VIETNAM BUSINESS REVIEW

Vol 04, Jan 26th 2022

Highlight

GLP launches US$ 1.1-billion Vietnam Logistics Development Fund

What's in it today?

FINANCE

The State Bank of Vietnam to keep watch on bancassurance activities

Bancassurance activities will have to strictly comply with the provisions of the Law on Insurance Business, according to the State Bank of Vietnam (SBV).

Under a newly-issued directive, the SBV has required banks, which provide bancassurance products, to strengthen their inspection and supervision on bancassurance activities to strictly handle violations.

The move was made after it was reported that despite unwillingness, some customers were forced to buy insurance products introduced by bank staff to get bank loans as the purchase was allegedly made mandatory in a few banks as part of the conditions of their loans.

The SBV's direction, therefore, is aimed to stop the insurance cross-selling mechanisms. According to the SBV, it will strengthen the management and supervision of insurance sale activities of banks' agents to ensure compliance with the law.

The SBV required banks not to forcefully sell insurance to their customers. Any actions related to compulsory insurance in order to get loans will be strictly handled. Earlier, the SBV also issued a document, requiring bankers to thoroughly explain the terms and conditions of insurance products to customers, and help customers fully understand their rights and benefits. It also asked banks to disseminate the prevailing regulations on insurance business to their employees to avoid violations. Among many activities that became popular service income sources for banks, bancassurance - an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base - has become a crucial growth driver.

In the context of closer control on credit growth and more limited room to expand net income margins, many banks have been trying to boost service income from bancassurance activities. Bancassurance has become a strategic focus of many banks, especially under the retail banking strategy. This is not only to serve individual customers' comprehensive financial needs but also to diversify banks' service income sources. Bancassurance activities in Vietnam have increased significantly, with both local and foreign insurers proactively expanding their bancassurance network by initiating tie-ups with lenders. Some typical bancassurance deals included VietinBank and Manulife, ACB and Sun Life, and Vietcombank with FWD. According to the Vietnam Insurance Association, new insurance premium revenues through the bancassurance channel in 2019 accounted for 29 per cent of total new premium revenues, increasing from 10 per cent in 2016. In 2020, premium revenue from this channel continued to grow and accounted for more than 30 per cent of the total new premium revenue. VNS

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HSBC commits US$12 billion green financing for Vietnam

HSBC has announced it will arrange financing of up to $12 billion to support Vietnam’s goal of becoming a ‘net-zero’ emissions economy by 2050.

From now until 2030, it would mobilize funds from the local and international financial markets to provide a range of solutions for the government and corporate sector to achieve the climate goals, it said in a statement. To reach its net zero target by 2050 Vietnam needs to significantly invest in renewable energy and green infrastructure, it added.

"These commitments give the private sector more confidence to borrow and invest," HSBC Vietnam CEO Tim Evans said. Net zero refers to the rate of greenhouse gases going into the atmosphere.

The government made the commitment to make the country net-zero at the 2021 United Nations Climate Change Conference last year, also committing to phase out coal power. An HSBC report said Ho Chi Minh City is among many cities in Asia (besides Mumbai, Shanghai, Bangkok, and Jakarta) that are increasingly threatened by rising sea levels.

The World Bank has also warned that Vietnam is one of five countries likely to be affected the most by climate change, which will reduce the country’s GDP by up to 3.5 percent by 2050. Vnexpress

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E-COMMERCE

Increasing tax evasion in e-commerce

The COVID-19 pandemic has sparked a boom in e-commerce in Vietnam since consumers shift their spending habits towards online platforms. However, as online sales continue to grow, so does tax evasion.

Hanoi Tax Authority said it collected just VND 14 trillion (US$618.2 million) in tax from firms and individuals engaging in e-commerce in 2021. Such a small figure does not reflect the actual size of business on online platforms, suggesting there are firms and individuals involved in tax evasion.

The tax authority admitted that in e-commerce, it is more difficult to collect tax from individuals and households than from firms as the former normally manoeuvre themselves out of income tax.

Recently, the tax authority has gathered information on more than 32,800 online stores in the city. Among these stores, only 3,388 reported revenues of over VND 100 million ($4,412) per year. That means taxable stores only accounted for around 10 per cent. Nguyen Minh Phong, an online seller, revealed that individuals doing business online have many ways to hide their actual income. They may ask their customers to pay in cash, create different accounts with different names to subdivide revenues or declare lower earnings. Their practice amounts to tax evasion and causes a huge tax loss to the State budget every year.

Many content creators on various online platforms including YouTube have been avoiding paying tax as well. According to the Ministry of Information and Communications, there were about 15,000 money-making YouTube channels in Vietnam by late 2020, of which 350 have more than one million subscribers. However, tax authorities can hold just 5,000 channels liable for tax income. The rest are failing to declare income, making dishonest declarations or evading tax via international payment gateway such as Paypal and Payoneer.

Nguyen Thi Lan Anh, director of Tax Administration Department on Small and Medium Enterprises and Business Households and Individuals, reported that there are about 14 foreign tech giants and eight cross-border e-commerce websites in Vietnam that have managed to fulfil tax obligations so far.

“From 2018 to late October 2021, these firms were paying a total tax of VND 4,263.82 billion ($187.8 million). Notably, Facebook contributed of VND 1,641.75 billion, Google VND 1,573.24 billion and Microsoft VND 560.67 billion,” Anh said. However, according to Anh, such an amount of tax is tiny given the large-scale of the e-commerce industry.

The director believed the tax loss in small-scale businesses could be attributed to taxpayers' failure to make tax declarations, tax authorities' inability to find taxpayers' business locations and taxpayers' business taking place beyond nine-to-five.

Regarding cross-border e-commerce, taxpayers normally fail to make business registrations or have no fixed business location whatsoever, rendering tax collection impossible to carry out. Notably, some foreign firms refuse to pay tax on grounds of their absence of a business location in Vietnam, Anh added. Given the situation at hand, experts believe tax authorities should step up the application of technology in tax collection, such as Big Data, IOT and AI, to better gather information of firms and individuals, thereby avert tax evasion on online platforms.

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Representative office is required for foreign E-commerce

Along with having to register for service provision activities in Vietnam, e-commerce exchanges must establish representative offices or appoint their authorized representatives in the country.

Foreign e-commerce exchanges operating in the nation must register with the Ministry of Industry and Trade (MoIT). This is a new regulation in line with Government Decree No. 85 dated September 25, 2021, on amendments and supplements to a number of articles of the Government's Decree No. 52 dated May 16, 2013 on e-commerce, known as Decree No. 85.

According to the Department of E-commerce and Digital Economy under the MoIT, Decree No. 85 supplements regulations for foreign traders and organizations that have e-commerce activities in the country. Accordingly, foreign traders and organizations that have websites providing e-commerce services in the nation must comply with one of the following forms of operation: having a Vietnamese domain name or display language in Vietnamese; or having more than 100,000 transactions from Vietnam within one year.

In order to be able to provide e-commerce services in the country, foreign traders and organizations must carry out registration procedures with the MoIT within 12 months from the effective date of Decree 85. Apart from having to register to provide e-commerce services in the nation, these foreign traders and organizations must establish representative offices locally in accordance with the law or appoint their authorized representatives in the country.

Simultaneously, they are required to have the responsibility to co-ordinate with state management agencies in preventing transactions of goods and services that violate the law, fulfill the obligation to protect the interests of consumers, and ensure the quality of products and goods according to provisions of Vietnamese law.

Furthermore, they have to perform the obligation to report to the MoIT statistics on the operational performance of the previous year.

This comes following the issuance of Government Decree No. 52, Vietnam's e-commerce has witnessed numerous drastic changes. E-commerce has become a popular business form of local enterprises and has a strong pervasive effect in the Vietnamese consumer community.

According to statistics provided by the MoIT, the retail e-commerce market increased from US$2.2 billion in 2013 to US$13.7 billion in 2021, accounting for 6.5% of the total retail sales and consumer services of the whole country.

"Southeast Asian Internet Economy in 2021" report by Google and Temasek outlines that the Vietnamese Internet economy revenue in 2021 reached US$21 billion, an increase of 25% compared to last year and is expected to hit US$57 billion by 2025. Featuring a large population potential, increasingly synchronous and developed infrastructure, the nation is viewed as a potential land for foreign traders and organizations to provide e-commerce services. The latest regulation on foreign traders and organizations involving in e-commerce activities in Vietnam in Decree No. 85 is a more complete step of the legal system, serving to create an equal competitive business environment between domestic and foreign service providers, a representative of the Department of E-commerce and Digital Economy affirmed. VOV

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ENERGY

Six Vietnamese sectors obliged to keep greenhouse gas inventories

The energy, transportation, construction, industry, agriculture, and waste sector are now legally required to establish and report their greenhouse gas (GHG) inventories to relevant authorities since January 18.

Deputy Prime Minister Le Van Thanh has signed Decision No.01/2022/QĐ-TTg on the list of sectors and facilities subject to greenhouse gas (GHG) inventories, effective since January 18. Accordingly, the list includes the six aforementioned sectors and hundreds of facilities. The facilities include 1,662 in the industry and trade sector, 70 facilities in the transport sector, 104 in the construction sector, and 76 in the natural resources and environment sector. Accordingly, the facilities must carry out GHG inventories and provide related information for the Ministry of Natural Resources and Environment (MoNRE) about the total energy consumption and working capacity, which the MoNRE will gather and produce reports for the prime minister.

The MoNRE is asked to closely work with the Ministry of Industry and Trade, the Ministry of Transport, the Ministry of Agriculture and Rural Development, the Ministry of Construction, and the municipal and provincial people's committees to survey the GHG inventories among the facilities based on the Law on Environmental Protection, and then report to the prime minister. VIR

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World Bank builds offshore wind roadmap for Vietnam

The World Bank has recommended 20 actions that address three priority themes for Vietnam's successful offshore wind industry.

The 'Offshore Wind Roadmap for Vietnam' report is the outcome of a study that followed an invitation from the Vietnamese Government to the WB. It was carried out from February to October 2020.

According to the WB, by 2035, there will be about 450 large offshore wind turbines operating in Vietnam, installed at about 10 large conventional fixed offshore wind farms and one or two at floating ones.

In addition, based on leases issued to date, there will be about 30 smaller nearshore wind farms using smaller turbines.

The WB warned that nearshore projects in proximity to key biodiversity areas, critical habitats, and sensitive natural habitats will likely result in very high environmental impacts and may be unlikely to meet WB Group environmental and social standards.

The cost of energy of the first offshore wind projects will likely be high, at 150-200 USD/MWh, due to a lower capacity factor, limited use of local suppliers, and small project scale.

Experience from other markets has shown that the cost of energy quickly reduces as more capacity is built out, with risks reducing and local capability increasing. In this scenario, the cost of energy of projects can be expected to reduce to around 80–90 USD/MWh by 2030 and 60–70 USD/MWh by 2035.

Under high growth scenario, with significant expansion of offshore wind resulting in offshore wind supplying 12 percent of Vietnam's electricity needs by 2035, levelized cost of energy is projected to be 20 percent lower.

Local jobs will quadruple and there will be more value added to the economy. Consumers will enjoy less than half the net cost, according to the report.

Experience in developed offshore wind markets suggest that ambitious, long-term targets can serve as cornerstones for industry development, it continued.

The results of this roadmap suggest that a target of 10 GW by 2030 and 25 GW by 2035 would likely accomplish this objective. At the same time, a consequence of higher growth is a higher risk of adverse environmental and social impacts.

This places even greater importance on the need to develop a marine spatial plan and a framework for environmental legislation to be put in place before development leases are issued. VNA

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RETAIL

WinMart+ makes move into franchising

WinCommerce General Commercial Services Joint Stock Company, a subsidiary of Masan Group, has opened its first two WinMart+ franchised stores in Ha Noi and Bac Giang.

The opening marks the start of Masan Group's plans to have 20,000 franchised stores and 10,000 of its own outlets to serve 30-50 million consumers by 2025.

After starting operations in 2014 and being acquired by Masan in 2019, WinCommerce (WCM) is currently the largest modern retailer in Vietnam with nearly 3,000 WinMart/WinMart+ supermarkets and stores in 60 of the country’s 65 provinces and cities.

Under Masan's management, the chain has made drastic changes to everything from store layout, portfolio of goods with an increased focus on fresh products, negotiating the best deals with suppliers, and rebranding.

In the two years since it acquired WinMart+, Masan has integrated new utilities and relentlessly experimented to find the best model for it.

The mini-mall is a modern retail model that has been proven successful by Masan. In the first nine months of 2021 WCM began trialing retail stores with an integrated mini-mall concept.

At these stores, customers can buy groceries (food and beverages) at WinMart+, tea and coffee at Phuc Long kiosk, and medicines at Phano Mart, conduct financial transactions such as cash withdrawals and deposits, money transfers and bill payments at Techcombank, and access digital services at Reddi mobile network.

It is the only consumer ecosystem that spans grocery, financial and digital services, which together account for around 80 per cent of a Vietnamese consumer’s regular spending.

Consumers can access multiple products and services at small kiosks under one roof, which increases revenues/square metre for the chain through cross-selling and upselling through convenience and an integrated loyalty platform.

Business households, Masan in win-win tie-up

Dr Vo Tri Thanh, former vice president of the Central Institute for Economic Management, said: "WinMart+ already has a certain brand and reputation. Creating a wider network will help this retailer become increasingly stronger. Franchising partners can stand on the shoulders of giants, feel secure about doing business with professional operating processes, reputable brands and a large number of familiar customers."

Running a small grocery store for 20 years, Nguyen Thi Thao (Le Phung Hieu) has changed strategy to co-operate with WinMart+. Her shop now also sells fresh products and takeaway Phuc Long tea and coffee instead of just the few dry goods she used to in the past.

Thao said: "I am very happy because my store now has more than 3,000 products from reputed and popular brands to sell to customers. Customers who come to my shop all say WinMart+ is very prestigious."

Dr Thanh also spoke about Masan's achievements in digital transformation and its successful integrated mini-mall model, and said it has a wide supply and sales network.

In addition to the 3,000 WinMart/WinMart+ points of sale the consumer-retail giant owns, it also has a close relationship with 300,000 traditional retail outlets.

"These are advantages for Masan to start the franchise model," Dr Thanh said. VNS

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LOGISTICS

GLP launches US $1.1-billion Vietnam Logistics Development Fund

GLP, a global investment manager and business builder in logistics, data infrastructure, renewable energy, and related technologies, on January 22 officially announced the establishment of GLP Vietnam Development Partners I (GLP VDP I), with an investment capacity of $1.1 billion.

The fund has received commitments from a group of diverse investors across Asia, Europe, North America, and the Middle East representing pension funds, sovereign wealth funds, and insurance companies.

GLP launches $1.1-billion maiden Vietnam Logistics Development Fund

Through this transaction, GLP welcomes several new investors to its fund management platform, including the Dutch pension fund manager APG Asset Management and Toronto-headquartered global financial services provider Manulife.

GLP VDP I, which will focus on developing modern and eco-friendly logistics facilities in the greater Hanoi and Ho Chi Minh City areas, is seeded with six development sites with a total land area close to 900,000 square metres and has a robust development pipeline. It is set to be one of the largest logistics development funds in Southeast Asia.

Craig A. Duffy, managing director of fund management said institutional investments in logistics have been strong within Southeast Asia, and Vietnam is one of the most attractive markets given its population dynamics, growing economy, and middle class which support domestic consumption.

“We see similarities between Vietnam and our businesses in China and India and can leverage our expertise and knowledge from our experiences in those markets to create a sustainable, market-leading business in Vietnam,” said Duffy.

GLP entered the Vietnam market in 2020 through a strategic joint venture with SEA Logistic Partners (SLP), an industrial and logistics facility development and operation platform.

Kent Yang, founding partner of SLP, said that Vietnam is the right place at the right time for SLP.

“We have a long-term view to growing our business here. With the shift of supply chains and the shortages of modern logistic facilities, this creates tremendous opportunity and demand for SLP's logistics infrastructure,” Yang said.

Meanwhile, Chih Cheung, founding partner of SLP added, Vietnam's logistics industry is also experiencing strong growth due to stable domestic consumption from a rising middle class and rapid e-commerce adoption.

“We thank and welcome the investors into our fund and look forward to serving our global and local customers with GLP-SLP's unique network and integrated platform," he said.

Graeme Torre, managing director and APG’s head of Asia-Pacific Real Estate, said, that with the continued global supply chain shifts to Vietnam, the country's logistics is believed to be an attractive opportunity for investors in the region.

“Vietnam logistics market compliments very well with our existing regional logistics exposure, while also offering very strong risk-adjusted returns that will benefit our pension fund clients and their participants. With GLP’s extensive global track record, credentials, and expertise in the logistics sector, we are pleased to be partnering with them in this venture for our first foray into Vietnam,” said Torre. VIR

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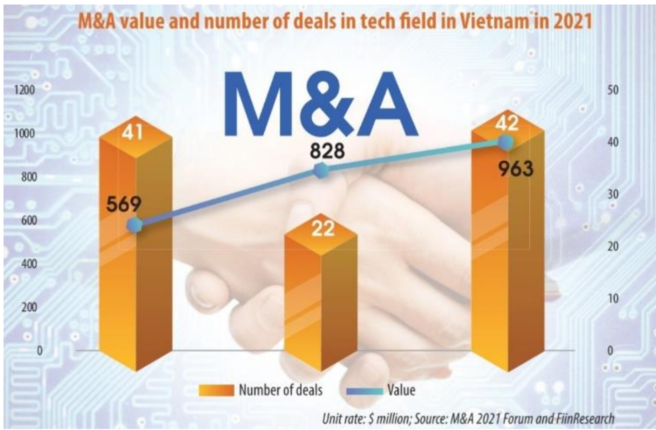
INVESTMENT

Technology M&A to retain booming growth in 2022

Mergers and acquisitions (M&As) in the technology sector are expected to continue with their escalating activities in 2022, helping to allure foreign capital influx into tempting sectors.



Nguyen Cong Ai, partner at consulting firm KPMG Vietnam, said that the country has the potential to grow into an up-and-coming startup centre in Southeast Asia, buoyed by favourable macroeconomy, a burgeoning middle-class with ever-increasing income, and abundant tech-savvy human resources, as well as the government's supportive policy.

"Foreign investors are showing particular interest in Vietnam's tech field. Lately, we are receiving growing proposals from South Korean and Japanese investors towards Vietnam's internet economy, fintech, edutech, and media," he said.

KPMG forecasts that investment into tech would shoot up 150 per cent in 2022, hitting $2 billion.

Nguyen Thanh Tuyen, deputy head of the Information Technology Department under the Ministry of Information and Communications, said that many sizable deals took place in the M&A scene during 2019-2021. For instance, VNPay received $300 million from SoftBank Vision Fund and GIC Fund, Temasek pumped $100 million into Scommerce, and Affirma Capital injected $34 million into Siet Viet Group.

"In last two years, digital technology application has been pushed significantly, similar to the overall digital transformation, fuelling M&A in IT," Tuyet noted.

In his view, digital technology would emerge as a very lucrative segment to investors in the forthcoming time, in which e-commerce, driven by the development of payment intermediary apps, would attract the freshest capital. Fintech is also forecast as an investment highlight in the ongoing digital transformation.

Tuyen, however, pointed out some limitations for M&A in the tech field, as local tech firms are mostly in their infancy. "These companies might have good ideas for product development but have yet to evolve into true businesses with well-conceived operations and sound platforms as they face limitations in strategy planning, management expertise, and financial capacity," Tuyen said.

KPMG South Korea noted that many investors of that country are exhibiting keen interest in e-commerce, fintech, and logistics in Vietnam, driven by ever-increasing attention to e-commerce and finance tech on the back of the growing presence of touchless businesses. Hence, the long-term economic perspective of the sector, as well as internet and smartphone users, is forecast to be on a steady rise.

Ho Phi An, CEO of EI Industrial JSC, said that augmenting cases of M&A in tech are very upbeat, helping firms to approach fruitful capital sources from large foreign venture funds.

An assumed that tech firms feature a quick life cycle and should not hold fear of being acquired when reaching the global market.

“Many venture funds have chosen Vietnam as their key market in 2022, focusing on business-to-business firms. The country could have at least five unicorns in the next three years,” An commented.

According to Vo Tri Thanh, director of the Institute of Branding and Competition Strategy, the Fourth Industrial Revolution comes integrated with multiple technologies, yet in Vietnam digital technologies are mostly in traditional fields.

To globalize M&As, Thanh proposes to “rationally fix the issues related to cross-border data transmission and taxes, capital raising methods, intellectual property rights, core technologies, and national security.”

KPMG Vietnam figures showed that technology became one of the sectors ushering in a booming growth in M&A cases, from 22 cases in 2020 to 42 in 2021, contributing nearly $1 billion to overall capital volume, a three-fold increase against 2020. Many local startups like Loship, Citics, Sky, and Mavis had successfully raised capital twice last year. VIR

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SK Group invests in Vietnam solar energy

SK Ecoplant, an affiliate of SK Group - the third largest conglomerate in South Korea, has formed a $200-million joint venture for rooftop solar energy development in Vietnam.

The joint venture between SK Ecoplant and Nami Solar, a subsidiary of Nami Energy in Ho Chi Minh City, will develop a 250-MWp rooftop solar power project to serve businesses, including South Korean firms that want green energy and lower energy costs.

The joint venture's advantages lie in SK Ecoplant's financial and technical strength and Nami Solar's strong foothold in Vietnam, said Nami Energy Chairman Luu Hoang Ha.

Both Vietnamese and South Korean governments highlight action plans on responding to climate change, recovery and green growth, with Vietnam pledging to become carbon neutral by 2050.

According to foreign experts, Vietnam has some of the most sunlight hours in Asia, particularly in the South where most of the country's manufacturers are.

By putting solar panel systems onto the roofs of their factories, manufacturers are saving on energy costs, while expanding their production and also helping improve the environment, reduce air pollution and contribute to a healthier society, they hold. Vnexpress

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