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# REPORT

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

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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.

## Table of Contents

Glossary .....	ii
List of Figures .....	iii
List of Tables .....	iii
<b>1. Introduction and Project Background .....</b>	<b>1</b>
1.1. Vietnam's climate vulnerability and the need for green finance .....	1
1.2. Objectives of this initiative .....	2
1.3. Scope and limitations .....	2
<b>2. Overview of Green Financing in Vietnam .....</b>	<b>3</b>
2.1. Analysis of the national policy framework supporting green finance .....	3
2.2. Key Priority Areas for Green Financing .....	0
2.3. Overview of current green finance initiatives led by MOF .....	1
2.3.1. Green Bond Market Development .....	1
2.3.2. Green Public Procurement Policies .....	3
2.3.3. Tax Incentives and Environmental Protection Taxes .....	4
2.3.4. Green Insurance Development: .....	6
2.3.5. Green Index .....	7
2.3.6. Environmental, Social, and Governance (ESG) Integration .....	9
2.3.7. Establish a legal and policy framework for Energy Service Companies (ESCOs):	10
2.4. International cooperation for green finance .....	11
<b>3. Capacity Building .....</b>	<b>17</b>
3.1. Current knowledge and capacity gaps in green finance .....	17
3.2. Key recommendations for enhancing green finance capacity within MOF .....	18
<b>4. Summary of Current Progresses and Upcoming Trajectories .....</b>	<b>21</b>
<b>5. Conclusion .....</b>	<b>25</b>
<b>6. Appendices .....</b>	<b>26</b>
Annex 1: Regulations on Green Bonds .....	26
Annex 2: Regulations on Green Procurement .....	27



## Glossary

Term	Definition
<b>Green Finance</b>	Financial activities aimed at promoting sustainable development, specifically those that increase financial flows towards environmental sustainability priorities like renewable energy, energy efficiency, and pollution control.
<b>Green Financial System</b>	A series of policies, institutional arrangements, and related infrastructure that direct private funds towards green industries through various financial instruments, aiming to mobilize investments for sustainable development activities. This system integrates environmental and social risks into financial decision-making.
<b>Green Financial Market</b>	A market where financial products and services related to environmental sustainability are traded, such as green bonds, sustainable investment funds, and other eco-friendly investment instruments.
<b>Green Investment</b>	The allocation of financial resources towards projects or companies that support environmental sustainability goals, including renewable energy, energy efficiency, sustainable agriculture, and more.
<b>Green Bonds</b>	Debt securities issued to raise capital for environmentally friendly projects, such as renewable energy or pollution control.
<b>Green Insurance</b>	Insurance products that focus on covering risks related to environmental protection and sustainability, like renewable energy projects or climate-related liabilities.
<b>Green Funds</b>	Investment funds that specifically target environmentally sustainable projects or companies, focusing on sectors like renewable energy and green technologies.
<b>Environmental, Social, and Governance (ESG)</b>	A set of criteria used to measure the sustainability and ethical impact of an investment in a company or business. ESG covers environmental protection, social responsibility, and governance practices.
<b>Greenwashing</b>	The act of misleading stakeholders about the environmental benefits of a product, service, or investment, often with exaggerated claims of environmental sustainability.
<b>Equity Financing</b>	Raising capital by selling shares in a company. This can also be used in green finance to fund renewable energy companies or green technology ventures by attracting investors who are committed to sustainability.
<b>Debt Financing</b>	Raising capital through borrowing. In green finance, this often refers to funding green projects through loans, bonds, or other debt instruments issued for environmentally sustainable purposes.
<b>Credit Risk</b>	The risk that a borrower may not repay their debt as agreed. In green finance, this could involve the evaluation of environmental and sustainability risks that might impact the ability of borrowers to meet their financial obligations.
<b>Green Financial Intermediaries</b>	Financial institutions (such as banks, investment funds, and insurance companies) that facilitate investments in green projects by managing the flow of funds into sustainable development activities.

## List of Figures

Figure 1. Issued value of green, social, and sustainability (GSS) Bonds .....	1
Figure 2. Trends of VN-Index and VNSI during the same period. Source: Bloomberg and compilation by BIDV .....	8

## List of Tables

Table 1. National policy framework supporting green finance in Vietnam .....	4
Table 2. Main financial incentives applicable to the energy sector in Vietnam.....	4
Table 3. List of major insurance companies offering green insurance products .....	6
Table 4: Collaborations between MOF and Development Partners .....	12
Table 5: Alignment between initiatives and MOF's tasks to develop green finance.....	13
Table 6: Implementation Roadmap .....	18
Table 7: Roadmap for green finance development. Certain important areas that MOF are working on, including green pricing, carbon market, are out of scope and not included in the table.....	23

# 1. Introduction and Project Background

## 1.1. Vietnam's climate vulnerability and the need for green finance

Vietnam stands at the forefront of the climate crisis, bearing the brunt of rising climate change impacts that threaten its economic stability and social fabric. The escalating frequency and severity of adverse climate events have already inflicted a staggering economic toll, with losses reaching USD 10 billion by 2020—equivalent to 3.2% of the nation's Gross Domestic Product (GDP). As Vietnam's economy surges forward with an impressive 7.09% GDP growth rate in 2024<sup>1</sup>, the absence of effective adaptation and mitigation strategies could amplify these losses. Projections indicate that by 2050, climate change could cost Vietnam between 12% and 14.5% of its GDP annually, potentially pushing up to one million people into severe poverty by 2030<sup>2</sup>.

Meeting Vietnam's greenhouse gas reduction targets requires a massive influx of financial resources. The World Bank (2022) estimates that by 2040, the country will need USD 368 billion, comprising annual investments of 4.7% of GDP for climate adaptation and 2.1% for decarbonization. These funds are split across sectors: USD 184 billion from the private sector (3.4% of GDP annually), USD 130 billion from the public sector (2.4% of GDP annually), and USD 54 billion from foreign sources (1% of GDP annually). Mobilizing this capital is a monumental task, yet it is essential to avert catastrophic economic and social consequences.

Green financing, as defined by the UN Environment Program, aims to “increase the level of financial flows (from banking, micro-credit, insurance, and investment) from the public, private, and not-for-profit sectors to sustainable development priorities.” This financial approach is essential for addressing the pressing challenges of climate change and environmental degradation. To facilitate this transition, central banks and financial regulatory authorities must strategically direct investments toward projects that prioritize environmental protection. Such guidance aligns with the objectives outlined in the Paris Agreement, ensuring that financial flows contribute to reducing greenhouse gas emissions and enhancing national resilience to climate impacts. In the case of Vietnam, establishing a strong green financial system can leverage private capital on a large scale to promote the transition to a greener economy, sustainable development, and enhanced climate change adaptation<sup>3</sup>. This priority is reflected in the Prime Minister's National Action Plan on Green Growth for the 2014-2020 period and its updated version for the year of 2021-2030, with a visionary outlook to 2050.

The Ministry of Finance (MoF) is one of the leading governmental entities responsible for the development of green financial markets. Some of MoF's mandates include:

- i. **Improving policies** on management and use of state budget;
- ii. **Studying and improving fiscal incentives** such as taxes and fees to promote green finance and climate actions;
- iii. **Mobilising external resources** (loans, aids) from international organisations;
- iv. **Developing financial markets** (green bonds, green insurance, etc.).

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<sup>1</sup> General Statistics Office of Vietnam. 2025. Report on Vietnam's Socio-Economic Situation in the Fourth Quarter and 2024.

<sup>2</sup> World Bank. 2022. Vietnam Country Climate and Development Report. CCDR Series. © Washington, DC: World Bank. <http://hdl.handle.net/10986/37618>. License: CC BY 3.0 IGO.

<sup>3</sup> CBI- SSC-IFC, and SECO. 2021. Issuing Green Bonds, Social Bonds, Sustainable Bonds.

## 1.2. Objectives of this initiative

Recognizing the urgent need to harness green finance for sustainable development and climate change adaptation and aligned with Decision 1934/QĐ-TTg, which outlines the MoF's Action Plan for implementing the National Strategy for Green Growth (2021-2030), this initiative supports the MoF in assessing its green finance efforts and refining implementation strategies. The specific objectives include:

- i. **Conduct a detailed assessment** of green finance in Vietnam, offering tailored recommendations for MOF;
- ii. **Identify past, ongoing, and current green finance initiatives** by MoF departments and development partners;
- iii. **Pinpoint capacity gaps**, and develop a customized capacity-building plan for the MoF;
- iv. **Highlight opportunities for partnerships** between the MoF and development partners to prepare the financial sector for green growth projects.

This report provides key insights into the current regulatory landscape, identifies areas for improvement amid evolving challenges, and provides a clear roadmap with milestones and strategies to advance green finance. Drawing on an extensive literature review and consultations with MoF green finance departments and development partners, it equips Vietnam to seize this pivotal moment, turning climate challenges into opportunities for a sustainable future.

## 1.3. Scope and limitations

This report focuses on components of Vietnam's green finance landscape, including green bonds, green indices, green insurance, green public procurement, environmental, social, and governance (ESG) disclosure requirements, and financial incentives for sustainability. While recognizing the importance of carbon markets and pricing instruments, these areas fall outside the scope of this report and are not extensively covered.

## 2. Overview of Green Financing in Vietnam

### 2.1. Analysis of the national policy framework supporting green finance

In recent years, green finance has emerged as a focal point in Vietnam, captivating the attention of policymakers, financial institutions, businesses, and the public alike. Guided by the government, **Vietnam's legal and policy framework has evolved steadily, shaping a strong ecosystem for green finance that can promote sustainable economic development, curb greenhouse gas emissions, and uphold the country's international climate commitments.** These regulations govern critical instruments such as green bonds, green stocks, and green credit, enabling enterprises to tap into domestic and international green capital. This financial mobilization is vital for driving the energy transition, bolstering energy security, and preserving the ecological environment. A cornerstone of this effort is Decision No. 1658/QĐ-TTg, which endorses the National Strategy for Green Growth for 2021-2030, with a visionary outlook to 2050. This strategy seeks to transform Vietnam's economy by restructuring industries, innovating growth models, and achieving a harmonious balance of economic prosperity, environmental sustainability, and social equity. Below is an analysis of the key policies propelling green finance in Vietnam:



TABLE 1. NATIONAL POLICY FRAMEWORK SUPPORTING GREEN FINANCE IN VIETNAM

	Objective	Green Finance Focus	Implementation	Challenges
<b>National Green Growth Strategy (NGGS) 2021-2030, Vision to 2050</b>	The NGGS sets the foundational policy framework for sustainable economic growth in Vietnam, targeting a shift toward low-carbon development and improved resource efficiency	The strategy includes specific targets for mobilizing green finance and encourages private and public investment in green projects. It aims to develop financial instruments, such as green bonds, and promote policies that attract green investments.	MOF plays a central role in enacting green financial policies, issuing green bonds, and establishing incentives for sustainable investments. This strategy also emphasizes enhancing green finance literacy and capacity among financial institutions and regulatory bodies.	While the NGGS establishes an overarching framework, the policy's implementation requires substantial financial and technical support, and coordination across various sectors remains a challenge.
<b>National Climate Change Strategy (NCCS) 2022-2050</b>	The NCCS outlines Vietnam's path toward net-zero emissions by 2050, with green finance as a critical component for funding the necessary transition.	The NCCS emphasizes developing carbon markets, green bonds, and other green finance tools. It also supports policies to mobilize both domestic and international financial resources for climate mitigation and adaptation projects.	The NCCS proposes the establishment of a legal and regulatory framework for carbon trading, which will be essential for incentivizing emissions reductions and creating a market-based approach to achieving climate targets.	Establishing a carbon market requires extensive capacity building and technical infrastructure. The policy framework is in early stages, and successful implementation will depend on support from international partners.
<b>Decision No. 1658/QĐ-TTg (2021) and Decision No. 882/QĐ-TTg (2022)</b>	These decisions approved the NGGS and the National Green Growth Action Plan, respectively. They provide a structured approach to integrating green finance in Vietnam's financial markets.	<p><b>Green Bonds:</b> Decision 1658 encourages the issuance of green bonds by the government and private sector, facilitating investments in renewable energy, sustainable infrastructure, and other environmentally friendly projects.</p> <p><b>Financial Mechanisms:</b> Decision 882 details the development of sustainable finance guidelines and prioritizes capacity building for financial institutions, promoting green financing practices across sectors.</p>	These policies have accelerated Vietnam's progress in creating a green finance ecosystem by establishing standards, issuing regulations for green bonds, and offering guidance for integrating environmental, social, and governance (ESG) principles in financial decisions.	Although the policies set a clear direction, they need further refinement to address practical implementation challenges and improve the availability of financial resources for green projects.

<b>Environmental Protection Law (2020)</b>	The Environmental Protection Law provides the legal basis for integrating environmental considerations into Vietnam's financial sector and business environment.	The law encourages investment in green technology, sustainable production practices, and waste reduction. It also sets out provisions for environmental impact assessments (EIAs) and introduces penalties for non-compliance.	By mandating environmental standards, the law indirectly supports green finance by creating demand for green investments, particularly from industries seeking to comply with new regulations	While the law promotes green finance indirectly, it lacks specific mechanisms to channel funds into sustainable projects. Clearer policies on environmental tax incentives and financing for green projects would enhance the law's impact.
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*Source: Legal documents as listed in the table*

## 2.2. Key Priority Areas for Green Financing

Based on the provided framework, the following are recommended Key Priority Areas for Green Financing in Vietnam. Each priority area aligns with the strategic goals and tasks outlined in Decisions No. 1658/QĐ-TTg (2021), 882/QĐ-TTg (2022), and 1934/QĐ-BTC (2024), to mobilize financial resources, establish supportive legal frameworks, and drive green growth (*See more in Appendix 1*).

### Legal and Policy Framework for Green Bonds and Green Insurance

- **Rationale:** The development of green bonds and insurance products is essential for mobilizing large-scale investments in environmentally sustainable projects and protecting sectors vulnerable to environmental risks. Completing a robust legal framework for green bonds (including government, local, and corporate bonds) and green insurance will attract both domestic and international investors.
- **Focus:** Drafting and implementing regulatory documents on green bond issuance and green insurance for environmental risk and climate risk coverage.
- **Expected Impact:** Encourages financing for green projects, expands investor options in sustainable assets, and provides insurance solutions to industries with high environmental risks.

### Fiscal Incentives through Green Taxation and Environmental Fees

- **Rationale:** Adjusting environmental taxes and fees to penalize high-carbon activities while providing incentives for low-carbon practices will be a powerful tool in promoting green growth and reducing emissions.
- **Focus:** Revising existing environmental tax laws and fees to create fiscal incentives for sustainable practices. This includes taxing high-emission products and offering tax breaks for low-emission technology and energy-efficient products.
- **Expected Impact:** Drives a shift in production and consumption patterns, encouraging industries and consumers to adopt cleaner alternatives and reducing the overall carbon footprint.

### Green Budgeting and Allocation of Public Resources

- **Rationale:** Prioritizing green projects in public budgeting ensures consistent and reliable funding for green growth initiatives, from public investments in green infrastructure to R&D for sustainable technologies.
- **Focus:** Enhancing public investment guidelines to prioritize green projects, incorporating green budgeting principles into annual fiscal planning, and ensuring funds are allocated for green growth across sectors.
- **Expected Impact:** Secures sustained government support for green projects, catalyzes further private investment, and integrates green growth objectives into the broader economic framework.

### Promotion of Energy-Efficient Technologies and ESCO Model Development

- **Rationale:** Promoting energy-efficient technologies and supporting the ESCO (Energy Service Company) model addresses the high energy demand of industrial and commercial sectors, reducing emissions and operational costs.
- **Focus:** Creating tax incentives and financial programs for adopting energy-efficient technologies and establishing regulatory and financial frameworks for ESCOs.
- **Expected Impact:** Reduces greenhouse gas emissions, lowers energy costs, encourages private sector investment in energy efficiency, and enables enterprises to transition to sustainable energy practices.

### Foreign Capital Mobilization for Climate and Green Initiatives

- **Rationale:** International financing is vital for supplementing domestic funds, especially for large-scale climate adaptation and mitigation projects.

- **Focus:** Enhancing cooperation frameworks with foreign governments, development banks, and international investors, as well as creating clear policies to attract climate-specific foreign investments.
- **Expected Impact:** Increases financial inflows to green projects, supports Vietnam's green growth targets, and strengthens the country's position as a regional leader in climate resilience.

#### Data and Digital Infrastructure for Green Growth Monitoring and Reporting

- **Rationale:** Reliable data is essential for effective green growth policy implementation, monitoring, and evaluation. Integrating digital infrastructure aids in streamlined reporting and transparency.
- **Focus:** Establishing a comprehensive database for environmental risk, vulnerability, and emissions data, and implementing a digital system for green growth monitoring.
- **Expected Impact:** Enhances policy evaluation, improves resource allocation for green projects, and supports transparency in green growth progress to stakeholders, including international partners.

## 2.3. Overview of current green finance initiatives led by MOF

MOF's initiatives are progressively building a foundation for green finance in Vietnam (See *more in Appendix 1*). Here's an overview and analysis of the current initiatives MOF is leading:

### 2.3.1. Green Bond Market Development

Green bonds are a key tool for the MOF to direct capital toward environmentally sustainable projects in Vietnam, and MOF has set up a framework to issue government bonds, municipal bonds, and corporate bonds<sup>4</sup>. These instruments are vital for funding renewable energy and environmental protection, as evidenced by Vietnam's issuance of USD 1.157 billion in green bonds from 2019–2023, with 57% allocated to renewables—such as EVNFinance's VND 1.725 trillion bond (2022) and BIDV's VND 2.5 trillion bond (2023). The MOF has supported this growth through incentives like a 50% reduction in stock market service fees (Circular No. 101/2021/TT-BTC) and pilot projects, including Ho Chi Minh City's VND 3,000 billion municipal bonds (2016) for environmental initiatives.

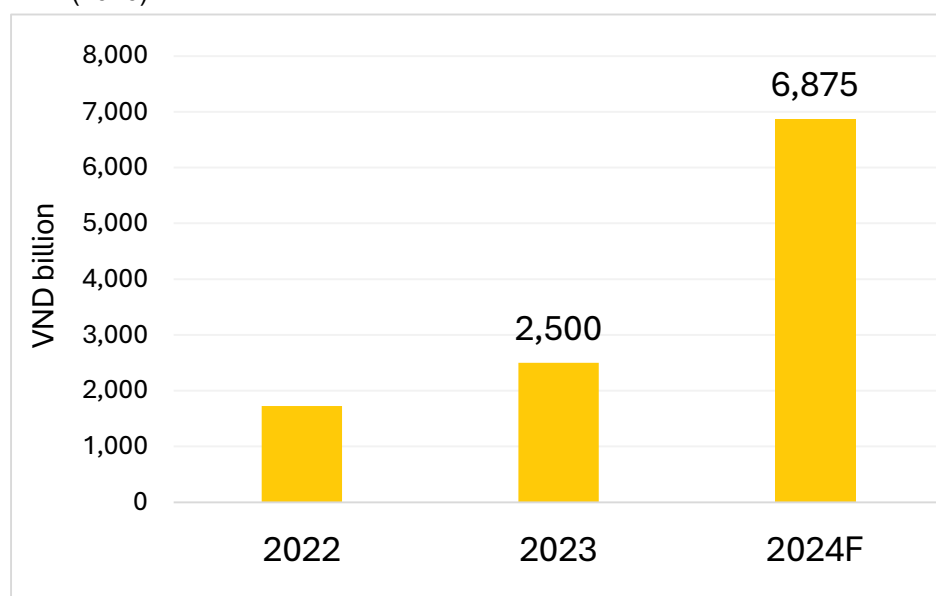


FIGURE 1. ISSUED VALUE OF GREEN, SOCIAL, AND SUSTAINABILITY (GSS) BONDS

<sup>4</sup> In the following documents: the Law on Environmental Protection and the Government's Decrees No. 08/2022/ND-CP; No. 95/2018/ND-CP; No. 93/2018/ND-CP; No. 153/2020/ND-CP; No. 65/2022/ND-CP; and No. 08/2023/ND-CP; as well as Official Dispatch No. 11015/BTC-TCNH dated October 25, 2022, and Official Dispatch No. 4898/BTC-TCNH dated May 15, 2023. More detailed in Annex 1.

Despite this progress, Vietnam's green bond market faces significant hurdles, with issuance remains modest compared to the broader bond market (USD 324.1 billion in 2020) and the capital needs of Vietnam's environmental projects. Regulatory challenges, as well as limited incentives for issuers, financial intermediaries and investors, have hampered more widespread adoption.

### Regulatory Framework

- **Challenges:** While the 2020 Environmental Protection Law and Decree No. 08/2022/ND-CP provide a base, inconsistent guidelines and weak enforcement create uncertainty. Lack of oversight risks greenwashing, undermining trust in green bond integrity.
- **Recommendations:** Refine regulations with clear environmental criteria aligned with Green Bond Principles (GBP), mandating standardized reporting. Strengthen enforcement via MOF-led oversight and local certification agencies to ensure transparency and credibility.

### Investor Base and Market Depth

- **Challenges:** Vietnam's green bond market suffers from insufficient depth and a limited investor base, appealing mainly to niche ESG-focused investors. Traditional institutional investors (e.g., pension funds, insurance companies) prioritize proven returns and low-risk assets, with VIS Rating noting a lack of long-term strategies and risk tolerance. Repayment delays in 2022–2023 by financially weak issuers further erode confidence, as yields remain uncompetitive.
- **Recommendations:** Launch awareness campaigns to highlight green bonds' financial and environmental returns, targeting institutional investors. Foster public-private partnerships to engage pension funds and insurers, broadening the investor pool and boosting demand.

### Liquidity and Secondary Market

- **Challenges:** Low liquidity hampers green bonds, with secondary market trading volume dropping from VND 2,811.10 billion (2021) to VND 1,622.05 billion (2023) per the Vietnam Bond Market Association. The "buy-and-hold" tendency of investors and an underdeveloped secondary market deter institutional participation, raising yields and issuer costs.
- **Recommendations:** Enhance liquidity by incentivizing market-makers and establishing green bond indices or ETFs. Improve trading platforms to facilitate secondary market activity, addressing the power sector's low volume (Vietnam Investors Service, 2024).

### Issuance Costs and Technical Expertise

- **Challenges:** High upfront costs for certification, verification, and reporting deter issuers, especially smaller corporates lacking expertise in environmental assessments. This limits participation beyond major players like EVNFinance and BIDV.
- **Recommendations:** Offer subsidies or tax incentives beyond Circular No. 101/2021/TT-BTC to offset costs. Provide technical support and simplified guidelines to enable smaller issuers to navigate the green bond process effectively.

### Green Project Pipeline

- **Challenges:** A limited pipeline of eligible green projects restricts issuance, with bureaucratic delays and weak public-private collaboration hindering renewable energy and efficiency initiatives. Local governments often lack capacity to identify and manage such projects.
- **Recommendations:** Create a national green project platform to streamline identification and approval, enhancing coordination between public and private stakeholders. Establish specialized funds to support project development.

### Credibility and Greenwashing Risks

- **Challenges:** Without standardized definitions and robust verification, greenwashing threatens market integrity. Costly and inconsistent external reviews (e.g., GBP vs. Climate Bond Standard) complicate issuer compliance and investor trust.



- **Recommendations:** Adopt rigorous GBP-aligned standards with mandatory third-party verification. Set up local certification bodies to reduce costs and ensure proceeds fund genuine green projects, reinforcing market confidence.

### 2.3.2. Green Public Procurement Policies

As part of its broader fiscal policy framework, MOF takes responsibility for issuing detailed regulations on the implementation of green procurement for projects and tasks using the state budget (Annex 2). According to Clause 2, Article 146 of the Law on Environmental Protection 2020 and Clauses 1 and 2, Article 136 of Decree No. 08/2022/ND-CP, investment projects and tasks utilizing state budget funds must prioritize the implementation of green procurement. Green procurement aims to drive demand for sustainable goods and services, helping to support green businesses while aligning public spending with environmental goals. The implementation and monitoring of green procurement standards across government entities can be challenging, particularly as the legal and technical standards for what qualifies as “green” continue to evolve.

#### Regulatory Framework and Standards

- **Challenges:** The legal basis (2020 Law, Decree No. 08/2022/ND-CP) mandates GPP, but inconsistent guidelines and unclear “green” criteria create uncertainty for procuring entities. Technical standards lag behind global benchmarks, complicating compliance.
- **Recommendations:** Develop a comprehensive GPP taxonomy aligned with Decree No. 08/2022/ND-CP, specifying sustainable product/service criteria (e.g., low-emission materials, energy-efficient equipment). Update Circular No. 31/2023/TT-BTC with detailed standards, drawing from international models like the EU’s GPP framework.

#### Implementation and Capacity

- **Challenges:** Government entities lack the expertise and resources to implement GPP effectively, with limited training on identifying green options. Weak coordination between MOF and local agencies slows adoption.
- **Recommendations:** Launch MOF-led training programs for procurement officers, focusing on green criteria assessment and compliance, building on 2023 Circular updates. Establish a centralized GPP support unit to coordinate implementation and share best practices nationwide.

#### Monitoring and Enforcement

- **Challenges:** Monitoring GPP compliance is inconsistent due to the absence of standardized metrics and enforcement mechanisms. Evolving “green” definitions hinder accountability, risking misuse of state funds.
- **Recommendations:** Introduce a GPP monitoring dashboard with KPIs (e.g., percentage of green purchases, emissions avoided), integrated into MOF’s annual budget reviews (Circular No. 31/2023/TT-BTC). Strengthen enforcement with audits and penalties for non-compliance.

#### Market Impact and Supplier Readiness

- **Challenges:** Limited availability of green goods/services in Vietnam’s market restricts GPP’s effectiveness. Suppliers, especially SMEs, lack capacity to meet sustainability standards, reducing competition and driving up costs.
- **Recommendations:** Pair GPP with incentives (e.g., tax breaks, subsidies) for suppliers adopting green practices, leveraging MOF’s 2024 CIT amendment plans. Foster public-private partnerships to build supplier capacity.

#### Budget Allocation and Integration

- **Challenges:** GPP funding relies on general environmental spending (0.908% of NSNN in 2023 per Circular No. 31/2023/TT-BTC), lacking dedicated allocations. Integration with broader green finance tools (e.g., green bonds) is underdeveloped.

- **Recommendations:** Propose a dedicated GPP budget line within state budget, coordinated with MPI, to ensure consistent funding. Link GPP to green bond proceeds and pricing policies (Price Law 2023) for waste management and water services, enhancing fiscal synergy.

### 2.3.3. Tax Incentives and Environmental Protection Taxes

Tax policies supporting green growth have largely continued under existing regulations. The environmental protection tax is the main significant measure, designed to discourage activities that cause environmental harm. These incentives, including corporate income tax (CIT) reductions, import duty exemptions, and VAT relief, have begun attracting private sector interest, particularly in renewable energy projects (Table 3). The EPT embeds pollution costs into market pricing, while recent adjustments from 2022–2024, such as reduced EPT rates on gasoline and diesel (e.g., 2,000 VND/liter for gasoline since January 1, 2024, per Resolution No. 42/2023/UBTVQH15), aim to stabilize prices amid inflation, indirectly supporting green transitions. Certain adjustments have been made to encourage consumers to adopt cleaner transportation (such as reducing the excise tax rate and applying preferential registration fees for battery electric vehicles), promote the production of environmentally friendly goods (such as lowering the Most-Favored-Nation (MFN) import tax rate on biofuel ethanol), and support economic recovery amid rising inflation (by reducing the environmental protection tax on certain fuel products).

TABLE 2. MAIN FINANCIAL INCENTIVES APPLICABLE TO THE ENERGY SECTOR IN VIETNAM

Type of incentives	Legal basis	Description relevant to the energy sector
<b>Corporate Income Tax Incentives</b>	Corporate Income Tax Law	<ul style="list-style-type: none"> <li>• Income from implementing new investment projects in environmental sectors is subject to a 10% tax rate for 15 years. For large-scale and high-tech or new technology investment projects requiring special attraction, the period of applying the 10% preferential tax rate can be extended.</li> <li>• Income from implementing new investment projects is exempt from tax for 4 years, with a 50% reduction in the tax payable for the following 9 years.</li> </ul>
<b>Import Tax Incentives</b>	Export Tax and Import Tax Law	<ul style="list-style-type: none"> <li>• Income from implementing new investment projects in environmental sectors is subject to a 10% tax rate for 15 years. For large-scale and high-tech or new technology investment projects requiring special attraction, the period of applying the 10% preferential tax rate can be extended.</li> <li>• Income from implementing new investment projects is exempt from tax for 4 years, with a 50% reduction in the tax payable for the following 9 years.</li> </ul>
<b>VAT Incentives</b>	Value Added Tax Law	<ul style="list-style-type: none"> <li>• Input VAT on goods and services incurred during the cumulative investment period that has not been deducted can be refunded if certain conditions are met simultaneously (declaration method, business license/approval document for conditional investment and business activities...).</li> <li>• Furthermore, some incentives and support regarding land (exemption, reduction of land use fees, land rent, land use tax), subsidies for environmental protection products and services as regulated, are also applicable.</li> </ul>

However, the scope of tax incentives is currently limited, and adjustments to the tax rates are necessary to fully reflect environmental costs. The tax base also needs expansion to cover a broader range of environmentally impactful activities.

### Environmental Protection Tax Scope

- **Challenges:** The environmental protection tax targets pollution but is limited in scope, missing broader activities like waste management or industrial emissions beyond energy. Current rates do not fully internalize environmental degradation costs, reducing deterrence.
- **Recommendations:** Expand the tax base to cover additional sectors (e.g., manufacturing, waste disposal) and adjust rates based on environmental impact assessments to reflect true costs, building on MOF's 2024 draft to include goods causing environmental pollution (e.g., industrial emissions), enhancing deterrence and funding for green projects.

### Corporate Income Tax Incentives

- **Challenges:** CIT incentives (e.g., 10% rate for 15 years, 4-year exemption under Decree No. 218/2013/ND-CP) favor prioritized sectors but lack breadth for emerging green areas like carbon credits or energy-efficient infrastructure. Small firms struggle to qualify due to complex eligibility criteria.
- **Recommendations:** Broaden CIT exemptions to include income from carbon credits and green bonds, as proposed in MOF's 2024 CIT Law amendment to align with COP26 and sustainable development goals. Simplify eligibility for smaller enterprises through clear guidelines and technical support, encouraging investment in high-value, eco-friendly industries per Decision No. 508/QĐ-TTg (2022).

### Import Duty and VAT Incentives

- **Challenges:** Import duty exemptions (Law No. 107/2019/QH13) and VAT relief (Circular No. 219/2013/TT-BTC) reduce costs for equipment but are time-limited (e.g., 4 years) and exclude many green technologies or services, limiting long-term impact.
- **Recommendations:** Extend duty exemptions to a wider range of green goods (e.g., energy-efficient appliances) and make VAT relief permanent for qualifying projects, incorporating MOF's 2023 reduction of import tariffs on biofuels like ethanol (Decree No. 26/2023/NĐ-CP) to support eco-friendly production. Include service-based green investments (e.g., R&D) to broaden sustainability efforts.

### Special Consumption Tax Adjustments

- **Challenges:** Special Consumption Tax (SCT) reductions (e.g., 3% for electric vehicles since 2022) incentivize green vehicles but are narrow, overlooking other eco-friendly products. Draft SCT amendments lack clarity on broader application.
- **Recommendations:** Finalize SCT adjustments to include diverse green products (e.g., low-emission machinery) and clarify rates, specifying plug-in hybrids and natural gas vehicles for preferential rates as per MOF's 2024 draft, aligning with urban management and environmental goals.

### Incentive Design and Market Alignment

- **Challenges:** Current incentives risk market distortion by over-relying on tax breaks without attracting sufficient private capital. Limited institutional capacity and awareness hinder effective design and uptake, as noted in Vietnam's developing market context.
- **Recommendations:** Design "smart" incentives ensuring additionality (investments not otherwise viable) and transparency, integrating stakeholder input. Pair tax incentives with preferential loans (e.g., Decree 75/2011/ND-CP model), leveraging MOF's 2024 environmental protection fee proposal for industrial emissions to mobilize private investment and support sustainable markets.

### 2.3.4. Green Insurance Development:

Recognized under Decision No. 1658/QĐ-TTg (2021) for green growth and Decree No. 08/2022/ND-CP, which mandates pollution liability insurance for 17 high-risk industries, green insurance is gaining traction. MOF is working on frameworks to promote green insurance products, such as environmental liability insurance and climate risk insurance. While still in early stages, green insurance development addresses the growing need for risk management in environmental and climate-sensitive projects. Such products are critical for protecting green investments and mitigating financial risks associated with environmental liabilities.

**TABLE 3. LIST OF MAJOR INSURANCE COMPANIES OFFERING GREEN INSURANCE PRODUCTS**

No.	Company	Insurance product	Key coverage
1	Bao Viet Tokio Marine Insurance Co., Ltd.	Environmental Liability Insurance	- Claims from third parties regarding environmental pollution incidents, environmental damage, cleanup costs, emergency response costs, and defense costs
2	AIG Vietnam	Environmental Pollution Liability Insurance for Contractors	- Comprehensive protection against pollution incidents arising from contractor activities, whether from sudden accidental pollution or gradual pollution; - Liability insurance for pollution caused by the insured's premises or business activities
3	Chubb Insurance Co.	Contractor Pollution Liability Insurance	- Liability for third-party bodily injury, property damage, ingress, impact, or obstruction; - Coverage for cleanup costs arising from claims related to third-party demands; - Costs include all demands covered under the insurance contract.
4	Fubon Insurance	Environmental Liability Insurance	- Liability costs for pollution at the insured location regarding existing conditions; - Costs for cleanup at the insured location regarding new pollution; - Claims from third parties for bodily injury and property damage at the insured location; - Claims from third parties for cleanup costs arising from pollution outside the insured location related to existing conditions; - Claims from third parties for cleanup costs arising from pollution outside the insured location related to new conditions; - Claims from third parties for bodily injury and property damage outside the insured location.

The market for green insurance is underdeveloped, with only a limited range of products currently available, especially for renewable energy and energy efficiency. In 2023, Vietnam's insurance sector reached total assets of VND 913.336 trillion, but green insurance, particularly for renewable energy projects and environmental liabilities, constitutes only a small fraction through companies like Bao Viet, PVI, and PTI. This highlights the need for enhanced regulatory support and awareness to scale these offerings effectively. Key limitations and recommendations include:

#### Legislative framework and compulsory insurance

- **Challenges:** Efforts to introduce relevant policies and regulations remain hindered by the absence of a national legislative mandate for compulsory pollution liability insurance. Current laws mainly encourage research and development of this insurance type, falling short of mandating it, which limits its effectiveness.
- **Recommendations:** MOF should lead the development of comprehensive regulations that clearly mandate pollution liability insurance for high-risk industries, defining participation criteria, underwriting processes, and penalties for non-compliance. Create a compulsory participant list targeting sectors like heavy metal mining and chemical manufacturing, and pilot initiatives in select provinces to test accountability models, drawing on regional examples.

## Insurance product development and risk assessment

- **Challenges:** Inconsistent indemnity standards for environmental damage hinder product development, as insurers struggle to assess risks and set premiums accurately, complicating claims. Limited expertise and data on renewable energy risks (e.g., solar PV theft, offshore wind typhoon damage) further restrict tailored offerings.
- **Recommendations:** Strengthen tort liability regulations with clear indemnity standards for personal injuries, property damage, and ecological restoration, enforcing civil and criminal penalties to drive insurance uptake. Develop national risk evaluation standards with third-party agencies to assess economic losses, improving underwriting credibility and product design.

## Supporting Policies and Incentives

- **Challenges:** Low awareness and lack of incentives deter businesses from adopting green insurance, while insurers prioritize traditional goals (e.g., premium competition) over innovation. High perceived risks in Vietnam's emerging green market limit private insurer engagement.
- **Recommendations:** Implement a corporate environmental credit system to set premium rates and offer incentives (e.g., tax deductions) for high-rated firms, encouraging participation. Introduce public-private risk-sharing mechanisms, with development finance institutions covering initial losses to reduce private insurer risks and boost renewable project coverage.

## High-Risk Areas and Climate Challenges

- **Challenges:** Vietnam's typhoon-prone regions pose significant risks to offshore wind projects, with costly damages increasing insurer exposure. Limited risk management tools and support exacerbate these challenges, particularly for climate-sensitive investments.
- **Recommendations:** Provide tax benefits or subsidies for insurers covering high-risk renewable projects, enhancing tailored risk assessments with government backing to mitigate climate-related losses and support energy development in vulnerable areas.

## Consideration for New Technologies

- **Challenges:** New technologies (e.g., lighter PV panels, larger wind turbines) introduce underwriting uncertainties due to insufficient real-world data, slowing insurance adaptation to Vietnam's renewable sector growth.
- **Recommendations:** Establish a standardized evaluation period or certification system for new technologies, setting national benchmarks to validate performance, reduce uncertainties, and accelerate insurer confidence and adoption.

## Alignment with National Climate Goals

- **Challenges:** Insurers' continued investment in profitable fossil fuels conflicts with Vietnam's renewable energy goals, slowing the shift to green insurance and undermining PDP8 objectives.
- **Recommendations:** Launch a "green insurance transition plan" with subsidies for renewable project coverage and phased penalties for fossil fuel portfolios, setting progressive targets to align the sector with national climate goals by 2030.

### 2.3.5. Green Index

The State Securities Commission (SSC) and Ho Chi Minh City Stock Exchange (HOSE) launched the Vietnam Sustainable Development Index (VNSI) in July 2017 to promote sustainable investment. Developed with the German Agency for International Cooperation (GIZ), VNSI evaluates the top 20 VN100 companies using over 100 ESG criteria based on OECD and GRI standards, excluding sectors like tobacco and nuclear energy. Featuring firms like Vinamilk (green farms), VinFast (electric vehicles), and FPT (digital sustainability), VNSI guides investors toward sustainable stocks, fostering economic growth and ESG best practices.





FIGURE 2. TRENDS OF VN-INDEX AND VNSI DURING THE SAME PERIOD. SOURCE: BLOOMBERG AND COMPILATION BY BIDV<sup>5</sup>

Despite higher profit growth compared to the VN-Index, VNSI's impact remains limited by low awareness and data gaps, necessitating further development to bolster Vietnam's green finance ecosystem.

#### Market Integration and Investor Awareness

- **Challenges:** VNSI struggles with limited investor awareness and market integration, as sustainability's value is not widely recognized in Vietnam's emerging market. Investors, focused on short-term gains, overlook green indices, reducing demand and impact.
- **Recommendations:** Launch SSC-led campaigns to educate investors on VNSI's financial and environmental benefits, targeting institutional and retail audiences. Partner with HOSE to promote VNSI's profit trends (Bloomberg data) to shift perceptions toward long-term sustainable investments.

#### ESG Data Consistency and Availability

- **Challenges:** Inconsistent and scarce ESG data from listed companies hampers VNSI's reliability. Unlike developed markets, Vietnam lacks comprehensive disclosure and third-party verification, weakening index credibility and comparability.
- **Recommendations:** Mandate robust ESG disclosures aligned with GRI standards for VN100 firms, supported by SSC training programs (e.g., with IFC, GRI). Engage third-party auditors to verify data, enhancing VNSI's transparency and market relevance.

#### Regulatory Support and Incentives

- **Challenges:** VNSI lacks sufficient regulatory backing and incentives to drive adoption. Without policy support, companies and investors see little motivation to prioritize sustainability over traditional indices.
- **Recommendations:** Introduce MOF incentives (e.g., tax breaks for VNSI-listed firms) and regulatory mandates prioritizing green indices in public investment portfolios. Model after China's CSI-CT ESG 100 to strengthen policy frameworks and incentivize participation.

#### Institutional Investor Engagement

- **Challenges:** Domestic institutional investors (e.g., social security funds, insurers) favor large-cap indices over VNSI, limiting its influence. Their reluctance slows the growth of a green investment culture in Vietnam.

<sup>5</sup> <https://www.tinnhanhchungkhoan.vn/nhieu-thach-thuc-voi-dong-von-xanh-tai-viet-nam-post353458.html>

- **Recommendations:** Encourage institutional adoption by integrating VNSI into performance benchmarks, offering preferential loan rates for VNSI-focused portfolios. Showcase success stories (e.g., Vinamilk, VinFast) to build credibility and spur demand.

### Diversity of Green Investment Products

- **Challenges:** Vietnam's green investment options tied to VNSI are narrow, lacking themed funds or customized products to meet diverse investor needs. This restricts market expansion beyond public equities.
- **Recommendations:** Develop VNSI-based funds (e.g., green, ethical) and separately managed accounts (SMAs) tailored to investor values, led by asset management firms. Expand investments to green startups in sustainable agriculture and clean production, diversifying the ecosystem.

## 2.3.6. Environmental, Social, and Governance (ESG) Integration

MOF, through the State Securities Commission (SSC), is advancing the integration of Environmental, Social, and Governance (ESG) standards into Vietnam's financial market to enhance corporate transparency and accountability. Circular No. 96/2020/TT-BTC (2021) mandates ESG disclosures for public companies, listed organizations, and select corporations, covering metrics like greenhouse gas emissions, resource use, and community engagement. These requirements aim to foster sustainable corporate behavior and attract responsible investors, aligning with Vietnam's green growth strategy. However, establishing consistent ESG metrics and ensuring compliance remain challenging, as many firms struggle to adapt, reflecting Vietnam's nascent yet progressing ESG framework.

### Regulatory Framework and Standards

- **Challenges:** Vietnam lacks a finalized ESG taxonomy and standardized framework, limiting disclosure comparability across sectors. Circular No. 96/2020/TT-BTC is narrower in scope than global benchmarks (e.g., EU's CSRD), and firms use varied voluntary standards (e.g., GRI, TCFD), causing inconsistency and complexity, especially for smaller entities with limited resources.
- **Recommendations:** The SSC should develop a unified ESG taxonomy aligned with International Sustainability Standards Board (ISSB) guidelines, expected in China by 2026 and Singapore by 2027, to streamline reporting. Provide simplified standards and capacity-building support for smaller firms to enhance compliance and comparability.

### Materiality and Data Relevance

- **Challenges:** ESG data's complexity and unstructured nature make it hard to identify material information for investors. Unlike financial metrics, much disclosed ESG data lacks relevance to investment decisions, reducing its utility and integration into analyses.
- **Recommendations:** Establish clear, industry-specific guidelines defining material ESG information (e.g., emissions for energy firms, labor practices for manufacturing), drawing from Singapore's TCFD-aligned metrics. Mandate concise reporting to prioritize investor-relevant data, improving decision-making effectiveness.

### ESG Ratings and Transparency

- **Challenges:** The absence of transparent, standardized ESG rating methodologies in Vietnam leads to unreliable assessments, confusing investors. Limited oversight of rating agencies further undermines ethical investment confidence.
- **Recommendations:** Require ESG rating agencies to disclose methodologies and align with emerging ISSB standards. The SSC should regulate and certify agencies to ensure consistent, dependable ratings, boosting investor trust and market credibility.

### Corporate Compliance and Capacity

- **Challenges:** Many Vietnamese companies, particularly smaller ones, lack the expertise and resources to meet ESG reporting demands under Circular No. 96, slowing adoption. Compliance is inconsistent due to unfamiliarity and inadequate enforcement mechanisms.
- **Recommendations:** Offer training programs and technical assistance through the MOF and SSC to build corporate ESG capacity. Strengthen enforcement with penalties for non-compliance and incentives (e.g., tax breaks) for early adopters, accelerating adaptation.

### Investor Awareness and Demand

- **Challenges:** Limited awareness among Vietnam's investors about ESG benefits hampers demand for disclosed data. Institutional investors prioritize traditional returns over sustainability, stunting market-driven ESG uptake.
- **Recommendations:** Launch SSC-led campaigns to educate investors on ESG's financial and societal value, targeting banks and funds. Promote ESG-focused investment products (e.g., funds, indices) to stimulate demand, mirroring China's RMB 33.06 trillion ESG investment growth by 2023.

### 2.3.7. Establish a legal and policy framework for Energy Service Companies (ESCOs):

The MOF has planned to issue mechanisms, policies, and legal regulations specific to the ESCO business model. This initiative aims to provide a clear financial regulatory environment to support the establishment and operation of ESCOs in Vietnam. The development and issuance of these legal documents are scheduled for the period from 2022 to 2025. This timeline allows for comprehensive research, stakeholder consultation, and drafting of regulations that align with international best practices and Vietnam's specific energy efficiency goals. The Corporate Finance Department (MOF) is collaborating with other relevant units and stakeholders to ensure that the financial regulations for the ESCO business model are comprehensive and effective. This collaborative approach ensures that the policies are practical and address the needs of all parties involved in energy efficiency projects. The absence of an official operational framework for Energy Service Companies (ESCOs) in Vietnam<sup>6</sup> has led to a lack of specific financial regulations governing this business model. This regulatory gap poses challenges for the development and scaling up of ESCOs in the country.

### Regulatory Framework and Standards

- **Challenges:** The lack of specific legal provisions for ESCOs under existing laws (e.g., Law on Efficient and Economical Use of Energy) creates uncertainty around contracts, performance guarantees, and financial structures. This gap misaligns with global ESCO standards (e.g., U.S. Energy Savings Performance Contracts).
- **Recommendations:** Finalize a dedicated ESCO decree by 2025, detailing operational standards, contract templates, and financial regulations, aligned with Decree No. 08/2022/ND-CP's environmental focus. Incorporate DEESD's 2024 legislative proposals to harmonize with energy efficiency laws.

### Financial Incentives and Support

- **Challenges:** Without targeted fiscal incentives, ESCOs face high upfront costs and limited access to capital, deterring investment in energy-saving projects. Banks and investors hesitate due to unclear risk-sharing models.
- **Recommendations:** Introduce MOF-led incentives by 2025, such as CIT exemptions for ESCO profits (mirroring 2024 green bond plans) and VAT relief on energy-efficient equipment, integrated with Circular No. 31/2023/TT-BTC's environmental spending updates.

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<sup>6</sup> In 2024, the Department of Energy Efficiency and Sustainable Development (DEESD) under the Ministry of Industry and Trade (MOIT), aims to offer recommendations for legislative reforms to support ESCOs under the Law on Efficient and Economical Use of Energy and related legislation.

### Market Development and Stakeholder Engagement

- **Challenges:** Low awareness among businesses and public entities about ESCO benefits limits market demand. Weak collaboration between MOF, MOIT, and private stakeholders slows framework adoption.
- **Recommendations:** Launch awareness campaigns in 2024–2025, led by MOF and MOIT.

### Capacity Building and Technical Expertise

- **Challenges:** ESCOs and local firms lack the technical skills to design, implement, and monitor energy efficiency projects, compounded by an underdeveloped workforce in Vietnam's nascent ESCO sector.
- **Recommendations:** Roll out MOF-MOIT training programs in 2024–2025, focusing on energy audits, performance contracting, and financial modeling, leveraging international expertise (e.g., IFC partnerships). Subsidize certification for ESCO professionals to build capacity.

### Monitoring and Performance Assurance

- **Challenges:** The absence of standardized metrics and verification processes risks underperformance and disputes over energy savings, undermining investor confidence and ESCO scalability.
- **Recommendations:** Establish a national ESCO performance framework by 2025, including KPIs (e.g., energy savings, cost reductions) and third-party verification protocols, aligned with MOF's 2023 monitoring enhancements (Circular No. 31/2023/TT-BTC). Integrate with PDP8 reporting systems.

## 2.4. International cooperation for green finance

MOF collaborates with several key development partners, including World Bank (WB), International Finance Cooperation (IFC), Global Green Growth Institute (GGGI), French Development Agency (AFD), GIZ, Organization for Economic Cooperation and Development (OECD), and Energy Transition Partnership (ETP)/UNOPS to advance green finance objectives and promote sustainable economic growth. Significant progress in the green financial market includes the issuance of green bonds, the development of a green index, and the increasing integration of environmental, social, and governance (ESG) principles.

Despite these achievements, challenges persist in fully leveraging the potential of the financial system to support green growth. To address these, the recently issued Decision 1934/QĐ-BTC, which outlines MOF's action plan for implementing the National Strategy for Green Growth (2021–2030), sets out additional measures to strengthen the green financial market and drive further progress.

Table 4 maps out green financing collaborations between MOF and development partners and analyzes how these efforts align with national goals for sustainable economic growth, climate resilience, and emissions reduction.

**TABLE 4: COLLABORATIONS BETWEEN MOF AND DEVELOPMENT PARTNERS**

<b>Name of Partner</b>	<b>Name of Project</b>	<b>Duration</b>	<b>Objectives</b>	<b>Activities</b>	<b>Impact</b>
Global Green Growth Institute	Enhancing Capacity for Vietnam's Green, Social, and Sustainability Bond Market	2021–present	Develop Vietnam's green bond market; enhance regulatory frameworks and stakeholder capacity.	Conduct training programs for MOF staff and stakeholders; share international best practices.	Establishment of a foundational structure for long-term development of a green financial market.
International Monetary Fund (IMF)	Capacity Building for Green Finance and Public Debt Management	Annual, ongoing	Enhance technical capacity in public financial management; address macroeconomic climate challenges.	Regular training sessions; technical support for government financial statistics; knowledge-sharing meetings.	Improved qualifications of MOF civil servants and increased transparency in finance operations.
World Bank (J-CAP)	Joint Capital Market Development Program (J-CAP)	2018–present	Strengthen capital market infrastructure; support transition to an emerging market.	Capacity-building programs for MOF officials; advisory services for regulatory reforms.	Enhanced capital markets effectively supporting economic growth.
French Development Agency (AFD)	Green Fiscal Policies	2023-2024	Strengthen capacity for green fiscal policies; focus on green taxation and carbon trading.	Tailored workshops; capacity-building activities; international study tours.	Increased knowledge on green fiscal measures among MOF staff.
GIZ (SHIFT)	SHIFT	2023 to 2028	Develop better policies for green investment; enhance energy transition policies.	Support financing and implementation of low-carbon technologies; capacity-building in relevant sectors.	Enhanced public-private collaboration in green investments.
EU-GIZ	Strengthen Management of Public Finances on a Medium Term Basis	66 months	Promote sustainable development and strengthen financial management.	Training, strategy development, and improving tax policies.	Improved financial management and revenue collection for green growth initiatives.
GIZ (C3,4)	Macroeconomic Reforms / Green Growth	2019-2022	Improve legal frameworks and capacity in public financial management for sustainability.	Research and evaluation of green finance policies.	Enhanced effectiveness in coordinating economic policies towards sustainable growth.
USAID-UNDP (CIGG)	Capacity Building and Institutional Reform for Green Growth	2015-2018	Strengthen policies for implementing the National Green Growth Strategy.	Capacity-building for relevant ministries; promoting green growth investments.	Better coordination among Vietnamese agencies and increased awareness of green growth.
IFC	Green Bond and ESG Framework Development in Vietnam	2021-on goings	Enhance Vietnam's capacity to mobilize green capital for sustainable projects.	Publication of the Green Bond Handbook. Conducting workshops, capacity-building initiatives, and knowledge-sharing events on green finance and ESG practices.	Building the foundation for developing green capital market, especially green bond and stock market.



We used a qualitative, criteria-based approach to assess the impact, relevance, and sustainability of green finance collaborations, focusing on alignment with MOF's priorities, evolving needs, and national targets. Our data includes a combination of document review of reports, policies, and agreements, benchmarking against international practices, and stakeholder interviews and consultations with MOF representatives and development partners.

The analysis of green financing collaborations between the Ministry of Finance (MOF) and development partners highlights several key findings across strategic alignment, partnership effectiveness, capacity building, and areas for growth.

**TABLE 5: ALIGNMENT BETWEEN INITIATIVES AND MOF'S TASKS TO DEVELOP GREEN FINANCE**

No.	Tasks	Initiatives
1	Enhancing the management policy and prioritizing the use of resources from the state budget for programs, projects, tasks on green growth and green transformation: Annual regular expenditure plan; Public investment plan and budget expenditure estimates of ministries, branches and localities	<ul style="list-style-type: none"> <li>• Capacity Building for Green Finance and Public Debt Management (IMF)</li> <li>• Joint Capital Market Development Program (World Bank)</li> <li>• Component 1 Project "Strengthen Management of Public Finances on a Medium-Term Basis" of EU-GIZ</li> <li>• GIZ macroeconomic reform period 1 (2019-2022) and period 2 (2023-2025).</li> </ul>
2	Enhancing the legal framework for green bonds	<ul style="list-style-type: none"> <li>• Enhancing Capacity for Vietnam's Green, Social, and Sustainability Bond Market (GGGI)</li> <li>• Green fiscal policy (AFD)</li> </ul>
3	Developing and Enhancing programs and solutions to promote green insurance.	None
4	Developing and Enhancing policies on state budget revenue and expenditure for activities towards green growth and green transformation	<ul style="list-style-type: none"> <li>• Green Fiscal Policies (AFD), Component 1 Project "Strengthen Management of Public Finances on a Medium-Term Basis" of EU-GIZ</li> <li>• GIZ macroeconomic reform period 1 (2019-2022) and period 2 (2023-2025).</li> </ul>
5	Developing and enhancing preferential financial policy tools, programs and solutions to promote the capital market;	<ul style="list-style-type: none"> <li>• Joint Capital Market Development Program (World Bank)</li> <li>• GIZ macroeconomic reform period 1 (2019-2022) and period 2 (2023-2025)</li> <li>• IFC (green bond issuance handbook, ESG).</li> </ul>
6	Developing and Enhancing the use of tax and fee tools to regulate unreasonable consumption behaviors that are harmful to health, culture and the environment.	<ul style="list-style-type: none"> <li>• Green Fiscal Policies (AFD)</li> <li>• GIZ macroeconomic reform period 1 (2019-2022) and period 2 (2023-2025).</li> </ul>
7	Policy mechanisms and legal regulations for the business model of energy saving service companies (ESCOs)	None

No.	Tasks	Initiatives
8	Assess and provide the Ministry of Finance's database on vulnerability, risks, losses, and damages to assess the socio-economic impacts of climate change, natural disasters, and multiple natural disasters at the national level.	Developing a system of standards and criteria for green classification by industry (GIZ - C3,4)
9	Develop a system of standards and criteria for green classification by industry and management area of the Ministry of Finance	Communication on Green Finance and knowledge dissemination initiatives from various partners
10	Implement green public procurement and green public services at all levels  Train and foster knowledge and skills in green growth management, green economic development, and digital economy.  - For public administration staff (focusing on leaders, managers, and policy makers)	<ul style="list-style-type: none"> <li>• Regular Training Sessions (IMF)</li> <li>• Tailored workshops and capacity-building programs (GIZ, AFD, WB, IMF...)</li> <li>• Capacity Building for Carbon Credit Trading Platform (ETP/UNOPS)</li> <li>• Support for green investment programs (GIZ - SHIFT)</li> </ul>
13	For businesses, especially on greening production and consumption	Joint initiatives among partners to promote expertise and knowledge in green finance
14	Communication on green finance	A comprehensive project initiative encompassing all partners aiming to strengthen green project execution
15	Initiatives complementary to JETP objectives	<p>GIZ (SHIFT) aims to enhance public and private sector capacities in green finance and energy transition while mainstreaming gender equality. The project runs until mid-2028, with key activities related to the Ministry of Finance (MOF) including:</p> <p>Enhancing Green Investment Policies:</p> <ul style="list-style-type: none"> <li>• Supporting the implementation of Vietnam's National Green Growth Strategy (VGGS) by developing fiscal policies and green financial instruments.</li> <li>• Aligning public financial management with green investment goals in collaboration with MOF and the Ministry of Planning and Investment (MPI).</li> <li>• Strengthening regulations and incentives to boost private sector participation in green finance.</li> </ul>

The partnerships largely reflect Vietnam's national policies on green growth and sustainable development. Many initiatives show a clear commitment to the Green Growth Strategy outlined in Decision No. 1658/QĐ-

TTg (2021) and MOF's internal Green Finance Action Plan (Decision 1934/QD-BTC). Development partners, including the World Bank, GIZ, EU/GIZ, ETP/UNOPS and AFD, have collaborated closely with MOF to establish green finance mechanisms that align with the country's objectives, particularly through projects focused on green bonds, carbon markets, green taxation and green budgeting frameworks.

Vietnam's MOF has made significant strides in green finance initiatives through collaboration with development partners. However, a benchmarking assessment has revealed several gaps and opportunities that need to be addressed to align more effectively with strategic sustainability goals, including:

- **Fiscal incentives for green finance present an area for growth.** Although AFD's Technical Cooperation Plan has supported environmental tax policy development, existing initiatives do not sufficiently focus on restructuring taxes to discourage high-emission industries or incentivize low-carbon technologies. Expanding fiscal mechanisms, such as tax breaks for energy-efficient technology and imposing higher taxation on high-emission products, would create stronger economic drivers for sustainability.
- **Incorporating green budgeting principles into public financial management remains an underdeveloped area.** Initiatives like Program of GIZ have introduced elements of green budgeting, yet a systematic approach to prioritizing green infrastructure, research & development, and climate adaptation within the national budget is still lacking. Establishing clear public investment guidelines would ensure that sustainable projects receive adequate funding and long-term support.
- **Energy efficiency and the ESCO model hold significant potential for private-sector engagement.** While GIZ's SHIFT project has promoted energy efficiency, there is limited financial and regulatory support for the ESCO model, which would allow companies to invest in energy-saving projects without upfront costs. Strengthening this model would facilitate broader private-sector adoption of energy-efficient technologies.
- **Another major challenge lies in mobilizing foreign capital for green investments.** While entities like the World Bank, UNDP, and GIZ have contributed foreign support, Vietnam lacks a structured framework to attract and manage international green finance. Developing clearer policies, incentive structures, and streamlined investment procedures could significantly enhance foreign capital flows, ensuring sustainable long-term financing for Vietnam's green finance initiatives.
- **An urgent need exists for a centralized digital platform to track green finance flows and environmental impacts.** Despite various monitoring and evaluation efforts, Vietnam does not yet have a unified system for real-time emissions tracking, investment monitoring, and transparent reporting. Establishing a digital infrastructure for data collection, emissions tracking, and policy impact assessment would improve decision-making, transparency, and investor confidence.
- **Beyond regulatory and financial improvements, capacity-building efforts must be strengthened.** Current training programs focus on foundational green finance knowledge but lack specialized expertise in areas like green bond structuring, ESG (Environmental, Social, and Governance) compliance, and carbon credit management. Expanding these programs to include hands-on learning, real-world case studies, and continuous skill progression would enhance MOF's technical capacity to implement complex green finance instruments effectively.
- **Stronger engagement with local governments and the private sector is also essential.** Many green finance programs operate at the national level, but provincial and municipal authorities often lack exposure and capacity to implement sustainable finance strategies. Similarly, small and medium-sized enterprises (SMEs) remain underrepresented in green finance initiatives. Developing localized training programs, offering green microloans, and simplifying ESG compliance for SMEs would ensure broader participation across all levels of the economy.

- **Lastly, improving data infrastructure and green finance reporting would enhance transparency and accountability.** Vietnam currently lacks standardized environmental data collection methods, making it difficult to track and compare the impact of green finance initiatives. Establishing clear guidelines for emissions tracking, ESG reporting, and investment impact assessment would align Vietnam with global best practices, ensuring its green finance market remains attractive to international investors.

Building on the analysis of MOF's existing green finance initiatives, development partners' support, and extensive stakeholder engagement, the next section outlines a strategic roadmap to strengthen Vietnam's green financial market, with a particular focus on MOF's mandates and responsibilities.

### 3. Capacity Building

Effective capacity building in green finance is essential for ensuring that MOF staff can develop, implement, and oversee sustainable financial policies and instruments. Based on a literature review, international benchmarking, document analysis, online surveys (170 respondents), and in-depth interviews (10 participants), we found critical knowledge and capacity-building gaps on three key areas: Training and Skills Development, Technical Assistance, and Advisory Support.

#### 3.1. Current knowledge and capacity gaps in green finance

**The assessment of training and skills development within MOF reveals several critical gaps that limit staff capacity in green finance including:**

- Limited specialization in green financial instruments such as green bonds, sustainability-linked bonds (SLBs), and carbon markets;
- Insufficient hands-on learning opportunities, leading to a disconnect between theoretical knowledge and practical application in financial policymaking and regulation;
- Lack of structured, progressive training programs, making it difficult for staff to build long-term expertise in green finance and adapt to evolving industry standards;
- Weak ESG assessment skills, which are increasingly critical for policymaking, investment screening, and regulatory oversight in sustainable finance.

**In terms of Technical Assistance and advisory support, the evaluation identifies the following constraints that hinder MOF's ability to develop a globally aligned green finance strategy. These include:**

- Limited understanding of international compliance frameworks, making it difficult to attract foreign investment and align with global sustainability standards;
- Weak carbon accounting methodologies and sustainability data verification, particularly in the areas of greenhouse gas (GHG) measurement, reporting, and verification (MRV), hinder MOF's ability to accurately assess the impact of green finance initiatives. Ministry of Finance lacks capacity in GHG MRV, as these tasks are primarily handled by environmental regulatory bodies. However, in Vietnam, there is the lack of standardized MRV frameworks results in inconsistencies in emissions data collection, challenges in tracking financed emission reductions, and difficulties in aligning with international reporting standards. Strengthening MRV capacity will be critical for enhancing transparency, regulatory compliance, and investor confidence in Vietnam's green finance sector;
- Lack of technical expertise in climate risk modeling and stress testing, leaving Vietnam's financial system vulnerable to climate-related disruptions;
- Limited access to international experts and mentorship programs, restricting MOF's ability to adopt best practices and accelerate green finance capacity development.

**The assessment of institutional strengthening for green finance within MOF reveals several structural and coordination challenges that must be addressed. These include:**

- Unclear regulatory guidance and inconsistent enforcement mechanisms, limiting market confidence in green finance policies;
- Weak inter-agency coordination, leading to fragmented policy development and inefficient resource allocation;

- Insufficient funding and human resources, restricting Vietnam's ability to scale sustainable finance initiatives;
- No formalized system for capacity-building and knowledge retention, reducing the long-term sustainability of green finance expertise within MOF.

### 3.2. Key recommendations for enhancing green finance capacity within MOF

This structured categorization highlights training gaps, technical challenges, and institutional weaknesses that hinder MOF's ability to effectively implement and oversee green finance policies. By prioritizing specialized training, expert advisory support, and institutional reforms, MOF can develop a highly skilled workforce capable of aligning Vietnam's green finance sector with international best practices.

To enhance MOF's green finance capacity, training programs must transition from general knowledge to specialized skill-building in areas such as climate risk modeling, ESG reporting, and carbon market operation; Incorporate real-world case studies, interactive workshops, and mentorship programs with international experts; Establish a long-term, structured learning framework with progressive courses, refresher modules, and certification programs.

The below table proposes a structured roadmap with short-term (0-1 year), medium-term (1-3 years), and long-term (3-5 years) actions. This roadmap is designed to build technical expertise, improve regulatory enforcement, and strengthen institutional capacity, ensuring that MOF staff and policymakers are equipped with the necessary knowledge and skills to support Vietnam's sustainable finance transition.

**TABLE 6: IMPLEMENTATION ROADMAP**

Timeframe	Category	Actions
<b>Short-Term (0-1 Year)</b>	<b>Training &amp; Capacity Building</b>	<p>Launch Core Training Program on Green Finance Fundamentals, including global frameworks (Paris Agreement, SDGs, EU Taxonomy), green financial instruments (bonds, SLBs, carbon markets, impact investing), and ESG integration. Conduct in-person workshops, mentorship programs, and webinars with international experts.</p> <p>Expanded to include quantitative tools (e.g., ESG scoring), qualitative frameworks (e.g., governance assessments), sector-specific risk metrics (e.g., emissions, water usage), and integration into financial risk assessments and investment screening. This addresses the weak ESG assessment skills noted in the gap analysis, enhancing decision-making and compliance.</p>
	<b>Technical Support &amp; Data Infrastructure</b>	<p>Provide technical training on carbon accounting, disclosure standards (TCFD, ISSB), and sustainability-related risk analysis. Collaborate with development partners to build knowledge-sharing platforms for emissions tracking and compliance.</p> <p>Added specificity to training by including scope definitions (Scope 1, 2, 3), verification mechanisms (e.g., audits), and alignment with GHG Protocol and ISSB standards. These address the gap in weak carbon accounting methodologies</p>

		identified in the report, ensuring staff can measure and verify emissions effectively.
	<b>Institutional Coordination</b>	<p>Establish Green Finance Coordination Task Force with MOF, MPI, MONRE, and SBV to align regulatory efforts and strengthen policy coordination</p> <p>Outlined a structured governance framework with defined roles (e.g., MOF for fiscal policy), data-sharing protocols (e.g., standardized emissions data), and policy alignment mechanisms (e.g., regular meetings). This addresses weak inter-agency coordination, ensuring cohesive green finance strategies.</p>
<b>Medium-Term (1-3 Years)</b>	<b>Advanced Training &amp; Specialization</b>	Introduce Advanced Training Modules for policy analysts on climate risk modeling, ESG integration, and financial resilience planning. Expand workshops on policy incentives for green finance, including green subsidies and environmental tax reforms
	<b>Enhancing Regulatory Oversight</b>	Develop a national carbon accounting framework and an integrated ESG and climate finance data platform. Implement real-time tracking for green investments, sustainable finance market trends, lending practices, and risk mitigation strategies.
	<b>Strengthening Public-Private Partnerships</b>	<p>Strengthen public-private partnerships (PPPs) to attract green finance investments. Align Vietnam's green finance regulations with international standards to increase foreign investor confidence and market credibility</p> <p>Incorporated clear guidance on de-risking green investments through blended finance (public-private capital blending), sovereign guarantees (government-backed risk mitigation), and risk-sharing facilities (e.g., guarantees). This tackles the challenge of mobilizing private investment, enhancing market attractiveness.</p>
<b>Long-term (3-5 years) actions</b>	<b>Institutionalizing Green Finance</b>	Create a Green Finance Knowledge Hub for centralized learning and regulatory updates. Develop a formal certification program for MOF staff in collaboration with universities and global finance institutions.
	<b>Global Market Integration</b>	<p>Expand the green bond market and carbon trading mechanisms. Establish a Green Finance Advisory Panel with global financial experts.</p> <p>Vietnam should pursue a combination of sovereign green bonds and private sector-driven green investments to create a resilient and impactful green finance strategy. Sovereign bonds provide leadership and credibility, while private investments drive innovation and scale. With strong frameworks, incentives, and capacity-building, Vietnam can align its financial system with sustainability goals, attract diverse investment, and accelerate its transition to a green</p>



		economy. This balanced approach ensures both sectors contribute effectively to Vietnam's environmental ambitions.
	<b>Climate Risk Management</b>	<p>Implement mandatory ESG and climate risk disclosure requirements for financial institutions. Develop automated climate risk stress testing tools for financial stability assessments.</p> <p>Detailed scenario analysis with NGFS climate scenarios (e.g., orderly vs. disorderly transitions), stress testing methodologies (e.g., physical and transition risks), and regulatory expectations (e.g., disclosure mandates). This strengthens the limited expertise in risk modeling identified, aligning with global financial stability requirements.</p>

By following this phased approach, MOF will gradually build expertise, enhance regulatory effectiveness, and institutionalize sustainability considerations into financial planning, securing long-term economic resilience and environmental sustainability.

## 4. Summary of Current Progresses and Upcoming Trajectories

MOF is advancing Vietnam's green finance ecosystem to meet the National Green Growth Strategy (2021–2030) under Decision No. 1934/QĐ-BTC. This roadmap provides recommendations for the development and improvement of tools like green bonds, taxes, indices, insurance, ESCOs, ESG standards, GPP, and digital infrastructure, while mobilizing international cooperation. Below are refined recommendations and trajectories, leveraging 2023–2024 policy updates (e.g., Circular No. 31/2023/TT-BTC, Decree 153/2024/ND-CP) and partnerships with IFC, GIZ, and others.

- **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 FiiRatings 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 (section 3.2).

**TABLE 7: ROADMAP FOR GREEN FINANCE DEVELOPMENT. CERTAIN IMPORTANT AREAS THAT MOF ARE WORKING ON, INCLUDING GREEN PRICING, CARBON MARKET, ARE OUT OF SCOPE AND NOT INCLUDED IN THE TABLE.**

No.	Specific Task	Recent/ key progresses	Upcoming trajectory	Timeline
<b>I</b>	<b>Develop and Enhance Green Finance Institutions and Policies</b>			
<b>1.1</b>	Finalize legal framework for green bonds (government, municipal, corporate)	Circular No. 101/2021/TT-BTC incentives issued; IFC handbook (2021) published	Draft green government bond pilot proposal; issue regulations for green municipal bond and green corporate bonds.	2025–2030
<b>1.2</b>	Develop policies and solutions to promote green insurance (pollution, climate risk)	Decree No. 08/2022/NĐ-CP mandated pollution liability for 17 sectors; agri-insurance expanded (Decision 13/2022/QĐ-TTg)	Mandate coverage for high-risk industries; pilot pollution/climate risk products	2025–2030
<b>1.3</b>	Establish ESG standards and green classification criteria by industry and MOF-managed sectors	Circular No. 96/2020/TT-BTC enforced (GHG disclosures); IFC GHG Reporting Handbook (Aug 2023) launched	Develop ISSB-aligned ESG taxonomy; submit green criteria post-MPI guidance	2025–2030
<b>1.4</b>	Issue financial regulations for the ESCO business model	Research started; stakeholder consultations	Finalize ESCO decree with contract templates and CIT incentives; pending MOIT's ESCO proposal in the Law on Efficient and Economical Use of Energy	2025–2030
<b>II</b>	<b>Mobilize Financial Resources and Green Investments</b>			
<b>2.1</b>	Propose tax incentives (CIT, SCT, EPT), fees (EPF) for green investments (bonds, carbon credits, eco-friendly products)	CIT Law amendment drafted (2023); EPT on gasoline cut to 2,000 VND/liter (Resolution 42/2023/UBTVQH15); ethanol tariff reduced (Decree 26/2023/NĐ-CP); air emissions environmental fees (Decree 153/2024/NĐ-CP)	Expand CIT to carbon credits/green bonds/eco-friendly products; adjust SCT for hybrids/gas vehicles; broaden EPT to emissions	2025–2030
<b>2.2</b>	Integrate green budgeting principles into the state budget, prioritizing sustainable projects	Circular No. 31/2023/TT-BTC updated environmental spending (0.908% state budget, 2023); no separate green growth funding yet	Draft green budgeting guidelines; pilot in state budget with dedicated green growth funding	2025–2030
<b>2.3</b>	Mobilize international capital for green bonds, ESCOs, and green insurance	IFC, GGGI partnerships active; IFC training on ESG/green bonds (2023)	Secure funding agreements for green government bond, ESCOs, insurance; expand intl. expertise	2025–2030
<b>III</b>	<b>Develop Green Finance Tools and Markets</b>			
<b>3.1</b>	Expand green bond market: pilot green government bond, promote green	Decree 08/2022/NĐ-CP and related bond decrees updated (2023)	Launch green government bond (post- 2025); scale municipal and corporate bonds with intl. support	2025–2030

	municipal bond and green corporate bond			
<b>3.2</b>	Develop green insurance products: pilot and expand nationwide	Limited regulatory framework; agri-insurance expanded (Decision 13/2022/QĐ-TTg)	Pilot climate risk insurance; broaden coverage for renewable projects	2025–2030
<b>3.3</b>	Enhance VNSI: update ESG criteria, integrate green investment funds	VNSI operational since 2017; TCFD/ISSB training with IFC/ACMF (2023)	Restructure VNSI with updated ESG criteria; launch VNSI-based funds	2025–2030
<b>3.4</b>	Pilot and scale ESCO model	Initial consultations held (2023); no legal framework yet	Pilot ESCO projects post-decree; scale operations for energy efficiency	2025–2030
<b>IV</b>	<b>Promote Green Public Procurement and Sustainable Services</b>			
<b>4.1</b>	Issue GPP criteria and integrate into bidding processes	Decree No. 08/2022/NĐ-CP enforced; Circular 31/2023/TT-BTC updated spending (Jul 2023)	Define GPP standards; pilot in select agencies	2025–2030
<b>4.2</b>	Train GPP skills and pilot in government agencies	Limited training started (2023); no formal programs yet	Develop comprehensive GPP training; scale implementation	2025–2030
<b>V</b>	<b>Build Digital Infrastructure and Green Finance Monitoring</b>			
<b>5.1</b>	Develop a digital platform to track green finance flows, emissions, and environmental impacts	e-Government upgrades ongoing; no green growth-specific platform yet	Build real-time tracking system; integrate with national green growth database	2025–2030
<b>5.2</b>	Monitor and report periodically on green finance progress (2025 mid-term, 2030 final review)	Annual reporting framework in place; Decision 1934/QĐ-BTC promulgating action plan of MOF of Vietnam for implementation of national strategy for green growth during 2021 - 2030	Produce annual reports, mid-term (2025), and final (2030) reviews	2025–2030
<b>VI</b>	<b>Enhance Capacity and Awareness for Green Finance</b>			
<b>6.1</b>	Train officials and businesses on green finance management, ESG, and carbon markets	IFC/ESG training held (2023); basic green growth-related workshops started	Scale programs with intl. case studies; institutionalize green finance education	2025–2030
<b>6.2</b>	Raise awareness through communication on green finance and sustainable lifestyles	Limited outreach	Expand media plans and public outreach on green practices	2025–2030

## 5. Conclusion

Vietnam stands at a pivotal moment in its journey toward sustainable development, with green finance emerging as a critical enabler to achieve the National Green Growth Strategy (2021–2030) and its net-zero emissions target by 2050. This report has provided a comprehensive analysis of the Ministry of Finance's (MOF) green finance initiatives, international cooperation efforts, strategic roadmap, and capacity-building needs, offering actionable insights to strengthen Vietnam's green finance ecosystem.

The MOF has made notable progress in laying the foundation for green finance, with initiatives like green bond issuance (USD 1.157 billion from 2019–2023), the Vietnam Sustainable Development Index (VNSI), and ESG disclosure mandates (Circular No. 96/2020/TT-BTC) driving sustainable investment. Green public procurement and environmental protection taxes further align public spending with environmental goals, while international partnerships with the World Bank, GIZ, IFC, and others have enhanced regulatory frameworks and capacity. However, challenges persist: the green bond market remains modest compared to Vietnam's broader bond market, regulatory gaps risk greenwashing, and the ESCO model lacks a clear operational framework. Additionally, limited investor awareness, inconsistent ESG data, and capacity constraints within MOF hinder the scaling of green finance tools.

The strategic roadmap outlined in Section 4 addresses these challenges by proposing a phased approach to expand green bonds, enhance VNSI, develop green insurance, establish ESCO regulations, integrate ESG standards, refine tax policies, and build digital infrastructure for tracking green finance flows. These efforts, supported by international cooperation, aim to mobilize resources, foster innovation, and align Vietnam's financial system with global sustainability standards. Section 4 underscores the importance of capacity building, identifying critical gaps in training, technical expertise, and institutional coordination, and providing a detailed plan to equip MOF staff with the skills needed to implement these strategies effectively.

Looking ahead, the potential for Vietnam to enhance its green financial market to support green growth is immense. By refining regulations, mobilizing international capital, and building a skilled workforce, MOF can ensure that green finance not only supports Vietnam's environmental goals but also drives economic growth and resilience. The successful implementation of this roadmap will require sustained commitment, inter-agency collaboration, and private sector engagement, paving the way for a sustainable future for Vietnam.

## 6. Appendices

### Annex 1: Regulations on Green Bonds

- Law on Environmental Protection:

In 2020, the National Assembly passed the Law on Environmental Protection (effective from January 1, 2022). Article 150 outlines regulations on green bond issuance as follows:

- (i) Green bonds are issued by the Government, local authorities, or enterprises under the provisions of the law on bonds to mobilize funds for environmental protection activities or investment projects that bring environmental benefits.
- (ii) Proceeds from green bond issuance must be accounted for and managed under bond regulations and used for environmental protection projects or investment projects with environmental benefits.
- (iii) Green bond issuers must provide information on environmental impact assessments, environmental permits for investment projects, and the utilization of funds raised through green bonds to investors.
- (iv) Issuers and investors in green bonds are entitled to incentives as stipulated by law.
- (v) The Government provides detailed guidance on this provision in a decree implementing the Law on Environmental Protection.

- Decree Guiding the Law on Environmental Protection:

On January 10, 2022, the Government issued Decree No. 08/2022/ND-CP, providing specific regulations on green bond issuance, including:

- (i) The purposes of green bond usage.
- (ii) Principles for managing proceeds from green bonds.
- (iii) Information disclosure and reporting requirements.
- (iv) Incentive policies for issuers and investors in green bonds.

- Regulations Specific to Green Government Bonds (GGBs):

Decree No. 95/2018/ND-CP dated June 30, 2018, regulates the issuance, registration, depository, listing, and trading of government debt instruments on the securities market. Article 21 specifies the issuance process for GGBs, including the content of the issuance proposal. The issuance, registration, depository, listing, and trading of GGBs are conducted in the same manner as other government debt instruments.

- Regulations Specific to Green Local Government Bonds (GLGBs):

Decree No. 93/2018/ND-CP dated June 30, 2018, governs local government debt management. Article 8 requires GLGB issuance to comply with local government bond regulations. Provincial People's Committees must report the list of projects funded by GLGBs as guided by the Ministry of Finance. GLGB issuance is based on a proposal approved by the Prime Minister and guided by the Ministry of Finance.

- Regulations Specific to Green Corporate Bonds (GCBs):

Decree No. 153/2020/ND-CP and Decree No. 65/2022/ND-CP govern GCB issuance and stipulate:

- (i) Article 5 requires proceeds from green bond issuance to be accounted for, managed separately, and disbursed for projects in the environmental protection sector or projects with environmental benefits.



- (ii) Articles 19 and 21 mandate disclosure, accounting, management, disbursement, and environmental impact assessment information (amended by Article 16 of Decree No. 65/2022/ND-CP).
- (iii) The issuance, registration, depository, listing, and trading of GCBs follow the same procedures as for ordinary corporate bonds.

- Incentive Policies for Green Bonds:

Service Fee Incentives: According to Circular No. 101/2021/TT-BTC, issuers and investors in green bonds receive a 50% reduction in the following service fees:

- (i) Listing registration.
- (ii) Listing management.
- (iii) Trading.
- (iv) Securities registration.
- (v) Partial deregistration.
- (vi) Securities depository.

- Tax Incentives:

The Ministry of Finance is preparing to propose corporate income tax and personal income tax incentives for income derived from green bonds during the amendment of the Corporate Income Tax Law, the Personal Income Tax Law, and related guiding documents.

- Other Incentives:

Public investment projects funded by green bonds issued by the Government or local authorities are prioritized for sufficient funding according to the medium-term and annual public investment plans.

- Expected Tasks for Developing the Green Bond Market in the Future

Improving the Legal Framework: In recent years, the Ministry of Finance has collaborated with the Ministry of Natural Resources and Environment (MONRE) and other ministries to improve the legal framework from laws to decrees to facilitate the development of the green bond market. On December 30, 2022, MONRE submitted Proposal No. 88/TTr-BTNMT to the Government for a draft decision by the Prime Minister on environmental criteria and certification for projects eligible for green credit and green bonds. Key objectives include:

- Classifying environmental protection activities and environmentally beneficial investment projects by economic sector and environmental benefits as defined in the Law on Environmental Protection.
- Developing screening criteria, thresholds, and indicators for environmental protection activities and projects to mobilize, classify, and allocate green credit and green bond funds domestically and internationally.
- Serving as a tool to direct capital flows towards a low-carbon economy, environmental protection, sustainable development, and green growth. The Ministry of Finance has contributed comments to MONRE on the draft decision, which MONRE is finalizing for submission to the Prime Minister.

## **Annex 2: Regulations on Green Procurement**

Based on Clause 2, Article 146 of the Law on Environmental Protection 2020, the regulations on green procurement are as follows:

Green Procurement

1. Green procurement refers to the procurement of environmentally friendly products and services certified with the Vietnam Eco-label or recognized according to the provisions of the law.
2. Priority shall be given to green procurement for investment projects and tasks using state budget funds as stipulated by the Government.

Accordingly, green procurement involves procuring environmentally friendly products and services certified with the Vietnam Eco-label or recognized under the provisions of the law.

Furthermore, priority is given to implementing green procurement for investment projects and tasks utilizing state budget funds, as stipulated by the Government. The specific content of green procurement related to investment projects and tasks using the state budget is detailed as follows:

Pursuant to Article 136 of Decree No. 08/2022/ND-CP, regulations on green procurement for investment projects and tasks using the state budget include:

- Items procured or public investments under investment projects and tasks funded by the state budget, as regulated by the Government, shall prioritize the use and consumption of environmentally friendly products and services certified with the Vietnam Eco-label.
- When preparing bidding documents for public procurement, requirements for purchasing and using environmentally friendly products and services certified with the Vietnam Eco-label must be included in the criteria for selecting contractors.
- Organizations and individuals, both domestic and international, are encouraged to adopt green procurement practices and use environmentally friendly products and services certified with the Vietnam Eco-label.
- The Ministry of Planning and Investment shall, within its authority or upon submission to a competent authority, issue detailed regulations on prioritizing the procurement of environmentally friendly products and services in tendering activities for projects and tasks involving contractors and investors using products and services certified with the Vietnam Eco-label.
- The Ministry of Finance shall, within its authority or upon submission to a competent authority, issue detailed regulations on the implementation of green procurement for projects and tasks using the state budget.