

EXECUTIVE SUMMARY

The Additional Scope of Work for the National Green Cooling Program in Viet Nam is part of the Southeast Asia Energy Transition Partnership's interventions, to support the Department of Climate Change, Ministry of Natural Resources and Environment of Viet Nam. The objective of the Assignment is to review the current legal, and institutional arrangement, and conditions concerning green finance in Viet Nam; conduct consultations with key stakeholders to pinpoint gaps, practical challenges that hinder the effective implementation of green finance; and propose recommendations to promote green finance to achieve net-zero target in Viet Nam. The Assignment is scheduled to take place over 2 months, starting from November 2023 and ending in December 2023, implemented by the Energy and Environment Consultancy Joint Stock Company (VNEEC).

The Assignment encompasses five (05) tasks:

- Task 1: Stock-take and literature review on the role of the financial sector and the financing environment in promoting green cooling projects;
- Task 2: Stakeholder mapping: the map of the key stakeholders related to green finance;
- Task 3: Consultation sessions with financial institutions, multilateral development banks, project developers, relevant government agencies, and other related stakeholders;
- Task 4: Gap analysis of policies, institutions, practical implementation challenges;
- Task 5: The final fact-finding and recommendations on green finance.

Under the Assignment framework, the "Stock-taking report: The role of the financial sector and the financing environment in promoting green investment projects & The map of the key stakeholders" encompasses Task 1 and Task 2. The objective is to stock take and gain a deeper understanding of the existing legal, institutional arrangements, and green finance products in Viet Nam. The report aims to capture the challenges and gaps related to green finance to accelerate the net-zero target.

Regarding the relationship between green cooling and green finance, overall, green finance acts as a catalyst for scaling up sustainable cooling solutions. Some roles of green finance in financing green cooling include: (i) Facilitating the adoption of green cooling technologies; (ii) Supporting the development of infrastructure necessary for green cooling; and (iii) Driving market transformation by incentivizing investments in green cooling solutions.

In terms of regulating green finance in Viet Nam, although there have been initial efforts to establish a legal framework for green finance, it currently faces certain gaps, including: (i) A lack of specific regulations on green taxonomy; (ii) A lack of common definitions for green finance products; (iii) A lack of incentive policies for credit institutions to promote green credits and green banking.

Regarding the institutional framework governing green finance, the broad definition of "green finance" and diverse motivations and criteria used by involved institutions create an extensive range of stakeholders. There are four main stakeholder groups, including the private sector – financial institutions (credit institutions, insurers), the private sector – industry (project owners, project customers/other players, standard setters), the public sector (Ministry of Planning and Investment, Ministry of Finance, Ministry of Natural Resources and Environment, and the State Bank of Viet Nam, along with other line ministries and government financiers), and multilateral/bilateral financial institutions. However, effective mechanisms for collaboration among these parties to implement and promote green finance are yet to be established.

In terms of the landscape of green finance products, the green finance market in Viet Nam has laid its foundation and witnessed development with four key products: green credits, green stocks, green bonds, and green insurance. These products are provided by both the public sector and the private sector. However, their growth has been constrained by challenges in capital mobilization and a lack of capacity in environmental risk management among credit institutions for green projects, and enterprises and investors have yet to fully grasp green financial products.

The report's findings will serve as the starting point for conducting relevant stakeholder consultations and evaluating Viet Nam's current green finance market. This aims to pinpoint policy gaps, institutional barriers, and practical implementation challenges to foster the green finance sector. Ultimately, this process will aid in developing the fact-findings and recommendation report for the mobilization of green finance to promote net-zero in Viet Nam.