, demand for infrastructure works, water treatment waste and garbage, housing and social services for low-income people and workers from industrial zones.

- Review, adjust and widely publicize the province's socio-economic development master plan, specialize planning and other relevant information towards potential investors, and promote, call for investment in the above-mentioned projects such as advertising and attracting investment in industrial zones.

- Promote administrative reform, streamline procedures to help investors build reasonable and feasible investment projects, and choose investment plans and business plans quickly and accurately.

Actually, Vinh Phuc can access ***international capital sources*** as follows:

- Call on these capital sources to directly invest in industrial zones.

- Call for private investors to invest in a number of projects inside or outside the IZ to provide products / services to the IZ, even under PPP forms.

- Call on investors to provide credit to Vinh Phuc, primary investors or secondary investors of industrial zones with preferential conditions.

3.2.3. Diversifying and concentrating revenue sources to strengthen the capacity of the local budget to meet budget spending needs

In this regard, Vinh Phuc needs to implement some specific directions as follows:

- Improve the efficiency of tax work, overcome losses of tax, fee and charge collection, prevent violations of tax, charge and fee laws; Thoroughly grasp the viewpoint of nurturing the revenue source without letting the budget lose its revenues.

- Enhance the exploitation of revenues from land rent, water surface and infrastructure in the area, and concentrate land rent for natural difference in budget.

- Take advantage of central support.

- Take advantage of international assistance capital, first of all, ODA and grants from non-governmental organizations.

3.2.4. Complete the budget allocation mechanism and use the budget

It is suggested that Vinh Phuc needs to focus on some of the following factors:

- Review the budget expenditure structure, eliminate unreasonable expenditures and mechanisms of budget use, align expenditures with their results efficiently and contribute to socio-economic development and local industrial zones.

- Focus on investing, completing 8 industrial zones, and investing budget to build 2-3 industrial zones on the basis of approved planning.

- Research on investment in housing construction and services for industrial zone workers.

- Expand bus price subsidy to serve workers in industrial zones.

3.2.5. Implement preferential credit policies for the development of industrial zones

This credit policy should focus on 4 groups of objects: 1) Infrastructure construction enterprises; 2) Secondary investment enterprises; 3) Industrial zone support service providers and 4) Foreign investors. The incentives include:

- For infrastructure investors, domestic secondary enterprises and manufacturing enterprises to serve the needs of the industrial zone. It is necessary to apply a credit interest rate bracket that is 2 to 4% lower than the market interest rate.

- Applying credit loan regime with more relaxed conditions for FDI enterprises operating in industrial zones.

3.3. Corporate financial solutions for sustainable development of industrial zones in Vinh Phuc

3.3.1. Increasing equity, choosing optimal credit capital to ensure on schedule, full of items and investment scale of the project

The solutions that can be applied are i) increasing equity, ii) borrowing from Development Bank, iii) domestic and foreign commercial credit.

3.3.2. Sharing the financial resources with partners in business chains

Vinh Phuc needs to improve the awareness on developing business integrations, reorganize the production systems in order to specialise the production and share some technological steps with other entities in and outside of the industrial zones, develop and implement short term and long term integration options with appropriate potential partners with priorities for traditional cooperation relationships for ensuring the appropriate business environment and to ensure them with additional benefit from remaining and developing cooperation integration relationships.

3.3.3. Establishment of the enterprise's risk prevention fund

First of all, businesses need to raise awareness about their role and the need to set up a risk fund, build criteria as a principle (type of business, nature of the industry, status of business cycle, type and level of companies' risks) and set up these funds in practice. Enterprises also need to develop and apply reasonable management regulations for their risk reserve fund.

3.3.4. Creating and using effectively environmental protection fund

In reality, enterprises need assessment to establish their own environmental protection fund or join existing or newly established environmental protection funds (especially the common fund of the industrial park in which the enterprise is operating). On this basis, enterprises need to set up gradually until the fund is large enough to solve existing problems, prevent environmental incidents, carry out environmental protection and improve the quality of those activities. This fund allows businesses to themselves or delegate other organizations to participate more actively in solving environmental issues on a broader scale.

CONCLUSION

Vinh Phuc is a midland province, located in an important geographical position with the moving of the economic structure in a positive direction. Moreover, the proportion of industry and services is increasing. The province has many favorable conditions for attracting investment, especially projects in the industrial sector. Therefore, the development of industrial zones is a correct policy of the locality.

However, the development of industrial zones in Vinh Phuc province is currently facing certain difficulties that need to be solved in order to ensure sustainable development. To ensure the sustainable development of industrial zones in the coming time, it is necessary to build and apply a series of synchronous technical and economic solutions, in which the group of financial solutions plays a very important role. Clearly defining the research objectives, the topic has shown the core values of research on IZs, sustainable development of industrial zones as well as financial solutions for the sustainable development of industrial zones, etc. In fact, the above factors have important implications for the immediate and long-term sustainable development of industrial zones. Many financial solutions have been implemented in the past time, making important contributions to the development of industrial zones in the province. Besides the successes, the implementation of these solutions also has limitations and shortcomings due to many reasons, from economic development orientation, development of industrial zones as well as in implementation. In the coming period, it is necessary to continue implementing a number of groups of financial solutions to develop industrial zones in Vinh Phuc in a sustainable manner. They need to be deployed synchronously with other economic - technical solutions including solutions from the central to local levels and even in each enterprise of the industrial zone. Furthermore, rapid development, making good use of the advantages brought by the IZ are necessary conditions. Hence, putting that development of industrial zones in the country's long-term development strategy is a sufficient condition.