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**HOW TO ACCESS
PUBLIC PROCUREMENT
IN THE GREEN ECONOMY**

IN VIETNAM

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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PUBLIC PROCUREMENT IN
VIETNAM IN THE GREEN
ECONOMY

How to access public procurement following the EVFTA
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1. INTRODUCTION: VIETNAM AT A GLANCE

Vietnam is a Southeast Asian country with a population of nearly 100 million people. Its labor force was reported to be more than 56 million people in 2021¹. The Vietnamese economy is one of the fastest growing and most open economies in Asia. The GDP for 2021 reached more than 352 billion US dollars². The average annual GDP growth rate is about 6.5%. This combined with a stable population growth and a significant increase in prosperity makes Vietnam an attractive market.

Vietnam is also aiming for a greener, more inclusive economic growth and development committing to reducing methane emissions by 30% and stopping deforestation by 2030. Furthermore the Prime Minister of Vietnam Pham Minh Chinh pledged at COP26 that Vietnam will achieve net zero carbon emissions by 2050.



¹ Trading Economics | <https://tradingeconomics.com/> | Consulted on 1 December 2022

² Embassy of the Republic of Belarus in Social Republic of Vietnam | <https://vietnam.mfa.gov.by/> | Consulted on 30 November 2022



2. PUBLIC PROCUREMENT IN VIETNAM

Public procurement is defined as the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state³.

Public procurement in Vietnam has a wide scope, including:

- procurement to serve the maintenance of operations of state agencies, political organizations, socio-political organizations, and armed forces units;
- procurement for development of investment projects;
- procurement for the operation of state-owned enterprise⁴.

Representing nearly 39% of its gross domestic product (GDP), Vietnamese public procurement represents a significant share of activity and is a major source of wealth for the country. The Vietnamese government is the leading purchaser of goods and services in Vietnam, but state own enterprises (SOEs) have played an important role in public procurement as well.

Although Vietnam has never ratified the World Trade Organization (WTO) Agreement on Government Procurement, it has committed, through the EU-Vietnam Trade Agreement (EVFTA) to gradually open its public procurement to European companies. The EVFTA, which came into force on 1 August 2020, will pave the way for increased trade between the EU and Vietnam. Since August 2020, 65% of custom duties on EU exports to Vietnam has been eliminated – while the remaining will be gradually phased out over a period of 10 years – and 71% of duties have been eliminated on Vietnam exports to the EU, with the remaining being eliminated over a period of seven years⁵.

The EVFTA is considered a new generation bilateral agreement as it contains important provisions for intellectual property (IP) rights, investment liberalization, and sustainable development. This includes a commitment to the implement ILO standards and the UN Convention on climate change.

The creation of this free trade zone makes Vietnam attractive to European companies and investors and the EU attractive to the Vietnamese investors and companies. With the implementation of the EVFTA, trade flows between both parties have undoubtedly increased.

- Chapter 9 of the EVFTA is exclusively focused on the parties' public procurement access to each other's companies.
- Article 9.21 of the EVFTA highlights the common interest of the parties to "promote the international liberalization of government procurement". This liberalization requires (but not only) the application of the principles of transparency, impartiality and non-discrimination throughout the process.

³ Dr. Pham Thi Lan Huong, Dr. Nguyen Thi Thanh Tu – Hanoi Law University | <https://view.officeapps.live.com/> | Consulted on 19 October 2022

⁴ Dr. Pham Thi Lan Huong, Dr. Nguyen Thi Thanh Tu – Hanoi Law University | <https://view.officeapps.live.com/> | Consulted on 19 October 2022

⁵ European Commission | <https://ec.europa.eu/> | Consulted on 31 October 2022



- The principle of non-discrimination allows European companies to be entitled to the same treatment as Vietnamese companies during the entire procurement process
- The principles of transparency and impartiality complement and reinforce each other. The transparency of the process allows parties to ensure free and informed access to each other's businesses.
- EVFTA stipulations promote the use of electronic means to disseminate notices and calls for tenders as well as any documentation relevant to public procurement⁶.

Thus, the compliance with the above-mentioned principles, backed by the digitisation of this sector, will allow fair and equal access to Vietnamese public procurement for European and Vietnamese candidates.

Furthermore in March of 2022, the European Union Delegation to Vietnam sponsored the release of "Trading with Vietnam – an Electronic Guide for European SMEs" (<https://www.eu-vietnam-ftsme-guide.eu/>), curated by a team of experts, to help EU businesses realize the trade and investment opportunities under the EVFTA. The guide outlines an article about public procurement in Vietnam, the process for applying for public procurement tenders. It is therefore an excellent resource for EU SMEs to begin to understand trade with and within Vietnam.

3. GREEN ECONOMY

Green economy is economic development

- that ensures the efficient use of natural resources
- which minimizes pollution and impacts on the environment
- enhances resilience to natural changes
- strengthens the role of green economy ⁷.

Green economy has a sustainable nature, which means activities in the economy that generate profits or beneficial values have to be environmentally friendly. A green economy is essential as it not only creates jobs and ensures sustainable economic growth but also prevents environmental pollution, global warming, resource depletion and environmental degradation, adapting to the world's climate change.

Nowadays, climate change is a serious global challenge; Vietnam is one of the developing countries heavily affected by the impacts of climate change. With more than 3,200 km of coastline, many low-lying cities and river deltas, Vietnam ranks sixth among the world's most vulnerable to climate change. Initial calculations show that Vietnam lost \$10 billion by 2020, or 3.2% of GDP, due to the effects of climate change⁸.

⁶ France – Vietnam Chamber of Commercial and Industry | <https://www.ccifv.org/en/> | Consulted on 5 November 2022

⁷ Ministry of Finance | <https://mof.gov.vn/> | Consulted on 18 November 2022

⁸ World Bank | <https://www.worldbank.org/en/> | Consulted on 1 December 2022



At COP26, Vietnam has made strong commitments with nearly 150 other countries to bring net zero emissions by 2050; stop deforestation by 2030 and phase out coal-fueled power generation by 2040⁹.

The implementation of international cooperation and commitments, especially new generation free trade agreements (FTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU-Vietnam FTA (EVFTA), will help Vietnam to transition to green models and also push enterprises to think green and go green.

4. GREEN ECONOMIE OPPORTUNITIES

In order to implement the roadmap for climate-adaptive development and net zero emissions, it is expected that Vietnam will need to invest about 6.8% more of its GDP, the equivalent to 368 billion USD, from now till 2040.

The World Bank recommends a decarbonising pathway, bringing Vietnam to net-zero carbon emissions by 2050. Therefore:

- Substantial investments are required in energy, transport, agriculture, and industry.
- Sectoral investments should be supported by carbon pricing instruments, which should change behavior and help finance the transition. For example, an increase in the carbon tax to \$29 per ton of carbon dioxide equivalent by 2030 and \$90 by 2040 would generate \$80 billion in additional revenue.
- Supporting measures will enable the pursuit of the net-zero objective without slowing GDP growth.

Total financing needs for decarbonization are estimated at \$114 billion over the 2022-2040 period; to support the energy transition about \$64 billion; for industry, transport, and agriculture around \$17 billion; and for supportive social programs around \$33 billion will be needed¹⁰.

Hence the government of Vietnam needed to take drastic action to achieve its ambitious COP26 commitment.

⁹ Dezan Shira & Associates | <https://www.vietnam-briefing.com/> | Consulted on 4 November 2022

¹⁰ World Bank | <https://www.worldbank.org/> | Consulted on 1 December 2022



On 30 January 2022, the Vietnamese Government released The Notice No 30/TB-VPCP guidance on implementation of Vietnam’s commitment to net-zero at the COP26:

- Transitioning from fossil fuel to green/clean renewable energy sources;
- Reduction of greenhouse gas emissions;
- Reduction of methane, particularly in agriculture and waste management;
- Use of electric vehicles (EVs);
- Sustainable management including using forests and increasing trees to offset carbon emissions;
- R&D for construction material usage and urban development for sustainable development;
- PR campaigns for public and businesses to increased awareness and support for the government’s COP26 commitments;
- Step up adoption of digital economy to address climate change¹¹.

The Vietnamese Government and relevant ministries are also working to finalize The Power Development Plan VIII (PDP 8). In line with the draft of this plan dated 11 November 2022, the proportion of renewable energy (including hydroelectricity) will increase from 48.2% in 2030 to 66.2% in 2050.

As Vietnam receives financial, technical, and human resources support from the international community to develop a sustainable green economy, this will be a booming time for business opportunities in this sector for European businesses. We therefore foresee valuable opportunities in the Vietnamese market for European companies.

4.1 GREEN SUPPLY CHAIN

Vietnam ranks 8th in the top 10 leading countries in the Emerging Market Logistics Index 2021 with an average growth rate of 14-16%/year. To build a green supply chain, enterprises will have to start sourcing environmentally friendly materials, using clean energy, using green packaging and making green improvements in warehouse management and operation. Green logistics is an important link in greening the supply chain. Greening logistics will help reduce CO2 emissions, reduce the impact on the environment.

Greening solutions in “logistics” present opportunities for Belgian logistics companies in below segments:

- Green transportation: low-emissions means of transport.
- Green packaging: packaging that is recyclable, reusable, using biodegradable materials.
- Green warehouses: warehouses using clean and efficient energy .
- Green logistics data management: applying technology to manage data effectively, minimizing transportation and delivery time.
- Reverse logistics: increase reuse of products, packaging, materials¹².

¹¹ Vietnam Government Portal | <https://vanban.chinhphu.vn/> | Consulted on 30 November 2022

¹² Vu Phong Energy Group | <https://vuphong.vn/> | Consulted on 3 November 2022



4.2 GREEN TRANSPORTATION

Key objectives in the formation of the Vietnamese transportation sector are:

- Preferential tax programs for environmentally friendly vehicles.
- A National Automobile Development Strategy (2021 – 2050) proposed by the Vietnam Automobile Manufacturing Association (VAMA):
 - 2021 – 2030: Vietnam would reach 1 million EVs by 2028
 - 2030 – 2040: aiming to have about 3.5 million EVs by 2040
 - 2040 – 2050: 4.5 million EVs by 2050
- Tax reduction policies for assembling components and producing of electric cars.

While the implementation of traffic engineering projects focuses mainly on the state’s role, the EV market’s huge potential will also support the private sectors doing business in this area¹³.

4.3 RENEWABLE ENERGY

To meet its goal of net-zero emissions by 2050, Vietnam needs to massively increase its renewable energy capacity, particularly solar and wind. This will require substantial investment: the most recent draft of Vietnam’s Power Development Plan VIII (PDP8) estimates an annual financing need of over \$11 billion, much of which will be allocated for renewables¹⁴. With such high capital requirements, the government has allowed 100 percent foreign ownership of Vietnamese companies in the energy sector. Foreign investors can choose among permitted investment forms; 100 percent foreign-invested company, joint venture or public-private partnership (PPP) in the form of a build-operate-transfer (BOT) contract¹⁵.

The Government has given some favorable conditions in terms of tax policies for new traders entering the market, and it can be considered as a potential ground for international players to join in and expand their businesses in Vietnam. According to Decree No. 08/2022/ND-CP dated January 10, 2022 detailing a number of articles of Law on Environmental Protection renewable energy equipment manufactures are entitled to incentives for exemption and reduction of land use levy and rent according to the provisions of the land law.

4.3.1 Solar Power and its Equipment

According to the International Renewable Energy Agency (IRENA), Vietnam ranks in the top 10 countries with the highest installed solar energy capacity.

Vietnam’s ambitious green energy goals now place it in a position to become a regional and global leader. Its high solar PV potential and green energy investments seem to be paying off.

However, the booming renewable energy supply has led to several problems in the operation of the grid such as local overloading, fullloading, and increasing the number of systems restart and adjustment. Vietnam is also facing obstacles in dealing with the forecasting of variable energy:

¹³ Dr. Ngan Kim Vu - Workshop “Climate Change-Related Trade and Investment under the EVFTA” Foreign trade University Hanoi 23 November 2022

¹⁴ IUCN | <https://www.iucn.org/> | Consulted on 23 November 2022

¹⁵ SkyX Solar Company | <https://skyxsolar.com/> | Consulted on 31 October 2022



- Solar and wind power are intermittent due to their dependence on the weather;
- Vietnam cannot yet reliably forecast variable renewable energy production, inhibiting its ability to match supply and demand¹⁶.

Investing in the national grid is a huge potential opportunity for investors, but it is expensive and time consuming. Meanwhile, investing in solar power equipment is a very viable opportunity.

Currently, more than 99% of solar panels in Vietnam are imported, mainly from China, while most solar power equipment imported from the EU has enjoyed a preferential tax rate of 0% due to the EVFTA. This is a great opportunity for solar equipment suppliers from Europe to increase their efforts to enter the Vietnamese market.

4.3.2 Wind Power

The draft Power Development Plan VIII (PDP8) outlines the country’s targets for renewable energy to become the primary source with an upper limit of 18.6 GW of solar and 18.0 GW of wind by 2030 and no new coal plants planned for the next couple of years. Investments in wind power projects have tremendous potential too. Vietnam has one of the best wind resources in Southeast Asia, with an estimated potential of 311 GW.

Despite their higher cost and added complexity, offshore wind projects offer an opportunity to add capacity while providing more relief to the power grid than other renewables.

In addition to no restrictions on foreign ownership on renewable energy projects there are tax exemptions in place of wind developers within the first four years of operation. Additionally, a tax reduction of 50 percent will be implemented for the next 10 years of operation¹⁷.

4.3.3 Waste-to-energy

Currently, household waste, commercial, industrial and hospital wastes are collected and transported by non-profit entities owned by the state or by commercial companies. The volume of solid waste has increased in both the big cities and industrial zones. As a result, landfills have become overloaded and the current practice has become unsuitable. There are serious environmental issues to consider (i.e. negative impact on underground or surface water, spread of disease, unsustainable usage of land, etc.).

This situation requires local authorities to find alternative solutions in order to manage and treat waste. Although the development of Solid Waste Power Plant (SWPP) is more expensive in comparison with other methods, there are positive factors: treatment of waste is faster, it does not require a substantial amount of land, and the operating costs are not significant. More importantly, waste can be managed and treated on a sustainable basis and environmental issues can be managed.

¹⁶ Dr. Ngan Kim Vu - Workshop "Climate Change-Related Trade and Investment under the EVFTA" Foreign trade University Hanoi| 23 November 2022

¹⁷ Dezan Shira & Associates | <https://www.vietnam-briefing.com/> | Consulted on 9 December 2022



The Vietnamese government is seeking technical and financial assistance and aid from other countries and non-governmental organizations. In parallel, the government also encourages the private sector to develop SWPPs.

Another option is the development of small scale SWPPs. This seems to be practical and realistic. For the foreign investor, a small-scale plant does not require a large amount of investment capital and for the Vietnamese government, it will help to learn important technologies and to gain valuable experience¹⁸.

Some of the opportunities in waste-to-energy sector are in:

- Machinery/Equipment – collection and sorting equipment, waste processing equipment and incinerators;
- Technical expertise – processing and recycling technologies, waste management solutions, plant design and engineering solutions; and
- Funding and financing – investing capital in upcoming and existing plants, and working with engineering firms and municipal authorities¹⁹.

4.4 WATER SUPPLY AND WASTE WATER

According to a report from the Department for International Trade of the United Kingdom the opportunities in the Vietnamese water supply and waste water sector to meet national targets and world standards can be valued at \$16 billion.

In order to meet the ambitious targets of the government an investment of \$1.562 billion for water supply and \$1.142 billion for sanitation will be implemented on a yearly basis (estimated 2.5% of GDP).

The Vietnamese Ministry of Construction is planning to boost the current treatment capacity of 850,000m3/day to 1,600,000m3/day by constructing 40 new wastewater treatment plants.

The government also aims to install wastewater collection and treatment to cover 70% of the urban population by 2030. The capital cost to achieve this target is an estimated \$20 billion²⁰.

4.5 GREEN AGRICULTURE

The Ministry of Agriculture and Rural Development has approved an action plan to implement the National Strategy on Green Growth from 2021 till 2030.

Under this plan, the ministry will work to develop the agricultural sector in an ecological, organic, circular and low-carbon way to improve growth quality, reducing pollution in agricultural production and promoting energy efficiency towards carbon neutrality by 2050.

The Ministry of Agriculture will take actions to encourage green consumption, strengthen the building of new-style rural areas in a greener and more sustainable manner, and improve human resources. The ministry will mobilise social resources, especially those from businesses,

¹⁸ Nguyen Huu Hoai | <https://www.mondaq.com/> | Consulted on 16 November 2022
¹⁹ Dezan Shira & Associated | <https://www.vietnam-briefing.com/> | Consulted on 9 December 2022
²⁰ Intec Export Intelligence | <https://www.intecuk.com/> | Consulted on 30 November 2022



while calling for financial support and technology transfer through international cooperation activities, in order to ensure resources for green growth²¹.

The European companies can take advantages of these business opportunities such as:

- Providing a complete farm management solution for both large companies and small farms.
- Agricultural services and consulting related to animal husbandry, food safety, and quality assurance.

5. HOW TO ACCESS PUBLIC PROCUREMENT IN GREEN ECONOMY IN VIETNAM

5.1 EXPLORING THE GREEN ECONOMY OPPORTUNITIES – PROJECT TENDERS

Public procurement in Vietnam is normally implemented through bidding. In general, there are two models of public procurement, which are applied in parallel in Vietnam:

- Decentralized procurement model (the most popular model currently): agencies, organizations and SOEs, who are the end-users will directly conduct the procurement.
- Centralized procurement model: will have a national-level centralized procurement unit and a centralized-level procurement unit at the ministerial branch or local level.

There are several sources to discover the opportunities in the green economy:

- MPI’s public procurement website (in Vietnamese only): Please note that all investors/contractors (local or foreigners) have to register via the website <https://muasamcong.mpi.gov.vn> with an initial registration fee of approx. 21 € and an annual fee of 21 € from the second year onwards. Other items have also a fee, of a similar nature, such as bid documents submission, proposal submission, posting notice/invitations for bids, etc.
- Some English websites by service companies like Itellasia and Euclid Infotech Ltd (need to be registered with an initial fee):
<https://www.tendersinfo.com>
<https://dau-thau.vn/en/>
- GOOSE platform:
The EU-funded project GOOSE: Generating international public procurement opportunities for the European SMEs, aiming at improving the access of SMEs to public procurement in non-EU countries with which the EU has signed a bilateral or multilateral agreement covering public procurement.

²¹ Vietnam Plus, Vietnam News Agency | <https://en.vietnamplus.vn/> | Consulted on 15 October 2022



GOOSE consists of 4 European partners: ACCIO', FIT, CEA, ECCI. During the period of 3 years (2021 – 2024), GOOSE will have its focus on 6 countries: Colombia, Chile, Norway, Serbia, Japan and Vietnam; including 4 sectors: Smart health; Smart Cities; ICT and Green Economy.

During the lifespan of the project, GOOSE will offer expert strategies, tools, advice and guidance to help the European SMEs compete for public procurement opportunities, particularly in the four targeted opportunities.

The GOOSE project officer will assist in searching, identifying and posting the suitable tenders to GOOSE platform. Please access the GOOSE website to explore the tenders in the Green Economy:

<https://projectgoose.eu/vietnam/>

5.2 HOW TO WIN A PUBLIC TENDER IN VIETNAM

Companies ideally need to establish a rapport and credibility with the procuring entity. They need to be able to advise and educate the procuring entity about the advantages of their products or service and show how they can support the project owner to achieve the best performance. Therefore they need to be aware of the project before the bid is publicly announced. It is a proven fact that besides technical and pricing factors, consistency and patience in approaching and communicating with the procurement entity are essential to be successful.

- **Finding a local partner:** Local preference is still embedded in the procurement law so knowing Vietnamese is definitely an advantage. It is therefore important that Belgian companies are aware of this.
Please contact the GOOSE Project Manager for Vietnam for a potential partner list.
- **Finding a legal consultant/local experts:**
Local experts can help you to prepare bids for specific market, offer legal feedback on the procurement market, providing legal consultation related to the tender, etc.
Please contact the GOOSE Project Manager for Vietnam for a list of experienced local experts in Green Economy.
- **Preparing and submitting your bidding proposal:**
 - Preparation of a dossier for Expression of Interest (EOI) is at least 10 days (for domestic bidding) or 20 days (for international bidding) by the contractor from the first date of issuance of invitation for EOI dossier prior to the date of bid closing. The contractor must submit the dossier before the date of bid closing.
 - Bid security: Contractors or investors shall provide bid security before the time of bid closing for bid dossiers or dossiers of proposals. If the method of two-stage bidding is applied, contractors shall provide bid security in the second stage. The value of bid security are 1% to 3% of the bidding package price for the selection of contractors and 0.5% to 1.5% of the total investment for the selection of investors²²

²² Baker Mckenzie | <https://resourcehub.bakermckenzie.com/en/> Consulted on 28 November 2022



Please note that the GOOSE project representative in Vietnam will support you throughout the process of researching and participating in the bidding process. Do not hesitate to contact us via email hanoi@fitagency.com

6. CONCLUSION

The Vietnamese Government has committed to continue improving the investment environment, reducing the investment costs, and encouraging the green economy. Recently, the government has taken numerous actions to support and partner with the private sector in greening the economy.

Therefore, there is huge potential for EU countries in anything related to the green economy: coastal protection, flood prevention, energy transition, renewable energies, water treatment etc... Despite significant challenges, with strong political commitment and the necessary practical actions from the government, Vietnam can be expected to achieve their set goals in developing a more green economy in the future.

Disclaimer

The information in this publication is provided for background information that should enable you to get a picture of the subject treated in this document. It is collected with the greatest care based on all data and documentation available at the moment of publication. Thus this publication was never intended to be the perfect and correct answer to your specific situation. Consequently it can never be considered a legal, financial or other specialized advice. Flanders Investment & Trade (FIT) accepts no liability for any errors, omissions or incompleteness, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organization mentioned.

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