



Australian Embassy
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Ho Chi Minh National Academy of Politics

HỢP TÁC GIỮA VIỆT NAM VÀ CÁC CƠ CHẾ TÀI CHÍNH QUỐC TẾ

Cooperation between Vietnam
and International financial mechanisms

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OVERVIEW OF THE PRESENTATION

- **Vietnam's Institutional Background**
- **The Imperative for a Centralized Green Bond Market**
- **International Strategies for Green Bond Financing**
- **Challenges in Developing Vietnam's Green Bond Market**
- **Policy Recommendations**

VIETNAM'S INSTITUTIONAL BACKGROUND

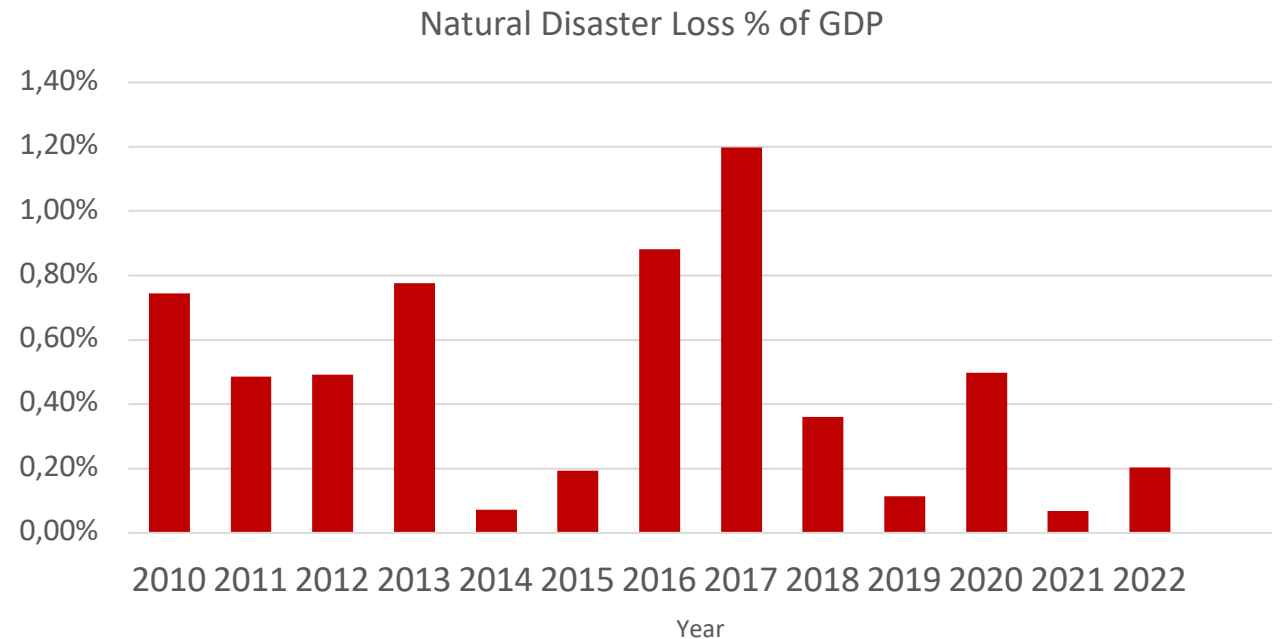
- **Climate Change Impact and Economic Implications**
- **Vietnamese Government Initiatives and International Commitments**
- **Financial Requirements for Climate Initiatives**
- **Green Project Development**

VIETNAM'S INSTITUTIONAL BACKGROUND

- **Climate Change Impact and Economic Implications**

- The sixth most affected country by climate change globally, faced climate change-induced damages amounting to 3.2% of its GDP in 2020 (WB).

- Projections suggest annual costs could rise to 12-14.5% of GDP by 2050, pushing up to one million people into severe poverty.



Note: CLIMATE-RELATED DAMAGES IN VIETNAM.

Both economic loss due to Natural disaster and GDP are at current prices
Source: National Steering Committee for Natural Disaster Prevention and Control and GSO

VIETNAM'S INSTITUTIONAL BACKGROUND

- **Climate Change Impact and Economic Implications**
- **Vietnamese Government Initiatives and International Commitments**
 - Since the Kyoto Protocol ratification in 2002, Vietnam introduced the National Green Growth Strategy and pledged net-zero emissions by 2050 at COP26.
 - The National Climate Change Strategy for 2050 delineates a comprehensive approach towards a net-zero society.
- **Financial Requirements for Climate Initiatives**
 - Transitioning to clean energy requires substantial investments. Vietnam needs an additional 6.8% of its GDP annually, totaling \$368 billion by 2040, to follow a resilient and net-zero development path.
- **Green Project Development**
 - Rapid growth in demand for ESG and renewables finance globally, with Vietnam's project finance surging from \$3B in 2018 to \$38B in 2021, driven by significant renewable energy projects.

THE IMPERATIVE FOR A CENTRALIZED GREEN BOND MARKET

- **Critical Role in Investment Funding**

- Bond markets are essential for financing new investments, outpacing equity markets in size and capital-raising capacity.

- **Challenges with Current Bond Market Structures**

- The lack of transparency in Over-The-Counter (OTC) markets results in reduced competition and higher costs for smaller clients.

- **Benefits of a Transparent Green Bond Market:**

- Enhances transparency, lowering costs and attracting private investment.
- Supports Vietnam's sustainability and economic resilience, reducing reliance on less predictable international green bond markets.
- Draws international investors, crucial for sustainable development and climate adaptation.

INTERNATIONAL STRATEGIES FOR GREEN BOND FINANCING

Singapore's Strategy:

- Launched Green Bond Grant Scheme to lower issuance costs.
- Aligned with international standards, attracting global issuers.
- Funds low-carbon projects globally, enhancing its green bond market.

Malaysia's Approach:

- Introduced the SRI Sukuk Framework, focusing on sustainable projects.
- Offers financial incentives to encourage green initiatives.
- Green Bond Grant supports issuers, promoting market growth.

Indonesia's Progress:

- Set regulatory frameworks for green bonds, boosting the sector.
- Collaboration with IFC to issue green bonds by commercial banks.
- Leading banks committed to increasing green project funding.

Thailand's Development:

- Introduced regulations for green and sustainability bonds, spurring market growth.
- Government issuance and incentives, such as fee waivers, drive investor interest.
- Prioritizes sustainable finance, supporting SDGs and carbon reduction initiatives.

CHALLENGES IN DEVELOPING VIETNAM'S GREEN BOND MARKET

- **Limited Availability of Green Products:**
 - High consumer willingness to pay for sustainable products not met due to market shortages.
- **Limited Incentives for Green Investments:**
 - Compliance costs and lack of green projects in banks' portfolios deter firm investments.
- **Barriers in Issuing Green Bonds:**
 - SMEs struggle with green bond issuance due to size and scalability challenges.
 - High costs for third-party verification and stringent disclosure requirements.
 - Low awareness and absence of localized guidelines impede market understanding.
- **Regulatory and Market Challenges:**
 - Lack of clear regulations and market transparency hinders efficiency.
 - Absence of green bond criteria and indices, making it tough for investors to identify green assets.
 - Environmental factors not integrated into bond ratings, affecting financial viability assessment.

POLICY RECOMMENDATIONS

- **Strengthen Climate Resilience through Data-Driven Insights**

- Develop a National Climate Policy Index database to inform and refine climate strategies, enhancing resilience and sustainability.

- **Transparent Carbon Market**

- Establish a carbon market with a robust institutional framework to achieve net-zero emissions by 2050, attracting local and international investments.

- **Reduce Issuance Costs**

- Introduce grants or concessional loans to mitigate high costs for green bond issuers, complemented by awareness campaigns for standards compliance.

- **Financial Incentives**

- Adopt strategies like green bond grants and tax incentives, focusing on local projects to directly support environmental goals within Vietnam.

POLICY RECOMMENDATIONS

- **Mobilize International Support**

- Engage with global financial institutions for a diverse mix of funding, including grants, loans, and private investments, to aid Vietnam's energy transition.

- **Integrate Policy Instruments**

- Use a combination of market-based and culturally sensitive non-market-based instruments to cater to Vietnam's diverse cultural fabric and ensure policy effectiveness.

- **Transparent Market Designs**

- Establish clear market designs and trading protocols, along with green bond listing criteria and indices, to build a robust and efficient market.

- **Legal Framework and Capacity Building**

- Develop a comprehensive legal framework and undertake educational initiatives to enhance market confidence and stakeholder understanding.

THANK YOU!

TRÂN TRỌNG CẢM ƠN!