AGENDA FOR TODAY

- Overview on Vietnam
- Vietnam Water Industry Opportunities & Risks
- Australian delegation to VietWater16
- Challenges operating in Vietnam
- How Austrade can help you succeed in this market
- Q&A
Vietnam poised to have another stellar year in 2016 (forecast GDP growth at 7%) with further potential industry and construction growth in 2017.

Increasing FDI; opportunities from AEC, new FTAs especially TPP

Government efforts on economy reforms to improve ease of doing business and strengthen competitiveness

Key industries and exports: Manufactured exports have replaced agriculture as the most important sector of the Vietnamese economy.

Fast becoming a regional hi-tech manufacturing Hub and moving up the value added chain
Vietnam and Australia enjoy a strong and growing trade and investment relationship, underpinned by close people-to-people links.

Total two-way trade in goods and services in now worth over A$10 billion

Two-way trade grew by more than 10 per cent last financial year and services trade is significant for both countries.

Education and tourism are important aspects of our economic relationship and investment partnerships are strong

Science and Technology: Scientific and Technological Cooperation between Vietnam and Australia ratified in July 2014
Vietnam is now a middle-income country (GDP per capita USD2,170 in 2015) and becoming less ODA development dependent.

Vietnam has the fastest growing middle class in the Southeast Asian region and this is expected to rise to 33 million in 2020.

GDP composition: 17% agriculture, 40% manufacturing, construction & industry, 43% services.

Vietnam suffers from a significant infrastructure deficit (the country will require US$154 billion for infrastructure developments by 2020).

Market weaknesses include non-tariff barriers and changing taxes, inconsistently applied regulations and a high level of corruption.
Regional Trade Agreements – TPP, AEC, ASEAN - ANZFTA

- Regional trade agreements will play a big role
- Trans Pacific Partnership will be important for the whole world – as a driver of global growth
- The Australia Vietnam Comprehensive Partnership Agreement and the ASEAN-Australia New Zealand Free Trade Agreement
- ASEAN Economic Community (AEC) in January 2016
Vietnam Water Industry
Opportunities & Risks
John Dore PhD
Senior Specialist – Water Resources
Department of Foreign Affairs and Trade
Vietnam Water Industry

Opportunities & Risks

Austrade Webinar 29 September 2016

John Dore, DFAT Water Resources Specialist
ASPIRATIONS FOR 2035

A CAPABLE AND ACCOUNTABLE STATE

A SUSTAINABLE ENVIRONMENT TO PROTECT THE QUALITY OF AIR, LAND AND WATER

A PROSPEROUS, CREATIVE UPPER-MIDDLE-INCOME COUNTRY

AN EQUITABLE AND INCLUSIVE SOCIETY
IN WHICH SECTORS DOES ABP WORK?

- Social
- Transport
- Water
- Energy
- Urban
- Rural
- Climate Change and Green Growth
- Macro-Economic Reform and Financial Management
Vietnam irrigation

- ~80% of Vietnam’s total water use
- VND 125 trillion total system investment
- >900 large and medium scale hydraulic works systems in Vietnam spread across most of the 63 provinces in which 110 large scale works have serving areas >2000 ha.
- ~Total annually irrigated agriculture ~7m ha in 2012 [3 m ha in winter-spring, 2 in summer-autumn, 2 in wet season]
- 99% surface, 1% ground water
- >8,000 irrigation systems involving close to 750 medium- and large-scale reservoirs, 1,076 weirs, almost 5,500 irrigation and drainage gates of medium and large scale, and nearly 2,000 large pumping stations.
Vietnam irrigation

- Investments in irrigation, by Government & farmers, have contributed to large productivity gains and a substantial intensification of agriculture.

- National food security & poverty reduction has been predicated on paddy rice production which still accounts for >2/3 of rural labor force and is major source of income (in many cases the only income source) for >75% of poor households and ~48% of non-poor households.

- Agriculture is and will continue to be a key contributor to economic growth and poverty alleviation in Vietnam. The sector accounts for 22% of the country’s GDP, 30% of exports and 60% of total employment.

- 100 Irrigation & Drainage Management Companies (IDMCs) [90 state companies, 6 boards, 3 stock companies]
Vietnam irrigation

- .... farmers now want to practice precision agriculture and produce higher quality irrigated crops for higher returns...

- .... irrigation and drainage assets need to be adapted for tomorrow’s irrigation...

- .... process of modernization that commits to operational, infrastructural and institutional adaptation will be essential...

- .... will include more precise water control and measurement, more flexible and resilient main system operations, land consolidation where appropriate, levelling and drainage.

Mekong Delta

Vietnam’s portion of Mekong Delta >40,000 km²
27% of national gross domestic product (GDP)
90% of the national rice exports
60% of the national seafood exports

Major city Cantho 1.3 million [HCMC 8.2m, Hanoi 7.6m]

13 provinces
17.5 million people [VN 90m]
Labour 10.3 million [VN 54m]

Literacy rate 93%
Elevation 0.7 – 1.2 m
The Delta Machine

Biggs et al. in *Contested Waterscapes* 2009

- **Unique waterscape** – dense maze of canals, extensive horizons of rice fields, village orchards
- **Being Made** – ongoing canal building, rapid urbanisation
- **Being Unmade** – floods, erosion, poorly placed dikes, sediment starvation, sea level rise etc…
- intensively populated & cultivated, embedded in national and global food economies
Reasons to invest in Mekong Delta

1. Strong economic growth
2. Excellent investment climate
3. Direct transport links & excellent infrastructure
4. 17 million consumers
5. Low-cost labor
6. Booming agriculture & aquaculture industry
7. Climate change as a business opportunity
8. Ample runway for further projects

www.invest-mekong-delta.com
Investment challenges

1. Limited options for heavy industry
2. Remaining infrastructure challenges
3. Skilled labor shortages
4. Environmental & climate risks
5. Weak supporting services

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Delta Risks

- **economic threats** due to unsustainability of current economic policy model which has privileged production, that (due to quality and market issues) is not sufficiently profitable.

- **biophysical threats** from the combination of sub-national (large-scale aggregate mining), upstream (flow reduction leading to increased saline intrusion, sediment starvation due to sediment-trapping by hydropower facilities).

Mekong Delta Forum, June 2016
Australian delegation to VietWater 2016

Paul Smith
Australian Water Association
International Manager
Common water challenges: Aus and Vietnam

- New climate extremes
- Population growth and higher demand for water resources
- Urban sprawl / density
- Increasing pollution
- Need for new sources of finance required
- Need for institutional arrangements that unlock private sector participation
- New innovations to achieve efficiencies
- New skills required to manage increasingly complex systems

Australia’s water reform journey and our innovative capabilities are in demand
Opportunities for the Australian Water Sector in SEAsia

- Southeast Asian countries are not just growing, but are changing profoundly
- Importance of Asia in Australia's economic prosperity, but
- In 2012, Australian firms accounted for under 3 per cent of the US $21.3B investment; in 2015, our share plummeted to just 0.5 per cent
  - Aus$104 million: versus Malaysia (US$2.9 billion), Japan (US$2.5 billion), South Korea (US$1.0 billion), Thailand (US$170 million)
- Recent shift in Australia’s development approach: from aid to a strengthened focus on trade and investment; i.e. Economic Diplomacy
- Australia needs to challenge past perceptions of Southeast Asia
- AWA supporting this transition
Vietnam’s economic growth has been impressive
- 2015-16 - second highest GDP growth in emerging markets, and it will be the only one with consistently positive export growth.

Servicing the expanding population of Vietnam with safe and secure water will require continued major capital expenditure and technological innovation
- Investment needs are significant compared with the existing local revenue base
- New sources of revenue being sought

Opening doors to foreign participation (Decree 15)

Demand for Australian water capabilities

AWA seeks to ensure that the Australian water sector are profiled and positioned to play a key role in the fast-transitioning water sector in Vietnam.
Economic Diplomacy in Vietnam: AWA program

Support three critical water sector issues in Vietnam

- Strengthening governance, financial and investment structures of Vietnam’s water sector
- Strengthening private sector participation in Vietnam’s water sector
- Improved service delivery and utility capacity

Understanding the demand for Aus capabilities - consultation with:

- Private sector
- Ministries
- Provincial Governments
- Utilities
- Multi-lateral / Uni-lateral banks
- NGO’s
Three priority themes identified as necessary for private sector participation in Vietnam

1. **Efficient regulation**
   1. Clear, efficient and stable approval processes
   2. Outcome based regulation unlocking innovation
   3. Pricing based on cost recovery principles
   4. National coordination and support (technical and economic guidance)

2. **Clear institutional and market structures**
   1. Role clarity: policy, regulation and service delivery
   2. Institutional coordination and corporatisation of utilities
   3. Transparency on asset ownership and condition

3. **Innovation and collaboration**
   1. Demand-led R&D
   2. Low cost, advanced technology validation
   3. International collaboration

**AWA is now facilitating a PPP flagship project in Vietnam**
Demand for Aus capabilities

- Water quality treatment and implementation of water safety plans
- Asset management
- Water and wastewater treatment technology
- Water efficiency
- Water recycling
- Water regulation (economic, health and environment)
- Wastewater management
- Water law and policy
- Public – private partnerships
- Utility performance reporting
- Skills and education development
- Supply – demand planning
- Business management
- Energy recovery
- Flood management
- Integrated information systems
- Laboratories / field testing equipment
- Leak detection
- Engineering and consulting
Vietwater activities

- Momentum leading to Vietwater16
- The Australian delegation
- Pre-departure briefing: 26 Oct
- Day 1: In-country briefing 7 Nov
- Day 2: Site tours and welcome reception 8 Nov
- Day 3: Vietwater 9 Nov
  - Opening ceremony and B2B
- Day 4: Vietwater 10 Nov
  - Technical seminars and water technology workshop
- Day 5: Vietwater 11 Nov
  - Twinning workshop
  - B2B
  - PPP Roundtable discussion
Challenges
Linh Phung
Senior Business Development Manager
Austrade
### VIETNAM BUSINESS ENVIRONMENT

<table>
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<tr>
<th>Negative</th>
<th>Positive</th>
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<tr>
<td>› Infrastructure</td>
<td>› Business opportunities</td>
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<td>› Corruption</td>
<td>› Future market growth</td>
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<td>› Productivity</td>
<td>› Labour cost</td>
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<td>› Legislation and policy</td>
<td>› Strategic location</td>
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<td>› Transparency</td>
<td>› Socio-Political stability</td>
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<td>› Bureaucracy</td>
<td>› Reform commitment</td>
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CHALLENGES OPERATING IN VIETNAM

- Strongly subsidized by the Government
- Government overlapping administration of the sector
- Statistics and reports are not commonly available. No meaningful monitoring system for the sector goals.
- Human resource development: skill gap in waste water and technician level
- Efficiency / Performance Water Companies
- PPP – success & failures
- Few investment into water projects in Vietnam
• Through our international network of advisers, we offer five key services that are customised for your business and your specific needs. We can:

› provide you with **market research** and information on barriers and regulations; market trends and potential; and specific market insights

› **identify potential partners, service providers and customers** for your product or service. We then, in consultation with you, approach those who best meet your criteria and arrange introductions

› **set up meetings** with potential partners and customers during your visit. In some markets, we can also join your meetings to provide language and cultural support

› **follow up initial meetings** with potential partners and customers on your behalf to obtain their feedback.
HOW WE CAN HELP YOU TO ENDEAVOR THE MARKET?

• Provide you with market research and information on barriers and regulations; market trends and potential; and specific market insights

• Identify potential partners for your product or service

• Set up meetings with potential partners and customers during VietWater exhibition time

• Follow up initial meetings with potential partners and customers on your behalf to obtain their feedback.
THANK YOU!

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