



## Highlight

US\$ 1.3 billion poured into Vietnam startups in 2021

# VIETNAM BUSINESS REVIEW

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### What's in it today?



#### FINANCE

E-wallets need 'sandbox' to boom  
Potential growth of M&A deals in the healthcare sector



#### INVESTMENT

Vietnam attracts nearly 5 billion USD of FDI in first two year of 2022  
US\$ 1.3 billion poured into Vietnam startups in 2021



#### RETAIL

Retail sales in Vietnam increased by 3.1 percent in February 2022



#### E-COMMERCE

VNPost to support farmers to sell their product on the e-commerce platform



#### ENERGY

Solar power could be cut down in the 2031-2045 period  
Vietnam completes consultation on National Green Growth Strategy



#### LOGISTICS

LOGOS Vietnam Logistics Venture announced fourth acquisition  
First Da Nang-Europe freight train to be launched

## FINANCE

### E-wallets need 'sandbox' to boom

There are about 40 e-wallets for 97 million people. Vietnam, a market with nearly 100 million people, a part of the Southeast Asian market with 700 million people and dominated by cash payments, is attractive to big players.



“Do you accept payment with MoMo?” “Yes” is the question one can hear at many restaurants and supermarkets in HCM City.

Life has become more comfortable for people as they don't have to carry cash when going out or keep small change to make payments.

However, digital payments in general and e-wallets in particular are still not common in

other provinces. And in HCM City, e-wallet users have to install Moca to take Grab and AirPay to shop on Shopee because e-wallets are not connected.

Most people cannot connect with e-wallets because of the limited number of Points of Sale, which are mostly located in large cities.

E-wallets and digital payment services have developed rapidly, especially during the Covid-19 pandemic.

A survey by Visa in the third quarter 2020 of 1,000 Vietnamese in urban and rural areas, of various ages, found that 51 percent said they had increased the frequency of using e-wallet. Fifty five percent said they made payments with QR Codes.

A report of Boston Consulting Group showed that 49 percent of bank clients in cities in Southeast Asia use e-wallets, and the figure is expected to reach 84 percent by 2025.

MoMo, which is leading in the number of users, had 25 million accounts, more than 100,000 POS (point of sale) and total transaction value by the end of 2020, up by 3.5 times compared with the year before.

Payoo has 20,000 POS nationwide, and deals with more than 400 types of bills and services from 350 providers. The platform connects 40 banks and has a transaction value growth rate of 60 percent per annum, with VND100 trillion treated via the system annually.

In Vietnam there are a high number of existing wallets and fragmentation. There are about 40 e-wallets for 97 million people.

Vietnam, a market with nearly 100 million people, a part of the Southeast Asian market with 700 million people and dominated by cash payments, is attractive to big players.

MoMo, Moca, ZaloPay, AirPay, Viettel Pay and Payoo are the best known e-wallets in Vietnam.

MoMo, Moca and ZaloPay have advantages in payment at the counter. Moca holds Grab service booking. AirPay is the only e-wallet of the e-commerce platform with the highest number of users (Shopee). Payoo is a platform for making payment for services (water, electricity and internet).

Every e-wallet has its own advantages, but none is powerful enough to dominate the market.

As such, if people want to pay with e-wallets, they have to use at least 2-3 wallets for all basic daily services, from hailing and paying for services to shopping on marketplaces.

Nguyen Ba Diep, deputy chair of MoMo, believes that e-wallets will prosper in Vietnam in one or two years. By that time, only 3-5 wallets will exist.

New policies needed

Reports all show the sharp rise in smartphone users, about 20-30 percent per annum, especially for 5G smartphones. This is a great opportunity for development of e-wallets.

To have more e-wallet users, businesses need to build large ecosystems, develop POS networks and use advanced security technology.

Meanwhile, e-wallet developers want management agencies to set open policies, because e-wallets are still a new payment mode in Vietnam.

Nguyen Ba Diep of MoMo said that not only in Vietnam, but also in the world, the development of technology and fintech proceeds before the legal framework.

Concerns of management agencies about the possible negative impact that unprecedented new models may have on society are understandable.

However, he said the legal framework for fintechs needs to be more tolerant and acceptable.

Truong Cam Thanh, CEO of ZION, the owner of ZaloPay, proposed that the government set up an open mechanism for e-wallets to develop.

“There is no need to require e-wallets to have bank account connections. For wallets without connections, small-value transactions should be allowed. This would help clients access a new payment simple and convenient method, prompt people change their payment habits and give up cash payment,” she said.

Thanh predicted that new demands would appear in the near future, including post-paid service, peer-to-peer loans, credit loans, insurance and others. Therefore, it’s necessary to design sandboxes for businesses to try new products and services, and more effectively access users. Vietnamnet

[Back to top](#)

## Potential growth of M&A deals in the healthcare sector

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Despite the obvious difficulties, 2021 was by all accounts another bumper year for mergers and acquisitions (M&A) both in terms of deal volume and deal size.

For 2021, consumer finance and digital payments topped the M&A trends, with deals such as SMBC Consumer Finance's \$1.4 billion acquisition of a 49 per cent stake in consumer loan provider FE Credit, and VNLife's \$250 million Series B round led by Dragoneer Investment Group and General Atlantic.

However, there was a noticeable lack of large announced healthcare acquisitions in 2021. The relative paucity of healthcare transactions last year does not reflect a lack of interest in this sector by foreign investors, but rather is more likely a reflection of the difficulties of finding suitable acquisition targets and the hurdles many foreign investors encounter in the execution of healthcare deals.

There have been a number of reported transactions led by foreign investors into private hospitals and clinics over the past several years. Private hospitals have a critically important role to play in easing the burden of serious overcrowding experienced by the top-tier urban public hospitals, yet there remain a number of commercial and legal hurdles that can discourage investment.

One key perennial issue for private hospital investments is the prohibition on foreign ownership of any business engaged in pharmaceutical distribution. This is an issue because the majority of pharmaceutical sales in Vietnam still occur in hospitals and the retail pharmacy space is characterised by small independent pharmacies. This means that a private hospital business may need to be restructured.

In order to address this, the government should consider easing the foreign investment restrictions applicable to pharmaceutical distribution, which would not only make private hospital transactions less complex for foreign investors but would benefit the burgeoning retail pharmacy sector as well.

Another perennial issue for private hospitals and clinics is the difficulty in recruiting and retaining qualified doctors and medical staff, particularly in specialised fields. There are several reputational and other benefits that top doctors in Vietnam can enjoy when employed by one of the preeminent urban public hospitals, which can make it difficult for private hospitals and clinics to compete for talent.

The solution to this issue should be a combination of promoting the training and development of Vietnamese doctors and other medical practitioners and the easing of barriers for qualified foreign medical practitioners, including Vietnamese language fluency.

Finally, there remain very few truly national private hospital franchises that operate multiple facilities across the country, with a few very notable exceptions. This tends to be a commercial barrier to certain types of foreign investment, because a single hospital asset may not be as attractive from a growth perspective as a scalable national chain.

Another potentially attractive and relatively undeveloped space for foreign investment in the healthcare sector are laboratory diagnostic businesses. While there are foreign-invested laboratory diagnostic companies that have been in operation in Vietnam for many years, there have been few if any of these

businesses that have been able to attract capital from foreign investors which would encourage development of this sector.

The current facility and licensing requirements for these businesses are often difficult to comply with and unnecessary for the reliable delivery of healthcare services. Like many sectors in Vietnam that are or were highly fragmented, the laboratory diagnostic sector is currently characterised by low-volume/low-quality laboratories and quality control issues. It remains to be seen whether this sector will become a feasible/attractive target for foreign investment on a larger scale than it has in the past, but if other jurisdictions in Asia are any guide, it certainly could with the benefit of appropriate and effective regulation that encourages innovation and development in this space.

Another key potential growth area is healthtech. Vietnam's ambitious and tech-enabled population has produced several impressive tech companies in recent years and there is no reason that the healthcare sector should not benefit from this innovation as well. To its credit, the government has been encouraging healthcare digitalisation as a matter of policy for some years now, including by pushing for the digitalisation of medical records. Also, developments that reduce frequency of hospital visits while delivering effective healthcare services such as telemedicine platforms could help ease the overcrowding burdens faced by major hospitals throughout the country.

Unlike other jurisdictions in Asia, there has not been significant foreign investment activity in healthtech businesses in Vietnam to date. This is likely a result of the fact that businesses operating in this space are not yet big enough to attract foreign investment.

Another factor that affects several other tech-based sectors in this country is the lack of clear regulatory frameworks that provide certainty for businesses and ensure the safety of their consumers. VIR

[Back to top](#)

## E-COMMERCE

### VNPost to support farmers to sell their product on the e-commerce platform

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The Vietnam Post Corporation (VNPOST) will cooperate with the Central Committee of the Vietnam Farmers' Union (VFU) to support 7.5 million farming households to introduce their products for free on its e-commerce platform Postmart.vn in 2022.



Deputy General Director of VNPOST Nguyen Kien Cuong said from now to 2025, the coordination will focus on introducing and connecting consumption; developing a supply chain of safe and high-quality agricultural products of farmers; building and developing sustainable value chains in association with national target programmes; and developing a network of sales collaborators and agents.

VNPOST will provide preferential products and services to the VFU and members of its chapters, professional associations, farmers' clubs, cooperative groups, and cooperatives.

It will update agricultural production households' information on the platform, as well as help farmers and agricultural cooperatives actively apply digital technology in their production and trading activities.

It plans to connect with postal e-commerce platforms of Japan, Singapore and some other regional countries.

Vietnamese products on sale on Postmart.vn are expected to be connected to e-commerce platforms of countries in the region, towards expanding to developed countries

[Back to top](#)

## ENERGY

### Solar power could be cut down in the 2031-2045 period

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The solar power capacity planned by Vietnam for 2031-2045 is “too high” should be reduced to give space for wind power, the government says.



In a communiqué issued by the Government Office Saturday, Deputy Prime Minister Le Van Thanh said the capacity for solar power set in the Power Development Master Plan VIII for the 2021-2030 period with vision until 2045 was “too high.”

As proposed by the Ministry of Industry and Trade on Feb. 21, the national power capacity from now until 2030 would be 146,000 megawatts (MW), 9,000 MW less than the plan announced last November.

By 2045, the planned capacity would be 352,000 MW.

In the 2031-2045 period, solar power will make up 25 percent of the total power capacity, the ministry said.

Deputy PM Thanh has commented that the proportion of solar power capacity should be lowered while that of offshore wind power should be increased.

According to state-owned Vietnam Electricity (EVN), as of 2021, Vietnam was among the top 10 countries with the highest solar power capacity at 16,504 MW, accounting for 2.3 percent worldwide.

The Ministry of Industry and Trade submitted the first draft of the Power Development Master Plan VIII to the government last March. Since then the plan has been revised four times.

The ministry has asked that the plan’s implementation be deferred to the second quarter this year.

[Back to top](#)



## Vietnam completes consultation on National Green Growth Strategy

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The Ministry of Planning and Investment (MPI) has announced that it has collected comments on a Government draft decision approving the National Green Growth Strategy for 2021-2030.

On October 19, 2021, Deputy Prime Minister Le Van Thanh signed Decision No 1658/QĐ-TTg approving the National Green Growth Strategy for 2021-2030.

The overall goal of green growth is to accelerate restructuring the economy in conjunction with growth model transformation to achieve economic prosperity, environmental sustainability and social equity.

Green growth aims to facilitate a transition to a green and carbon-neutral economy, minimising the global temperature.

It will focus on reducing greenhouse gas emission intensity per GDP by at least 15 per cent by 2030 and at least 30 per cent by 2050, promoting sustainable consumption based on the principles of equality, inclusivity and raising resilience.

The strategy will focus on exploiting and efficiently using natural and energy resources with advanced science and technology as the foundation, applying digital technologies and digital transformation, developing sustainable infrastructure to raise the quality of growth, bringing competitive advantages and reducing the negative impact on the environment.

To solidify the strategy, ministries, agencies and localities are asked to focus on identifying specific actions, times and responsibilities for mobilising resources.

Prime Minister Phạm Minh Chính approved the national strategy on green growth before attending the 26th UN Climate Change Conference of the Parties in Glasgow, the UK, showing Việt Nam's strong commitment to reducing greenhouse gas emissions. During the conference, the PM pledged that Việt Nam would reach net-zero carbon emissions by 2050, reduce methane emission by 30 per cent in 2030 and gradually reduce and eliminate coal-fueled power generation between 2030-2040.

The Ministry of Planning and Investment reported that the draft Green Growth Strategy is compiled based on researching and fully analysing the new and updated context, strategy and current plan.

It reflects and integrates existing policy contents to create compatibility and feasibility in solutions across the economy and various sectors.

The ministry will formulate and submit the action plan on green growth for 2021-2030 to the Prime Minister within six months of the strategy's ratification. VNS

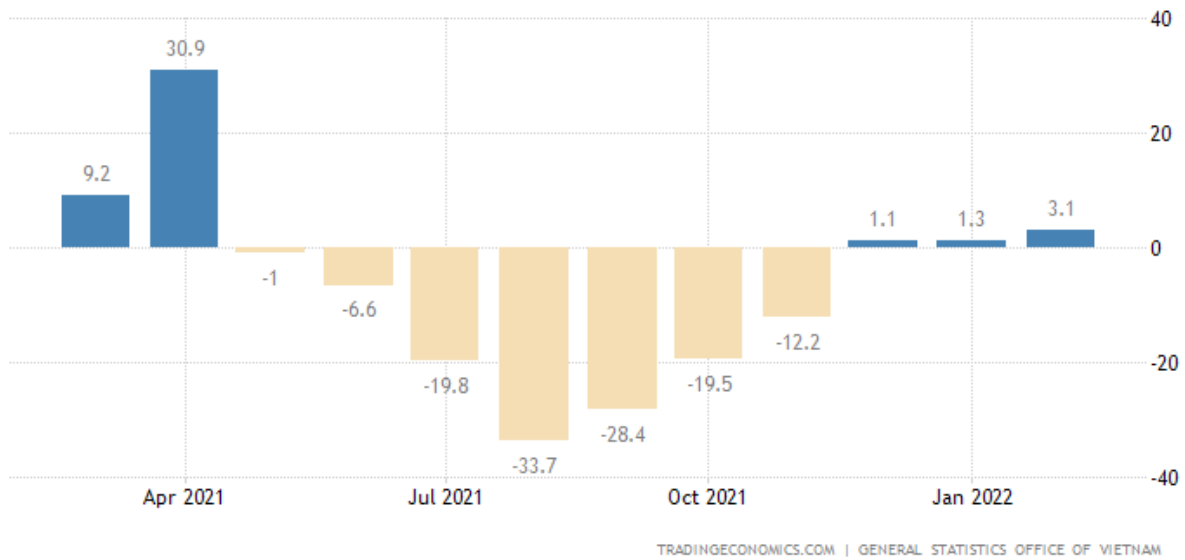
[Back to top](#)



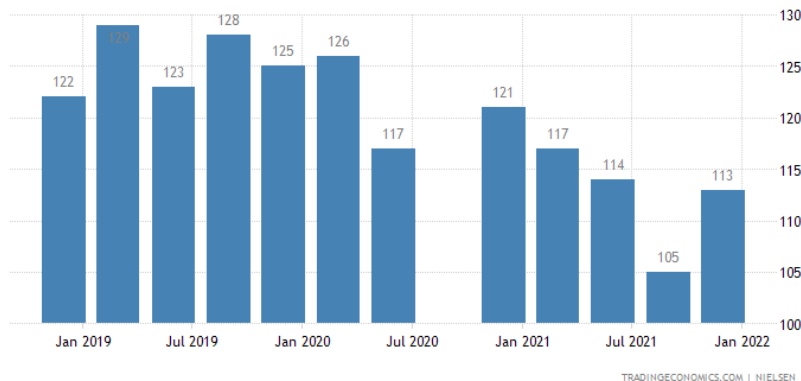
## RETAIL

### Retail sales in Vietnam increased by 3.1 percent in February 2022

Retail sales in Vietnam increased by 3.1 percent from a year earlier in February 2022, faster than a 1.3 percent rise in the previous month. This marked the third consecutive month of expansion in retail trade and the steepest pace in the sequence, as consumption recovered further following an acceleration in COVID-19 vaccinations.



Sales of goods continued to grow (2.4 percent vs 4.3 percent in January), amid a sharp rebound in sales of both accommodation and food services (12.6 percent vs -11.9 percent) and travel (39.4 percent vs -8.1 percent). In contrast, sales of other services fell 0.7 percent after jumping 35.6 percent. For the January to February period, retail sales went up 1.7 percent from the same period of 2021. Last year, retail sales retail trade dropped 3.8 percent.



At the same time, consumer confidence in Vietnam increased to 113 points in the fourth quarter of 2021 from 105 points in the third quarter of 2021. Tradingeconomics

[Back to top](#)

## LOGISTICS

### LOGOS Vietnam Logistics Venture announced fourth acquisition

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LOGOS Vietnam Logistics Venture and Manulife Investment Management on February 17 announced to set up a joint venture to acquire an 11-hectare, build-to-suit logistics asset in the greater Ho Chi Minh City area.



This is LOGOS' first partnership with Manulife and an important investment to support the growing demand for modern, high-quality logistics facilities in Vietnam.

Located in Dau Giay Industrial Park in Dong Nai Province, the property comprises three high-tech warehouse facilities, two of which were completed in 2021 with the third to be completed in late 2022. Upon completion, the property will boast a total of 116,000sq.m of modern logistics space, valued at over \$80 million.

The property is fully committed to a global occupier on an initial five-year lease term.

LOGOS' head of Vietnam, Glenn Hughes, said that the venture is seeing many exciting opportunities in Vietnam as international companies continue to diversify their supply chains across multiple countries, investing in their facilities to ensure supply chain resilience while meeting the growing consumer demand in e-commerce.

"The property is a rare opportunity to acquire a significant institutional-grade asset within a fast-growing Dong Nai precinct while also supporting the growing needs of this market," Hughes added. Logo

[Back to top](#)

## First Da Nang-Europe freight train to be launched

Rail Transport and Trade Joint Stock Company (Ratrac) has announced that a new rail freight linking Da Nang to Europe is expected to be launched in early March.



Ratrac said the train will carry a total of 23 containers carrying furniture products of well-known Swedish brand IKEA.

During the course of its journey, the train will stop at Dong Dang International Railway Station in order to get customs clearance so it can move to Zhengzhou railway station before connecting to the Asia-Europe train to reach its destination.

The various products from IKEA will be delivered to several cities, including Liege of Belgium, Hamburg of Germany, and Melzo of Italy.

This comes after a freight train left Hanoi for Belgium for the first time in July, 2021, carrying with it containers of garments, textiles, and leather shoes. The route takes trains between Yen Vien Railway Station in Hanoi and the Belgian city of Liege, where the containers are then unloaded before being sent by truck to their final destination, the Dutch port city of Rotterdam. VOV

[Back to top](#)

## INVESTMENT

### Vietnam attracts nearly 5 billion USD of FDI in first two year of 2022

Foreign investors have poured nearly 5 billion USD in Vietnam so far this year, equivalent to 91.5 percent of that in the same time last year, reported the Foreign Investment Agency under the Ministry of Planning and Investment.



As of February 20, 183 new projects had been licenced, a rise of 45.2 percent year on year, with their combined capital totaling 631.8 million USD, down 80.9 percent year on year.

Meanwhile, nearly 3.6 billion USD was added into 142 underway projects, over 2.2 times than that in the same period last year. Foreign investors also injected 769.6 million USD into share purchase deals, up 41.7

percent.

At the same time, 2.68 billion USD of foreign investment had been disbursed in the period, a year-on-year rise of 7.2 percent.

FDI was poured in 17 out of the 21 economic sectors, with the highest amount on processing-manufacturing sector at 3.13 billion USD. It was followed by real estate with nearly 1.52 billion USD, and science-technology and power production and distribution with 109.6 million USD and 60 million USD, respectively.

The agency said that 51 countries and territories have invested in Vietnam, led by Singapore with over 1.7 billion USD, accounting for 34.2 percent of the total FDI that Vietnam attracted in two months, and representing a rise of 59.3 percent year on year. China ranked second with 538 million USD.

Bac Ninh led the 63 localities nationwide in FDI attraction by luring over 1.3 billion USD, accounting for 26.5 percent of the total FDI in Vietnam and rising by nearly 7.6 times over the same period last year. With two large-scale projects, Thai Nguyen came second with nearly 924 million USD. Meanwhile, Ho Chi Minh City attracted the highest number of new FDI projects. The export revenue of the foreign-invested sector rose again in February to more than 41.9 billion USD after a slight drop in January.

Leaders of the agency advised ministries and sectors to strengthen trade promotion and diplomatic activities to make the full use of the EU-Vietnam Investment Protection Ageeement (EVIPA) that is expected to become effective soon, while improving their business and investment environment as well as human resources quality, and strengthening the connections between domestic firms and their foreign peers. VNA

[Back to top](#)

## US\$ 1.3 billion poured into Vietnam startups in 2021

Hot industries that attracted large amounts of capital last year were financial technology (Fintech), games, education, healthcare and e-commerce.



According to a report by Nextrans Vietnam on the startup market in 2021, Fintech was the leading field in terms of total transaction volume and value, with 26.6% of total transactions in the fields of digital payment, personal finance, POS, and funding for SMEs.

In terms of transaction value, there were two deals worth more than 100 million USD. Specifically, in December, Momo raised \$200 million from Mizuho, Ward Ferry, Goodwater Capital and Kora Management, with an estimated total value of up to \$2 billion. VNLife - the company that owns the payment service VNPAY - also announced successfully raising more than \$250 million in a Series B funding round in July.

Edtech and e-commerce accounted for about 17-20% of the total deals in the Vietnamese startup market in 2021. In terms of value, e-commerce was the second attractive field. Tiki made the biggest contribution with a \$258 million raised in Series E funding round led by AIA. Other big deals included Sky Mavis with \$152 million, Equest with \$100 million.

This shows that the Vietnamese startup market is also a favorite destination for venture capital funds.

Out of a total of 208 active venture capital funds, there are nearly 40 domestic investment funds. Big names and active funds in the market include VSV Capital - Nextrans, Vietnam Silicon Valley, Mekong Capital, 500 Start-up Vietnam, Vietnam Investment Group, IDG Ventures Vietnam, Do Ventures and Genesis Ventures.

According to Google's statistics, five of the 10 most searched keywords on Google in Vietnam in 2021 were related to online teaching and learning tools. As a result, Edtech became an attractive "gold mine" in the eyes of investors.

Most of the investments in Vietnamese startups in 2021 were recorded in the Pre-seed and Seed rounds, accounting for 55.7% of the total deals in 2021. Vietnamese startup ecosystems also saw 4.1% of total Series C, D, and E deals such as Momo, Tiki, Homebase...

Vietnam has about 3,800 start-ups, with four unicorns (VNG, VNLife, MoMo, Sky Mavis) and 11 start-ups valued at over \$100 million (Tiki, Topica Edtech...).

Nextrans Vietnam predicted a strong recovery in investment activity, and startups are expected to thrive after the Covid-19 pandemic.

In recent years, Vietnam has emerged as a startup hub in Southeast Asia, catching up with countries like Indonesia and Singapore. With a young population, high internet coverage and smartphone usage, and government support, Vietnam will continue to maintain its position as an attractive destination for investors.

The potential of start-ups, support from macro factors and attractive valuation make Vietnam an attractive investment destination. Many foreign investment funds have entered the market. So far, investment capital in technology start-ups in Vietnam still comes mainly from abroad.

Notably, a lot of potential Vietnamese start-ups are based overseas, such as in Singapore, where it is easy to raise capital and investors can easily divest to avoid risks. To deal with this problem, Vietnam needs to improve support mechanisms for the startup sector, such as open and easy administrative procedures and tax support for start-ups, besides having policies to support domestic investment funds and a sandbox mechanism to manage start-ups. Vietnamnet

[Back to top](#)



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