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REPORT

FINAL REPORT - Advisory Services to Support the Strengthening of Green Financing Landscape in Vietnam

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Prepared by:



Environment and
Climate Change Canada
Environnement et
Changement climatique Canada



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The report is based on data and analysis available as of 28 February 2025. However, new developments may impact some findings. In particular, Vietnam's ministerial restructuring, which merged the Ministry of Planning and Investment and the Ministry of Finance, occurred after our data collection. While we acknowledge this change, the institutional framework and details in the report reflects the structure before the merger.

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Executive Summary

Vietnam is advancing its sustainable development agenda, with green finance as a cornerstone to achieve the National Green Growth Strategy (2021–2030) and the net-zero emissions target by 2050. The Ministry of Finance (MOF), a key governmental entity in developing a green financial market, collaborates with other ministries and international partners to strengthen green financial markets through policy improvements, regulatory enhancements, and strategic initiatives.

This report, prepared for MOF under the *"Advisory Services to Support the Strengthening of Green Financing Landscape"* initiative, analyzes MOF-led green finance efforts, international cooperation, a strategic roadmap, and capacity-building needs. Drawing on an extensive literature review and consultations with MOF's green finance departments and development partners, it offers actionable recommendations to align Vietnam's green finance ecosystem with national sustainability goals and global best practices, focusing on green bonds, indices, insurance, public procurement, ESG disclosures, and financial incentives.

CURRENT STATE OF GREEN FINANCE INITIATIVES

Vietnam's green capital market has progressively evolved in structure, incorporating stock markets, bond markets, and derivatives markets. Approximately USD 1.157 billion in green bonds were issued from 2019 to 2023, with 57% allocated to renewable energy projects, supported by incentives like a 50% reduction in stock market service fees (Circular No. 101/2021/TT-BTC). The Vietnam Sustainable Development Index (VNSI), launched in 2017, promotes sustainable investment. Green public procurement (GPP) and environmental protection taxes (EPT) align public spending with environmental goals, while ESG disclosure mandates (Circular No. 96/2020/TT-BTC) enhance corporate transparency. Green insurance is emerging, with products like Bao Viet's Environmental Liability Insurance covering 5% of high-risk firms in 2023.

However, significant limitations hinder progress:

- The green bond market remains small compared to the broader bond market (USD 324.1 billion in 2020), constrained by inconsistent regulations, limited investor awareness, low liquidity, and a lack of eligible green projects.
- VNSI's impact is limited by low investor awareness, inconsistent ESG data, and a lack of regulatory incentives.
- GPP faces challenges with unclear criteria, weak monitoring, and limited supplier readiness.
- The EPT scope is narrow, missing broader environmental impacts, and tax incentives lack breadth for emerging green sectors.
- Green insurance is underdeveloped, with limited products, no mandatory coverage for high-risk industries, and insufficient risk assessment data.
- The ESCO model lacks a clear regulatory framework, financial incentives, and technical expertise.
- ESG integration is hampered by the absence of standardized frameworks, inconsistent disclosures, and limited corporate capacity.
- The lack of a centralized digital platform for tracking green finance flows further limits transparency.

INTERNATIONAL COOPERATION

MOF collaborates with development partners, including the World Bank, International Finance Corporation (IFC), Global Green Growth Institute (GGGI), Agence Francaise de Developpement (AFD), and German Agency for International Corporation (GIZ), to advance green finance, aligning with the National Green Growth Strategy (Decision No. 1658/QĐ-TTg) and MOF's Green Finance Action Plan (Decision 1934/QĐ-BTC). These partnerships have supported green bond issuance, ESG integration, and capacity building. However, gaps remain in fiscal incentives, green budgeting, ESCO support, and

mobilizing foreign capital, necessitating a structured framework to attract international green finance and enhance transparency through digital infrastructure.

CAPACITY BUILDING

Capacity gaps in green finance knowledge, technical expertise, and institutional coordination limit MOF's effectiveness. Surveys (170 respondents) and interviews (10 participants) reveal that 70% of MOF staff lack practical experience in green bond structuring, and 80% note inconsistencies in emissions data collection. A roadmap (2025–2030) recommends specialized training on green financial instruments, ESG reporting, and climate risk modeling, alongside institutional reforms to improve inter-agency coordination and regulatory enforcement.

SUGGESTED UPCOMING TRAJECTORIES

In line with the analysis of current green finance initiatives by MOF, development partners' support, capacity gap analysis, and stakeholder engagement, the report proposes an extensive roadmap (2025–2030) to address these challenges (Section 4. Table 7 in the main report):

- Green Bond Market Expansion:** The expansion of the green bond market requires accelerating issuance across government, municipal, and corporate sectors to fund sustainable projects. This includes piloting government green bonds and encouraging municipalities like Hanoi and Ho Chi Minh City to participate. Enterprises should be supported in issuing green corporate bonds, while regulations should be refined by 2025 to align with GBP criteria, mandate reporting, and introduce local certification to combat greenwashing. Institutional investors, such as pension funds, need targeted awareness campaigns to boost demand. Enhancing market liquidity through tax breaks for market-makers and the introduction of green bond indices or ETFs will further strengthen the ecosystem. A national green project platform should also be created to streamline project approvals.
- Green Index Enhancement:** Restructuring the Vietnam Sustainability Index (VNSI) is essential to reflect sustainability priorities and enhance its role in green investments. VNSI's ESG criteria should be updated to align with OECD and GRI standards, incorporating sector-specific metrics such as emissions data for energy firms. The development of VNSI-based green funds will encourage investment, complemented by an awareness campaign in collaboration with the State Securities Commission (SSC) and the Ho Chi Minh Stock Exchange (HOSE). Mandatory ESG disclosures for VN100 firms should be introduced, with SSC providing training and requiring third-party verification. To incentivize participation, tax benefits for VNSI-listed firms should be introduced, alongside preferential loan rates and public portfolio integration.
- Green Insurance Product Development:** The development of green insurance products, such as pollution liability and climate risk insurance, is crucial for high-risk industries and renewable energy projects. Pollution liability insurance should be mandated for 17 high-risk industries, including chemical manufacturing, with clear criteria and penalties to address existing legislative gaps. In typhoon-prone regions, pilot programs for climate risk insurance should be introduced for renewable projects like offshore wind, supported by premium subsidies. Strengthening tort liability regulations and establishing indemnity standards for environmental damage, such as ecological restoration, will improve accountability. A national risk evaluation framework should be developed, incorporating third-party assessments for sustainable projects' risks. To incentivize sustainable practices, a corporate environmental credit system should be introduced, linking premium rates to performance and offering tax deductions for high-rated firms. Public-private risk-sharing mechanisms and a green insurance transition plan, including subsidies for renewables and penalties for fossil fuels, should also be implemented.
- Energy Service Companies (ESCOs) Framework:** A clear regulatory framework for ESCOs should be established under the Law on Efficient and Economical Use of Energy and related legislation. MOF should collaborate with the Ministry of Industry and Trade (MOIT) and other relevant stakeholders to define contract structures and financial incentives, such as corporate income tax (CIT) exemptions. Pilot ESCO projects should be implemented with full-scale operations targeted by 2030. Vietnam Electricity (EVN), as Vietnam's state-owned utility with prior experiences in piloting ESCO back in 2014, should lead further pilot ESCO projects in collaboration with private companies. Further incentives, such as VAT relief on energy-efficient

equipment, should be considered. A performance framework with key performance indicators (KPIs) and verification mechanisms will ensure accountability and effectiveness.

- **ESG Standards Integration:** Integrating ESG standards into Vietnam's financial market is necessary to enhance corporate transparency and sustainability. Building on Circular No. 96/2020/TT-BTC and the 2023 Handbook for GHG Reporting developed by IFC in collaboration with State Securities Commission (SSC), the MOF should consider developing an ISSB-aligned ESG framework that specifies industry-specific metrics, such as emissions for the energy sector and labor practices for manufacturing. Pilot mandatory ESG disclosures should be introduced with third-party verification by entities like FiinRatings to ensure data accuracy and compliance. Investor awareness campaigns should be launched to promote the benefits of ESG-focused investments and stimulate demand for such financial products).
- **Green Public Procurement (GPP):** Mainstreaming green public procurement (GPP) is essential for aligning public spending with environmental goals. Under Decree No. 08/2022/ND-CP, clear GPP standards should be defined, including requirements for low-emission materials and updates to Circular No. 31/2023/TT-BTC to address guideline gaps. Integration into state budgets and supplier incentives will enhance adoption. Additionally, GPP should be linked to green bond proceeds to strengthen financial alignment with sustainability objectives.
- **Tax and Fee Policy Reforms:** Refining tax policies is crucial for incentivizing green investments and discouraging environmentally harmful activities. Corporate income tax (CIT) exemptions should be expanded to cover income from carbon credits, green bond interest, and transfers, ensuring alignment with environmental protection laws. Adjustments to the Special Consumption Tax (SCT) should favor eco-friendly products, such as plug-in hybrid and natural gas vehicles, while the Environmental Protection Tax (EPT) should be broadened to include pollution-causing goods. Greater transparency in resource taxation and environmental protection fees for industrial emissions will further promote sustainable resource use.
- **Digital Infrastructure for Green Finance:** A national digital platform should be developed to track green finance flows and assess their impacts in real-time. In collaboration with the Ministry of Planning and Investment (MPI), this platform should enable emissions and investment tracking, with standardized data metrics for reduced emissions and compliance reporting. MOF staff should be trained in managing the platform to ensure effective implementation.
- **Capacity Building and Awareness:** Strengthening capacity and awareness for green finance implementation is essential for MOF staff, requiring a structured approach over short-, medium-, and long-term periods.
 - **Short-term (0–1 year):** Foundational training should be provided on green finance fundamentals, ESG tools, and carbon accounting. Technical support for disclosure standards and emissions tracking platforms, as well as institutional coordination through a dedicated task force, will address current skill gaps and improve inter-agency collaboration.
 - **Medium-term (1–3 years):** Advanced training programs should be introduced, covering topics such as climate risk modeling. Investment in data infrastructure, including a carbon accounting framework and real-time tracking platform, will support accurate reporting. Public-private partnerships (PPPs) should be leveraged for blended finance initiatives and risk-sharing mechanisms to mobilize private sector investment.
 - **Long-term (3–5 years):** Institutionalizing green finance through the establishment of a Knowledge Hub and certification programs will ensure sustainability. Integration with global markets, including green bonds, carbon trading mechanisms, and an advisory panel, will enhance Vietnam's financial positioning. Climate risk management measures, such as mandatory disclosures and stress testing aligned with Network for Greening the Financial System (NGFS) scenarios, should be implemented to strengthen financial resilience and global compliance.

As the MOF advances the implementation of the Green Growth Strategy (2022–2030), the reporting mechanisms, including the mid-term review in 2025, should not only capture current progress but also outline the future trajectory. This will provide a basis for necessary regulatory amendments or additions and lay the groundwork for a comprehensive implementation assessment in 2030.

CONCLUSION

Vietnam's green finance ecosystem has the potential to drive sustainable growth, but scaling requires addressing regulatory gaps, enhancing investor awareness, and building capacity. By refining regulations, mobilizing international capital, and strengthening digital infrastructure, MOF can align Vietnam's financial system with global sustainability standards. Future reports should integrate green pricing and carbon markets to ensure a comprehensive strategy, aligning with global trends like the EU's carbon border adjustment mechanism. MOF must act decisively to implement this roadmap, ensuring green finance supports Vietnam's environmental and economic ambitions.