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ADVANCING INSTITUTIONAL
REFORM FOR MORE RAPID
ECONOMIC RECOVERY

**Toward Higher-Quality
FDI Generation**



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Great Strides in Improving Investment Climate

Quang Ninh, Dong Thap, Long An and Binh Duong provinces earned the highest positions for economic governance, according to the latest report of Provincial Competitiveness Index 2020 (PCI 2020) released by Vietnam Chamber of Commerce and Industry (VCCI) and United States Agency for International Development (USAID).

ANH MAI



VCCI President Vu Tien Loc and USAID/Vietnam Acting Mission Director Bradley Bessire give trophies and certificates of recognition to the top performers in the 2020 PCI rankings

With an aggregate score of 75.09 points in 2020, Quang Ninh province topped the PCI 2020 rankings. With 1.69 points higher than the previous year, the province surpassed itself to strengthen its No. 1 place in the PCI rankings for four consecutive years. Besides, Quang Ninh was the first to get more than 75 points since 2010.

Dong Thap province held the second place with a score of 72.8 points, followed by Long An province with 70.37 points at No. 3 position, two places higher than the previous rankings.

The next in the Top 10 included Binh Duong (70.16 points), Da Nang (70.12 points), Vinh Long (69.34 points), Hai Phong (69.27 points), Ben Tre (69.08 points), Hanoi (66.93 points) and Bac Ninh (66.74 points).

Launched and published since 2005, PCI is composed of ten sub-indices. A province considered to be performing well on the PCI is one that has: 1) low entry costs for business start-ups; 2) easy access to land and security of business premises; 3) a transparent business environment and equitable business information; 4) minimal informal charges; 5) limited time requirements for bureaucratic procedures and inspections; 6) minimal crowding out of private activity from policy biases toward State, foreign, or connected firms; 7) proactive and creative provincial leadership in solving problems for enterprises; 8) developed and high-quality business support services; 9) sound labor training policies; and 10) fair and effective legal procedures for dispute resolution and well-maintained law and order.

Notably, Binh Duong province had the strongest improvement as it advanced nine places on the rankings from 2019, driven by market entry index (up 1.22 points) and business support (0.91 points). Mr. Dau Anh Tuan, Director of PCI Project, Director of VCCI Legal Department, said that this strong performance resulted from the province's review and completion of the single-window mechanism for settlement of business registration and investment procedures; public and transparent application of mechanisms, policies, processes and administrative procedures on business registration and investment registration; strengthened coordination of concerned agencies and localities in attracting and managing investment projects; support for fast deployment and operation of projects.

2020 was the fourth year in a row that the PCI median score stood above 60 points and saw an increasingly narrow gap between the top-placed and the bottom-placed localities. Lower-ranked provinces and cities are making great efforts to close the gap with leading provinces.

The PCI 2020 survey showed that the quality of provincial economic governance in Vietnam tended to pick up over time. The positive progress came from the continued decline in informal costs, continued security and order, more dynamic and proactive provincial administration, and significantly improved administrative reform and a more equal business environment. However, the survey also pointed out that provincial governments needed to drastically enhance the transparency of the business environment, improve the

Dr. VU TIEN LOC

VCCI CHAIRMAN & PRESIDENT



PCI is a measure of governmental action. PCI leverages substantive work for better administrative quality and creates a favorable business environment based on testimonials from PCI results. PCI helps drive innovative grassroots reform ideas and practices. The

"Business Coffee" program initiated by Dong Thap province; the public administration center; the investment promotion support center and Department and District Competitiveness Index (DDCI), successfully deployed in Quang Ninh and Tuyen Quang provinces, have been scaled up to 40-50 provinces and cities across the country. Legal advice centers for businesses, business doctors and public-private partnerships are among the others.

The reform picture has been brightened but some figures still raise unease. According to the PCI survey, a quarter of enterprises said that localities favor State-owned enterprises over private enterprises. A third of enterprises said that the government still favors FDI firms. Still 40% are not ready to ask the courts to settle economic disputes. Nearly 45% still pay informal charges. 54% still witness corruption. 20% find public employees and officials ineffective and unfriendly, and up to 3% reported that they still have to be inspected more than five times each year.

Mr. DANIEL J. KRITENBRINK

U.S. AMBASSADOR TO VIETNAM



As always, the report is full of insightful, useful information. I'd like to highlight three key findings from this year's report. They relate to corruption, Covid-19, and compliance with environmental rules:

First, informal charges continued to decline following the government's anti-corruption campaign. Foreign and domestic firms' responses to the most recent survey indicate that the fight against corruption and informal charges at the provincial level is continuing unabated.

Nearly 40% of foreign direct investors considered anti-corruption to be one of Vietnam's strong points in 2020, compared with 30% in 2014. Vietnam has gained ground in the fight against corruption in two critical business areas: inspections and customs. Recent years have also seen a rapid decrease in bribery during customs procedures, from 67% in 2015 to 37% five years later.

Second, the impact of Covid-19 on business operations was widespread: Over 87% of both foreign and domestic firms experienced some pandemic-related business setback in 2020. However, in the broader context of Covid-19's impact on the world economy, foreign direct investment into Vietnam remained remarkably robust over the course of the year. That is partly because of the excellent job Vietnam has done in containing Covid-19 – I congratulate the government for its success. Overall, the PCI analysis is evidence of the great strides Vietnam has made in improving its appeal as a destination for foreign investment.

Third, attention to environmental compliance grew markedly. The last chapter of the PCI 2020 survey outlines Vietnam's efforts to promote sustainable development within the country. The Government's environmental compliance plan requires individual foreign and domestic investors to adopt more environmentally friendly technology, processes, and management.

☞ quality of enforcement of the grassroots government system, accelerate procedural reform, reduce inspection burdens for businesses, and extend efforts to cut informal costs for them.

Moreover, the FDI business survey in 2020 revealed that Vietnam continued to be an attractive investment destination thanks to its stable politics, more open administrative procedures and eased financial burdens on inspection. However, Vietnam needed to further make good changes to two weak fields, namely "regulatory and procedural system" and "infrastructure". And, although Vietnam made some progress, "tax" and "enterprises' role in policymaking" are still weak points of the business environment in Vietnam. Around 60% of FDI enterprises are considering investment choices in Vietnam due to these factors.

Vietnam's emerging advantage as considered by foreign investors is that Vietnam is increasingly a destination "with

lower risks of having business locations revoked and lower risks of policy instability" after impressive progress made over the years. After the Law on Land 2013 was enacted, the rate of FDI firms saying that "the risk of business locations revoked is low" in Vietnam increased from 64% to 80%. The rate of FDI firms believing that Vietnam has "lower risks of policy instability" also rose from 60% in 2013 to 82% in 2020.

Foreign investors expect Vietnam to continue to control corruption, improve the quality of public service delivery, enhance procedural and regulatory systems, and drastically upgrade infrastructure quality.

Acting USAID Vietnam Director Brad Bessire said that PCI has played an important role in boosting transparency and accountability in economic governance of provinces and cities. This is truly a tireless reform effort during the past 16 years. ■

Vietnam, Australia Set to Launch Business Council



VCCI President Vu Tien Loc receives his AusCham counterpart Simon Pugh at VCCI headquarters

Dr. Vu Tien Loc, President of the Vietnam Chamber of Commerce and Industry (VCCI), recently had a reception meeting with President of the Australian Chamber of Commerce in Vietnam (AusCham) Mr. Simon Pugh at VCCI Hanoi headquarters.

GIANG TU

At the meeting, the two sides discussed the setting up the "Vietnam - Australia Business Council" (VABC), gathering businesses interested in further developing Vietnam and Australia economic - trade relations.

VABC will be a place for businesses to contribute ideas and proposals to promote business cooperation, enhance dialogue to create a transparent business environment and engage local businesses to participate in global value chains by boosting Vietnam's exports through major Australian corps, as well as calling for high-quality Australian investment into Vietnam.

Vietnam and Australia have become strategic partners since March 15, 2018. The two sides have complementary advantages. Australia's imports from Vietnam include apparel, footwear, wood, tropical agricultural products, seafood, and electronics, etc. Vietnam imports agricultural products from Australia such as milk and dairy products, wine, lamb and fruit.

The council is expected to support agriculture, renewable energy, clean energy, mining, infrastructure development; micro, small and medium-sized enterprises; and women-owned enterprises. It is also designed to enhance cooperation in training to improve management skills, corporate governance, social accountability, improve competitiveness, and connectivity between local and FDI businesses.

On the basis of the importance of expanding business relations between Vietnam and Australia, VCCI and AusCham agreed to sign a cooperation agreement establishing the Vietnam - Australia Business Council. ■

FDI Attraction Policy Needs Radical Revamp

The FDI attraction policy must be proactive with a strong focus placed on quality, effectiveness, technology and environmental protection.

Addressing the Connections for Development Forum 2021 themed "Seizing new opportunities for localities and businesses", Mr. Bui Thanh Son, Minister of Foreign Affairs, expected to see Vietnam's FDI attraction policy strongly reformed in the coming time to make good use of opportunities and promote local advantages.

Specifically, Foreign Minister Son said, attracting foreign direct investment (FDI) for socio-economic development, national industrialization and modernization is part of the consistent Party and State doi moi (renewal) policy.

With this approach, Vietnam has endeavored to improve the business investment environment and offer many preference treatments for foreign investors. As a result, the FDI sector has grown rapidly to become an important part of Vietnam's economy and create a driving force for economic restructuring toward industrialization, modernization and deep integration into the world economy.

Contributions of the FDI sector are valuable

Currently, the FDI sector accounts for 20% of GDP, over 50% of industrial production value and about 70% of export value of the country, and generates millions of jobs. Many world-leading corporations are making long-term investments and reaping success in Vietnam.

Even when the world and Vietnamese economy were very negatively affected by the COVID-19 pandemic, FDI flows into Vietnam remained very positive, reflecting international





The FDI sector is an important driver of Vietnam's economic development

☞ investor confidence in Vietnam as a safe and attractive destination.

Minister Son highly appreciated the respectful role and contribution of the FDI sector, but FDI attraction and management in Vietnam is still weak.

High-tech FDI projects are limited in number. Their coherence with domestic economic sectors is lax and their spillover effects on productivity and technology are limited. Many FDI projects are ineffective, unsustainable, and noncompliant with policies and laws on investment, finance, labor, technology, and environment.

In addition, the strong evolution of the Fourth Industrial Revolution has posed many problems and challenges to FDI attraction, especially impacts of artificial intelligence, automation and smart production.

Mobilization and effective use of all resources

Vietnam is entering a new stage of development, aiming to become a middle-income industrial country by 2030 and a high-income developed country by 2045.

To achieve these goals, Vietnam must grow rapidly and sustainably, expected at 6.5-7% annually in the next 10-20 years, according to Foreign Minister Son. "To do so, one prerequisite is mobilizing and using all domestic and international resources for development effectively where the FDI sector continues to play an important role," he emphasized.

Vietnam's FDI attraction achievements over the past 35 years are valuable lessons, showing a flexible and creative approach, effective capture of opportunities and promotion of its own advantages is key for Vietnam to keep advancing.

The FDI attraction policy in the coming time must shift to active thinking and selective licensing and use quality, efficiency, technology and environmental protection as top criteria, he added.

According to many international organizations, after 35

years of doi moi, Vietnam is a success story for escaping underdevelopment. In order to continue to grow rapidly and sustainably in the coming years, Vietnam needs to promote strong development momentum, ranging from improvement of market economy institutions, from a young, dynamic and creative human resource with high entrepreneurship, from encouraging innovations and digital transformation of the nation, from vigorous development of the private economy, from the strength of the domestic market entering the threshold of income booming consumption, from deep international integration with

an extensive FTA network with more than 60 economies around the world.

"We believe that localities, domestic and international enterprises will seize great opportunities from unlocking these development dynamics to extend robust growth," Foreign Minister Son said.

Continued capture of opportunities

For many years, economic diplomacy for socio-economic development has been a pillar of the foreign affairs sector. The diplomatic sector has defined supporting localities and enterprises as a central and regular task.

Promoting a network of nearly 100 representative agencies across the continents, the foreign affairs sector has actively fostered connections between localities and domestic businesses with international businesses and partners, with many practical and effective activities.

In the coming time, the Ministry of Foreign Affairs pledges to continue to work closely with ministries and agencies, accompany localities and businesses, actively and effectively supporting the successful implementation of socioeconomic development targets.

At the same time, in the period of extensive and comprehensive integration of the country, the diplomatic sector will play a leading role in connecting localities and businesses with development megatrends of the world, and seize opportunities to fulfill the country's aspirations for prosperity.

Through the Connections for Development Forum 2021, Minister Bui Thanh Son hoped that localities, domestic enterprises and foreign investors will openly exchange each other's needs, potential and advantages to, on that basis, identify new investment opportunities, have plans and measures to boost cooperation for the sake of localities and businesses, and also for the general development of the country. ■

Toward Higher-Quality FDI Generation

FDI enterprises have worrying downsides in addition to positive contributions they have made. Many provinces and cities in Vietnam, especially big economic centers, have increasingly inadequate room for development, pushing the country to pick up a new higher-quality investment wave.



Vietnam offers many incentives to attract FDI in high-tech industry

Addressing the Connection for Development Forum 2021 themed “Seizing opportunities for localities and businesses” on April 26, VCCI President Vu Tien Loc said, right from the first step of Vietnam’s reforms, the country attached great importance to the foreign investment sector. The legal framework for the establishment of a foreign-invested enterprise also predated the legal framework for domestic enterprises and companies. This is a very distinctive feature of the Vietnamese legal system.

Vietnam has enacted the foreign investment law for 33 years. The country has presented awards in honor of outstanding foreign companies in Vietnam for 20 years. The foreign-invested business sector has become an important economic entity in Vietnam and Vietnam is one of the most successful economies in the world in attracting a large amount of global investment funds.

Currently, 136 economies are investing US\$400 billion in Vietnam, larger than the annual GDP of Vietnam. This is a very significant figure.

FDI firms have made great contributions to budget revenue and employment, helped ensure social security, and contributed to poverty reduction in Vietnam. They are also the driving force for the industrialization process in Vietnam,

the main driver of export growth and the key made-in-Vietnam link in global supply chains.

Over 50% of annual industrial production output is made by the foreign direct investment (FDI) sector and over 70% of exports are generated by this sector. FDI firms employ millions of workers.

But, there are also downsides. One-third of a century is long enough for an underdeveloped economy to take off and become a so-called dragon or tiger, to reach a high level in the global supply chain. But so far, for FDI firms, Vietnam is still a processing location site for labor-intensive fields like textile and garment, leather and footwear and electronics. 60-70% of machinery, inputs and materials are imported from abroad. The added value generated in Vietnam is not high.

In general, FDI firms are not symbiotic much with domestic private companies. The effect of their technology, governance and business culture is not strong. Some FDI firms even cause environmental pollution, mainly using cheap natural resources and human resources, taking advantage of government incentives, and contributing inadequately to the local budget. Notably, some FDI firms violate Vietnamese laws and commit commercial fraudulence.

Corporate mergers and acquisitions are taking place strongly. If there are not good control measures, there is risk of economic security problems in Vietnam.

“We are looking for a higher-quality FDI generation capable of synergizing with the domestic economy of Vietnam and helping ensure the self-reliance of Vietnamese economy. We have the opportunity to embrace the fourth FDI generation, associated with the Fourth Industrial Revolution,” Dr. Loc emphasized.

This wave is certainly not only about quantity, he said, adding that we will not run after billion-dollar projects unless they help improve the development quality of Vietnam, create more decent jobs for people, synergize with domestic enterprises, spread technology, modern governance and business culture, and create greater added value for the Vietnamese economy. ■

Corporate Funding Demand Surges

Performances of Vietnamese companies have gradually revamped, resulting in a sharp increase in capital demand, suggesting banks balance their funds for corporate borrowers to match the credit growth cap.



Enterprises have recovered quite strongly and now need more money for their business

According to the State Bank of Vietnam (SBV), deposit and lending rates kept going down as compared to the end of last year. Commercial banks are required to strictly control credit flowing into risky areas such as real estate and securities to spare funding for manufacturing operations and priority sectors.

Strong credit expansion

SBV data shows that, as of April 16, the credit growth was 3.34% from the end of last year. This figure represented the strong recent rise in capital demand, compared to the growth of 1.47% and mobilized fund growth of 0.54% in the first quarter of 2020.

Mr. Nguyen Hoang Minh, Deputy Director of SBV - Ho Chi Minh City Branch, said, the city's capital

mobilization increased by just 0.7% in the first quarter of the year while the outstanding credit expanded by 3.5% from the end of last year.

Leaders of many commercial banks said that businesses and the market need more capital when the economy recovers from the declining period heavily affected by the COVID-19 pandemic. A leader of a plastic company said that his company is lent working loans carrying the lowest interest rate in the industry, about 5.4% per annum. The company's demand for working capital is about VND700 billion a year and it has to keep regular relationships with about 2-3 commercial banks.

"Our business has revived quite strongly from last year and we need more money for business. Our company has a high credit rating and thus gets priority treatment from banks," he added.

Many other businesses are also contacting banks for

new loans. Speaking at the recent 2021 General Meeting of Shareholders, Ms. Nguyen Duc Thach Diem, General Director of Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank), said that deposit growth was only 3.5% while lending growth was 5.8% by mid-April 2021.

Previously, she also said that many individual and corporate customers contacted Sacombank to borrow money. But because the bank's credit growth is capped at 9% this year, the management must recalculate the loan for each borrower. Capital flow is dedicated to manufacturing rather than real estate or stock trading.

Based on the credit growth rate allowed by the SBV and the business outlook in 2021, Sacombank will revise its deposit and credit growth targets.

Mr. Nghiem Xuan Thanh, Chairman of the Board of Directors of Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), said that the bank's outstanding credit rose by 3.7%, while the whole banking system expanded by 2.93% by the end of the first quarter of 2021. Vietcombank posted the highest credit growth in the industry last year and continued to retain this position in the first quarter.

Fund considered for risky sectors

The SBV said it has kept the regulatory rates unchanged since the beginning of the year and facilitated credit institutions to access low-cost capital sources to lower their lending rates. Meanwhile, lower rates have also stimulated borrowing demand. In particular, deposit growth was decelerated due to a record low deposit interest rate and banks actively reduced deposit inflows when the given credit growth target was not high.

At their 2021 shareholder meetings of many other commercial banks, credit growth was a hot debate amid tightened policy from the central bank.

Mr. Pham Quoc Thanh, General Director of Ho Chi Minh City Development Joint Stock Commercial Bank (HDBank), acknowledged that the credit growth allowed by the SBV is 12-14% in 2021. But, HDBank figured out a higher target of 20% given its higher-than-the-industry growth in previous years. High credit growth at the beginning of this year is also an opportunity for HDBank to propose additional limits to the regulators.

"Credit this year has not grown in income but in fees, including bancassurance. Non-interest income and services staged a nearly double growth. We also see bancassurance fees as a key source of this profit," he added.

Mr. Dang Khac Vy, Chairman of the Board of Directors Vietnam International Commercial Bank (VIB), also explained to shareholders that although the SBV capped the credit growth at 8%, VIB still set a target of 31% for this year because the SBV pledged to adopt a flexible market-based approach to credit growth, which was initially set at about 12.3% this year. At the same time, each commercial bank will be assessed for overall health, credit quality and financial health to get credit limits loosened. In the past 3-4 years, VIB witnessed an average growth of 25 -30%, so the 31% credit growth is not ungrounded.



Continued business support needed

The State Bank of Vietnam requires credit institutions to adopt many solutions to help people and businesses deal with difficulties caused by the COVID-19 pandemic. According to statistics, in the year to the beginning of April, 2021, credit institutions restructured repayment terms for 262,000 customers who borrowed VND357 trillion; exempted and reduced interest rates for more than 663,000 customers borrowing VND1,270 trillion; and provided soft loans of VND3,160 trillion from January 23, 2020 to date.



While asking for broader room for credit growth this year, leaders of many commercial banks pledge to tightly control capital in risky areas such as real estate, BOT or BT traffic projects and securities.

A leader of a big commercial bank said that his bank tightly controlled capital flows into real estate, especially in price-soaring areas. Individual customers for whom house buying will be a preferential while extra investment, typically intended to be sold in the future for a margin, will be imposed higher lending rates or higher risk factors.

Mr. Nghiem Xuan Thanh added that, with the 10.5% credit growth capped by the State Bank of Vietnam and a deposit growth of 7%, Vietcombank will be able to fulfill its target of 11% profit growth this year. Credit flows will continue to be imposed risk management and prudence measures.

At the meeting on first-quarter banking performance, Mr. Nguyen Tuan Anh, Director of SBV Credit Department, said that, based on the economic growth target and inflation in 2021 set by the National Assembly and the government at the beginning of the year, the State Bank of Vietnam adopted a credit growth of 12% in 2021, which may be revised according to real developments.

In the coming time, the State Bank of Vietnam will require credit institutions to expand their loans for priority areas and productive sectors and tighten control of credit for potentially risky areas such as real estate, BOT and BT traffic projects, and securities. ■

Shareholders of Major Lenders Likely to Get Dividends Soon?



After a long waiting time, shareholders of the three giant lenders, namely Vietcombank, VietinBank and BIDV, are likely to receive stock dividends soon.

Until recently, Vietcombank, VietinBank and BIDV completed their 2021 Annual General Meetings of Shareholders. They planned to make a sharp increase in share capital, including plans to pay stock dividends and issue shares in the private placement for this purpose.

What their shareholders have been concerned most about over the years is their plans for share dividends, sourced from their enormous accumulated retained earnings. This is also what these banks wish to quickly have stronger capital to ensure operational requirements.

That requirement is specific and practicable. First of all, their capital adequacy ratio (CAR) has not yet been raised enough, as their registered capital has not been increased enough, just near the level specified in Circular 41. This is one of the reasons for the State Bank of Vietnam (SBV) to assign a relatively low credit growth target at first.

In 2021, except Vietcombank that was assigned a relatively high credit growth target of 10.5%, the rest was only around 7%. Looking at the private equity sector, due to its well-balanced share capital with prudential ratios, their assigned credit growth target is higher, like Techcombank with 12%.

In addition, the lower registered capital may affect the credit ratings.

Capital raising requirements are also specifically measured. Vietcombank's current registered capital is about VND21,000 billion, lower than that in the Restructuring Plan for 2020 approved by the SBV.

Vietcombank, Vietinbank and BIDV successfully hosted

their shareholder gatherings for this year where their capital raising plans, with a focus on stock dividend options, were approved.

VietinBank has two options for dividends. Option 1 is when dividend payment is made, VietinBank has not completed the share capital increase from share dividends sourced from net earnings, provisions for funds in 2017 and 2018 and net earnings, provisions for funds and cash dividends in 2019. With this option, VietinBank will pay 5% cash dividends and 17.7% share dividends.

Option 2 is when dividend payment is made, VietinBank has completed raising the share capital from stock dividend, sourced from net profit, provisions for funds in 2017-2018 and net earnings, provisions for funds and cash dividends in 2019. In this case, VietinBank asked its shareholders for paying a 5% cash dividend and 12.6% stock dividends.

At BIDV, the capital raising plan will include issuing 207.3 million shares for dividend payment for 2019 (rate at 5.2%), issuing 281.5 million shares for dividend payment in 2020 (rate at 7%) and issuing 341.5 million new shares in a public offer or a private placement,

equivalent to 8.5% of the registered capital.

At Vietcombank, the share capital increase is based on two components. In the first component, after paying an 8% cash dividend, the stock dividend rate for the past years will be at 27.6%. The second component is made via a private offering where it planned to sell 6.5% of stake.

No specific timing has been chosen for all of the above plans. BIDV expected to pay share dividends in the third and fourth quarters of 2021.

Because the government holds controlling interests in these three banks, if stock dividends are made, the government will continue to invest in them.

In October 2020, the Government issued Decree 121 amending and supplementing Decree 91/2015 on State capital investment in enterprises and management and use of State capital and assets in enterprises. The new ruling has facilitated the opening of a mechanism for the three above banks to pay dividends in shares.

In late 2020, VietinBank planned a 28.8% stock dividend to increase the share capital, but this plan has not been implemented.

To date, all three banks have continued to work out their plans for huge share dividend payment. And, the outlook is open.

Specifically, at its General Shareholders Meeting on April 23, in response to shareholders, Vietcombank General Director Pham Quang Dung said that share dividend payment was in principle approved by all competent authorities, indicating the plan will be executed as soon as possible. ■



Vietnam's exports are expected to perform strongly in the coming time

Vietnam's GDP Growth Expected to Rebound to 6.6% in 2021

Vietnam's exports are expected to perform strongly in 2021, though they face the risks of slackening international demand, said World Bank Vietnam in its recent report on Vietnam's economy.

Vietnam's economy is set to grow 6.6% in 2021 on the back of successful control of Covid-19 infections, strong performance by export-oriented manufacturing and robust recovery in domestic demand. Yet, the crisis has left a lasting impact on households, with 45% of households reporting lower household income in January 2021 than in January 2020. To reach upper-middle-income status by 2030, Vietnam's development model needs to change to a knowledge-based, digitized and green economy.

Key conditions and challenges

Vietnam experienced sustained growth, averaging about 7% a year over the last decade, helping to create millions of jobs. This led to a sharp fall in poverty, from 20.7% in 2010 to an estimated 5.9% in 2020 (lower middle-income class poverty line (US\$3.2/day 2011 PPP)). This success has relied on a steady integration with the global economy through rapidly expanding trade and foreign investments and growing

investment on human and physical capital. But to transition to upper-middle-income status, Vietnam will have to address challenges such as a large low-skilled informal sector, an aging population, and forces of deglobalization, disruptive technology and climate change. The economy was affected by the April 2020 lockdown to contain the spread of Covid-19 virus and two subsequent outbreaks. But Vietnam was one of the few economies that grew during the pandemic. Exports performed exceptionally well, especially to the US, in part due to the trade diversion effect resulting from US-China tensions. The domestic economy has also bounced back, but has not returned to pre-Covid growth levels. Domestic demand was affected by Covid-19 preventative measures and by uncertainty about the timeliness of global roll-out of vaccines that would affect global recovery, which is necessary for sustained national economic growth.

While the aggregate economy has shown resilience and households have fared better than in most other countries, the crisis has left a lasting impact on the households. Preliminary results from the World Bank Covid-19 high-frequency household survey show that almost half of households' report having lower income in January 2021 than in the year before. Fewer households are reporting declining incomes, but the share of affected households is still salient. About 28% of households experienced a decline in income in September 2020, compared to about 20% in January 2021. Female-headed

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TEXTILE AND GARMENT INDUSTRY

Abundant Orders amidst Raging Pandemic



With nearly US\$9 billion earned in the first quarter of 2021, up about 6% from a year ago, Vietnam's textile and garment industry is regaining growth momentum for export and on its way to prosperity. Many businesses have orders for full working through August or September 2021.

Stable output

Since the 2021 Lunar New Year, workers of Dony International Joint Stock Company (based in Tan Binh District, Ho Chi Minh City) have worked hard to meet orders for export and domestic markets. Recently, the company signed apparel supply contracts for three major customers from the Middle East and is negotiating with many other customers for new orders.

Remarking on the market this year, Mr. Pham Quanh Anh, Director of Dony International, said there are many positive signals that have helped the export market grow and will make it more bustling in the coming time.

"The world's consumer confidence is getting better, especially with what Vietnam can do to keep the pandemic at bay. After a pent-up period caused by shrinking consumption, demand began to pick up from the beginning of 2021 and brought more orders to textile and garment companies. In addition, political turmoil in Myanmar affected its textile production capacity and redirected orders to Vietnam. So, domestic producers have more opportunities," he analyzed.

Ms. Hang Pham, owner of Century garment factory (Thu Duc City), said that her facility is now hiring more workers to meet customers' orders.

"We are outsourcing for exporters. One year ago, nearly 50 workers were laid off because we did not have orders due to the Covid-19 pandemic. Our business became better from the end of 2020 when we got more orders. We have just got a big deal with an American partner and we are hiring more workers to keep up with the delivery schedule," she said happily.

According to the Ho Chi Minh City Textile and Garment - Embroidery Association (AGTEK), most businesses now have orders for full operations till the end of June and some already have work until July and August. Mr. Pham Xuan Hong, President of Saigon 3 Garment Joint Stock Company and Chairman of AGTEK, said, "Saigon 3 Garment signed a jeans and khaki pants order for export to Japan until the end of the second quarter. Saigon Garmex and Viet Tien Corporation also have good orders."

Most companies have orders, possibly due to pent-up demand caused by a sharp consumption decline last year. This year, demand has rebounded. Buyers largely come from regular markets such as the United States, Europe and Japan. In particular, the US market remains a potential market for Vietnam, while shipments to Europe are underperforming because Vietnamese firms are yet to tap benefits from the EU - Vietnam Free Trade Agreement (EVFTA)."

Many textile and garment companies are performing very well in 2021. TNG Investment and Trading Joint Stock Company reported February revenue of VND266 billion, 4% higher than the same period in 2020. Its January and February revenue was 14% higher than that in the same period of 2020.

In addition to quickly implementing orders to keep up with the delivery schedule, TNG is negotiating for orders for the third-quarter operation. Thanh Cong Textile - Investment - Trading Joint Stock Company also recorded 80% revenue growth and 162% profit growth in January 2021, respectively reaching US\$15.4 million and nearly US\$1.1 million. The company's export orders to the U.S., South Korea and Europe are enough for full operation till August 2021.

However, AGTEK President Pham Xuan Hong also expressed some caution, saying that even though all producers have new orders, they only meet regular operations while the outlook remains unclear amid ongoing pandemic evolution elsewhere. "Vietnam's garment and textile industry depends heavily on the world market. As soon as the markets are not stable, it will be difficult for the industry," he affirmed.

Keeping upward momentum

According to data from the Ministry of Industry and Trade, in the first quarter of 2021, textile and garment exports approximated US\$9 billion, 6% higher than a year earlier, despite ongoing pressures from the pandemic. Yarn and fiber exports rose by 31% in the March quarter while the export value of curtain fabrics and other technical fabrics climbed 8.8%. Similarly, leather and footwear firms are also prospering when they have long-term production orders again. This is showing that they have chosen the right way to go.

Mr. Le Tien Truong, President of the Board of Directors of Vietnam National Textile and Garment Group (Vinatex), said, the world's apparel consumption trends have changed a lot in the time of the Covid-19 pandemic. In 2020, suits, trousers and shirts plunged most, respectively by 70%, 45% and over 30%. In 2021, the textile and garment industry has seen a certain recovery after a sharp slump in 2020 but it is still low relative to the sector's production capacity achieved earlier. These are strong products of Vietnam.

"It is certain that, in the first six months of 2021, the

market will mainly consume basic commodities at relatively low prices. In fact, Vietnam's garment factories are still running full capacity in knitted and basic clothing items," he said, adding that the textile and garment industry is seeing a very good opportunity for growth thanks to recently ratified free trade agreements (FTAs).

In particular, the Regional Comprehensive Economic Partnership (RCEP) is also expected to create an impetus for the industry and to replace markets where the Covid-19 pandemic has yet to be controlled. At the same time, FTAs will also help the textile and garment industry to call for investment in input supply shortages.

A report on prospects of Vietnam's textile and garment industry 2021 released by BIDV Securities Joint Stock Company (BSC) said that, with the expectation that everything will return to normal in 2021, shopping demand will rebound after a year of repression. This will help fashion firms to be more optimistic about their business prospects, thereby positively impacting traditional garment orders at Vietnamese garment factories. ■

(from P.11)

households experienced larger declines in income than male-headed households. Disbursement of Covid-19 specific relief programs was short-lived and faced difficulties in implementation, highlighting a need for a more extensive, effective, and better targeted social protection infrastructure.

Recent developments

The GDP grew 2.9% in 2020, due to exceptional resilience in Vietnam's export and domestic sectors, although this growth performance is significantly lower than the 7% growth rate in 2019. At the sectoral level, agriculture turned out to be the most resilient with an estimated growth rate of 2.7%. Industries and services grew 4.0 and 2.3%, respectively. The tourism-related sub-sectors have borne the brunt of the Covid-19 crisis with accommodation and catering services dropping by about 15.0% in 2020 compared to 2019, while the number of foreign visitors in 2020 was only 21% of that recorded a year ago. Fiscal and monetary policies have been accommodating. On the fiscal front, the authorities launched initiatives to support businesses through a deferral of tax payments, allocated funds to support households and individuals affected by the crisis and increased public investment disbursement by 40% (y/y) to bolster aggregate demand. This latter policy appears to have been the most effective. On the monetary front, the authorities reduced the reference rate three times during the year and granted flexibility to banks on forbearance to clients on loan terms. While NPLs are low, the authorities are monitoring the performance of the banking sector.

Outlook

The Socio-economic Development Strategy 2021-2030 sets the objective of Vietnam becoming an industrialized country and belonging to the group of upper middle-income countries by 2030. To achieve this goal, it needs to: (i) improve the

quality of market-economy institutions and governance; (ii) develop human capital, science, technology and innovation; (iii) further integrate into the global economy; (iv) continue improving transport, energy and IT infrastructure and green and resilient megacities. The transition years will need to see major investments in human capital, innovation, and green infrastructure to increase productivity and transform the economy into a resilient and knowledge-based economy. Some of the major challenges to overcome include, an aging population, a relatively low skilled labor force, and the high environmental costs of the current growth model. The economy also remains vulnerable to external shocks given its export orientation. GDP growth is expected to rebound in 2021 reaching 6.6% and 6.5% in 2022 and 2023, respectively. Exports are expected to perform strongly in 2021, though they face the risks of slackening international demand if vaccinations continue to face slow roll-out, and growth in the US and EU, the main destination for Vietnam's exports, falters. Domestic sector growth will pick up further once private demand recovers from ongoing Covid effects. Over the medium term, growth will settle closer to potential growth, on the back of manufacturing and services growth. On the demand side, recovery of private investment and consumption will replace the counter-cyclical policies extended during the crisis. Fiscal deficit and debt will remain sustainable while financial sector health will need to be monitored carefully. Based on the Lower-Middle Income Class poverty line (US\$3.20/day 2011PPP), the poverty rate is projected to be 5.3% in 2021, slightly higher than the 5.1% forecast in the absence of Covid. The effects from Covid are not equitable. Households in the bottom income quintile have experienced on average continued income decline through January 2021, compared to households in the upper income quintile whose income decline has tapered off. Household income loss today will have longer-term impacts on spending. About 40% of households that still have lower income due to the Covid crisis said this decline has affected their plans, including home renovations, construction, starting a business, or purchase of a motor vehicle. ■

Wood Processing Still Enormously Attractive



By overcoming numerous market difficulties and high transportation rates, Vietnam has made robust growth of wooden furniture exports. Wood processing in Vietnam is still very attractive to investors, including foreigners.

At the working meeting with the Vietnam Timber and Forest Products Association (Vifores) on April 23, 2021, Minister of Agriculture and Rural Development Le Minh Hoan told relevant bodies to socialize resources to support brand construction and development of Vietnamese wood products helping to earn US\$18-20 billion from export in 2025 and US\$23-25 billion in 2030.

Rising cost of freight

Vifores Chairman Do Xuan Lap said that woodwork exports reached nearly US\$12.5 billion in 2020 and US\$3.7 billion in the first three months of 2021, up 41.5% year on year. Up to 90% of export value of wood and forest products came from the United States, Japan, China, the European Union and South Korea.

He said, wood exporters went through many difficulties and challenges in the first three months of 2021. First among them is the rising cost of freight.

For example, the U.S. market is expected to import US\$7.8-8 million of wooden furniture in 2021, estimated to store in 500,000 containers.

However, shipping costs to this market are volatile. Before September 2020, the shipping rate for a container to the U.S. market was US\$4,000-5,000 but it soared to US\$8,000 - 9,000 (even sometimes US\$11,200) in the first quarter of 2021.

Meanwhile, in the European market, the sea freight rate

increased from US\$400-500 per container on the import direction. The average rate in November 2020 was US\$1,100 per 40-foot container but it climbed to US\$1,500 in March 2021.

More investment in advanced technology

Minister Le Minh Hoan appreciated the wood business community for overcoming difficulties and achieving very high growth of wood export.

The export value of wood products and forest products increased by five times over the past 15 years, from US\$2.8 billion a year in 2006-2010 to about US\$8 billion a year in 2011-2020, with over US\$13 billion in 2020.

This achievement affirmed Vietnam's position in the international wooden furniture market. The wood and forest product processing capacity has grown rapidly in scale, quantity, quality and efficiency of

production and business. This sector has attracted more investment from the private sector.

"Vietnam had about 1,200 wood processors in 2006 but it now has nearly 6,000 processors, including about 1,000 foreign-invested processors which registered to invest nearly US\$6.5 billion," he emphasized.

Wood companies have been focusing on investing heavily in modern equipment to make sophisticated products. This has helped them to create high-quality, high-class products that meet domestic and international consumer tastes.

Workers in this industry have also increased strongly in number. Up to now, more than 500,000 are working for the wood industry, 55-60% of whom are trained.

"The wood business community should continue to adopt advanced technologies for wood processing facilities; apply mechanization and automation to reduce labor costs, save and utilize inputs for processing, create uniformity and ensure product quality," he recommended.

Enterprises should invest in projects using by-products from wood processing, wood glues and accessories for the wood processing industry. Besides, it is necessary to develop the engineering and supporting industries for the wood processing industry. At the same time, it is necessary to socialize resources to support building and developing Vietnamese wood product brands. Vietnam will strive to earn US\$18 - 20 billion from woodwork and non-timber forest products by 2025 and US\$23-25 billion by 2030. ■

Seafood Exports Aimed for US\$8.5 Bln in 2021



In 2020, Vietnam's shrimp exports reached US\$3.7 billion despite many difficulties caused by the Covid-19 pandemic

The fisheries sector must achieve an output of 8.6 million tons of aquatic products (farming 4.75 million tons and catching 3.85 million tons) and earn US\$8.5 billion from exports in 2021.

This is the goal that Deputy Minister of Agriculture and Rural Development Phung Duc Tien assigned to the Directorate of Fisheries at the Workshop on “Deploying solutions for livestock and fishery development in the new context” recently organized by the Ministry of Agriculture and Rural Development in Hanoi.

Capacity of 4.56 million tons

Mr. Tran Dinh Luan, General Director of the Directorate of Fisheries, said, aquacultural area totaled 1.3 million ha in 2020, including over 740,000 ha for brackish water shrimp farming, 450,000 ha for traditional fish farming, 5,700 ha for pangasius farming, and the rest for other species farming. The fisheries sector also had 10 million cubic meters of fish cages (7.5 million cubic meters for brackish and saline water farming and 2.5 million cubic meters for freshwater farming).

In 2020, despite being strongly affected by the Covid-19 pandemic, the fisheries sector still achieved positive

results. The cultured output totaled 4.56 million tons, an increase of 1.5% over 2019. Specifically, pangasius output reached 1.56 million tons, and this product brought in an export value of US\$1.5 billion (accounting for 18% of the sector's total export value). The output of brackish water shrimp and black tiger shrimp reached 950,000 tons and 267,700 tons (up 1% year on year), respectively; and vannamei shrimp output was 632,300 tons (up 8.5%). Shrimp exports brought home US\$3.7 billion (accounting for 44% of the sector's total exports).

The marine culture consisted of 260,000 ha and 7.5 million cubic meters of cage, which produced 600,000 tons of products. Specifically, sea fish farming covered 8,700 ha and 3.8

million cubic meters of cages, which cultured 38,000 tons. Mollusks were cultured on 54,500 ha, harvested 375,000 tons in the year. Lobster was cultivated in 3.7 million cubic meters of cage, harvested 2,100 tons. Seaweed was farmed on 10,150 ha, harvested 120,000 tons.

The main aquatic seed production basically met the demand for commercial farming, according to Mr. Luan. The country had 2,362 brackish shrimp hatcheries, which turned out 79.3 million shrimp seeds. The Mekong Delta had about 120 producers of pangasius seeds with about 2 billion pangasius breeds. 60 million breeding fish were replaced for better reproductivity.

Maintaining 1.3 million ha of aquaculture area

Exports were disrupted by border lockdowns, closures of fast-food restaurants in major importers, delayed shipping, canceled or delayed orders. Some customers refused to place new orders, said General Director Luan when talking about difficulties and shortcomings of the fisheries sector.

In addition, input supplies for feed production were severely affected. The continuous rise of input prices resulted in higher production costs and weakened product competitiveness. The consumer demand for expensive aquatic products like lobster, *babylonia areolata* and groupers also decreased because they were mainly exported

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Advancing Institutional Reform for More Rapid Economic Recovery



Delegates at the workshop on economic recovery and institutional reform

Fostering economic recovery and conducting institutional reform amid the complicated development of Covid-19 pandemic will help Vietnam's economy recover faster and more sustainably.

THU HA

Three growth scenarios in 2021 - 2023

Speaking at the recent workshop on “Making economic recovery and institutional reforms intertwined after Covid-19: Way forward for Vietnam”, Dr. Tran Thi Hong Minh, President of the Central Institute for

Economic Management (CIEM), emphasized that in 2020 and the first quarter of 2021, Vietnam's economic growth was assessed as positive by international organizations. To date, Vietnam has basically contained the Covid-19 pandemic, maintained macroeconomic stability and facilitated businesses to develop. While Covid-19 pandemic development is raging worldwide and potentially harmful to the Vietnamese economy, reforms need to be focused on in the coming time, she said.

CIEM put forth three scenarios for Vietnam's economic prospects in 2021-2023, all based on the condition that Vietnam fully controls the Covid-19 pandemic by the end of 2021. Mr. Nguyen Anh Duong, Director of CIEM Research Department, said, in the first scenario (median), Vietnam's economy will grow only at

5.98% and inflation will rise by 3.51% in 2021. The growth will be 6.45% and 6.61% in 2022 and 2023, respectively.

In the second scenario (fiscal and monetary policy loosened), Vietnam's economy will grow 6.43% in 2021. Given loosened fiscal and monetary policies, CIEM estimated that inflation will pick up 3.78%. In 2022 and 2023, the growth is projected at 6.8% and 6.83%, respectively.

In the third scenario (fiscal and monetary policy eased, institutional reforms accelerated), Vietnam's economy is forecast to grow at 6.47%. Despite higher economic growth, inflation is believed to rise only 3.56% in 2021, according to CIEM. The economic growth will be accelerated to 6.88% and 6.92% in 2022 and 2023, respectively.

According to Mr. Duong, these three scenarios show that if only fiscal and monetary policy is eased, higher economic growth will come with greater inflationary pressures. If fiscal and monetary policy is eased together with institutional reforms, higher economic growth will be coupled with significant productivity improvements. GDP growth may reach 6.76% a year in 2021-2023. "This is also a way for faster recovery and more sustainable growth", he stressed.

A longer-term plan needed

Although pandemic development scenarios must be taken into account, Vietnam needs to develop a long-term plan for quicker economic recovery after the end of Covid-19. In the report released at the workshop, CIEM proposed a reform roadmap for the 2021-2023 period. Proposed orientations and solutions concerning economic recovery, institutional reform, openness to new economic activity, international economic integration and sustainable development are also concretized, implemented harmoniously and consistently in the coming time. In addition, governmental roles and economic space for the private sector, reform timing are well-acknowledged in the post-pandemic recovery period.

According to CIEM President Tran Thi Hong Minh, in the coming time, Vietnam needs to build a longer-term plan, avoid the risk of "exhausting" policy space and reduce motivations for economic institutional reform. Because if the economy recovers slowly, economic institution reforms will also lack consensus and necessary motivations and not create strong changes to meet economic requirements.

Correspondingly, the focus of 2021 will be effectively preventing

Covid-19, removing difficulties for the business community and workers, reforming economic institutions, combining solutions for economic recovery and economic institutional reform in 2022 and gradually withdrawing support solutions for economic growth recovery, with emphasis on economic institutional reform in 2023. Longer-term solutions will be fundamental changes of growth pattern and increasing growth quality.

Sharing this point of view, Dr. Vo Tri Thanh, Director of the Institute of Branding and Competition Strategy, said that the economic recovery should be strongly associated with economic institutional reform to result in higher performance. In particular, in order to enhance economic resilience, institutions to cope with "shocks" is a very big issue that needs to be posed next to macroeconomic stability and growth policy space, he added.

Regarding economic institutional reforms, CIEM President Tran Thi Hong Minh noted, to create a favorable investment and business environment for business development, Vietnam needs solutions to unlock funding channels or enabling policies for business development. However, the most important thing, apart from fostering institutional reform, is to boost communications to people and businesses.

Emphasizing the role of digital transformation, according to experts, in the coming time, it is necessary to focus on developing the digital economy, carrying out institutional reform together with the digital economy, e-government and e-business to reduce physical contact and increase openness and transparency. If enterprises do not adopt digital transformation, it is difficult to access their value chains.■





How to Stop Land Speculation?

Data from many reports on the real estate market in the first quarter of 2021 showed skyrocketing land prices despite many legal warnings.

HUONG LY

Speculation-driven price surge

According to Savills, the Hanoi market witnessed a sharp increase in real estate demand, especially villas and townhouses, residential land, auctioned land, and service land. Other localities also saw a marked growth of residential land purchase and sale, notwithstanding legal warnings.

The report compiled from user data on batdongsan.com.vn showed that buyer interest in land plots in the first quarter of 2021 grew strongly by more than 20% over the fourth quarter of 2020. In Hanoi, interests were stronger in price-rising areas like Dong Anh (36%) and Gia Lam (18%). Neighboring provinces also recorded significant growth, especially Tu Son, Bac Ninh (rising by 67%). Residential land offering prices picked up strongly in Thanh Tri (Hanoi) and Van Giang (Hung Yen), rising by 28% and 41%, respectively.

In Ho Chi Minh City, there is a marked change in interests for land in some districts. Interests in some suburban locations, far from the downtown, such as Can Gio, Cu Chi and Nha Be advanced 81%, 36% and 25%, respectively. Binh Duong province also had two areas seeing

a strong increase in buyer interests, namely Dau Tieng (up 32%) and Bau Bang (up 30%). In particular, in Bau Bang, the residential land asking price doubled from the previous quarter.

Ms. Do Thi Thu Hang, Senior Director of Research & Consultancy, Savills Hanoi, said, “Development planning and better infrastructure are often grounds for higher pricing. Affected areas where prices increase for herd sentiment or on ungrounded information should not be seen as the real cause of land price hikes. This price rise is primarily speculative rather than demand-based. Buying and reselling do not bring the end result. This move does not reflect the real demand of the market and will then be stopped as happened previously.”

Cooling land price

Proposing solutions to control land prices, Ms. Hang said credit tightening can be seen as a measure to control speculation. When Vietnam's economy is growing positively, measures taken will need to be carefully considered because when applied at large, it will be inevitably effective with a certain lag.

“We realize that bank-financed projects usually have certain supplies. In Hanoi, current economic indicators are still safe. Under current conditions, measures still need to go from warning level to complete prevention of land ‘fever’ to shape a sustainable market because this decision will not only affect the real estate sector but also relate many other economic fields,” she added.

In an effort to curb land 'fever', the government may consider two important factors: Disclosing detailed planning and infrastructure development, with specific updates for people to know exactly places affected by governmental decisions; and introducing strict sanctions to control the market and ensure openness and transparency in the real estate industry, he noted. Specifically, the Government needs to severely control legal conditions when investors launch products on the market, and at the same time, investors need to fulfill legal conditions and ensure buyers receive houses as committed. In particular, the Vietnamese market typically has uncertified real estate brokers who push up prices at their own wish and affect real prices on the market. Moreover, Vietnam still does not have an agency responsible for storing practical information such as market transactions. Currently, buying and selling prices are being recorded but these figures do not really reflect real transaction prices between end buyers and sellers.

On a broader scale, Mr. Matthew Powell, Director of Savills, said, "In fact, the real estate market in Vietnam is still heavily dependent on papers. Therefore, we can think of digital transformation, that is, digitizing these papers into a shared national administration system and this move requires a long-term vision. Having a national data system will bring many benefits, including controlling brokers who intentionally spread rumors to push up land prices. In some countries like the United Kingdom or Hong Kong (China), brokers must be certified to work in this field. The important issue does not lie just in policy because the market also needs supply and demand stability. Policies also need to clarify protection of investor interests in addition to ensuring inflationary effects avoided and censoring housing prices. Land price valuation needs to be performed by certified and experienced land valuers."

Ms. Hoang Nguyet Minh, Director of Commercial Leasing Division, Savills Hanoi, added, the current land price hike can be localized in individual-to-individual transactions and will not exert too much effect on decisions of foreign investors in Vietnam.

"When foreign investors make an investment decision in the real estate market in Vietnam, they will take time to observe and assess what is happening with specific appraisal procedures and activities. Repeated selling and buying without end buyers cannot be used to assess the land price, it must be based on transaction data of previously ongoing projects with determined selling price and selling speed. So, when implementing and planning to introduce their projects in the future, investors will consider potential market supply at that time. For them, Vietnam is a potential market, especially in Hanoi and surrounding areas where huge land funds are untapped. Foreign investors are strongly capable to develop project complexes and provide utilities besides apartments for sale," Ms. Minh explained. ■

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and cooked by restaurants.

He proposed the ministry's leaders direct the Department of Animal Health and the Plant Protection Department, which are responsible for inspecting quality and quarantine of imported inputs, to make full statistics on input costs and key importers.

It is necessary to advise the Ministry of Agriculture and Rural Development to work with relevant ministries and agencies on plans and solutions to negotiate with major suppliers of inputs for fish feed and animal feed production to have a stable and suitable input source and propose mechanisms and policies to support businesses to stabilize production in difficult times.

The Directorate of Fisheries also requested that the Department of Science, Technology and Environment under the Ministry of Agriculture and Rural Development, and research institutes, coordinate with enterprises to urgently study and find technological solutions and seek input sources to replace scarce and expensive inputs.

Together, localities need to pay attention to developing chain models to reduce intermediaries and production costs; strengthen inspection and control of conditions concerning establishment of producers and distributors of breeds, aquatic feeds and environmental treatment products; and strictly handle speculative and profiteering acts to force farmers to sell at undesirable prices and prevent the spread of false information.

Delivering a guidance keynote to the workshop, Deputy Minister Phung Duc Tien emphasized that there should be timely and drastic solutions to realize the sector's goals in 2021.

Deputy Minister Tien assigned tasks to the fisheries sector in 2021: Keeping the aquaculture area of 1.3 million ha, including 450,000 ha for freshwater farming (5,700 ha for pangasius farming), 850,000 ha for saline and brackish water farming (630,000 ha for tiger shrimp farming and 110,000 ha for white-legged shrimp farming). The aquatic output will amount to 4.75 million metric tons in the year, 4.2% more than that in 2020 (1.55 million tons of pangasius, 980,00 tons of shrimp).

"It is necessary to further strengthen production connectivity to access high-quality input supply sources at reasonable prices, to reduce intermediaries, foster scientific application to increase productivity, lower costs, bring down feed conversion ratio and protect the water environment.

"The Directorate of Fisheries must strictly manage the quality of aquatic breeds and supplies; inspect producers of breeds, aquatic feeds, environmental treatment products used for farming; and strictly handle violations. The directorate must implement consistent solutions to control quality and price of aquatic feeds for farmers to stabilize production and prevent unreasonable pricing," he requested.

Deputy Minister Tien added that it is necessary to further apply new scientific and technological advances to enhance productivity, product quality and performance to meet domestic and international market needs. ■

How to Deal with Legal Risks in E-Commerce?

Inconsistent regulations on format data and on electronic identity authentication; ambiguity about legal validity, evidence value and legality; insufficient regulations on electronic bonding and contracts are legal risks in e-commerce transactions to which businesses need to pay attention.

QUYNH CHI

According to the 2020 White Book on e-commerce, Vietnam's e-commerce continued to grow by above 30% to about US\$15 billion. The Government is carrying out the National Digital Transformation Program, under which 50% of Vietnamese SMEs will switch to digital platforms and have at least 80,000 digital technology businesses by 2025.

Mr. Pham Ngoc Vinh from E-Commerce Development Center under the Vietnam E-commerce and Digital Economy Agency, said that, by 2025, 55% of Vietnam's population will have access to e-commerce and online shopping; 40% of businesses will operate e-commerce on mobile applications; 80% of e-commerce websites will have integrated online ordering function; 70% of transactions on e-commerce websites/applications will have e-invoices; 70% of electricity, water, telecommunications - communication services will be provided by electronic contracts and 10% of total retail sales of consumer goods/services will be contributed by e-commerce.

E-commerce and the internet will radically change the ways of doing business. Therefore, SMEs need to expand customer interaction channels via multi-channel sales. If they do not quickly adapt to e-commerce development, they will be left behind. In particular, if in the past, free trade agreements did not have specific e-commerce provisions, now this area has drawn new interest.

For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes such universal policies as commitments to imposition of no import and export duty on electronic transmission; commitment to non-discrimination of similar digital economic products; commitments to consumer protection; laws on consumer protection in the online environment against e-commerce fraud. The EU - Vietnam Free Trade Agreement (EVFTA) does not apply customs duties on electronic transactions and pledges cooperation in maintaining dialogues on matters relating to e-commerce. The Regional Comprehensive Economic Partnership (RCEP) also provides for trade facilitation and consumer protection to prevent e-commerce fraud. Accordingly, knowledge and preparation are important to effectively take advantage of opportunities provided by these agreements for e-commerce.

Despite its potential, e-commerce also presents numerous risks and challenges for all stakeholders. According to Mr. Phan Trong Dat, Deputy General

Secretary of the Vietnam International Arbitration Center (VIAC), risks and challenges come from inconsistent regulations on format data, insufficient regulations on electronic identity authentication; ambiguity about legal validity, evidence value and legality; insufficient regulations on electronic bonding and contract.

Therefore, it is necessary to clearly define the ability of independent verification with electronic transaction generating systems in legal aspects and to define conditions to ensure security of digital signatures of individuals, organizations and enterprises, according to the legal responsibility of each subject.

E-commerce exchanges must be responsible for checking, monitoring, collating information from the suppliers/sellers, controlling the quality of goods, and preventing counterfeit goods, knockoffs and substandard goods.

Suppliers will bear the risk if they do not control the quantity and quality of goods when e-commerce exchanges deliver the goods to consumers, and carry the risks of payment, advertising and promotion. Besides, they may be jointly responsible for erroneous goods or transaction errors between exchanges and consumers.

And, consumers will face the risk of being defrauded and receiving poor-quality goods; payment risks; and inaccurate information about suppliers among other things.

The above risks can lead to commercial disputes on exchanges, Mr. Dat said. To deal with this, businesses can resort to two forms: Negotiation or mediation. For the former, the involved parties have the right to voluntarily discuss and agree to remove the dispute without the intervention of a third party.

As for mediation, the parties resolve disputes with the participation of third parties as mediators to assist in finding a resolution. Negotiation results are not binding to the parties but successful mediation results are voluntarily enforced by the parties, required to be recognized in court and enforced in accordance with the law on civil judgment. Therefore, mediation is considered an effective measure to resolve disputes arising from transactions on e-commerce exchanges. With the help of commercial mediation, the rate of voluntary execution of mediation results is usually close to 90%.

According to many experts, Vietnam needs to soon complete the legal framework on e-commerce in order to bring this potential field to full play. ■

Leveraging National Brand to Uplift Corporate Branding

Vietnam's national brand value has continuously improved on the world rankings in recent years. A well-managed Vietnamese national brand name will be the key to success and can greatly benefit the country's economy in general and the business community in particular.

HUONG LY



Truong Hai Auto Corporation is the winner of several Vietnam Brand awards

Rapid rise in national brand value

According to a recent report by Brand Finance, in 2020, Vietnam was one of the fastest-growing brand-value countries in the world, with a growth of 29% over 2019. Vietnam's national brand value climbed nine places to No. 33 in the Top 100 valuable national brands in the world.

In addition, Vietnam was the only nation in ASEAN to be upgraded in the global soft power ranking from 50/60 to 47/105 countries according to the Global Soft Power Index 2021.

The Brand Finance concluded that Vietnam utilized all aspects of soft power relatively well, especially the integration of the Vietnamese National Brand. Vietnam's national reputation in the past year picked up largely thanks to the Government's quick policy and response, especially its close direction in supporting businesses to build and promote brands domestically and internationally, and to dynamism and efforts of Vietnamese businesses.

Corporate branding aligned with national branding

In 2003, the Vietnam Value Program was approved by the Prime Minister to promote the national image and national brand name by assisting enterprises to develop their product and service brands, enhancing their position and added values of each industry and sector of the economy as Vietnam actively integrates into the international economy, deeply participates in value chains and production networks. As a result, Vietnam has the fastest growth in national brand value in the world.

Meanwhile, the Ministry of Industry and Trade has focused on building and promoting geographical indications and collective brand names of Vietnam in foreign markets; supported boosting corporate competitiveness based on quality reputation, environmentally friendly production and

professionalism to strengthen the position of Vietnamese brands in the world market.

In addition to developing national brands, many Vietnamese brands came as a surprise to the region and the world, including Viettel - Top 15 operators in the world by mobile subscribers and Top 40 in the world by revenue; Truong Hai Auto Corporation (THACO) - gradually reaching the leading position in the ASEAN region; State-owned Khanh Hoa Salanganes Nest Co., Ltd - Asia's leader by bird's nest output; and TH Milk Joint Stock Company - the first to get a passport to enter the Chinese market.

Mr. Nguyen Thanh Son, President of MVV Group, said that businesses should not only focus on making their products recognized as national brands, but look at the values they can take from now. The Vietnam Value Program will provide them with a set of tools, including action methods and metrics, helping them know where they are, what they should do and how they work to have an overview of their performance and internal strengths.

Mr. Lai Tien Manh, Director of Mibrand Company, pointed out three core values that businesses in the national brand program must adhere to: quality, innovation and leadership. These values are not slogans but need to be turned into true actions to match their actions and words with values in the National Brand program.

Affirming that national brand is a lever for businesses to build communication programs based on the prestige of the national brand, Mr. Vu Ba Phu, Director of the Vietnam Trade Promotion Agency (Vietrade) under the Ministry of Industry and Trade, said that in the coming time, the ministry will continue to coordinate effectively with relevant bodies to facilitate and support the business community, including Vietnam Value-certified companies, to participate more actively in building and promoting the image of Vietnam, so as to further increase benefits coming from their new position and new values generated by the national brand. ■

Sustainable Development of Tay Ninh Sugar Industry

Sugarcane is a main crop and a breadwinner for people in Tay Ninh province, especially after the Bourbon - Tay Ninh Sugar Mill came into operation in 1995. Integration has opened up many opportunities but also posed numerous challenges that demand the sugar industry of Tay Ninh province to have consistent radical solutions to improve added value and sustainable development to bring prosperity to farmers and businesses in the province.

CONG LUAN



A plant of Thanh Thanh Cong - Bien Hoa JSC

Sugarcane hub

With soil and climate suitable for growing sugarcane, Tay Ninh quickly rose to become the “capital of sugar” of the country, rated by the Central Government as one of three important sugarcane growers of the country beside Thanh Hoa and Quang Ngai provinces. Sugarcane started with the mission of ending poverty for tens of thousands of farming households in Tay Ninh. Not just doing this mission well, many sugarcane growing households also endeavored for better livelihoods. Tay Ninh was very successful in industrializing the sugarcane processing industry, aligning production with consumption, developing large, high-yield sugarcane areas.

Compared with other crops in Tay Ninh, sugarcane is better grown, especially in terms of biology and industry. Biologically, sugarcane is highly adaptable to different soil and climatic conditions. With a yield of more than 100 tons per hectare, sugarcane is considered by many experts to be one of major crops that generate biomass - the top economic value and the future crop of modern agriculture. In particular, sugarcane has proven suitable in Tay Ninh as it grows better and its yield is 10% higher than the national median.

Industrially, sugarcane is a multipurpose tree, with economic values taken from the top to the root of the plant.

The trunk is the input for sugar, wine, paper, plywood, pharmaceutical, and electricity production. Cane tops and leaves can be used as manure. Molasses is used as the input for biofuel, alcohol, acetone, butanol, yeast, citric acid, lactic, aconitic and glycerin production. With outstanding economic value, if fully exploited, the sugar value chain will be extended and multiplied. Especially, if there is an effective production strategy, sugarcane cultivation can develop sustainably, bringing high economic value, not only from sugar itself but also from products besides sugar, after sugar and other by-products.

Effective business - farmer cooperation strategy

Farmers typically faced a paradox: Getting higher selling prices in unsuccessful seasons and getting lower prices in successful seasons. Many chose to abandon existing crops and opted for new crops believed to generate a higher commercial value. Pricing was a decisive factor in the shrinkage or expansion of cultivated areas.

Not outside the market law, this case also happened to sugarcane and sugar. Nevertheless, despite volatility, sugarcane is always a key crop of Tay Ninh province. This approach requires sugarcane growers to have confidence and

TTC Sugar - Sole distributor of John Deere agricultural equipment in Vietnam

After many years of being a strategic partner, TTC Sugar is currently an exclusive distributor of John Deere tractors and agricultural machinery - a leading American brand of agricultural machinery and equipment - in Vietnam.

This lineup of high-quality machinery, operated effectively on all terrains thanks to its superior and outstanding features, helps increase productivity and save fuel. In addition, John Deere owns a wide ranging world-class portfolio of motorized equipment with reasonable prices and genuine spare parts to best serve customers' needs.



TTC Sugar's farming area

firm stance and make a good investment in capital, seeds and technology to tap sugarcane's full potential.

The issue is how farmers gain the competence and money to invest in technology, expand production, implement mechanization, gradually improve productivity and product quality. Solving this problem requires close coordination and mutual support for development between farmers and sugar businesses.

By lifting farmers' role in the production chain, Thanh Thanh Cong - Bien Hoa Joint Stock Company (stock symbol: SBT) has carried out many projects to support farmers to build large-scale sugarcane fields; create a foundation for expanding production and improving productivity and quality of sugarcane. At the same time, SBT has also transferred all-new farming techniques, provided machines and equipment for farmers to invest in production, thus helping farmers increase their incomes.

Regarding mechanization, SBT is the exclusive distributor of John Deere agricultural equipment in the domestic market. By applying mechanization, properly spaced planting has enabled machines to work on the field to reduce harvesting cost, increase profitability for farmers and bring canes to factories for processing. To help farmers access capital sources to invest in production and apply new cultivation processes, SBT has offered many preferential loans and appropriate disbursement terms, based on cane growth stages for growers to make payment for cost.

Given market volatility, SBT has utilized its advantages of market leadership and steady, persistent steps to support farmers in hi-tech agriculture development. This also shows that strategic cooperation between the company and farmers is one effective solution for the sustainable development of the sugar industry of Tay Ninh province and of Vietnam as a whole, and brings sugarcane on par with other domestic agricultural products and to the international arena. ■

Thanh Thanh Cong - Bien Hoa Joint Stock Company (ticker symbol: SBT) - a leading sugar producer in Vietnam with 46% market share, is a component stock of the VN30 bluechip basket. TTC Sugar constantly expands its retail network, with its products present in more than 70,300 outlet shops, 5,200 supermarkets and convenience stores, more than 3,500 points of sale and four well-known partners on the e-commerce exchange of Vietnam. In addition, TTC Sugar also boosted its exports and successfully brought the TTC Sugar brand to consumers in 24 countries, including fastidious markets such as the United States, Europe, South Korea and Singapore.

With a material area of 64,000 ha spanning three Indochinese countries (Vietnam, Laos and Cambodia), expected to be scaled up to 70,000 ha in the near future and nine sugar mills with a total capacity of more than 37,500 tons of sugarcane a day, equivalent to 4,250 tons of sugar a day, powered by its cutting edge technology, production capacity and quality human resources, TTC Sugar brand is always friendly to customers, farmers, domestic and foreign partners.

Fostering Circular Economy for Waste Sources

Vietnam is striving to have 70 - 90% of waste sources in key industrial sectors analyzed by 2025.

The industry and trade sector's environmental protection plan for the 2020-2025 stage was approved by the Prime Minister in Decision 1375/QĐ-TTg. Accordingly, by 2025, as much as 70-90% of waste sources in key industrial sectors will be assessed and counted, with database completed and policies and regulations on waste control promulgated. 80% of total ash, slag and gypsum generated from power plants, chemical plants, and fertilizer plants will be recycled, reused and remanufactured as production materials, construction materials, and ground-leveling materials that meet environmental requirements.

Change from mindset

This environmental protection plan aims to promote green industrial models in industries; propose building pilot eco-friendly industrial zones, handicraft industries and handicraft zones; training human resources; disseminating legal regulations; raising awareness of responsibility for environmental protection.

Mr. Tran Anh Tan, Deputy Director of the Industrial Safety Techniques and Environment Agency (ISEA) under the Ministry of Industry and Trade, said that the legal system and policies on environmental protection are presently inadequate and must be reviewed and revised completely.

Mr. Tran Van Luong, Chairman of the Vietnam Environmental Industry Association (VEIA), said, the environment of Vietnam is increasingly facing problems that the entire society must take into account. The National Assembly also issued the Law on Environmental Protection in 2020, which also defines the environment industry as an economic sector for development.

The environment industry must be closely linked with technologies of each manufacturing industry to develop. At the same time, this industry must solve problems closely linked to the circular economy, where an industry creates added value for remaining products of other industrial processes.

"Developing the circular economy must be first of all started with perceptions. Authorities and people must know that the circular economy is not involved in treating waste but recycling materials and creating added value for materials that are not used up in a technological process and will be used in a new industry," he emphasized.

From a business perspective, Mr. Tran Dinh Quyen, Chairman of the Board of Directors of Tin Thanh Group, said that his company has used biomass fuels (e.g. agricultural and forest waste) as alternative to millions of tons of fuel oil (FO), helping reduce millions

of tons of CO2 for many localities across the country.

The company has also focused on a circular industrial - agricultural production program for renewable energy development. Tin Thanh currently owns two important fuels to convert into steam power, biomass power, and waste-to-energy. However, in the implementation process, the group and many businesses in the industry are facing numerous difficulties and obstacles arising from mechanisms, policies and legal regulations.

Therefore, like others, the company hoped to receive support from the Government and relevant ministries to create favorable conditions, and have appropriate and timely support policies for scaling up the circular economy in Vietnam. This will accelerate the restructuring of energy, agriculture, environment and socio-economic development of the country.

Waste-to-cash

Referring to outcomes reported by Tin Thanh Group, Vinh Tan 1 Power Company, Thuong Hai SUS Environment Company, Da Loc Construction Trading Joint Stock Company and other entities that have succeeded in carrying out the circular economy for waste, Prof. Vo Tong Xuan pointed out that agricultural waste and industrial waste are valuable resources.

"With current science and technology, businesses have the complete capacity to effectively turn waste into cash. Accordingly, technologically powered factories will turn waste into electricity, fertilizers and construction materials, valuable and useful for life and environment," Prof. Xuan emphasized.

Moreover, Vietnam is increasingly integrating with the world economy, which will require domestic enterprises to take sustainable steps, improve product quality and accelerate environmental protection.

Therefore, Mr. Hoang Van Vy, Deputy Director of the Northern Environmental Protection Department under the Vietnam Environment Administration (Ministry of Natural Resources and Environment), said that businesses must recognize and change their development strategies, making economic development harmless to the environment for a green - clean economy, and a circular economy for sustainable development.

Mr. Tran Anh Tan said that the Government and the Ministry of Industry and Trade also told central agencies and the business community to identify environmental challenges and issues in their industrial activities (such as electronic waste, solar power, wind power, energy from waste and radiation) and commercial activities (shifting obsolete and outdated technologies, importing scraps as inputs for production) to build an environmentally friendly clean, green economy and help authorities get specific solutions to take active action to protect the environment and respond to environmental incidents. ■

Given its special characteristics, the industry and trade sector has significantly contributed to economic development, and businesses in this sector have played an important role in greening the industry, building a green economy and pursuing sustainable development. However, industrial production and commercial activities have also given rise to many environmental issues that need to be addressed.

Quality of Governance and Services Delivery Improve Remarkably



The 2020 Provincial Governance and Public Administration Performance Index (PAPI) Report, recently released by the United Nations Development Program in Vietnam (UNDP), shows an incremental improvement in national governance and public administration performance during the 2016-2021 government term, with control of corruption in the public sector showing the strongest improvement.

QUYNH ANH

UNDP Resident Representative in Vietnam Caitlin Wiesen said new features of the 2020 PAPI Report include insightful findings on the performance of local governments across two terms (2011-2016 and 2016-2021); experience of internal migrants with accessing services in receiving provinces; and voter perception of women in leadership roles. As the Government embarks on a new term, PAPI measures and benchmarks citizens' experiences and perception on the performance and quality of policy implementation and services delivery of all 63 provincial governments in Vietnam to advocate for effective and responsive governance across eight key dimensions. Analysis in the 2020 PAPI Report shows that citizen engagement and anti-corruption efforts have a positive correlation with Vietnam's ability to respond to the Covid-19 pandemic.

The 2020 PAPI Report presents detailed findings on how provinces performed across the eight PAPI dimensions: Participation at local levels, transparency in local decision-making, vertical accountability, control of corruption in the public sector, public administrative procedures, public service

delivery, environmental governance, and e-government, as well as in the aggregate PAPI scores. In 2020, none of 63 provinces and cities were in the top performing group across all eight dimensions.

Over 14,700 citizens were interviewed for the 2020 PAPI Report. This is the largest number of citizens to participate since the survey was first conducted nationwide in 2011. For the first time, the survey also gathered responses from citizens with temporary residence registration status. Nearly 300 migrants were surveyed in six centrally governed municipalities and provinces, namely: Hanoi, Ho Chi Minh City, Bac Ninh, Da Nang, Dong Nai and Binh Duong.

According to the PAPI 2020 Report, Quang Ninh province has climbed two places to the top of PAPI rankings, scoring 48.811 points. The northern province leads the country in three criteria: Transparency in local decision-making (6.499 points), control of corruption in the public sector (8.286 points) and public service delivery (7.713 points). Quang Ninh is also among the top in the country for participation of local levels (5.805 points), public administrative procedures (7.611 points), environmental governance (4.964 points) and e-government (3.14 points). It ranks high in other indicators - Vertical accountability (4.793 points).

The runner-up is Dong Thap with a score of 46.961 points. The province leads the country in environmental governance with 5.202 points.

The third-placed is Thai Nguyen with 46.471 points. The locality ranked first in the country for participation of local levels (6.216 points).

Notably, from the people's perspective, the anti-corruption has affected local authorities. There is a decline in percentage of respondents saying that "bribery is necessary to get a job in a government agency, to get health examined and treated in a district public hospital, to have land-use rights certified, to have children better treated by teachers in public primary schools and to have construction permits granted." This downtrend also started in 2016.

However, the survey on people's actual experiences with harassment when using public services" show a pessimistic picture. There is a rise in people having to pay informal charges to have their land-use right certificates completed in 2020.

Australian Ambassador to Vietnam, Madam Robyn Mudie noted: "This improvement may have contributed to Vietnam's successful response to the Covid-19 pandemic. The findings from the 2020 PAPI Report show that there is a correlation between good governance and effective pandemic responses. In other words, good governance matters. Looking ahead, improving governance will prove extremely useful in managing other unexpected emergency situations in Vietnam."

Looking ahead to the 2021 National Assembly and People's Council elections, the 2020 PAPI Report includes a

(continued on P.28)

VSS, Korean Firms Discuss Social and Health Insurance



Overview of the dialogue meeting between Vietnam Social Security and Korean businesses

The Vietnam Social Security (VSS) recently hosted a dialogue meeting with South Korean businesses on the enactment of social insurance and health insurance policies, chaired by VSS General Director Nguyen The Manh, in Dong Nai province. This was the first such policy dialogue between the VSS and FDI enterprises.

Dong Nai, Binh Duong and Ho Chi Minh City are major recipients of Foreign Direct Investment (FDI) funds.

South Korea is among top foreign investors in Vietnam, largely with labor-intensive projects. This meeting provided information, exchanged and answered questions about implementation of policies on social insurance, health insurance and unemployment insurance, thus helping consolidate and raise awareness, create consensus and cohesion among FDI enterprises in general and South Korean ones in particular in ensuring social security for employees. This activity also further tightened diplomatic relations between Vietnam and South Korea ahead of the 30th anniversary of diplomatic relations in 2022.

The successful gathering highlighted VSS's efforts for effective enforcement of the Government's Resolution 02/NQ-CP dated January 1, 2021 on the continued implementation of key tasks and solutions for a better business environment and stronger national competitiveness in 2021.

Also at the event, with the desire to introduce and diffuse its effective digital products to South Korean businesses, the VSS launched the Korean version of the VssID application to help Korean businesses and employees, subject to compulsory social insurance, with the opportunity to access and experience VssID features and utilities, thus creating ripple effects on managers at all

levels and workers in Korean firms investing and doing business in Vietnam. This is a common concern of many foreign-invested enterprises in Vietnam, including South Koreans. In order to optimize benefits for workers, Vietnam and South Korea are negotiating to sign a bilateral agreement on social insurance from which the VSS and the Korea National Pension Service will also sign an enforcement agreement to create a legal basis and corridor for enactment and ensure social security interests for workers in each country. The Vietnam Social Security is working closely with the Ministry of Labor, Invalids and Social Affairs in cooperation with South Korean partner agencies to soon realize the goal reached by the two governments.

Speaking at the meeting, VSS General Director Nguyen The Manh said, to prepare for this significant event, the Vietnam Social Security conducted a survey into South Korean businesses. The agency is ready to receive information about enforcement of social insurance, health insurance and unemployment insurance policies; solve problems faced by businesses and administrative procedures within its jurisdiction. At the same time, the VSS will discuss and come up with the best solutions to ensure social security for workers at FDI firms as well as foreign workers in Vietnam.

He hoped that the South Korean side will continue to work with Vietnam in general and the VSS in particular in the implementation of social insurance, health insurance and unemployment insurance policies, and ensure social security for workers.

Mr. Hoang Quang Phong, Vice President of the Vietnam Chamber of Commerce and Industry (VCCI), said that VCCI has actively coordinated with the VSS to organize regular conferences to diffuse legal policies on social insurance, health insurance and unemployment insurance to the business community. At the same time, many conferences between businesses and social insurance agencies were launched to promptly send recommendations and contributions of businesses to the VSS, as well as measures to remove difficulties faced by enterprises in the process of implementing policies on social insurance, health insurance and unemployment insurance.

Dialoguing is indeed one of the ways to strengthen the bond between businesses and government agencies; bring Party and State policies to businesses directly and effectively. This event also demonstrated VSS's determination to go with the Government and the FDI business community to create a strong business environment towards a sustainable future. ■

H.T

Boosting Labor Market Development to Facilitate Economic Restructuring



The Central Institute for Economic Management (CIEM) recommended developing the labor market to facilitate economic restructuring, gradually shifting from growth based on production inputs to growth based on increased productivity, labor quality and scientific and technological application and innovation.

HA LINH

Low labor quality

According to a report released by CIEM, Vietnam's labor market has shown certain improvements. Labor has shifted from agriculture to industry and services, from the informal sector to the formal sector, from simple to sophisticated jobs that require expertise and high technology. In addition, workers' awareness of social insurance and unemployment insurance has improved significantly. The rate of employees with social insurance and voluntary unemployment insurance has increased significantly.

Nevertheless, according to CIEM, Vietnam's labor market is still revealing a lot of shortcomings. In general, the labor market is still redundant; job quality is not high; and there is uneven development, serious imbalance in labor supply and demand among regions, regions and economic sectors.

Ms. Le Thi Xuan Quynh, Deputy Director of the Sector

Economic Research Department, CIEM, said, Vietnam's labor quality is low and there is a weak linkage between training and practice. Therefore, Vietnam's worker skills are limited, reaching only 46 points on a 100-point scale (ranked No. 103 in the world), far behind the ASEAN-4 Group, only higher than Indonesia and Laos.

In addition, although trained workers increased by 20 percentage points, from 40% in 2010 to 64.5% in 2020, this was behind the target of 70% set in the human resource development strategy. In addition, regarding workers with certificates valid from three months onward, the rate in 2020 was just 24.5%, failing to reach the target of 25%.

Furthermore, the workforce in Vietnam is aging, with a rising number of aging workers and a falling number of younger workers, which are not enough to replace the aging ones.

Giving explanation to this reality, Ms. Quynh said that the labor market development policy of Vietnam still has many limitations: The monitoring mechanism for program or policy implementation is ineffective; there is not enough legal framework to deal with responsibilities and interests of enterprises in vocational education.

Completing labor market institutions

According to Dr. Bui Sy Tuan from the Office of the Ministry of Labor, Invalids and Social Affairs, the labor market is a decisive input to economic growth and development. In the coming time, information for employees and employers needs to be further specified rather than currently generalized - difficult for workers to access and grasp real career opportunities.

In addition, there is a need to clearly define policy priorities and necessary resources for improving and developing the labor market, thus enabling the acceleration of economic restructuring.

Besides, in the context of the unpredictable and volatile world economy, more requirements are needed for Vietnam to accelerate economic restructuring and growth model change. The country needs to change its resource allocation by shifting production resources to more competitive and more productive sectors and fields that better help economic development in Vietnam, including labor resources.

In the coming period, the labor market development should focus on perfecting institutions and policies on human resource training, salary, intermediary development, welfare and social insurance for workers to boost labor market development.

In addition, the business sector's participation in labor training should be promoted. Businesses are encouraged to employ older workers, provide career opportunities for people vulnerable as a result of economic restructuring, integration, new technological application/transfer and disease impacts.

Notably, it is necessary to innovate employee performance assessment by building Key Performance Indicator (KPI) standards for each position. ■

Sustaining Development of Coffee, Fruit and Vegetable



Coffee, fruit and vegetables have great potential for export and expansion. However, to seize this opportunity, it is necessary to quickly change production methods, and improve product quality in alignment with sustainable development to meet market standards.

NGO SAN

Strategic sectors

The world organic fruit and vegetable market is forecast to grow 9% annually in the 2019 - 2024 period, but organic fruits and vegetables are still undersupplied due to high production costs. North America is the largest market for organic fruits and vegetables, followed by Europe and Asia-Pacific.

Foreseeing this demand, Vietnam has stepped up growing and processing vegetables and fruits for export. By 2020, the country had about two million ha of vegetables and fruits, including more than 1 million ha of fruit trees that produce over 12 million tons a year, or up to 25 million tons if vegetables and fruits are counted. The country currently has about 145 large-scale fruit and vegetable processors with a total designed capacity of 800,000 tons of products a year (71 processors in the southern region alone) and thousands of small-scale processing facilities. The country's fruit and vegetable export is expected to rise by 5-10% year on year to US\$3.42-3.58 billion in 2021.

Vietnam is the second-largest coffee producer and exporter in the world after Brazil and the largest Robusta coffee producer and exporter. This is also an important crop for the people of the Central Highlands and makes up about 30% of the region's GDP. At the same time, the coffee industry has made a great contribution to economic growth, created about two million jobs, serving as breadwinner for 600,000 coffee growers. This crop importantly helps political, social and economic stability in the Central Highlands and mountainous provinces. Vietnam currently has about 100 coffee bean processors capable of processing more than 1.5 million tons for domestic and export markets. Vietnamese coffee has been exported to over 80 countries and territories in the world. In the 2018-2020 crop, Vietnam shipped over 1.4 million tons of coffee worth over US\$2.4 billion to the world market.

However, despite being strategic products, environmental impacts over the past time have inhibited the Vietnamese coffee and fruit and vegetable sectors from boosting their strengths and enhancing their value chains. Coffee, fruit and vegetable production in Vietnam has seriously affected the natural landscape where the ecosystem is weakened in addition to other issues such as biodiversity conservation, soil fertility conservation, water resources,

(from P.25)

section analyzing voter's preferences of candidates at the national and provincial levels, she added. The findings indicate that voters prefer men over women candidates, particularly for village head positions. In addition, while voters prefer men candidates with families, women candidates are less likely to win support if they have families.

Responses by non-permanent residents provided a better understanding of the effect of internal migration on provincial performance in governance and public administration. The analysis shows that migrants tend to be poorer and have fewer household assets and less income than permanent residents and they tend to be women.

Correspondingly, there is a significant gap in migrants' experience with governance compared to permanent residents in the same village. This data is critical for the design of inclusive governance solutions in which the migrant population is not left behind.

"In order to narrow these gaps, provinces receiving internal migrants need to focus on addressing the information needs and expectations of both permanent and non-permanent residents. The current efforts to create national database systems on population and issue digitized citizen identification cards are steps in the right direction. Having a universal identification number will enable citizens to access governance and public services equally regardless of their place of residence within the country," Ms. Caitlin Wiesen said. ■



land, landscape and nature conservation and energy use. This requires minimizing the impact on the environment and sustainable development for the industry.

Sustainable development aligns business with environmental responsibility

Vietnamese and international standard systems/regulations, the EU - Vietnam Free Trade Agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) show the importance of environmental standards and regulations in coffee, fruit and vegetable production and processing for national and international trade chains.



Furthermore, sustainable, ecological, safe, organic coffee, vegetable and fruit production, climate-adaptive production, circular economy and green economy are becoming megatrends in the world and in Vietnam. Corporate social responsibility to the environment is increasingly widely recognized and becomes one of the major production and business rules and standards for enterprises.

Regarding the benefits of minimizing the impact and doing responsible business for the environment, experts say that when enterprises achieve certifications, importers can pay an extra amount in addition to normal selling prices while building their images and brand name in the international market. For example, the European market, which accounts for over 42% of Vietnamese coffee exports, encourages and adds “scores” for environmentally friendly production processes. Consumers are willing to pay a higher price for coffee produced under an ecologically certified process. In Russia, consumers have high requirements for food safety standards. Australia, which accounts for 1.23% of Vietnam's coffee exports, also imposes biosafety regulations on coffee imported into Australia.

Conducted by the Vietnam Rural Industries Development and Research Institute (VIRI), the Vietnam Coffee - Cocoa Association (Vicofa) and the Vietnam Fruit and Vegetable Association (Vinafruit), the project “Promoting environmentally responsible business for coffee and fruit-vegetable sectors in Vietnam” aims to boost environmentally responsible business, support coffee and fruit - vegetable businesses to get ready for international integration and free trade agreements. The project is funded and technically supported by UNDP Vietnam and the Swedish Government. According to Dr. Nguyen Bao Thoa, Director of VIRI, the project, carried out from November 2020 to July 2021, builds the two Codes of Conduct for environmentally responsible business for the coffee sector and the fruit and vegetable sector.

“These codes of conduct are based on international standards and adapted to Vietnamese-specific conditions,” said Dr. Thoa. ■

Six Northern Provinces Join Hands



Tourism development, coordinated by six northern provinces of Ha Giang, Tuyen Quang, Bac Kan, Cao Bang, Thai Nguyen and Lang Son, is a major content of the 12th Viet Bac Heritage Program - Thai Nguyen 2021. The workshop on this effect is designed to find solutions to develop northern tourism and make the northern mountainous region or Viet Bac an attractive destination for tourists.

GIANG TU

The northern mountainous region has many charming heritages with the sacred atmosphere of mountains and valleys and distinctive intangible heritages: Then singing - a distinctive musical genre and a special combination of the spiritual and cultural life of the Tay people in Thai Nguyen province; Fire Dance Festival of the Pa Then people, folk songs of the Nung people in Lang Son province; khen (pan-pipe) dancing of the Mong people in Tuyen Quang, Cao Bang and Ha Giang provinces. Given regional tourism advantages, the northern mountainous region has become an attractive destination for tourists.

In the past 10 years of tourism cooperation conducted by northern mountainous provinces in the spirit of “activeness - equality - efficiency - mutual benefit”, the tourism industry has obtained encouraging results and linked tour routes to attract more tourists to the localities, estimated to rise by over 165 annually. However, tourism development cooperation in the northern mountainous region is still weak, not fully tapped.

Ms. Nguyen Thi Mai, Director of Thai Nguyen Department of Culture, Sports and Tourism, said, the six northern mountainous provinces have made efforts to carry out coordinated promotion and create products under the “Viet Bac



for Tourism Development



Heritage Program” for years. This cooperation initially produced good results, evidenced by a steady rise in tourist arrivals and higher tourism revenue for localities. However, after two rounds of deployment, the quality of program outcomes has not met the demand of international customers and high-class tourists. The cooperation between provinces and businesses is not close enough to create interconnected tourism products of the region. The tour market is being developed locally rather than regionally. Tourists typically go to provinces separately rather than in a single trip.

“I want to see the improved quality of tourism services of Thai Nguyen province in particular and Viet Bac provinces in general by adding new catalyst products and interconnected tours that meet tourists’ demands and bring tourism revenue for Viet Bac provinces. Tours may last 3-4 days for trips to all six provinces or 2-3 days for trips to two provinces,” she expressed.

Mr. Ha Van Sieu, Deputy General Director of the Vietnam National Administration of Tourism (VNAT), said that although Viet Bac tourism has made positive progress, certain limitations still need to be addressed. Development conditions have been improved but many difficulties are standing in the way. It is necessary to focus on overcoming traffic and connecting destinations. Investors are still not ready to invest in outstanding tourism products. Local governments need to have more open

mechanisms to invite investors to launch new tourism products and services.

To develop Viet Bac tourism, the tourism industry of Vietnam in general and of northern mountainous provinces need to focus on key tasks to tap potential and develop sustainable domestic tourism, he said. In particular, safety is always the first priority in tourism services, especially according to health guidance from relevant health authorities and VNAT. The sustainable capacity of tourism companies needs to be further strengthened by coordinated services, high-quality human resources, innovations, modern technologies and digital transformation. It is essential to strengthen connectivity and coordination of businesses and localities to boost tourism promotion, improve service quality, and create more attractive tourism product packages for tourists.

Businesses and destinations essentially understand tourist needs and trends in order to innovate and diversify tourism products to match the domestic tourist market, and carry out appropriate stimulus promotion programs, not only focusing on prices but also enhancing the value of products and services provided. They need to boost communications on effective tourism messages like “Vietnam tourism - Safe and charming” and “Vietnamese people travel Vietnam”, where safety, reasonable prices and guaranteed service quality are emphasized. VNAT is always ready to support localities in tourism development, Mr. Sieu said. ■



An Hao Solar Power Tourist Farm Brings New Chapter to People's Life



An Hao Solar Power Tourist Farm is a brand new check-in at the foot of Cam Mountain, An Giang province

Situated at the foot of Cam Mountain, An Hao Solar Power Tourist Farm looks like a miracle in a spectacular landscape that adds color to the picture of majestic Bay Nui scenery and brings a new source of income for local people seeking to end prolonged poverty.

PHUONG NAM

As a tourist destination, An Hao Solar Farm also nurtures and upholds the cultural soul into the landscape and the heritage of the mountainous region, increases appropriate infrastructure investment and related service systems. At the same time, it has helped strengthen economic, political and social stability in the southwest border area.

Two years ago, An Hao was an extremely poor commune in Tinh Bien district where there was no productive land, no electricity, no clean water, no asphalted roads and no school. Local people lived in poverty for generations. Farmers abandoned farming while young people left the commune for other places to earn a living. In the dry season, hardly any living things could exist in this harsh place, and hardly anyone could imagine a gigantic tourism project erected here.

However, everything has changed completely since Sao Mai Solar Farm was constructed, followed by An Hao Solar Power Tourist Farm. Hundreds of local workers have been employed and paid stable incomes.

In an interview with Mr. Chau Hoang Minh, Director of An Hao Solar Power Tourist Farm, we found that half of

employees are locals, many of whom are ethnic minorities. Some are even promoted to high positions in the tourist farm.

We met Chau PhuonL - a bonsai care staff. Having a powerful body, a clear mind and doing gardening and bonsai here, he happily said, "My brother and I went to work here earlier this year when this new project was being built. After being employed to work here, our livelihoods are getting better. If I did farming, I would cultivate only one crop season a year and I would be unemployed for the rest of the year. Working here, we get paid every month. Furthermore, the company supports free meals a day. Everyone is very happy and wants to work here for a long time."

Under the sparkling solar panels is the vivid image of workers diligently sowing seeds to grow green plants on this infertile land. Honesty is still found in this untouched upland, built on the bond of love between man and land, about gratitude to the kindness of the investor to the Khmer people.

From living on only agriculture, An Hao residents know how to change occupations, strongly develop business and services such as restaurant - hotel

to meet tourists and better-off locals. They more responsibly protect tourism resources and environmental sanitation so that domestic and foreign tourists have the opportunity to admire the majestic beauty of That Son.

In addition to offering a better source of income for indigenous people, the tourist site also helps An Hao make a transformational change, completely getting rid of its old bad image. New asphalted roads are built by investors and hundreds of spacious houses have sprung up side by side. With favorable traffic conditions, more and more tourists are flocking here. The physical distance between cities and the countryside is gradually narrowed. Poor mountainous communes are increasingly changing for the better.

The light of cities, powered by solar, radiate across That Son where the new energy source will go everywhere to revitalize this harsh land and turn it into a fertile green area with large roads, clean agricultural gardens, and modern tourist facilities. All are now gradually coming to this place, bringing a miraculous makeover, creating an extremely important breakthrough of the southwestern frontier economy, opening a new chapter in the journey to lift Thien Cam Son to a new plane of development. ■



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4 MAIN BUSINESS SECTORS:

