



**GAP ANALYSIS OF POLICIES, INSTITUTIONS,  
AND PRACTICAL IMPLEMENTATION CHALLENGES;  
FINAL FACT-FINDINGS AND RECOMMENDATION REPORT  
ON GREEN FINANCE**

Hanoi, December 2023



1. Introduction
2. Demand for green finance toward net-zero target in Viet Nam
3. International experience and practices in developing green finance
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5. Landscape of green finance products in Viet Nam
6. Gap analysis and recommendations to promote green finance to contribute to achieve the net-zero target in Viet Nam
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# 1. INTRODUCTION (1)

## 1.1. Green finance in meeting global net-zero target

- On a global scale, the transition to net-zero emissions requires a substantial investment of almost 200 trillion USD by 2050, with an annual commitment of 6.7 trillion USD (BloombergNEF, 2022).
- To support the scale-up of low-carbon solutions and the transition of high-emitting sectors toward the net-zero target, the financial system plays a crucial role with different scopes.
- Globally, green finance products have surged in recent years which underscores the growing momentum and commitment towards sustainable financial practices on a global scale.
  - Since the first issued in 2007, the market of green bonds has grown to reach a global total of 1 trillion USD (GGGI, 2021).
  - In the realm of green loans, a milestone as the global loan markets set a new record in 2021 with over 681 billion USD of green and sustainability-linked lending – a remarkable 275% increase over the 181.7 billion USD raised in 2020 (LSTA, 2022).

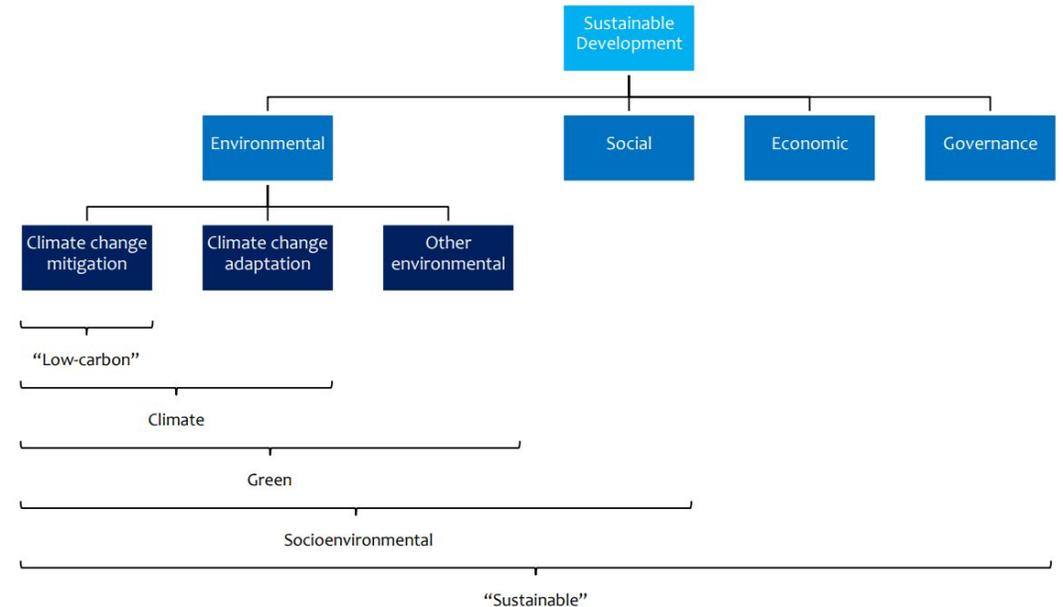


Figure: The distinct scopes of climate finance, green finance, and sustainable finance

Source: UNEP, 2016

# 1. INTRODUCTION (2)

## 1.2. Overview of green finance status in Viet Nam

- According to the national green growth framework, green finance is considered as a financial flow including banking, microfinance, insurance, and investment from various economic sectors (private, public, and non-profit) to serve the priorities and goals of sustainable growth for the economy.
- The Law on Environmental Protection 2020 (LEP 2020) officially legalized two green finance products, including green credits and green bonds.
- To bridge the substantial financial gap for green finance, so far Viet Nam relies on a mix of sources, including public investment, Official Development Assistance (ODA), and private sector investments.
- The green finance market in Viet Nam achieved notable growth in recent years.
  - In 2021, with a total of 1.5 billion USD of GSS bonds, nearly five times higher than the value of 0.3 billion USD in 2020, the value of green bonds issued in Viet Nam ranked second in ASEAN (MOF, 2022).
  - The outstanding green credits for green sectors experienced an average annual growth rate of over 23% during the period from 2017 to 2022 (Nguyen Chi Tin, 2023).

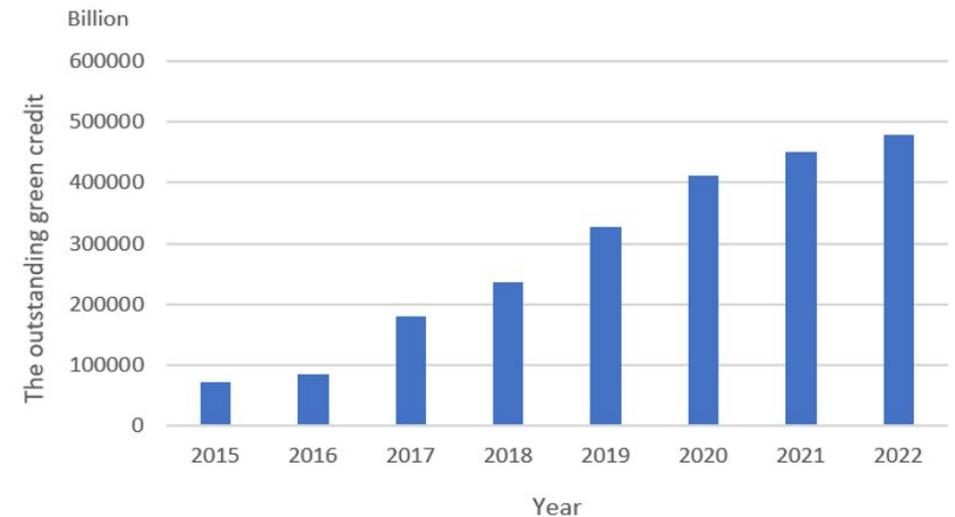


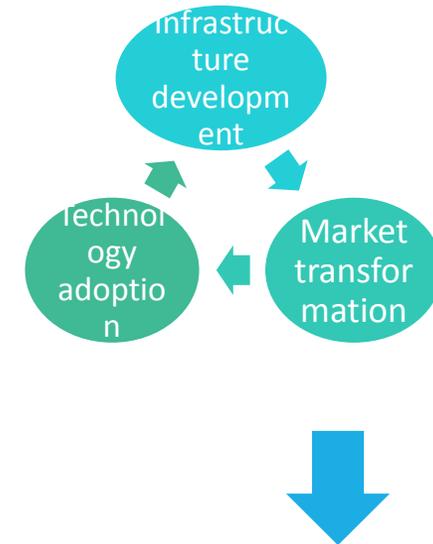
Figure: The development of the outstanding green credit in the period of 2015 – 2022

Source: Nguyen Chi Tin, 2023

# 1. INTRODUCTION (3)

## 1.3. Green finance in promoting the transition to green cooling in Viet Nam

- The Consultant estimated that the cooling sector in Viet Nam consumed a substantial 65.95 TWh of electricity, which represents a significant 25.2% of Viet Nam Electricity's overall power generation and supply, projecting a threefold surge in energy use by 2050.
- A transformative shift and proactive promotion of green cooling initiatives are imperative to achieve the NDC and net-zero targets.
- Green finance is vital for advancing green cooling by supporting:
  - Research and development of energy-efficient cooling technologies with low GWP refrigerants;
  - Scaling up existing efficient cooling solutions;
  - Establishing and enforcing policies promoting green cooling adoption;
  - Conducting capacity building and training for cooling sector stakeholders; and
  - Funding awareness campaigns to educate consumers and businesses on the benefits of energy-efficient cooling.



Key roles of green finance in green cooling

# 1. INTRODUCTION (4)

## 1.4. Scope of work

- The Additional Scope of Work for the National Green Cooling Program in Viet Nam is part of the Southeast Asia Energy Transition Partnership's (ETP) interventions, to support the Department of Climate Change, MONRE.
- The objectives of this Assignment include: (i) Review the current legal, institutional arrangement and conditions governing green finance in Viet Nam; (ii) Conduct consultations with key stakeholders to identify main legal, and institutional gaps and practical challenges that hinder the effective implementation of green finance; (iii) Propose recommendations to promote green projects and green cooling initiatives to achieve the net-zero target in Viet Nam.
- The report **“Gap analysis of policies, institutions, and practical implementation challenges; final fact-findings and recommendation report on green finance”**: (i) Provide an overview of international experience on green finance; (ii) Conduct an in-depth analysis of the country's existing relevant legal, and institutional framework, and current landscape of green finance; (iii) Identify critical gaps that hinder green finance and then provide subsequent recommendations to advance green finance, promoting net-zero target in Viet Nam.
- The report includes two tasks:
  - Task 4: Gaps analysis of policies, institutions, practical implementation challenges
  - Task 5: Final fact-findings and recommendation report

## 2. DEMAND FOR GREEN FINANCE TOWARD NET-ZERO TARGET IN VIET NAM

- To implement the unconditional target to reduce GHG emissions by 15.8% (equivalent to 146.3 MtCO<sub>2</sub>e) by 2030 compared to BAU, an additional financial of 21.7 billion USD is needed (The Government, 2022)
- Around 86.8 billion USD is required from international support that is under the forms of non-refundable aid, preferential loans, technology assistance, and capacity building. With this international support, Viet Nam can increase the emission reduction to 43.5% (equivalent to 403.7 MtCO<sub>2</sub>e), by 2030 compared to BAU (conditional target) (The Government, 2022).

Table: Financial demand by sector according to NDC 2022

Sector	Emission reduction under Unconditional Contribution			Emission reduction with additional international support			Emission reduction under Conditional Contribution		
	Compare to BAU (%)	Amount (MtCO <sub>2</sub> e)	Additional financial demand (million USD)	Compare to BAU (%)	Amount (MtCO <sub>2</sub> e)	Additional financial demand (million USD)	Compare to BAU (%)	Amount (MtCO <sub>2</sub> e)	Additional financial demand (million USD)
Energy	7.0	64.8	14,464.4	17.5	12.2	46,097.0	24.4	227.0	60,561.4
Agriculture	1,3	12.4	2,122.8	4.1	38.5	13,979.4	5.5	50.9	16,102.2
Land Use, Land-Use Change and Forestry (LULUCF)	3.5	32.5	3,927.4	1.5	14.1	1,567.4	5.0	46.6	5,494.9
Waste	1.0	8.7	916.6	2,2	20.7	1,809.5	3.2	29.4	2,726.1
Industrial processes (IP)	3.0	27.9	310.0	2,4	21.9	1,640.2	5.4	49.8	1,950.1
Total	15.8	146.3	21,741.2	27.7	257.4	65,093.4	43.5	403.7	86,834.7

Source: The Government, 2022

### 3. INTERNATIONAL EXPERIENCE AND PRACTICES IN DEVELOPING GREEN FINANCE (1)

#### 3.1. Overview of international experience in green finance

Based on the recommendations of stakeholders during consultations, the Consultant conducted a review on the experiences in developing green finance in China, Japan, Singapore, Indonesia, and Malaysia.

Categories	China	Japan	Singapore	Indonesia	Malaysia
<b>STRATEGY AND COORDINATION</b>					
<b>The green finance roadmap</b>	Guidelines for Establishing the Green Financial System (2016); the Guiding Catalogue for the Green Industry (2019)	The Strategy on Sustainable Finance (2021/2022)	Green Finance Action Plan (2019); Singapore Green Plan 2030 (2021)	The Sustainable Finance Roadmap (Phase I: 2015 – 2019 (2014) and Phase II: 2021 – 2025) (2021)	Sustainable and Responsible Investment Roadmap (2019)
<b>Focal point agency</b>	The People's Bank of China	Financial Services Agency; Ministry of Environment; Ministry of Economy, Trade and Industry	The Monetary Authority of Singapore	The Financial Services Authority of Indonesia	Securities Commission, The Bank Negara Malaysia
<b>TRANSPARENCY</b>					
<b>Green taxonomy</b>	Green Bond Endorsed Project Catalogue (2021 edition)	Basic Guidelines on Climate Transition Finance (2021)	Singapore-Asia Taxonomy for Sustainable Finance (2023 Edition)	Indonesia Green Taxonomy Edition 1.0 (2022)	Climate Change and Principle-based Taxonomy (2021)
<b>Disclosure &amp; Reporting</b>	Green Investment Guidelines (Trial) (2018); Guidelines for Financial Institutions Environmental Information Disclosure (JR/T 0227—2021)	Taskforce on Climate-related Financial Disclosure (2015)	Financial Institutions Climate-related Disclosure Document (2021)	Taskforce on Climate-related Financial Disclosure (2015)	Taskforce on Climate-related Financial Disclosure (2015)

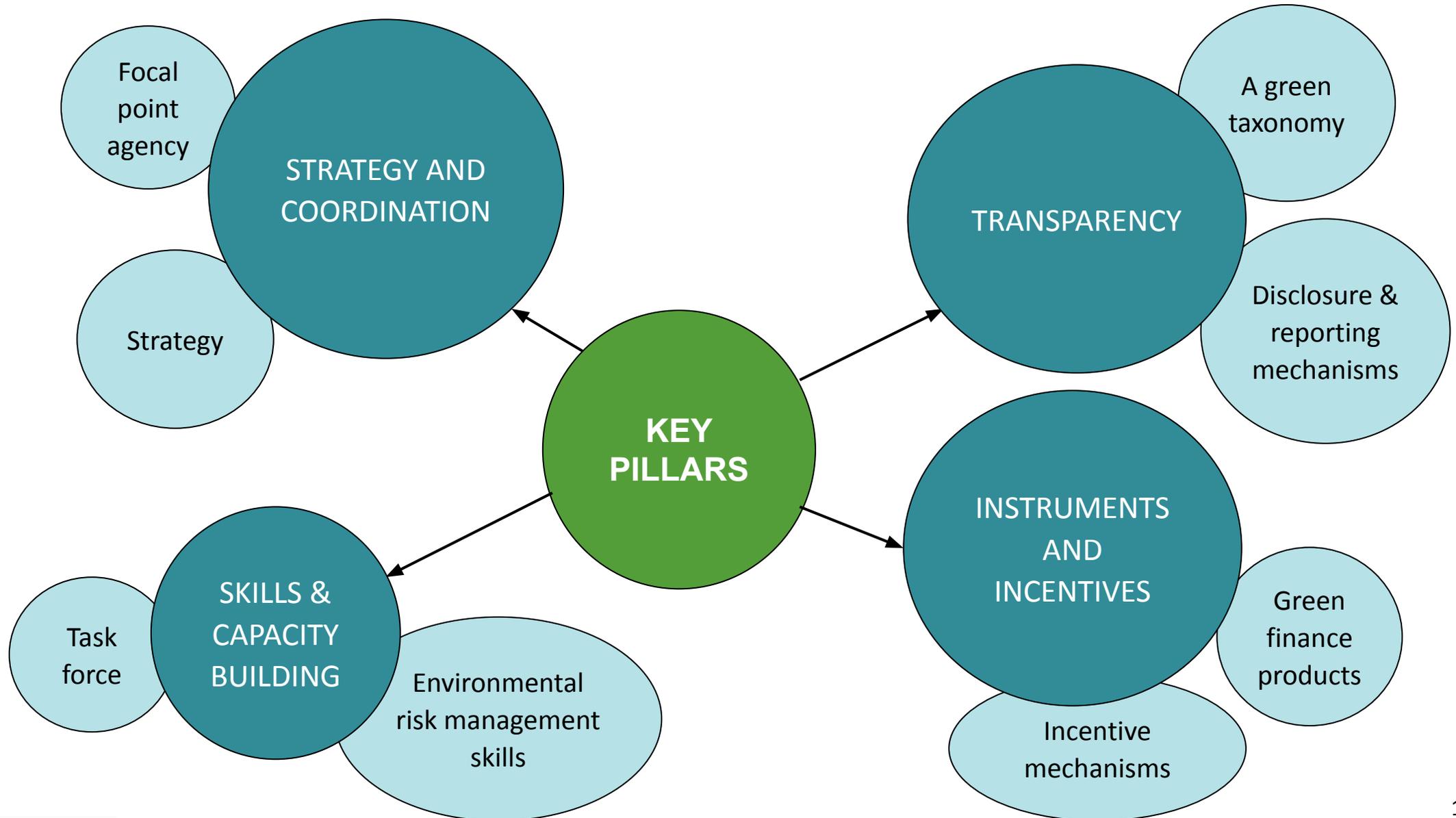
## 3. INTERNATIONAL EXPERIENCE AND PRACTICES IN DEVELOPING GREEN FINANCE (2)

### 3.1. Overview of international experience in green finance

Categories	China	Japan	Singapore	Indonesia	Malaysia
<b>SKILLS AND CAPACITY BUILDING</b>					
<b>Green Finance Task Force</b>	Green Finance Task Force was convened by the People's Bank of China and the UN Environment Program in 2014	The Expert Panel on Sustainable Finance was established by the Financial Services Agency in 2020	The Green Finance Industry Taskforce was convened by the Monetary Authority of Singapore, operating from November 2019 to April 2023	Sustainable Finance Task Force was established by the Financial Services Authority of Indonesia in 2021	<ul style="list-style-type: none"> <li>Malaysian Green Financing Task Force was formed by the Securities Commission in 2019</li> <li>Joint Committee on Climate Change was formed by the BNM in 2019</li> </ul>
<b>Environmental risk analysis</b>	<ul style="list-style-type: none"> <li>Notice on Credit Policy for Environmental Protection (2015)</li> <li>Green Financial Performance Evaluation Plan of Financial Institutions (2020)</li> </ul>	Analysis of Climate-related Financial Risks (2023)	<ul style="list-style-type: none"> <li>Stress Tests for Climate-related Risks (2018/2022)</li> <li>Environmental Risk Management Guidelines (2020)</li> </ul>	No reference	Task Force on Climate-related Financial Disclosure Application Guide for Malaysian Financial Institutions (2022)
<b>INSTRUMENTS AND INCENTIVES</b>					
<b>Incentives</b>	Opinions on Supporting Green Development of Private Enterprises (2018)	Overview of Japan's Green Transformation (GX) (2023)	<ul style="list-style-type: none"> <li>White Paper Fostering Green Finance Solutions (2021)</li> <li>Green Investments Program (2019)</li> </ul>	Incentives for the development of Electric Vehicle Sector (continued until 2023)	<ul style="list-style-type: none"> <li>Green Technology Tax Incentive (2014)</li> <li>Green Technology Financing Scheme (2020)</li> <li>The Low Carbon Transition Facility (2022)</li> </ul>
<b>Green finance products</b>	<ul style="list-style-type: none"> <li>The Green Credit Guidelines (2007)</li> <li>Guidance on Green Bond Issuance (2015)</li> <li>Green insurances: the Compulsory Environmental Pollution Liability Insurance Regulation (2018)</li> <li>Guidelines for Green Finance in Banking and Insurance Industry (2022)</li> <li>China Green Bond Principles (2022)</li> </ul>	<ul style="list-style-type: none"> <li>The Green Bond Guidelines (2017/2020)</li> <li>The Green Loan and Sustainability-Linked Loan Guidelines (2017/2020)</li> <li>Green Bond Issuance Model Creation Project (2017)</li> <li>Green Bond Issuance Promotion Platform (2018)</li> </ul>	<ul style="list-style-type: none"> <li>The framework for green trade finance and working capital</li> <li>Green and Sustainability-Linked Loan Grant Scheme (2020)</li> <li>The Sustainable Bond Scheme (2017/2020)</li> <li>Insurance-linked Securities Grant Scheme (2018-2022)</li> </ul>	Regulation regarding Implementation of Sustainable Finance (the Financial Services Authority of Indonesia's Regulation No. 51/2017) and Green Bond (the Financial Services Authority of Indonesia's Regulation No. 60/2017)	The Government of Malaysia SDG Sukuk Framework (2022)

### 3. INTERNATIONAL EXPERIENCE AND PRACTICES IN DEVELOPING GREEN FINANCE (3)

#### 3.1. Overview of international experience in green finance



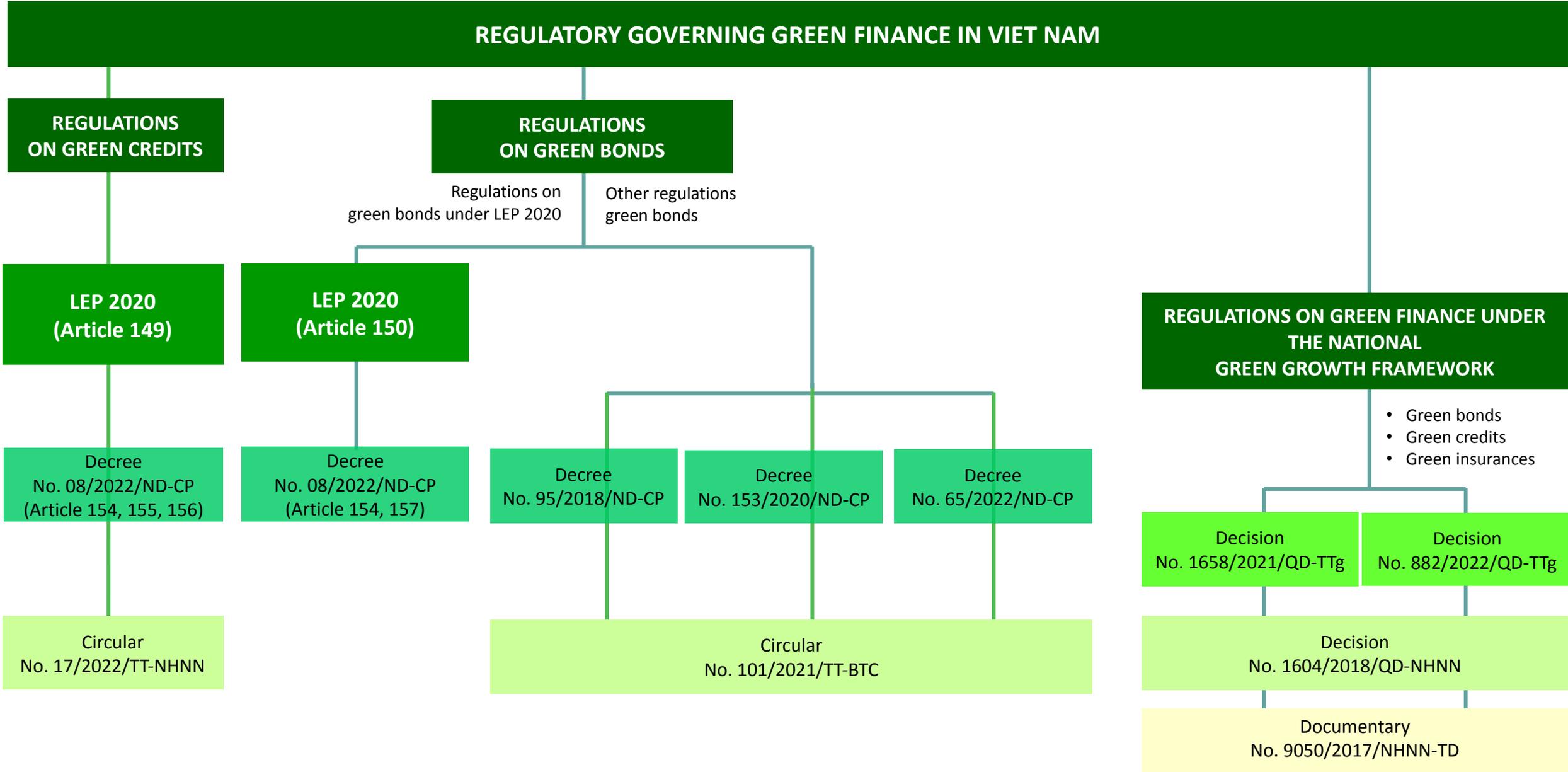
### 3.2. International experience in developing green taxonomy

Key observations from green taxonomies globally:

- Environmental objectives: these taxonomies universally encompass critical areas such as climate change mitigation, adaptation, ecosystem protection, biodiversity, and fostering a transition to a circular economy.
- Systematisation and organisation of focused sectors: classification codes like ISIC or national industry tables are used to systematise and organise to prioritise sectors for green finance development.
- Environmental and social risk: green taxonomy can serve various purposes beyond mere classification, including environmental and social risk assessment. Some, such as EU, ASEAN, Malaysia, and Singapore, feature "Do Not Significant Harm" criteria to address potential risk transfer between environmental objectives. Malaysia uniquely includes social risk assessment, prompting financial institutions to evaluate compliance with national human rights and labour laws during classification.
- Transition approach: CBI, Singapore, ASEAN, and Indonesia propose using a traffic light system – green, yellow (amber), and red – to address transition. Malaysia's taxonomy establishes a progressive system with three broad transition categories: climate-supporting, transitioning, and watchlist. The goal is to facilitate an orderly transition of the economy by avoiding the outright exclusion of economic activities that currently do not contribute to climate change objectives and placing emphasis on remedial measures for transition.

# 4. REGULATORY AND INSTITUTIONAL FRAMEWORK GOVERNING GREEN FINANCE IN VIET NAM (1)

## 4.1. Key regulations governing green finance



## 4. REGULATORY AND INSTITUTIONAL FRAMEWORK GOVERNING GREEN FINANCE IN VIET NAM (2)

### 4.2. The green taxonomy in Viet Nam

Categories	The green taxonomy issued by MONRE	The green economic sector system developed by MPI	The list of green sectors issued by SBV
<b>Applicability</b>	Apply to organisations and individuals involved in green credit and the issuance of green bonds.	Apply to state units and enterprises, and investors. <ul style="list-style-type: none"> <li>• State units: (i) Utilise to monitor the progress of green growth in Viet Nam; and (ii) develop technical criteria to classify products, services, or investments for their specific purposes;</li> <li>• Enterprises and investors: utilise to comprehend Viet Nam's classification system and statistics, identifying investment incentives for green economic activities and projects.</li> </ul>	Apply to credit institutions
<b>Scope</b>	<ul style="list-style-type: none"> <li>• Define environmental criteria for investment projects eligible for green credit and green bond issuance.</li> <li>• Outline the process for confirming that an investment project falls within the green taxonomy.</li> </ul>	Use in statistical activities of state agencies and economic, and investment activities of enterprises.	Reporting on the provision of green credit activities
<b>Foundation for development</b>	<ul style="list-style-type: none"> <li>• LEP 2020</li> <li>• VSIC</li> <li>• International experiences</li> </ul>	<ul style="list-style-type: none"> <li>• National green growth objectives</li> <li>• VSIC</li> <li>• International experiences</li> </ul>	National green growth objectives
<b>Covered sectors</b>	15 green economic sectors with 80 subsectors	9 sectors with 80 investment projects	12 main sectors with enclosed specific criteria

# 4. REGULATORY AND INSTITUTIONAL FRAMEWORK GOVERNING GREEN FINANCE IN VIET NAM (3)

## 4.3. Existing institutional framework governing green finance in Viet Nam

### THE GOVERNMENT (CABINET)

DIRECT

MPI

- Interest rate subsidies to green taxonomy projects post-credit agreement termination at credit institutions
- Green investment
- ODA and concessional loans from foreign donors for green projects
- The national green economic sector system

SBV

- Green credits
- Green banking
- Guideline on environmental risk management in credit extension for credit institutions

MONRE

- Green taxonomy

Apply/Verify green transition projects in multiple provinces

MOF

- The annual regular expenditure plan with a focus on prioritizing resources for green growth
- Financial incentives for green investment and green credits

DIRECT

DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

Apply/Verify green transition projects in multiple districts

DIVISION OF NATURAL RESOURCES AND ENVIRONMENT

Apply/Verify green transition projects in the designated area

### GREEN CREDITS MARKET

CREDIT INSTITUTIONS

- Receive incentives

- Grant green credits
- Carry out environmental risk management

Apply for green credits

PROJECT OWNERS

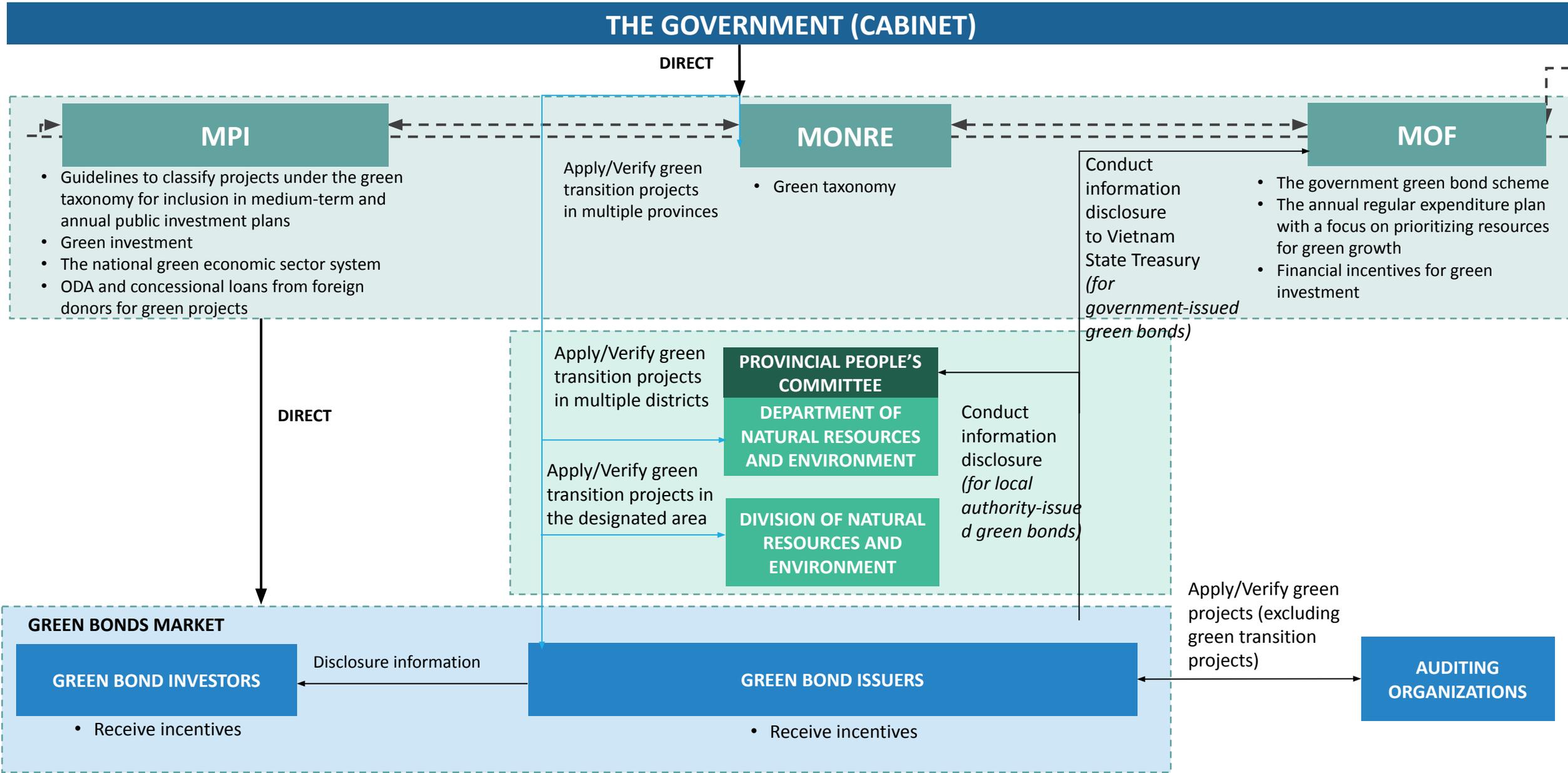
- Receive incentives

Apply/Verify green projects (excluding green transition projects)

AUDITING ORGANIZATIONS

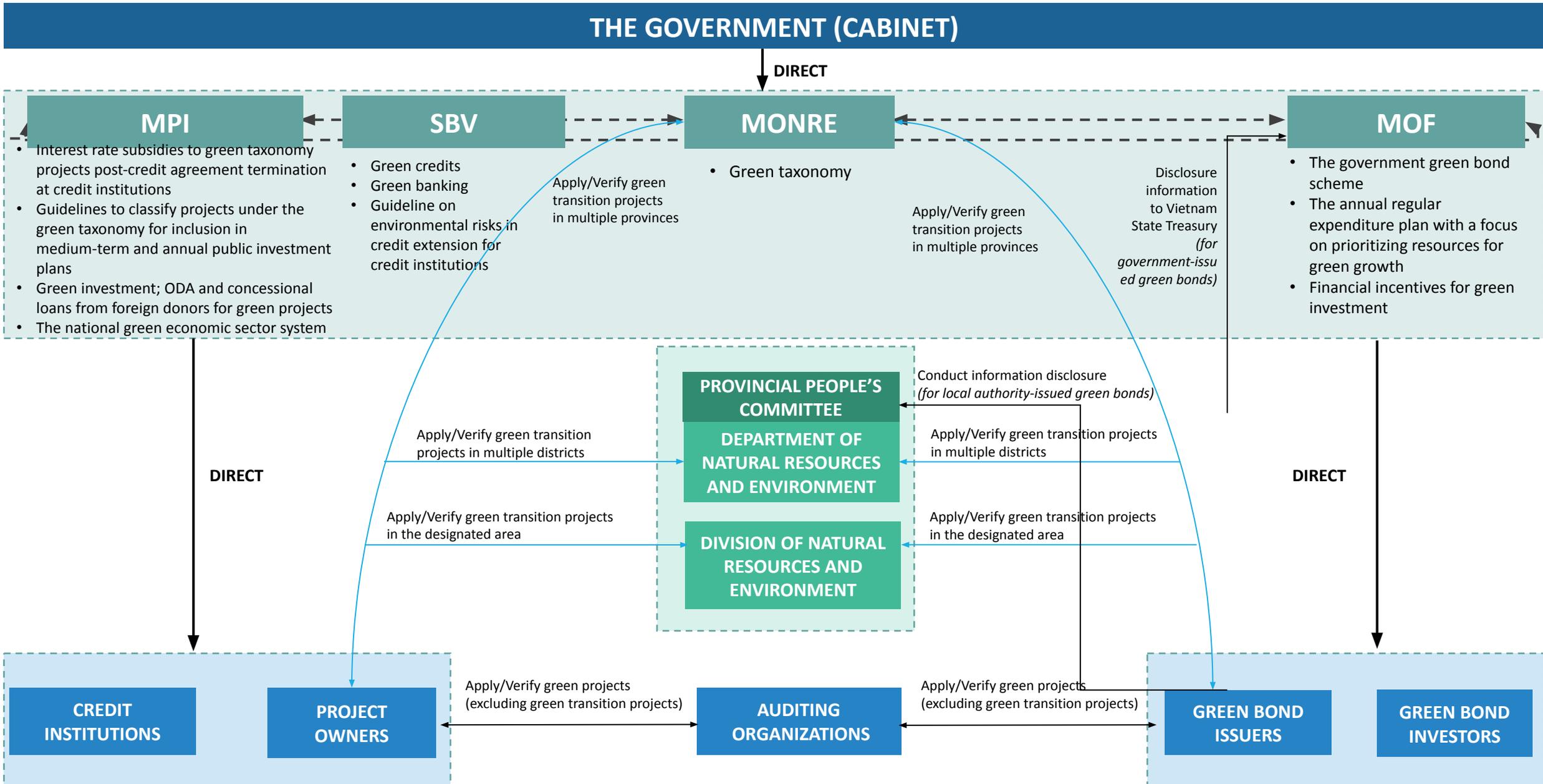
# 4. REGULATORY AND INSTITUTIONAL FRAMEWORK GOVERNING GREEN FINANCE IN VIET NAM (4)

## 4.3. Existing institutional framework governing green finance in Viet Nam



# 4. REGULATORY AND INSTITUTIONAL FRAMEWORK GOVERNING GREEN FINANCE IN VIET NAM (5)

## 4.3. Existing institutional framework governing green finance in Viet Nam



## 5. LANDSCAPE OF GREEN FINANCE PRODUCTS IN VIET NAM (1)

### 5.1. Green credits

- Green credit is the credit granted to the following investment projects: (i) Efficient use of natural resources; (ii) Adaptation to climate change; (iii) Waste management; (iv) Pollution remediation and environmental quality improvement; (v) Natural ecosystem restoration; (vi) Nature and biodiversity conservation; (vii) Creation of other environmental benefits (LEP 2020).
- Two main sources providing green credits:
  - Public finance institutions: can only lend to pre-designated projects and cannot raise green capital or issue bonds for projects beyond their specified lists.
  - Commercial banks:
    - Provide green credits for projects based on Documentary No. 9050/NHNN-TD;
    - The green credit outstanding is predominantly concentrated in the renewable energy and clean energy sector;
    - Some green credit packages are currently being implemented: BIDV provides green credit package valued at 4.2 trillion VND for textile and garment enterprises. Agribank offers discounts of 0.5-1.5% compared to the normal interest rates for high-tech agriculture programs.
- **Key findings:** A main barrier to scale up green finance is to mobilise green finance at a lower rate in order to provide green loans at favourable rates and conditions. Currently, banks have mobilised capital from international organisations; however, the availability of green capital with preferential interest rates remains limited. Primarily, banks raise capital at standard saving rates and then provide green credits to customers at preferential interest rates. Another challenge is lacking specific and attractive incentives together with risk alleviation policies from the government to scale up and exploit the potential for green credits.

## 5. LANDSCAPE OF GREEN FINANCE PRODUCTS IN VIET NAM (2)

### 5.2. Green bonds

- According to LEP 2020, green bonds are financial instruments issued by the government, local authorities, and enterprises to raise funds for environmental protection activities and beneficial investment projects.
- The most notable green bonds that have been issued to date include as follows:
  - Local government green bonds: The first pilot issuance of green bonds by local governments in Vietnam occurred in Ho Chi Minh City and Ba Ria-Vung Tau in 2016, focusing on sustainable water management and climate-resilient infrastructure.
  - Corporate green bonds:
    - Several corporations, including BIM Land and VinGroup, have entered the green bond market. BIM Land successfully raised 200 million USD in 2021 (Hai Yen, 2021), while VinGroup issued sustainable bonds worth 425 million USD (Viet Nam News, 2021);
    - Credit institutions are also actively participating in the green bond market. During the consultation, BIDV issued green bonds in October 2023, adhering to the ICMA's Green Bond Principles. Additionally, Agribank plans to issue green bonds by the end of 2024, with support from the World Bank to secure long-term funds at favourable rates. Vietcombank is investing in green bonds issued by companies in the solar power and renewable energy sectors.
- **Key findings:** Currently, the green bond market is still limited despite great interest from investors. There is no secondary market for green bonds in Viet Nam, primarily involving private transactions that are not widely disclosed. Insights from related stakeholders and international perspectives emphasise the crucial role of public policies, especially the green taxonomy in creating legal mechanisms and forming a green bond market. In addition, related stakeholders affirmed the importance of the third-party – green bond issuance verifiers. Besides, they expected to have incentive policies to support green bonds, such as tax reductions. Transparency in reporting on green bond metrics can also drive accountability and trust.

## 5. LANDSCAPE OF GREEN FINANCE PRODUCTS IN VIET NAM (3)

### 5.3. Green stocks

- In Viet Nam, green stocks have not been specifically defined in legal framework although the category of green stocks has gradually taken shape, manifested through the Viet Nam Sustainability Index (VNSI) stock. The development of the VNSI index is considered as one of the tasks that are regulated in Decision No. 2183/2015/QD-BTC on the action plan of the finance sector to implement the national strategy on green growth until 2020 issued by MOF dated 20 October 2015.
- The VNSI index is developed through the collaboration between the Ho Chi Minh Stock Exchange (HOSE) with GIZ and SSC. It was introduced in 2017 and is calculated using the market capitalisation-adjusted free-float method, with a real-time calculation frequency of 5 seconds per iteration. The index comprises stocks of companies with the best sustainable development scores listed on HOSE and included in VN100.
- **Key findings:** So far, green stocks have not been specifically legislated, with development primarily occurring through the VNSI index using a scoring mechanism based on ESG. There is currently limited information on the impact of this index in promoting green investments. Since its implementation in 2017, the VNSI index has only included 20 stocks and is only listed on the HOSE, hindering efforts to encourage businesses to promote and participate in green stock products.

## 5. LANDSCAPE OF GREEN FINANCE PRODUCTS IN VIET NAM (4)

### 5.4. Green insurance

- Currently, the development of the legal framework for green insurance is outlined in Decision No. 882.2022/ND-CP. According to this Decision, MOF is responsible for leading the task of constructing the legal framework for green insurance, with the implementation period spanning from 2022 to 2025.
- Green insurance products can be defined narrowly as environmental liability insurance and more broadly as insurance that includes programs related to environmental risk management and resilience, as well as innovative products protecting low-carbon solutions. Also known as environmentally friendly insurance, green insurance fundamentally serves as an economic incentive to encourage behavioural change. Hence, insurance companies are creating innovative products and services to encourage sustainable behaviours and technologies. There are currently many green insurance products to promote sustainable activities and increase resilience to natural disasters for a wide variety of subjects such as vehicles, pollution, real estate, agriculture, renewable energy, etc.
- **Key findings:** During the consultation, requests for meetings have been sent to the above four companies. However, none of them accepted the request and some returned with the feedback that their scopes of work are not related to green finance. It shows that even green insurance products are offered but they are not fully aware as a green finance product and implicitly shows the weak awareness and role/position of green insurance in the green finance market.

# 6. GAP ANALYSIS AND RECOMMENDATIONS TO PROMOTE GREEN FINANCE TO CONTRIBUTE TO ACHIEVE THE NET-ZERO TARGET IN VIET NAM (1)

SCOPE	GAPS	RECOMMENDATIONS	AGENCIES IN CHARGE
<b>STRATEGY AND COORDINATION</b>			
<b>Green Finance Roadmap</b>	<p>Currently, Viet Nam lacks a comprehensive roadmap for green finance, leading to inconsistencies and fragmentation in the implementation of green finance practices:</p> <ul style="list-style-type: none"> <li>Regulations related to green finance products are dispersed across LEP 2020, the national green growth strategy, and various other regulations. Although green bonds and green credits are legalised in LEP 2020, the specific relationship between these components and the concept of green finance outlined in the national green growth framework (Decision No. 1658/2021/QD-CP) is not explicitly clarified. Moreover, the basis for developing Decision No. 1658/2021/QD-CP does not mention LEP 2020, creating ambiguity regarding the interconnection between these legislations.</li> <li>The connection between green finance initiatives and Viet Nam's NDC and other climate policies and commitments lacks clarity.</li> <li>It is unclear which entity serves as the focal point for green finance, and even during consultations with MPI, they stated that there is no designated coordinating body for green finance. This lack of clarity affects the coordination mechanisms among involved parties.</li> <li>There is insufficient clarity on what is expected from green finance, and there are no well-defined criteria against which the success of green finance can be measured.</li> </ul>	<p>Drawing upon global expertise, the formulation of a robust green finance roadmap becomes imperative as it serves as the pivotal catalyst for initiating and enhancing green finance initiatives. Thus, it is essential to develop a green finance roadmap for Viet Nam, which considers some aspects:</p> <ul style="list-style-type: none"> <li>Ensure consistency and harmony with LEP 2020, the National Green Growth Strategy, and other climate policies.</li> <li>Align with relevant climate and environmental objectives, emphasising coherence with key policies like the NDC, also, highlighting contributions to Viet Nam's broader sustainability and climate goals.</li> <li>Define the roles of stakeholders and establish a designated national focal point agency to oversee and supervise the implementation of green finance.</li> <li>Set clear expectations, and establish transparent, measurable criteria for assessing success.</li> </ul>	<ul style="list-style-type: none"> <li>Appoint a national focal point to oversee green finance and establish clear coordination mechanisms among relevant ministries. It can be under MPI to be in line with their functions in implementing green growth strategies.</li> <li>The roadmap can be initiated by MPI and will be issued by the Prime Minister</li> </ul>
<b>Enhancement of the regulatory framework</b>		<ul style="list-style-type: none"> <li>Having regulations mandating or incentivizing financial institutions to require financial institutions to incorporate sustainability and green considerations into their long-term strategic planning and reporting can encourage the development of green finance products. Transparency in reporting on ESG metrics can also drive accountability and trust.</li> <li>Setting mandatory disclosure requirements for ESG factors or offering preferential treatment for sustainable investments in terms of capital requirements can encourage banks to develop green products.</li> </ul>	<p>Agencies in charge of management of green finance products: green credits by SBV and green bonds/ insurance by MOF.</p>

## 6. GAP ANALYSIS AND RECOMMENDATIONS TO PROMOTE GREEN FINANCE TO CONTRIBUTE TO ACHIEVE THE NET-ZERO TARGET IN VIET NAM (2)

SCOPES	GAPS	RECOMMENDATIONS	AGENCIES IN CHARGE
<b>TRANSPARENCY</b>			
<b>The green taxonomy</b>	<p>There are several gaps identified in the draft green taxonomy as follows:</p> <ul style="list-style-type: none"> <li>• The relationship between the green taxonomy developed by MONRE and the green economic sector system developed by MPI has not been clearly defined.</li> <li>• Certification requirements for independent verifiers of green projects are not regulated.</li> <li>• The rapid changes in low-carbon technology development trends necessitate periodic updates to the green taxonomy. However, the mechanism for such updates is not specified.</li> </ul>	<ul style="list-style-type: none"> <li>• The official green taxonomy and its implementation guidelines need to be soon promulgated to provide a legal background boosting green finance;</li> <li>• Ensure the consistency between the green taxonomy and the green economic sector system and other climate and environmental policies;</li> <li>• Develop and promulgate the procedures and certifications for independent verifiers;</li> <li>• Develop a mechanism to periodically update the green taxonomy, ensuring flexibility and compatibility with the low-carbon technology development trend;</li> <li>• Besides, align the green taxonomy with international taxonomies such as EU, ASEAN, CBI, etc. to facilitate capital allocation by international investors.</li> </ul>	<ul style="list-style-type: none"> <li>• MONRE is in charge of issuing the guidance for implementation and regular updating of the green taxonomy.</li> <li>• MOF and SBV develop and promulgate the certification for independent verifiers according to the green finance products.</li> <li>• MPI will ensure consistency between the green taxonomy and the green economic sector system</li> </ul>
<b>Disclosure &amp; Reporting</b>	<p>Although mechanisms for disclosing information and reporting on green finance products have initially been established (e.g., credit institutions reporting on the implementation of green credits to SBV within the national green growth framework, or issuers disclosure information to State Treasuries/Provincial Committees), there is currently no unified platform for disclosing information on green finance products. Additionally, as consulted with stakeholders, the information on green bonds has not been widely disclosed, hindering market transparency, and impeding the informed decision-making processes of investors, as well as communication with clients, beneficiaries, and other stakeholders.</p>	<ul style="list-style-type: none"> <li>• Establish a national database platform to monitor and disclose information about green finance products, considering the following aspects:</li> <li>• Align disclosure guidance with international frameworks, to ensure harmonisation and comparability of climate disclosures or sustainability reporting.</li> <li>• Implement disclosure standards in phases, starting with information gathering, and awareness-raising around climate and sustainability reporting, and implement mandatory disclosure and reporting regimes as the final step.</li> <li>• Involve various stakeholders like capital markets regulators, other financial regulators, central banks, government authorities, or stock exchanges in establishing binding regimes.</li> <li>• Clearly establish the purpose and relevant scope of reporting or disclosure regimes, ranging from climate-focused to broader green or sustainability reporting.</li> <li>• Facilitate collaboration and information sharing among financial institutions, regulators, and other stakeholders can foster the sharing of best practices, data, and knowledge. This collaboration can not only increase transparency but can also lead to the development of innovative financial products aligned with green growth and low-carbon goals.</li> </ul>	<p>Agencies in charge of management of green finance products: green credits by SBV and green bonds/insurance by MOF. SBV and MOF will maintain databases of the products they oversee, and these platforms will be interconnected with the national database on green growth under the auspice of MPI.</p>

## 6. GAP ANALYSIS AND RECOMMENDATIONS TO PROMOTE GREEN FINANCE TO CONTRIBUTE TO ACHIEVE THE NET-ZERO TARGET IN VIET NAM (3)

SCOPES	GAPS	RECOMMENDATIONS	AGENCIES IN CHARGE
<b>SKILLS &amp; CAPACITY BUILDING</b>			
<b>National Taskforce for green finance</b>	Viet Nam currently lacks a well-defined organisational platform that links relevant stakeholders in green finance to support the implementation of green finance, including technical support.	<p>Drawing on international experience, for instance, Singapore – a leader in green finance – has established a Green Finance Industry Taskforce, consisting of experts from banks, asset managers, insurers, sustainability service providers, academia, NGOs to harness public-private collaboration to mainstream green finance. Leveraging international best practices, Viet Nam should consider establishing a national green finance taskforce, which considers the following aspects:</p> <ul style="list-style-type: none"> <li>• The taskforce should include representatives from various stakeholders in the green finance sectors, encompassing MPI, MONRE, SBV, MOF, credit institutions, insurance companies, audit organisations, bond verifiers, academia, enterprises, NGOs, and international experts. These members could be organised into specialised groups, including technical and working groups, with guidance from a steering committee.</li> <li>• Define clear and specific objectives, deliverables, and a detailed work plan for the Task Force to facilitate the effective implementation of the green finance roadmap</li> </ul>	MPI initiates under the National Green Growth Action Plan that can integrate with other Task Forces/Working groups on implementation of commitment at COP26 and JETP.
<b>Green finance capacity building programs</b>	<p>During the consultation, one of the emphasised challenges is the capacity gaps in green finance, specifically:</p> <ul style="list-style-type: none"> <li>• Credit institution officers lack specialised expertise to assess environmental risks and impacts in lending activities for green projects.</li> <li>• Investors, green bond issuers, insurance companies, and project owners have limited information about green financial products and their benefits compared to conventional products.</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building and training: Providing training programs, workshops, and resources to financial professionals can enhance their understanding of sustainable finance principles and practices. A knowledgeable workforce is crucial for the effective development and marketing of sustainable finance products.</li> <li>• Consumer awareness and demand: Initiatives aimed at raising public awareness about sustainable finance and its benefits can drive demand for such products. Educated consumers are more likely to seek out and invest in sustainable options, prompting financial institutions to offer more of these products.</li> </ul>	All agencies, but coordinated by a national focal point
<b>Environmental risk analysis</b>	In consultation with some commercial banks, it was noted that despite the issuance of Circular No. 17/2022/NHNN by SBV, which provides guidelines on environmental risk management in credit extension for credit institutions and foreign bank branches, there remains ambiguity in the procedures. One aspect raised by Agribank is the uncertainty surrounding the criteria used to determine the environmental impact.	<p>Drawing from international experience, especially the experience from Singapore's guidelines on environmental risk management for banks, some aspects should be considered:</p> <ul style="list-style-type: none"> <li>• Define a clear risk identification and assessment procedure. For the environmental risk criteria, some factors could be taken into account, including: GHG emissions, susceptibility to extreme weather events, and connections to unsustainable energy practices, deforestation, and pollution.</li> <li>• Define a clear risk management and monitoring, including a risk management and monitoring mechanism for projects with higher environmental risk profiles, specific requirements for environmental-related information disclosure by customers.</li> <li>• Identify mechanisms to regularly update the environmental risk management guidelines to remain current and reflective of evolving industry best practices and regulatory standards.</li> </ul>	SBV leads and cooperates with MONRE to establish guidance on environmental risk management in credit extension

## 6. GAP ANALYSIS AND RECOMMENDATIONS TO PROMOTE GREEN FINANCE TO CONTRIBUTE TO ACHIEVE THE NET-ZERO TARGET IN VIET NAM (4)

SCOPES	GAPS	RECOMMENDATIONS	AGENCIES IN CHARGE
<b>INSTRUMENTS AND INCENTIVES</b>			
<b>Incentives</b>	In consultation with related stakeholders, there is a lack of incentive mechanisms for banks and other stakeholders to actively engage in the green finance market. Currently, banks predominantly mobilise capital at standard interest rates but provide green credit at preferential interest rates. This practice impacts the profitability of banks, dampening the motivation to actively participate in the green finance market.	<p>Develop incentive mechanisms to encourage credit institutions, investors, and project owners involved in the green finance market, including:</p> <ul style="list-style-type: none"> <li>• Tax incentive mechanisms: Financial institutions that provide or invest in green finance products can be strongly encouraged through tax breaks, exemptions, or reduced rates. These incentives may manifest as lowered corporate taxes, exemptions on specific transactions, or tax credits specifically tailored for green investments. In the case of Malaysia, they developed “Green Technology Tax Incentive”, defining tax incentives for green projects, green services and assets.</li> <li>• Public Funding and Subsidies: Directed government funding or subsidies for sustainable projects and green initiatives have the potential to draw in private investment. For example, providing subsidies or low-interest loans specifically for renewable energy projects can spur the development of corresponding financial products. China developed “Opinions on Supporting Green Development of Private Enterprises” that created a national green development fund and encouraged the establishment of local green development funds. Also in China, the People's Bank of China launched a carbon-reduction supporting tool, offering low-cost loans to financial institutions for lending to enterprises engaged in priority carbon-reduction industries.</li> <li>• Credit Support Mechanisms: Governments or central banks have the option to create credit guarantee schemes or lending facilities specifically designed for green finance initiatives. Such mechanisms work to diminish the perceived risk for financial institutions, thereby motivating them to participate in lending or investing in green projects.</li> </ul>	<ul style="list-style-type: none"> <li>• MPI and MOF are in charge of studies and initiate incentive mechanisms</li> </ul>
<b>Green finance products</b>	Currently, the green finance market in Viet Nam lacks diversity, and regulated only two products under LEP 2020, namely green credits, and green bonds.	Consider expanding to other products such as green stock and green insurance, etc. However, it is crucial to conduct specific assessments of the impact of these new products on climate and the environment. This evaluation will serve as a foundation for developing a strategic approach to introducing new products that align with sustainability goals and market demands.	A national focal point initiates and proposes the scheme to regulate the new products in the future national strategies, action plans

## 7. NEXT STEPS FOR PROMOTING CAPITAL INTO GREEN COOLING PROJECTS IN VIET NAM

Given the specific context of Viet Nam, implementing all recommended activities at the current time might face challenges, as Viet Nam has yet to establish a clear direction for promoting green finance and a comprehensive plan for its implementation. Therefore, the approach for the next steps to promote green finance involves supporting specific tasks assigned to relevant ministries and cross-sectoral agencies related to green finance.

No.	Activities	Entity to work with
<b>I</b>	Green taxonomy	MONRE (ISPONRE)
<b>1</b>	Support in completing the green taxonomy, focusing on enhancing investment project categories, particularly in the green cooling sector	MONRE (ISPONRE)
<b>2</b>	Support in developing and strengthening regulations for implementation guidelines of green taxonomy: the verification procedure for independent verifiers, the mechanism to periodically update the green taxonomy	MONRE (ISPONRE)
<b>II</b>	Research and develop activities for mobilising financial resources and promoting investment in green growth	MPI (The Department for Science, Education, Natural Resources and Environment)
<b>III</b>	Establish mechanisms for green bonds; exploration of green stocks and green insurance potential	MOF
<b>1</b>	Support the development of regulations for the issuance of a government green bond scheme	MOF (Department of Finance and Bank)
<b>2</b>	Support the development of disclosure and reporting mechanisms for green bonds	MOF (Department of Finance and Bank, SSC)
<b>3</b>	Support to develop a plan for piloting the green bonds market to gather lessons learnt for official operation	MOF (Department of Finance and Bank, SSC)
<b>4</b>	Support to conduct studies on the potential of green stocks and green insurance products for developing suitable strategies accordingly	MOF (Department of Finance and Bank, SSC)
<b>IV</b>	Develop mechanisms to promote green credits	
<b>1</b>	Analyse and evaluate the implementation of green credits and green banking activities	SBV (Department of Credit for Economic Sectors, State Bank of Viet Nam)
<b>2</b>	Develop reporting and disclosure systems for green credits	SBV (Department of Credit for Economic Sectors)
<b>3</b>	Develop solutions for prioritising resource allocation for green credits	SBV (Department of Credit for Economic Sectors)

## 8. CONCLUSIONS

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- Viet Nam has just 27 years to become a net zero GHG emission nation by 2050. But to decarbonise in 27 years, meet the country's green growth objectives, and deliver energy security, it will require a step-change in levels of investment.
- At the national level, ongoing efforts towards establishing green finance in Viet Nam have demonstrated positive outcomes.
- However, the green finance has not fully unlocked its potential in the country.
- Viet Nam needs to refine its policy framework, and institutional structures, and establish a conducive market for the development of green finance.
  - It is imperative to promptly issue a comprehensive green finance roadmap that outlines a clear strategic direction for its development.
  - Additionally, identifying a national focal point to oversee green finance and establishing clear coordination mechanisms among relevant ministries, including SBV, MOF, MONRE, MPI, and other stakeholders, is crucial. Accelerating the issuance of the green taxonomy and guidance documents is also essential to provide a significant legal foundation for market participants.
  - There is a need to explore the formulation of incentive policies, disclosure and reporting mechanisms, environmental risk management frameworks, and consider expanding the range of suitable green finance products.

# THANK YOU!

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