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FINANCE

Vietnam targets to gain sustainable development

Vietnam's strategic financial objectives in the 2021-30 period aim to reach a balance between achieving sustainable finance and major socio-economic developmental goals.

The government has set an objective to collect 16-17 per cent of the country's GDP to strengthen the State's budget from 2026-30, with 85-87 per cent from domestic revenue sources.

According to Government Decree 368/QĐ-TTg approved by Deputy Prime Minister Le Minh Khái on Monday, top priorities for the State's budget include a comprehensive reform of budget management by central governmental agencies, increased local government autonomy and the development of a transparent and sustainable financial market.

Reforms also include large investments to improve the quality of human resources, the implementation of technology, and digitalisation and information technology in the field of financial management. The government encourages all stakeholders to invest in the development of the country's infrastructure to speed up the process of economic recovery post-pandemic.

The government said it prioritises long-term development projects, sustainable financing while strengthening national reserves, social security and investing in human capital. Meanwhile, government spending is to be reduced to 60 per cent, from the current level of 62-63 per cent, by the end of 2030.

State budget deficit, public debt and financial security lie at the core of future reforms. The decree laid out a road map to ensure the country will be able to meet all financial obligations in the 2021-25 period with a goal to reduce the portion of public debt from 3.7 per cent GDP in the period to 3 per cent by the end of 2030.

The government said it is committed to limiting the debt ceiling to 60 per cent of GDP, with government debt not higher than 50 per cent, foreign debt not higher than 50 per cent in the 2021-2025 period. The stock market's capitalisation by 2025 is to reach 100 per cent of GDP with a goal to increase to 120 per cent of GDP by the end of 2030. Meanwhile, the insurance market has been earmarked for an annual 15 per cent growth rate from now until 2025 to account for 3-3.3 per cent of GDP and a 10 per cent annual growth rate from 2025-30.

State-owned enterprises (SoEs) are to go through a restructuring process to improve business and financial performance by 2025. SoEs with strong business performance may receive additional investment to bolster the State's ability to support key industries. On the other hand, governmental offices and agencies are to have their budget slashed by 10 per cent on average by the end of 2025, and 15 per cent by the end of 2030.

Other key objectives include measures to modernise the country's customs and tax procedures and to establish a digital treasury by 2030. VNS

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Vietnam launches website to tax foreign tech giants

The tax department has set up a website for collecting tax from foreign companies to make it easier for tech giants like Facebook and Google to fulfill their duties.



The Portal of the General Department of Taxation for Foreign Providers (etaxvn.gdt.gov.vn) came online Monday for companies to declare their tax and track their payments.

Until now foreign companies were paying their taxes through a third party, but now they could pay directly, Nguyen Van Phung, head of the Large Enterprise Taxation Agency, said.

By filling in their details on the website, businesses could see how much they need to pay and bank account details, he said. "Foreign companies can now pay tax at any time, even from an airplane".

Generally foreign firms are required to pay value-added tax and corporate income tax every quarter.

Phung said many foreign firms have been leaving their Vietnamese partners with the burden of their tax, he added. There are at least 64 Foreign Service providers active in Vietnam, according to tax authorities.

Vietnam taxed cross-border platforms like Google and Facebook a total of VND5 trillion (\$218.53 million) in 2018-21. Authorities have been calling for properly taxing tech giants like Facebook and Google, pointing out they account for around 70 percent of the online advertisement market but evade taxes. Vnexpress

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E-COMMERCE

Vietnamese E-commerce platforms help to boost sales of local specialties

Tan Cuong tea is made from tender tea leaves selected from the best cultivated tea gardens. In order to have one kilogram of dry tea, 20 professional tea leaf pickers have to work for two hours. Tea leaves must also be picked at a reasonable time.

After that, the tea leaves go through processing by one of three most famous tea artisans in Tan Cuong.



After the drying, tea leaves become firm, as small as the tip of a nail.

Previously, the specialty was sold through traditional channels, but now it is available on e-commerce platforms. The new channel allows buyers from all over the country to get products just 2-3 days after ordering.

On Postmart, nearly 40 products of Thai Nguyen are available. Meanwhile, on VoSo, an e-commerce platform run by Viettel, more than 100 products of the province are available. According to the marketplaces,

the numbers of products to be introduced will increase thanks to cooperation among units, appropriate agencies and business households.

Many Thai Nguyen's specialties have been put on e-commerce platforms recently, especially since the Covid-19 outbreak. According to Thai Nguyen Department of Agriculture and Rural Development, under the agriculture digital transformation program, the agency has joined forces with other agencies and companies to help 55,000 production households open their stalls on marketplaces. About 1,500 products are being sold on the platforms.

Meanwhile, according to Thai Nguyen Department of Information and Communications, as of February 2022, more than 60,000 agricultural production households had been trained in digital skills. The number of households opening their stalls on Postmart and VoSo had reached 54,000. More than 2,000 farm produce items had been put into sale at the marketplaces, including 150 products under the OCOP (one commune one product) program.

E-commerce has helped farm produce sell well. In 2021, more than 80 tons of VoNhai custard apples were sold through the channel.

Nguyen Van Ba, Director of Viet Cuong Vermicelli Cooperative, said online distribution channels had increased the amount of products sold by 80-100 tons over the last two years.

Its revenue reached VND20 billion in 2021, twice as much as 2020. The average income of members of the cooperative is stable at VND6-10 million a month. Vietnamnet

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Vietnam launches national pavilion on Alibaba

Tong Thi Kim Thoa, Director of Kim Thoa Cooperative, said that after putting products on sale on e-commerce platforms, Kim Thoa's products have become better known throughout the country.



The Ministry of Information and Communications (MIC) has been assigned by the Government to develop a digital economy plan, with the focus on the digitization of agriculture and farm produce.

It is expected that 100 percent of agricultural production households and 100 percent of OCOP products that satisfy 3-star standards will enter e-commerce platforms. The Vietnam Pavilion was launched on Chinese e-commerce platform Alibaba.com Friday to globally promote the country's products and success stories.

The Vietnam Trade Promotion Agency and the tech giant signed a deal for the purpose. Deputy Minister of Industry and Trade Do Thang Hai said the site would be used for advertising and taking Vietnamese products to customers around the world. The pavilion allows visitors to search for Vietnamese suppliers of agricultural and seafood products, furniture, packaging, and home and garden items.

Vietnam has gained a reputation with global customers thanks to its production capacity, quality of products and competitive pricing, Alibaba deputy director Andrew Zhang said. The Trade Promotion Agency said it would coordinate with the platform to organize online advice sessions on exporting via e-commerce sites for over 2,500 Vietnamese small and medium-sized enterprises.

A similar program was held last year also in partnership with Alibaba for around 2,000 businesses, it added. Tran Thi Yen Phi, CEO of Hanoi agribusiness DSW, said her firm's revenues in the first year after joining Alibaba were US\$260,000.

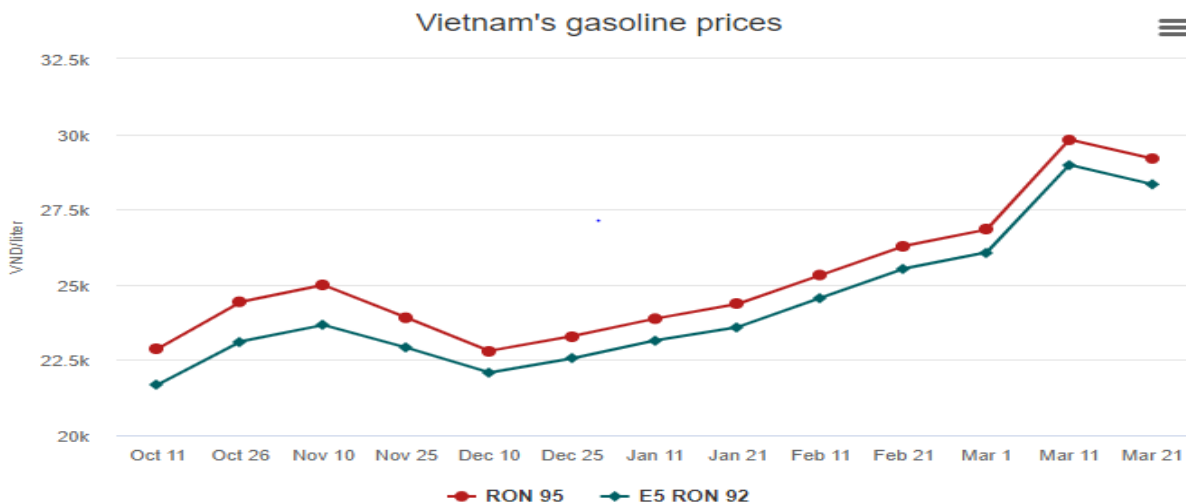
The business was unaffected by the congestion at the Vietnam-China border thanks to expansion of its market to Japan, the EU and Southeast Asia. "This year we are boosting exports to China under the official quota. Deliveries are delayed by China's 'Zero Covid' policy, but we still be able to operate there," she said. Proline Vietnam, a packaging supplier, said its sales grew by 200 percent last year as it carried out all exports through e-commerce platforms.

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ENERGY

Vietnam to build 3rd oil refinery in a Southern province

Vietnam is working on administrative procedures to build a third oil refinery amid apparent shortages and surging prices due to dependency on global supply.



The factory is set to have a capacity of 10 million tonnes per year and be located in the southern province of Ba Ria-Vung Tau, Deputy Prime Minister Le Van Thanh told lawmakers Wednesday. Vietnam now has two refineries, Nghi Son and Binh Son (also known as Dung Quat), which together have a combined capacity of 13 million tonnes per year. The two plants meet around 70 percent of domestic demand. The country imports the rest.

With the new plant, Vietnam's total capacity would reach 23 million tonnes, expected to be enough for domestic use. The country will also increase crude oil drilling, as current supply only meets 50 percent of production demand.

Gasoline prices in Vietnam are heavily affected by the fluctuation of global rates. They climbed to a record high of US\$ 1.30s per liter last week. Prices have been surging partly because Nghi Son refinery had to cut production since February due to financial difficulties.

Gasoline stations across the country have reported shortages and some have shut down shop temporarily in recent weeks, but authorities have affirmed that supply is adequate.

Gasoline imports will continue until Nghi Son resumes normal operation, Minister of Industry and Trade Nguyen Hong Dien said Wednesday.

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Thousands of MW of coal-fired power to be cut in development plan

The total coal-fired thermal power capacity in the eighth national electricity development plan (Plan 8) is 14,800MW lower than the revised seventh plan. Vietnam is also considering developing offshore wind power.



Under the draft Plan 8 which has been submitted by the Ministry of Industry and Trade (MOIT) to the Government, the maximum capacity (Pmax) is predicted to reach 59,300-61,400MW by 2025, 86,500-93,300MW by 2030 and 155,000-189,900MW by 2045.

On that basis, MOIT has suggested choosing the option of having total installed power capacity of 146,000MW by 2020 and 343,000MW by 2045, not including existing rooftop solar power (7,755MW) and other power sources specifically serving additional charges, about 2,700MW by 2030 and 4,500MW by 2045.

The total power capacity of all sources by 2030 is 23,800MW lower than that shown in the Statement dated March 26, 2021. There are changes compared with the previous planning: LNG-fired thermal power capacity is 17,800MW lower; coal-fired thermal power is lower by 6,000MW; and biomass and other renewable power sources decreases by 1,500MW. Meanwhile, the capacity of hydraulic power increases by 5,324MW and offshore wind power by 4,000MW.

The noteworthy feature is that coal-fired thermal power capacity by 2030 in the new plan falls by 6,000MW with some projects excluded from the list of projects to be developed by that time, including Quynh Lap 1 (1,200MW), Quynh Lap 2 (1,200MW), Vung Ang 3 (1,200MW), Long Phu 2 (1,320MW). Meanwhile, Bao Dai (600MW) and Pha Lai 3 (200MW) are not included in the planning.

The total capacity of power sources by 2045 would be lower by 19,000MW. There are some changes: LNG-fired thermo-power decreases by 38,650MW, coal-fired power 12,000MW, solar 9,300MW, biomass and other renewable power 1,500MW. Meanwhile, offshore wind power increases by 18,000MW.

If compared with the revised Plan 7, the total coal-fired thermal power decreases by 14,800MW.

There are at least five coal-fired power projects with the total capacity of 7,100MW are under investment, but it's very difficult to seek capital to implement them. These include BOT Nam Dinh (1,200MW), BOT Quang Tri (1,200MW), BOT Vinh Tan 3 (1,980MW), BOT Song Hau 2 (2,120MW) and Cong Thanh (600MW).

Regarding the investment, the total investment capital in 2021-2030 is estimated at 127.5 billion, while the figure is 242.3 billion in 2031-2045. So, the total investment capital in 2021-2045 is \$369.8 billion.

The total investment capital, if compared with that shown in Statement 1682 dated March 2021, is \$18.2 billion lower in 2021-2030, \$10.85 billion higher in 2031-2045 and \$7.36 billion lower in 2021-2045.

In the latest statement to the Government, MOIT also mentions the development of nuclear power.

Nuclear power is considered a clean power source with no greenhouse gas emissions. With the goal of obtaining zero net emission by 2050, developing nuclear power is also an issue to consider when drawing Plan 8.

Prior to that, the NA decided to stop developing nuclear power. Therefore, the Government needs to report to the Politburo and Secretariat for a final decision. Vietnamet

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RETAIL

Pharmaceutical retailers to expand

While many companies were driven out of business by the pandemic in the last two years, three drugstore chains have been in a race to open new outlets. Pharmacity, Long Chau and An Khang have been opening up to several stores a day since the pandemic began, and their competition is expected to further heat up in the upcoming months.



Pharmacity, the country's largest drug retailer by number of stores, has added over 360 since 2020 and now has 959, more than the other two combined.

Long Chau belonging to FPT Retail, also the country's second largest electronics retailer, has 517 stores of which over 300 were opened in just the last two years.

FPT Retail's bigger rival, Mobile World, has 208 An Khang stores now. Both electronic retailers had entered the pharmaceutical retail market in late 2017, but Mobile World entered the race to open stores later than its competitor. It only opened 48 in the first two years before adding another 140 in the next two.

Besides the "big three", the market also saw many newcomers like Phano Pharmacy and 7 Pharmacy. These chains are also competing for prime locations and an increased presence in residential areas.

At the end of last year a landlord in the central coastal province of Binh Dinh prematurely terminated his lease contract with Mobile World, and Long Chau immediately offered a 20 percent higher rent and took the place.

The chairwoman of FPT Retail, Nguyen Bach Diep, said the firm strategically chooses locations where its competitors are already present and have achieved positive sales. She said 60 percent of people prefer to buy medicines in their neighborhood and so Long Chau is eyeing expansion into small localities. It is expected to open 300 new stores this year, she added.

Mobile World and Pharmacy also realize the potential of residential areas. Pharmacy general director Chris Blank said the company envisages half of the country's population having its stores within a 10-minute drive, and so plans to have 5,000 stores in the next three years. It is considering tying up with property developers to open shops in apartment complexes.

The race is also on in the recruitment market, with the three promising market-leading salaries for pharmacists. Long Chau announced the highest Tet (Lunar New Year) bonus of five months' pay in January besides the mandatory 13th month's salary. Two months later it rewarded all employees with half a month's salary for achieving business plans ahead of time. Its employees received 15-18 months' salaries on average last year. Pharmacy raised salaries, commissions and bonuses by an equivalent of one to 12 months' wages. It plans to increase its payroll to 35,000 by 2025 to meet its goal of 5,000 shops.

Nguyen Duc Tai, chairman of Mobile World, said pharmacists' proficiency is the "decisive factor in the success or failure of pharmacies, not prices or shopping experience". While they all have the ambition of dominating the US\$8-billion market, the results of the three giants were very different last year. Pharmacy reported revenues of VND3.567 trillion (\$158 million), twice the number in 2020.

Leading private equity firm Mekong Capital invested an undisclosed amount in Pharmacy in 2018. The retailer raised VND730 billion in Series C funding a year later, while its parent company issued VND1 trillion worth of bonds. Mobile World has lost VND17 billion on its investment in An Khang in the last four years, but remains optimistic about growth and breaking even soon. Long Chau reported a 330 percent rise in revenues to VND4 trillion. It also reported profits for the first time last year, breaking even earlier than it had planned.

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LOGISTICS

DHL Express partner with ALS to build new logistics facility in Hanoi

DHL Express, the international express service provider, announced its investment in Hanoi Gateway, a new logistics facility located near Noi Bai International Airport via a strategic partnership with ALS Warehousing Services Co. Ltd.



The new facility, expected to be fully operational by early 2023, will have a total utilization space of 4,500 sqm and is twice as large as the previous location.

The new DHL Express Hanoi Gateway will be equipped with warehouse automation, smart building and energy-efficient solutions, in line with the company's commitment to bring all global logistics-related emissions to zero by the year 2050.

According to DHL's Global Connectedness Index 2021 Update, Vietnam has proved to be the world's No. 1 country for community support of global trade and business ties.

Bernardo Bautista, General Director and Country Manager, DHL Express Vietnam said that the company has recently upgraded the aircraft shuttling between Hanoi and Hong Kong, as well as allocated additional capacity between Ho Chi Minh City and the US to tackle the surge in international shipping demand.

"The new facility will further support our customers in expanding their global footprint and entry to new markets," he said.

For the Hanoi Gateway, the company will apply 'green' solutions such as LED lighting, solar panels, and electric forklifts, which will enable it to continue to deliver the highest level of service quality to customers while lowering carbon footprint.

According to DHL, Vietnam is expected to reap significant economic benefits from further liberalization with the Regional Comprehensive Economic Partnership agreement coming into effect earlier this year. Though faced with the persistent global pandemic, Vietnam is one of the few economies to record two consecutive years of growth, thanks to it being an export-based country and less dependent on tourism. Hanoitimes

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Vietnamese delivery firm plans US\$1 billion IPO

Giaohangtietkiem (GHTK) Delivery Company is planning a domestic IPO with a valuation of up to 1 billion USD.



According to Tech in Asia, GHTK is aiming for a domestic IPO in Q4/2022 to raise capital and deal with increasing competition in the logistics sector.

In a document called Project GNext sent to potential investors, GHTK is offering about 23% of the shares in the second sale. Sea Group wants to sell about 20% of GHTK's shares. Sea Group has invested in the Vietnamese delivery company since 2017, according to Tech in Asia.

GHTK was founded in 2013 by a group of entrepreneurs, including Mr. Mai Thanh Binh, founder of Garena Vietnam game company and vice president of VNLife. According to its announcement, the company generated \$300 million in revenue and processed nearly 250 million orders in 2021.

Currently, GHTK is present in 63 provinces and cities with more than 20 operation centers, over 1,000 trucks, and over 700 branches with a total warehouse area of over 220,000 square meters. The company's customers are small and medium-sized stores and online businesses, with light-weight orders and requiring fast shipping time. Vietnam's e-commerce and online retail market, and express delivery market is an extremely competitive segment, which is forecast to value US\$2.19 billion by 2027.

At least 50 startups offered door-to-door delivery services in Vietnam in 2020, according to Vietnam-based Do Ventures. Some major competitors of GHTK include Temasek-backed GHN, J&T Express, Ninja Van and Shopee Express of Shopee. vietnamnet

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INVESTMENT

Indorama Netherlands to acquire Ngoc Nghia Plastics

Indorama Netherlands B.V. (IVL) announced plans to buy Ngoc Nghia Plastics JSC, a leading enterprise in the plastic packaging industry.



Expanding its packaging business into Vietnam will strengthen the market position of Indorama Netherlands in Asia-Pacific, further extending the list of deals between Thai producers and Vietnamese partners.

Indorama Netherlands has offered to buy all 81 million shares at Ngoc Nghia at US\$1.14 a piece, totalling \$91 million for the deal.

As a leading PET manufacturer, Ngoc Nghia has four sites in the country. It has a total production capacity of approximately 5.5 billion units of PET preforms, bottles, and closures, equivalent to a conversion of 76,000 tonnes per annum.

D K Agarwal, CEO of Combined PET at Indorama said, “This investment opportunity is in line with IVL’s business strategy of expanding its footprint in growing economies like Vietnam. The country is well-positioned to be the production hub for the Asia-Pacific region. The nation’s PET packaging market is expected to grow continuously due to a strong increase in consumption and improving living standards. The proposed acquisition would foster sustainable growth in the company’s largest business segment, combined PET, which has been growing constantly to serve increasing global demands.”

Once the deal is completed, it will extend the list of acquisitions of Vietnamese plastics producers by Thai companies.

In July, SCG Packaging Plc. completed the purchase of a 70 per cent stake in Duy Tan Plastics, the country’s largest manufacturer of rigid plastic packaging products.

SCG also owns stakes in many other plastics companies including Binh Minh Plastics JSC, Prime Group, Viet Thai Plastchem JSC Ltd., TPC Vina Plastic and Chemical Corporation Ltd., and Minh Thai Plastic Material Co., Ltd. VIR

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Singapore becomes the largest source of foreign direct investment in Vietnam

Singapore overcame Japan as Vietnam's largest source of foreign direct investment (FDI) with registered capital of over US\$1.7 billion as of February 20, according to data from the Foreign Investment Agency (FIA).

The leap was made after Singapore injected nearly \$941 million into the urban infrastructure and services project of Vietnam-Singapore Industrial Park (VSIP) Bac Ninh.



South Korea ranked second with \$1.5 billion during the two months but remained the largest investor to date with over \$78.4 billion, or 18.7% of total FDI to Vietnam.

Meanwhile, Japan after many years as the second-largest investor to Vietnam has now been relegated to the third position by

Singapore. The FDI from Japan to Vietnam slowed down since 2020, which was in contrast with the rising capital inflow from Singapore.

As of February, Vietnam disbursed around \$2.7 billion in FDI, a sharp rise of 7% against the same period of last year.

Investors have poured money into 17 out of 21 fields and sectors, in which manufacturing and processing led the pack with investment capital of \$3.1 billion, accounting for 63% of total registered capital. Real estate came second with \$1.5 billion, or 30%, followed by science and technology development with \$110 million.

Major projects in the first two months of 2022 include the \$941 million urban infrastructure and services project of Vietnam-Singapore Industrial Park (VSIP) Bac Ninh from Singapore, an addition of \$920 million by Samsung Electro-Mechanics Vietnam in its project in Thai Nguyen Province; and an increase of nearly \$306 million from Hong Kong investors to the manufacturing plant of electronics equipment and appliances in Bac Ninh.

Among 63 cities and provinces having received FDI to date, Ho Chi Minh City has attracted the largest portion of capital commitments with \$52.8 billion, or 12.6% of the total. Binh Duong came second with nearly \$37.8 billion (9%), followed by Hanoi with \$37.6 billion (9%). Hanoitimes

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