Central & Eastern European
Chamber of Commerce in Vietnam

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SOCIALIST REPUBLIC OF VIETNAM

Capital	Hanoi
Area	331,212 km2
Population	99,497,680
National Flag	
National Emblem	

National Language:	Vietnamese
Largest City:	Ho Chi Minh City
Currency :	đồng (đ) (VND)
GDP - 2023*:	429.72 bil US$
nomial per capita	4,346.8 US$
PPP per capita	15,194.3 US$
Legislature:	National Assembly
Time Zone:	UTC+07:00
Independence Day:	02nd September 1945
Measuring Unit:	metric system
Driving on the:	right
Date format:	dd/mm/yyyy
Calling code:	+84

** GDP data for 2023 published on World Bank: https://data.worldbank.org/country/viet-nam?name_desc=false&skipRedirection=true*

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Marko Moric

Chairman of CEEC

Welcome to the 2024 edition of our "Doing Business in Vietnam" guide, crafted specifically to light up the path for Central and Eastern European enterprises eager to explore and thrive in this vibrant market. The Central and Eastern European Chamber of Commerce in Vietnam (CEEC) continues to uphold a unique position among European Chambers globally. Our countries share a rich history and profound friendship with Vietnam, forming a solid foundation for mutual growth and collaboration.

Since its inception a decade ago, CEEC has been at the forefront of fostering strong connections between Central and Eastern Europe and Vietnam. Our chamber has not only gained significant recognition from Vietnamese authorities and the international business community but has also successfully supported numerous companies in navigating the complexities of the Vietnamese market. We are proud of our self-sustaining operations, achieved without external subsidies, which underscore our commitment and capability.

Vietnam presents a challenging yet immensely rewarding environment for businesses. It demands not only patience and perseverance but also innovation, high-quality products, and services. Despite fierce competition, Vietnam is increasingly recognized as a prime destination for trade, investment, and service industries.

The country's economic outlook remains robust, with numerous opportunities emerging despite global disruptions. Every day, our member countries and businesses uncover new avenues for cooperation and growth within Vietnam. We firmly believe that the potential here is vast, and CEEC is dedicated to equipping you with the insights, advice, and tools necessary to capitalize on these opportunities.

This guide aims to provide you with an essential overview of key sectors and practical advice to help you navigate your entry into the Vietnamese market successfully. Consider this guide as the beginning of an ongoing dialogue and partnership.

We look forward to welcoming you to Vietnam and to exploring the exciting prospects that lie ahead. Together, let us seize the opportunities and foster a prosperous future for Central and Eastern European businesses in Vietnam.

MARKO MORIC

ABOUT CEEC

The Central and Eastern European Chamber of Commerce in Vietnam (CEEC) was formed in March 2015 as an independent non-profit organization. It aims to enhance the cooperation, develop the relations in term of economic, finance, commerce, investment and trade promotion between Vietnam and businesses from the 15 Central and Eastern European countries. CEEC *is the youngest European rooted business community in Vietnam* and *most likely a global pioneer by representing Central and Eastern European companies*, professionals in one entity. We promote the cooperation between businesses as well as individuals from 15 Central and Eastern European countries (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Republic of North Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia) and Vietnam.

CEEC and all other European Business Associations (GBA, CCIFV, ICham, DBAV, BeLuxCham, NordCham, CCIPV, and SCCV) delegate their representative to the Executive Committee of the European Chamber of Commerce in Vietnam (EuroCham) which is representing over 1,000 European companies. With Dr. Gellert Horvath, Vice and Co-Chairman of EuroCham for the period of 2017-2018 and Mr. Minh Nguyen, current Co-Chairman of EuroCham, in charge of government relations, CEEC has a strong visibility not only within the European community in Vietnam but also the Vietnamese business community. CEEC's founding Vice Chairman, Mr. Csaba Bundik, was the Executive Director of EuroCham (2013-2015). We also have representatives in the IQM-G&B, Tourism & Hospitality, Transportation & Logistics and Green Growth Sector Committees and representative bodies.

Our main goals are to provide the best services we can give for our existing members, to support their business activities with consulting, networking, referrals and to build an intense CEE related business community in Vietnam.

CEEC Services are offered at 3 different levels:

1. Standard services - basic member services that are related with CEEC-EuroCham dual membership benefits.

2. Advanced services - consulting at the staff level against service fees includes business matchmaking, company contact list, company background check, market study, and mission arrangement support.

3. Premium services - Business Development with the price upon agreement includes consultation on CEEC Board Members Level.

We also focus on business networking events and CEEC Share & (L)Earn events that provides information and actual experiences on specific issues. With our great devotion, CEEC promises to bring its most benefit for businesses from Central and Eastern Europe.

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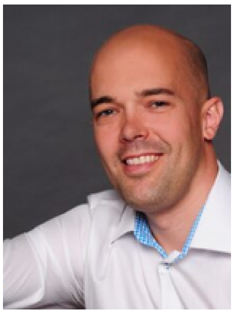

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CEEC is regularly publishing an overview of our activities.
Our Quarterly Reports can be easily downloaded for free from our website: *https://ceecvn.org/news/ceec-publications/*

VIETNAM'S ECONOMIC DEVELOPMENT OUTLOOK 2024-2025

Recent years have seen major economic changes in Vietnam. In 2023, the country slowed after years of rapid growth. Early 2024 has seen indications of recovery, bringing enterprises and investors opportunities and difficulties. This article forecasts Vietnam's economic development and its ramifications for investors using the latest World Bank, ADB, National Statistical Office, etc. reports.

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The first quarter of 2024 showed promising signs. Low export base impact drove GDP up 5.66% year over year. Goods exports rose 17.2% year-over-year. With quarterly growth rates of 4.9% and 4.7%, consumption and investment improved more slowly. In particular, US and Eurozone merchandise exports rose 25.5% and 16.3%, respectively. The first quarter of 2024 saw domestic consumption rise 4.9%, up from 3.0% the year before. Real investment climbed 4.7% year over year due to substantial FDI, while private investment remained low.

A cooling economy affected the labor market and income growth. Employment growth plummeted from 2.2% in Q1 2023 to 0.3% in Q1 2024. From 8.3% in 2017-19 to 1.3% in 2022-23, average monthly real incomes stagnated. The 2023 consumer poll found a drop in expenditures on durable goods like appliances, gadgets, and cars.

In 2023, Vietnam's external position improved despite global issues. Current account surplus rose to 6.7% of GDP from 0.3% in 2022. Balance of payments surplus was 1.3% of GDP. The end of 2023 will see $93.3 billion in international reserves, 3.3 months of imports. This gain was driven by a significant product trade surplus, strong remittance inflows, and a narrowing services trade deficit as foreign tourism recovered to over 12.6 million visitors in 2023, up from 3.7 million in 2022. Imports fell 14.1%, outpacing exports (-8.5%), fueling the merchandise trade imbalance.

Supportive monetary and fiscal policies. Average headline inflation fell to 3.25% by 2023 as the economy cooled. The State Bank of Vietnam (SBV) slashed discount and refinancing rates by 150-200 basis points across four policy rate decreases in 2023. Despite these cuts, loan growth in 2023 was 13.7%, below the SBV predictions. The government operated a light expansionary fiscal policy in 2023. Compared to 2022, government revenue fell 5.4% and tax receipts 13.8%. Total spending rose 12.8%, mostly owing to governmental investment.

With balanced risks, Vietnam's economic growth prospects are good. GDP should grow by 5.5% in 2024. Manufacturing exports will revive due to rising global demand, according to this projection. The real estate market should strengthen in late 2024 and early 2025. Investors and consumers will gain confidence as exports and the real estate market recover, boosting domestic demand.

Total real investment and private consumption are predicted to increase by 5.5% and 5.0%, respectively. Inflation is forecast to rise slightly from 3.2% in 2023 to 3.5% in 2024, owing to an increase in government-administered prices such as education and health care. The CPI is predicted to decline to 3.0% in 2025 and 2026, with commodity and energy prices remaining constant.

Indicator	2021	2022	2023e	2024f	2025f	2026f
GDP growth (%)	2.6	8.0	5.0	5.5	6.0	6.5
Consumer Price Index (average, %)	1.8	3.1	3.2	3.5	3.0	3.0
Current account balance (% of GDP)	-2.2	-0.3	1.9	1.7	1.6	1.7
Fiscal balance (*) (% of GDP)	-1.4	-0.2	-1.2	-1.6	-1.1	-1.0
Public & publicly guaranteed debt (**) (% of GDP)	43.0	37.9	39.8	40.4	37.0	35.3

Source: GSO; MoF; SBV; IMF; and World Bank staff calculations.

Note: e = estimate; f = forecast, *: excluding unallocated expenditures and following Government Finance Statistics (GFS),
**: calculated based on Decision No. 458/QD-TTg (April 28, 2023) related to the plan for borrowing and repaying public debt in 2023 and for 2023–25, Resolution No. 105/2023/QH15 (November 10, 2023) related to the government's 2024 budget

However, that image has risks. Slower-than-expected growth in advanced nations and China may diminish Vietnam's export demand. Increased geopolitical conflicts and climate disasters pose risks. A delayed real estate market revival may affect investor optimism and private sector investment domestically.

Due to the slow real estate market, the financial sector's asset quality might see a decline, which may hurt growth, especially at larger state-owned commercial banks with tiny capital buffers. On the other hand, even slightly stronger-than-expected global growth may boost Vietnam's export sector faster.

Leveraging policy support is essential for investors. Accelerating public investment might raise aggregate demand and fill infrastructure constraints in the medium run. Given the interest rate differentials between local and international markets and currency rate pressure, additional interest rate cuts are limited. Additionally, monitoring the financial sector remains critical, as investors should understand bank capital adequacy initiatives and trust prudential oversight of institutional improvements. Transparent early action, bank resolution, and crisis management are part of this.

The need for structural and administrative reforms for long-term growth is undisputed. Addressing energy, transportation, and logistics infrastructure deficiencies is linked to improvements in public investment management. Strengthening the regulatory framework for backbone services like ICT, power, and transportation is of the same importance. Very recent developments, like the publication of the legal framework for direct power purchase agreements (DPPA), clearly point in the right direction.

Vietnam's goal of becoming a high-income nation by 2045 requires improved creative entrepreneurship conditions to raise output. To support startups, the upgrade of the entrepreneurial ecosystem, including skills development programs, will contribute to the establishment of higher-value businesses. In this way, the sectoral shortage of qualified personnel on all levels will eventually be overcome.

Refocusing the national flagship program on establishing a pipeline of investment-ready, innovative entrepreneurs, enhancing crucial support instruments, and attracting qualified private operators and fund managers are ways to improve entrepreneurial outcomes. Accelerating regulatory reforms to ease investment procedures and increasing public research sector commitment to creative startups are important. This includes upgrading the intellectual property and technology transfer framework, strengthening performance evaluations, and expanding university and public research agency technology transfer capability. In particular, European businesses have proven in the past their willingness to share knowledge and technologies to create sustainable partnerships with domestic enterprises. Hence, a supportive legal framework will create mutual benefits.

This summary of areas for improvement is also the primary focus of our chamber's advocacy and lobbying efforts, whether bilaterally or collaboratively, such as through Eurocham or other European business advocacy platforms.

In conclusion, Vietnam's economic prospects for 2024 and 2025 are cautiously hopeful. While the country has various obstacles, particularly in the labor market and the banking sector, there are considerable prospects for growth, particularly in exports and domestic consumption. Investors should stay up-to-date on the changing economic situation, take advantage of legislative incentives, and focus on areas that are ready for recovery and growth. With strategic investments and a focus on structural reforms, Vietnam remains an appealing business and investment location.

Florian J. Beranek
Vice Chairman of CEEC

VIETNAM AT A GLANCE.
MARKET ENTRY FOR FOREIGN INVESTORS

KEY COUNTRY FACTS

Location
- Southeast Asia
- Bordering China, Laos and Cambodia

Land area
- 331,690 km^2
- 63 Provinces & municipalities
- Capital city: Hanoi
- Covered city: Ho Chi Minh City

Language
- First language: Vietnamese
- Widely taught: English, French, Chinese

Religion Buddhism, Catholicism, Taoism and Confucianism

Population
- Approximately 98 million
- Major ethnic group: Kinh (Viet), accounted for 85.7% of the ethnic composition

Labour force
- Labor force (aged 15 and above): 52.4 million
- Labor participation rate: 68.5%
- Unemployment rate: 2.28%

Currency
- Vietnamese Dong (VND)

Income category
- Lower middle income
- Monthly minimum wage (2023): VND 3.45 million (~ USD 141.58) to VND 4.96 million (~USD 203.87)

Average GDP Growth (2023): 5.05%
GDP per capita (2023):
- Estimated at **4,284.5 USD**
- Up 160 USD compared to 2022, approximately 3.88%

Inflation rate (2023): 3.25%
Foreign Trade Agreements (FTAs):
- 16 signed and effective FTAs
- 3 FTAs are under negotiations
- As of 2024, Vietnam has signed Double Tax Avoidance Agreements with approximately 80 countries and territories.

International visitors to Vietnam (2023): 12.6 million arrivals
World Bank ease of doing business rank: 70

Source: General Statistics Office of Vietnam 2023, The Global Economy 2023, The World Bank 2023, Asia Briefing 2023

VIETNAM AT A GLANCE FOR BUSINESS MARKET ENTRY OF FOREIGN INVESTORS

Market entry options
Foreign investors are allowed to set up and own 100% share capital of a company in Vietnam, except for circumstances where the foreign investment is restricted and/or foreign ownership ratio is limited under the bilateral or multilateral agreement(s) to which Vietnam is a signatory (e.g. WTO Commitments, EVFTA) or regulations of local laws.

Alternatively, foreign investors may consider other options such as Business Co-operation Contract ("BCC"), Merger and Acquisition, Branch, Foreign Contractor/ Cross-border supplies and Representative Office in initial stage of their market entry in Vietnam.

Investment procedures and conditions
Each investment form is subject to different investment procedures and conditions. Establishment of a FIE normally entails the greatest expenditure of time, which involves the procedures to obtain an Investment Registration Certificate and an Enterprise Registration Certificate. Depending on the investment sectors and scale, an "in-principal" approval from the competent State authority may additionally be required.

Modern Ho Chi Minh City
Image Source: pixabay

INVESTMENT INCENTIVES AND GURANTEES

Investment incentives
Foreign investors are entitled to investment incentives based on sectors and geographical locations. Highlighted sectors eligible for investment incentives are high-tech activities, high-tech ancillary products, waste collection, treatment, recycling or re-use, medical examination and treatment, education.

Areas eligible for investment incentives are disadvantaged areas and extremely disadvantaged areas; industrial parks, export-processing zones, hi-tech zones and economic zones; or other areas as decided by the Government.
Moreover, special investment incentives are given to certain projects exerting significant socio-economic effects.

Investment guarantees
The Government also provides some basic investment guarantee commitments towards foreign investors, for instance, guarantee for asset ownership, transfer of foreign investors' assets overseas or business investment upon change of laws.

LAND AND RESIDENTIAL HOUSES

FIE may lease land from or is allocated land with land use levy by the State, as well sub-lease land from the industrial zone infrastructure developers. Land rent incentives (rent exemptions and reductions) apply to investment projects satisfying certain conditions.

Foreign organizations and individuals are allowed to purchase and own residential houses/apartments in Vietnam subjecting to certain conditions.

LABOR AND IMMIGRATION

Visa & temporary residence card

Except when being exempted from visa, foreigners are allowed to enter Vietnam by obtaining a visa with single entry or multiple entries, which is categorized into different types subjecting to the entry purpose, or by electronic visa whose term now is up to 90 days.

A visa can be replaced by a temporary residence card ("TRC") which grants the foreigners the right to temporarily reside in Vietnam for a certain length of time up to 3 years or 10 years (for Investment TRC only) provided some requirements are satisfied.

Work Permit
As the case may be, foreigners must obtain a Work Permit ("WP") or a Certificate of Work Permit Exemption ("CoWPE") to legally work in Vietnam. Term of a WP or a CoWPE shall not exceed 2 years. Notably, the WP is only allowed to be extended once with the validity term of 2 years for the maximum.

In some special cases, neither WP nor CoWPE is required such as when foreigners enter Vietnam to work no more than 3 times per year and working period of each entry is under 30 days, or in case of an owner of a limited liability company owning a capital contribution valued of at least VND 3 billion. However, a report to the competent labor authority in such cases is still required.

PROFIT REMITTANCE

Foreign investors are only permitted to transfer after-tax profits abroad (tax on remittance of profits abroad is not applied) either at the end of the fiscal year or upon termination of the direct investment activities in Vietnam.

TAXATION

Value-Added Tax (VAT)
Generally, goods and services used for production, business and consumption in Vietnam are subject to VAT. Different VAT rates (0%, 5% and 10%) or VAT exemption are applied to different kinds of goods and services. According to the draft VAT law, the application of VAT rates for product groups may be changed to consistent with the orientation of reforming the tax system, moving towards applying a common tax rate.

VAT exemption	Some goods and services are exempted from VAT such as medical or veterinary exempt services, certain kinds of insurance services, certain financial operations.
VAT 0%	Mainly applied to exported goods/services.
VAT 5%	Generally applied to areas of the economy concerned with the provision of essential goods and services.
VAT 10% (*)	This is the "standard" rate.

(*) For the first 06 months of 2024 (i.e.: January to June 2024), the standard VAT rate was adjusted from 10% to 8% (with exception of some groups of goods and services) thanks to the incentive program of the Government. This program is extended until the end of 2024 under the Decree No.72/2024/ND-CP dated June 30, 2024.

Corporate Income Tax (CIT)

CIT is imposed on the income (Profit) of enterprises, or any kind of organisations established under Vietnamese laws doing business in Vietnam. The current standard CIT rate is 20%. Taxation for oil and gas businesses is applied within the range from 32% to 50%. The natural resources industry may have a higher tax rate (i.e. 40% or 50%). CIT incentives are available, including a preferential tax rate and tax holidays which are granted to investment projects based on their business activities or their location.

Some additional CIT incentives are also available for enterprises operating in manufacturing, construction and transportation with a high ratio of female employees or ethnic-minority employe

From 2024, Vietnam adopts the Global Minimum Tax in line with the Pillar Two of Base Erosion and Profit Shifting (BEPS) 2.0 Actions. A minimum CIT rate of 15% shall be applied for certain qualified large multinational corporates operating in Vietnam which may potentially impact the advantages of previously granted CIT incentives. In an effort to maintain the attractiveness of the business environment, a draft decree is being formulated for the establishment, management, and use of an investment support fund. This fund is intended to support, encourage, and attract strategic investments in high-tech sectors and Research & Development activities.

Taxable income is defined as the difference between total taxable revenue and total deductible expenses of the enterprise during the tax year. Taxable revenue includes all income from sales, provision of services and other incidental income accruing to the enterprise from any business activities, irrespective of whether the revenue was derived in Vietnam or overseas and has been collected or not. Generally, expenses are tax deductible on the basis that they are business related and supported by legitimate invoices/documents and are not specifically identified as being non-deductible. For the purchase of goods or services valued at VND 20 million (VAT inclusive) and above, evidence of non-cash payment is also required.

An enterprise is allowed to carry forward fully and continuously the operating loss of a financial year to offset against future taxable income for a period of up to five years counting from the year after the year of loss.

Personal Income Tax (PIT)

PIT is applied to taxable income received by individuals. Therefore, as a general rule, PIT is a liability of individuals; however the PIT regulations encompass the concept of tax withholding at source, in which the income-payer is required to temporarily withhold tax prior to paying incomes to its employees and remit the withheld tax to the tax authority.

Taxable income includes employment income, business income, income from capital investment, income from capital transfer, income from transfer of immovable properties, and other taxable income. Employment income is the most common type. In particular, taxable employment income includes income in the form of salaries, wages, remuneration, allowances (excluding some non-taxable income and exempt income as stipulated), income from membership of business associations, boards of management, boards of control, management councils and other organisations, and other benefits in cash or in-kind. For employment income, tax residents are taxed using progressive tax rates with a top marginal rate of 35%; meanwhile non-tax residents are taxed at 20%. In general, the PIT tax year is the calendar year. In certain cases, the PIT tax year may differ from calendar-year basis.

Particularly, the PIT tax year can be 12 consecutive months from the day on which the foreign individual arrives at Vietnam if he/she stays in Vietnam for less than 183 days in the first calendar year, or from January to the departure date of the year when the foreign individual qualified as Vietnamese tax resident terminates his/her labor contract in Vietnam.

Foreign Contractor Tax (FCT)

FCT, normally referred to as the Withholding Tax, is imposed on foreign contractors or foreign sub-contractors (hereinafter collectively referred to as foreign contractors), which are defined as foreign organizations or individuals carrying out business in Vietnam under the contract signed with a Vietnamese contracting party or signed with a main foreign contractor. FCT actually comprises of two kinds of taxes, Income Tax and VAT. In cases where the foreign contractor is an organization, these are CIT and VAT. There are three methods for FCT filing, which results in different positions of taxes payable.

Declaration method (previously known as VAS Method)	The foreign contractor applies the Vietnamese Accounting System (VAS), pays VAT by the credit method and is liable to pay CIT on their net profit earned from the project/contract at the applicable rate, similar to a Vietnamese enterprise.
Direct method (previously known as Withholding Method)	The foreign contractor pays FCT on a deemed withholding basis. FCT applies at various rates, depending on the nature/scope of the contract. It is the responsibility of the Vietnamese contracting party to register the contract with the local tax department, and to withhold and pay the applicable FCT to the local tax department.
Hybrid method	This is a combination of the above two methods. VAT is declared using the credit method (same as Declaration Method), while CIT is declared on a deemed basis (same as Direct Method).

AUDIT AND ACCOUNTING

Foreign-invested enterprises (collectively "FIEs") doing business in Vietnam are required to comply with the VAS, the Vietnamese Enterprise Accounting System (not applicable for credit institutions) and interpretive guidance when preparing their financial statements.

The initial VAS were modelled on earlier versions of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Vietnam's approach included modifications and selective adoption of IAS or IFRS, influenced by local regulatory interpretations that differed from global standards. Unlike the dynamic and evolving nature of IFRS, VAS has remained static since their initial issuance. This divergence has created disparities in accounting practices between Vietnam and international standards, affecting financial reporting and analysis within the global context.

On 16 March 2020, the MOF issued Decision 345/QD-BTC ("Decision 345") regarding the scheme for application of financial reporting standards in Vietnam laid the foundation for the application of IFRS in Vietnam and promulgating and organising the implementation of the Vietnam Financial Standards Reporting Standards (VFRS).

Source: pixabay

The fiscal year applicable to FIEs in Vietnam is normally a calendar year i.e., 1 January – 31 December. FIEs may notify the local tax authority about their own 12-month fiscal year, commencing from the first day of a quarter and ending on the last day of the previous quarter in the following year. For the first/last fiscal year (i.e. the year of company establishment and closure), the accounting period can be more than 12 months but must not be longer than 15 months.

Every enterprise is required to employ a Chief Accountant who must satisfy the criteria and conditions stipulated by the Law on Accounting, except for micro businesses. The enterprise can also outsource a chief accountant position from an authorized accounting service company in Vietnam. The annual financial statements of FIEs must be audited in accordance with the Law on Independent Audit. The audit must be carried out by an independent auditing company permitted to operate in Vietnam.

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Introducing Forvis Mazars in Vietnam
What makes us different?

Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories.

300+
Professionals

4
Partners

#1
Accounting service

2
Offices

Forvis Mazars in Vietnam was established in 1994, providing professional auditing, accounting, financial & business advisory, tax and legal services and has since grown to become one of the premier mid-tier firms in the country with two offices in Hanoi and Ho Chi Minh City.

Reported by the Ministry of Finance, Forvis Mazars in Vietnam is ranked number one for the Accounting outsourcing services, and among the top 10 Auditing firms in Vietnam.

With over 300 staff, our multi-disciplinary team of professionals comprises Chartered Accountants, Certified Public Auditors, Tax Lawyers, Masters in Accounting and Finance, Masters in Business and Administration and Cost Accountants. Our team has all the requisite business and technical skills, professional experience and knowledge base to deliver customised solutions to our clients. Because we possess these respective competencies, our professionals are capable of developing competitive advantages and sustainable values for a wide range of businesses. We view ourselves as advisors and business partners who help our clients succeed, not just doing menial bookkeeping or data entry work.

"Technology has changed everything we do whilst the corporate and political landscapes are becoming more unpredictable and evolving on a global scale. Whatever the situation, Forvis Mazars is able to withstand obstacles and uphold our pledge to support our clients throughout their development journey. Operating as a single, united and integrated partnership with agility, empathy and consistent quality, we strive to truly understand what you need to deliver tailored values targeted to business specific requirements and help you move forward. Foremost, we believe sustainability and uniqueness will build remarkable growth, that also defines the way we have been successfully operating our firm whilst making impactful investments in our people and society."

Huyen Nguyen
Managing Partner, Forvis Mazars in Vietnam

AN INTRODUCTION TO VIETNAM'S TRADE AND BUSINESS ENVIRONMENT

Vietnam's economy is expected to maintain rapid growth through 2024 and beyond, driven by advancements in the digital economy, manufacturing, exports, and foreign direct investment. By investing in infrastructure, developing human capital, and continuing economic reforms, Vietnam aims to achieve equitable and sustainable growth in the future. The nation is positioned as a key player in the ASEAN region and an attractive destination for foreign investors, thanks to its favorable demographics, strategic location, and youthful workforce.

The nation is positioned as a key player in the ASEAN region and an attractive destination for foreign investors, thanks to its favorable demographics, strategic location, and youthful workforce. Over the last few years, Vietnam has significantly integrated into the global supply chain, becoming a favored destination for international companies as manufacturing shifts from China to Vietnam. As of 2024, Vietnam's economy has continuously grew at one of the fastest rates among ASEAN countries. Its GDP growth rate has exceeded that of some of its ASEAN counterparts, averaging between 6 and 7% annually. Furthermore, Vietnam's industrial sector, particularly in electronics, textiles, and footwear, has made important contributions to the country's economic progress. Vietnam has successfully integrated into global supply chains by leveraging its competitive labor costs and favorable trade agreements. As a result, the country has become a major exporter of commodities both within ASEAN and internationally.

To date, Vietnam is a member of various regional and international organizations, including the UN, ASEAN, ASEM, APEC, the WTO, the Francophone, the Non-Aligned Movement, among others. Vietnam's business environment benefits greatly from its membership in numerous free trade agreements, serving as a significant advantage in Vietnam's trade relations, leading to reduced export costs. As of 2023, Vietnam has signed 16 FTAs so far and is in the process of negotiating EFTA, ASEAN – Canada FTA, and Vietnam – UAE FTA (WTO Center, 2023).

As a member of the ASEAN Economic Community (AEC), Vietnam enjoys tariff-free shipment of nearly all goods to most other Southeast Asian countries. In the last 15 years, agreements between ASEAN and various countries have expanded access to more regional markets. Regional Comprehensive Partnership (RCEP) has reinforced the effectiveness of these deals. Two of the most important are the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EUVFTA).

In the first half of 2024, Vietnam's products export turnover was assessed at 190.08 billion USD, gaining 14.5% year on year and increasing the country's trade surplus to 11.63 billion USD, according to the General Statistics Office. Imports also increased steadily, up 17% year on year to 178.45 billion USD. The domestic economic sector added 65.74 billion USD to import turnover, representing a 22.3% increase. Raw materials for production were the largest import category, making up a substantial 94% share, valued at 167.73 billion USD. The United States remained Vietnam's leading export market, with an expected turnover of 54.3 billion USD.

Source: Getty Images

Source: Suwannar Kawila

Foreign direct investment (FDI) remains crucial for Vietnam to support post-COVID economic recovery and advance the government's goal to achieve middle-income status by 2045. Foreign enterprises invested over 15.19 billion USD in the Vietnamese economy in the first six months of 2024, indicating a 13.1% increase over the same period last year. Additionally, in the first 6 months of the year, about 10.84 billion USD worth of FDI capital was disbursed, an increase of 8.2% over the same period in 2023. Meanwhile, Singapore emerged as the top investor USD, which represents nearly 36.7% of total foreign capital into Vietnam and shows an 86% year-on-year growth. It was followed by Japan, Hong Kong (China), the Republic of Korea, and China.

In summary, Vietnam's economy showed mixed signs of recovery in 2023 and early 2024 according to the World Bank (2023). On the one hand, given its significant openness and deep integration into the global economy, Vietnam was unable to escape the effects of the ongoing war between Russia and Ukraine. Additionally, the country is facing challenges such as environmental concerns, infrastructure gaps, and regulatory issues. These factors could affect long-term sustainability and require continued government intervention and active participation from the private sector. On the other hand, Vietnam's economic forecast remains positive, with ongoing growth fueled by manufacturing, exports, and foreign investment. Aligning strategically with global trade agreements and growing digital economy sectors will further bolster its position as a key player in Southeast Asia's economic landscape. Lastly, embracing the Green Economy offers a sustainable path forward sustainable growth and development, enabling responsible and environmentally conscious business practices.

Huyen Nguyen
Managing Partner, Forvis Mazars in Vietnam

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Partner, Head of Advisory, Forvis Mazars in Vietnam

SUSTAINABILITY FOCUS. OVERARCHING PUBLIC AND PRIVATE AGENDA

Sustainability remains the key growth sector in Vietnam. This is driven by several factors - economic growth, climate change, and Vietnam's commitment to net-zero carbon emissions by 2050.

International commitment: at the UN Climate Change Conference in Glasgow (COP26) in 2021, Prime Minister Pham Minh Chinh announced the country's commitment to phase out coal power generation by the 2040s and achieve net-zero carbon emissions by 2050. On July 26, 2022, in its National Strategy on Climate Change, Vietnam announced a 43.5% emissions-reduction target by 2030, sector-specific emissions targets for 2030 and 2050, and qualitative suggestions for achieving these goals. At COP28 in December 2023, Vietnam extended its climate commitments by joining the Global Cooling Pledge, which aims to reduce greenhouse emissions from the cooling industry by at least 68% by 2050.

Vietnam's 2014 Law on Environmental Protection penalizes violators, while the Revised Law on Environmental Protection, effective January 1, 2022, emphasizes community involvement and business responsibility. Decision 450/QD-TTg promotes circular economy development and waste management till 2030 to protect the environment.

Public support: in March 2024, TGM Research, in collaboration with PRO Vietnam, has conducted the Waste Segmentation in Vietnam report, offering invaluable insights into consumer awareness, attitudes, and actions regarding reduce, reuse, and recycle practices. Vietnamese individuals across various cities exhibit a high level of environmental consciousness:

- 95% of Vietnamese surveyed show interest in environmental issues,
- 80% express concern about waste, with dust and air pollution also being significant concerns,
- 83% believe the 3Rs (reduce, reuse, recycle) positively impact the environment, however only 51% personally sort all their waste.

This provides great foundation for further education activities driven both by the authorities as well as businesses.

Economic opportunities: investments in renewable energy projects, including wind and solar farms, sustainable agriculture, and eco-tourism, have created economic opportunities and green jobs, driving development and environmental protection.

Already now, Vietnam's share of electricity produced by solar energy has increased from practically zero to nearly 13%, higher than in other economies such as France or Japan, making it the 10th largest solar power producer in the world.

However, moving from coal to renewable energy requires a serious shift in planning, production, and distribution. The country will need to invest in enabling infrastructure — such as transmission and distribution grids, as well as utility-scale storage — to integrate renewables into the grid, bridge short-term supply shortages, and cover distances between power plant sites and demand centers.

This economic shift should go hand-in-hand with the implementation of Sustainable Development Goals. In May 2017, Vietnam promulgated the National Action Plan for the Implementation of the 2030 Agenda for Sustainable Development (NAP 2030). General policies for the implementation of the SDGs in Vietnam have been issued in synergy with the Resolutions and Directives of the Government. The National Socio-Economic Development Strategy for the period 2021-2030 has fully integrated 17 SDGs into its directions, tasks, and solutions.

Vietnam has made remarkable progress towards some targets, but more efforts are needed to stay on course for goals related to GreenTech, including goal #6 Clean Water and Sanitation, goal #7 Affordable and Clean Energy, goal #9 Industry, Innovation, and Infrastructure, goal #11 Sustainable Cities and Communities, and goal #12 Responsible Consumption and Production.

Source: The United Nations - https://sdgs.un.org

Areas of focus for further development: include wastewater treatment management, increasing the share of renewable energy, infrastructure development, urban solid waste collection and treatment, environmental pollution reduction, and the execution of sustainable practices.

For that, the Vietnamese government sees a big role played by international companies and investors. On March 14th, 2024, during the Annual Vietnam Business Forum, Prime Minister Pham Minh Chinh stressed the importance of FDI in promoting green growth. He also said that the Government will focus on three guarantees (political stability, social order and safety, and energy security), three breakthroughs (in institutions, laws, mechanisms and policies; in infrastructure development; and in administrative reform and human resource development), and three enhancements (enhancing the trust of enterprises, improving transparency and equality, and strengthening support for enterprises in green and sustainable growth) to create favorable conditions for stable and sustainable enterprise development in Vietnam.

This creates big opportunities for CEEC countries to enter the Vietnamese market, bring innovations, and ensure long-term assurance from the Government, aligned with the country strategy and international commitments.

Here is what General Manager of ALPLA, Marco Fritsche shared on this topic:

As a leading plastic processing company from Austria, with a plant in Dong Nam Industrial Park, we offer our customers in Vietnam attractive packaging solutions. Sustainability and green tech are very important aspects of our company processes. We see many opportunities in plastic recycling to complete the full cradle-to-cradle process. To enable this, further development of waste collection infrastructure and feedstock management is required, supported by administrative reforms and business incentives. This will provide an additional boost and attract more international investors.

Tatiana Masalska – Laska
Chief Experience Officer at TGM Research

SECTOR INTRODUCTION

01
Consumer Finance

02
Manufacturing

03
Digital economy

04
Fintech

05
Healthcare

06
Education

07
Agriculture

08
Transportation

09
Tourism

10
Real Estate

THE TRANSFORMATION OF CONSUMER FINANCE IN VIETNAM

Economic Growth Drives Spending in 2024

Vietnam's consumer spending is set to grow in 2024, as strong economic growth translates into increased disposable income. As the effects of the pandemic gradually fade, Fitch Solutions - a leading global market research and analytics firm - says that easing inflation, a strong labour market, and steady real wage growth is leading to robust retail sales forecasts in Vietnam.

The importance of consumer finance to the Vietnamese economy cannot be overlooked. According to the State Bank of Vietnam's statistics, 70 per cent of adults in Vietnam have a bank account, but nearly half of them do not have access to credit. The young, open-minded, and tech-savvy middle class segment is growing rapidly, expected to reach 56 million people by 2030. In January 2020, the Government approved a comprehensive national financial inclusion strategy with the goal that at least 80% of adults would have a transaction account at a bank or other qualified institution by the end of 2025.

The Vietnamese government sees consumer finance companies (CFCs), who are serving those un-banked or under-banked customers, as critical to driving the financial inclusion strategy and to accelerate economic growth. The market currently comprises 16 CFCs, all licensed and regulated by the State Bank of Vietnam (SBV). The consumer finance market is undergoing increasing fragmentation, with four main players emerging as the market leaders. Healthy competition is driving innovation for those CFCs looking to actively seize a larger portion of the market

Home Credit, now the second largest CFC in the country, is active in all 63 provinces nationwide and serving almost 16 million customers

Source: Home Credit

Since its early days, Home Credit's mission has been to empower people to live the life they want now. It has developed a reputation as a disruptor and innovator, regularly introducing new products to the Vietnamese market, centered on customer needs, responsible lending and technology-driven solutions. It was rated the 'Most Desired Brand' in the industry by Ipsos for five consecutive years (2018 to 2022).

Home Credit Vietnam's 2023 audited financials show one of the lowest Non-Performing Loan (NPL) ratios in Vietnam's consumer finance industry, demonstrating its responsible approach to lending. The company prioritizes this along with sustainable growth - focusing on controlling risk, ensuring its customers are financially literate, and driving accessibility and transparency for its clients.

Source: Home Credit

DIGITAL TRANSFORMATION

The industry is also accelerating digitalization plans. As more local and foreign-owned FinTech businesses begin to emerge in greater numbers, more innovative and disruptive products and services are being quickly rolled out into the market.

Mobile apps and simple online processes are amongst the key strategic priorities for CFCs. With the boom in e commerce and digital payments, Buy Now Pay Later (BNPL) has also become a popular approach adopted by many FinTech and traditional operators, as well as consumers. Alongside this, new “mobile money” pilot schemes are being backed by major telecommunication operators, driving even greater competition in the market in the future.

Regulators are watching these developments closely and working on a special sandbox scheme to trial new business models, technologies, and products.

Driven by the promise of making customers feel good, Home Credit has quickly accelerated its push for various digitally transformational initiatives. These include one touch BNPL solutions, such as Home PayLater, on the go reporting using the mobile application Home App, QR code payments and a 24/7 customer service assisted by “voicebot” and “chatbot” systems. All these products leverage the strength of an advanced data analytics and AI system.

“For nearly 16 years in Vietnam, Home Credit has been more than just a financial institution; we have become a top trusted companion to over 16 million customers and thousands of partners across the country. We take pride not only in being the market pioneer but also in leading the way with sustainable growth practices. Our innovative and responsible financial solutions have made financing more accessible, affordable, and secure for millions of customers, fostering financial inclusion and contributing to the country's economic growth.”, Jakub Kudrna, Chief Strategy Officer of Home Credit Vietnam said.

In addition, Environment, Social and Governance (ESG) principles guide the business direction of Home Credit. Home Credit Vietnam has not only won the Global Corporate Social Responsibility & ESG Leadership Awards for the past four years but is also the only consumer finance company to be ranked on Vietnam’s Top 100 Sustainable Companies (CSI100), awarded by the Vietnam Chamber of Commerce and Industry (VCCI) for two consecutive years in 2022 and 2023.

Home Credit Viet Nam

Buy now, pay later

HOME PayLater

Scan to register

VIETNAM MANUFACTURING IN 2024

Vietnam has emerged as one of Asia's great success stories, backed by stable political system, commitment to sustainable growth, relatively low inflation, strong FDI inflows, youthful and digital population, and strong manufacturing sector. In addition, the country has a large domestic market and a growing middle class. These dynamic factors have created an extraordinary opportunity for international investors to take advantage of the regional growth prospective and focus their attention on Vietnam, particularly in the **manufacturing sector.**

In 2023, Vietnam's economy continued to flourish with a GDP growth rate of 5.05%, despite the global uncertainty. This rate surpassed the global average of 2.7%. Last year, the country experienced progressively robust economic growth throughout each quarter, culminating in a remarkable performance in the fourth quarter where it emerged as the top-performing economy, expanding by 6.7%. This growth was largely propelled by significant contributions from key service sectors, particularly tourism. **The view for 2024 is cautiously optimistic, the government is forecasting better performance with the GDP growth rate of 6%.**

These economic achievements make the country one of the few economies globally to grow amidst turbulent times.

Vietnam's manufacturing accounts for more than 20% of the country's GDP. It means faster manufacturing growth will boost GDP growth.

Kizuna Factory in Long An I Source: Kizuna

VIETNAM AS A GLOBAL MANUFACTURING HUB WILL FUEL GROWTH.

In 2023, foreign investments in manufacturing industry in Vietnam took the lead with a total investment of over 23.5 billion USD, accounting for 64.2% of the country's total FDI capital, as stated by the Ministry of Planning and Investment.

Vietnam has transformed into an exportoriented manufacturing country as it embraced globalization and trade liberalization over the past decade. There are many reasons which make Vietnam be considered **the emerging manufacturing powerhouse** in the region such as connectivity with supply chains, labor-intensive sectors and low production costs, trade partnerships with the world's largest trade organizations and significant regional and global free-trade agreements, to name a few.

THE VIETNAMESE MANUFACTURING ADVANTAGE.

Top position to leverage on regional Manufacturing Diversification Strategies

This strategy has enabled Vietnam to capture a substantial amount of the production expansion from China and other regional peers, due to its economic policies focused on foreign investment support, infrastructure development.

According to the World Trade Organization, Vietnam ranked 23rd among the world's leading exporters in merchandise trade in 2023, with a total export value of 354 billion USD.

Oxford Economics experts predict that Vietnam's share of global electrical exports will continue to grow, reaching approximately 4% by 2025.

Progressive taxation and FDI support policies

The Vietnamese authorities have put in place efficient and robust taxation policies dedicated to the manufacturing sector, where investors can benefit from massive tax reductions, breaks and incentives depending on the size of their project.

In addition, the multitude of trade agreements which Vietnam adheres to, with the latest signed being EVFTA with the European Union, and RCEP with the Association of Southeast Asian Nations (ASEAN), add a significant incentive to producers across the world to expand their facilities in Vietnam, so they can take advantage of the tariffs for import or export with Asia and Europe as well.

In 2023, Vietnam achieved impressive results in attracting foreign direct investment, drawing in hundreds of millions of USD and demonstrating strong investor confidence. As of April 2024, the manufacturing and processing sector had received 289.7 billion USD in capital from foreign investors. Notably, last year, Hyosung Group, a South Korean industrial conglomerate announced plans to pour 720 million USD in a biotech fiber manufacturing plant in Vietnam which highlight the unique investment synergy between South Korea and Vietnam.

Geographical location and infrastructure investments

Škoda Factory in Quang Ninh I Source: VnMedia

Vietnam's geographical position is a major asset for attracting investments in the manufacturing sector, as the country has direct access to the most important freight and trade routes in Asia, with a multitude of airports, rail links, seaports and direct highway systems connecting Vietnam with one of their most important trade partners – China. Coupled with consistent investment in infrastructure and industrial parks development, these make Vietnam highly attractive for the logistics sector as well, as the backbone of a growing supply chain where Vietnam takes a lead position.

As of 2024, the system of Industrial Parks and Economic Zones nationwide, includes 418 parks, as stated by the Ministry of Planning and Investment of Vietnam. Tax incentives including Corporate Income Tax reductions and exemptions for large projects with total capital of VND 6 trillion or more.

Digitalization in production

The Vietnamese Ministry of Information and Communications has emphasized that digital technology, focused on design, creation, and manufacturing in Vietnam, is the primary industrial sector driving the country's industrialization and modernization. This contributes to increased digitalization capabilities and the development of a digital nation.

Vietnam is accelerating its digital transformation across all sectors, which is seen as a crucial step in promoting the country's economic growth in the context of the 4th industrial revolution. This effort is reflected in Vietnam's national digital transformation program for 2025, with a vision for 2030, which focuses on three main pillars: developing a digital government, a digital economy, and a digital society.

REGULATORY FRAMEWORK

The country is prioritizing the development of smart manufacturing as a breakthrough industry and promoting the growth of green industries. The government has implemented policies to attract foreign direct investment in these industries, particularly in processing and manufacturing, with a focus on projects that utilize "high, new, clean, and economical" technologies.

This commitment is demonstrated through Vietnam's participation in 14 Free Trade Agreements (FTAs) and a range of investment incentives, including customs, tax, land lease cost, and factory construction incentives.

These incentives are codified in laws such as the Law on Investment, the Law on Corporate Income Tax, and the Law on Customs, as well as other decrees, circulars, local decisions, and policies designed to attract investment in each locality.

Market entry and entity structuring for foreign investors in manufacturing.

The licensing process can be a barrier for investors seeking to enter the market. In general, there are several prerequisite certificates that investors must obtain before conducting investment activities in Vietnam. These include:

• Investment Registration Certificate (IRC): The IRC is a document issued by the Provincial Department of Planning and Investment or the Provincial Management Board of Industry/Economic Zones (or equivalent agency) to document the legal status of a project and to provide evidence of eligibility for investment incentives.

• Enterprise Registration Certificate (ERC): The ERC is a license issued by the Provincial Department of Planning and Investment to recognize the legal status of an enterprise. This document is equivalent to a Certificate of Incorporation in other countries and includes information such as the company name, address, lines of business, company structure, and management.

Additional sub-licenses or sub-conditions may be required based on assessments of production processes, emissions levels, and goods. These may include fire safety permits, environmental permits, food safety permits, and construction licenses. Depending on the specific products involved, licenses associated with the export, import, and distribution of products may also be required on a case-by-case basis. These may include trading licenses, regulation conformity announcements/registrations, and others.

Projects granted an IRC typically have a term of 50 years. However, some projects may be approved for shorter or longer terms (up to 70 years) depending on factors such as their operational objectives, scale, location, and degree of socio-economic impact.

The project term can be extended at the request of the investor. However, the relevant authorities may refuse to extend the term if the project uses outdated technology that poses a potential risk of environmental pollution or resource depletion.

Based on the specific activities and product lines, in the majority of scenarios foreign investors are generally able to establish a 100% foreign owned manufacturing entity in Vietnam, with the exception of the above-mentioned conditions/prohibitions.

Production location

Manufacturing enterprises are typically permitted to establish production facilities in areas designated according to state and provincial planning. These areas are generally divided into two categories: (i) those located in industrial zones, such as industrial parks, economic zones, export processing parks, and high-tech parks, and (ii) those located outside of industrial zones, such as in industrial clusters, residential areas, and urban areas.

However, the general policy of the Vietnamese government and local authorities is to require factories to be located within industrial parks. This is because industrial parks have the necessary infrastructure and facilities for manufacturing activities, including factories, electricity and water supply, industrial waste treatment, limited environmental impact, and convenient transportation systems (such as proximity to highways, ports, warehouses, and supply partners).

As a result, it is currently quite difficult and often not possible to establish a manufacturing facility outside of an industrial zone or a similar structure.

Environmental protection

Vietnam places a high priority on environmental protection by minimizing production activities that have negative impacts on the environment and avoiding the use of outdated technology that depletes resources. The country prioritizes production activities that use high technology and are environmentally friendly.

Based on factors such as the scale of land, sea, and water surface use, the scale of resource exploitation, and environmental sensitivity, the Law on Environmental Protection divides investment projects into four groups (I, II, III, IV), each with different requirements. Specifically:
• Group I includes projects with a high risk of adverse impacts on the environment.
• Group II includes projects with a risk of adverse impacts on the environment.
• Group III includes projects with a low risk of adverse impacts on the environment.
• Group IV includes projects with no risk of adverse impacts on the environment.

Financial obligations and investment incentives

Manufacturing companies are required to pay various taxes and fees, including licensing fees, corporate income tax (CIT), and value-added tax. Depending on the nature of their production activities and other conditions, foreign direct investment (FDI) in manufacturing may also be subject to additional taxes such as import and export tax, natural resources tax, special consumption tax, land use fees, and others.

Investors may be eligible for various tax, fee, and accounting incentives depending on the location of their project. These may include:
• CIT incentives, such as the application of a lower corporate income tax rate than the standard rate for a definite term or for the entire duration of the investment project, tax exemptions or reductions, and other incentives in accordance with the law on corporate income. Some specific incentives include a 17% tax rate instead of the standard 20% rate, tax exemption for up to 2 years, and a 50% reduction in tax payable for up to the next 4 years.
• Exemption from import tax on goods imported to create fixed assets, raw materials, supplies, and components imported for production in accordance with the law on import and export tax.
• Exemption or reduction of land use levy, land lease, and land use tax.
• Accelerated depreciation, increasing the amount of expenses that can be deducted when calculating taxable income.

For projects which are not located in investment preferential areas, the regular CIT rate of 20% will usually be applied, unless they fall into the fields of investment incentives as prescribed by prevailing tax and investment laws.

"Vietnam offers many advantages that attract foreign direct investment in manufacturing, including a stable business environment, openness to new-generation Free Trade Agreements, and an abundant labor force. The country's preferential policies for foreign investors, which include reducing some administrative procedures for investment, further demonstrate its openness to foreign investment.

However, the procedures for obtaining operational and manufacturing licenses can still be quite complicated. To enter the market legally and avoid potential problems, investors should carefully consider legal factors and develop of clear understanding of prevailing regulations and the commercial best practices in Vietnam".

Vlad Savin
Partner at Acclime Vietnam

VIETNAM DIGITAL ECONOMY 2024

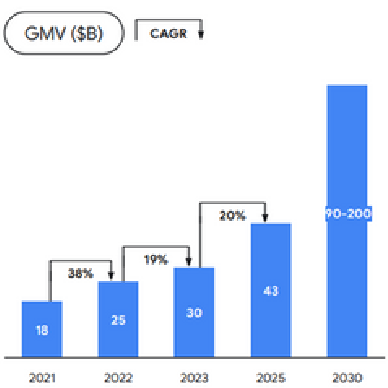
THE PREMISE FOR DEVELOPING VIETNAM'S DIGITAL ECONOMY.

The digital economy in Vietnam has exhibited remarkable growth and vitality, outpaced traditional GDP metrics and now presents an enticing window of opportunity for investors seeking dynamic markets with significant potential for returns. This rapid expansion is driven by a convergence of factors including robust technological infrastructure, increasing internet penetration, and a young, tech-savvy population eager to embrace digital innovations. Sectors such as e-Commerce, fintech, digital media, and technology-driven services have flourished, fueling job creation, entrepreneurship, and economic development.

Increasing digitalization of the economy and society is changing the ways people act and interact worldwide. In recent years, Vietnam has been also witnessing the rapid growth of digital sectors with double-digit CAGR which has presented the potential to transform the country into Asia's next high-income economy, and to bring up the living standards of all of Vietnam's citizens over the coming decades.

DIGITAL GROWTH WAS UPENDED WITH THE ONSET OF COVID-19.

Vietnam's digital economy experienced significant acceleration due to the COVID-19 pandemic, leading to the emergence of new digital businesses and forcing traditional brick-and-mortar enterprises to pivot online. This period also witnessed millions of Vietnamese embracing virtual platforms for e-Commerce, digital banking, entertainment, and education purposes.



The overall digital economy in Vietnam. | Source: The e-Conomy in SEA 2023 Report

POLICIES SUPPORTING THE DIGITAL ECONOMY IN VIETNAM.

The Vietnamese Government recognizes digital transformation as a crucial driver for sustained economic growth and prosperity. Currently, various agencies are charged with supporting and regulating different facets of Vietnam's digital economy.

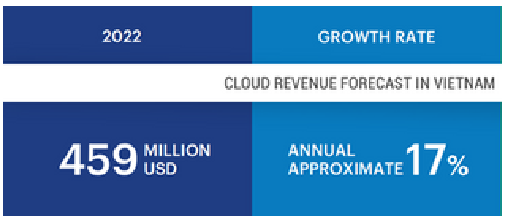
Over the years, the Vietnamese government has enacted several laws to oversee the digital economy. The implementation of these laws is governed by decrees and decisions that provide specific guidance. Notably, Decision No.411/QD-TTg approving the national strategy for the digital economy and society development by 2025, and the Decision No. 749/QD-TTg 2020 national digital transformation program through 2025, as well as other Vietnam's Free Trade Agreements such as ASEAN, CPTPP.

VIETNAM DIGITAL GROWTH PROFILE.

With an average GDP of US$ 4,284 per capita, Vietnam is the lower middle-income economies. The country has generally been focused on resilience and sustainability than richer economies but room to improve on inclusiveness and innovativeness.

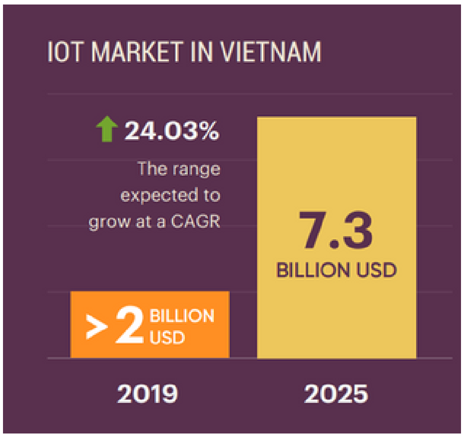
DIGITAL SECTORS OVERVIEW.

The cloud market in Vietnam is on the rise with an annual growth of 17% in 2022. Vietnam enterprises provide 20% domestic market share.



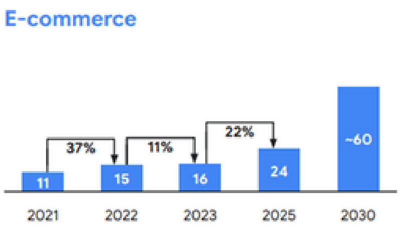
Source: FPT Digital

The Internet of Things (IoT) sector is experiencing rapid growth in Vietnam. According to reports from GSMA Intelligence, the number of IoT devices in the country is projected to surge from 21 million in 2018 to an estimated 96 million by 2025.



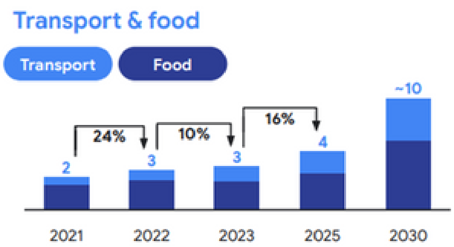
Source: FPT Digital

Vietnam's e-Commerce sector has demonstrated resilience, persisting even after experiencing significant growth during the pandemic and its aftermath. However, buoyed by the growing digital-savvy population, the market is still expected to reach US$ 24 billion by 2025.

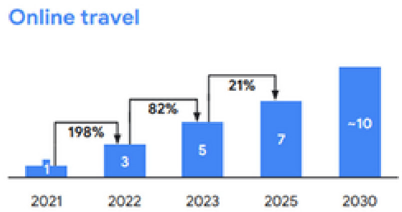


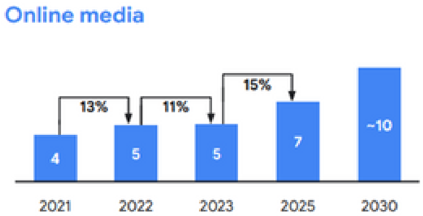
Source: The e-Conomy in SEA 2023 report

Digital travel, transportation, food services, and media sectors in Vietnam are experiencing rapid growth. Particularly, online travel has seen exponential growth since 2021, achieving a remarkable 280% Compound Annual Growth Rate (CAGR).



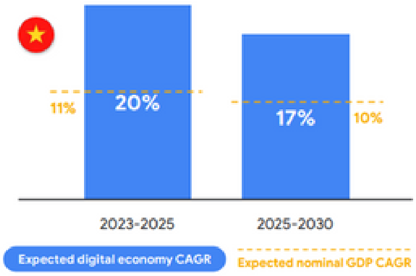
Investors keen on tapping into Vietnam's digital economy stand to benefit from a rapidly evolving landscape ripe with investment opportunities. The e-Commerce sector with the focus on Shoppertainment, for instance, has experienced explosive growth and capturing a growing share of consumer spending in Vietnam now. This trend reflects changing consumer behaviors and preferences, offering investors avenues for participation in a thriving online marketplace.





Source: The e-Conomy in SEA 2023 report

The window of opportunity.



Digital economy GMV vs GDP growth.
Source: The e-Conomy in SEA 2023 report

In addition to e-Commerce, Vietnam's fintech sector continues to flourish, backed by strong support from the government, incentives, and the widespread popularity of QR codes.

The digital media and technology services sectors also present compelling investment prospects. As digital content consumption continues to soar, fueled by increasing smartphone adoption and internet usage, opportunities abound for investors in areas such as digital advertising, streaming services, online gaming, and software development. Vietnam's growing pool of tech startups and innovation hubs further augments the investment landscape, offering avenues for strategic partnerships and venture capital funding.

Moreover, the Vietnamese government's proactive stance towards digital transformation through policy support and infrastructure development underscores the long-term sustainability and growth potential of the digital economy. Investors looking to capitalize on Vietnam's digital growth story can leverage these supportive policies and favorable market conditions to diversify their portfolios and capture value in one of Southeast Asia's most dynamic and promising markets.

Vlad Savin
Partner at Acclime Vietnam

Unlocking the Fintech Opportunity in Vietnam.

Vietnam remains one of the most attractive markets in the region for investors interested in the fintech sector, and the potential for value creation is significant. To surf on the Fintech wave, entrants should be aware of the complex regulatory framework, take advantage of the digital workforce as well and understand potential challenges ahead to build successful and sustainable products for consumers in Vietnam.

FROM CASH TO DIGITAL PAYMENT: VIETNAM'S FINTECH TRANSFORMATION.

“Cashless transactions in 2023 were valued at 23 times the GDP, estimated at US$9,890 billion, while Vietnam's GDP reached approximately US$430 billion (State Bank of Vietnam)”

The FinTech landscape in Vietnam is predominantly driven by payments and mobile wallets. By the end of 2023, Vietnam had 32.77 million active e-wallets. Additionally, the average number of payment transactions via internet and mobile channels grew annually by 52% and 103.3%, respectively, between 2021 and 2023. The number and value of payments via QR codes surged by over 170%.

In the first four months of 2024, non-cash payments continued to show solid year-on-year growth. Cashless transactions increased by 57.11% in number and 39.49% in value, with internet transactions rising by 47.48% in number and 30.20% in value, and mobile transactions growing by 59.26% in number and 35.91% in value.

FUNDING AND THE NUMBER OF FINTECH FIRMS.

The Vietnam Innovation & Tech Investment Report 2024 reveals that from 2013 to 2023, a substantial US$1.04 billion has been invested in payment FinTech startups in Vietnam, alongside US$495 million directed towards financial services. This influx of capital underscores the growing dynamism of the sector within the country.

Recently, MFast successfully secured US$6 million in funding to tackle the financial services disparity in Vietnam's rural regions. With banking services predominantly concentrated in urban areas, a significant portion of the rural population remains underserved. MFast's initiative aims to bridge this gap, enhancing financial inclusivity across the nation.

According to Statista, Vietnam is currently home to over 260 fintech startups, offering a diverse array of services such as digital payments, alternative finance, wealth management, and blockchain technology. The market is characterized by intense competition, reflecting its vibrant and rapidly evolving landscape.

VIETNAM’S QR CODE REVOLUTION.

Vietnam's digital finance landscape is experiencing a dynamic shift as QR-enabled payments gain significant traction. In a country where mobile-first solutions are at the forefront, tap-to-pay QR codes have swiftly become a popular alternative to cash transactions.

This transition is evidenced by the impressive growth rates in non-cash payment and digital banking activities during the first two months of 2024, with QR code payment transactions skyrocketing by 846.41% and 1,146.14% compared to the same period in 2023.

The year 2023 marked a pivotal moment with the official launch of a bilateral cross-border QR payment link between Vietnam and Cambodia. This initiative enables citizens to conveniently scan QR codes for payments in either country using their local currencies, enhancing financial interoperability in the region. BIDV was among the first banks to successfully integrate this groundbreaking utility into its system, showcasing Vietnam's leadership in fintech innovation. Additionally, Vietnam joined Indonesia, Malaysia, Thailand, the Philippines, and Singapore in a collaborative effort to connect their payment systems, including QR codes for retail transactions, further solidifying the region's commitment to seamless financial integration.

The QR payment trend in Vietnam is poised for continued growth as banks intensify their focus on enhancing QR payment systems and user experiences. This emphasis poses new challenges for e-wallets, which must innovate to stay competitive. Meanwhile, the B2B payments market, still largely untapped, is on the cusp of significant transformation, signaling an exciting horizon for the future of digital payments in Vietnam.

In response to the rise of Fintech in Vietnam, both policy makers and entrants should heighten collaboration. It calls for new approaches to regulation and supervision from the authorities. Moreover, Fintech players should understand in depth the regulatory framework to build inclusive products for the Vietnamese market.

Market entry guide.

Below is an analysis of selected prominent Fintech activities in Vietnam from a licensing, commercial and legalistic perspective, covering business conditions as well as licensing procedures:

Payment Intermediary Services, including:

- Electronic Payment Gateway Services
- E-Wallet Services

Peer-to-Peer Lending (P2P Lending)

Other intermediary payment services such as financial switching services, international financial switching services, electronic clearing services, collection support services, and cash disbursement services are not to be discussed here.

ELECTRONIC PAYMENT GATEWAY SERVICES

Electronic Payment Gateway Services are services providing technical infrastructure to connect between the payment acceptance units (the Sellers) and banks (where the Purchasers have owned their payment account), in order to assist customers to make payments in e-commerce transactions, electronic bill payments and other electronic payments.

The platform acts like a bridge between the purchaser and the seller in electronic transactions, enabling clients to make non-cash payments quickly and conveniently, and keep their personal information secure.

ELECTRONIC WALLET SERVICE (E-WALLET SERVICE)

Under Decree 52/2024/ND-CP of the Government regulated cashless payment, an E-wallet service is referred to as “services provided by banks, foreign bank branches, and payment intermediary service providers for clients to deposit in or withdraw money from e-wallets and implement payment transactions” and consider an E-wallet is “a mean of storing electronic money”. Note that "electronic money" here refers to "the value of Vietnamese Dong stored on electronic devices, provided based on the equivalent amount of money prepaid by customers to banks, foreign bank branches, or payment intermediary service providers". It does not include cryptocurrency as Vietnam has not yet recognised the value of cryptocurrency in civil and commercial transactions, nor are they subject to taxation.

MARKET ACCESS LIMITATION UNDER MULTINATIONAL COMMITMENT AND BUSINESS LINE REGISTRATION.

Vietnam is a member or signatory to many international commitments, bilateral, and multilateral agreements, notably including Vietnam's market access commitments in the WTO and CPTPP with different approaches to market opening.

Under the WTO Commitment, this document applies by default to all 164 WTO members, including non-WTO members, unless Vietnamese law or international treaties between Vietnam and the respective country or territory provide otherwise. Regarding market access regulations for foreign investors entering Vietnam applicable to the provision of intermediary payment services, these activities have not been committed by the Vietnamese authorities under the WTO Commitment. Accordingly, after receiving an investment project registration application from foreign investors, the licensing authority needs to consult the relevant Ministries regarding permitting investors to undertake activities in-country. That said, there are currently no regulations or conditions regarding foreign investors’ ownership limitations when establishing entities in Vietnam operating with intermediary payment services.

Source: Fintech

In practice, we have seen several foreign-invested companies in Vietnam obtaining approval from the licensing authorities to perform intermediary payment services under their approved business lines. However, foreign investors must still seek Ministerial approval to be eligible for the provision of this specialized service in Vietnam, as it is not specified in the WTO Commitment, thus the application process may take several months or more before any approval is granted.

On the other hand, the CPTPP, involving 10 member countries including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and soon the UK, takes a different approach to intermediary payment services. Specifically, "Intermediary Payment Services" are not included in Annexes I, II, and III of the CPTPP and are not reserved as a non-conforming measure, meaning Vietnam allows 100% foreign investment in this business sector. This is theoretically correct but has not been widely tested in practice.

For local companies owned by Vietnamese citizens, even though they are not required to seek market access approval as their foreign-invested peers, may encounter challenges regarding the statutory conditions that need to be satisfied to be able to legally operate their businesses.

Operational conditions and sub-licenses.

According to Decree 52/2024/ND-CP on Cashless Payments, the Vietnamese law allows both credit and non-credit institutions to provide Intermediary Payment Services. However, non-credit institutions (to simplify, ordinary Vietnamese companies in the majority of cases) can only be allowed to undertake the payment intermediary service after attaining a Provision of Payment Intermediary Services ("License") from the State Bank of Vietnam (SBV).

The prime condition to attain the License is the requirement for minimum charter capital of at least 50 billion Vietnam Dong and the companies must ensure the legality of the capital source. In addition, the company must satisfy the following prerequisites:

- Have a scheme to provide an intermediary payment service
- The legal representative, General Director (Director) of the organization applying for the license is required to have an university degree or higher in economic, business administration, law, information technology, and have at least 5 years of working experience in
- One of the fields of finance, banking, and must not be prohibited under the law
- Must have at least one legal representative residing in Vietnam, who must authorise another person in Vietnam to represent them when they leave the country
- The Deputy (General) Director and key staff (such as department heads or equivalent positions, or technical staff) implementing the scheme must have at least a college degree or higher level in economics, business administration, law, information technology, or their specialized field
- Have a technical solution proposal for the payment intermediary service that meets the level 3 information system safety requirements as per the law.

As of March 2024, there are 51 licensed service providers in Vietnam approved by the State Bank of Vietnam, including Napas, Viettel Pay, M_SERVICE JSC, FPT and more.

"We recommend international investors active in the fintech sector to continue to monitor the developments within the regulatory digital transformation framework in Vietnam and be aware of the above prerequisites for market entry provisions and conditions before setting out a long-term investment strategy in the country."

Vlad Savin
Partner, Acclime Vietnam

HEALTHCARE

HEALTHCARE SECTOR OVERVIEW

The healthcare sector is one of the fastest-growing industries in Vietnam. Per capita spending is increasing, along with the booming middle class.

Key facts:

- Health insurance coverage rate: 92%
- Health expenditure CAGR: 14 %
- Health expenditure per capita: 203 USD
- Health expenditure: 5% of GDP
- 58% of spending being public

The government is committed to enhancing citizens' health protection and developing the sector. Health insurance covers almost all citizens, but patients have to cover approximately half of their treatment costs themselves. Healthcare goals have been set until 2030, with a vision to become a pharma production hub in the region by 2045. The focus is on local production with the aim to export, and there are plans to develop research and biotech capabilities as well.

Source: Centers Healthcare

In 2022, Vietnam's health expenditure reached USD 21 billion, with strong growth over the last decade, and a forecasted compound annual growth rate (CAGR) of 14% in the next five years. Comparing to ASEAN countries, per capita health expenditure in Vietnam is still behind. Just under half of the health expenditure is represented by pharmaceuticals, a similar amount for medical services, while medical devices have a smaller share.

Vietnam has more than 1000 hospitals most in public sector. Private hospitals are concentrated in urban areas. The number of beds per thousand population stood at 2.5 in 2021, with the government aiming to reach 3.0 by 2025.

Currently, healthcare facilities in Vietnam are crowded and understaffed, and there is a need for equipment development. Vietnam is laying the foundation for a digital healthcare industry, with a roadmap set in 2019 by the Ministry of Health to digitalize patient records at hospitals and establish smart hospitals.

Source: BMI Fitch – Vietnam Healthcare Report
https://baohiemxahoi.gov.vn/tintuc/Pages/linh-vuc-bao-hiem-y-te.aspx?ItemID=20016&CateID=0

PHARMACEUTICAL MARKET OVERVIEW

In Vietnam, the pharmaceutical industry is more regulated compared to most other countries. However, the opportunity for growth is huge, with per capita sales of drugs forecasted by BMI Fitch to grow from 57 USD in 2022 to 85 USD by 2028.

According to BMI Fitch Research, pharmaceutical sales is currently around USD 6 billion and could rise to USD 8.7 billion by 2028. BMI Fitch forecasts steady growth in the revenue of Vietnam's pharmaceutical industry, with an expected compound annual growth rate of about 7% in 10 years term, thanks to the rising demand for healthcare products.

DRUG REGISTRATION AND SPECIAL REGULATIONS FOR PHARMACEUTICALS

The registration process for new pharmaceuticals is timely and bureaucratic, issue is the capacity at Ministry of Health due to current periodic drug registration renewals. Upcoming new Pharmaceutical Law plans to automatize renewals and set the registration timeline of EU's EMA dossiers within a year.

EuroCham's sector committee for the innovative pharma industry advocates for faster and sustainable access to innovative drugs in Vietnam, focusing on key topics such as sector development, health financing, regulatory issues, procurement, and legal and ethics compliance.

Import and wholesale prices of pharmaceutical products, including over-the-counter (OTC) drugs, are to be aligned with the Ministry of Health. Affiliates of foreign pharma companies are not permitted to distribute pharmaceuticals; they can only import and export, perform selected pre-wholesale and marketing activities, and must operate an importing warehouse.

Source: relevant laws

IMPORT AND LOCAL PHARMA PRODUCTION, FDI

Vietnam's strategy is to develop the pharmaceutical business through foreign direct investment (FDI) as well, supporting local production and increasing quality.

Pharmaceutical factories in Vietnam can meet less than 50% of the market demand. Europe provides nearly 50% of the value of imported pharmaceutical products, followed by the United States, India, and South Korea. The Vietnamese pharmaceutical market depends on multinational companies to supply brand-name and specialty products to treatment facilities. Target of the government is to increase investment and technology transfer.

Policies to protect domestically produced drugs clearly state that imported drugs may not be entitled to join bidding in various tender groups if domestically produced drugs with the same active ingredient meet EU-GMP standards. By 2024, 22 local manufacturers' production lines were able to reach EU-GMP (or other Stringent Regulatory Authorities such as Japan) qualification for production, with more than half of them developed by European, Japanese, and Korean investors from the pharma industry, bringing their expertise. The investment and development of Davipharm by Polish Adamed is an example of investment from CEE.

FDI in the pharma sector mostly goes into production. In 2020, there were 281 FDI projects in the Vietnamese pharmaceutical industry, with 60% of them being new investment projects and the remaining 40% expansion projects. The vast majority of investment was made in pharmaceutical manufacturing (87%), with the rest in research and clinical trials.

Vietnam attracts FDI into pharma production with various measures, such as investment incentives, special economic zones, streamlining administrative procedures for investors, and additional incentives for medical equipment production.

Source: Ministry of Health - Foreign Invested Enterprise (FIE) workshop, 13 June 2023

DISTRIBUTION SYSTEM AND PHARMACY CHAINS

Key facts :

- 200 drug production facilities
- 170 import enterprises
- more than 5,000 wholesale establishments
- over 62,000 pharmacies
- 1 pharmacy / 2,200 people (2014), 1,600 by 2022

Pharmacy chains are growing and gradually becoming a specific model in Vietnam's supply chain, but concentration is still behind many developed countries. Some retail chains have invested in pharma retail, such as the Long Chau chain with more than 1,000 pharmacies in 63 provinces and cities, the Pharmacity chain with more than 1,100 units in 44 provinces and cities, and An Khang with more than 500 pharmacies in 33 provinces and cities. The number of outlets is increasing, but out of 62,000 pharmacies, only a few thousand are managed by chains.

Pharmaceutical business methods on e-commerce platforms have been developed by pharmacies, primarily by chain pharmacies. These methods include e-commerce platforms, social networks, sales websites, and sales apps.
(Source: Ministry of Health - Foreign Invested Enterprise (FIE) workshop, 13 June 2023)

SUMMARY

The healthcare sector in Vietnam is attractive to foreign investors, despite restrictions and a complex legal environment that currently delays access to the Vietnamese market. New Pharma Law could help to speed up registration of drugs.

Sectors open for foreign investment, especially pharmaceutical production, are developing. A significant number of local manufacturers have achieved higher standards with the help of foreign investors, particularly from EU countries.

Half of Vietnam's pharmaceutical needs are covered by imports, presenting an opportunity.

Overall, the Vietnamese government is supportive of foreign investors in selected sectors.

Miklós Krassovics
General Director of Gedeon Richter Vietnam Co. LTD.
Member of Pharma Group, Sector Committee of EuroCham Vietnam

EDUCATION & INNOVATION

Education, Innovation and Technology.

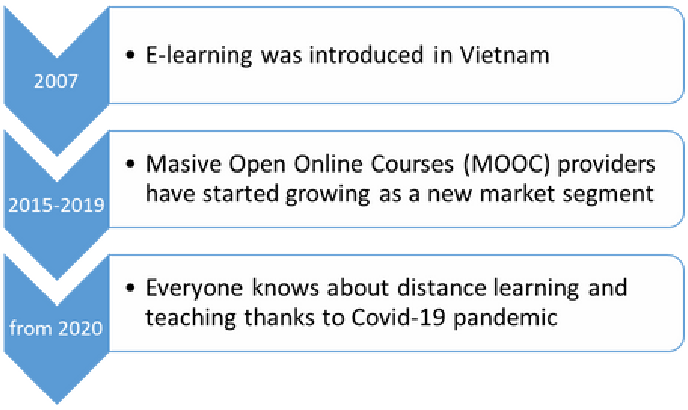
In recent years, a significant number of investors have shifted their focus towards the education sector in search of more opportunities in Vietnam, and specifically towards the EdTech market vertical, which is still at its early stages in the country. As estimated, the EdTech Market in Vietnam may value up to USD 3 billion. In addition, the Vietnamese authorities have promoted E-learning initiatives, enabling parents and students to switch their attention towards online learning and digital resources.

THE DIGITAL TRANSFORMATION OF EDUCATION IN VIETNAM IS STILL IN ITS EARLY STAGES.

Vietnamese citizens are increasingly recognizing the benefits of digital education platforms, whether for learning new languages, gaining exposure to STEM subjects, or upskilling to improve job prospects. Access to the latest data from United Nations Population Fund, the country boasts a young and vibrant demographic with 68% of its population aged 15-64. This tech-savvy generation is eager for high-quality education and readily embraces innovative learning solutions.

The education sector in Vietnam is experiencing rapid growth. Government investment in education has increased by 12% annually over the past five years and additionally, Vietnamese parents are placing a high priority on their children’s education. A recent study by FiinGroup in 2023 revealed that, on average, education expenditure for education by Vietnamese people increased by 7% CAGR from 2017 to 2023 with US$ 32.8 billion.

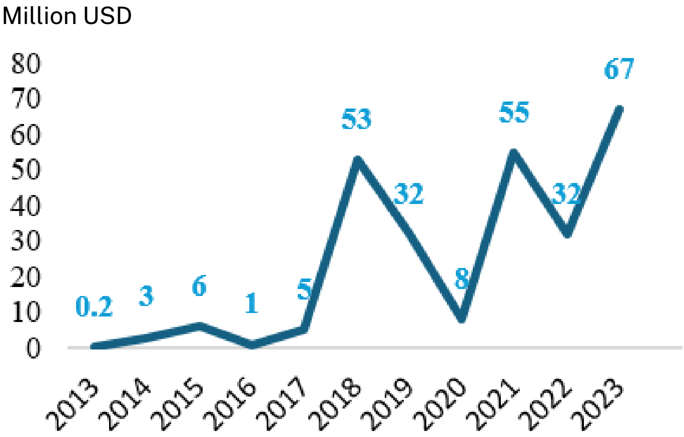
State of development of Vietnam’s Edtech.



WHAT IS THE BEDROCK OF VIETNAM EDTECH GROWTH?

- High internet penetration: 79.1% of total population.
- The Government of Vietnam’s commitment to Edtech is demonstrated through policies, master plans, and national initiatives.
- Vietnam's population is predominantly young and digital natives.
- The middle class has been on the rise and growing increasingly diverse. People of Gen X and Gen Y who have a good education background and high income, are starting to become parents and they are willing to spend more to let their children access the required knowledge and skills.

Funding in Edtech by years.



Capital invested in Fintech by years. | Source: Vietnam Innovation & Tech investment report 2024

From 2013 to 2017, Vietnam’s EdTech sector was in its nascent stage. During these years, funding was relatively modest, with a few pioneering startups attracting early-stage investments. Between 2018 and 2021, the EdTech landscape in Vietnam began to mature. The period saw a significant increase in both the number of startups and the total amount of investment. This growth was driven by several factors, including increasing internet penetration, widespread smartphone adoption, and a growing middle class with higher educational aspirations.

During these years, several prominent EdTech companies emerged, such as ELSA, Topica Edtech Group or Kyna.vn. These companies attracted substantial funding rounds from both domestic and international investors.

The funding landscape for EdTech in Vietnam reached unprecedented levels in 2022 and 2023. Despite the global funding winter that saw reduced venture capital investments in many sectors, Vietnam's EdTech scene was a notable outlier.

In the first half of 2023 alone, Vietnam's EdTech startups raised over US$30 million, surpassing the total amount raised in the entire year of 2022. This surge in funding marked a 107% year-on-year increase, a record-high for the sector. This remarkable growth contributed to the COVID-19 pandemic.

WHAT ARE THE OPPORTUNITIES FOR THE EDTECH MARKET IN VIETNAM?

Vietnam provides significant potential for development of the Edtech market as the Vietnamese government has set strategic goals to make online education available at 90% of universities and 80% of secondary schools and vocational training facilities by 2030.

The above key drivers help startups in the Edtech field reach more potential customers in many different segments and many different locations cross the country. Moreover, the shortage of teachers also poses an opportunity for players to provide competitive products.

Source: pixabay

Market entry guide

In practice, Vietnam has a complex and diverse classification of the educational system, including Kindergarten, general education with primary, junior, and high school, vocational education, university, and post-university programs. Besides that, to meet the needs of today's economic and social development, many short-term courses on soft or life skills, national or international practicing certificates, or certificates for foreign languages become popular in diverse forms.

Edtech remains a vague area under the Vietnamese legal framework since it has not been explicitly specified in legal documents. From the 2010s, the Vietnamese Government implemented projects to develop Edtech, however, it has only focused on small-scale subject base projects with limited objectives, mostly for public schools.

Moreover, there is a gap between the relevant education regulations and the practical processes due to the remarkable development of Edtech in Vietnam, which creates several obstacles. For instance, in 2017, to establish a language or computing center, by law, the center has to "provide adequate facilities, equipment, teaching materials and sources of financing for ensuring training quality in conformity with the center's development plan and operating scale." However, this condition becomes worthless in the case of e-learning when the preparation of facilities and equipment is the responsibility of both trainers and learners. Students would bear the responsibility for the weak conditions in their place of study, the efficiency of the computer they use, or the weak internet connection in their home, instead of the center or teacher. As a result, in practice, many Edtech companies assess this legal risk and choose to only register the technology and/or trading activities, to achieve better commercial purposes.

Due to the lack of clarity in the legal system, investors who seek to undertake Edtech-related business activities commonly review their requirements case by case, and register different operational activities such as educational services, IT services, and E-commerce, to obtain further corresponding sub-licenses, particularly for their business model (i.e. License of English Teaching/ Information Technology Centre establishment, Certificate on Vocational Education and so on).

At present, the Ministry of Training and Education has been aware of these regulatory impediments and inconsistencies and is working on a draft Circular for E-learning activities, which can further clarify the authorities' opinion on Edtech activities in Vietnam.

Source: Eurostellar Education | Peter Ngo CEEC board member led an Eastern European education delegation on a visit to Vietnamese universities.

Market entry scenarios and licensing prerequisites

In the Vietnam market entry process, investors are generally required to register all business lines corresponding to the day-to-day services they are seeking to provide:

- Educational services
- Technology services
- Trading services

Depending on the specific field of operations, the Edtech investor will select and apply for suitable business lines which will allow the investor to operate in Vietnam in a compliant manner:

- If the Edtech company **creates its online courses and provides e-learning activities** to the users, it should register business lines to cover the educational and technology activities.
- In case the Edtech company **distributes online courses/packages of a third party to users but doesn't create its lectures/programs** or **provide an ecommerce platform for education**, it may only need to register business lines to cover the technology and trading activities, provided that the curriculum it distributes meets all the legal requirements.
- If the Edtech company provides a technological solution to support classroom-related tasks such as checking attendance; assigning and marking homework; keeping track of the study progress; providing a library of study materials, etc, it may only need to register the Technology correspondent business lines.

"In 2024, the digital education sector in Vietnam is poised for growth, being one of the most active in regard to funding and innovative startups capturing market value. As education is one of the cornerstone strategic development pillars for the Vietnamese authorities to ensure a competitive position within the global landscape, we expect the digital education sector to be at the forefront of the Vietnamese economic transformation and drive consistent growth in the next decade. "

Vlad Savin
Partner, Acclime Vietnam

AGRICULTURE

Vietnam has a long-rooted tradition in agriculture as the country's economy was heavily depended on the sector for centuries. T industrialization triggered by the Doi Moi brought down the sector's share in the GDP from 40% to 11.88% in 2022, the overall GDP value has been steadily increasing in recent years. In 2023, the country's export turnover (agriculture, forestry, and fisheries) exceeded 53 billion U.S. dollars (surplus of 12.07 billion dollars) 2023 was a historical peak in rice exports at 8.3 million tons, meanwhile Viet Nam's agricultural exports rank second in Southeast Asia and 15th in the world. In over 3 decades the country has managed the transition from a net importer position to become a global leading exporter of agricultural commodities: rice, coffee, pepper, rubber, walnuts.

The sector continues to be one of the largest employers, with close to twenty million people, accounting for less than 30% of the total workforce (ILO). Flagships like coffee, cashew, rice, pepper, and rubber contribute to national pride and brand identity. Agriculture remains one of the most important economic, political, and social issues in the country: as market prices and environmental catastrophes instantly impact society, economy, and politics. This strong influence is visible by the heavy droughts and salt intrusion into the Mekong Delta, caused by the changing climate, affect not only coffee and rice farmers but also have a major national impact on the economy.

The major challenges arise from climate change and the abuse of the environment. These challenges include water scarcity in underground water, lower Mekong flow (partly due to the dams built upstream), droughts and floods, overuse of chemicals in fertilizing, quality assurance, and lack of proper waste management. These can have concrete and collateral negative impacts. Food safety and quality have become major concerns, not only in overseas developed markets but also in Vietnam. Although legal frameworks are in place, implementation and legal enforcement are lacking. Negative experiences and lower-quality products can undermine the benefits arising from free trade agreements, especially the EU-Vietnam Free Trade Agreement (EVFTA).

The government is making significant efforts to promote investments in agriculture, which are crucial for further development. The Ministry of Agriculture and Rural Development (MARD) has set a target of attracting $25 billion worth of FDI to the agriculture, forestry, and fisheries sector by 2030 aiming at bringing high-technology and environmentally friendly projects and farm produce.

Although the FDI attraction of the sector has been sufficiently encouraging, the structure of investments has failed to match the sector's development orientation. It has to date primarily focused on wood processing and exports, animal husbandry, and the coffee and pepper trade and exports (2009-21, foreign investors only registered under 2,000 projects, accounting for just 5.7% of all projects in Vietnam, with 17.64 billion USD worth of investment, or 4.3% of total investment, with majority of from Asian countries, mainly investing in areas surrounding the capital city of Hanoi and the Mekong Delta).

Source: Mega Story - Vietnam Plus

The lower scale of investment leads to a lack of productivity, proper growth, added value, and competitiveness. The reasons for these low figures are related to land rights and lack of accessible loans (lack of guarantee). Developments are happening at both micro (small-scale farms/plants usually supported by the government or VBARD) and macro/large-scale levels. Cooperative operations, targeted buying and usage throughout the entire supply chain could be a solution. Presently, the agricultural finance in Vietnam is dominated by VBARD and the Vietnam Bank for Social Policy, both of which are state-run. Cooperatives and microfinance institutions play a much smaller role.

There is a need for a transition strategy to meet the challenges caused by social and technological progress while maintaining momentum in developing rural areas and the livelihoods of farmers also focusing on strengthening the management of natural resources. The targets set by the MARD can be achieved through improving productivity, quality (including traceability), and exportability. The new series of FTAs aim to create new markets for Vietnamese goods, with new free trade partnerships and achieved modernization, the country should be able to differentiate its market and avoid dependence on one or two major players, if the production can meet the standards in terms of quality and quantity.

Vietnam needs investments in the agricultural sector to move up the global supply chain, leaving behind its current position as an unprocessed/raw material producer. Besides the growing number of free trade partners and the huge ASEAN market, internal demand is also growing fuelled by growing income levels and the expanding middle class. It is all leading to higher local consumption, but also creating internal market for higher-quality products.

The government is encouraging new possible investment fields such as smart applications/greenhouses, higher food safety measures, food processing of high-end manufactured products, environmentally friendly solutions/ fertilizers/ technologies, climate-smart solutions, financial solutions, product branding, bioproduction, aquaculture, animal health, traceability, quality, and food safety improvement, and applying blockchain technology for production. These opportunities exist at all levels of the value chain. In recent years, aquaculture and fruit production have grown substantially and are export oriented as well. Investing in Vietnam can help businesses reach not only the growing Vietnamese market but also markets in ASEAN, CPTPP, RCEP, VN-EAEU FTA, UKVFTA, and in the future, the IPEF countries. At the same time, increasing domestic consumption, combined with the larger demand for high-value products, has also led to increased imports of agricultural products into Vietnam.

Source: Xuannong.vn

In January 2024, the Food Innovation Hub in Viet Nam (FIH-V) program started (Ministry of Agriculture and Rural Development under Decision No. 5430/QD-BNN-HTQT). Vietnam is piloting as a Food Innovation Hub for Asia, an initiative catalysed by the World Economic Forum with public, private, and civil society partners, aimed at improving sustainability in food production.

Vietnam has set a growth target between 3.2 percent and 4 percent for the agricultural sector in 2024 with a total export turnover of 54-55 billion U.S. dollars (MARD). The objective is to bring country's rural modernization rate to 80 percent, forest coverage to 42.02 percent, the number of rural households with access to potable water to over 58 percent. Vietnam is aiming at developing modern, efficient, and sustainable agricultural processing to meet the above-mentioned challenges. Hanoi also plans to develop modern agricultural processing enterprises with strong financial strength and management. Developing industrial clusters for farm produce processing, linked with concentrated and mechanised material production zones may also help to achieve the targets.

Source: quochoi.vn

CEE countries had strong agricultural ties with Vietnam in the past. Thanks to the substantial number of agricultural alumni, the CEE brand (less and less, but) is still known and appreciated. Investment and technology transfers that align with the government's objectives (see above) could be key elements for success, keeping in mind that producing in Vietnam opens markets in Southeast Asia. Trading in the Vietnamese agricultural market requires proper research to find niche products, as competing with local producers might be challenging.

CEEC is continuously working through its formal and informal advocacy channels to ensure a level playing field for both national and foreign businesses. The past has shown satisfactory results as we have successfully pushed for a transparent and effective implementation of the respective chapters of the EVFTA. However, it will surely be a long-term partnership for your business.

Dr. Gellért Horváth
Former Vice Chair of CEEC / Honorary Member of CEEC

TRANSPORTATION

FACING CHALLENGES IN VIETNAM'S LOGISTICS SERVICE INDUSTRY

The logistics industry in Vietnam has undergone significant development over the past few decades, driven by the country's rapid economic growth and integration into the global market, growing an average 16% in past years to 45 billion USD. With substantial investments in infrastructure projects, Vietnam has steadily improved its logistical capabilities. This progress has been complemented by reforms in trade policies and the implementation of modern logistics technologies, enhancing efficiency and reducing costs for businesses operating within the country.

Moreover, Vietnam's strategic geographical location has positioned it as a crucial hub for regional and international trade routes, further bolstering the growth of its logistics industry. The government's proactive approach in promoting logistics development through initiatives like the National Logistics Development Master Plan has played a pivotal role in fostering a conducive environment for industry growth. As a result, multinational companies have increasingly looked to Vietnam as a manufacturing and distribution base, driving demand for sophisticated logistics services. Looking ahead, the ongoing expansion of infrastructure and continued improvements in regulatory frameworks are expected to sustain the momentum of Vietnam's logistics industry, making it a key player in Southeast Asia's logistics landscape.

HUMAN RECOURSES

The country's young and dynamic workforce has been increasingly drawn to careers in logistics, attracted by opportunities for career advancement and the industry's pivotal role in Vietnam's economic growth. The availability of a large and motivated workforce has fueled the industry's expansion, enabling companies to scale operations efficiently and meet growing demand. As Vietnam continues to integrate into global supply chains, the availability of skilled human resources remains a crucial asset, underpinning the sector's resilience and capacity to adapt to evolving market dynamics.

Recognizing the industry's potential, Vietnam has made concerted efforts to invest in vocational training and education tailored to logistics. This strategic focus has led to a steady increase in the pool of well-trained professionals, equipped with the necessary expertise in supply chain management, warehouse operations, and transportation logistics.

Source: a. hartrodt

Source: a. hartrodt

SIMPLIFICATIONS IN ADMINISTRATION

Administrative easements have played a crucial role in facilitating the growth of Vietnam's logistics industry by streamlining bureaucratic processes and reducing regulatory burdens. The government's initiatives to simplify licensing procedures, customs clearance, and transportation permits have significantly improved operational efficiency for logistics firms. These administrative reforms have not only minimized red tape but also fostered a more business-friendly environment, encouraging both domestic and foreign investments in the sector. By enhancing transparency and predictability in administrative procedures, Vietnam has successfully attracted more players to its logistics market, thereby bolstering its competitiveness regionally and globally.

Sector committees of the CEEC and EUROCHAM are actively involved in shaping the legislative framework by participating in talks and cooperation with the authorities.

CONNECTIONS TO OVERSEAS MARKETS

Connectivity to overseas markets has been a cornerstone of Vietnam's logistics industry growth, supported by strategic investments in transportation infrastructure and trade agreements. Vietnam boasts a network of modern ports such as Hai Phong, Da Nang, and Ho Chi Minh City, which serve as vital gateways for international trade. These ports have undergone extensive upgrades to accommodate larger vessels and increase handling capacity, facilitating smoother import and export activities. Furthermore, the development of integrated logistics hubs around these ports has enhanced efficiency in cargo handling and distribution, making Vietnam an attractive transshipment hub for goods destined for markets across Asia and beyond.

In addition to maritime infrastructure, Vietnam has invested in enhancing air cargo capabilities, with major airports like Tan Son Nhat International Airport in Ho Chi Minh City and Noi Bai International Airport in Hanoi serving as key logistics nodes. These airports have expanded their cargo facilities and connectivity to global air routes, enabling swift and reliable transport of time-sensitive goods. The country's participation in free trade agreements such as the Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) has further bolstered connectivity to overseas markets by reducing tariffs and trade barriers, promoting greater integration into global supply chains. As Vietnam continues to improve its connectivity infrastructure and trade relations, its logistics industry is poised to play an increasingly pivotal role in regional and international trade dynamics

A. Hartrodt Logistics (Viet Nam)

TOURISM


Bai Dinh Pagoda in Ninh Binh I Source: Baoquocte

The tourism sector in Vietnam has seen an impressive resurgence in 2024, bouncing back stronger than anticipated following the challenges of the COVID-19 pandemic. A key driver of this recovery has been the implementation of easier visa policies, including the introduction of an efficient e-visa system and visa waivers for many countries. These measures have significantly facilitated travel to Vietnam, making it more accessible to international tourists. The burgeoning hotel infrastructure, particularly the expansion of 5-star and luxury accommodations, has played a pivotal role. Furthermore, investments in infrastructure, such as the new highways to Mui Ne and Cam Ranh, have significantly improved logistical connectivity with Ho Chi Minh City, facilitating easier access for tourists. Coupled with Vietnam's increasingly positive reputation and regional stability, these factors have collectively contributed to the strong rebound of the tourism sector.

POST-COVID-19 GROWTH AND TOURIST INFLUX

In 2024, Vietnam has welcomed an unprecedented number of tourists, showcasing the country's resilience and attractiveness as a prime travel destination. By the first four months of 2024, Vietnam recorded over 6.2 million international visitors, a remarkable 68% increase compared to the same period in the previous year. This surge is part of an overall expected goal of 17-18 million international tourists by the end of the year. These numbers not only reflect a return to pre-pandemic levels but also exceed initial expectations, highlighting Vietnam's successful tourism strategies and appeal. Looking ahead, Vietnam aims to further increase its tourism numbers, with an ambitious goal of welcoming 20 million international visitors by 2025.

In recent years, the domestic tourism market has also seen substantial growth. In 2022, Vietnam's tourism sector began its recovery with approximately 101.3 million domestic travelers. This was a significant increase from the pandemic lows and a promising start to the rebound. In 2023 the number of travelers reached 108 million, highlighting the strong recovery and interest in local tourism destinations. The thriving domestic market continues to contribute significantly to the overall tourism revenue, emphasizing the strong internal demand for travel and exploration.

KEY FACTORS STIMULATING TOURISM DEVELOPMENT IN VIETNAM

To maintain and further accelerate this positive momentum, several strategic measures have been identified as crucial. These goals, once achieved, are expected to significantly enhance Vietnam's tourism landscape:

- Liberalization of the Aviation Market: The goal of liberalizing Vietnam's aviation market is to make travel more accessible and affordable. By allowing more domestic and international airlines to operate within the country, competition is expected to increase, leading to lower airfares and more attractive flight options for both domestic and international travelers. Air travel is crucial for tourism in Vietnam due to the country's geography and the distance between major tourist destinations. Increased competition and lower costs will make it easier for tourists to explore Vietnam's diverse attractions.
- Visa Waivers for EU Countries: Extending visa waivers to all EU countries is a strategic move to attract more international tourists. Currently, citizens of 13 European countries, including Germany, France, Italy, Spain, the UK, Denmark, Sweden, Norway and Finland, are exempt from visas for stays up to 45 days. Opening visa waivers to all countries is anticipated to create a tourism boom by making Vietnam an even more accessible destination for global travelers. This policy simplifies the entry process for travelers, making Vietnam a more welcoming and accessible destination. Compared to neighboring countries like Thailand and Singapore, which also have favorable visa policies, Vietnam aims to position itself as an equally attractive destination for tourists worldwide. The ease of travel encourages longer stays and repeat visits, contributing to the overall growth in tourist numbers
- Introduction of Retirement Visas: Introducing retirement visas is aimed at attracting retirees from around the world, offering them an opportunity to spend their retirement years in Vietnam. Currently, other countries in the region benefit from similar policies, which Vietnam lacks. The introduction of retirement visas is expected to stimulate the tourism sector by catering to a demographic that typically stays longer and spends more on local services and amenities, thus contributing to the local economy. With increasing investments and infrastructure developments, Vietnam is well-positioned to become an attractive destination for retirees seeking a comfortable and affordable lifestyle
- Focus on Sustainability and Eco-Tourism: Vietnam is increasingly emphasizing sustainability and eco-tourism, aligning its tourism growth with environmental conservation. Initiatives aimed at preserving natural landscapes and promoting eco-friendly practices are being implemented nationwide. These efforts not only protect Vietnam's rich biodiversity but also attract environmentally conscious travelers who seek sustainable travel experiences. Promoting eco-tourism helps diversify Vietnam's tourism offers and ensures long-term sustainable growth.
- Marketing Strategies: Despite its achievements, Vietnam faces challenges in attracting returning tourists. Currently, the percentage of returning tourists to Vietnam is relatively low compared to its regional competitors. For instance, Thailand has a significantly higher percentage of returning visitors, with around 70% of tourists returning, compared to Vietnam's much lower rate (about 10-15% according to VNBrief). This highlights a crucial area where Vietnam's marketing strategies, both at the national and provincial levels, need to be strengthened. Effective marketing can help enhance the country's image and encourage repeat visits, thus boosting overall tourist numbers and revenue

Vietnam's tourism industry is poised for continued success and growth, driven by strategic policies and initiatives aimed at enhancing the travel experience. By focusing on market liberalization, visa facilitation, retirement tourism, sustainability, and effective marketing, Vietnam is not only recovering from the pandemic but also setting the stage for a vibrant and resilient tourism future. With these efforts, Vietnam is well on its way to becoming one of the leading tourist destinations in the region.

Nha Trang Beach, Source: hotelscombined.com

Lukasz Kozlowski
CEO & Co-Founder of MakeYourAsia

REAL ESTATE

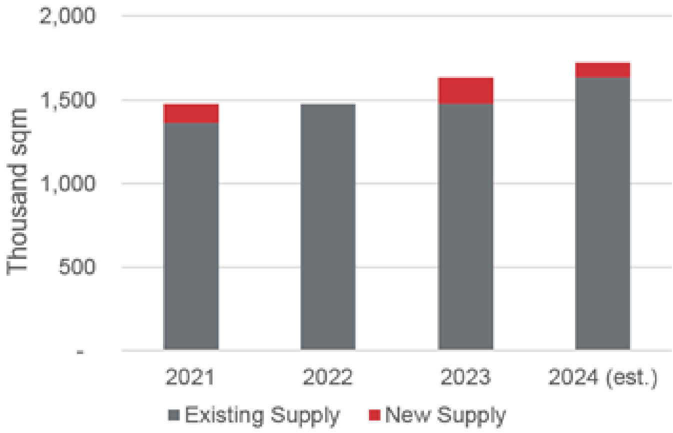
ECONOMIC OVERVIEW

Vietnam's economy demonstrated strong performance in the first half of 2024, with Gross Domestic Product growth reaching 6.4% year-on-year. Inflation rose, with the Consumer Price Index at 4.4% and core inflation at 2.8%. Foreign Direct Investment showed significant growth, with Singapore, Hong Kong, and China as top contributors.

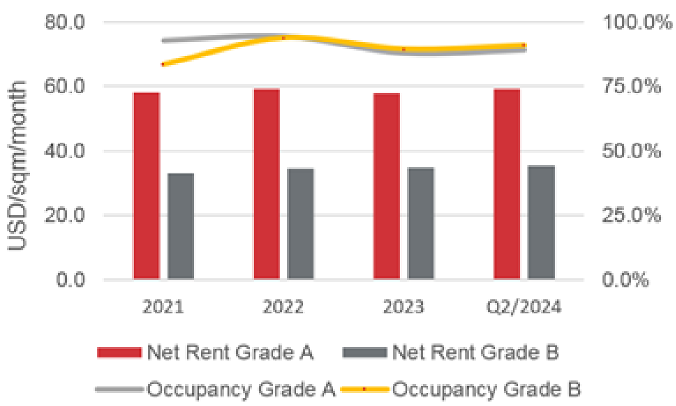
HO CHI MINH CITY OFFICE MARKET

The total Grade A and B supply reached 1.67 million square meters, increasing by 2.2% quarter-over-quarter. Grade A rents increased to 59.3 USD per square meter per month, up 1.2% from the previous quarter, with occupancy at 89.3%. Grade B rents decreased to 35.2 USD per square meter per month, down 0.6% quarter-over-quarter, with occupancy at 90.8%. The outlook suggests increased competition in Grade B and a focus on green certifications.

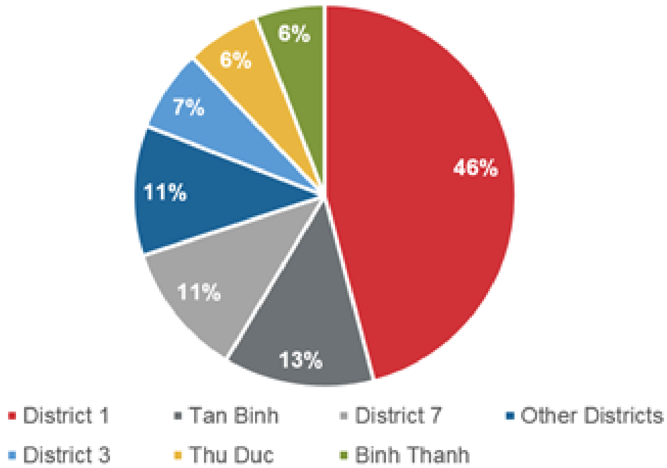
HISTORICAL & FUTURE SUPPLY OF GRADE A & B OFFICE



GRADE A & B OFFICE PERFORMANCE



GRADE A & B OFFICE SUPPLY BY KEY DISTRICTS



Source: NAI Vietnam Research & Commercial Services

HANOI OFFICE MARKET

Grade A rents remained stable at 30 USD per square meter per month, while Grade B rents held at 15 USD per square meter per month. The overall market saw average gross rent decrease to 16 US dollars per square meter per month, down 1% quarter-over-quarter and 2% year-on-year. Occupancy improved across all grades, with an overall rate of 87%. The market anticipates rising vacancy levels due to expected new supply.

Key trends show Ho Chi Minh City experiencing expansion-driven transactions, while Hanoi focuses on relocations. Both markets anticipate increased competition and potential tenant-favorable conditions in the near future.

Source: VIR

Source: VIR

VIETNAM INDUSTRIAL SECTOR OVERVIEW 2024

Foreign Direct Investment disbursement reached 10.84 billion USD, highlighting the country's growing appeal to international investors. Infrastructure development, particularly in the southern region, continues to be a key driver of industrial growth. The southern area accounted for 69% of total expressway completion between 2023 and the forecast for 2025.

In the industrial real estate market, land rentals have seen mild growth as absorption rates moderate. Ready-built factories continue to enjoy healthy occupancy, with more evident rental increases. The warehouse segment recorded strong performance in southern markets during the first six months of the year.

Major manufacturers such as Samsung, LG, Foxconn, and Goertek have shown increased commitment to Vietnam. While the expansion of Vietnam's logistics sector is expected to benefit warehouse demand, there may be a temporary oversupply in the short term.

New industrial land supply remains limited in the south, which could impact future development opportunities. Despite some challenges, the overall outlook for Vietnam's industrial sector in 2024 remains positive, with continued growth expected across various segments.

RETAIL SECTOR UPDATE

Vietnam's retail sector is robust, driven by rising occupancy rates and rental growth, with active participation from Chinese retailers in F&B and lifestyle brands.

In Hanoi, the retail market maintains a 90% occupancy rate, indicating strong consumer interest and retailer confidence. The city anticipates adding 270,000 square meters of retail space by 2026, attracting foreign retailers focused on F&B, fashion, and cosmetics. This expansion is set to diversify Hanoi's retail offerings, bolstering its appeal to both local and international shoppers and highlighting its growth potential in the coming years.

In Ho Chi Minh City, retail expansion in both the central business district (CBD) and secondary areas is fueled by a dynamic young population, a burgeoning middle class, and rising affluence, contributing to a 93% occupancy rate. By 2026, the city anticipates the introduction of 188,000 square meters of new retail space to support the needs of its expanding youthful demographic and growing middle class.

Sources: W Business Center, NAI Vietnam, CBRE Vietnam, Savills Vietnam, Knight Frank Vietnam, VnExpress

Tsvyatko Kabahchiyski
COO of W Business Center

MEMBERSHIP IN CEEC

CENTRAL AND EASTERN EUROPEAN CHAMBER OF COMMERCE IN VIETNAM

As an independent non-profit organisation, the Central and Eastern European Chamber of Commerce in Vietnam (CEEC) was created and funded by members for members.

By joining the Chamber, our members receive following benefits:

- Matchmaking;
- Market overview, research & consulting;
- Access to a Membership Directory, Sectors Committees, events and publications;
- Opportunities for network expansion through networking events;
- Enhance visibility through CEEC channels;
- And other Benefits from dual membership of EuroCham-CEEC.

Through CEEC's affiliation agreement with the European Chamber of Commerce in Vietnam (EuroCham), members of CEEC are also members of the EuroCham and they are entitle to use all available benefits and resources.

The membership is divided into the following categories: individual members, and corporate members: Small and Medium Enterprises (SME) and Large Enterprises (LE) members. Application form with additional information can be found on our website section or through our office contacts in Hanoi and Ho Chi Minh City. The main requirements to become a member of CEEC are: being from or being closely related to one of our represented countries (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, and Slovenia) and interested in doing business in Vietnam. Vietnam-based companies interested in the CEE region are also welcome to join as associate members.

Furthermore, our members' voices can be heard through direct channels as one of our Board Members, who is our representative and also Vice Chairman in EuroCham. He is very active in the Government advisory council too.

Further information about our members and membership application form can be found at:
https://ceecvn.org/members/

We would also like to thank our sponsors and partners for their contribution to the operations of CEEC.

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