



INVESTMENT ENVIRONMENT IN VIETNAM

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I. ECONOMY OVERVIEW IN 2012

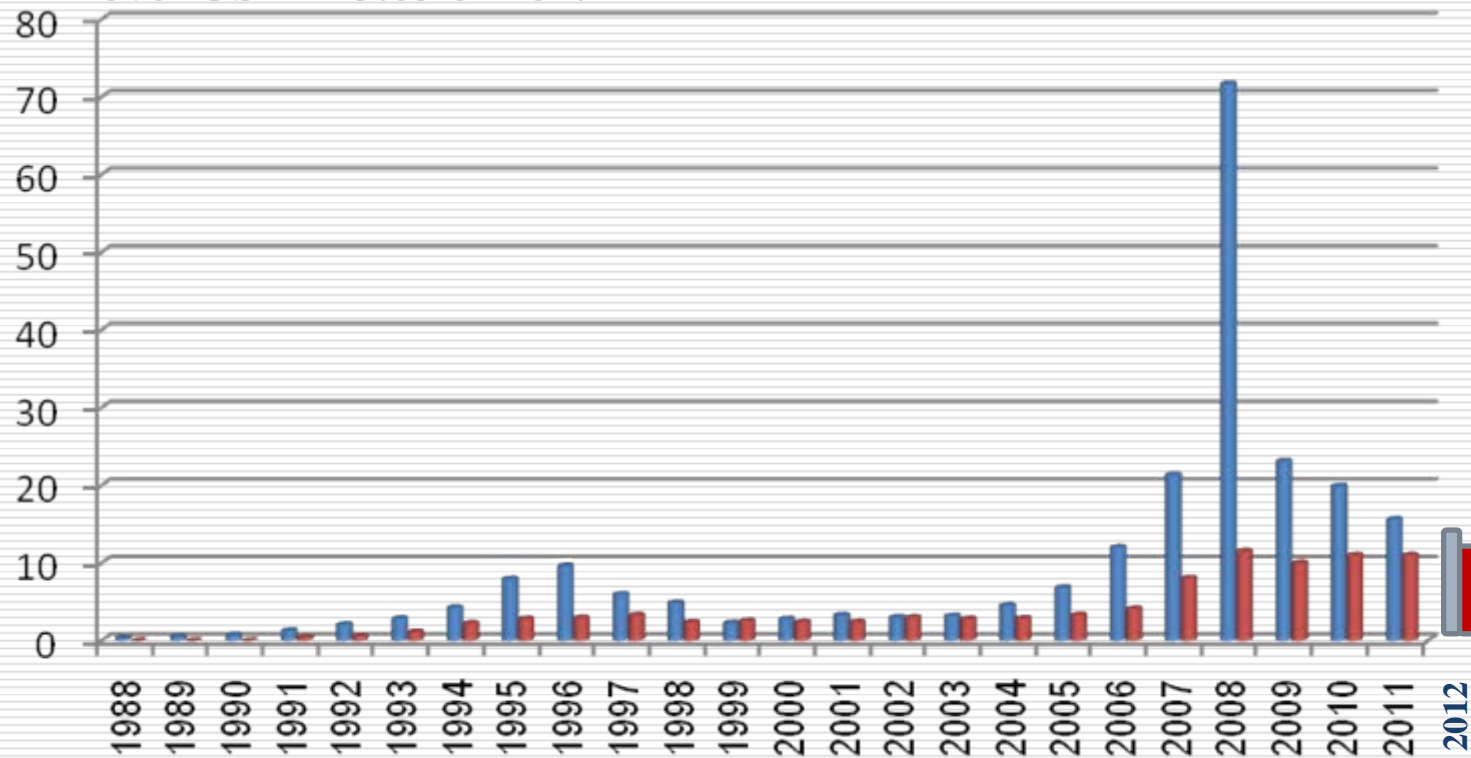
- GDP growth rate reached 5,03%.
(GDP reached USD 136 billion / GDP per capital was USD 1.540)
 - Industry production increased 4.52% , service increased 6.42% , agriculture forestry and fishery increased 2.72%.
 - Export turnover reached USD 114.5 billion, increased by 18% compared to 2011. Import turnover is USD 114.3 billion, increased by 7.1% compared t 2011.
 - CPI was controlled at 6.81% , compared to 18.12% in 2011.
 - Foreign exchange reserves ensure 12 weeks' import ; international balance of payments (BOP) surplus of over USD 8 billion.
 - Implementation of economic restructuring in 3 areas of public investment, financial market, and state-owned enterprises achieved some positive results.
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I. ECONOMY OVERVIEW - TARGET IN 2013

- Stabilize macro-economy, reduce inflation and increase GDP growth rate higher than 2012.
 - Strengthen implementation of 3 strategic breakthroughs : institution reform, human resource and infrastructure and renovation of growth model.
 - Continue the economy structuring in 3 areas of public investment, finance and banking system and enterprises.
 - Concrete target:
 - + GDP growth rate reaches 5.5%;
 - + Inflation at 6-6.5%;
 - + Export turnover increases by 10%; trade deficit is 8%;
 - + Over expending of national budget lower than 4.8% of GDP;
 - + CPI range from 6 to 6.5%
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II. FOREIGN DIRECT INVESTMENT IN VIETNAM

- As of December 2012, 14,489 projects are in effect with registered capital of over USD 213.65 billion.

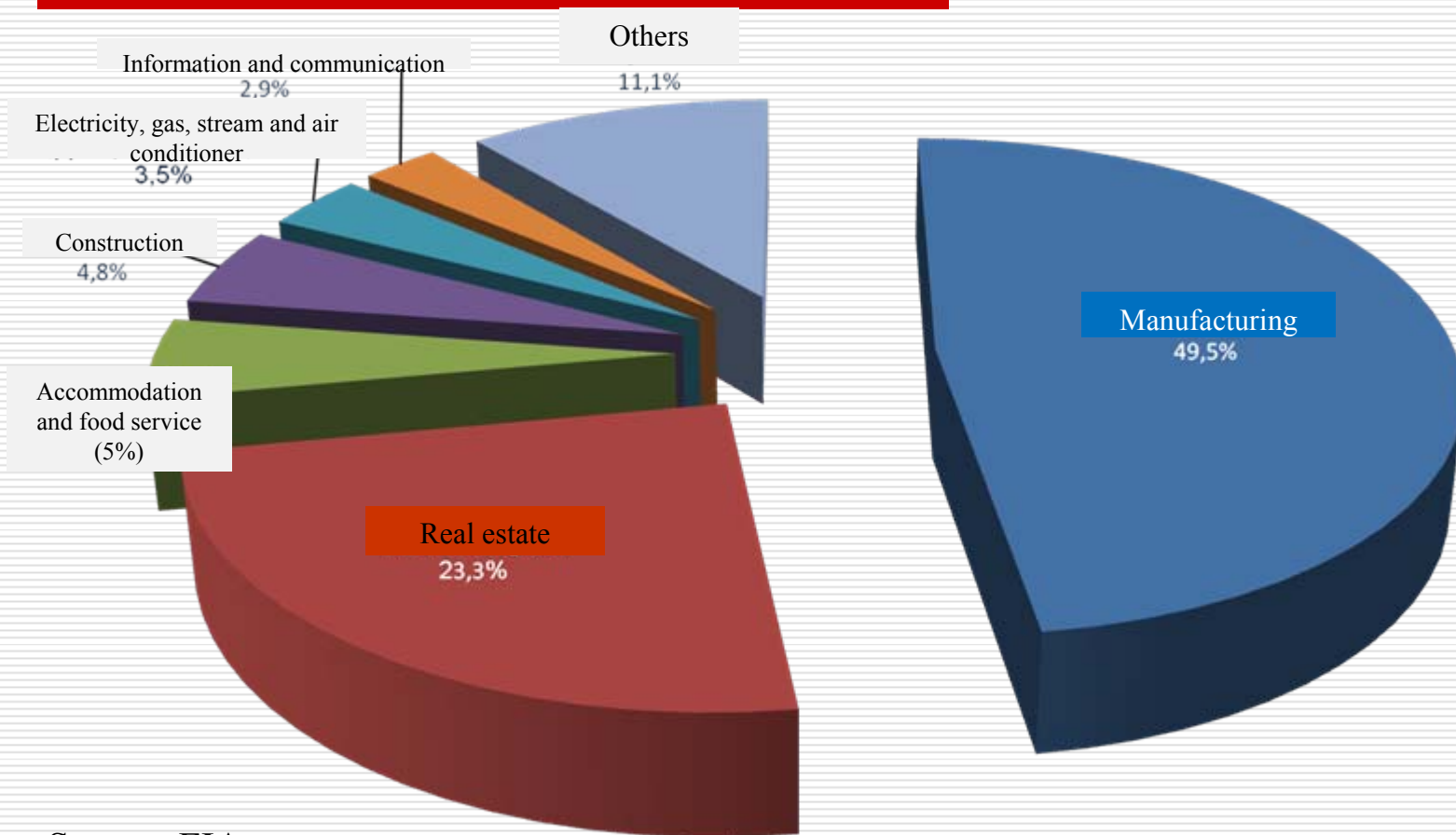


Source: FIA

Registered capital (billion USD)

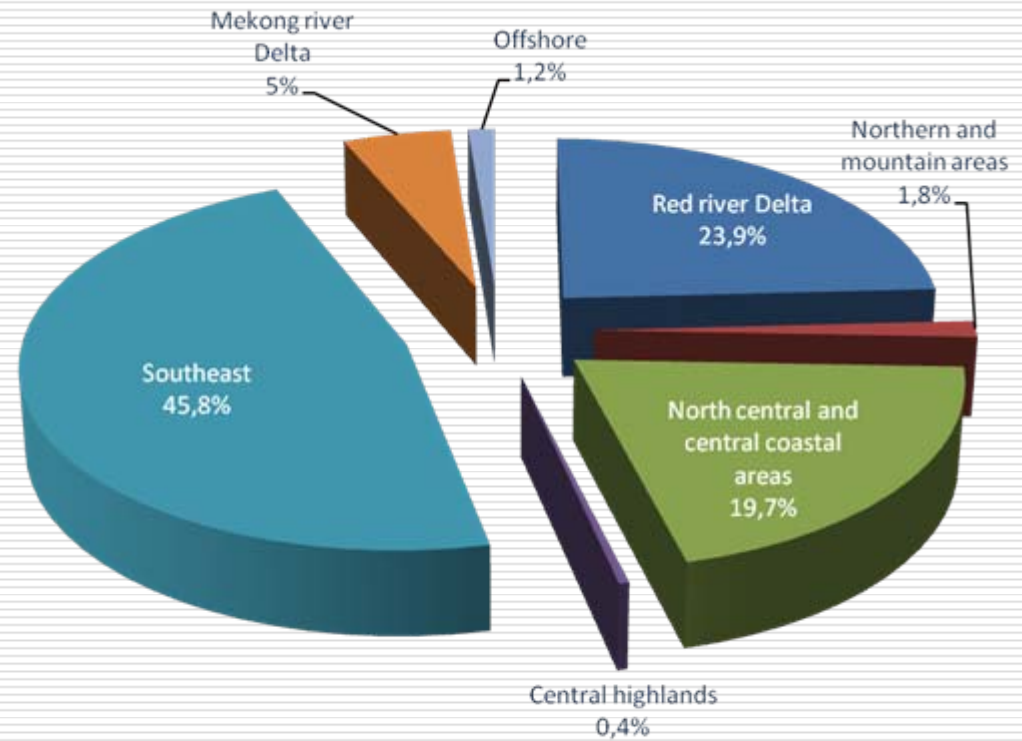
Implementation capital (billion USD)

FDI IN VIETNAM BY SECTOR

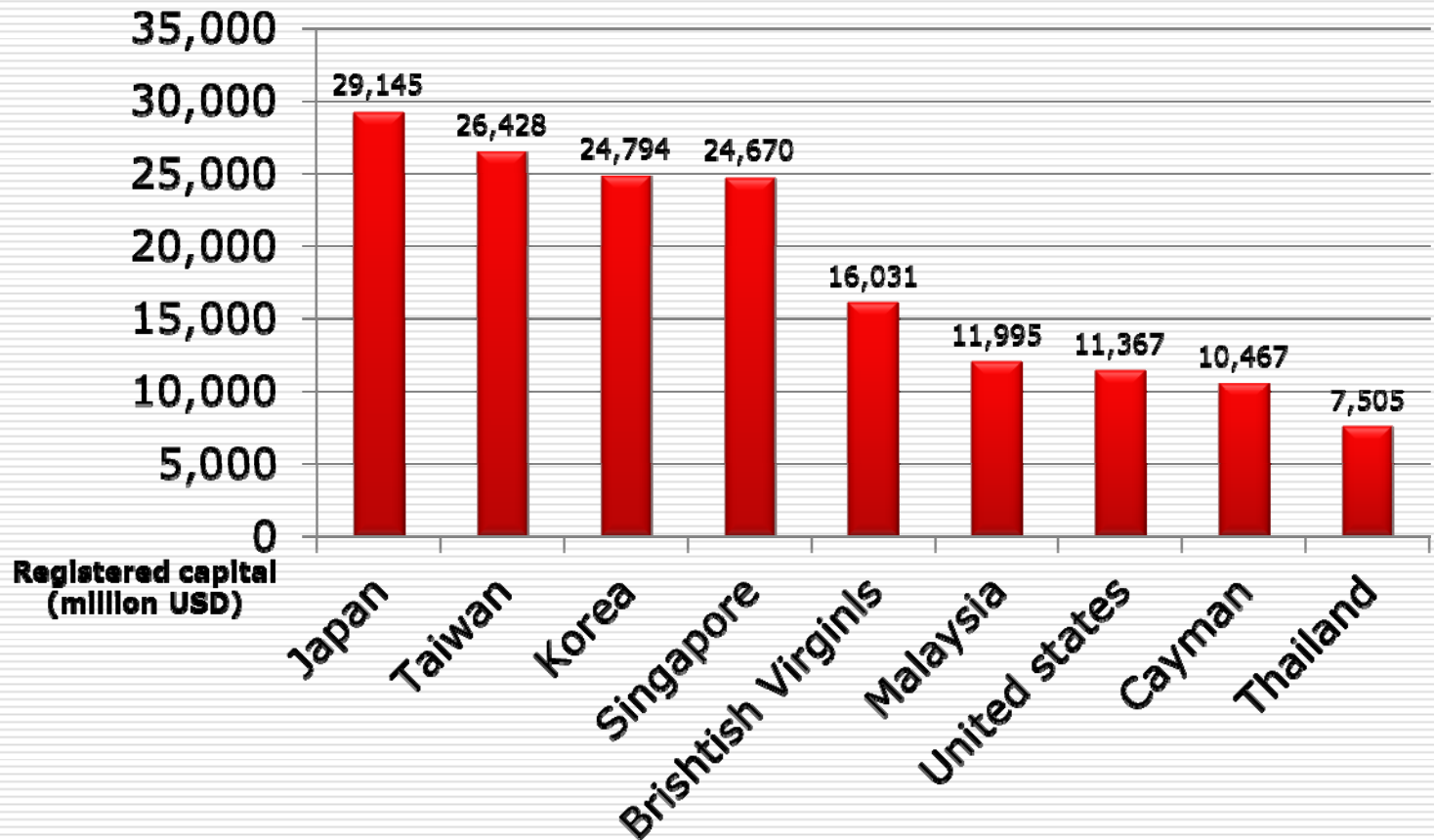


Source: FIA

FDI IN VIETNAM BY GEOGRAPHICAL AREA



TOP TEN INVESTORS INVESTING IN VIETNAM



Source: FIA

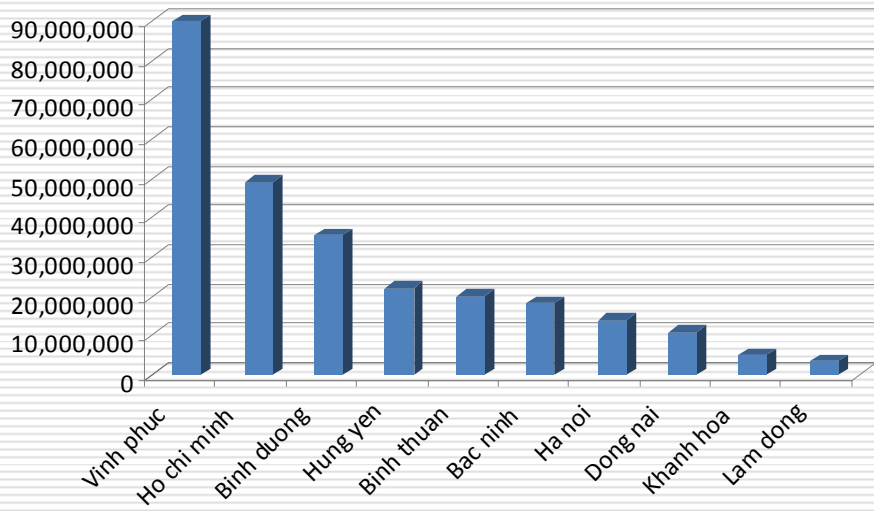
II. FDI IN VIETNAM IN 2012

- 1100 projects are issued investment certificates with investment capital of USD 7.85 billion.
 - 435 projects expanded investment with investment capital of USD 5.16 billion
 - The total newly licensed capital and expanded capital is USD 13.01 billion, 84.7% compared to the amount of 2011.
 - Disbursements remained stable, reaching USD 10.46 billion, which is 95.1% of 2011.
 - Manufacturing sector attracted most FDI capital (69.9 % total investment capital); followed by real estate business (14.2%) and accommodation and food service (3.7%).
 - Japan ranks the first in terms of investment capital in Vietnam (USD 5.14 billion), followed by Singapore (USD 1.73 billion) and South Korea (USD 1.18 billion)
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II. FDI OF ITALIA TO VIETNAM

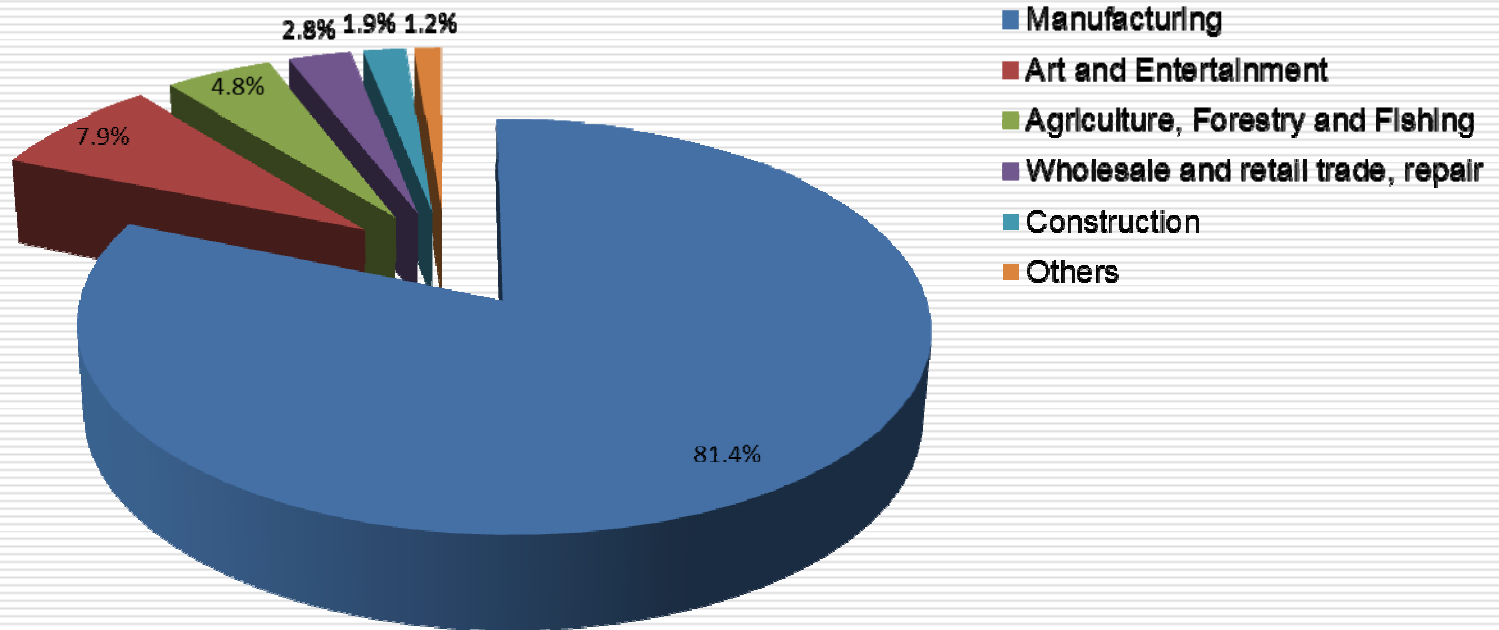
- Vietnam – Italia signed investment promotion and protection Agreement (18/05/1990), Double taxation Avoidance Agreements (26/11/1996)
 - As of December 2012, Italia has invested 48 projects with investment capital of more than USD 276.2 million; ranks 29th out of 98 countries and territories investing in Vietnam .
 - Investment capital mainly focuses on manufacturing and processing sector (81.4%) with big corporation such as: Technip Italy (Phu My Fertilizer Project), Danieli Officina (steel factory), Fiat Iveco (car Mekong joint venture), Piaggio (scooters). ..
 - Italian investment locates in 14/63 provinces and cities of Viet Nam.
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ITALIAN INVESTMENT LOCATED IN TOP TEN PROVINCES



	Province	Number	Registered capital (USD)
1	Vinh phuc	2	90,000,000
2	Ho chi minh	10	49,050,761
3	Binh duong	6	35,629,957
4	Hung yen	1	22,205,000
5	Binh thuan	1	20,000,000
6	Bac ninh	2	18,300,000
7	Ha noi	13	13,941,240
8	Dong nai	4	11,000,000
9	Khanh hoa	1	5,000,000
10	Lam dong	1	3,500,000
5	Others	7	7,532,250
	Total	48	276,159,208

ITALIAN INVESTMENT BY SECTORS



III. INVESTMENT POLICY

FDI INCENTIVES BY INDUSTRIES

- 1 Production of new materials and energy; hi-tech products; bio-tech and IT, mechanical manufacturing.
 - 2 Cultivation and processing of agricultural, forestry and aquatic products; creation of new plant and animal varieties;
 - 3 Use of high technology and advanced techniques, protection of ecological environment; research, hi-tech development.
 - 4 Development of infrastructure facilities.
 - 5 Development of education, training, health care, physical education and sports.
-

FDI INCENTIVES BY GEOGRAPHICAL AREAS

- 1 Areas with especially difficult socio-economic conditions.
- 2 Areas with difficult socio-economic conditions.
- 3 Hi-tech Zone, Economic Zone.

TAX INCENTIVES

- Corporate income tax exemption and reduction
- Land lease exemption and reduction
- Import Duties exemption
- Other incentives

CORPORATE INCOME TAX (CIT)

- **General Policy: Tax exemption up to 4 years and Tax reduction of 50% up to 9 years, applied for preferential sectors and locations.**

- **Special Incentives:**

- **10%:**

- 15 yrs applied to projects in areas: especially difficult socio-economic conditions, Economic Zones and High Tech Zones
- 15 - 30 yrs applied to projects in sectors: hi-tech, scientific research and technology development, soft ware production, development of specially important infrastructure projects.
- Entire operation period (education, training, health care, culture, sport and the environment...)

- **20%:**

- 10 yrs applied to projects in areas of socio-economic conditions
- Entire operation period applied to projects in agricultural service co-operatives, people's credit fund

Standard rate (CIT) : 25%

CORPORATE INCOME TAX INCENTIVES

Tax Rate	Term	Technology , infrastructure, software	Hi-tech, infrastructure, software , (more incentives).	Education, vocational training, public health, culture, sports.	Agricultural service co-operative, People's Credit Fund.	Difficult area.	Particularly difficult area, economic Zone, Hi-tech Zone.
20%	10 yrs					x	
20%	Implementation duration				X		
10%	15 yrs	x					x
10%	30 yrs		X				
10%	Implementation duration			x			

CTI EXEMPTION & REDUCTION

Exemption (yrs)	Reduction 50%	Socialization in difficult areas or particularly difficult ones	EZS, HTZS	Hi-tech, infrastructure, software	Training, vocation, public health, culture & environment	Socialization not in difficult areas or particularly difficult ones	Implementation in difficult areas
4	9 yrs	X	X	X	X		
4	5 yrs					X	
2	4 yrs						x

LAND LEASE EXEMPTION

List of projects	Exemption
Investment incentive	3 yrs
Difficult socio-economics	7 yrs
Exceptionally difficult socio-economics or investment preferential in difficult socio-economic areas	11 yrs
Investment incentive In exceptionally difficult socio-economic areas	15 yrs

IMPORT DUTY EXEMPTION

- 1 Machines, materials, dedicated transport... imported to create fixed assets of encouraged investment projects.
 - 2 Materials which are not locally produced.
 - 3 Commodities are imported for the 1st time according to the Government's List such as projects of hotels, offices, apartments, supermarkets, golf course, hotels, resorts, clinics, training, culture, finance...
 - 4 Raw materials, materials, components of encouraged investment projects or projects locate in areas of specially difficult socio-economic conditions are exempted from import tax within 5 yrs from the beginning of operation
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FDI INVESTMENT CERTIFICATION AUTHORITY

1. Prime Minister's approval:

Areas:

- Aviation, seaport, petroleum, mining, broadcasting, casino, tobacco, undergraduate, IPS, EPZS, HTZS, EZS; sea transport, telecommunication and Internet, printing, press, publishing, science research basis.
- Electricity, mineral processing, metallurgy, railway infrastructure, highway, local waterway; liquor, beer with scale \geq VND 1500 billion.

2. Provincial People's Committees:

- Projects outside IPS, EPZS, HTZS
- Projects for developing infrastructure of IPs, EPZs, HTZs\

3. Management Boards of IPs, EPZs, HTZs, EZs:

- Projects inside IPs, EPZs, HTZs, EZs
 - Projects for infrastructure development in IPs, EPZs, HTZs
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INVESTMENT CERTIFICATION PROCEDURES

1. Registration for Investment Certificate (15 days)
 - Project with investment capital below VND 300 billion
 - Not in the conditional investment industries.
2. Evaluation for investment certificate(45 days)
 - Projects with capital \geq VND 300 billion and not in the conditional investment industries
 - Projects in the conditional investment industries

LABOUR'S SALARY IN FDI

Minimum wage:

Area	Decree 70/2011 (VND)	Revised
Area 1	2,000,000	2,350,000 – 2,400,000
Area 2	1,780,000	2,150,000
Area 3	1,550,000	1,850,000
Area 4	1,400,000	1,700,000

INVESTMENT COMPARISON

	Indicator	Indonesia	Myanmar	Thailand	Vietnam
1	CIT rate	25%	30%	30%	25%
2	Cost of living (rank No)	94 (Jakarta)	-	121 (Bangkok)	121 (Hanoi)
3	Land – Leasing period (duration + maximum extension)	25 (+20)	30 (+30)	30 (+ 30)	50 (+ 20)
4	Licencing procedure – Incentive approval	Not decentralized BKPM	Not decentralized (BOI)	Not decentralized (BOI)	Decentralized
5	Number of license required	2	1	1	1

FDI ATTRACTION ORIENTATION

- Projects with modern technology, environmentally friendly, efficient use of resources, minerals and land.
 - The supporting industry; industries supporting for agriculture; and high value added service industries.
 - Education and training, infrastructure development
 - Selected processing industries; manufacturing, high-tech industry, energy industry, metallurgy, chemicals
 - Projects whose products have competitive advantage and the ability to participate in production networks and global value chains
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IV. INVESTMENT POTENTIAL IN VIETNAM

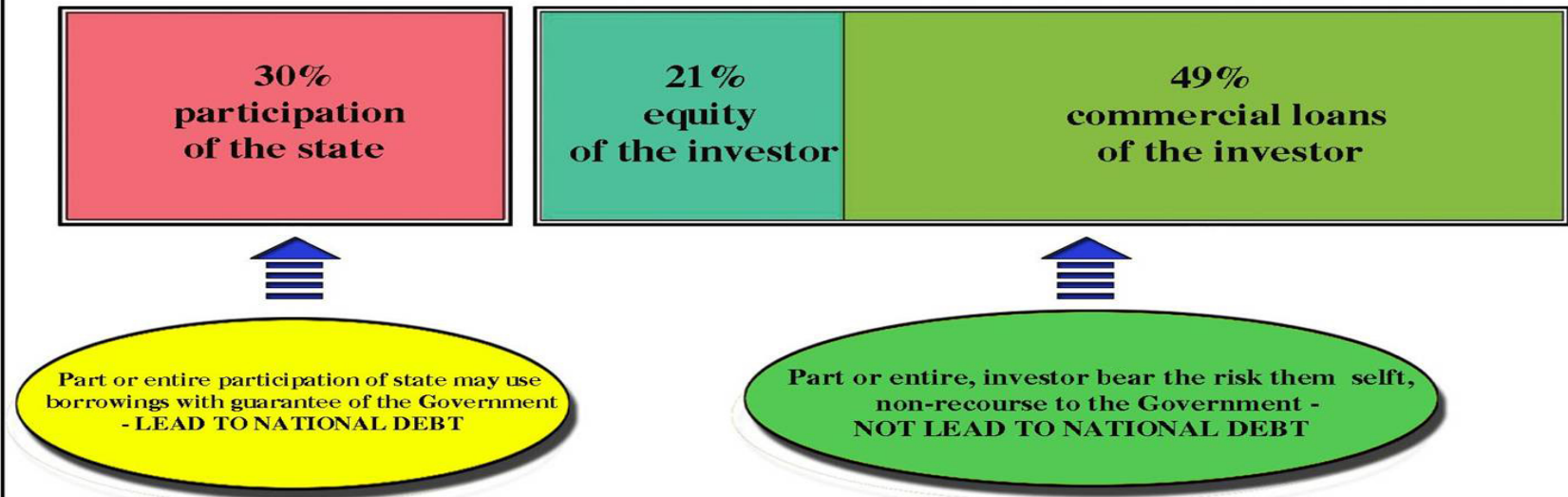
- Political stability, social security
 - Favorable geographical position in the center of Southeast Asia , East Asia.
 - Rapidly developing economy with potential consumption market (nearly 90 million people).
 - Abundant natural resources.
 - Huge amount of labour (52 million people), competitive labour cost.
 - Deep economic integration with countries in the region and worldwide
 - Government's policies to encourage FDI with incentives.
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AREAS OF INVESTMENT COOPERATION

- Mechanical engineering
 - Automobile manufacturing
 - Electricity and household appliance manufacturing
 - Leather and shoes production
 - Food processing Industry,
 - Oil refinery and chemical production
 - Construction materials,
 - Environmental, wastewater and solid waste treatment,
 - Cooperation among small and medium size companies
 - Tourism
 - Others...
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V. PRIVATE PUBLIC PARTNERSHIP (PPP)

PPP project - proposed financial scheme



PILOTING PPP IN VIETNAM

1. PPP Update

a. Organization

- PPP Office under Public Procurement Agency was established under Decision No. 392/QD- KHDT dated March.30, 2012 as a focal point for all PPP activities in MPI
- Prime Minister approved the establishment of Steering Committee headed by Deputy Prime Minister

b. Guidelines on implementing Dec.71:

- Up to date there are more than 30 projects proposed to MPI/ TF/PPP Office from Different authorized State Agencies (ASAs).
 - PPP Office with technical assistants from different donors was carry out preliminary screening of some projects in Ha Noi, HCM, Quang Ninh, Da Nang,...
 - Draft Guidelines on Project Proposal preparation and analytical tools for financial viability assessment
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PILOTING PPP IN VIETNAM

2. Implementation

- Technical Assistance Projects by ADB, AFD, USAID, DFID,...
 - Recently , Prime Minister approved the loan from ADB for developing Project Development Facilities (PDF fund); create a channel of TA and financial support to ASAs to prepare project proposal, FS, hiring transaction advisors, etc
 - Donor coordination activities in communications, sharing experiences,...
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PILOTING PPP IN VIETNAM

3. Next steps

- Select projects to the list of projects calling investment under the PPP model under the Guidance of Directive No. 1792/CT-TTg of Prime Minister and Guidance No. 1350/ BKHDT
 - Prepare the Viability Gap Funding (VGF) to support the state contribution part of project.
 - Formulate guideline and toolkits on how to select proposed projects; guidance on project implementation (project identification and prioritization, selection of investor etc.)
 - Formulate guidance on Decision 71 implementation (including guidelines for each step of project cycle, state contribution policy, cost norms for pilot PPP).
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PILOTING PPP IN VIETNAM

- Develop guidance on application of investment incentives, financial/foreign exchange/land policy; guidance on state budget use for PPP projects
 - Revising and unify the existing regulation on PPP: Decree 108, Decision 71 and other related legal normative document during the implementation process.
 - Prepare to develop PPP Law.
 - Implement capacity building for assessment of public investment efficiency selecting feasible projects for pilot PPP program.
 - Set up coordination mechanism among related government agencies on PPP.
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INVESTMENT PROMOTION CENTERS UNDER FOREIGN INVESTMENT AGENCY

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Website: <http://ipcn.mpi.gov.vn>

Fax: 844.38437927

Investment Promotion Center – Central Vietnam (IPCC)
102 Quang Trung, Da Nang
Tel: 84511.33889689
Website: <http://centralinvest.gov.vn>

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Investment Promotion Center – South Vietnam (IPCS)
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*Looking forward to seeing you in
Vietnam!*

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