

VIETNAM

Investment and environment outlook

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1. Foreword

This Outlook has been prepared in the context of the project “Strategies and mechanisms for promoting cleaner production investments in developing countries”, financed by the government of Norway and implemented by the Division of Technology, Industry and Economics of UNEP. The project has a global component and demonstration activities are carried out in five pilot countries : Guatemala, Nicaragua, Tanzania, Vietnam and Zimbabwe.

The aim of the project is to encourage financing towards cleaner production investments, by demonstrating how these can be economically viable and financially attractive, in addition to being environmentally beneficial. One of the real challenges of this project is thus to contribute to bridging the gap between the financial community and the industrial world.

One major output of the project is a “Study on past investment practices” which has been conducted at both global and national levels. This Outlook is an integral part of the Study and forms an annex to its main volume.

2. Purpose

This publication, following the demonstration approach guiding the whole project, is designed to give an overview of the country with respect to investment flows and activities, financial institutions' strategies and initiatives, business activities related to environmental issues, and touching upon external development assistance. The Outlook thus results in a slender resource document which, unlike country profiles by other publishers, focuses uniquely on the main features of the financial and capital markets.

The information gathering process was at times not an easy one; some countries are relatively new to a market-based economy, so institutions such as the stock exchange are still in their infancy with little or non-existent data memory. In this respect, this Outlook is not meant to provide an exhaustive picture of the country.



3. Country Profile

VIETNAM



Country MAP



People

Population: 77,311,210 million (1999 estimates)
Language: Vietnamese
Life expectancy at birth: 68,1 years
Population below the poverty line: 50,9% (1993)
Labour Force: 32,7 million (1998)
Unemployment rate: 25% (1995)
Religion: Buddhist, Taoist, Roman Catholics, Indigenous Beliefs
Literacy: 93,7% (total population)

Geography

Land Area: 330,363 sq. Km.
Main Towns: Ho Chi Minh, Hanoi (capital)
Natural resources: phosphates, coal, manganese, bauxite, offshore oil and gas deposits, forests
Climate: Tropical in south, monsoonal in north

Economy

GDP per capita (PPP): US\$350 (1998)
GDP real growth rate: 4.97% (1998)
Currency: 1 new Dong (D) = 100 Xu
Average exchange rate (US\$): D13,922 :US\$1 (1999)
Inflation rate: 9% (1998)
Central Bank interest rate :
Exports (Main partners): Japan, Germany, Singapore, Taiwan, US, France, China
Imports (Main partners): Singapore, South Korea, Japan, Taiwan, France, China
Economic aid receipts: US\$2,2 billion (pledged 1999)
Industry sectors: food processing, garments, cement, paper, chemical fertilisers, oil
Total FDI: US\$1,3 billion (1999 approved); \$0.7 billion (1999 disbursed)
Agriculture: paddy rice, corn, potatoes, rubber, tea, soybeans, poultry, pigs

Government

Type: Socialist Republic
Independence: 2 September 1945
Political parties: Communist Party
International Organisations'
Membership: ADB, APEC, ASEAN, ESCAP, FAO, G-77, IAEA, IBRD, ICAO, IDA, IFAD, IFC, ILO, IMF, IMO, ISO, ITU, UN, UNCTAD, UNESCO, UNIDO, UPU, WHO, WMO

Environment

Main issues: deforestation, coastal wetland degradation, water pollution
International Agreements' Membership: Biodiversity, Climate Change, Desertification, Endangered Species, Environmental Modification, Hazardous Waste, Law of the Sea, Ozone Layer Protection.

4. Environment

Focus Areas of Degradation

While Vietnam's economy expands, environmental degradation increases. The frequency and scale of environmental disturbances has begun to escalate at alarming rates, which has now been recognised by both government agencies and international aid donors. These disturbances include droughts, floods, pests and disease attacks, erosion and soil quality loss, reduced water quality, mangrove deforestation and pollution.

Deforestation: Statistics from Vietnam's Department of Forestry Development, under the Ministry of Agriculture and Rural Development, show that more than half of the country's 19.08 million hectares of mapped forested land has now been identified as bare hills and wasteland. Some 60,000 to 70,000 hectares of the nation's forests are destroyed every year¹. Some of the main causes include some coffee industry practices, illegal loggers and the practitioners of slash-and-burn agriculture.

Coastal wetland degradation: Over the past 15 years, Vietnam's Mekong Delta coastal wetland, comprising of the provinces Ca Mau, Bac Lieu, Soc Trang and Tra Vinh, has lost well over half its cover due to unsustainable logging and failed shrimp farm development. The rural population in this area, who are highly dependent on exploiting coastal resources to generate income, has been affected by the economic consequences of the resources depletion.

Industrial pollution: Growth of 14% per year in industrial activities, with some sectors growing by 100% in the last few years, is requiring increased extraction of natural resources, increased production and use of energy, and more transportation and other infrastructure services, all of which result in more waste and pollution².

Land use is being altered in major cities and on their peripheries as rural land is converted to industrial use.

In the past eight years, 67 industrial zones (IZs) have been mapped out, with 48 now operational³. Among the 48 operational IZs, only 12 have their own wastewater treatment plants. Other identified types of pollution resulting from IZs include air, solid waste, noise, radiation and toxic chemical pollution.

In recent years, the Vietnamese government and international aid community have begun to respond to the increasing pressures regarding the state of the country's natural environment.

Statistics released by the Ministry of Planning and Investment showed that environmental aid commitments between 1985-2000 totalled \$2 billion. During the period 1992-1996, disbursements were said to have risen by 65%.

Over the past 15 years, 408 environmental projects valued at \$1.028 billion have been registered in Vietnam, excluding water resource development projects. Of that total, 252 projects commenced between 1985-95 and 156 projects between 1996-2000⁴.

1. Vietnam Investment Review, No. 428 / 27 December 1999 - 2 January 2000.

2. Vietnam Investment Review, No. 428 / 27 December 1999 - 2 January 2000.

3. Vietnam Investment Review, No. 430 / 10-16 January 2000.

4. Vietnam Investment Review, No. 430 / 10-16 January 2000.

The leading donors include Asian Development Bank (ADB), the World Bank and the World Food Programme. The natural resource sector received 80% of all environmental overseas development aid (ODA) (excluding large water resources development projects) with the remainder earmarked for industrial sectors, as well as related education, research and training.

At the end of 1999, a multilateral agreement was reached to help restore the Mekong Delta's depleted coastal mangrove swamps. The Coastal Wetlands Protection and Development Project is aimed to link environmental conservation with poverty alleviation, benefitting up to 600,000 people. The Danish International Development Agency, the International Development Association (IDA) under the World Bank and the Vietnamese government financially backed the \$65.6 million project.

A Memorandum of Agreement was signed in late 1999 with 14 leading international donors to support the national re-greening programme. The reforestation project aims to plant 5 million hectares of forests beginning immediately and continuing towards 2010. The donors include the ADB, the World Bank, the European Union, Japan International Cooperation Agency, World Conservation Union, World Wide Fund for Nature, Food and Agriculture Organisation and UNDP.

Environmental Treaties and Conventions

Vietnam's participation in international treaties began in 1993. Although it has not compiled a national environmental strategy and action plan (in preparation) or a country profile, Vietnam has compiled a biodiversity assessment and strategy. Vietnam is a signatory to a number of international treaties, which include, *inter alia*, the Convention on Climate Change (1995), the Vienna Convention for the Protection of the Ozone Layer (1994), the Montreal Protocol for CFC Control (1994), the UN Convention on the Law of the Sea (1994), the Convention on Biological Diversity (1995), Convention on International Trade in Endangered Species of Wild Fauna & Flora (1994) and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (1995), (see table below).

Vietnam Participation in Regional Environmental Treaties
Treaty
Convention for the Conservation of the Biological Diversity
Convention on Desertification
Convention on Endangered Species of wild fauna and flora
Kyoto Protocol on Climate Change
Environmental modification
Basel Convention on the control of transboundary movements of hazardous waste and their disposal
Law of the Sea
Ozone Layer Protection
Ship Pollution
Wetlands
Nuclear test ban

(Source: UNEP, *Global Environment Outlook 2000*, 1999.)

Environmental Law and Regulation

Vietnam's Central Committee recently issued a new Directive relating to the Law of Environmental Protection. The new Directive, which aims at improving current environmental policies and measures, issued recommendations on ways in which environmental protection could be strengthened in conjunction with the national industrial and modernisation programmes. These recommendations include:

- The national educational system must build formal environmental criteria into the curricula in order to improve the accessibility of environmental information.
- Funding for environmental protection must be institutionalised. This can include the adoption of cleaner production technologies through the creation of tax incentives and credit policies.
- Environmental impact assessment (EIA) procedures must be implemented when reviewing and licensing any investment plan and projects. Plans and projects, which fail the terms of an EIA, could result in suspension or relocation.
- Priority should be given to the adoption of technologies, which are considered cleaner or require low or no waste raw material and are energy efficient.
- Extraction and utilisation of natural resources must be rationalised, and biodiversity and nature conservation must be improved.
- The government should determine rates of environmental investment by state owned businesses.
- The government management of environmental protection at both central and local levels must be strengthened in terms of institutional arrangements, human resources as well as physical and technical infrastructures.
- A system of scientific research and environmental technology institutions must be established with a training system of specialised environmental disciplines developed to support environmental experts and managers on environmental protection.
- International cooperation in the field of environmental protection should be extended to regional and international organisations.

5. Financial Markets and Investment

General Market Conditions

The effects of the Asian financial crisis in 1997 were not felt immediately by Vietnam's domestic economy. By 1998-99, the regional economic slowdown did contribute to Vietnam's falling exports and decreasing foreign direct investment. This coincided with economic reforms, which intensified bureaucracy and increased costs for foreign-owned companies.

Vietnam's commitment to privatise approximately 5,700 of its state enterprises has proceeded with some delays. One delay has been due to a shortage of public companies to list on the planned stock exchange. In 1998, only 98 companies were privatised, compared to the expected 150 companies. Plans for a further 400 companies to be privatised in 1999 had not been realised. The Asian financial crisis has also prejudiced Vietnam into re-examining the appropriate checks and balances built into the future stock market (see *Stock Market*).

Financial Sector

Prior to 1988, the banking system was made up of three main entities: the State Bank of Vietnam (which acted as both the central bank and main commercial bank), the Bank for Foreign Trade and the Construction and Investment Bank (which managed the government's capital budget).

In July 1988, the government reorganised the banking system to give the central bank more power while diversifying the system and providing services to a broader customer base. Within the same year, foreign banks were permitted to operate in Vietnam and by late 1995, 95 foreign representative offices existed within the country.

Listed below are the different types of financial institutions that now operate within Vietnam, under the jurisdiction of the State Bank.

Vietnamese Financial Institutions	
Institution	Activity and General Description
Commercial Bank	Commercial banking activities.
Joint-Stock Commercial Bank	Issues shares on an individual or group basis. The State Bank determines the conditions under which these shares shall be issued. Foreign-invested entities have been granted the right to buy shares in Vietnamese joint-stock commercial banks, up to a maximum of 30 % of the issued capital.
Investment and Development Banks	Lend state money to state economic and technological development projects.
Credit Co-operatives	Lend money that they collect from their members although ultimately controlled by the State Bank.
Private/Public Finance Companies	Provide loans to companies wishing to trade in commodities or to regulate capital supply and demand within a State Corporation.
Foreign Banks	Are allowed to establish branches but must receive licences from the State Bank. These banks are entitled to repatriate profits. They must adhere to the Foreign Investment Law, Banking regulations and other regulations pertaining to their activities.
Joint-venture Banks	Are partnerships whose capital is contributed by both foreign and Vietnamese Banks. Joint Venture Banks must adhere to the Foreign Investment Law, Banking regulations and other regulations pertaining to their activities.
Finance Leasing Companies	A type of medium and long term credit for buying equipment, machinery and other movable assets. Their activities are specified in the licence issued by the State Bank. Imported leased assets are nominated in foreign currency and settled payment in Vietnam Dong at the foreign exchange rate on the payment date. Local leased assets are nominated and paid in Vietnam Dong.
Stock Exchange	The State Stock Exchange Commission was established on 28 November 1996, which will control the country's proposed stock exchange. Government policy indicates that the market will initially be for domestic bond issues and after a period of time for domestic share issues.

(Source: Grant Thornton International, *Doing Business in Vietnam*, October 1999.)

Commercial banks are finding difficulty in attracting deposits due to interest ceiling rate controls imposed by the State Bank in 1999. The State Bank has also placed a nominal cap on the interest rates applicable to medium- and long-term foreign loans.

In 1996, there were 52 joint-stock banks, most of which had large amounts of non-performing loans. In recent years, the State Bank has been forced to either close or consolidate many of the joint-stock banks. Foreign banks continue to be active in Vietnam, with most activity focussing on the provision of syndicated loans and credit lines.

The level of deposits currently in the banking system is considered small – 20% of GDP (13% in Dong and 7% in dollars) – with large amounts of non-performing loans⁵.

Increasing pressure has been placed on Vietnam's banking system to segregate activity between the state-owned enterprises, the government and the state-owned banks.

State-owned companies consume fifty percent of all the country's credit, although many are unable to repay, through state owned commercial banks. This practice continues, however, due to past convention of the government wiping out bad debts. This has prompted international donors to call for the state owned banks to cease the provision of loans and credit lines to state-owned enterprises. It is expected that Vietnam's privatisation programme would help in the cessation of this activity.

Reforms in the banking system continue with the latest round of measures in 1999 listed below⁶.

- International consultants complete independent diagnostic audits of four large state-owned commercial banks.
- State Bank completes financial assessment of all 52 joint-stock banks. Plans for reconstructing state-owned commercial banks and joint-stock banks are drawn up.
- Regulations improving bank supervision are issued.
- Development of legal framework for removing non-commercial lending activity from state-owned commercial banks and issue of a decree establishing a Development Support Fund to provide loan guarantees and interest subsidies for strategic purposes.
- Prudential regulations issued, covering, among other things, asset classification, loan-loss provisioning, financial ratios, deposit insurance and rules on collateral.
- Deadline for closing four joint-stock banks, placing six more under direct control of the State Bank and merging two others.

Other outstanding issues for the banking sector, which are expected to be dealt with over the next few years, include weak deposit bases (as described above), enforcement of legislation relating to foreclosure and requirements relating to collateral.

Bilateral and Multilateral Funding

A majority of Vietnam's bilateral aid comes from Japan and France (*see table below*). Commitments have focussed mainly on economic infrastructure and services, with aid levels at \$537.9 million in 1995, \$740.2 million in 1996 and \$563.6 million in 1997. Of the projects within economic infrastructure and services, energy projects received a majority of the funds.

5. EIU, *Country Profile: Vietnam 1999-2000*, 1999.

6. EIU, *Country Report 1st quarter 2000*, 2000.

Environmental projects have also received the lion's share of ODA (*see Focus Area of Degradation*).

A long-term economic goal set out in 1986 is the alleviation of poverty amongst the Vietnamese population. According to the World Bank, the levels of poverty fell from 55 % in 1993 to less than 33 % in 1998. Eighty percent of Vietnam's population live in rural areas, 90 % of which are considered to live at poverty levels. Multilateral aid agency programmes, such as those of the UN and the World Bank, share a common priority to focus on empowering the poor with the main geographical emphasis on rural areas.

Vietnam Official Development Assistance Major Bilateral Donors (US\$ million)			
	1995	1996	1997
Total, of which:	549.7	469.5	585.5
Japan	170.2	120.9	232.5
France	94.1	67.3	63.9
US	1.0	–	48.0
Australia	39.8	47.5	41.3
Sweden	34.0	46.2	35.7
Denmark	13.7	34.6	34.3

(Source: OECD, *Geographic Distribution of Financial Flow to Aid Recipients*, 1999.)

Vietnam Official Development Assistance Major Multilateral Donors (US\$ million)			
	1995	1996	1997
Total, of which:	279.7	458.6	410.7
IDA	46.5	188.0	180.2
AsDB	56.8	26.9	147.5
CEC	23.0	19.9	23.6

(Source: OECD, *Geographic Distribution of Financial Flow to Aid Recipients*, 1999.)

Projects in the pipeline account for \$6.6 billion, of which project agreements have been signed to cover \$4.2 billion.

The Consultative Group on Vietnam, which is chaired by the World Bank, pledged \$2.1 billion, with an additional \$700 million of conditional aid to support an accelerated reform programme, in mid-December 1999. The World Bank also stressed that the pace of economic reform must improve in order to maintain necessary growth and reduce urban poverty.

Stock Market

Since the early 1990's, plans have been in place to establish a stock market in Vietnam. With the establishment of the State Securities Commission (SSC) in 1997, it appears to be realistic that a stock market and a secondary market for bonds and bills will be opened sometime in 2000. The

Vietnamese government sees the establishment of a stock exchange as an important step to winning back foreign investor confidence (see *Foreign Direct Investment*).

The stock market is expected to trade bonds and bills in the first instance and will remain a minor source of capital for the next few years. Plans are also in place to establish a Securities Trading Centre (STC) as an intermediate step towards forming a stock market proper. The STC will be linked to securities firms by a computerised network, therefore eliminating manual trading. The SSC will oversee the STC.

Listing requirements for companies include⁷:

- Minimum legal capital of VND 10 billion.
- Operating profitably for the past two years.
- At least 20% of the issued shares must be sold to over 100 investors outside the issuing organisation, falling to 15% if the issued shares value over VND 100 billion.
- The founders of the issuing organisation must hold at least 20% of the organisation's shares for at least three years from when the shares are issued, and where the value of the shares issued exceed VND 10 billion, it is necessary that the issue be guaranteed by another organisation.
- The company's board of management and directors must have 'adequate' business experience and have a 'feasible' plan for how the capital raised from the share is to be used.

The privatisation programme is set to boost the volume of the trade on the stock exchange. However, the programme has proceeded slowly and as stated above few of the newly privatised companies are expected to meet the listing requirement immediately.

Foreign owned companies will not be permitted to participate on the exchange, although a foreign joint venture with a Vietnamese partner is acceptable. Newly privatised companies active on the market will have a ceiling of 30% foreign ownership.

Foreign Investment Opportunities and Restrictions

Throughout the 1990's Vietnam's national economy has been in transition, with the taxation policies playing a key role in the move towards a market economy. New tax laws were introduced between 1987-1997 (see *Economic and Monetary Policy*). The tax system is based on 10 types of taxes, namely⁸:

- | | |
|-------------------------|-------------------------------|
| • License tax | • Value-added tax |
| • Special sales tax | • Export tax |
| • Import tax | • Corporate income tax |
| • Agricultural land tax | • Tax on land transfers |
| • Natural resources tax | • Tax on high personal income |

7. Business Monitor International, *Vietnam 1999*, 1999.

8. UNIDO, *Improving Macroeconomic Policy and Reforming Administrative Procedures to Promote Development of Small and Medium Enterprises in Vietnam*, January 1999.

Taxation	
Corporation	25-33 %
Withholding tax	5-10 %
Individual	Up to 50 %
Surtax	10-20 %
Double taxation agreements	Finland, New Zealand, Philippines, Slovakia and Taiwan. (Agreement with Belgium, Bulgaria, Canada, Indonesia, Italy, Luxembourg and Mauritius to be ratified.)

In 1999, Vietnam passed further reforms relating to private investment. The reforms are aimed to assist in boosting confidence of the foreign investment community. These reforms include:

- Vietnamese private firms permitted to contribute their land use rights as equity in joint ventures.
- Private Sector Forum set up to meet once a quarter to discuss matters of concern to the domestic and foreign private sector.
- Steering Committee set up to develop a five-year strategy for private sector development.
- New incentives for foreign investors announced.
- Enterprise Law approved, eliminating discretionary regulations on the right to set up private businesses, simplifying registration procedures and creating the basis for unified legislation covering all kinds of enterprises. Detailed private-sector action plan Miyazawa Initiative announced.

Recent foreign investment law, which came into effect in 1998, offers the following exemptions:

Investment Incentives
<ul style="list-style-type: none"> > Investment projects licensed before November 1996 are to enjoy preferential tax rates and extended exemptions and reductions on corporate income (profits) tax. > Wholly foreign-owned enterprises will be allowed to carry forward losses, as joint ventures may. > Investments will enjoy a 4-year corporate tax (profits) tax exemption, starting from the first profit-making year. Companies also will enjoy a 50 % reduction for a further 4 years. (Corporate tax in the past was valid for only 1-4 years.) > For BOT in transport, power, water, drainage, waste treatment and other industries, there will be a 4-year tax exemption and a 50 % tax break in the following 4 years. If BOT projects are in specified locales, developers will receive even more generous benefits, such as exemption from tax on profits for 8 years. After 8 years, tax will be paid on only 10 % profit until the project is completed. > Enterprises engaged in hotels, offices and apartments for lease, commercial centres, supermarkets, sports facilities, hospitals, clinics, banking, insurance and consultancy services are eligible for a one-off exemption from import duties. Such items include: office furniture, kitchen equipment, audio-visual equipment, water pumps, air conditioners, electrical lighting systems and an array of specialist machinery and spare parts needed to run a business. > Enterprises making goods or selling goods to another company in Vietnam that are destined for export are entitled to exemption from import and turnover (value-added) tax.

(Source: EIU, *Investing, Licensing and Trading in Vietnam*, 1999.)

The Vietnamese government offers tax breaks to foreign investors, which mostly relate to industries that are of national economic importance. In an effort to encourage investment, the government has exempted foreign investors from a variety of import duties and has signalled that corporate income (profits) tax may be reduced to 10% in priority sectors, which currently stands at a flat 32%.

However, it should be noted that there are hidden costs for foreign investors – high salaries for expatriates, a dual pricing system whereby foreigners pay higher running costs – which have to be measured against the lower corporate income tax.

Vietnam does not offer special loans, grants or guarantees to foreign investors. There are also no personal tax incentives, which could be a concern due to expatriate staff being subject to tax rates of up to 50% which may be applied to worldwide income.

Vietnam favours export-oriented projects. For instance, the government does not charge export tax on most goods from Vietnam and offers import tax rebates on goods used to process goods destined for export. Exporters can also recover VAT tax, introduced in 1999, or have their goods grouped within the 0% VAT tax bracket. Enterprises within export-processing zones and industrial zones can receive reduced land rents. Customs clearance can also be made inside the zones to speed up the export process.

Land policy

Land reform presents a significant challenge for the development of the private sector due to the fact that formal ownership of all land is subject to the State. Individuals, households, domestic and foreign organisations can obtain land use rights but can never own it.

The procedure of gaining land use is based on the acquisition of a land use right certificate, which can be used as collateral for loans and credit.

The value of the land use rights is determined by the provincial People's Committees rather than market mechanisms. A centrally administered register of land use rights is not available.

Foreign Direct Investment (FDI)

Policy reforms relating to FDI have contributed significantly to the rapid development of Vietnam's economy. In addition, Vietnam's 'open door' trade policy and other reforms have increased inflows of FDI throughout the 1990's (see *Trade Relations and Statistics*). During the early part of the 1990's, in particular, Vietnam began to attract greater levels of FDI.

By 1996, investment approvals peaked (see table below). Soon after, foreign investor interest began to wane and a substantial downturn in FDI occurred from 1997 and on. This has been mostly attributed to the Asian financial crisis and the slow progress in the liberalisation of Vietnam's economy. By 1998, foreign investment plummeted with approvals falling by 60% and disbursement falling by 75%.

It is against this backdrop that the Vietnamese government, leading up to 1996, began to adopt reforms to continue encouraging high levels FDI. Listed below is an over view of some of the policy reforms relating specifically to FDI, leading up to 1996⁹:

- Promulgation of the Law on foreign direct investment whereby the 'open door' policy was introduced. (1987)

9. UNIDO, *Improving Macroeconomic Policy and Reforming Administrative Procedures to Promote Development of Small and Medium Enterprises in Vietnam*, January 1999.

- Foreign exchange control decree liberalises retention of foreign exchange, opening of foreign currency accounts, use of transfers to pay for imports and repay foreign loans. (1988)
- Law on FDI revised. (1990)
- Law on FDI amended to reduce discrimination between joint ventures and 100% foreign owned enterprises and to introduce the build-operate-transfer mechanism for infrastructure projects. (1992)
- Interbank foreign exchange market created. (1994)
- Major government reorganisation reduces the number of ministries and establishes the principal role of the Ministry of Planning and Investment in approval and regulation of FDI. (1995)
- New law on FDI reduces the range of import duty exemptions for FDI projects. (1996)
- The 5% tax on inward foreign exchange remittance removed. (1996)

In response to the downturn of FDI levels, the government introduced a number of further measures to promote FDI in January 1998 (see *Foreign Investment Opportunities and Restriction: Investment Incentives*).

Foreign Direct Investment (US\$billion)							
	1995	1996	1997	1998	1999 ^f	2000 ^f	2001 ^f
Approvals	6.6	8.5	4.5	1.8	1.3	1.5	1.8
Disbursed	1.8	2.3	2.4	0.6	0.7	1.0	1.3

^f Business Monitor International forecast.
(Source: Business Monitor International.)

Investment by Country [*]		
Country	No. of Projects	Total Capital (US\$bn)
Singapore	176	6.5
Taiwan	314	4.5
Japan	212	3.7
South Korea	189	3.3
Hong Kong	184	2.6
British Virgin Islands	54	1.7
France	89	1.5
Russia	28	1.4
Malaysia	61	1.3
US	71	1.1

^{*} Cumulative figures to 19 April 1999.
(Source: Business Monitor International.)

A majority of FDI in the early 1990's concentrated mostly on hotels, tourism and the oil and gas industries.

Since 1996, however, the importance of these industries has declined. The largest share of foreign investment has been directed at heavy industry, which includes steel, cement, plastics, textiles, garments and electronics. Investment in agriculture and forestry accounted for 3% of the total, while telecommunications received 8.5% and food processing accounted for 6%.

Investment by Sector*		
Sector	Projects	Total Capital (US\$bn)
Heavy Industry	467	5.4
Hotels and Tourism	191	4.9
Light Industry	641	3.6
Urban Infrastructure	3	3.3
Construction	250	3.3
Office, Property	104	2.9
Post and Telecommunications	128	2.8
Food Processing	154	1.9
Oil and Gas	52	1.7
Agriculture and Forestry	228	1.0
Services	103	0.58
Health Services	80	0.45
Maritime Products	87	0.33
Industrial Zones, Export Processing Zones	5	0.30
Banking and Finance	29	0.19
Other	4	0.02
Total	2526	32.6

* Cumulative figures to 15 December 1998.
(Source: Business Monitor International.)

FDI and the role of Cleaner Production

The Vietnamese government regulations on environmental protection have often been aimed at imposing obligations or fines rather than encouraging businesses to apply CP right at the business start-up. However, recent attempts to liberalise their economy and implement privatisation programmes could provide opportunities for change. Certainly the influx of capital suggests that there is scope to enhance and optimise both production efficiency as well as good environmental performance.

Growth of 14% per year in industrial activities, with some sectors growing by 100% in the last few years, is requiring increased extraction of natural resources and production and use of energy. The

government has signalled that priority will be given to cleaner energy efficient technologies and waste treatment options, especially for toxic and hospital waste.

New environmental directives, which were issued recently by the Vietnamese government, specifically identified the adoption of CP technologies as a way of strengthening environmental protection in the process of national industrialisation and modernisation. The directives illustrate the government's attempt to 'leapfrog' some of the more unsavoury phases of industrialisation.

But the financial side of CP must not be overlooked. The new environmental directives stipulate that the adoption of CP must be encouraged through taxation and credit policies and that the funding of environmental protection should almost become 'institutionalised'. Vietnam's implementation of a privatisation programme while adopting a new environmental policy framework reinforce the positive economic relationship that can exist between attracting greater levels of FDI for stimulating industrial growth and using resources more efficiently.

Developing countries have the opportunity to take advantage of CP technical advancements through linkages with FDI. Increasingly, inward capital investments can mean stimulated economic growth without degrading the environment.

In 1998, the government clarified that tax breaks and incentives would be provided for foreign investors who invest in national priority sectors. Examining FDI flows between 1987-1998 in Vietnam shows sectors that received the highest level of investment include heavy industry, hotel and tourism, light industry and urban infrastructure sectors (refer to above table).

Vietnam's need for economic growth in these priority sectors within the boundaries of sustainable development is increasingly possible through the establishment of financial mechanisms. The activities and environmental procedures of US Overseas Private Investment Corporation (OPIC), a US independent government agency, and similar organisations, has the potential to act as a catalyst for change.

OPIC recently become active in Vietnam, by pledging \$2.3 million to bolster an American-backed heavy industry company. The loan will help to create 122 jobs in Vietnam by procuring \$1.8 million in domestic goods. While OPIC assists in directing US private investment into developing countries, it also applies screening of environmental and management criteria for all its projects. The criteria are based on World Bank environmental guidelines and other applicable standards.

Annex

Vietnamese Financial Institutions and Banks

Company Name	Address	City	Telephone	Fax
ABN AMRO Bank				
8315275	24B Lt Thai To Street Hoan Kiem District	Hanoi	(84 4) 8315250	(84 4)
ANZ				
8258188	14 Le Thai To	Hanoi		(84 4)
Bank for Foreign Trade of				
824 0876	47-49 Ly Thai To Boulevard	Hanoi	(84 4) 8269067	(84 4)
Bank of America				
8249322	27 Ly Thuong Kiet Street Hoan Kiem District	Hanoi	(84 4) 8249316	(84 4)
Bank of Tokyo-Mitsubishi				
8231559	8th Floor The Landmark 5B Ton Duc Thang Street District 1	Ho Chi Minh City	(84 8) 8231560	(84 8)
Banque Nationale De Paris				
8299486	2 Thi Sach 3rd Floor 1st District	Ho Chi Minh City	(84 8) 8299504	(84 8)
Chase Manhattan Overseas				
8229603	Suites 203B-204 Central Building 31 Hai Ba Trung Street	Hanoi	(84 4) 8229533	(84 4)
Citibank				
243960	Unit 01 1st Floor 17 Ngo Quyen Street	Hanoi	(84 4) 251949	(84 4)
Commercial Bank of Korea				
8315434	7th Floor Office Tower The Daehe Business Centre Ngoc Khanh Lui Giai Street Thu Le	Hanoi	(84 4) 8315101	(84 4)
Credit Agricole Indosuez				
8296065	4th Floor Regency Chancellor Court 21-23 Nguyen Thi Minh Khai Street District 1	Ho Chi Minh City	(84 8) 8295048	(84 8)

Credit Lyonnais

8266945	10 rue Trang Thi	Hanoi	(84 4) 8258101	(84 4)
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Deutsche Bank

	174 Nguyen Dinh Chieu Street	Ho Chi Minh City 8293865	(84 8) 8221133	(84 8)
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Dresdner Bank

8240318	Suites 207/208 Central Building 31 Hai Ba Trung	Hanoi	(84 4) 8240317	(84 4)
8258979	The Landmark Unit 8 6th Floor 5B Ton Duc Thang Street, D1	Ho Chi Minh City	(84 8) 825 8980	(84 8)

Fuji Bank

8243194	Suite D 4th Floor OSIC Building No 1 Nguyen Hue Street District 1	Ho Chi Minh City	84 8 824 3195	(84 8)
8266665	Unit 04/05 5th Floor International Centre 17 Ngo Quyen Street	Hanoi	(84 4) 826 6553	(84 4)

HSBC

230530	New World Bulding 75 Pham Hong Thai Street District 1	Ho Chi Minh City	(84 8) 8292288	(84 8)
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Industrial and Commercial

233452	16 Phan Dinh Phung Street	Hanoi	(84 4) 432994	(84 4)
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Industrial Bank of Japan

8249334	503 Metropole Centre 56 Ly Thai To Street	Hanoi	(84 4) 8249333	(84 4)
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ING Barings

8269216	Units 3, 4, 5 &6 17 Ngo Quyen Street	Hanoi	(84 4) 8246888	(84 4)
8241502	International Centre 5th Floor The Metropolotan 235 Dong Khoi Street District 1	Ho Chi Minh City	(84 8) 8241500	(84 8)

International Commercial

	No 8 2nd Floor Nguyen Hue Street District 1	Ho Chi Minh City 48225697	(84 8) 48225698	(84 8)
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International Finance Corp

8247898	Suite 706 Metropole Center 56 Ly Thai To	Hanoi	(84 4) 8247892	(84 4)
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Keppel Bank of Singapore

8220181	Unit S4 2nd Floor #2 Phung Khac Khoan Street District 1	Ho Chi Minh City	(84 8) 8234722	(84 8)
4857440	Ward 1 1st & 2nd Floor 40/5 Thu Khoa Huan Street	Vung Tau City	84 6 485 7438	(84 6)

Nomura Securities

8250250	International Centre 17 Ngo Quyen Street	Hanoi	(84 4) 8250209	(84 4)
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Paribas

8259784	Unit 604-1 Metropole Centre 56 Ly Thai To Street Hoan Kiem District	Hanoi	(84 4) 8259909	(84 4)
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Société Générale

9719823	40 Tang Bat Ho 2-4 Rue Dong Khoi	Hanoi	(84 4) 9719822	(84 4)
290685	Quan 1	Ho Chi Minh City	(84 8) 290691	(84 8)

Standard Chartered Bank

8258880	27 Ly Thai To	Hanoi	(84 4) 8258970	(84 4)
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State Bank of the Socialist Republic of Vietnam

	47-49 Ly Thai To Street	Hanoi	(84 4) 52831	
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Sumitomo Bank

8231241	Unit C 4th Floor OSIC Building 8 Nguyen Hue Street District 1	Ho Chi Minh City	(84 8) 8231244	(84 8)
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Vietnam Bank of Agriculture

525376	4 Trung Tu Street	Hanoi	(84 4) 521814	(84 4)
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World Bank

	53 Tran Phu Street	Hanoi		
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