

Vietnam

Climate Tech Landscape Research Brief
Country Snapshot





Climate Tech Investment Network (CTIN) provides investment syndication support services to local angel investment networks through a deal-flow centric platform to catalyze early-stage capital into climate tech startups in South and Southeast Asia.

This Research brief was made in collaboration with



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1 | COUNTRY OVERVIEW

High Level Economic Stats

GDP:

\$271.158 Bn
(2020)

(Source: World Bank)

GDP per Capita:

\$2785.724
(2020)

(Source: World Bank)

Capital Controls:

- Bilateral Investment and Taxation treaties: With **45 out of 190 countries** (Source: US Department of State)
- World Bank Ease of Doing Business Ranking: **70 out of 190 countries**
- Vietnam looks to encourage foreign investment where foreign businesses are allowed to operate in all areas apart from illicit drugs, wildlife trade, debt collection services etc.ⁱ To transfer capital into Vietnam, foreign investors must set up a foreign invested enterprise (FIE) and then open a capital bank account with a legally licensed and operating bank. A capital bank account is a special-use foreign-currency account designed to enable tracking of the movement of capital flows in and out of the country. This type of account is required in order to transfer money into current accounts so that in-country payments and other current transactions can be made.

Inflation, consumer prices:

3.221% (2020) (Source: World Bank)

Sovereign Risk:

BB (Source: S&P)

Ba3 (Source: Moody's)

FDI Inflows (BoP, current in US\$):

6.155% of GDP (2019) (Source: World Bank)

Foreign Exchange Resilience (against US\$):

1.17% CAGR over 10 years

Investment capital contribution schedules are set out in joint venture contracts, FIE charters or articles of association, and/or business cooperation contracts, in addition to the FIE's investment license. Foreign investors are required to strictly follow the committed contribution schedule to avoid fines. To repatriate foreign funds, one must declare audited financial statements to the tax bureau. If there is no notice issued by the tax bureau within 7 days, the profits can be remitted. There is also no withholding tax if registered as a foreign invested enterprise (FIE) but individual investors are subject to tax.ⁱⁱ

Geographic and Demographic Stats

Population:



102 million

(Source: CIA World Factbook)

Youth% (15-24 years):



15.22%

(Source: CIA World Factbook)

Major Cities/Hubs:



Hanoi (Capital), Ho Chi Minh City, Can Tho, Hai Phong, Da Nang, Bien Hoa

(Source: CIA World Factbook)

Youth Unemployment (15-24 years):



7.6%, Ranking, 150 out of 190

(Source: CIA World Factbook)

Languages Spoken:



Vietnamese (Majority), English, French, Chinese, Khmer

(Source: CIA World Factbook)

Population completed tertiary education (25+ years):



6.7% (2009)

(Source: World Bank)

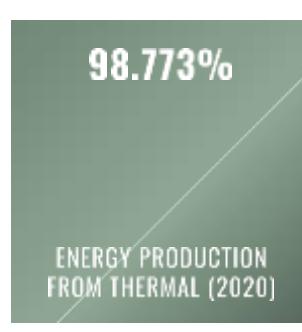
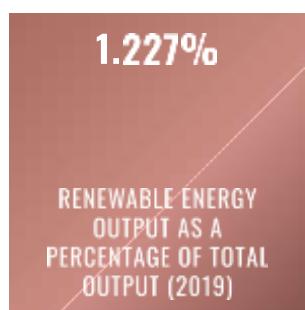
2 | Overview of Climate Change in Vietnam

Introduction

Vietnam has an extensive coastline with a diverse but majorly warm climate that includes temperate and tropical regions. Approximately, one third of the country's population lives in the major cities including Ho Chi Minh City, Hanoi, Da Nang etc. The country's economic contribution has seen a transition from agriculture, forestry and fisheries in favour of the rapidly growing industrial and services sectors. Vietnam's agricultural sector (mainly in rice production) has provided ~15% to the country's GDP with 40% of the sector employing Vietnam's total work force.

Vietnam has exhibited a need to address its fight against climate change through national policies and climate adaptation measures, including the National Climate Change Strategy policy in 2011, the National Green Growth Strategy in 2012, the Law on Natural Disaster Prevention in 2013 and a Law on Environmental protection in 2014. Vietnam has also ratified the Paris Agreement and has submitted its Nationally Determined Contribution (NDC) accordingly.

High Level Climate Change Stats



3 | Climate change and startup policy overview

Key Climate Change, Startups and Investment related Policy & Regulations

Climate Change Policies & Government Initiatives

2012	2013	2014	2015	2019	2020	2021
National Action Plan on Climate Change (2012-2020)	National Strategy on Environmental Protection – Target 2020, Vision for 2030	Law passed on environmental protection	Green credit program set up by State Bank of Vietnam	Law on urban development management (focus on green growth, smart cities, adaptive cities with climate change)	Law passed to stipulate expenditures on environmental protection	National Plan to adapt climate change for 2021-2030, with a vision for 2050

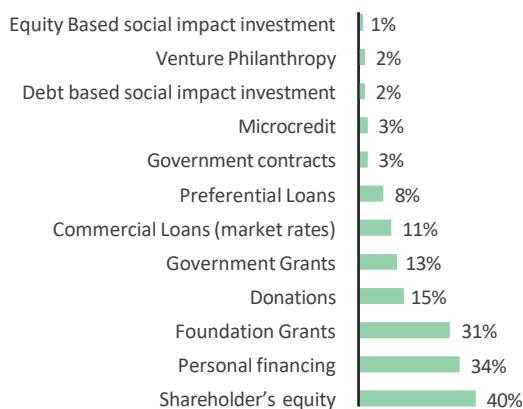
Startup/ Investment Policies & Government Initiatives

2017	2017	2019	2020	2021
SME Development Plan	Law on Supporting Small and Medium Enterprises	Law on Technology Transfer	Ministry of Education and Training coordinates startup coaching with several universities	Prime Minister's Plan for the Sustainable Development of the Business Sector

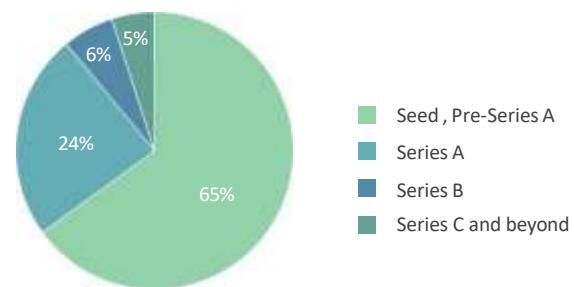
4 | Startup Investment Overview

Note: Due to lack of granular data focused on Climate-tech innovations alone, the deal information in this section is focused on Impact or the startup ecosystem as a whole

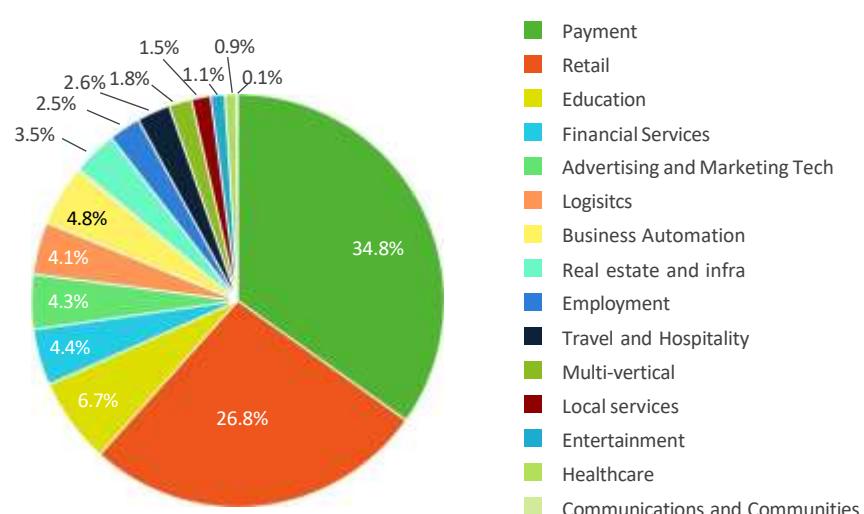
Source of Investment (in the impact space) (2018)^{iv}



Investment by Stage (in the startup ecosystem, overall, by number of deals) (2013-2020)^v



Investment by Sector (in the startup ecosystem, by number of deals overall) (2013-2020)^v



5 | Key Climate Stakeholders

Key Investors

Investor	Classification	Investment Sector
Green Climate Fund	Government	Climate change and circular economy
Dutch Fund for Climate Fund for Climate and Development (DFCD)	Government	Climate resilience and adaptation programs in the Mekong Delta region
Quỹ Khởi nghiệp Xanh - Vietnam Green Startup Foundation	VC	Climate change and circular economy
Lotus Impact	Angel group	Impact in general
Planet Impact Capital	VC	Climate change and circular economy
Patamar Capital*	VC	Impact in general, gender lens investment
YellowDog	VC	Impact in general
Uberis	VC	Impact in general
Evergreen Labs	VC	Impact in general
Alley 51 Ventures	VC	Impact in general

Key ESOs

ESOs	Classification	Investment Sector
Vietnam Climate Innovation Center	Hybrid	Climate tech
Seed Planter	Incubator	Impact startups in general
DNES	Incubator	Impact startups in general
Vietnam Silicon Valley	Accelerator	Impact startups in general
CSIP	Hybrid	Impact startups in general
Chamber of Commerce and Industry of Vietnam (VCCI)	Government sponsored innovation competition	Climate tech
WISE	Startup network	Sector agnostic
Business Startup Support Center (BSSC)	Hybrid	Sector agnostic
KisImpact	Incubator	Impact startups in general
New Energy Nexus	Incubator	Climate Change

Key Corporates

Name	Details
Nestlé Vietnam	Nestlé Vietnam and La Vie announced the promotion of cooperation with partners to create a more positive impact on local water resources.
Unilever	Unilever has announced that they will invest 1 billion euros in an investment fund to invest in climate change projects and reduce to almost zero greenhouse gas emissions from its own products by 2039, before the deadline of the Paris Agreement.
Generali Group	Generali has been heavily involved in the finance and insurance space in Vietnam. Their goals to decarbonize investments include for example engaging with up to 20-carbon intensive companies within their portfolio and developing a decarbonization pathway. They are also involved in various climate fintech initiatives where they look to invest up to 9.5 billion euro in green bonds by 2025

Startup Profiles

Company	Year Set-Up	Sector	Sub-Sector	Sub-segment
	2019	Circular Economy	Natural Resources	Organic Food Products



Nguyen Khoi Farm: the first Circular organic agriculture model in Vietnam to introduce a sustainable farming model that is farmer-friendly, produces zero waste and enhances economic efficiency.

Business Model: Livestock production according to the circular economy model which provides meat that is good for health, good for the environment and is socially responsible

Innovation: The farm adopts a circular operation model which is designed such that waste from livestock and crop production are used on-site for animal feed and fertilizer. Microbiological technology is widely used to replace mechanical and chemical methods to reduce labour work, fossil fuel and chemicals use. The farm produces a variety of high value products from this integrated system including livestock, crop husbandry and organic fertilizer.

Last Funding Round: Planned raise of \$200,000 in 2021

Investors: Bootstrapped

Company	Year Set-Up	Sector	Sub-Sector	Sub-segment
	2014	Circular Economy	Waste to Value	Waste Management (Plastics & Non-Plastics)



VIoT manufactures portable lights made from plastic waste

Business Model: Bringing light at a reasonable price, a stable and sustainable power source to remote areas of Vietnam with the price of 1 light bulb from USD5 and 1 panel used for 5 years

Innovation: VIoT manufactures portable lights made from plastic waste, and its open platform helps train people in remote areas to recycle plastic waste into lighting by providing affordable, long-lasting panels.

Last Funding Round: Planned raise of \$200,000 - \$500,000 in 2021

Investors: Bootstrapped

Recent Deals

Start-up	Sub Segment	Detail	Funding Round	Year	Investor
WiiBike	Future Mobility	Manufactures electric power-assisted bicycles using green energy	Seed - \$100,000	2021	Sunhouse Angel Investor
iGreen	Clean Industry	Manufactures compostable biopolymer products.	Seed - \$200,000	2021	Đỗ Thị Kim Liên - Angel Investor

Local Angel Investor Quotes

Danh Nguyen

Vice Director, Vietnam Green Startup Foundation

“High risk, high return” - Even though the Vietnamese market has raised the awareness of fighting against climate change, it has not yet reached the stage where the ecosystem promises more climate tech rising stars. The market still has potential but it needs investors / investment funds to lead and create trends to attract more startups in the Climate Tech and Circular economy segments.”

Minh Nguyen Dang Tuan

CEO and Founder, KisStartup

“Among the most affected countries by climate change, Vietnam is now in need of solutions to deal with climate change. Local innovation is promising, pool of talents in the field are large, however, the funding gap, especially funding for early-stage businesses is still wide. Along with other countries in ASEAN, Vietnam will be an attractive destination for climate tech investment thanks to the innovation and the huge market needs.”

6 | Key Takeaways

1 Favourable policies to support foreign investments

To promote foreign investment, Vietnam has eased restrictions on investment in conventional sectors and has eliminated withholding tax for Foreign Invested Enterprises (FIE). This is coupled with an easy pathway to repatriate funds/profits, through the Vietnam Tax Bureau after a 7-day review.

4 Early focus from the government to develop Vietnam's startup ecosystem

Over the last 10 years, the government has focused on developing Vietnam's startup ecosystem. The recent plan issued by the Prime Minister to encourage Sustainable Development for Businesses shows that the government correlates the startup ecosystem along with impact focused/climate focused growth.

2 Strong government backing for clean energy but clean solutions are required in other sectors as well

The country has seen a rapid transition from predominantly an agriculture focused economy in favour of mass industrialization and commercialization over the past few years which has led to more dependence on fossil fuels as an energy source. As a result, Vietnam plans to increase its dependence on renewable energy where 22% of all energy output in the country is from renewable energy including hydroelectric power.

5 Fast growth in the startup ecosystem and an interest in certain climate tech sub sectors that needs to be nurtured

Vietnam's startup ecosystem has seen a meteoric rise and as a result, has attracted both foreign and local investment. With the climate space in mind, the key investors are focused on agri-tech, plastic waste innovation, viewed through a gender lens. There is a good foundation in place for the startup ecosystem in Vietnam but requires investors, VCs and Angels to be active in the space, especially for early-stage startups to ensure the ecosystem continues to grow.

3 Clear climate focused action and policies from the government in specific regions of the country

Vietnam's exposure to climate change is not as high as its neighbours but has set a clear action plan to combat climate change in specific locations. This has led to various programs being organized by the government (VCCI) and other development agencies (DFCD) to focus on the effects of climate change on the Mekong Delta region specifically.

Endnotes

(All data as accessed on 13th September 2021)

- i. <https://www.state.gov/reports/2021-investment-climate-statements/vietnam/>
- ii. <https://www.vietnam-briefing.com/news/understanding-foreign-exchange-control-vietnam.html/>
- iii. <https://climateknowledgeportal.worldbank.org/sites/default/files/2021-04/15077-Vietnam%20Country%20Profile-WEB.pdf>
- iv. https://www.vn.undp.org/content/dam/vietnam/docs/Publications/Foster%20SIB%20Sector%20in%20Vietnam_E_ebook.pdf
- v. <https://doventures.vc/assets/uploads/reports/download/vietnam-innovation-and-tech-investment-report-fy2020-1624893687.pdf>