

INFRASTRUCTURE REPORT

APRIL 2021

Prepared by Business Centre
British Chamber of Commerce Vietnam

British
Chambers of
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International Affiliate

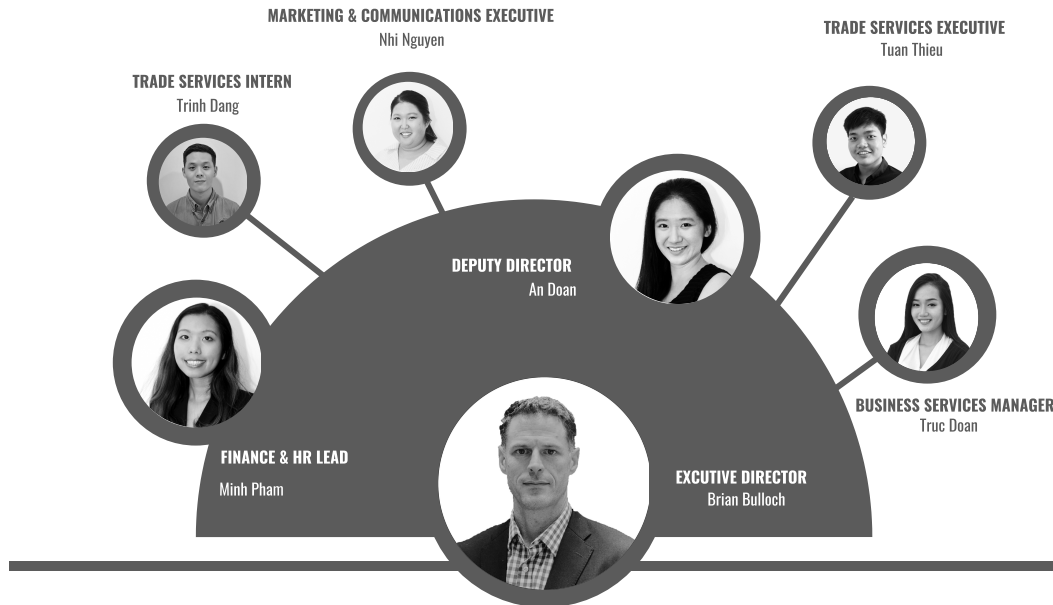
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OUR TEAM



What We Do

The British Chamber of Commerce Vietnam (BritCham Vietnam) was officially established in Ho Chi Minh in 1998 with its Ha Noi branch founded in 2007. BritCham Vietnam aims to support and develop Vietnam-UK business links while raising the profile of Vietnam in the British business community and vice versa. As an accredited British Chamber, BritCham Vietnam in association with the Department for International Trade (DIT), is committed to promote strong business links between Vietnam and the UK.



BUSINESS MATCHING:

Partner search and one-to-one meetings with potential clients, agents/distributors or outsourcing partners



BUSINESS DEVELOPMENT REPRESENTATIVE:

Provide a professional business development representative to act locally on your behalf, strengthen existing engagements with the Vietnam market on a long term basis and develop further business relationships within the market.



INWARD INVESTMENT FACILITATION:

Business Registration, Site Selection, Factory/Office Set-up & Operations Support, HR & Financial Management



BUSINESS SERVICES EVENTS:

Organise trade missions, product launches and seminars/workshops



MARKET STUDIES:

Sector reports, competitor analysis and local prospect background research



EXPORT OPPORTUNITIES:

Explore your export opportunities to Vietnam through DIT's portal opportunities.export.gov.uk



WEBINARS:

Online dialogues with experts within industries to forecast new trends in doing business in Vietnam



BACK-OFFICE SUPPORTS

Due Diligence, Marketing Materials & Company Documents Translation, Vietnam Entry Services

CONTACT US



OUR ADVOCACY WORKS



The BRITISH ADVOCACY COMMITTEE, comprising of the Heads of some of the largest British companies operating in Vietnam, continue to provide support to BBGV in its engagement of key business issues and was instrumental in the support to gain the full VBF membership.



BRITISH EDUCATION BUSINESS GROUP
– BEBG is a proposed working group of BBGV and its British Advocacy Committee, to work alongside the British Embassy, Department for International Trade and British Council.

Members

DIAGEO



Founding Members



VIETNAM ECONOMY: A BRIEF INSIGHT (AS OF 2020)

EASE OF DOING
BUSINESS

70th

GDP PER CAPITA

\$3,500

ECONOMIC GROWTH
RATE

2.9%

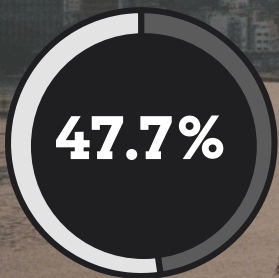
TOTAL VALUE OF FDI
(in US Dollar)

\$28.53 billion

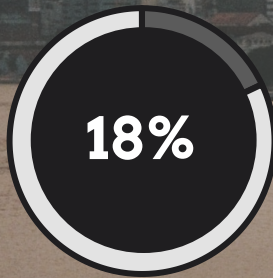
TRADE SURPLUS
(in US Dollar)

\$19.1 billion

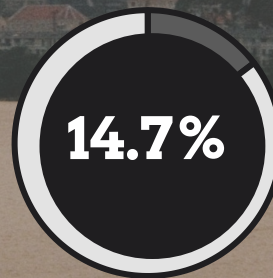
FDI DISTRIBUTION BY SECTORS



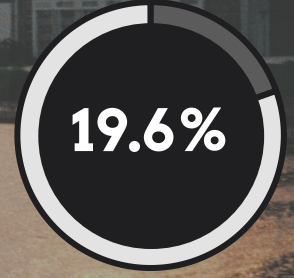
Process-Manufacturing



Electric Production
and Distribution



Real Estate



Others

“

Vietnam is Asia's top-performing economy in the Covid pandemic

@CNBC

“

Vietnam: a bright star in the Covid-19 dark sky

@World Bank

KEY HIGHLIGHTS OF VIETNAM INFRASTRUCTURE



The country's fast-paced economic growth has put rising pressure on the local infrastructure with the expansion in freight volumes, increasing intensity of road traffic by **11% annually** and the growing demand for energy by around **10% per year**



4%

Compound annual growth rate of Vietnamese infrastructure during 2021-2026



5.7%

of Vietnam's GDP is averagely spent on national infrastructure – highest in Asia

80th

Vietnam's ranking in terms of Infrastructure Quality compared to 136 other countries, according to World Economic Forum



90%

of Vietnam's infrastructure provision is currently funded from public resources

\$480 billion

The estimations of infrastructure development needs in Vietnam through 2030



Hospitality and residential are being dominated by the private section with massive investment from either domestic or foreign developers

LOCAL INFRASTRUCTURE BY CATEGORIES

Transport Infrastructure



Road

Vietnam's road infrastructure has been expanding significantly for the past few years with lots of expressways currently in service. The Ministry of Transport estimated that the completion of 1,074 expressway kilometres during the 2011-2020 period has increased the total length of national expressway in operation to 1,163 kilometres. In 2019, only 20 percent of the Vietnam's national were paved, and a plan to construct a 1,372 km North-South highway by 2030 that is expected to cost \$14 billion USD was recently authorised, according to Mordor Intelligence.



Railway

The Vietnamese century-old North-South railway network has remained relatively unchanged for over a hundred years of history regardless of the incredible breakthrough of other means of transport. This is mainly because of limited funding capital sourced from the national government as well as the restrictions in attracting private sector's investment due to the existing complex mechanisms and policies. Given that the local experts and planners have long emphasised the essential role of national-wide modernisation of its railway system, the construction of the North-South high-speed railway project that would replace the current rail lines and potentially reduce travel time between Ha Noi and Ho Chi Minh city continues to delay due to the feasibility of various options in terms of train speed.



Seaport

By possessing a prime location in Asia with 1,900 miles of coastline and 44 seaports, Vietnam increasingly plays a huge role in global trade. However, with the country's incredible economic growth in the last few decades resulted in the significant increase in freight traffic and shipping demand, the question of enhancing port infrastructure to keep up with the growth is highlighted due to its importance to either local or foreign-owned businesses. In terms of that, the development of a Seaport Master Plan was approved with a view to improving infrastructure connectivity, cutting down on logistics costs and promoting sustainable marine economic development. According to Vietnam Maritime Administration, the total cost involved in Vietnam's seaport infrastructure to 2030 is forecasted at around \$6.5 billion USD to approximately \$8.7 billion USD.



Urban Railway

Vietnam's first urban railway projects, currently under construction in two dominant cities – Ho Chi Minh city and Ha Noi, intend to transform these areas and reduce the overload on the local transport infrastructure. The development of 8 metro lines in Ha Noi and 8 lines in Ho Chi Minh city was estimated to cost \$13 billion USD. In fact, first urban railway lines in Ha Noi are expected to be operational by 2nd quarter of 2021, while the Metro Line No.1 in Ho Chi Minh city will be going fully into commercial operation in 2022. Private developers are being engaged to construct and develop these metro projects. Financial resources from the private sector are being taken into consideration by the Vietnamese government since the private investors are expected by the local lawmakers to associate with the capabilities of developing the national high-value railway projects more efficiently than state-owned firms. Opportunities are open for foreign corporations.

LOCAL INFRASTRUCTURE BY CATEGORIES

Extraction Infrastructure



Electricity Production and Power Generation

Despite its annual power generation capacity of 10%, Vietnamese electricity grid is experiencing the constant pressure caused by surging domestic demand due to the rapidly growing economy while there is insufficient investment in the establishment of new power plants. According to Reuters, Vietnam is predicted to struggle with intense power shortages from 2021 as demand for electricity would potentially exceed its provision by 6.6 billion kilowatt hours. The shortage of energy infrastructure could possibly pose a threat to the foreign investment inflows into the manufacturing factor in Vietnam.

Vietnam is becoming over reliant on hydro and thermal that involves the use of the traditional resources such as coal, oil, natural gas and water for hydropower generation. Renewable energy has captured the concerns of local authorities and government in recent years. The state-owned Vietnam Electricity is currently dominating this sector over the process of transmitting, distributing, regulating and selling electricity. Meanwhile, power generation is the only segment associated with market competitiveness for other private participants.

Telecommunication

The Vietnamese government has considered information and communication technology sector as a key growth priority to the country's development. As Vietnamese companies become more ambitious about their involvement in the global economy, the expansion of local telecommunications infrastructure is much required. In fact, Vietnam's fixed broadband penetration is evaluated as relatively low as a result of the limited number of fixed line as well as the mobile platform's influence. Internet speeds are also quite low, and the connectivity is frequently disrupted due to the high density of cable breaks regarding submarine cables.

With the shift towards a more market-driven economy, the local government is progressively liberalising and privatising the state's holding in this sector. A more advanced telecoms infrastructure is also being worked on to facilitate further economic growth and attract more foreign investment in terms of supply of telecoms services and the construction of infrastructure networks. Accordingly, Vietnam's telecommunications sector is witnessing lots of more opportunities for foreign investors.



LOCAL INFRASTRUCTURE BY CATEGORIES

Manufacturing Infrastructure



Industrial Parks and Clusters

According to the Ministry of Planning and Investment, as of 2020, Vietnam possesses 369 industrial parks located in 61 out of 63 national provinces, including industrial parks resided in the economic zones. In attempting to attract foreign investors, a number of local provinces continue funding the projects of constructing industrial parks as well as developing supporting infrastructure. However, infrastructure constraint and shortage of an equipment manufacturer ecosystem massively influence the competitiveness of local industrial parks.

Construction



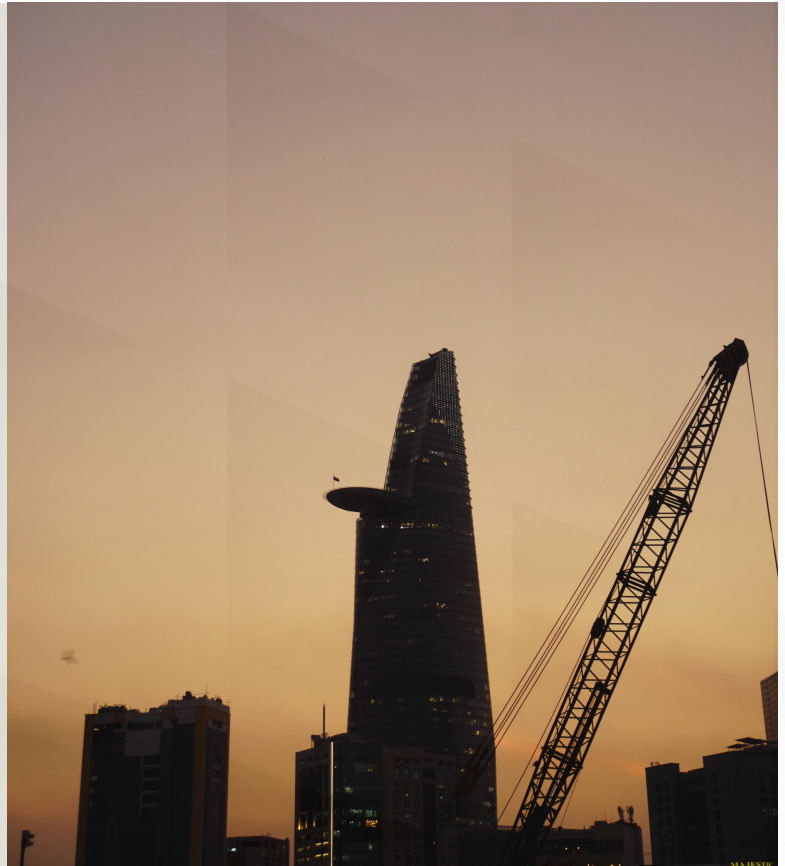
Development of hospitality projects including hotels, resorts or mixed-use buildings/ residential is expanding rapidly. The sector is dominated by major local private developers such as Novaland, Masterise, Vinhomes, etc. UK expertise is being leveraged in some of the landmark projects, through UK companies' partnerships with leading developers.

OBSTACLES OF VIETNAM INFRASTRUCTURE DEVELOPMENT

Shortage of capital resources

Despite the relatively small size of the national economy, Vietnam is one of the Asian countries with the largest investment rate in infrastructure expansion – its average infrastructure investment in both private and public sector accounts for 5.7 percent of the country's GDP. Investment demand for infrastructure in Vietnam is considered extremely high with lots of high-priority projects requiring urgent and immediate fund and implementation. These key projects particularly include the first metro lines in Ha Noi and Ho Chi Minh city, the ten-lane highway route connecting these two cities and eleven power stations, etc. Demand for infrastructure development is also recorded in other national provinces.

In terms of capital resources, the state fund would first be allocated to the major infrastructure projects which directly spur the country's economic growth regardless of the massive investment requirements from diverse areas. The allocation of public investment during the 2021-2025 period is revealed at approximately \$119.3 billion USD, and additional investment capital for infrastructure development should be mobilised via other financing approaches such as the official development assistance (ODA), PPP or provincial budget. This limits in financial resources, in addition to the introduction of government's regulatory policies on reducing public expenditure and controlling public debt, result in poor infrastructure.



State-owned enterprises lack capacity while private firms are disinterested

With an increasing number of infrastructure development projects involved a direct connection with both economic growth and national security, the internal resources are more extremely prioritised and mobilised. This obviously leads to greater opportunities for Vietnamese enterprises but also brings about more challenges.

In fact, private firms are said to lack interest in public projects mainly because of the projects' long period of building and completion and slow capital returns compared to investment in other sectors. Whereas state-owned enterprises hardly possess the capacity and at times lack certain authority to effectively establish and construct infrastructure projects. Minimum cost planning, along with such criteria as demand control and supply growth are not universally considered across all infrastructure sectors; hence, this resulted in the inconsistent development between different kinds of local infrastructure.

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