



THE MEKONG DELTA AN EMERGING INVESTMENT DESTINATION IN VIET NAM

2nd EDITION

Sustainable Growth, Improving Infrastructure
and an Excellent Investment Climate

Mekong Delta Climate Resilience Programme (MCRP)

The MCRP is a development cooperation programme funded by the governments of Germany and Viet Nam. Its objective is to improve the climate-resilient management of natural resources in the coastal areas of the Mekong Delta, ensuring sustainable development in the region for its inhabitants. The Mekong Delta Climate Resilience Programme is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in close cooperation with the Ministry of Agriculture and Rural Development (MARD).

Viet Nam Chamber of Commerce and Industry (VCCI)

The VCCI is a national organization officially representing the business community, employers and business associations in Viet Nam. The Viet Nam Chamber of Commerce and Industry (VCCI) branch office in Can Tho was established in 1992. The office covers the 13 Mekong Delta provinces and boasts more than 1,000 member organizations.

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Dr. Vũ Tiến Lộc

Chairman of the Viet Nam Chamber of Commerce and Industry (VCCI)



Foreign investors still choose to invest mainly in either Ho Chi Minh City or Hanoi when it comes to setting up a base for their business operations in Viet Nam, overlooking the Mekong Delta as a first potential investment destination due to a lack of information.

The annually published Viet Nam Provincial Competitiveness Index (PCI) clearly highlights that the business environment of the Mekong Delta region is continuing to make good progress and offers countless advantages to foreign and domestic enterprises as a destination for further investment.

This publication aims to present potential investors with additional data and background information to make informed decisions.

Mr. Shinji Hirai

Chief Representative, Japan External Trade Organization (JETRO), Ho Chi Minh Office



Viet Nam is currently undergoing rapid development. As a result, it has become increasingly difficult for major cities and their surrounding areas to supply the labour force and land needed for new businesses.

In contrast, the Mekong Delta, with Can Tho City at its centre, has abundant human and land resources, and Japanese enterprises have started to allocate their investment funds in the region. However, up to this point, few members of the Japanese business community have sufficient knowledge of the Mekong Delta region.

We recommend that you visit and discover the Mekong Delta.

Mr. Jasper Abramowski

Country Director, GIZ Viet Nam, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH



The adverse effects of climate change pose severe challenges for investment in the Mekong Delta – and this needs to be taken into account not only in the long term but starting today.

Challenges can be turned into opportunities for investors and development professionals alike. Some of these opportunities include: investing in adapting existing infrastructure to climate risks for enhanced urban resilience; bolstering approaches to the integrated management of water resources; finding appropriate responses to salinization in agriculture and aquaculture production; and strengthening coastal protection efforts, for example, through mangrove rehabilitation projects.

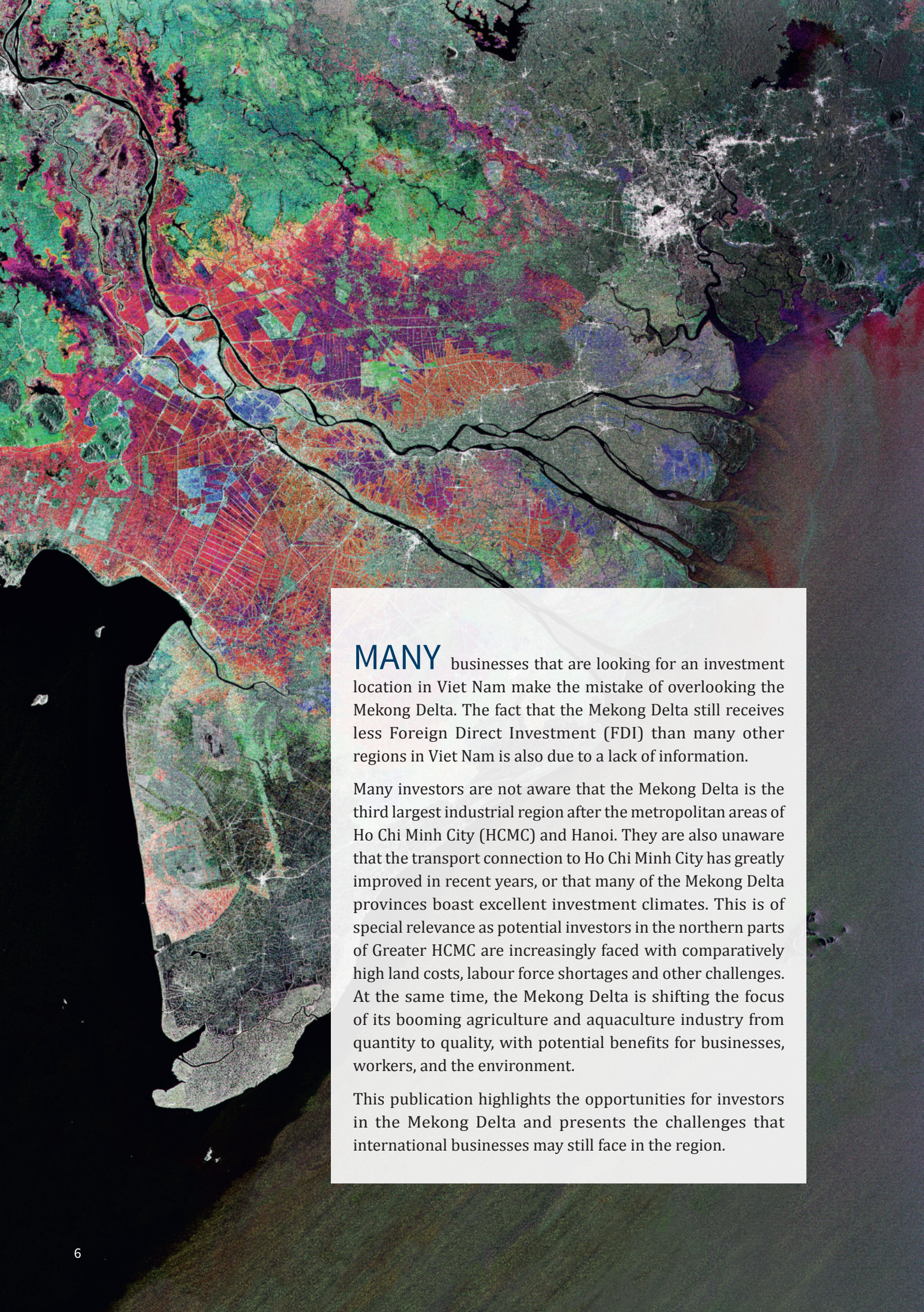
The Government of Viet Nam recognizes these challenges and has currently earmarked major funds to cope with the adverse effects of climate change in conjunction and close cooperation with international development partners and other stakeholders. Considerable funds for climate-sensitive investments will be made available in the coming years, providing ample opportunities for investors to secure sustainable development for the Mekong Delta.



1

THE MEKONG DELTA AT A GLANCE





MANY businesses that are looking for an investment location in Viet Nam make the mistake of overlooking the Mekong Delta. The fact that the Mekong Delta still receives less Foreign Direct Investment (FDI) than many other regions in Viet Nam is also due to a lack of information.

Many investors are not aware that the Mekong Delta is the third largest industrial region after the metropolitan areas of Ho Chi Minh City (HCMC) and Hanoi. They are also unaware that the transport connection to Ho Chi Minh City has greatly improved in recent years, or that many of the Mekong Delta provinces boast excellent investment climates. This is of special relevance as potential investors in the northern parts of Greater HCMC are increasingly faced with comparatively high land costs, labour force shortages and other challenges. At the same time, the Mekong Delta is shifting the focus of its booming agriculture and aquaculture industry from quantity to quality, with potential benefits for businesses, workers, and the environment.

This publication highlights the opportunities for investors in the Mekong Delta and presents the challenges that international businesses may still face in the region.

KEY FACTS AND FIGURES

Sources: General Statistics Office of Viet Nam (GSO), VCCI, as of March 2019

POPULATION	17.7 million people Viet Nam: 94.5 million														
POPULATION GROWTH	0.41% Viet Nam: 1.05%														
LITERACY RATE (ABOVE 15 YEARS)	92.6% Viet Nam: 94.7%														
POPULATION DENSITY	435 people/km² HCMC: 4,097/km ² Viet Nam: 283/km ²														
LABOUR FORCE	10.59 million Viet Nam: 54.4 million														
PERCENTAGE OF TRAINED WORKERS	12.1% HCMC: 31.6% Viet Nam: 18.2%														
ETHNIC GROUPS	Kinh (or Viet, majority), Khmer, Cham, Hoa														
AREA	40,816 km² (12% of Viet Nam)														
MAJOR CITIES (POPULATION)	<ol style="list-style-type: none"> 1. Can Tho (1,237,000) 2. Long Xuyen (280,000) 3. Rach Gia (250,000) 4. My Tho (240,000) 5. Ca Mau (220,000) 														
PROVINCES OF THE MEKONG DELTA (POPULATION)	<table> <tr> <td>1. An Giang (2,161,700)</td> <td>8. Ben Tre (1,266,700)</td> </tr> <tr> <td>2. Kien Giang (1,792,600)</td> <td>9. Ca Mau (1,226,300)</td> </tr> <tr> <td>3. Tien Giang (1,751,800)</td> <td>10. Vinh Long (1,050,200)</td> </tr> <tr> <td>4. Dong Thap (1,690,300)</td> <td>11. Tra Vinh (1,045,600)</td> </tr> <tr> <td>5. Long An (1,496,800)</td> <td>12. Bac Lieu (894,300)</td> </tr> <tr> <td>6. Soc Trang (1,314,300)</td> <td>13. Hau Giang (774,600)</td> </tr> <tr> <td>7. Can Tho (1,272,800)</td> <td></td> </tr> </table>	1. An Giang (2,161,700)	8. Ben Tre (1,266,700)	2. Kien Giang (1,792,600)	9. Ca Mau (1,226,300)	3. Tien Giang (1,751,800)	10. Vinh Long (1,050,200)	4. Dong Thap (1,690,300)	11. Tra Vinh (1,045,600)	5. Long An (1,496,800)	12. Bac Lieu (894,300)	6. Soc Trang (1,314,300)	13. Hau Giang (774,600)	7. Can Tho (1,272,800)	
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1.

Strong economic growth

Foreign direct investment (FDI) is increasing at more than double Viet Nam's national average and flowing towards a more diverse range of projects than ever before. Economic growth and activity are increasing across all sectors, presenting opportunities across the entire business spectrum.

2.

Excellent investment climate

The Mekong Delta region continued to lead the country in improving the quality of economic governance in 2018 with particular advantages in five areas: (1) easy access to land and security of business premises; (2) limited time requirements for bureaucratic procedures and inspections; (3) minimal informal charges; (4) minimal crowding out of private activity from policy biases toward state, foreign, or connected firms; (5) proactive and creative provincial leadership in solving problems for enterprises. Because of these advantages, the Mekong Delta region is receiving the attention of domestic and foreign investors in Viet Nam.

8 REASONS TO INVEST IN THE MEKONG DELTA

3. Direct transport links and excellent infrastructure

Due to substantial investments in transport infrastructure, access to the Mekong Delta has improved significantly. Meanwhile, communications and energy infrastructure are improving rapidly. Seventy-four planned industrial zones, including 45 operating industrial zones, offer highly competitive prices and investment incentives, providing increasing options for investment.

4. Large market with 17.7 million consumers

With a population of more than 17 million, the Mekong Delta has a bigger population than the Netherlands and neighbouring countries, such as Cambodia or Laos. This large consumer base is gaining purchasing power; the Mekong Delta ranks third in terms of purchasing power in Viet Nam. Per capita income in the Mekong Delta provinces continues to increase, especially in the growing urban centres.

5. Strong labour force and high social standards

While labour costs in the Mekong Delta are competitive compared to the rest of the country, strong social standards such as minimum wage, labour protections, and labour rights ensure a solid and reliable framework for international businesses. A system of vocational training institutions covers all provinces and cities, enabling the region to respond to the specific labour demands of enterprises.

6. A booming agriculture and aquaculture industry

With highly fertile land and good access to water for irrigation, the Mekong Delta is a highly productive agricultural zone. Improved professionalization of the industry, as well as advancing agro-processing, are providing ample opportunities for investors. Both industries are now moving from quantity to quality, which reduces pressures on the ecosystem and significantly increases the demand for better-quality input materials, including agricultural equipment, seeds, fertilizers and pesticides.

7. Climate change as a business opportunity

The Mekong Delta is one of the regions worldwide most affected by climate change. This is why in the coming years, billions of US dollars will be invested in resilient infrastructure such as roads, bridges, water and energy facilities, embankments and dykes. Investment will also create opportunities for investors in the fields of climate services, climate-smart production models in agriculture and aquaculture, and the integrated management of water resources.

8. Ample runway for further progress with many emerging potential investment fields

Despite all these advantages, the Mekong Delta remains an underrated destination. Although FDI is growing by nearly 20% per annum, the Mekong Delta still attracts less FDI than many other regions in Viet Nam. The results are highly competitive conditions for those who decide on the Mekong Delta as an investment destination. Besides core economic sectors, some new sectors are showing potential for further development in the Mekong Delta; for example, (high-tech) agriculture, information and communication technology (ICT), logistics, renewable energy, real estate, and tourism. Development plans for these sectors are being implemented, which provides additional and diverse options for investment for both domestic and international enterprises.

1. Limited options for heavy industry

Much of the Delta is alluvial land with sandy soil that is unsuitable for heavy industries, so many areas can only handle light manufacturing. Climate-related risks may exacerbate this challenge.

2. Remaining infrastructure challenges

While many parts of the Mekong Delta are now well connected to HCMC and other regions in Asia and worldwide, some remote areas of the Delta still lack strong transport links. The port system in the Mekong Delta remains weak, in particular for container handling and for large vessels. Yet massive infrastructure programs are underway and improving the situation rapidly.

KEY CHALLENGES FOR INVESTORS IN THE MEKONG DELTA

Despite the many advantages of the Mekong Delta, businesses that want to invest in the region must consider several remaining challenges.

3. Skilled labour shortages

Well-trained technicians and managers are hard to find in the Mekong Delta, though reforms and public investment in education have more than doubled the percentage of trained workers in the Delta provinces in the past 10 years. In the provinces near HCMC, firms can attract experts from HCMC as they do in the provinces north of the city.

4. Environmental and climate risks

With an average elevation of just 1 metre above sea level, the Mekong Delta is susceptible to rising sea levels and other risks from climate change. Some parts are more at risk than others, so it is critical that investment locations are chosen wisely.

5. Weak supporting services

Since the Mekong Delta is just beginning to urbanize and industrialize, there are few local suppliers and service providers for most industries other than agriculture and aquaculture.

KEY INDUSTRIES IN THE MEKONG DELTA

1. Agriculture and agro-processing

Many industries in the Mekong Delta are growing quickly, but agriculture remains the region's economic backbone. With highly fertile land and an abundance of fresh water, it is ideal for growing crops of many types. And with improving infrastructure, government incentives, and a large labour pool, it offers great conditions for agro-processing operations as well.

Rice is still a key export, but the relevance of other crops is growing as the region's agricultural sector matures. Larger farms are producing increasingly higher-value products, including fruits and horticulture. These changes are bringing higher demand for input materials, equipment and services, and present opportunities for many types of investment.

2. Aquaculture and seafood processing

The Mekong Delta is one of the world's top exporters of seafood. After a boom period that saw a rapid proliferation of small-scale producers, the region's aquaculture sector is now consolidating and maturing. It is benefitting from more professional management, as well as new standards, new certifications and more sustainable production practices. Key products include shrimp and pangasius (catfish). Besides processing, market opportunities for high-tech aquaculture equipment are increasing.

4. Light industries

Due to improving infrastructure, inexpensive land, a large labour pool and many other benefits, several provinces in the Mekong Delta have attracted extensive investment in light manufacturing. This is particularly true in the provinces close to HCMC, which offer good road connections and competitive transport costs, and in labour-intensive industries like food processing and garments, shoes, and leather goods.

3. Construction

Piggybacking on growth in so many other industry sectors, the construction sector is also booming. One major driver is increased public and private investment in infrastructure, including new roads, bridges, ports and power plants. Another driver is the real estate sector, which is leading development of new commercial centres, office buildings and housing projects.

5. Services

Many service sectors are growing rapidly in the Mekong Delta. With a large population base, increasing urbanization and rising incomes, the region presents attractive opportunities for retail, healthcare and education businesses. The tourism sector also shows high potential. The holiday island of Phu Quoc is one of the fastest growing destinations, but tourism on the mainland is also developing.

As education improves in the Mekong Delta, it is also an increasingly viable destination for offshore business services. This includes simple business process outsourcing services, such as data entry and document digitization, but as Viet Nam emerges as a global hub for software development services, some IT companies are considering investment as well. Can Tho, the region's urban centre, presents some of the best opportunities for IT and business process outsourcing (BPO) companies.





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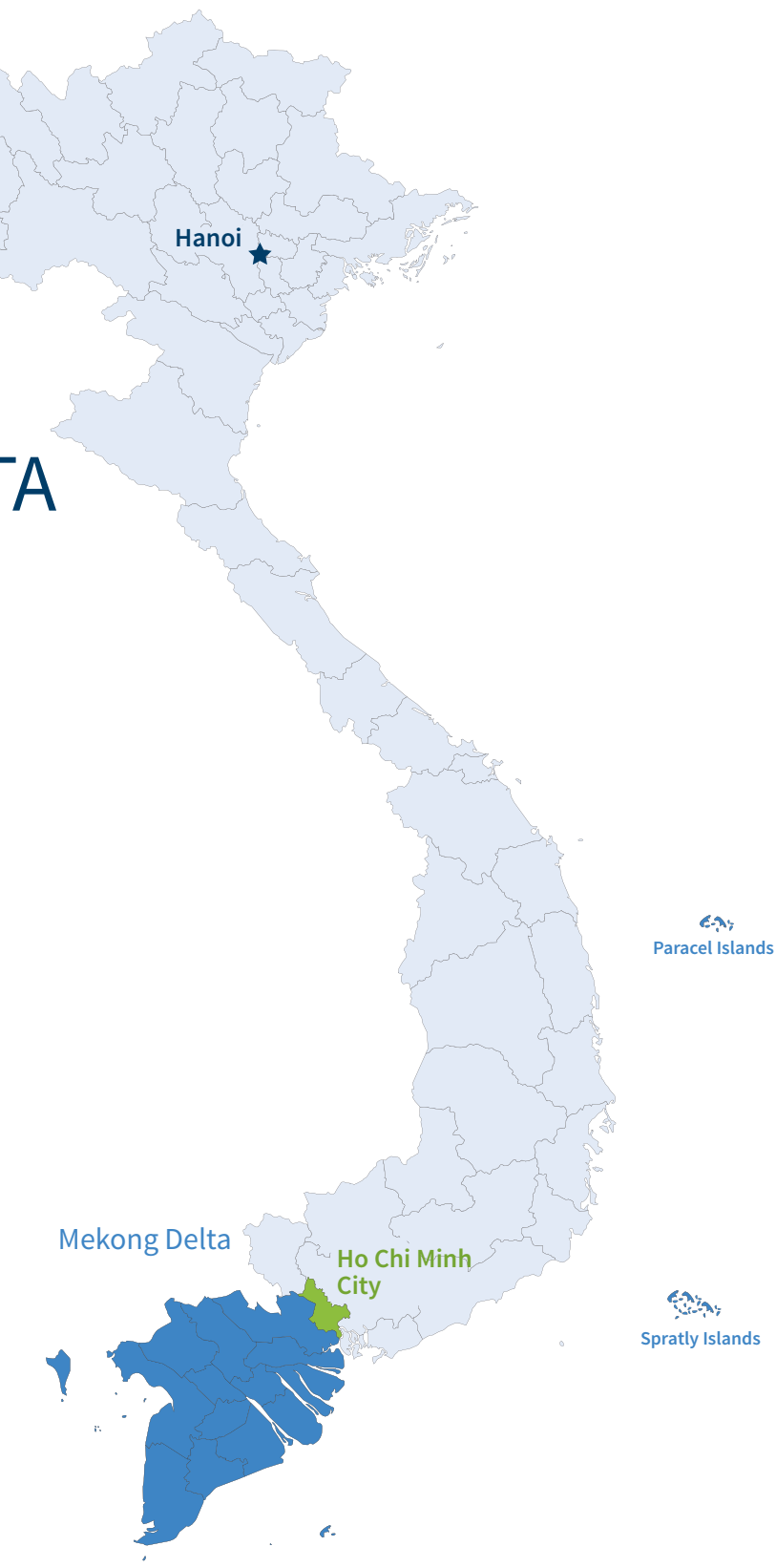
KEY CONSIDERATIONS FOR INVESTMENT

GEOGRAPHY OF THE MEKONG DELTA

Located at the southernmost part of Viet Nam, the Mekong Delta is dominated by flat floodplains. It is crosscut by the mighty Mekong River, which flows to the sea via a network of distributaries with nine main branches, which have earned it the Vietnamese name Nine Dragon Delta (*Đồng bằng Sông Cửu Long*). Thousands of kilometres of river arms and canals further divide the land. Its average elevation is about 1 metre. The only hills are in the north and the southwest near the Cambodian border.



The climate in the Delta is influenced by the southwest and northeast monsoons. The dry season lasts from December to April, while the wet season starts in May and ends in November. In the wet season, large areas of the Delta are flooded (1,900 km²). In the dry season, water volumes on the Mekong decrease, leading to saline intrusion and the salinization of waterways in the lower Delta. The Ca Mau Peninsula, for instance, is salinized for 6 months each year.



The Mekong Delta is Viet Nam's most important agricultural region, producing more than 50% of the country's rice. The economy of the Mekong Delta is still very much dominated by agriculture. Other agricultural activities, such as fruit and vegetable farming, also play an important role. Along the coast and the rivers, aquaculture has been booming in the last decade as well. But industry and services are catching up.

POPULATION AND LABOUR FORCE

Roughly 17% of Viet Nam’s almost 95 million people live in the Mekong Delta

The Mekong Delta is home to more than 17 million people – close to a fifth of the total population of Viet Nam. If the Mekong Delta were an independent state, it would rank 66th worldwide in population size, topping countries such as the Netherlands, Portugal or Viet Nam’s neighbours Cambodia and Laos. Population growth rates were a modest 0.41% in 2017, with new births being offset by migration to HCMC and other industrialized provinces.

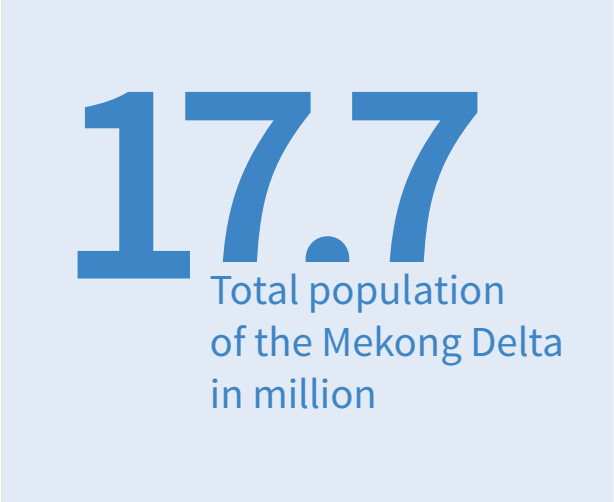
The majority of the Mekong Delta’s population still resides in rural areas, but urbanization is increasing rapidly. In 2006, the region’s urban population was just 3.5 million people. In 2017, this figure had swelled to 5.7 million and continues to grow today. Can Tho, the largest city in the region and the fourth largest in Viet Nam, accounts for roughly 1.27 million people. Other cities like Long Xuyen, Rach Gia, My Tho and Ca Mau are also emerging as population hubs.

A large labour force, but training and education lag behind

According to the General Statistics Office of Viet Nam (GSO), The Mekong Delta had a labour force of 10.67 million in 2018, accounting for 19% of the country’s total labour force. About half of the labour pool works in agriculture; 17% are employed in construction and

33% are employed in the service sector. As development progresses in the region, the service and industrial sectors are playing an increasingly important role in job creation.

Improved opportunities for professional education and training are needed to increase the base of skilled workers in the region. But the Delta is quickly catching up – the percentage of workers with either a vocational or university



17.7
Total population
of the Mekong Delta
in million

education and the proportion of trained workers has been gradually increasing since 2012 (more specifically: in 2010, trained employees accounted for 7.9%, increased by 12% in 2015 and by another 12.1% in 2017).

New programs are helping to further bridge the skills gap with many focusing on upgrading the vocational and training system. For instance, German Development Cooperation supports the Long An Vocational College

and the An Giang Vocational College in providing training on mechatronics, metal works, mechanical engineering, electronics and information technology. In total, the area is now home to 38 colleges and 18 universities, of which 6 are private universities, based mainly in Can Tho City but otherwise distributed equally across the provinces. There are 27 professional secondary schools, 47 vocational secondary schools and 237 vocational and continuing education centres in the districts. Research facilities include the Mekong Delta Rice Research Institute, the Southern Fruit Institute, the Institute of Biotechnology (at Can Tho University), and the Aquaculture Sub-Institute.

International firms in the region find it easy to recruit unskilled workers. However, recruiting skilled workers, such as seasoned technicians or managers, can at times be more challenging.

Increasing productivity

According to the General Statistics Office of Viet Nam (GSO), the poverty rate in the Mekong Delta fell from 37% in 1998 to 9% in 2013, and 7,4% in 2017. These improvements were driven largely by increasing productivity in agriculture and expansion of the aquaculture sector, but also by new service, consumer and manufacturing activity.

Compared to the rest of the country, however, the Mekong Delta's development is less stellar. As other regions experienced rapid growth, industrialization and urbanization in recent years, the Mekong Delta remains primarily agrarian. In 1999, income per capita in the Mekong Delta was roughly 120% the national average, but it has now fallen to about 75%. In rural areas of the Delta, where productivity in the agricultural and aquaculture sectors is strong, wages are actually higher than the national average in rural areas. Due to the slower pace of development, average monthly wages in the Delta in 2017 were about USD 267, while the average in Viet Nam was USD 357. Meanwhile, the average monthly labour costs in major industrial centres nationwide is higher than that of Mekong Delta provinces. In Hanoi, the cost is USD 396; in HCMC it is USD 425. This makes the Delta attractive for employers in the manufacturing and services sectors.

AVERAGE COMPENSATION PER MONTH OF EMPLOYEES IN ACTING ENTERPRISES HAVING BUSINESS OUTCOMES BY REGION (USD)

REGION	USD
HCMC	425
South East region	397
Hanoi	396
The Red River Delta	353
Northern Midland and Mountainous region	301
The Mekong Delta	267
North Central and Central Coast region	256
Highlands	236
Average cost in Viet Nam	357

Source: General Statistics Office of Viet Nam (GSO), 2018

Labour costs vary across Mekong Delta provinces. The lowest labour costs per month in the non-agricultural sector can be found in Bac Lieu at USD 180, followed by Tien Giang, Tra Vinh and Soc Trang. The highest labour costs are in Long An at USD 310 per month.

AVERAGE COMPENSATION PER MONTH OF EMPLOYEES IN ACTING ENTERPRISES HAVING BUSINESS OUTCOMES IN MEKONG DELTA PROVINCES

PROVINCES / CITIES	USD
Long An	310
Ca Mau	296
An Giang	251
Dong Thap	284
Hau Giang	248
Ben Tre	268
Kien Giang	267
Can Tho	241
Vinh Long	225
Soc Trang	288
Tra Vinh	240
Tien Giang	243
Bac Lieu	180

Source: General Statistics Office of Viet Nam (GSO), 2018



Low labour costs, a rapid increase of trained labourers and the large, proactive and adaptive labour force are great opportunities and a major motivation for the development of the Mekong Delta as well as for enterprises to invest in the region.

Strong protection of labour rights

The low wages in the Mekong Delta are combined with strong protection of labour rights, which is typical for Viet Nam. Workers receive a minimum wage, which is adjusted to local living conditions. Working hours per six-day week are set at 48 hours, and overtime is limited to 200 hours per year. Child labour is strictly prohibited.

The Government is keeping a balance between annual increases of the minimum wage and labour productivity. A too drastic increase of wages would have negative effects on competitiveness and job creation, while pay rises that are too low would lead to unsatisfied workers and slower economic development. Still, many observers advocate for higher minimum salaries in order to promote the socio-economic conditions of workers and their families.

In order to keep up with the upward trend of wages, it is crucial that the education and training facilities in the Mekong Delta are continuously upgraded, and that employers keep training their staff.

FDI IN THE MEKONG DELTA

FDI remains low but is picking up quickly

According to FDI data from the Ministry of Planning and Investment-Foreign Investment Agency (FIA) Viet Nam, the total number of newly registered FDI projects in 2018 in the Mekong Delta was 133 with investment funds of over USD 2.55 billion. Compared with other regions of the country, the total investment of the Mekong Delta's newly registered FDI projects is still quite modest; equal to 11.8% of the Red River Delta's total (with 1120 newly registered FDI projects) and about 9% compared to Southeast (with the total 1473 newly registered FDI projects). In terms of newly registered capital in 2018 compared to other regions, the Mekong Delta's total was almost 17.52% of the Red River Delta's (with total USD 14.57 billion) and the Southeast accounted for about 19.4% respectively (with total USD 13.16 billion).

Yet the picture continues to change. The number of FDI projects in the Mekong Delta increased rapidly from 2010

to 2018, driving total FDI growth over 20% per annum – more than double the national average (8,9%). The average size of registered projects has actually decreased to USD 12.5 million, suggesting a reduced dependence on a few large projects and an increasing number of small projects. This indicates that FDI in the Mekong Delta is becoming more diverse and flexible and will drive growth across a greater range of sectors.

The accumulated number of valid FDI projects by the end of 2018 in the Mekong Delta was 1,528 with a total capital of USD 21,437 million. The top 5 countries for FDI were: South Korea with 293 projects, China with 252 projects, Taiwan with 225 projects, Japan with 166 projects, and Hong Kong with 89 projects. Investment areas are mainly in processing, manufacturing and retail. Currently, FDI in the Mekong Delta is shifting from quantity to quality, focusing on spill-over effects and added value from FDI inflows to the Mekong Delta region.

“Viet Nam is now an attractive destination for Japanese investors. The estimated annual number of investment projects is 600, focusing not only on the manufacturing sector but also on services and large-scale infrastructure development. According to a survey conducted by the Japan External Trade Organization (JETRO), 70% of Japanese enterprises investing in Viet Nam said that they would continue to expand their business in the future.

However, currently, most Japanese enterprises are limited to focusing their investment in big cities such as Hanoi, Ho Chi Minh and their surrounding areas. With the development of Viet Nam's economy, it is increasingly difficult to secure human resources and land for development in these cities and surrounding areas.

However, Can Tho, with the central location of the Mekong Delta, is still abundant in human resources and land. As a result, some Japanese enterprises have taken their investment to this region.

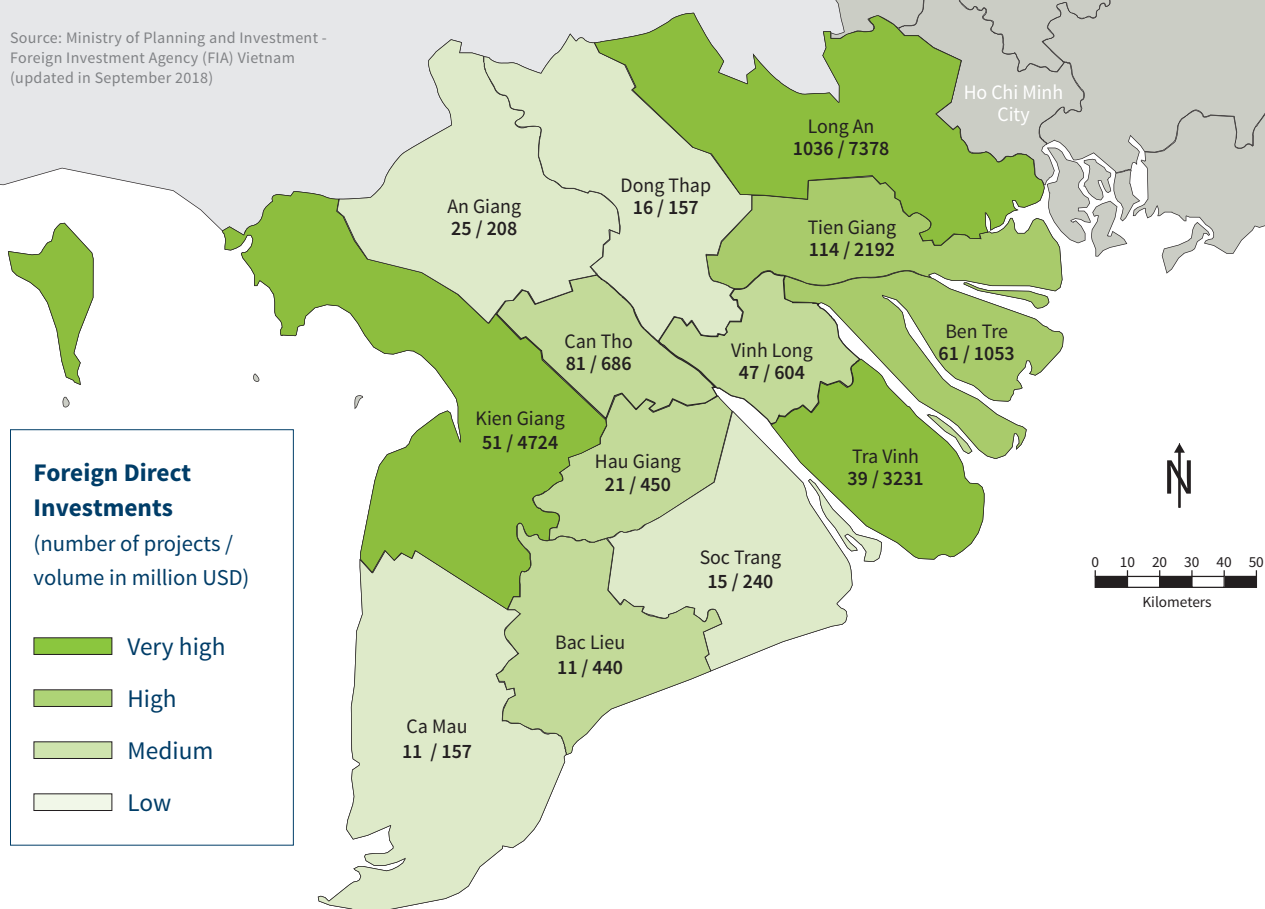
JETRO supports the Mekong Delta provinces to visit Japan to further promote the image of the Mekong Delta. We recommend that you visit once to learn more.”

Mr. Shinji Hirai

Chief Representative Japan External Trade Organization (JETRO), Ho Chi Minh Office

SPATIAL DISTRIBUTION OF FOREIGN DIRECT INVESTMENTS

Source: Ministry of Planning and Investment - Foreign Investment Agency (FIA) Vietnam (updated in September 2018)



Provinces close to HCMC, Can Tho and Kien Giang are FDI leaders

While all provinces of the Mekong Delta are attracting FDI, Long An has emerged as the biggest investment magnet. Long An Province has the highest number of newly registered FDI projects with 86 in 2018, accounting for 64.7% of the newly registered FDI projects in the Mekong Delta in 2018.

Long An’s success in attracting FDI can be attributed to its proximity to HCMC. As land in Greater HCMC becomes more expensive and labour increasingly difficult to find and afford, companies in the manufacturing and services sectors are looking to nearby provinces for better value. Particularly in light manufacturing sectors like garments and food processing, companies are moving south. Project sizes tend to be small, with an average registered investment capital of USD 7 million.

In terms of the number of registered projects, Tien Giang and Can Tho are also popular. Can Tho is the region’s urban hub.

Tien Giang, the province directly south of Long An, hosts the main traffic connection between HCMC and the Mekong Delta. Its accessibility to HCMC and the rest of the region makes it a convenient transit point and location for FDI projects.

Another interesting province is Kien Giang, located at the south-western edge of the country. Despite its remote location, it has attracted significant investments across a range of sectors. This includes the tourism sector, which is driven largely by the booming popularity of Phu Quoc Island. It also includes the construction materials sector, which benefits from an abundance of limestone and other natural resources, as well as several cement plants that serve the Mekong Delta and large parts of neighbouring Cambodia. Other large-scale public investments, including new ports and power plants, are planned for this province, which will help to further drive FDI.

The Mekong Delta remains largely agrarian, but it still ranks as Viet Nam’s third-highest region in terms of industrial gross output. Almost half of the region’s industrial production is concentrated in Can Tho, Long An and Ca Mau.

BUSINESS CLIMATE AND INVESTMENT INCENTIVES

A strong investment climate

The Viet Nam Provincial Competitiveness Index (PCI) report marks an important milestone in the efforts of the Viet Nam Chamber of Commerce and Industry (VCCI), with the support of the United States Agency for International Development (USAID), to improve the business environment Viet Nam's cities and 63 provinces. Since 2005, the PCI continues to be a trusted voice of the business community that jointly reflects local governance quality in order to promote private sector development. Besides that, it creates an enabling and level-playing business environment to attract domestic and foreign investment.

A province that is considered as 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 provides information equitably to businesses; 4) limited time requirements for bureaucratic procedures and inspections; 5) minimal informal charges; 6) low crowding out of private activity from policy biases toward state, foreign, or connected firms; 7) a proactive and creative provincial leadership in solving problems for enterprises; 8) high-quality business support services; 9) sound labour training policies; and 10) fair and effective legal procedures for dispute resolution and maintaining law and order.

The average PCI score of the Mekong Delta region in 2018 lead the whole country (reaching 64.31 points), the highest of the country's 6 regions: Red River Delta (63.95 points), Southeast (63.76 points), Central Coast (63.65 points), Northern Mountainous Region (61.95 points) and the Central Highlands (61.63 points). The Mekong Delta region came top in five of the PCI sub-indices: (1) land access and tenure, (2) time costs, (3) informal charges, (4) policy bias, and (5) proactive leadership.

Four of the Mekong Delta's provinces managed a top-ten ranking in the Provincial Competitiveness Index in 2018 are Dong Thap (2), Long An (3), Ben Tre (4) and Vinh Long (8), while the industrial hotspots provinces (Binh

Duong (6), Dong Nai (26)) and main cities are ranked lower (Ha Noi (9), HCMC (10) and Can Tho (11)). Dong Thap Province continued its record, ranking in the top-five for eleven years. It is the leading province in four of the PCI sub-indices, including land access, time costs, policy bias, and proactive leadership. Long An made significant improvements in creating a fairer business environment with less policy bias toward state-owned, foreign, or connected firms, and facilitation of land access and tenure for the private sector. Ben Tre was rated positively on efforts to reform administrative procedures and for creating a conducive legal environment for business contraction and expansion. Vinh Long was the highest rated province for reductions in informal charges.

The Mekong Delta has maintained its assessment as good in overall business environment quality and is a potential destination for domestic and foreign investors.

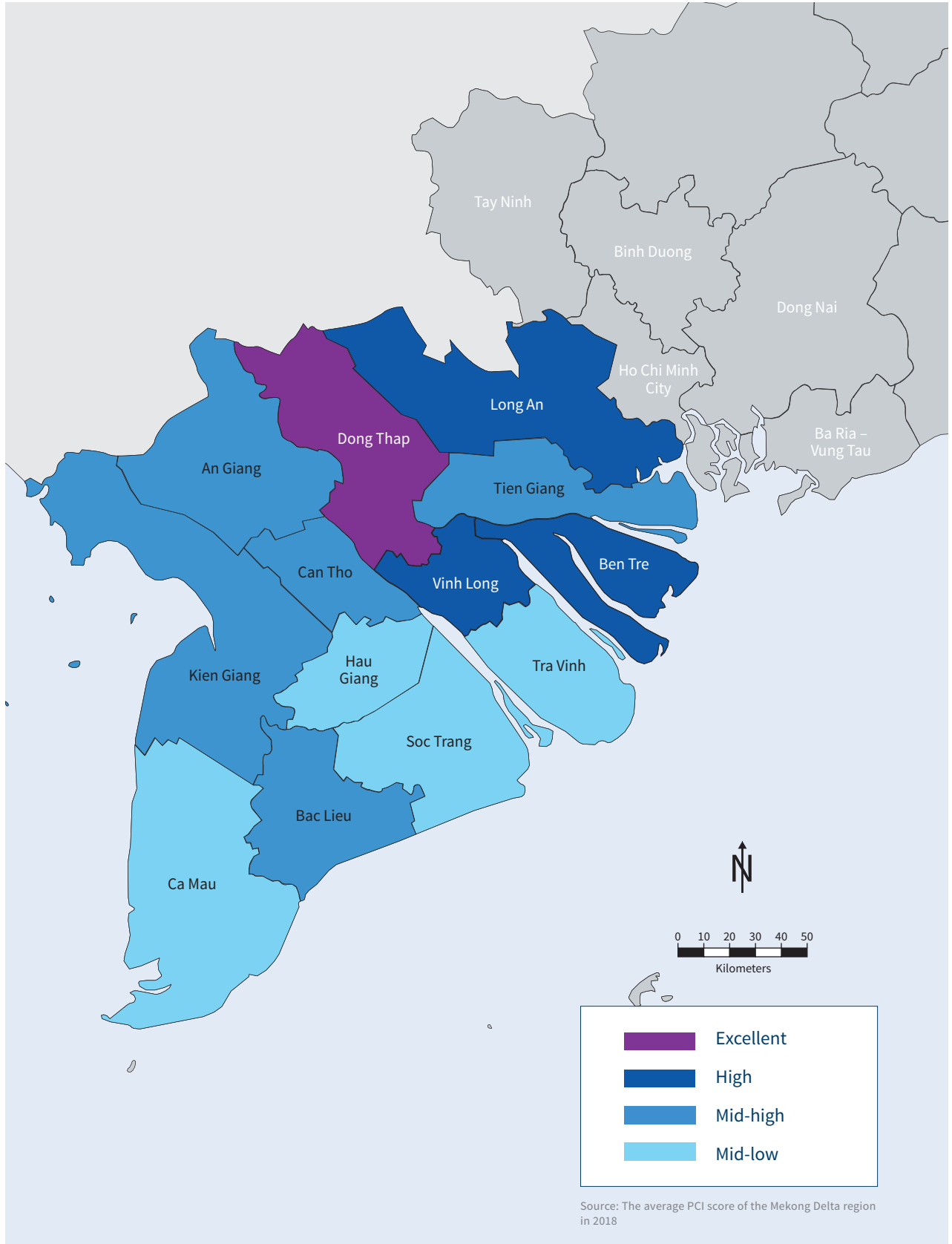
Interesting investment incentives

The Vietnamese Government offers various incentives for foreign investors in preferred sectors and geographic areas. Incentives include reduced corporate income tax (CIT) rates, tax incentives, special enterprise zones, favourable permit and licensing procedures, exemption from land rent, and other policies that reduce costs and complexity for foreign investors.

The level of minimum costs depends on the location. It is set by the Government depending on local costs of living and other factors. Accordingly, districts where the Government wants to promote economic development through commercial investment have lower minimum costs compared to other districts.

Some incentives offered at the national level target selected industries and technologies. Others focus on regions that the Vietnamese Government wants to promote; these are typically defined at the district level. There are a number of districts with spatial incentives in the Mekong Delta which are in quite attractive locations (see the map in the following chapter).

OVERVIEW OF THE INVESTMENT CLIMATE



INFRASTRUCTURE FOR INVESTMENT

Greatly enhanced road infrastructure

Inefficient and unreliable road networks were once a significant barrier to FDI in the Mekong Delta. In a region crosscut by thousands of kilometres of river arms and channels, road travel used to involve long, indirect routes and frequent ferry crossings. Yet, as the Mekong Delta's road network improves, investment and economic activity is surging.

In the last decade, official development assistance (ODA) projects from the Asian Development Bank (ADB), the World Bank, Australia, Japan, Korea and other actors has led to major improvements in the region's roads. The most significant of these improvements is the connection of HCMC and Can Tho, the Delta's urban centre, with a highway and continuous bridges. This transit corridor includes Viet Nam's most expensive bridge, the 2.7 km long Can Tho Bridge, which opened in 2010. This bridge has helped reduce travel times between HCMC and Can Tho from more than 6 hours in 2010 to less than 3 hours today. Additional highway connections will be completed by 2020, among them national highways N1 and N2 were completed and in full operation in 2018.

Local firms perceive the Mekong Delta's road infrastructure as surpassing the national average. Many believe it to be better than that of Hanoi, though not yet to the standards of Greater HCMC. More than 80% of the Mekong Delta's provincial roads and more than 50% of district roads are paved, an excellent achievement for a rural region with so many waterways. Amazingly, floods and landslides now obstruct the Delta's roads less often than in Hanoi and Greater HCMC. This stems from the Government's response to climate change, natural disaster prevention and overall environmental protection, with funds being directed at continuing to build and upgrade sea dykes, dykes, as well as irrigation and drainage systems, while at the same time reviewing the investment planning in irrigation works in

accordance with the new context and adjusting the design, operation and proactive response.

TRANSPORT COSTS TO CAT LAI PORT (HO CHI MINH CITY) FOR A 40-FOOT CONTAINER

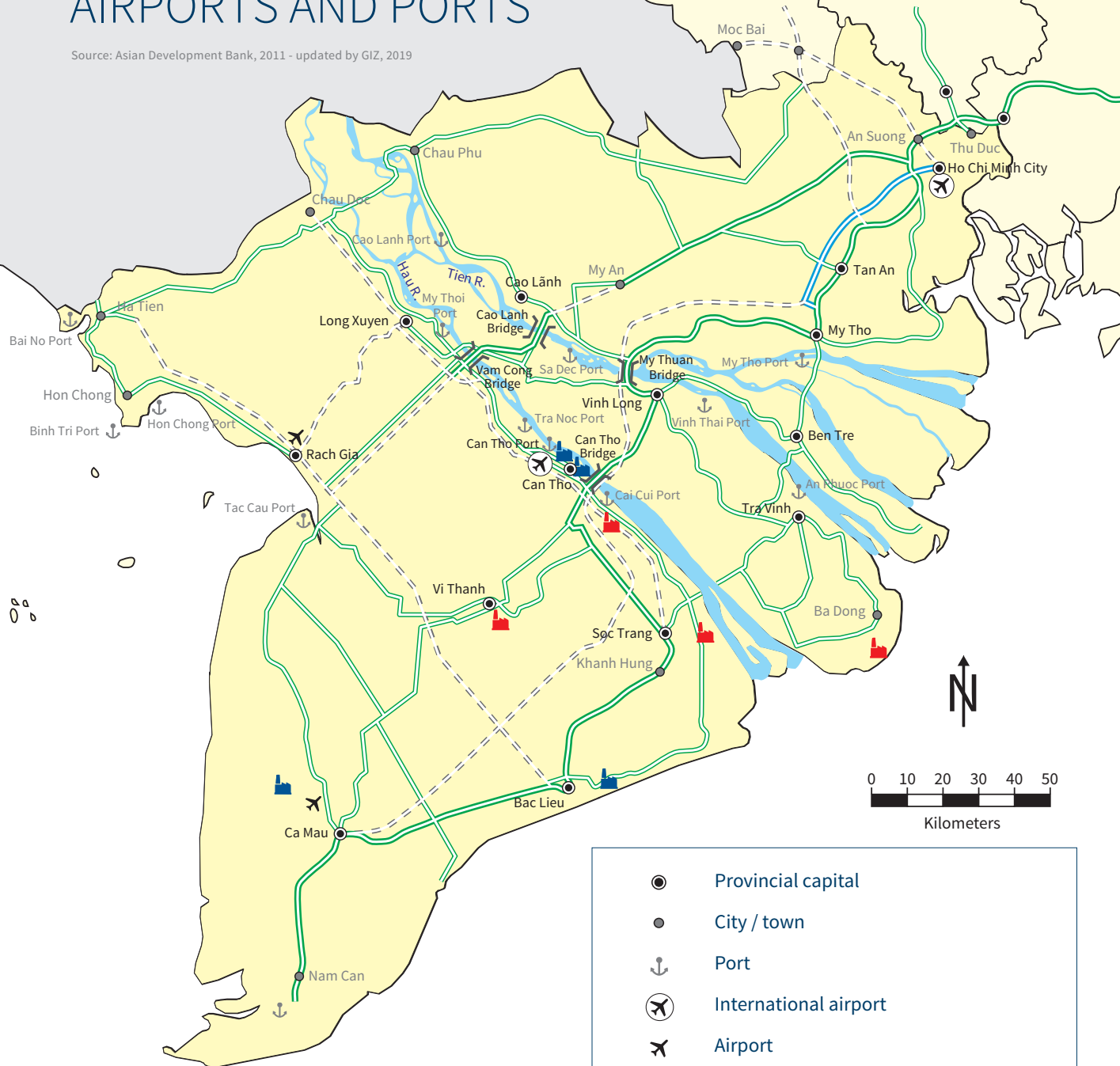
PROVINCES/ CITIES	USD
Ca Mau	638.30
Ha Tien (Kien Giang)	680.85
Rach Gia (Kien Giang)	595.74
Soc Trang	595.74
Can Tho	553.19
Long Xuyen (An Giang)	553.19
Vinh Long	510.64
Long Giang (Tien Giang)	404.26
Thuan Dao (Long An)	361.70
Ben Tre	276.60
in comparison with: centre of Dong Nai	319.15

Source: VCCI Can Tho

Despite improvements in road infrastructure, shipping costs still vary considerably between provinces. Since port facilities in the Mekong Delta remain limited, a high volume of container shipments to and from the region continue to pass through Cat Lai Port in HCMC, so provinces closer to HCMC are more competitive for container transport. Compared to Dong Nai province, one of the key industrial provinces to the north of HCMC, several provinces in the Mekong Delta are competitive with respect to transport time and costs.

ROAD INFRASTRUCTURE, AIRPORTS AND PORTS

Source: Asian Development Bank, 2011 - updated by GIZ, 2019



New airports connect the Mekong Delta to the rest of the country

The Mekong Delta has four airports: Rach Gia, Ca Mau, Phu Quoc and Can Tho. The latter two are international airports. At present, only Phu Quoc has regular international flights (to Singapore and Siem Reap). However, this will change as Can Tho is planned to have direct connections to Bangkok in the near future.

Phu Quoc is the busiest airport in the Mekong Delta due to its status as a popular tourist destination. Can Tho also

	Provincial capital
	City / town
	Port
	International airport
	Airport
	Existing bridge
	Existing highway
	Highway / bridge under construction
	Existing expressway
	Planned expressway network
	Operational power plant
	Powerplant under construction / planned

has daily connections to Hanoi, Da Nang, Phu Quoc and Con Dao. Rach Gia and Ca Mau also have daily connections to HCMC. These links ensure that all parts of the Mekong Delta can be reached within a few hours travel time from Hanoi and HCMC. However, there are no cargo terminals in the Mekong Delta as of now. A new investment project by Viet Nam Airlines is aiming to develop a cargo terminal in the 2018-2022 period.

Upgraded canals and ports

Waterways have been the most important transport network in the Mekong Delta for centuries. The Delta is crosscut with almost 30,000 km of canals and rivers and dotted with river ports and sea ports. The most common form of waterway transport involves small barges and cargo vessels. Many of these vessels use small private jetties of companies and farms at the river banks.

The most important inland port is Cai Cui Port in Can Tho, which is home to a small container terminal. However, only ships up to 10,000 deadweight tonnage (DWT) are currently able to navigate up to Can Tho. Containers up to 40 feet can be handled at the ports of My Thoi in An Giang and the port of Dong Thap. Most of the ports are small and still operating below capacity.

The Delta needs larger, professionally managed ports, particularly since several thermal coal power plants are planned, which will require port facilities to import large amounts of coal. These include plants in Soc Trang, Kien Giang, Tra Vinh, Hau Giang and Kien Giang. Currently, there are no deep-water ports capable of receiving big coal transporting vessels in the Mekong. In Tra Vinh, a large port is under construction.



Viet Nam's Ministry of Transport (MOT) is currently carrying out the Mekong Waterways Project in order to revitalize the canal network in the Delta and to enhance shipping capacity. It includes enlarging waterways and canal networks, as well as upgrading sluices, locks and port facilities. In Phu Quoc, the construction of an international passenger port to service cruise ships has been completed. The Government has also invested in the construction of Quan Chanh canal to open the way for 20,000 DWT vessels accessing the main port in Can Tho and several neighbouring ports to increase the capacity of cargo transportation.

Going further with new railway connections

The Mekong Delta region currently has no railway connections for cargo and passenger transportation to HCMC and beyond. However, a large-scale project for a high-speed railway was designed connecting Can Tho with HCMC. With overall costs calculated at USD 5 billion and submission at the National Assembly waiting for approval, construction is expected to begin in this year. The project will solve traffic congestion by further shortening travel time Can Tho to Ho Chi Minh City to less than 1 hour, promoting trade between the two largest industrial (Southeast region) and agricultural (Mekong Delta) production centres in Viet Nam and the major seaport and airport system in Ho Chi Minh City.

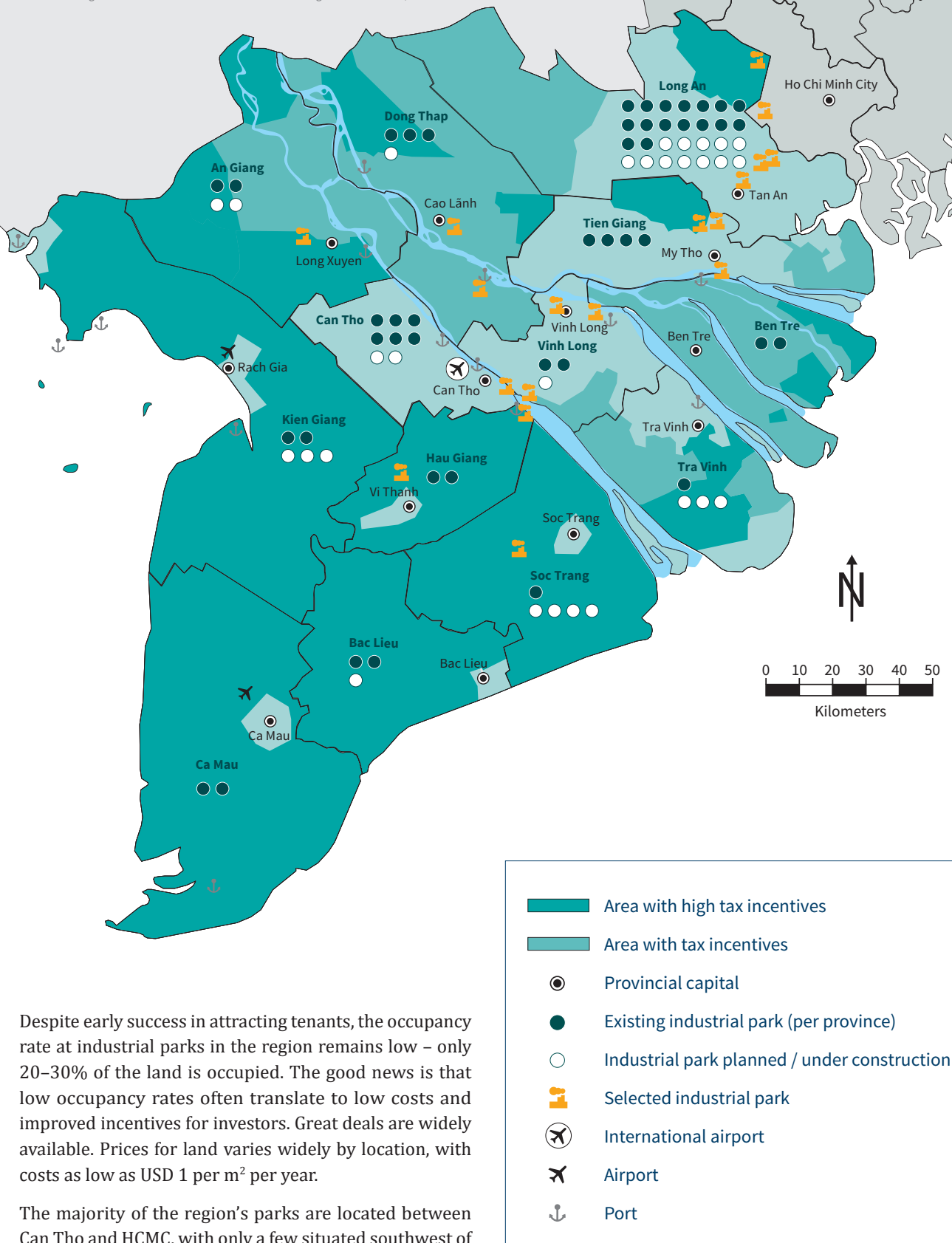
Rapid growth in well-managed industrial parks

The Mekong Delta has 74 planned industrial parks with a total area of 23,901 ha, 45 of which are in operation. As of 2018, industrial parks in the Delta had attracted 754 investment projects stemming from FDI, worth USD 2.5 billion, and 1,299 local projects worth USD 480 million. Together, these projects have generated over 400,000 jobs.



INDUSTRIAL PARKS AND INCENTIVES

Source: Management Unit of Industrial Zones of 13 Mekong Delta Provinces, 2018



Despite early success in attracting tenants, the occupancy rate at industrial parks in the region remains low – only 20–30% of the land is occupied. The good news is that low occupancy rates often translate to low costs and improved incentives for investors. Great deals are widely available. Prices for land varies widely by location, with costs as low as USD 1 per m² per year.

The majority of the region’s parks are located between Can Tho and HCMC, with only a few situated southwest of

Can Tho. Long An, one of Viet Nam's best-rated industrial provinces, has 28 planned industrial parks – the highest number in the region. These parks account for 64% of the total industrial park area in the region.

Firms tend to rate industrial parks in the Mekong Delta more highly than in other parts of the country, including Hanoi. Yet quality varies by region. Coastal provinces typically perform below the national average, while industrial zones in the vicinity of HCMC and in Can Tho are ranked much higher.

Good electricity and telecommunications infrastructure

The Mekong Delta enjoys excellent mobile network connections. In most locations with network coverage, 3G data is available.

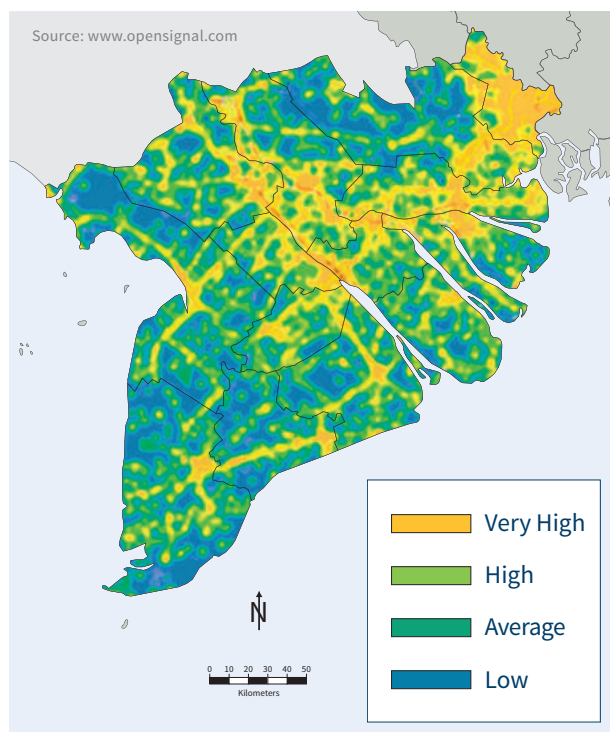
A survey by the Viet Nam Chamber of Commerce and Industry (VCCI) also indicates that telecommunications infrastructure is good in the region. In the survey, the majority of firms reported that telephone and internet connectivity is good or very good. In fact, firms in the Delta are happier with their telecommunications infrastructure than firms in HCMC and Hanoi. This might be attributed to lower expectations, but quality also plays a part.

Regarding the electrical power supply, the situation is unclear. Even though the Mekong Delta experiences longer power cuts as compared to the national average, firms polled in the VCCI survey expressed a decent level of satisfaction with the power supply. A possible explanation could be that the power cuts were well managed (i.e. announced and on time) and that the situation has been improving over time.

Office space

In the cities of the Mekong Delta, office space is usually easy to find. Yet for international standard office buildings, supply is limited. In Can Tho, several new projects are under construction. The average price for Grade A office space in central Can Tho is currently around USD 6 per m².

SIGNAL COVERAGE CELL PHONE AND 3G NETWORK



Health Care System

In 2018, in the Mekong Delta region there were 1,866 registered hospitals and clinics in operation with over 13,668 doctors, 11,300 physicians, 15,600 nurses and 44,166 beds. The quality of medical care, treatment and facilities has improved greatly. There is one hospital operating to international standards and another is under construction and will be put into operation in 2020.

Real Estate

The Association of Real Estate Viet Nam reported 2018 to be vibrant years for the real estate market with many real estate corporations (such as Vingroup, Hoang Quan, FLC, Sungroup, Phu My Hung, Novaland, Muong Thanh, Sacomreal, Anphanam) investing heavily in the region. The Mekong Delta (excluding Phu Quoc) currently has two five-star hotels: The Vinpearl Can Tho with 30 floors and 269 rooms, and the Muong Thanh Luxury Can Tho with 19 floors and 309 rooms. By 2020, large resorts and hotels in Can Tho and some neighbouring provinces will offer great opportunities for the development of tourism.

CLIMATE CHANGE

Many studies rank Viet Nam as one of the five countries that will be most affected by climate change. In part, this is because a high proportion of its population and economic assets are located in coastal lowlands and deltas. Due to its geography, the Mekong Delta will likely face greater impacts from climate change than any other part of Viet Nam. The Vietnamese authorities and international development partners are currently planning and implementing a number of projects to support the Mekong Delta in adapting to climate change.

Challenges for investors

Climate change poses challenges for investment in the Mekong Delta, such as:

- Salinization of groundwater and soil, which can negatively impact agricultural productivity
- Potential for flooding, requiring higher investments in the protection of production facilities, buildings and transport infrastructure
- Outbound migration from areas impacted by climate change

The hydrologic challenges of flooding and salinization are further aggravated by the construction of hydro-power dams by countries upstream. Human activity on mangroves, forests and wetlands are also causing a deterioration in natural coastal protection, fisheries and biodiversity.

Investors in the Delta must manage these risks and challenges. Agricultural investments require particularly thorough location analyses and planning. Industrial investors must also select appropriate locations and construction designs.

While Viet Nam faces considerable risks from climate change, it faces fewer environmental risks than many of its neighbours. It experiences occasional typhoons, but the risk in the Mekong Delta is lower than for Viet Nam's northern regions. Other natural calamities that commonly affect neighbouring countries, including



earthquakes, volcanic eruptions, or tsunamis, are virtually non-existent in the Delta.

Opportunities for investors

The challenges of climate change also provide opportunities for investors and development professionals. Some of these opportunities include:

- Urban resilience: Investments for adapting existing infrastructure (such as roads, bridges, water and energy infrastructure, embankments and dykes) to climate risks
- Expertise and equipment for the management of water resources
- Expertise and equipment to deal with salinization in aquaculture and agriculture
- Mangrove rehabilitation projects
- Shift from agriculture to aquaculture in coastal areas
- Development of renewable energy projects

Major funds are currently earmarked for climate change by international development partners and other stakeholders. Given the ongoing importance of climate change in international political discussion, it can be expected that considerable funds for such investments will be available in the coming years, providing opportunities for investors.



Informing investments with evidence-based decision support for coastal protection

GIZ is contributing towards the better protection of 720 kilometres of Mekong Delta coastline against extreme weather events like storms and floods, as well as long-term climate change effects. For the first time ever, a comprehensive system has been developed to provide decision-makers with a diverse set of technical guidelines and solutions for protecting the coastline of the Mekong Delta. This is key to ensuring that investment decisions on coastal protection measures are sound and cost-effective thus strengthening the resilience of people, economic assets, and the ecosystem.

“A Decision Support Tool. Coastal Protection for the Mekong Delta” (CPMD) is based on existing evidence provided by recent studies and assessments by Vietnamese experts, international consultants, and provincial government agencies under the mandate of the Viet Nam Disaster Management Authority (VNDMA), which is in turn under the Ministry of Agriculture and

Rural Development (MARD). The CPMD was inspired by several study tours to Germany and the Netherlands – both countries have a long history of success but also failure in coastal protection planning. The CPMD is an online and print product aiming to assist the planning of coastal protection measures and prioritization of investments.¹

The Mekong Delta is under threat from storm surges, erosion, flooding, land subsidence and saline water intrusion. After about 7,500 years of increasing natural land accretion, the trend seems to be in reverse. More than half of the Delta’s 720 km coastline is currently eroding. The loss of forest land along the coast is especially sensitive since this green belt stabilizes the dynamic silty coasts by attenuating wave surge and trapping fine sand and clay. Despite great efforts to rehabilitate the mangrove forest belt – on average about 1,600 ha are planted every year – this loss of forest land is continuing. The current sea-dyke system behind the dyke is hardly able to cope with storm surge and rising waters once exposed to the sea without foreland and mangroves. The causes are numerous, ranging from sea level rise to land

¹ The CPMD can be found online at <http://coastal-protection-mekongdelta.com/>

subsidence. The high urgency along stretches of the coast and the high value of hinterland has led the Vietnamese Government to plan for the upgrade of the coastal protection system in order to safeguard economic development in the Mekong Delta (Prime Minister's Decision No. 667 in 2009 and Resolution 120 in 2017). The protection of the coast is an essential factor in safeguarding the development of the entire Mekong Delta.

The main objective of the CPMD is to harmonize coastal protection planning at regional level. Although developed for the coastal protection sector, the approach of the CPMD is based on the integration of water management, forest management and land-use planning in the coastal area (Integrated Coastal Management, ICM) approach. The CPMD does not replace official planning documents but is supposed to feed concepts, ideas, and solutions into future regional and provincial planning. The coverage ranges over 7 provinces from Tien Giang (East Sea) to Kien Giang (West Sea). There are some novelties included in the CPMD such as an innovative classification system of the coast, a compilation of downloadable datasets on design parameters for coastal waterworks and land-use, a critical evaluation of all existing protection measures in the Mekong Delta (Pros & Cons), historical coastline changes since 1904, and the systematic inclusion of lightweight drones (Unmanned Aerial Vehicles, UAV) in coastal surveys. Several further tools for guiding the planning process for coastal protection are offered. A brief overview and analysis of respective policies on coastal forest, sea-dykes, and coastal environment as well as an assessment of the organization, management and funding of coastal protection is also included.

An essential feature of the CPMD is the consequent coastal classification. For the relative uniform coastline of the Mekong Delta, a hierarchical 3-step approach was developed:

- 7 coastal protection regions (CPR) separated by physical parameters
- 29 coastal protection units (CPU) based on existing water management units



- 71 Coastal Protection Segments (CPS) indicating four levels of increasing urgency (plus one level for “special zones”) for intervention. A total of 262 km is classified as “high to very high urgency for intervention”.

Recognizing the high importance of mangroves for a number of ecological services, special emphasis is placed on afforestation, reforestation, selection of suitable species and management of the mangrove belt. ‘Building with Nature’ is a key element of protecting the coast of the Mekong Delta.

Based on the existing level of baseline data, information, knowledge and guidelines, the CPMD came up with an estimate of a total investment of about USD 1.4 billion for the proposed hard structural and soft measures. This is a minimum estimate of direct costs and should be considered as a rough reference since inflation, price developments and additional costs for local construction feasibility studies, research, disaster risk reduction, capacity development and regional cooperation are excluded. The total costs of mangrove reforestation, including restoration of tidal mudflats, accounts for only 12 % of the total costs. A main recommendation is to coordinate budgeting and prioritization at all three governmental levels, provincial, regional and national, and to tap international climate change funds through the concerted actions of neighbouring provinces.

The development of regional coordination mechanisms in the Mekong Delta

Integrated regional (and investment) planning has been on the political agenda in Viet Nam for decades. It is well understood that decisions on infrastructure investment and any kind of development planning is too fragmented if done only at provincial level. The allocation of resources is not efficient or effective, and growth opportunities are missed. Above all, it is weakening the economic competitiveness of Viet Nam in the long term. For natural resource management, such as rivers, coasts, water catchment areas, and forest this is equally valid. It will be difficult or even impossible to protect

The Law on Planning approved in 2017 includes the establishment of an integrated approach for regional master plans. The law comes into effect on the 1 January 2019. The Mekong Delta is selected as the pilot for the regional master plan, which should be ready for implementation by the 1 January 2021. Past results in regional coordination and planning in the Mekong Delta suggest that a new way of doing things is required if the regional master plan is to be successfully prepared and implemented.

A master plan for the Mekong Delta has existed since 1998 but it is in fact not binding for most investment decisions. These decisions are still being made along sectoral (line ministries) and provincial Socio-Economic Development Plan (SEDP) lines.

In 2014, a separate Mekong Delta Plan was launched with support from the Netherlands and in collaboration with the Vietnamese scientific community. Although it is not an official government planning document, it has been – until today – serving as a reference document for the Government of Viet Nam as well as the international community. In February 2015 during the Mekong Delta Forum in Ho Chi Minh City, several development partners invited all Mekong Delta provinces, key line ministries and international partners to



and further develop the Mekong Delta without an integrated regional development approach. An effective and efficient approach to key planning challenges such as water management, disaster mitigation, ecosystems degradation, transport, electricity supply and other core services needs to be based, at least in part, through mechanisms based on close collaboration between provinces.

a side event on regional cooperation. It was an exciting experience with inspiring and emotionally gripping debates, and clearly showed how pressing this issue is.

GIZ started getting engaged in this topic by working closely with the Central Economic Commission (CEC) of the Communist Party of Viet Nam, the Office of the Government (OOG), the Ministry of Planning and

Investment (MPI), and provinces of the Mekong Delta. In 2015, the preparatory work for the Prime Minister's Decision 593 on regional coordination in the Mekong Delta was begun. A broad consultative process started with workshops in the Mekong Delta and Hanoi, including the engagement of Vietnamese and international experts. The Prime Minister's Decision 593 was issued on 6 April 2016 with international partners making substantial contributions.

Just prior to that, in April 2016, a national conference chaired by the Deputy Prime Minister and the German Ambassador, with the participation of almost all provinces and central ministries, embassies and international organisations, was held to debate the options and obstacles for regional coordination in Viet Nam. Some international partners were organized into the Mekong Delta Working Group, including ADB, Australia, Belgium, France, Germany, the International Fund for Agricultural Development (IFAD), the International Union for Conservation of Nature (IUCN), Japan, Korea, the Netherlands, Switzerland, the United Nations, the United States of America and the World Bank. The Group published a, "Joint development partner statement on regional coordination in Viet Nam". The topic has been high on the agenda from that moment onwards.

The event was also extremely important in assisting the CEC of the Communist Party of Viet Nam to bring best

practice initiatives in regional economic development and regional coordination into the Statement of the 12th Communist Party Congress for the period 2016-2021 and several related resolutions at national and provincial levels.

In 2017, the first Mekong Delta Conference – chaired by the Prime Minister and other top political leaders – was organized in Can Tho by the Government of Viet Nam and was crucial in further developing and protecting the Mekong Delta and raising public awareness to an unprecedented level. The Mekong Delta Conference also included participants from academia and research, private sector representatives, ambassadors, international organisations and the mass media.

Specifically, with the Prime Minister's Resolution 120 on Sustainable and Climate Change Resilient Development for the Mekong Delta issued in 2017, regional coordination became a decisive pillar. MPI will develop a new Mekong Delta Master Plan in 2019 to foster regional development planning and provide a basis for coherent investment planning. All sectoral and provincial plans will follow this Master Plan. On this basis, domestic and international finance mobilization is expected to ease considerably since the investment environment will have substantially improved.





3

FOCUS AREAS



3.1

SELECTED INDUSTRIES / SECTORS

The following sections provide an overview of selected industries that offer particularly promising investment opportunities in the Mekong Delta.

AGRICULTURE AND AGRO-PROCESSING

Viet Nam's "rice basket"

The Mekong Delta is Viet Nam's most important agricultural region. With highly fertile land and an abundance of fresh water, the Mekong Delta is ideal for growing crops of many types. Two-thirds of the total land in the Delta (2.6 million hectares) is currently used for agricultural production – the highest percentage of any region in the country and about one quarter of the total agricultural land in Viet Nam.

Rice is still the most important crop. Producing more than 55% of the country's rice, the Mekong Delta is the reason that Viet Nam, which once suffered from rice shortages, is now the world's second largest exporter of rice accounting for 20% of global rice exports.

Main export markets include China, Malaysia, the Philippines, South Korea and newly added import markets such as Bangladesh or Iraq. Due to the adverse impacts of climate change, the supply of rice in some countries has decreased and therefore the demand for rice from Viet Nam has increased. In addition, the market demand for high quality fragrant rice is increasing, creating opportunities for farmers and businesses to further increase profits.

“THE FERTILE SOILS and abundance of water in the Mekong Delta provide a fantastic potential for high-quality horticulture and fruit production.”

Jean-Luc Voisin, Managing Director of Les Vergers du Mekong

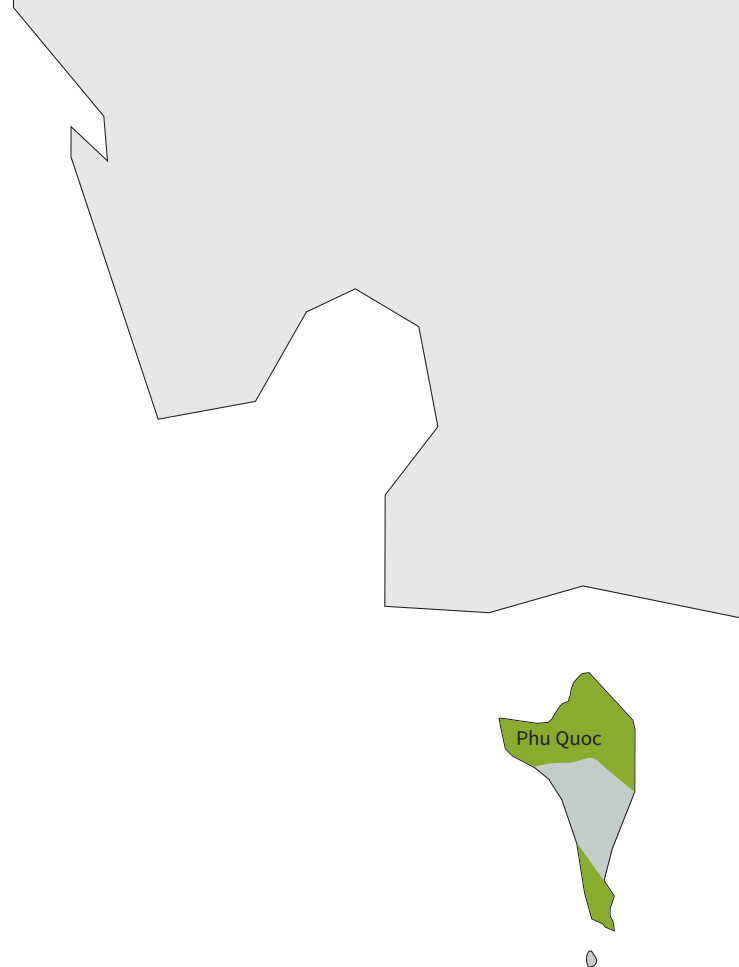
Opportunities and challenges for rice production

On average, landholdings in the Mekong Delta are larger than in other parts of the country, but agriculture is still mostly based on small-scale production by a large number of smallholders. This makes it hard to introduce new technologies for mechanization, efficient water management systems, better seeds and fertilizers, and other interventions that can improve agricultural productivity at scale. It also leads to quality issues and makes unified efforts at branding difficult, which lowers profits for many farmers and for the industry at large.

As job opportunities open up in cities and industrial zones, however, smallholders are leaving the countryside and selling their land to larger farms, bringing opportunities for investment and more efficient production. Government and donor initiatives to manage the fields of many farmers with joint resources are also helping to improve productivity and incomes.

More than just rice

While the land south and west of the Hau River is suitable for rice production, with up to three harvests per year feasible in some areas, the fertile inland areas northeast of the Hau River (between HCMC and Can Tho) are suitable for higher-value fruit production and horticulture. This region produces oranges, durian, grapefruit, pomelos, tangerines, bananas and mangoes. Roughly 4 million tons of those fruits are produced here each year on an area of about 300,000 hectares (40% of the total fruit farming area of the country). So far, most fruits are sold fresh into the domestic market. Smaller quantities are processed, and some are exported. Major export markets for vegetables and fruits from the Mekong Delta are China, the United States and neighbouring countries in Southeast Asia.



From quantity to quality

In recent years, farmers in the Mekong Delta have successfully applied productivity-enhancing technologies and methods to boost their production volumes. Now, many are looking to increase more than just output, namely the quality and value of their products. They are already making better quality varieties of rice and other basic crops, and increasing production of higher-value.

The growing emphasis on quality over quantity is driven by a number of trends. For starters, rising incomes in Viet Nam are leading to greater demand for safe, healthy and differentiated food. Similar trends in neighbouring markets, and new demand from international markets for foods with special certifications, are also driving this shift. Domestic and regional food scandals have also increased awareness of food safety and quality issues.

As agricultural production in the Mekong Delta shifts from volume- to value-based models, demand will increase for better quality input materials, including seeds, fertilizers, pesticides and agricultural equipment. To meet this demand, large domestic investors from other industries (such as steel, consumer goods and retail) are investing massively in agricultural products, services and supply chains. These developments will increase demand for professional managers and training services.

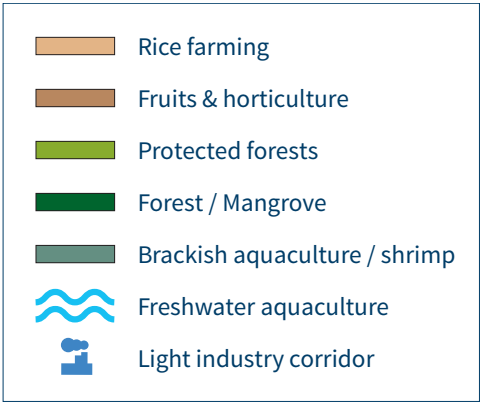
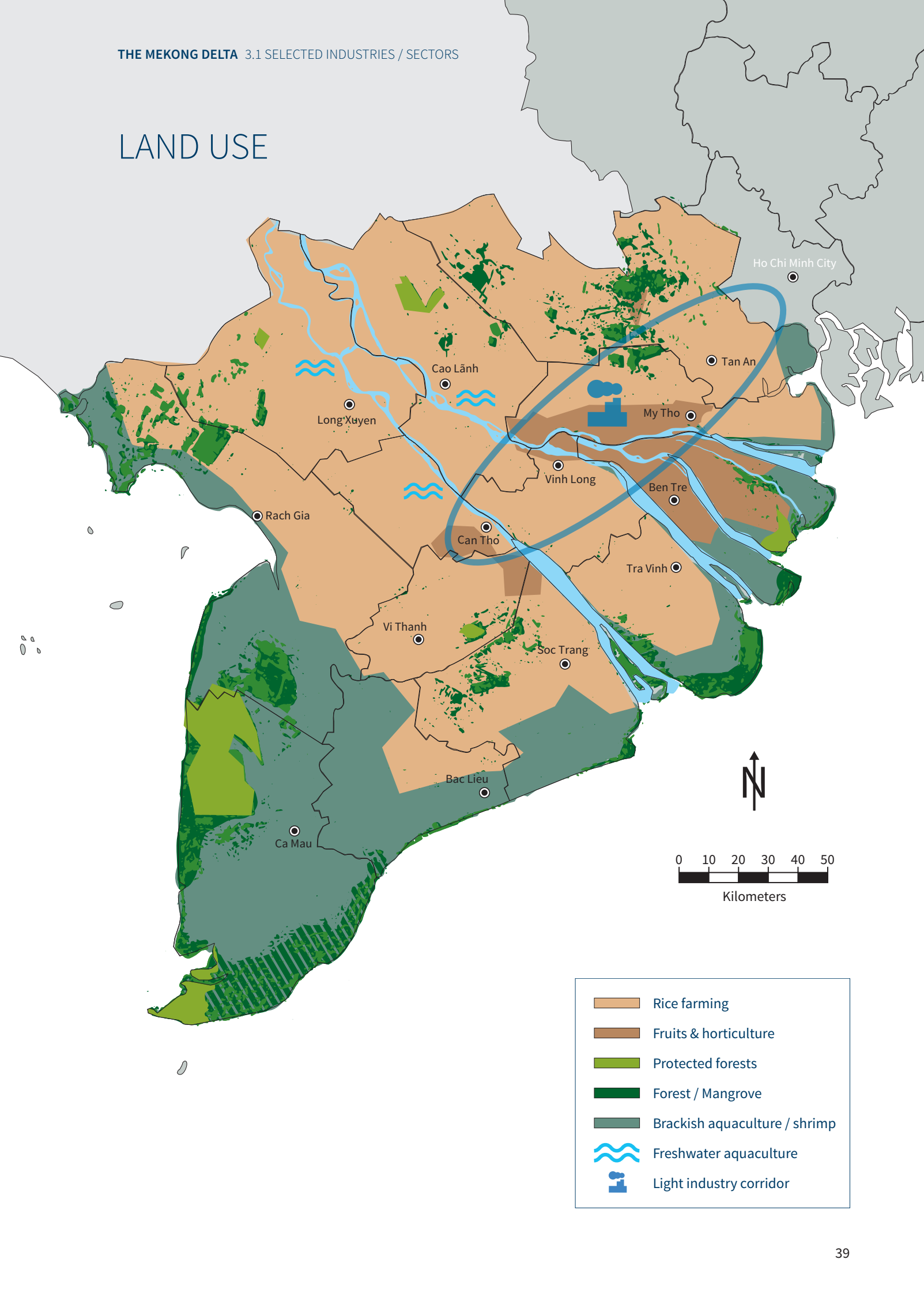
“THE FOCUS ON QUALITY
 instead of quantity for agricultural
 products is becoming more and
 more imperative for economic
 success.”

Jean-Luc Voisin, Managing Director of Les
 Vergers du Mekong

Big potential for agro-processing

Growers are not the only beneficiaries of these trends. The Mekong Delta offers big opportunities for food processing companies as well. These opportunities stem from the region’s improving infrastructure, good investment conditions, close proximity to farms and the large pool of low-cost labour. The Vietnamese Government is also offering a boost with tax incentives for a range of selected business activities, including:

LAND USE



- Breeding, rearing and growing agricultural, forest and aquaculture products on uncultivated land and in unexploited waters
- Application of biotechnologies or other new technologies that have not yet been used in Viet Nam
- Investment in post-harvest preservation of agricultural products, preservation of agricultural and aquaculture products, and foodstuffs
- Production of bottled or canned fruit juices

- Production and refining of feed for cattle, poultry and aquatic resources
- Production, multiplication or crossbreeding for new plant varieties or livestock breeds

Growth in Viet Nam's agro-processing sector is expected to trigger increased demand for processing equipment, packaging and other key inputs, as well as professional management and training services.

Success Story: Vergers du Mekong. Mekong Delta fruit products for the high-end market

From juices to jams, French-owned Les Vergers du Mekong produces over 100 high-end products that have long been staples in Viet Nam's gourmet markets and high-end hotels. Setting up production in the Mekong Delta city of Can Tho was a smart choice. Just three hours from HCMC and its international port, the fertile soils of the Delta and ancient farming knowledge of the local inhabitants offer ideal conditions for fruit growers.



Despite its many advantages, the Mekong Delta presents some challenges for growers. One challenge is fragmented land ownership. Although larger farms are becoming more common, smallholders still dominate the agriculture landscape, leading to a comparatively low output per household or hectare. This, of course, renders mass production difficult.

Vergers du Mekong turned this challenge into an opportunity by catering to a high-end market that values products sourced from smallholder communities. Working with about 1,000 farmers producing 3,000 tons of fruit a year, the company has not only established an extensive supply network but has also implemented a "field to fork" traceability system. A team of agriculture investigators and regular trainings for growers ensure sustainability and quality along the supply chain, ranging from the use of organic fertilizer to the commitment to Good Agricultural Practices.

Vergers du Mekong today operates five branch offices throughout the region and exports to a multitude of Asian and Arab countries, including Singapore and Dubai. With an annual growth rate of 15–20%, the company has become well known among gourmet food lovers in Viet Nam. Central to its success is a focus on quality, an understanding of local conditions and a relationship of trust with the local inhabitants.

AQUACULTURE AND SEAFOOD PROCESSING

The aquaculture boom

Viet Nam's aquaculture and seafood industry has grown rapidly over the past two decades. According to General Statistics Office, in 2018 the whole country produces about 7.76 million tons of seafood, of which 3.6 tons are from fisheries and 4.16 tons are from aquaculture. This represents a tenfold increase in output in aquaculture since 1995. The aquaculture area of the Mekong Delta accounts for 72% of the whole country's aquaculture area, and the Mekong Delta's aquaculture production accounts for 56% of the country's total aquaculture production.

Viet Nam is now one of the most important exporters of seafood in the world. Fish products constitute the country's fifth most important export commodity. Total fishery exports in 2018 were approximately USD 9 billion, up 8,4% compared to 2017. The biggest import markets in 2018 were the USA (18,44%), the EU (16,72%), Japan (15,66%) and China accounting for 13,76% (incl. Hong Kong).

Viet Nam is one of the top 5 countries exporting brackish water shrimp and is the leading producer and exporter of *Pangasius* in the world. The Mekong Delta plays a central role in this fast-growing industry accounting for over 80% of shrimp production and 95% of pangasius production. The provinces with the largest areas for aquaculture production are Ca Mau (302,861 ha), Kien Giang (153,880 ha) and Bac Lieu (136,048 ha). The provinces with the highest output by production volume are Dong Thap (475,000 tons), An Giang (356,000 tons), Ca Mau (300,000 tons), Bac Lieu (210,000 tons), and Kien Giang (208,000 tons).

Shrimp

Of the various segments of Viet Nam's aquaculture and fisheries sector, shrimp farming contributes the most in terms of exports and area. About 90% of shrimp

are exported, with total exports reaching roughly USD 4 billion annually and accounting for about half of all seafood exports. From this high base, shrimp exports are continuing to grow rapidly.

Viet Nam has more than 650,000 ha of shrimp farms. Most shrimp are one of two main species: black tiger shrimp and white-leg shrimp. Viet Nam is the world's leading producer of black tiger shrimp, with a production of 300,000 tons per year, but white-leg shrimp is still the most important species for Viet Nam's shrimp exports. In total, 155 countries were recorded as export destinations for Vietnamese shrimp. In 2018, shrimp exports reached USD 3,55 billion, the main export markets for Vietnamese shrimp were the European Union (23,6%), United States (17,9%), Japan (18%) and China accounting for 13,8% (incl. Hong Kong).



Most shrimp farms are located in the southern part of the Mekong Delta and along the coast. They help make use of coastal territories and parts of the Ca Mau peninsula where salinization has made agriculture less viable. However, they also contribute to the degradation of mangrove forests along the coastline.

Pangasius

After shrimp, pangasius (or basa fish) is Viet Nam's most important seafood export, mainly in the form of catfish filets. In 2018, the area of new pangasius farming in Mekong Delta provinces was over 6,000 hectares (an increase of 2% compared to 2017), with output reaching 1.2 million tons and an average yield of 216 tons per hectare.

Exports from about 200 pangasius exporters now reach more than 150 countries and amounted to roughly USD 2.26 billion in 2018 – an increase of 26,5% compared to 2017. Exports have been stable despite significant price swings, which have placed pressures on the smaller producers in recent years.

In the late 1990s and early 2000s, pangasius exporters were highly dependent on the US market, but had to diversify in 2003 when American regulators imposed anti-dumping duties on Vietnamese seafood products. These duties caused a rapid plunge in exports to the United States and led to more active marketing of pangasius in the EU. In recent years, the United States has become an important market once again. Next to the United States (24.3%) and the European

Union (10,8%), China and Hong Kong are a major importer of Vietnamese pangasius at 23,4% of total exports.

As with shrimp farming, pangasius production presents opportunities and challenges. While it is certainly helping to boost economic development in the Mekong Delta, it is also contributing to environmental problems, notably water pollution in downstream areas due to discharges from the farms. Better management practices and regulations for the aquaculture sector are the key to progress in this respect.

Industry consolidation and professionalization

While once dominated by individual households and small companies, fish farming has become increasingly dominated by mid-sized and large companies in recent years. These companies are instituting more professional practices. They are also pursuing vertical integration that combines farming with processing operations. This leads to more competitive prices, better quality products, reduced environmental impacts and improved financial performance.

Success story: Viet Uc Seafood Corporation Transforming Viet Nam's Shrimp

With over 19 years of experience in aquaculture, Viet Uc Seafood Corporation has been leading in the Viet Nam shrimp industry with a total production capacity of more than 50 billion shrimp seed per year, accounting for 30% of the shrimp market in the country. Currently, Viet Uc Seafood Corporation has a system of 9 large-scale seed companies stretching from the North to the South of the country.

Besides shrimp seed, Viet Uc Seafood Corporation also invests in models of high-tech intensive shrimp farming in greenhouses ensuring both quality and stability in production, with more than 1000 hectares



of high-quality shrimp production in cities such as Bac Lieu, Binh Dinh and Quang Ninh. Viet Uc Seafood Corporation is confident to produce "Perfect Shrimp" – with traceability and assurance of food hygiene and safety – raising the brand profile of Vietnamese shrimp in the domestic and world markets.



According to the General Department of Statistics, there are 1710 enterprises operating in the field of fishing and aquaculture. Many are based in the Mekong Delta. Some of them export products worth hundreds of millions of dollars each year. The aquaculture industry in the Mekong Delta is maturing and consolidating. This includes a growing awareness for environmentally sustainable production, the availability of corresponding supply chains, as well as traceability and certification schemes, which makes the

region increasingly interesting for investors catering to Western markets.

These seafood companies are increasingly accessing markets with high import standards, including the EU, the US and Japan. To appeal to these markets, they are pursuing certifications from entities like GlobalGAP or the Aquaculture Stewardship Council (ASC). Such industry certifications provide guidance in good management practices that further enhance product quality and reduce environmental impact.

LIGHT INDUSTRIES

Although the northern parts of Greater HCMC – namely the provinces of Dong Nai and Binh Duong – have historically attracted more FDI and industrial development than the Mekong Delta, they are becoming relatively less competitive with each passing year. This is because their popularity has led to comparatively high land costs, labour force shortages and other challenges. Some manufacturers also feel that authorities in these areas are becoming less welcoming.

Due to these challenges, a growing number of manufacturers are looking to the Mekong Delta for better opportunities. The region’s improving infrastructure, competitive business climate and large pool of low-cost

labour have become a major attraction. These benefits are particularly strong in the provinces close to HCMC, which have emerged as fast-growing investment destinations.

Most of these manufacturers are in “light” industries that do not require heavy equipment. This is because much of the Mekong Delta is alluvial land with sandy soil that is unsuitable for heavy industry. However, the region is perfectly fine for light manufacturing – and ideal for labour-intensive companies that can benefit from the region’s low-cost labour force. This includes food processors and manufacturers of furniture, garments, shoes and leather.

Success Story:

Long An Provinces

1036 FDI projects, 7 billion USD in registered investment capital.



While many provinces in the Mekong Delta are attracting significant FDI, Long An has emerged as the biggest investment destination. Located directly to the south of HCMC, it has attracted 1036 FDI projects, 7 billion USD in registered investment capital – more than half of all the registered FDI projects and a third of all registered investment capital in the Delta.

Long An’s success in attracting FDI can be attributed in part to its proximity to HCMC, which allows manufacturers to leverage the transport infrastructure, capital and expert resources of this urban hub. Long An also offers a favorable investment climate, ranking 3rd of 63 provinces in the Viet Nam Provincial Competitiveness Index 2018. It currently has 28 planned industrial parks, with more in the works.

Due to these advantages, it is expected that Long An will continue to attract investment from light manufacturers in the coming years and that this development will also spill over in the neighboring provinces, particularly those along the main road arteries with good infrastructure.

SERVICES

With a large population base, increasing urbanization and rising incomes, the region presents attractive opportunities for many service businesses, including retail, tourism, healthcare, education, IT and business process outsourcing (BPO) services. The sections below take a closer look at IT/BPO, tourism and the construction sector – three fast-growing and important service sectors.

IT and business process outsourcing

As education improves in the Mekong Delta, it is also an increasingly viable destination for offshore business services. This mainly applies to simple business process outsourcing services, such as data entry and document digitization. However, as Viet Nam emerges as a global hub for software development services, IT companies are prospecting new destinations for investment as well.

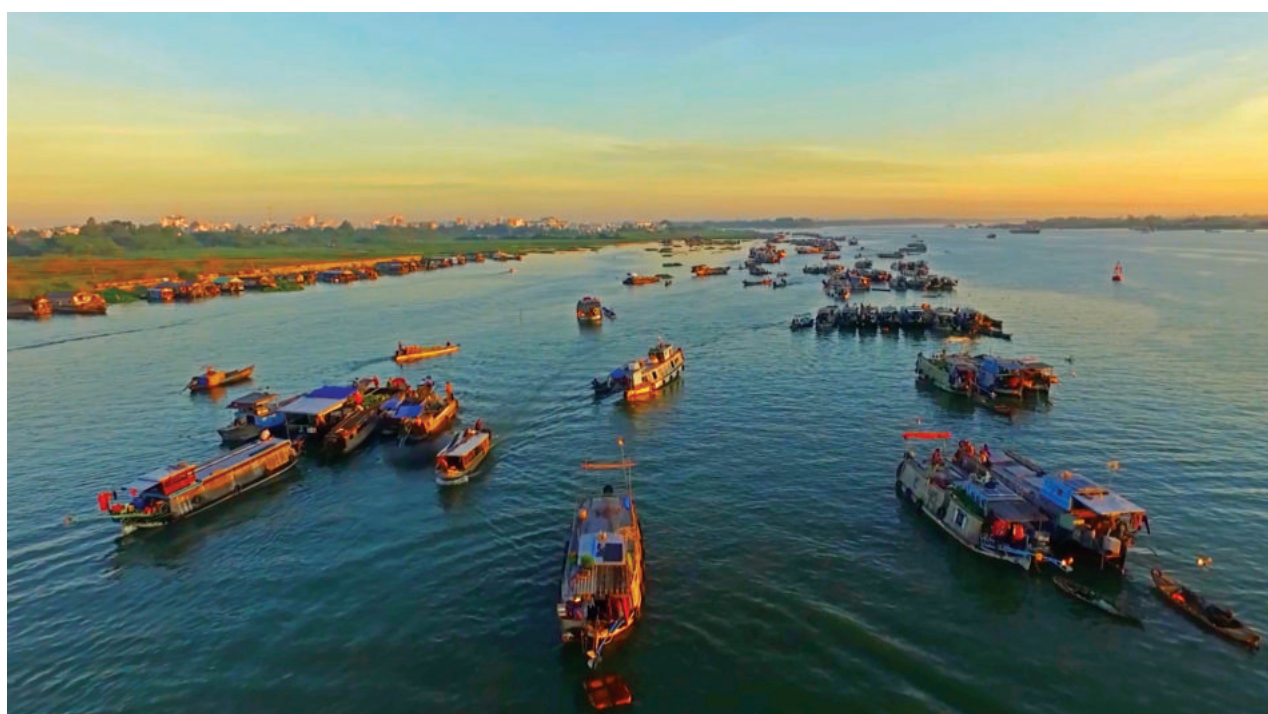
One such company is FPT Software, Viet Nam's largest IT services company, which opened a software development centre in Can Tho. Due to the Mekong Delta's deep pool

of low-cost labour and improving skills base, FPT sees the city as key to its growth strategy and has signed a cooperation agreement with Can Tho University and the city administration to ensure good training for local workers.

Tourism

Viet Nam's tourism sector has grown considerably in the past decade, but for a long time the Mekong Delta did not benefit much from the influx of international visitors. In 2018, the Mekong Delta region attracted over 39.6 million tourists, of which more than 2 million were international tourists, and tourism revenue reached 23.66 trillion. At the top is Kien Giang with revenue of USD 6,538 billion with 7.76 million visitors, An Giang with USD 4,800 billion and 8.5 million visitors, and Can Tho with USD 3,785 billion and 8.48 million visitors.

Phu Quoc Island is becoming one of the most important tourism destinations in the country and accounts for a substantial part of the tourism in the Mekong Delta. Although removed from the mainland, it belongs administratively to Kien Giang province.





Tourism on the mainland is also growing. Can Tho, the region's biggest city, also attracts a sizable number of tourists, including many on stopovers as part of multi-day tours in the region. Those taking day trips from HCMC typically make visits to the provinces of Tien Giang and Ben Tre, while those traveling overland to Cambodia typically pass through An Giang province, sometimes with a night in the border town of Chau Doc. Most other provinces do not receive many tourists.

Common tourist itineraries and attractions include:

- Day trips from HCMC (such as to My Tho or Ben Tre)
- Overnight trips to the Delta (with stopovers in Can Tho, Cai Be and/or Chau Doc)
- Floating markets (though these are shrinking as modern retailers replace traditional markets)
- Overland trips from HCMC to Cambodia and Phu Quoc via the Mekong Delta
- River cruises

Tourists are also spending more time on their visits than ever before, though most still only stay for just a couple of days. Even on the beach island of Phu Quoc, the average stay is only 2.4 days. More international standard hotels are needed to keep tourists around longer, particularly on the mainland.

Despite recent growth, much of the Mekong Delta's mainland tourism potential remains untapped, and the sector presents massive opportunities for further expansion. This is particularly true as new air and land connections make greater parts of the region more accessible than ever before. Having said this, the master plan for Viet Nam's tourism development by 2020, with a vision to 2030, has identified the Mekong Delta as one of seven main tourist destinations in the country.

CONSTRUCTION

New real estate and infrastructure projects in the Mekong Delta will help to drive the sector forward in the coming years. The Mekong Delta has a number of major infrastructure projects in the works, including new power plants, ports, roads and bridges. Many donors are stepping up to finance these projects, including the Japan International Cooperation Agency (JICA), ADB and the World Bank. However, a gap remains between the region's infrastructure needs and available funding, which can delay further investment.

Infrastructure to deal with the hazards of climate change – including rising sea levels, salinization of waterways and other environmental risks – will also be needed.

As with transport infrastructure, donors are increasing funding for climate proofing and adaptation projects. Since the Mekong Delta is one of the world's most at-risk territories for climate change, it is likely to be a key recipient of new and sizable international climate change adaptation funds.

Viet Nam's construction sector will also benefit from a range of new real estate projects in the Mekong Delta. As the region's middle class grows, new housing projects and commercial properties (including retail and office buildings) are springing up to meet their needs.



Enhancing Climate Services for Infrastructure Investments (CSI)

Developing countries and emerging economies are investing billions in durable infrastructure every year. It is estimated that worldwide infrastructure investments will have to nearly double, from USD 3.5 trillion per year to USD 6 trillion by 2030. However, infrastructure investment plans often fail to take account of future climate change. As a result, new infrastructure projects are being implemented in ignorance of their vulnerability to climate change. This leads to high risks of damage, loss and misguided investment with potentially serious consequences for the economy and society.

Infrastructure resilient towards the impacts of climate change is thus one of the United Nations Sustainable Development Goals (SDGs). It is also an important element in national and international strategies to implement the United Nations Framework Convention on Climate Change (UNFCCC). A number of countries, including Viet Nam, have already launched efforts to increase the resilience of their infrastructure and have included this as a goal in their climate pledges.

In order to honour these pledges, it is necessary to considerably improve capacities in the provision and use of climate services at the individual, organisational and societal level. This includes the capacity to establish and apply institutional arrangements and technical

processes, enabling them to independently develop climate information, advisory services and products that are geared to the requirements of decision-making and planning processes (climate services). Infrastructure investment planners from both public and private sectors must be able to access and apply these services effectively when planning infrastructure. This enables science-based adaptation decisions, offers the necessary justification for adaptation spending while at the same time potentially saving costs that may be incurred by over- or mal-adaptation. However, even where needs-based climate services are already available, they are often only used to a limited extent – if at all – in the relevant decision-making and planning processes. The reason for this is missing binding regulatory frameworks requiring the incorporation of climate change adaptation into planning processes or, where those regulatory incentives are in place, the lack of capacity and tools to implement these regulations.

A few international initiatives have begun to address this challenge, including the Global Framework for Climate Services (GFCS) under the World Meteorological Organisation (WMO). Their goal is to offer countries guidance on the governance, institutional mainstreaming and practical design of climate services. The project transposes the international framework of action of the GFCS to national level in its partner countries. It promotes the country-specific institutional and technical design of structures to enable countries to make better use of climate services and to include them in infrastructure planning.



Approach of CSI

The project, Enhancing Climate Services for Infrastructure Investment (CSI), is advising its national partners in Viet Nam on building human resources, technical and institutional capacity and networks to improve value-added climate data, from processing climate data to developing user-focused climate information and services for infrastructure planning. The project is implemented by GIZ on behalf of the German Federal Ministry for the Environment, Nature Conservation

and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit, BMU) in the context of the International Climate Initiative (Internationale Klimaschutzinitiative, IKI). In the execution of CSI, GIZ is cooperating with the German National Meteorological Service (Deutscher Wetterdienst, DWD) and Engineers Canada.

In Viet Nam, water infrastructure in the Mekong Delta are of particular interest, considering the national response to climate change. This region and sector have been selected due to their high vulnerability towards climate change as well as their importance with relation to total investment as well as high current and expected losses due to climate change impacts. The main political actor is the MPI while other core stakeholders are the National Hydro-Meteorological Administration (HMA, formerly National Hydro-Meteorological Service, NHMS) under the Ministry of Natural Resources and Environment (MONRE), MARD and the Southern Institute for Water Resources Planning (SIWRP).

In its efforts to further climate-resilience of infrastructure, CSI follows three strategic lines of action: (i) enhancing the usefulness and usability of climate services for the infrastructure sector; (ii) building capacities in the use of tools that allow the incorporation of climate risk considerations into infrastructure planning and management, and (iii) establishing regulatory incentives by developing strategies for the mainstreaming of climate change adaptation into infrastructure planning frameworks from the policy to the project level. Particular attention is devoted to establishing sustainable cooperation structures between the relevant actors along the climate value chain, such as those providing and refining climate information and services, decision-makers, planners and engineers. The project promotes networking between actors and is piloting a cooperation network in each country to this end in the context of a climate risk assessment for specific infrastructure projects.

The methodology of this climate-risk assessment is based on the Public Infrastructure Engineering Vulnerability Committee (PIEVC) Protocol developed by Engineers Canada. This protocol guides through a step-by-step process to identify how infrastructure objects, their

components and operational procedures are affected by climate change and how to select adaptation measures. Experience with the risk analysis process is used to draw up recommendations for including climate change in the existing country-specific infrastructure planning methods and guidelines.

During pilot trials of the climate risk assessment, stakeholders are given the opportunity for direct, hands-on learning. As part of applying the PIEVC Protocol, they go through an iterative process via the project-based establishment of a climate service user-provider interface. During this process, they develop tailor-made climate service products as part of the risk assessment. This enables them to acquire in-depth know-how on the topic, supplemented by tailored training sessions and train-the-trainer programmes.

As part of creating incentives for infrastructure planners to use climate services for climate-resilient planning, CSI identifies entry points for mainstreaming climate-risk management into the infrastructure planning process based on the climate proofing approach. In Viet Nam, using the lessons learned from the climate-risk assessment, CSI supports MARD and MPI in developing recommendations for climate-proofing sector plans. Beyond this and together with the project Flood Management and Drainage of Medium-Sized Cities (Flood Protection Programme, FPP), funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Swiss State Secretariat for Economic Affairs (SECO), CSI supports the Department of Planning and Investment (DPI) in An Giang, Kien Giang and Ca Mau Provinces in making their SEDPs climate- and disaster-proof. Other potential entry-points identified as part of CSI are, among others, Environmental Impact Assessments (EIA), building codes and procurement and purchasing processes.

In order to roll out tried-and-tested approaches, national dialogue forums are organised on climate services and climate-adapted infrastructure. The results are also fed into the national planning processes on climate policy, which are laid down in the national contributions to the UNFCCC. The project shares lessons learned from its work through channels such as the website: www.AdaptationCommunity.net.

An aerial night photograph of a cable-stayed bridge with a prominent white pylon and numerous red cables. The bridge spans a body of water, with city lights visible in the background. A semi-transparent dark circle is overlaid on the center of the image, containing the text.

3.2

SELECTED LOCALITIES

CAN THO - THE URBAN CENTRE OF THE MEKONG DELTA

With more than 1.2 million inhabitants, Can Tho is the most important city in the Mekong Delta. Located on the banks of the Hau River, it is the economic, political and geographic centre of a region with more than 17 million people. As Viet Nam's fourth-largest city and one of five centrally-administered cities, it is also one of the most important urban hubs in the country.

Once a sleepy and relatively underdeveloped city, Can Tho today is dynamic, vibrant and growing. It is attracting investments in a range of sectors, including retail, real estate and healthcare.

Infrastructure improvements will drive continued growth. The completion of Can Tho Bridge in 2010, along with the upgrade of Highway 1, helped cut road travel times to HCMC from more than six hours to less than three. Future upgrades of the roadways are expected to further reduce travel time to less than two hours.

Can Tho is also home to the region's most important airport and inland port. The airport connects the region to Hanoi, Phu Quoc and Da Nang amongst other destinations. It was built with the capacity to serve three million passengers per year and to act as an international airport. Cai Cui International Port and Can Tho Port are capable of receiving ships of 10,000-20,000 DWT. Both the airport and the port have ample unused capacity to accommodate future growth.

Five of the Mekong Delta's 18 universities are in Can Tho, making it an educational centre for the region. Can Tho University, which has 57,000 enrolled students and



2,000 staff, is the region's most prominent university. Due to the concentration of schools and students, Can Tho is an attractive location for manufacturers and service companies that seek skilled workers for new projects.

Can Tho is also a burgeoning tech hub. City authorities have set aside 100 hectares for a centralized IT zone that includes a new IT business incubator, and the Can Tho University Software Centre has been upgraded to serve the needs of the local software industry. For these and other reasons, IT organizations like FPT Software, Swiss Post Solutions Viet Nam and Quang Trung Software City have all set up shop in Can Tho.

Additional services in science, technology, finance, banking, auditing, insurance, commercial services, entertainment, restaurant and hotel services, hospital and health care services, office rental space, supermarkets, art activities and ecotourism are all available and in convenient reach in Can Tho city.

SOUTHERN GREATER HCMC



Booming growth in Greater HCMC, and in particular the industrial provinces of Dong Nai and Binh Duong, has led to high land prices, traffic congestion and labour force shortages in the areas north of the city. To escape these challenges, many light industries have started moving to the provinces south of HCMC, where improving road connections, affordable land prices and a deep pool of lower cost labour present increasingly competitive conditions for investment.

Long An province has benefited most from this trend. A third of all industrial parks in the Mekong Delta can be found there. Corridors along the major roads, particularly Highway 1 between HCMC and Can Tho, have

also seen rapid expansion. As infrastructure improves, transport costs are becoming increasingly reasonable in comparison to Dong Nai and Binh Duong, and unlocking potential in provinces like Tien Giang, Vinh Long, Dong Thap and Ben Tre.

Many of these provinces have strong investment climates. In the VCCI's Provincial Competitiveness Index, Dong Thap, Long An, Ben Tre and Vinh Long ranked in the top ten. Many investment incentives can be found in selected areas. Due to the fact that more or less all of the Mekong Delta is alluvial land, however, the region is chiefly suitable for light industries.

COASTAL AREAS

The coastal areas of the Mekong Delta provide abundant opportunities for seafood and agriculture companies. These industries are maturing quickly as owners employ more professional managers and produce higher value products.

Tourism is another promising sector for Viet Nam's coastal provinces, particularly in Phu Quoc Island and mainland provinces near HCMC like Ben Tre and Tien Giang. More intrepid travellers are also looking to Ca Mau province, which straddles Viet Nam's southernmost tip and offers hidden gems like U Minh National Park. Due to its remoteness and lack of infrastructure, however, this area is still off the beaten track.

Several provinces also have potential for energy production. Ca Mau, for instance, is close to several offshore natural gas fields. It is the site of a USD 475 million project that includes new pipelines, liquefied gas processing facilities and a port with storage facilities.

Another energy development can be found in the coastal province of Bac Lieu, which has become the site of a large wind farm.

Kien Giang, the coastal province bordering Cambodia, has a diversified economic structure with fisheries, aquaculture, agriculture, construction materials (particularly cement), tourism and cross-border trade. Even though it is one of the most remote provinces of the country, it is developing quickly. More growth is expected on account of planned infrastructure investments including a large thermal power plant, commercial port expansion and further investments on Phu Quoc.

Low land costs and salaries are a major advantage in all of these areas. The investment climate remains positive in many coastal provinces, where strong spatial investment incentives can be found.

Success Story: Phu Quoc Island. A booming holiday destination

Once a sleepy hideaway, the holiday island of Phu Quoc has recently emerged as one of Viet Nam's fastest-growing holiday destinations. New hotel and tourism projects are leading to further growth. More than 100 projects have already been approved, including a few high-end properties with several hundred rooms and investment values of several hundred million USD.

The tourism boom will also benefit from infrastructure improvements. This includes upgrades to the island's international airport and an increased number of scheduled flights. A new international passenger port that can handle cruise ships has been completed.

Due to its importance for Viet Nam's tourism sector, the island has been granted special status as Phu Quoc Economic Zone, with benefits that include a non-tariff area around the port and airport, and a special immigration provision that provides visa exemptions for 30 days for the island. These benefits are balancing local challenges to tourism development, including a shortage of skilled workers and the high costs of operation and construction.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ASC	Aquaculture Stewardship Council
BPO	Business Process Outsourcing
BMU	German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit)
BMZ	German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)
CEC	Central Economic Commission of the Communist Party of Viet Nam
CEO	Chief Executive Officer
CIT	Corporate Income Tax
CPMD	Decision Support Tool for Coastal Protection for the Mekong Delta
CPR	Coastal Protection Regions
CPS	Coastal Protection Segments
CPU	Coastal Protection Units
CSI	Enhancing Climate Services for Infrastructure Investment
DPI	Department of Planning and Investment
DWD	German National Meteorological Service (Deutscher Wetterdienst)
DWT	Deadweight Tonnage
EIA	Environmental Impact Assessments
FDI	Foreign Direct Investment
FPP	Flood Management and Drainage of Medium-Sized Cities (Flood Protection Programme)
GFCS	Global Framework for Climate Services
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GSO	General Statistics Office of Viet Nam
HCMC	Ho Chi Minh City
HMA	National Hydro-Meteorological Administration (formerly National Hydro-Meteorological Services, NHMS)
ICM	Integrated Coastal Management
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IKI	International Climate Initiative (Internationale Klimaschutzinitiative)
IUCN	International Union for Conservation of Nature
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
MARD	Ministry of Agriculture and Rural Development Viet Nam
MCRP	Mekong Delta Climate Resilience Programme
MONRE	Ministry of Natural Resources and Environment Viet Nam
MOT	Ministry of Transport Viet Nam
MPI	Ministry of Planning and Investment Viet Nam
ODA	Official Development Assistance
OOG	Office of the Government of Viet Nam

PCI	Viet Nam Provincial Competitiveness Index
PIEVC	Public Infrastructure Engineering Vulnerability Committee
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SEDP	Socio-Economic Development Plan
SIWRP	Southern Institute for Water Resources Planning
UAV	Unmanned Aerial Vehicles
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars
USAID	United States Agency for International Developments
VCCI	Viet Nam Chamber of Commerce and Industry
VNDMA	Viet Nam Disaster Management Authority
WMO	World Meteorological Organisation

For more information, please visit:

www.invest-mekong-delta.com and
www.vccimekong.com

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