THE MEKONG DELTA
AN EMERGING INVESTMENT
DESTINATION IN VIETNAM

Sustainable Growth, Improving Infrastructure, and an Excellent Investment Climate
The Integrated Coastal Management Programme (ICMP) is a development programme that is funded by the governments of Vietnam, Germany and Australia. Its objective is to support the Vietnamese authorities in preparing the coastal area of the Mekong Delta for a changing environment and to lay the foundations for sustainable growth. ICMP is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The Vietnam Chamber of Commerce and Industry (VCCI) is a national organization officially representing the business community, employers and business associations in Vietnam. The VCCI branch office Can Tho was established in 1992; it covers the 13 Mekong Delta provinces and boasts more than 1,000 member companies.
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MEKONG DELTA AT A GLANCE
MANY businesses that are looking for an investment location in Vietnam make the mistake of not considering the Mekong Delta. The fact that the Mekong Delta still receives less Foreign Direct Investment (FDI) than many other regions in Vietnam 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, that the transport connection to Ho Chi Minh City has greatly improved in recent years and that many of the Mekong Delta provinces boast an excellent investment climate. This is of special relevance as potential investors in the northern parts of Greater HCMC are increasingly faced with comparatively high land costs, workforce 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 alike.

This publication highlights the opportunities for investors in the Mekong Delta, while also presenting the remaining challenges that international businesses may face in the region.
# KEY FACTS AND FIGURES

Sources: General Statistics Office, VCCI

## POPULATION
- **17.5 million**
  - Vietnam: 90 million

## POPULATION GROWTH
- **0.46%**
  - Vietnam: 1.05%

## LITERACY RATE (above 15 years)
- **92.6%**
  - Vietnam: 94.7%

## POPULATION DENSITY
- **431 persons/km²**
  - HCMC: 3,731 persons/km²
  - Vietnam: 271 persons/km²

## LABOR FORCE
- **10.3 million**
  - Vietnam: 54.4 million

## PERCENTAGE OF TRAINED WORKERS
- **10.4%**
  - HCMC: 31.6%
  - Vietnam: 18.2%

## ETHNIC GROUPS
- Kinh (or Viet, majority), Khmer, Cham, Hoa

## AREA
- **40,572 km²** (12% of Vietnam)

## AVERAGE ELEVATION
- **0.7 – 1.2 m**

## HIGHEST ELEVATION
- Sam Moutain, 230 m

## MAJOR CITIES (POPULATION)
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)
1. An Giang (2,156,000)
2. Kien Giang (1,745,000)
3. Tien Giang (1,714,000)
4. Dong Thap (1,681,000)
5. Long An (1,477,000)
6. Soc Trang (1,308,000)
7. Ben Tre (1,262,000)
8. Can Tho (1,237,000)
9. Ca Mau (1,216,000)
10. Vinh Long (1,042,000)
11. Tra Vinh (1,029,000)
12. Bac Lieu (877,000)
13. Hau Giang (768,000)
8 REASONS TO INVEST IN THE MEKONG DELTA
1. **Strong Economic Growth**
Foreign direct investment (FDI) is increasing at more than double Vietnam’s national average, and flowing towards a more diverse range of projects than ever before. Economic growth and activity is increasing across all sectors, presenting opportunities across the entire business spectrum.

2. **Excellent Investment Climate**
Three of the Mekong Delta provinces have managed a top-ten ranking in investment climate among the 63 Vietnamese provinces, according to the Vietnam Provincial Competitiveness Index (PCI). Nearly all Mekong Delta provinces rank above the national average, and more than 50 industrial parks offer highly competitive prices.

3. **Direct Transport Links and Excellent Infrastructure**
Due to substantial investments in transport infrastructure, access to the Mekong Delta has improved significantly. The average travel time between HCMC and Can Tho has declined from more than six hours in 2010 to less than three hours in 2015. Meanwhile communications and energy infrastructure are improving rapidly. With 50 existing industrial parks and about 45 in the pipeline, the options for investment are expanding. Prices are sometimes as low as 1 USD per m² per year.

4. **17 Million Consumers**
With over 17 million people, the Mekong Delta has a bigger population than the Netherlands or neighboring countries like Cambodia or Laos. This large consumer base is gaining purchasing power. Between 2002 and 2012, per capita income in the Mekong Delta provinces increased nearly five times, especially in the growing urban centers.

5. **Strong Workforce and High Social Standards**
While labor costs in the Mekong Delta are competitive compared to the rest of the country, strong social standards such as minimum wages, labor protection and labor rights ensure a solid and reliable framework for international businesses.

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 agriculture zone. Progressing professionalization of the industry as well as advancing agro-processing are providing ample opportunities for investors. Meanwhile, the aquaculture industry has risen by around 500% in the past ten years. Both industries are now moving from quantity to quality, which reduces the pressure 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 USD will be invested in resilient infrastructure such as roads, bridges, water and energy facilities, embankments and dykes.

8. **Ample Runway for Further Progress**
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 Vietnam. The results are highly competitive conditions for those who decide on the Mekong Delta as an investment destination.
Despite the many advantages of the Mekong Delta, businesses that want to invest in the region still have to consider some remaining challenges.

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.
3. Skilled Labor 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 about 1 m 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

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 labor 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 fish. Besides processing, market opportunities for high-tech aquaculture equipment are increasing.
4. 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 centers, office buildings and housing projects.

3. Light Industries

Due to improving infrastructure, inexpensive land, a large labor 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 labor-intensive industries like food processing and manufacturing of garments, shoes and leather goods.

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 Vietnam emerges as a global hub for software development services, some IT companies are considering investment as well. Can Tho, the region's urban center, presents some of the best opportunities for IT and business process outsourcing (BPO) companies.
KEY CONSIDERATIONS FOR INVESTMENT
GEOGRAPHY OF THE MEKONG DELTA

Located at the southernmost part of Vietnam, the Mekong Delta is dominated by flat flood plains. 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 kilometers of river arms and canals further divide the land. Its average elevation is about 1 meter. 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 the 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 Vietnam’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 WORK FORCE

Almost 20% of Vietnam’s 90 million people live in the Mekong Delta

The Mekong Delta is home to more than 17 million people – about a fifth of the total population of Vietnam. If the Mekong Delta were an independent state, it would rank 62nd worldwide in population size, topping countries such as the Netherlands, Portugal or Vietnam’s neighbors Cambodia and Laos. Population growth rates are a modest 0.5%, 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 2011, this figure had swelled to 4.2 million, and continues to grow today. Can Tho, the largest city in the region and the fourth largest in Vietnam, accounts for roughly 1.2 million people. Other cities like Long Xuyen, Rach Gia, My Tho and Ca Mau are also emerging as population hubs.

A large workforce, but training and education lag behind

The Mekong Delta counts more than 10 million people in its labor pool, representing 19% of the total Vietnamese workforce. About half of the labor 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.

“With a TOTAL WORKFORCE of more than 10 million, the Delta has large, widely untapped labor resources. Half of the workers are occupied in the low-paying agricultural sector. This holds tremendous potential for labor-intensive industries.”

Anatolijus Fouracre, Managing Director
Swiss Post Solutions Vietnam

Improved opportunities for professional education and training are needed to increase the base of skilled workers in the region. In 2012, only 4.8% of the population held a vocational degree and just 4.1% hold a university degree, compared to a national average of 8.8% for vocational degrees and 7.4% for university degrees. But the Delta is catching up – the percentage of workers with either a vocational or university education has more than doubled between 2006 and 2012.

New programs are helping to bridge the skills gap. Many focus on upgrading the vocational and training system. For instance, the German Development Cooperation supports the Long An Vocation 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 92 vocational training institutions and 17 universities, of which 5 are private universities.

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

Increasing productivity

According to the General Statistics Office of Vietnam (GSO), the poverty rate in the Mekong Delta fell from 37% in 1998 to 9% in 2013. 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 20% above the national average, but it has now fallen to about 80% of the national average.

Due to the slower pace of development, average monthly wages in the Delta in 2014 were about 160 USD – the lowest in Vietnam. 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 (150 vs. 132 USD per month). In urban areas of the Delta, however, average wages are 180 USD per month, which is low compared to HCMC and other industrialized provinces like Binh Duong and Dong Nai. This makes the Delta attractive for employers in the manufacturing and services sectors.

**AVERAGE WAGE COST PER REGION**

<table>
<thead>
<tr>
<th>REGION</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho Chi Minh City</td>
<td>256,19</td>
</tr>
<tr>
<td>Hanoi</td>
<td>246,60</td>
</tr>
<tr>
<td>South-East</td>
<td>218,09</td>
</tr>
<tr>
<td>Northern Midlands and Mountains</td>
<td>211,95</td>
</tr>
<tr>
<td>National average</td>
<td>206,47</td>
</tr>
<tr>
<td>Red River Delta</td>
<td>201,07</td>
</tr>
<tr>
<td>Central Highland</td>
<td>194,19</td>
</tr>
<tr>
<td>North and South Central Coast</td>
<td>191,35</td>
</tr>
<tr>
<td>Mekong Delta</td>
<td>160,56</td>
</tr>
</tbody>
</table>

Source: GSO Wage Survey 2014, exchange rate 30.06.2014

To be sure, wages vary between provinces in the Mekong Delta. According to a recent survey by BDG Vietnam, a consultancy, monthly gross salaries for industrial workers in selected parts of the Mekong Delta ranged from as low as 118 USD in Vinh Long to 213 USD in Long An.

**WAGE COSTS FOR INDUSTRIAL WORKERS**

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>GROSS SALARY IN USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long An</td>
<td>177 – 213</td>
</tr>
<tr>
<td>Tien Giang</td>
<td>130 – 177</td>
</tr>
<tr>
<td>Vinh Long</td>
<td>118 – 166</td>
</tr>
<tr>
<td>Can Tho</td>
<td>142 – 177</td>
</tr>
</tbody>
</table>

Source: BDG Vietnam, 2015
As elsewhere in Vietnam, wages in the Mekong Delta are steadily increasing. From 2010 and 2014, average wages in the Delta increased by more than 50%. Wages are now about 80% of the national average, an increase from 2010 when they were just at 70%.

In terms of per capita income, the provinces in the Mekong Delta lag behind Greater HCMC. The wealthiest province by per capita income is Can Tho (112 USD per month), followed by Bac Lieu, Kien Giang and Long An. Tra Vinh and Soc Trang provinces, by contrast, had low per capita incomes. Nonetheless, the growth rates of per capita income in the Delta for all provinces have been an impressive 400% to 500% in the ten years between 2002 and 2012.

**Strong protection of labor rights**

The low wages in the Mekong Delta are combined with a strong protection of labor rights, which is typical for Vietnam. 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 labor is strictly prohibited.

The government is keeping a balance between annual increases of the minimum wage and labor productivity. A too drastic increase of wages would have negative effects on competitiveness and job creation, while a too reluctant pay rise would lead to unsatisfied workers and a 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 remains low but is picking up quickly

Compared to the South-East, the Red River Delta, HCMC and other parts of Vietnam, the Mekong Delta has not attracted a particularly high share of foreign direct investment (FDI) in recent years. Despite accounting for roughly 12% of Vietnam’s territory and 20% of its population, the Mekong Delta has only 6% of all FDI projects and 5% of all registered capital. This still amounts to nearly 1,000 projects and over 12 billion USD, but these numbers are low as a national share of total FDI activity.

Yet the picture is changing. The number of FDI projects in the Mekong Delta increased by 73% from 2010, driving total FDI growth of nearly 20% per annum since then – more than double the national average. Meanwhile, the average size of registered projects has actually decreased to 12.5 million USD, 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 following map illustrates the spatial distribution of foreign direct investments in the Mekong Delta.
Rather than a table, the document contains a map illustrating the spatial distribution of foreign direct investments (FDI) in the Mekong Delta, with key considerations for investment.

### 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. Located directly to the south of HCMC, it is home to 609 projects and 4 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 to its proximity to HCMC. As land in Greater HCMC becomes more expensive and labor 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 7 million USD.

In terms of 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 southwestern 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 neighboring Cambodia. Other large-scale public investments, including new ports and power plants, are planned for this province and helping to drive further FDI.

The Mekong Delta remains largely agrarian, but it still ranks as Vietnam’s third-highest region in terms of industrial gross output. As of 2011, its industrial activity accounted for 10% of Vietnam’s total. 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 Vietnam Provincial Competitiveness Index (PCI) provides a great overview of the investment climate of the 63 provinces in Vietnam. Most provinces in the Mekong Delta perform highly on this index, which is conducted regularly by the Vietnam Chamber of Commerce and Industry (VCCI) and the United States Agency for International Development (USAID).

Three of the Mekong Delta’s provinces have managed a top-ten ranking on the Provincial Competitiveness Index: Dong Thap (2), Long An (7) and Kien Giang (9). They outperformed the industrial hotspots of Binh Duong (27) and Dong Nai (42) in Greater HCMC. An additional eight provinces also have strong rankings: Can Tho (15), Ben Tre (18), Vinh Long (21), Bac Lieu (22), Hau Giang (25), Tra Vinh (32), Soc Trang (36) and An Giang (37). Only Tien Giang (52) and Ca Mau (58) are in the lower tier. With the exception of these two provinces, the business climate in the Mekong Delta is favorable by Vietnamese standards.

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 holidays, special enterprise zones, favorable permitting and licensing procedures, exemption from land rent and other policies that reduce costs and complexity for foreign investors.

The level of minimum salaries 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 salaries 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).

“The Mekong Delta has made great strides towards becoming a core area in Vietnam for industrial manufacturing and labor-intensive industries. The supportive approach of local government and good investment climate, as well as the motivated and cheap labor force, make it a very attractive location for foreign investment.”

Christian Schaefer, international lawyer and Managing Partner of Asia Counsel Vietnam
OVERVIEW OF THE INVESTMENT CLIMATE

Source: The Vietnam Provincial Competitiveness Index 2014
INFRASTRUCTURE FOR INVESTMENT

AVG. TRAVEL TIME HCMC – CAN THO (170 KM)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TIME BY CAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>more than 6 hours</td>
</tr>
<tr>
<td>2015</td>
<td>less than 3 hours</td>
</tr>
<tr>
<td>2020</td>
<td>about 2 hours</td>
</tr>
</tbody>
</table>

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 kilometers 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, 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 center, with a highway and continuous bridges. This transit corridor includes Vietnam’s most expensive bridge, the 2.7 km long Can Tho Bridge, which was 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.

Construction is underway for the Second Southern Highway, which will connect HCMC through the central Mekong Delta region to the southern coastal region, where it will join the Greater Mekong Subregion Southern Coastal Corridor at Rach Gia. The heart of the highway will consist of two major bridges over the Tien and Hau River branches at Cao Lanh and Vam Cong that are expected to open in 2017. The project will reduce the travel time from HCMC to Long Xuyen from about 4 to 2.5 hours.

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. 82% of the Mekong Delta’s provincial roads and more than 50% of the 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.

TRUCKING COSTS TO CAT LAI PORT (HCMC) FOR A 40-FOOT CONTAINER

<table>
<thead>
<tr>
<th>FROM … TO HCMC</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thuan Dao (Long An)</td>
<td>260</td>
</tr>
<tr>
<td>Long Giang (Tien Giang)</td>
<td>360</td>
</tr>
<tr>
<td>For comparison: Central Dong Nai</td>
<td>430</td>
</tr>
<tr>
<td>Vinh Long</td>
<td>560</td>
</tr>
<tr>
<td>Can Tho</td>
<td>675</td>
</tr>
<tr>
<td>Soc Trang</td>
<td>745</td>
</tr>
<tr>
<td>Long Xuyen (An Giang)</td>
<td>815</td>
</tr>
<tr>
<td>Rach Gia (Kien Giang)</td>
<td>860</td>
</tr>
<tr>
<td>Ha Tien (Kien Giang)</td>
<td>1,050</td>
</tr>
<tr>
<td>Ca Mau</td>
<td>1,100</td>
</tr>
</tbody>
</table>
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 will continue to pass through Cat Lai Port in HCMC, so provinces closer to HCMC will be more competitive for container transport. Compared to Dong Nai province, one of the key industrial provinces in the north of HCMC, several provinces in the Mekong Delta are competitive with respect to transport time and costs.
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 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 Mekong Delta can be reached within a few hours travel time from Hanoi and HCMC.

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 DWT are currently able to navigate up to Can Tho. Containers up to 40 feet can be handled at the ports of My Tho in An Giang and the port of Dong Thap. Most of the ports are small and still operating below their capacities.

The Delta needs larger, professionally managed ports, particularly since several thermal coal power plants are planned, and these 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.

Vietnam’s Ministry of Transport is currently carrying out the Mekong Waterways Project in order to revitalize the canal network in the Delta and to enhance the 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 has been approved to service cruise ships.

Rapid growth in well-managed industrial parks

The Mekong Delta has 50 industrial parks in operation. An additional 17 are under construction and a further 28 are being planned. As of 2010, industrial parks in the Delta have attracted 494 investment projects, including 70 foreign-owned projects worth 7.66 billion USD, and 424 local projects worth 293 million USD. Together, these projects have generated over 52,000 jobs.

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
INDUSTRIAL PARKS AND INCENTIVES

Source: BDG Vietnam

Available. Prices for land varies widely by location, with costs as low as 1 USD 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 Vietnam’s best-rated industrial provinces, has 15 industrial parks – the highest number in the region. These parks occupy nearly 8,278 hectares, or 35% of the total industrial park area in the region. 9 more are currently under construction.
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 better.

**Good electricity and telecommunication infrastructure**

The Mekong Delta enjoys excellent mobile network connections. The following map indicates strong network coverage throughout the region. In most locations with network coverage, 3G data is available.

A survey by the Vietnam Chamber of Commerce and Industry (VCCI) also indicates that telecommunications infrastructure is good in the region. In the survey, a 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 express a decent level of satisfaction with the power supply. Possible explanations would be that the power cuts were well managed (i.e. announced and on time) and that the situation has been improving over time.

![SIGNAL COVERAGE CELL PHONE AND 3G NETWORK](source: www.opensignal.com)

**2014 SUMMARIZED PROVINCIAL COMPETITIVENESS INFRASTRUCTURE INDEX**

<table>
<thead>
<tr>
<th>Province</th>
<th>Infrastructure Index</th>
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<tbody>
<tr>
<td>Dong Thap</td>
<td>Very high</td>
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<tr>
<td>Can Tho</td>
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<td>Long An</td>
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<td>Tien Giang</td>
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**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 available at around 6 USD/m².
Many studies rank Vietnam 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 impact from climate change than any other part of Vietnam. 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 ground water 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 upstream countries. Human activity on mangroves, forests and wetlands are also causing deteriorations 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. Fortunately, new transport, telecommunications and electrical infrastructure is being planned with climate change risks in mind.

While Vietnam faces considerable risks from climate change, it faces fewer environmental risks than many of its neighbors. It receives occasional typhoons, but the risk in the Mekong Delta is lower than for Vietnam’s northern regions. Other natural calamities that commonly afflict neighboring countries, including earthquakes, volcanic eruptions, or tsunamis, are virtually nonexistent 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

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.
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.
Vietnam’s “rice basket”

The Mekong Delta is Vietnam’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 of Vietnam.

Rice is still the most important crop of the Mekong Delta. Producing more than 55% of the country’s rice, the Mekong Delta is the reason that Vietnam, which once suffered from rice shortages, is now the world’s second largest exporter of rice.

A lot of this rice is consumed domestically, but large quantities are also exported. Due to pressures from global rice markets, the Mekong Delta has historically been subject to state interventions aimed at guaranteeing sufficient rice supplies and affordable prices for the domestic market.

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 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 income for the region at large.
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 being 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 already produces oranges, tangerines, bananas and mango. Roughly 1.5 million tons of those fruits are produced here each year. So far most fruits are sold fresh into the domestic market. Smaller quantities are processed, and some are exported.

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, but also 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 crops as well.

The growing emphasis on quality over quantity is driven by a number of trends. For starters, rising incomes in Vietnam are leading to greater demand for safe, healthy and differentiated food. Similar trends in neighboring 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
3.1 SELECTED INDUSTRIES/SECTORS

LAND USE

- Rice farming
- Fruits & horticulture
- Protected forests
- Forest / Mangrove
- Brackish aquaculture/shrimp
- Freshwater aquaculture
- Light industry corridor
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 large pool of low-cost labor. The Vietnamese government is also offering a boost with tax incentives for a range of selected business activities, including:

- 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 Vietnam
- 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 Vietnam’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 Vietnam’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 Vietnam. 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

Vietnam’s aquaculture and seafood industry grew rapidly over the past two decades. Today, the country produces about 6 million tons of seafood, of which 2.7 tons are from fisheries and 3.3 tons are from aquaculture. This represents a tenfold increase in output in aquaculture since 1995. Aquaculture overtook fisheries in production volume in 2007, and is now one of the country’s most important economic sectors. The whole sector is providing jobs for roughly 4 million people.

Vietnam 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 2014 were 7.8 billion USD. The biggest import markets are the USA, the EU and Japan, which each imported fishery products worth more than 1 billion USD in 2014.

The Mekong Delta plays a central role in this fast-growing industry. About 70% of the country's total aquaculture production comes from the Mekong Delta, where about 750,000 ha are used for this purpose. The provinces with the largest areas for aquaculture production are Ca Mau (296,000 ha), Bac Lieu (128,000 ha), Kien Giang (127,000 ha). Those with the highest output by production volume are Dong Thap (421,000 tons), Ca Mau (280,000 tons), An Giang (275,000 tons) and Ben Tre (235,000 tons). The most important aquaculture species are shrimp (650,000 ha and 660,000 tons), pangasius (5,500 ha and 1.2 million tons) and tilapia (16,000 ha and 125,000 tons).

Shrimp

Of the various segments of Vietnam’s aquaculture and fisheries sectors, shrimp farming contributes the most in terms of exports and area. About 90% of shrimp are exported, with total exports reaching roughly 4 billion USD annually and accounting for about half of all seafood exports. From this high base, shrimp exports are continuing to grow rapidly.

Vietnam has more than 650,000 ha of shrimp farms. Most shrimp are one of two main species: black tiger shrimp and white-leg shrimp. Vietnam 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 Vietnam’s shrimp exports. In total, 155 countries were recorded as export destinations for Vietnamese shrimp.

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. Yet they also contribute to the degradation of the mangrove forests along the coastline.

Pangasius

After shrimp, pangasius (or basa fish) is Vietnam’s most important seafood export. In 2011, 95% of pangasius was exported, mainly in the form of filets. Exports now reach
over 150 countries and amounted to roughly 1.75 billion USD in 2014. 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 American imports, and led to more active marketing of pangasius in the EU. In recent years, America has become an important market once again.

Pangasius is predominantly produced in the Mekong Delta. The provinces of An Giang, Can Tho and Dong Thap account for over three quarters of the total national pangasius production. There are around 100 processing plants for pangasius in the region. About half of them have been granted GlobalGAP certification.

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

In general, 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 for Western markets.

Success Story: BINCA Seafoods GmbH
From quantity to quality

Aquaculture farming is one of the world’s fastest-growing forms of food production, but due to growing concerns about food safety and sustainability, consumers are increasingly demanding quality seafood products that are produced in environmentally-friendly ways. BINCA Seafoods GmbH, a German seafood trading company, was founded in 1995 to satisfy these demands. The Mekong Delta has helped the company achieve its mission.

BINCA’s forays into Vietnam began when it set up a representative office in Long Xuyen in 1998. After a few years of steady growth, it partnered with Naturland and GIZ in 2004 to set up the world’s first organic pangasius and tilapia farms. The next step is the establishment of the world’s first organic hatchery for these fish, cementing its status as a pioneer in sustainable aquaculture. BINCA Seafoods now offers a wide range of products and services, including premium organic seafood and innovative supply chain solutions.

To pursue its philosophy of delivering “quality from the farm to the fork,” BINCA offers a high level of transparency from every part of the seafood value chain, from production to processing and logistics. For example, BINCA’s organic shrimp are fully traceable from farm to retailer. BINCA has also promoted sustainable agriculture through investment in other sectors, including organic rice production in Ca Mau Province in 2012.

BINCA also works with certification organizations, including Naturland, BioSuisse and GlobalGAP. It opened the first GlobalGAP-certified pangasius farm in 2010, and was deeply involved in the development of the Aquaculture Stewardship Council (ASC) standard for the fish. It has also supported ASC certification for one of its local suppliers of black tiger shrimp, and continues to expand its portfolio of products with special certifications.
Industry consolidation and professionalization

While once dominated by individual households and small companies, fish farming became 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.

There are currently more than 500 seafood companies registered in Vietnam. Many are based in the Mekong Delta. Some of them export products worth hundreds of millions of dollars each year. Minh Phu Corp. is Vietnam’s largest seafood company, with exports of 730 million USD in 2014. It is listed on the Saigon Stock Exchange and is expanding its production capacity internationally.

Success Story: Vinh Hoan Corp.
From seafood processing to biotechnology

Founded in 1997 in Dong Thap province as a small pangasius processor, Vinh Hoan has risen to become one of Vietnam’s largest seafood exporters, with annual exports of over 200 million USD and more than 6,000 employees. Due to a smart business strategy that leverages the Mekong Delta’s natural advantages and continuous development, Vinh Hoan has built a vertically integrated production chain that encompasses hatcheries, farms and processing facilities.

This robust model has allowed Vinh Hoan to survive and grow through two global financial crises, as well as periods of oversupply in pangasius products. The vertical integration enables compliance with highest quality standards, including BAP, GlobalGAP, ASC and HACCP along the entire production chain. This focus on quality was rewarded in European certifications and reflected in Vinh Hoan’s ability to maintain high export prices in times of oversupply.

Vinh Hoan has also achieved growth through product innovation. One example is its decision to integrate a new collagen factory into its production chain. Collagen, a hydrolized protein extracted from pangasius fish skin, is widely used in food & beverages, pharmaceuticals and cosmetics. The new factory helps maximize the potential of its pangasius stocks. Vinh Hoan has also benefitted from tax incentives that reward its application of biotechnology and other new technologies in its aquaculture operations.

Improving infrastructure has also helped pave the way for Vinh Hoan’s growth. In its early years, infrastructure gaps restrained Vinh Hoan’s operations to Dong Thap province, but transport routes have improved since then, accelerating export lead times and allowing access to a broader network of breeding grounds, including the numerous clean water channels in the provinces Tra Vinh and Hau Giang. Vinh Hoan bears testimony to the Mekong Delta’s potential – a potential that lays in its natural resources, its inhabitants and its ongoing development.

As Minh Phu Corp. and others grow, consolidate and professionalize, they 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 enhance product quality and reduce environmental impact.
Success Story:
Long An Province
609 FDI projects, 4 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 609 projects and 4 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 7th of 63 provinces in the VCCI’s Provincial Competitiveness Index. It currently has 15 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 will take a closer look at retail, IT/BPO and tourism – three fast-growing and important service sectors.

Retail

In retail, a growing number of supermarkets, shopping centers, independent brand outlets and car dealerships are making their way to the Mekong Delta. Between 2008 and 2013, the number of supermarkets in the region doubled from 29 to 63. Over that same time period, the number of commercial centers increased from 3 to 7. Metro Cash & Carry Vietnam, which opened three outlets in the Mekong Delta, was one of the first international retailers to see the potential. Big C, which has a supermarket in Can Tho, is another international retailer with a presence in the region.

Large real estate developers are already planning further expansion. After the opening one of the first shopping centres in Can Tho with 18,000 m², another another one with retail space of more than 30,000 m² is under construction. Other real estate projects, including shopping malls in Bac Lieu, An Giang, Kien Giang and Long An, are also planned.

IT and business process outsourcing

As education improves in the Mekong Delta, it is also an increasingly viable destination for offshore business services. Right now, this mainly applies to simple business process outsourcing services, such as data entry and document digitization. However as Vietnam 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, Vietnam’s largest IT services company, which recently opened a software development center in Can Tho. Due to the Mekong Delta’s deep pool of low-cost labor 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. Quang Trung Software City, Vietnam’s largest software park, is also preparing to expand to the region with a new software park in Can Tho.

Tourism

Vietnam’s tourism sector grew considerably in the past decade, but for a long time the Mekong Delta did not benefit much from the influx of international visitors. In 2014, however, the Mekong Delta attracted over 20 million tourists. While most are domestic visitors, the region had more than 1.8 million international tourists, according to the Mekong Delta Tourism Association; so 40% of all international tourists in Vietnam visited the Mekong Delta. On account of all this tourism activity, revenues from tourism there reached 300 million USD in 2014 – an increase of more than 100% since 2012.

1 According to the Vietnam Administration of Tourism the total number of international visitors to Vietnam was 7.79 million in 2014. Of those 4.76 million were tourists.
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 Gian province.

Tourism on the mainland is also growing. Can Tho, the region’s biggest city, also attracts a sizable number of tourists, including many doing stopovers as part of multi-day tours in the region. Those doing 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 mainland’s 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.

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**Success Story:**

**Swiss Post Solutions Vietnam**

**Business process outsourcing in the Mekong Delta**

Swiss Post Solutions Vietnam, a 100 percent foreign-owned entity under the umbrella of Swiss Post Group, is one of several outsourcing companies that have successfully leveraged the Mekong Delta’s low-cost workforce for business success. A provider of BPO, software development and other IT services in 30 languages, the company set up a production site in Can Tho to supplement its central offices in HCMC.

Located just three hours from HCMC, the Can Tho production site has helped SPS grow its Vietnamese workforce from just a few dozen employees in 2004 to roughly 1,200 today. While competition for IT and BPO talent in HCMC has grown fierce in recent years, the Mekong Delta provides ongoing value, particularly for labor-intensive and relatively simple BPO tasks like data entry and digitization. With 30% of local graduates meeting requirements for IT jobs, the region provides a good pool of mid-level IT workers as well.

According to CEO Anatolijus Fouracre, the city offers relatively stable internet, strong support from the provincial government and a deep labor pool to fuel continued growth. SPS plans to make Can Tho one of its most important production locations in the next three years. The company intends to double its staff of 400 workers, and is already recruiting up to 100 new workers per month. It keeps productivity high and reduces turnover by offering performance-based compensation and a variety of local CSR programs.
After a period of sluggish growth for Vietnam’s construction firms, the sector is showing signs of revitalization. In 2014, the national construction market grew at a rate of 7.6%. 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), the Asian Development Bank (ADB), the World Bank and Australia. 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 adaptation funds.

Vietnam’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. Development tends to be focused on the bigger cities – according to German Trade and Investment (GTAI), a German Economic Development Agency, Can Tho has the fourth highest number of ongoing and planned real estate projects in Vietnam. But also provincial capitals and secondary cities like Long Xuyen and Rach Gia are growing quickly. In Rach Gia, for example, the city is building two completely new districts for 64,000 people in a land expansion project of 450 ha into the sea.
3.2 SELECTED LOCALITIES
With roughly 1.2 million inhabitants, Can Tho is the most important city in the Mekong Delta. Located at the banks of the Hau River, it is the economic, political and geographic center of a region with more than 17 million people. As Vietnam’s fourth-largest city and one of five centrally-administered cities, it is also one of the most important urban hubs in the whole country.

Once a sleepy and relatively underdeveloped city, Can Tho today is dynamic, vibrant and growing quickly. It is attracting investments in a range of sectors, including retail, real estate and healthcare. With a per capita income of 112 USD per month in 2012, the city has the highest average income in the Mekong Delta. Between 2002 and 2010, the average income grew almost six times.

“CAN THO OFFERS many advantages, including support from local government and a labor pool that is much bigger than in HCMC.”

Anatolijus Fouracre, Managing Director
Swiss Post Solutions Vietnam

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 the Mekong Delta highway are expected to reduce travel time to less than two hours by 2018.

Can Tho is also home to the region’s most important airport and inland port. The airport connects the region to Hanoi with 3 flights per day, and Phu Quoc and Da Nang with 1 flight per day. It was built with the ability to serve 3 million passengers per year and to act as an international airport. Both the airport and the port have ample unused capacity to accommodate future growth.

Five of the Mekong Delta’s 17 universities are in Can Tho, making it an educational center 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 ha for a centralized IT zone that will include a new IT business incubator, and the Can Tho University Software Center is being upgraded to serve the needs of the local software industry. For these and other reasons, IT organizations like FPT Software, Swiss Post Solutions Vietnam and Quang Trung Software City are all setting up shop in Can Tho.

As elsewhere in the region, climate change presents some risks to Can Tho, but city authorities are prepared. They recently started a “Can Tho Urban Resilience Project” to support improved institutional coordination and new infrastructure development that will offset climate risks. The project is being supported by the World Bank and has a total value of 250 million USD.
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 workforce 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 labor present increasingly competitive conditions for investment.

Long An province has benefitted most from this trend. Almost one third of all industrial parks of the Mekong Delta can be found there. Corridors along the major roads, in particular 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, Ben Tre, Dong Thap, Long An and Vinh Long are performing in the top third of the rankings. 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 to 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 install more professional managers and produce higher-value products.

Tourism is another promising sector for Vietnam’s coastal provinces, particularly in Phu Quoc Island and mainland provinces near HCMC like Ben Tre and Tien Giang. More intrepid travelers are also looking to Ca Mau province, which straddles Vietnam’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 475 million USD 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 recently became the site of a large wind farm. The first phase of the project, which started in 2013, features a 16 MW facility, with the second phase currently under construction and a third phase is in planning stage. The wind farm is ultimately expected to have a capacity of 300 MW.

Kien Giang, the coastal province bordering Cambodia, has a diversified economic structure with fisheries, aquaculture, agriculture, construction materials (in particular cement), tourism and cross-border trade with Cambodia. 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 Vietnam’s fastest-growing holiday destinations. In 2014, Phu Quoc was visited by roughly 600,000 people. Tourism revenues topped 100 million USD – an 85% increase from the year before.

New hotel and tourism projects will lead 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 each. On account of all these projects, the island’s current capacity of around 4,000 hotel rooms is expected to expand to over 5,000 in the next two years.

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 with up to 6,000 passengers is also currently under construction. This 75 million USD project is scheduled to be completed in 2017.

Due to its importance for Vietnam’s tourism sector, the island has been granted a 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 high costs of operation and construction.
## CONTACTS FOR FURTHER INFORMATION

<table>
<thead>
<tr>
<th>Institution</th>
<th>Address</th>
<th>Contact</th>
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<tbody>
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### List of Abbreviations

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<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ASC</td>
<td>Aquaculture Stewardship Council</td>
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<td>BPO</td>
<td>Business Process Outsourcing</td>
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<td>DWT</td>
<td>Deadweight Tonnage</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CIT</td>
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<td>General Statistics Office of Vietnam</td>
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<td>Swiss Post Solutions</td>
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