

## CASE STUDY: MACROECONOMIC REFORM IN VIET NAM ON ECOLOGICAL AND INCLUSIVE GROWTH

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### **Executive Policy Summary**

Green growth (GG) and business environment reform (BER) are parallel processes happening in Viet Nam. Green growth is largely understood as a restructuring of the economy to use resources more efficiently and raise competitiveness while meeting sustainability goals. It thus has implicit implications for business, in particular as regards new market opportunities in the renewable energy sector. However, there is no formalised framework addressing both GG and BER together. This case study looks specifically at the Green Growth Strategy of Vietnam, approved in 2012, with the threefold aim of promoting low carbon growth, greening production and greening lifestyles. The Strategy has been successful at fostering a common understanding of green growth in Viet Nam. Current challenges relate to moving from strategy to implementation and developing appropriate measurement metrics and financial mechanisms to this end. GIZ – on behalf of the German Federal Ministry for Economic Cooperation and Development - has supported the Strategy with its own programme on macroeconomic reform in Viet Nam and has had particular success with capacity building and training. Examples of GIZ activities to support green growth in Viet Nam are also presented and evaluated.

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# 1 Background and context of the case

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## 1.1 Background, context and key stakeholders

In 2013 Viet Nam adopted the National Green Growth Strategy. It aims in particular to (1) reduce greenhouse gas emissions, (2) promote clean industrialisation through resource efficiency and advanced technologies and (3) improve living standards toward environmental friendly lifestyles. In order to support the government of Viet Nam in the implementation of the Green Growth Strategy, GIZ on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) has initiated a programme to assist different bodies of governments with analysis, advisory services, and training. This case study focuses on the development of the Green Growth Strategy in Viet Nam and reflects on the activities of GIZ, as an implementing organisation of the German development cooperation, in this context that could be relevant for other donors of the DCED.

Viet Nam has undergone an economic transition from an agricultural, relatively isolated command economy to an export-focused, industrialising economy active on the global market (USAID 2016). It has reached the status of a lower middle-income economy and has experienced annual GDP growth of around 6% between 2007 and 2015 (World Bank<sup>1</sup>). This growth, however, has come with environmental costs. Viet Nam faces major sustainable development challenges related in particular to rural poverty<sup>2</sup>, environmental degradation<sup>3</sup>, high energy consumption<sup>4</sup> and energy security<sup>5</sup>. Viet Nam is also one of the most vulnerable countries in the world to a changing climate<sup>6</sup>, making the fight against climate change and the need for low-carbon growth crucial.

The National Green Growth Strategy was adopted to address such challenges. However, the strategy was hindered by the absence of a common understanding within the Vietnamese Government of what “green growth” (GG) means. There has also been a lack of knowledge and capacities for developing and implementing policies among government bodies as well as a shortage of financing for green investments. For this reason the BMZ commissioned GIZ in 2014 with developing an accompanying programme to the Green Growth Strategy. Table 1 presents key data for both the GG Strategy and GIZ programme.

### ***The National Green Growth Strategy***

The Green Growth Strategy (GGS) was approved on September 25 2012 by the Prime Minister (Decision 1393/QĐ-TTĐ) with three strategic objectives: Low carbon growth, greening of production, and greening of lifestyles. Box 1 describes the general and specific objectives in detail. The strategy encompasses 17 solutions addressing specific green growth policy directions for sectors and provinces as well as 10 priority actions to initiate immediate green growth action. Targets are distinguished for the years 2020, 2030 and 2050. For example, as an orientation towards 2050, greenhouse gas emissions should be reduced by 1.5-2% per year. As regards key targets for green production towards 2020 the GGS states: “The value of high technology and green technology will make up a share of 42-45% of GDP; the rate of commercial manufacturing facilities that meet environment standards will reach 80%, application of clean technologies will reach 50%, development investment for supporting sectors to protect the environment and enriching natural capital will reach at 3-4% of GDP.” (Viet Nam Green Growth Strategy, p. 4)

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<sup>1</sup> World Bank, World Development Indicators. Available online at [www.databank.worldbank.org](http://www.databank.worldbank.org), Accessed 8 March 2017

<sup>2</sup> Despite a dramatic reduction in poverty (the amount of people living in extreme poverty has dropped from around 50% in the early 1990s to 3% in 2012), one-third of the population still remains vulnerable, living close to poverty (falling into the „poor“ or „near poor“ groups. Source: World Bank Country Profile, [www.worldbank.org](http://www.worldbank.org); Accessed 8 March 2017

<sup>3</sup> For example, according to the World Bank: “Critical ecosystems such as the Mekong River Delta are seeing lower flows, causing the delta to subside, inland movement of saline water, disrupting fisheries, and affecting the quality of irrigation supplies. Furthermore, the delicate balance of upland ecosystems and crops is greatly affected by more severe weather patterns and flooding.” (World Bank 2016a, p. 40).

<sup>4</sup> According to the World Bank (2016a), over the past decade energy consumption has increased more than 80%.

<sup>5</sup> Viet Nam is highly dependent on imported coal (Anh 2015).

<sup>6</sup> The World Bank has ranked Viet Nam among the five countries most likely to be most affected by climate change, in particular to its long coastline, geographic location and diverse topography (World Bank 2011).

Table 1 Key facts & figures

	<b>Vietnam National Green Growth Strategy</b>	<b>Macroeconomic Reforms/Green Growth Programme in Viet Nam</b>
Country	Viet Nam	German programme implemented in Viet Nam
Total project / programme volume	At least 30.7 billion USD by 2020, i.e. 15% of Vietnam's GDP of 2015 (Krakowski 2016)	14,500,000 Euro (including 3,000,000 Euro co-financing from the EU) for years 2014-2018
Funders and distribution of funding	Estimated that current government investment for climate change programs and green growth totals around USD 1 billion annually. For 177 programs, projects (USD 10.8 bill) related to 36 actions. Financial resources vary for each of the 66 Activities and include (State budget; International technical assistance; Community resources; Local state budget; Resources from enterprises and/or communities and/or consumers; Ministry's operation budget, Operation costs of ministries and localities; Budget for the National Targeted Program for energy efficiency)	Commissioned by the German Federal Ministry of Economic Cooperation and Development with the lead partner ministries the Ministry of Planning and Investment in Vietnam, Ministry of Finance, State Bank of Vietnam and Central Institute for Economic Management
Start & end years	Adopted in 2013 for the period 2014 to 2020	Overall term: 2014 to 2018
Evaluation carried out	Evaluation as well as efforts to monitor via indicators is foreseen, but a programme evaluation has not yet been carried out. Ex ante assessments of specific programmes have occurred in the context of GG (e.g. of environmental taxes with the support of GIZ on behalf of GIZ). Some donor organisations and networks have provided light reflections on the GGS itself (e.g. Climate and Development Knowledge Network 2013; Meessen et al. 2015). Some evidence on GG and enterprise involvement is presented by Ngoc and Anh (2016).	Internal reporting

Viet Nam (2014), GIZ (2016).

Box 1 Objectives of the Viet Nam Green Growth Strategy

**General objectives**

Green growth, as a means to achieve a low carbon economy and to enrich natural capital, will become the principal direction in sustainable economic development; reduction of GHG emissions and increased capability to absorb greenhouse gas are gradually becoming compulsory and important indicators in socio-economic development.

**Specific objectives**

- **Restructure the economy** and perfect the economic institutions by greening existing sectors and encouraging the development of economic sectors to use energy and natural resources efficiently with higher added values;
- Conduct research and enhance application of appropriate **advanced technologies** to more efficiently use natural resources, reduce greenhouse gas emissions intensity and to contribute to an effective response to climate change;
- Improve living standards of the people, creating an **environmental friendly lifestyle** through employment generation from green industry, agriculture and services; investment in natural capital; and development of green infrastructure

Source: Anh 2015

On the 20<sup>th</sup> of March 2014 the Prime Minister approved the **National Action Plan (NAP) on Green Growth** (Decision 403/QĐ-TTg). It outlines specific areas of policy intervention to implement the objectives developed in the VGGS. It consists of 4 main themes, 12 groups of activities and 66 specific activities. The four themes include:

- Setting up institutions and formulating green growth action plans at the local level
- Reducing the intensity of GHG emissions and promoting the use of clean and renewable sources of energy
- Greening production
- Greening lifestyle and promoting sustainable consumption.

Business Environment Reform (BER) is not explicitly mentioned in the GGS or the NAP, but is implicit to the practical implementation toward achieving strategic objectives.

### ***The GIZ Macroeconomic reforms / green growth programme***

The GIZ programme supports different institutions of Viet Nam in the implementation of the GGS (in particular the Ministry of Planning and Investment, the Central Institute for Economic Management, the Ministry of Finance, the State Securities Commission and the State Bank of Viet Nam). It aims to foster a common understanding of GG and incorporates study trips, international exchanges, peer learning and training measures.

The programme is divided into six key components:

1. **Strengthening advisory capacity on green growth issues** (policy simulation, environmental impact analyses and stakeholder dialogues)
2. **Coordination of the National Green Growth Strategy** (development of related legal and administrative instruments and, at the provincial level, training for civil servants and the formulation of green growth action plans)
3. **Capacity development support to the Ministry of Finance (MoF):** (part of the EU's 'Public Financial Modernization Project' providing technical assistance to the MoF to improve transparency, accountability and efficiency in public financial management)
4. **Green fiscal policy reform** (analysis of budget process from a green-growth perspective, the adjustment of fiscal instruments and incentives for green investments, the levying of taxes to discourage environmentally irresponsible behaviour, and the introduction of green standards for public spending)
5. **Green financial sector reform** (various training measures and support for the development of innovative green investment instruments, green banking and green capital markets)
6. **Human capacity development** (training measures in Viet Nam and abroad; 'Young Fellows Programme' on the green economy; an e-learning course for experts).

The business environment is explicitly mentioned in the planning document for the component on green financial sector reform. For example the supported preferential credit lines for private investment projects matching national green criteria are having a direct impact on business. Other linkages also exist, e.g. the advisory activities (of first component) on power sector reform include BER for non-state owned power producers.

### **1.2 Strategy design process and linkages to other policy strategies**

The GGS in Viet Nam was especially driven by both national and international efforts to combat climate change. In particular the **Vietnam National Climate Change Strategy (2011)** provided a strong foundation in terms of long-term socio-economic development. It fits into the context of a number of policy programmes and strategies ongoing in Viet Nam, including **the Social-Economic Strategy** (SEDS 2011-2020 and 5 Year-SED), the **Sustainable Development Strategy** (SDS, 2013) and the **Master Plan for Economic Restructuring** (MPER, 2013-2020). Indeed, one of the key strengths of the GGS is expanding the knowledge base on the need to integrate environmental

considerations into economic strategies and building an understanding on the kind of tools that could be used to this end. In other words, the GGS builds a foundation for integrating GG into policy programmes like the 5-year SED in the future.

On the other hand, although the different development strategies reference each other, actual policy coherence is more difficult to achieve, as pointed out by Hong and Hoai (2015) regarding the integration of poverty and sustainability policies at a national level:

“There have been too many policies and many of them are overlapping which would spread out the funding allocation and efforts for achieving the same target. Moreover, a steering committee or board is often established for every big policy/ programs while the coordination among those institutional bodies are limited. This situation would lead to lacking coherent actions among similar programs and policies, ineffective use of state budget funded for implementing sustainable development programs and policies.”

In their review, the Climate and Development Knowledge Network (2013) described the development of the GGS in Viet Nam as a participatory process. For example, the composition of the GGS drafting and editing boards included leaders and directors from e.g. finance, industry and trade, natural resources and environment, agriculture and rural development, transportation, science and technology, and construction ministries (ibid). Two stakeholder consultations were undertaken with the business community, three with local authorities, research institutes and social society organizations, and one with the international community. The National Council for Climate Change also played a role and analysis of low carbon development options were studied. Finally, learning and information gathering tours were arranged for e.g. South Korea, Mexico, Germany, and the Netherlands to help learn from other countries’ experiences. International expert consultations also took place, in particular through the support of a variety of donors including BMZ. In consultation with the international community a framework for GG was formulated on 24 November 2011 (Climate and Development Knowledge Network 2013). Although different types of stakeholders were involved, the key driving force behind the development of the GGS seems to have been a relatively small group within the Ministry of Planning and Investment (MPI) with the engagement and leadership to develop, promote and push this agenda. The strategy slowly gained and garnered more support of donor groups (including UNDP, KOICA, GIZ, ADB, USAID, and the World Bank (Anh 2015)) as a particularly attractive concept. The GGS also provided an opportunity to tap into strengthening donor funds directed towards green issues at a time when general ODA to Vietnam started to decline (Zimmer et al 2015).

### ***Building a common understanding of “green growth” in Viet Nam***

The understanding of GG in Viet Nam clearly reflects the need for economic reforms. One of the key political priorities in Viet Nam is overcoming the “middle income trap” and the GGS should contribute to this by improving productivity. The GGS defines “green growth for Viet Nam” as:

“A strategy to promote the **process of restructuring and improving economic institutions** towards more efficient use of natural resources, improved competitiveness of the economy which will be achieved through increased investments in technological innovation, natural capital and economic instruments. This will contribute to respond to climate change, reducing poverty and ensuring sustainable economic development.” (Viet Nam Green Growth Strategy, p. 19)

The GGS also includes a number of viewpoints of GG from a Viet Nam perspective. These are listed in Box 2, where also the importance of relevance to the situation in Viet Nam and the inclusion of all people is emphasised.

*Box 2 Viewpoints on Green Growth in Viet Nam*

- “Green growth is an important part of sustainable development to ensure fast, efficient and sustainable growth while making a significant contribution to the implementation of the national climate change strategy.
- Green growth is by the people and for the people, contributing to employment, poverty reduction and improving the material and spiritual life of all people.
- Green growth must lead to increased investments in conservation, development and efficient use of natural capital, reduction of greenhouse gas emissions and improvement of environmental quality, and thereby stimulating economic growth.
- Green growth must be based on science and modern technologies which are suitable to Viet Nam’s conditions.
- Green growth is the cause of the entire Party, all people, every level of Government, ministries, localities, enterprises, and social organizations.”

Source: Viet Nam Green Growth Strategy (Viet Nam 2012)

## 2 Strategy design and results

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### 2.1 Mapping the theory of change

#### ***Short and long-term objectives of the GGS***

The Green Growth Strategy and Green Growth Action Plan have long-term implementation plans. In particular, provincial level Green Growth Action Plans are now being developed to mainstream green economy concepts into provincial level planning and investment. A broad range of activities have begun, but are more in initial stages of development. Figure 1 depicts a roadmap, illustrating that the scope of activities so far relates more to learning, scoping and identifying opportunities to promote GG. This roadmap, developed by MPI, is not fixed, but evolving as a reference framework for orientation of GG activities. For example, as the integration of GG into SEDP 2016-2020 only happened to a limited extent, integration into SEDP 2021-2025 is aimed at. As regards synergies with climate change mitigation and adoption, the GGS is increasingly pursued also as a vehicle to realize the commitments entailed in Nationally Determined Contributions (NDCs) as well as implementing synergies with Agenda 2030 (Mai 2017).

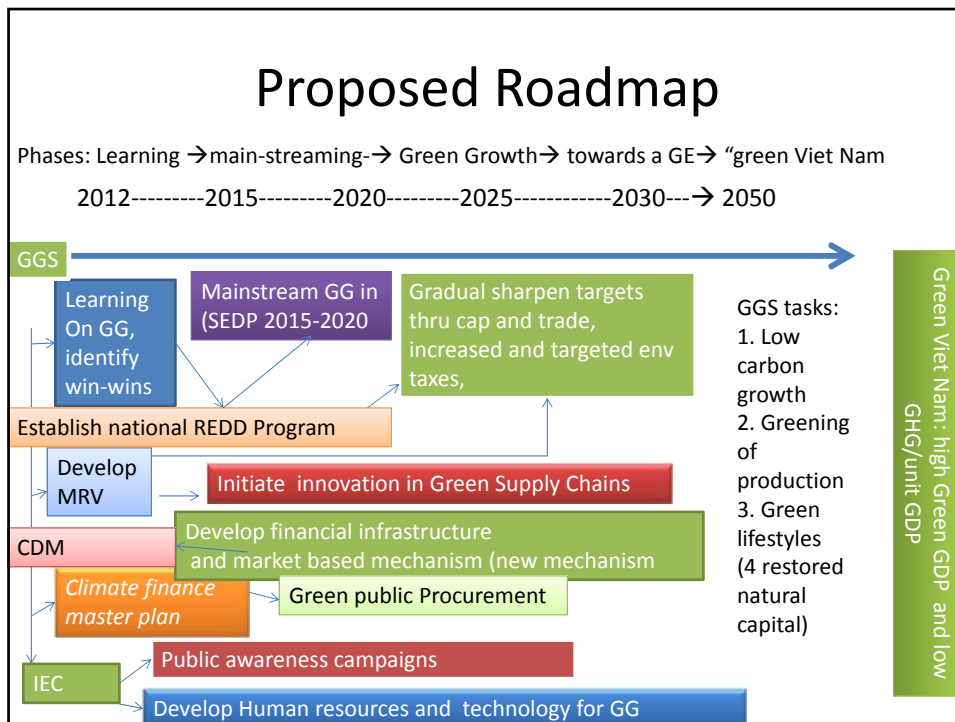
In particular, the activities planned for the period from 2011 to 2020 include:

- Dissemination, awareness raising, training, and human resource development.
- Develop policy mechanisms and establish the management institutions for implementation of the strategy.
- Develop information and data systems and management tools, standards and norms for green growth.
- Identify key projects on green growth / low-carbon, greening of productive sectors,
- Piloting and implementation of priority programs.

A number of activities have also been planned for the period 2021-2030:

- Continue to improve the green growth institutions and policies, adjust and improve the scale of deployment on the basis of periodic monitoring and evaluation.
- Expand pilot scale and replication of master plans, programs and key projects.
- Expand training and development of human resources for the development of green economy.
- Conduct environmental audits at all levels (national, sectoral, local and enterprise) and implement green accounting in enterprises.
- To accelerate the process of economic restructuring according to the green economy model.

Figure 1 Proposed Roadmap of the Viet Nam Green Growth Strategy



Source: MPI 2012

Note: SED = Social-Economic Strategy (SEDS 2011-2020 and 5 Year-SED), MRV = Measuring-Reporting and Verification

**GIZ activities: Supporting financial sector reform**

As assessing the full range of activities under the umbrella of the GIZ macro-economic reform project would be beyond the scope of this report, the following paragraphs focus on some economic instruments and reform in the financial sector related to the GGS promoted by GIZ. These were selected due to their relevance to both GG and BER. Table 2 lists some of the key policy instruments, their intended outcomes and impacts as well as relevance to BER and GG for which GIZ has helped to support.

Green financial instruments and products shall be used to mobilise funding to implement the GGS toward sustainable development in Viet Nam. In general, there are two key challenges regarding green finance in Viet Nam. First, there is a very small Environmental Protection Fund (approximately 50 million USD). In comparison Krakowski (2016) report estimates from MPI that 30.7 billion USD will be needed by 2020 to finance the GGS. Second, environment, green growth and climate change funding is too scattered and not always in line with international and environmental standards. To address these problems the green financial policy framework is being developed based on the combination of fiscal policy and refinancing, credit and financial policies across the entire finance and banking sector. There is also a need for large national green funds for environmental protection and climate change.

Environmental taxation was passed by the Vietnamese parliament in 2010 and came into effect in 2012. As such, Vietnam has become a frontrunner in SouthEast Asia on environmental taxation (Krakowski 2016). Taxes are levied on refined fuels and coal as well as environmentally harmful substances such as Hydrochloro-fluorocarbons (HCFC), selected pesticides and soft plastic bags. Viet Nam intends to make a shift from taxation of labour to taxation of resources and environmentally harmful substances. The tax rate is determined by the National Assembly and was rather low for the first phase, but with the intent of increasing over time. The process encompassed both international consultation and a comprehensive assessment (Krakowski 2016).

The Central Bank of Viet Nam has drafted a pilot green credit programme for SMEs totalling approximately 100 million USD. The three biggest state commercial banks of Viet Nam and one private commercial bank are participating in the pilot programme, which comprises so far 26 projects across areas such as renewable energy, waste management and organic agriculture. In the programme SMEs have a 1-3% lower interest rate than the market interest rates and participating banks receive refinancing from the Central Bank of Viet Nam at interest rates 1% lower than usual. Other green credit programmes for e.g. large-scale projects are under development.

The bond market in Viet Nam, primarily government bonds, has had the highest growth rate in the world over the last five years to reach 18% of GDP and become the second biggest source of capital funding in Viet Nam. The green bond concept aims to create a green bond market to finance especially green development projects. It is based on best international practices from Sweden, Brazil, South Africa and China. The intention is to issue government green bonds, municipal green bonds, corporate green bonds, and green bonds of development organisations guaranteed by government.

*Table 2 Intervention logic of the GGS related to select economic instruments and reform in the financial sector encouraged by GIZ*

<b>Instruments used</b>	<b>Intended outcomes</b>	<b>Intended impacts</b>	<b>Relevance to BER</b>	<b>Relevance to GG</b>
Environmental taxation	Raise prices on CO <sub>2</sub> intensive products like fossil fuels as well as environmental harmful substances (like selected pesticides)	Promote green growth and lower GHG emissions	High	Very high
Green credit programme for SMEs	Lower interest rates on credit for green projects	Contribute to building a green economy	Very high	Very high
Green bonds	Finance green projects	Mobilise capital for green development	High	Very high

Based on Krakowski 2016

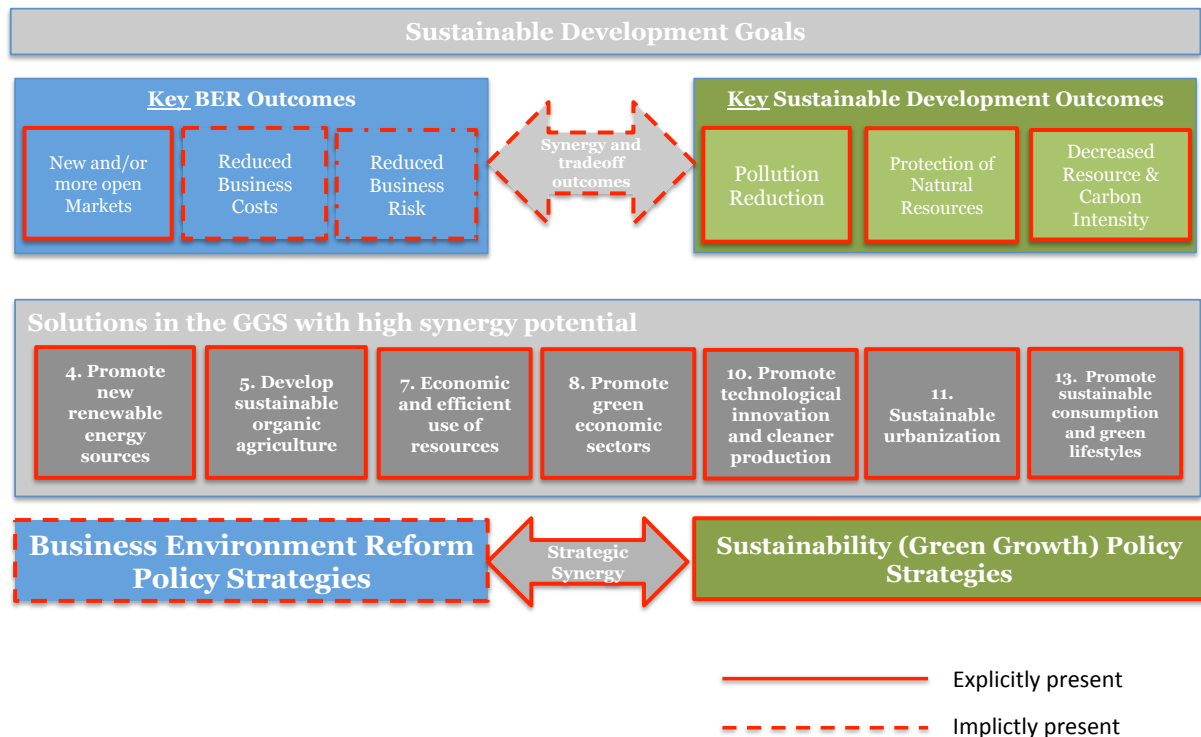
## 2.2 Analysis of synergies and trade-offs between BER and sustainable development in policy design

The GGS aims for a macro-economic transition to clean production systems and environmentally friendly consumption patterns and lifestyles. The strategy focuses more on sustainable development overall with some implicit implications for the business environment. However, there is no systemic reflection of synergies and trade-offs between BER and sustainable development. A long-term perspective is presented on the environmental and macroeconomic side, but is not explicitly formulated for BER. Nevertheless, BER plays a central role in practical implementation of the strategy and is included, to a certain degree, in the support activities of GIZ in the context of macro-economic reform. Figure 3 presents the implicit and explicit outcomes and synergies between BER and sustainable development.

As regards key sustainable development outcomes, all three outcomes are explicitly present in the GGS. For example, one of the 17 key solutions identified in the GGS states: “Review and adjust master plans for the production sectors and gradually limit the development of economic sectors that generate large amount of waste, significant environmental pollution and degradation of natural resources, while creating favourable conditions for the development of new green production sectors.” (Viet Nam 2012, p. 5). As regards the protection of natural resources, preventing further environmental degradation is a key overarching goal of the GGS. Water, land (especially forests) and mineral resources are also explicitly mentioned. There are also explicit aims to increase resource efficiency and reduce carbon intensity.



Figure 2 Synergies and Trade-offs between Business Environment Reform and Sustainable Development in the Viet Nam Green Growth Strategy



As regards key BER outcomes, they are generally more implicit in the GGS than explicitly stated. There seems to be a more explicit focus on sector level developments, which could open the opportunity for new markets, but there is no explicit discussion of business costs or business risks. There is mention of the idea of “polluter pays”, which would raise costs for highly pollutive industries and enterprises and provide a more level playing field for “green businesses”. There also seems to be the intention to use in particular financial, credit and market-based instruments to steer the transition (see solution 14 of the GGS). Solution 13 also aims to “encourage sustainable consumption in the business sector” (GGS, p. 12). It discusses certification and eco-labelling for green products and the need to “form and expand markets for green products” (GGS, p. 12). As regards the reduction of risk in the business sense, it is not mentioned specifically in the GGS. However, there are activities described to build capacities and to develop networks of research and development centres, which may lower risk for innovators (through collaboration). Risks for finance are addressed in particular together with the Central Bank Strategy.

Figure 2 also presents key synergies among BER and sustainable development objectives and outcomes. It presents some of the key solutions (17 solutions were presented in the GGS) described in the GGS that have high capacities for synergies. For example, solutions 4, 5, and 8 focus on the development of new markets. 7 and 10 aim to improve the efficiency of use of resources, especially through technological innovation, requiring business engagement in both the way business operates as well as toward development of new products. Solutions 11 and 13 present more systemic changes to production and consumption systems with implications on the way business operates and creates value in a more radical way. The other solutions presented in the GGS may also have a relevance for BER so that Figure 2 presents some of the hot spots for synergies.

Table 3 presents some synergies and trade-offs between sustainable development and BER that may play a role in Viet Nam. More synergies than trade-offs may be expected. This also reflects the general

perception in Viet Nam were the focus seems to be on benefits rather than on potential losses. For example, there is a general acceptance that jobs in e.g. coal mining may be lost. Instead of concentrating on these losses the focus is on the creation of new jobs. In particular synergies may be found in energy sector reform and removing obstacles to create market openings.

According to Meessen et al. (2015) the GGS of Viet Nam is ambitious compared to strategies of neighbouring countries, but that a key trade-off might be related to rebounds (i.e. when efficiency gains are offset by increases in consumption made possible by those efficiency gains). Tensions could appear between traditional Asian lifestyles and new consumption patterns, in particular among the emerging urban middle class. The emphasis on traditional lifestyle in the GGS may help to avoid such tensions. Meessen et al. (2015) conclude that the GSS is ambitious by taking the best of other green growth frameworks and addressing country specific challenges. In particular, “sustainability, coherence between the policies and their enforcement are key issues. Therefore, Viet Nam will need to continue strengthening its institutional capacity, tackling economic reforms, adopting clean technologies and paying attention to the evolving consumption patterns, while assuring adapted monitoring” (Meessen et al. 2015).

*Table 3 Synergies and Trade-offs between Business Environment Reform and Sustainable Development in the Viet Nam Green Growth Strategy*

	Synergies	Trade-offs
<b>BER OUTCOMES -&gt; Synergy with Sustainable Development Outcomes</b>		
Market creation & higher market pressure	<ul style="list-style-type: none"> <li>• Development of green technologies</li> <li>• New products may lead to more eco-friendly lifestyles</li> <li>• Reduce poverty</li> <li>• Create jobs</li> <li>• Increase productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of rebounds</li> <li>• Risk of job loss in “dirty” sectors</li> </ul>
<b>SUSTAINABLE DEVELOPMENT OUTCOMES -&gt; Synergy with BER outcomes</b>		
Pollution reduction	<ul style="list-style-type: none"> <li>• New market opportunities in clean energy</li> <li>• Cleaner production</li> <li>• Innovation in env. Technologies</li> <li>• Long-term benefits related to reduced costs associated with impacts of climate change</li> <li>• Increase health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• May raise costs short term</li> <li>• It can also reduce market competition in the short run through market exit of non-compliant firms</li> </ul>
Protection of natural resources / ecosystem services	<ul style="list-style-type: none"> <li>• New economic opportunities such as ecotourism market creation</li> <li>• Secure long-term access to natural resources</li> </ul>	<ul style="list-style-type: none"> <li>• May increase restrictions on use</li> </ul>
Decreased resource & carbon intensity	<ul style="list-style-type: none"> <li>• Increase productivity</li> </ul>	<ul style="list-style-type: none"> <li>• May raise costs short term</li> </ul>

Finally, it should be noted that separate activities to improve BER are ongoing in Viet Nam. Viet Nam moved up in the World Bank’s “Doing Business” from rank 91 (of 189 countries) in 2011 to rank 82 (of 190 countries)<sup>7</sup> in the just released Doing Business 2017 report. One key reason for moving up the list is recent tax reform. The World Bank states “Vietnam made paying taxes easier and less costly by streamlining the administrative process of complying with tax obligations and abolishing

<sup>7</sup> Vietnam still lags compared to more advanced economies in the region, including Singapore (ranked 2nd), Malaysia (ranked 23rd) and Thailand (ranked 46th).

environmental protection fees” (World Bank 2016b, p. 29 based on Doing Business 2017). How this reform fits into the context of the Green Growth Strategy should be assessed further, in addition to how this reflects synergies and trade-offs between BER and GG.

### 2.3 Achievements so far

#### ***Key achievements of the GGS in Viet Nam***

Overall Viet Nam is in the process of turning green growth from being a strategic concept into an important driving force of sustainable growth. While aspects of the policy framework still need to be developed in the context of the GGS, Vietnam is ready to move from policy to implementation, in particular in light of the integration of climate change and green growth contents in the Law on Environment Protection 2014 (Anh 2015). In particular, key achievements so far include:

- Many partners have joined Viet Nam’s ‘green coalition’, such as UNDP, KOICA, GIZ, Belgium, the EU, ADB, USAID, and the World Bank (Anh 2015).
- 16 provinces are preparing Provincial Green Growth Action Plans (PGGAPs) to integrate green investment (Mai 2015).
- The Ministry of Planning and Investment, in consultation with other ministries, is formulating templates and guidelines to support the PGGAPs (ibid).
- Sectoral Green Growth Action Plans are being prepared by several ministries (ibid).
- Domestic and international resources for GGS implementation (CFTF, REDD+, Green Climate Fund) continue to be mobilised (ibid).
- Guidelines for Green Growth Investment are being prepared together with Global Green Growth Institute (GGGI) and UNDP (ibid).

As regards, environmental tax (e.g. see section 2.1 where environmental tax was presented as an example of a measure in the context of the GGS) the first ex-post impact assessment was conducted in 2014 with support of GIZ. The assessment revealed some unfavourable macroeconomic and social impacts, reflected by marginally reduced GDP (0.2%), sectoral outputs (9.1% in 2012 and 9.5% in 2013) and a slower pace of poverty reduction (11.1% in 2012 to 9.8% in 2013). It did show positive impacts on the environment, reflected by a diminished level of carbon emissions (a decrease by around 1.7%). Government revenue was raised by the amount of the environment tax collection, but without it the revenue was somewhat smaller. Finally, the income distribution in Viet Nam seems to have been slightly improved (a modest decrease in the GINI index of 0.4202 instead of 0.4203). The short term effects may change over the long term.

#### ***Key impacts of the GIZ programme on macro-economic reform/green growth***

The GIZ programme has been successful in particular in promoting capacity building and knowledge sharing as well as providing support toward the development of green fiscal reform. As regards the former, more than 200 government officials have taken part in a 1-month capacity building and training programme focused on green economy, mainly in Germany. As regards green fiscal reform, GIZ was able to serve as the main communication bridge between an international expert and Vietnamese partners in the design of the environmental tax law. Financing discussions with the Central Bank have also had positive resonance. Particular achievements include the pilot green credit programmes improving access to finance for SMEs. GIZ has also supported the drafting of sectoral GG Action Plans working with the State Bank of Viet Nam and the Ministry of Finance.

## 3 Governance and learning

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### 3.1 Administrative structure

#### ***Governance of the GGS***

Because the GGS is based on coordination across an array of different ministries and sectors plans were developed for the establishment of an Inter-ministerial Coordinating Board (ICB). This board was planned to be directly under the National Committee on Climate Change and chaired by the Deputy Prime Minister for implementing the Green Growth Strategy. Its location was set to be in the Ministry of Planning and Investment (Vice Head of the Board), including four other Vice-Heads drawn from leaders of the ministries of finance, industry and trade, agriculture and rural development, and natural resources and environment. The ICB members were intended to be comprised of representatives of selected ministries and sectors, local authorities, and representatives of associations. However, this board has not, yet, been established.

Due to the absence of the intended ICB, the GGS currently lacks a clear administrative structure. So far it has been developed and pushed forward mainly by one department within the Ministry of Planning and Investment. One option for future development could be to use the National Committee on Climate Change, if the establishment of the ICB continues to encounter delays. The Social-Economic Strategy is the key plan and overarching policy strategy within Viet Nam. Greater inclusion and integration of the implementation of the GGS in the next 5-year plan could be one way to mainstream the GGS, especially focusing on the synergies for economic development. Strengthened implementation of the GGS could also be driven by increased integrated into the activities toward achieving the Sustainable Development Goals, for which the MPI is also tasked with implementation. This could be one way to strengthen the coherence that already exists between e.g. the GGS, the SED and SDGs on paper as well as to maximise synergies toward implementation. In this case the governance structure of the GGS would need to be adapted as needed.

As regards financing, the GGS aims to effectively blend and manage international and national, public, and private sector finance for green investments (Climate and Development Knowledge Network 2013). A variety of strategies to mobilise financing and encourage domestic and international organisations to provide financial assistance are included in the GGS. According to the Climate and Development Knowledge Network (2013) these prioritise win-win solutions and include:

- “Increase investment from the state budget, taking into account the decentralization and mainstreaming processes of budget management for green growth, and assessment of new funding mechanisms such as the possibility of a Green Growth Fund.
- Mobilize international support through the Green Climate Fund and other Official Development Assistance opportunities. Through a Climate Public Expenditure and Investment Review (CPEIR), develop and apply financial mechanisms that suit existing international climate change policies and enable the country to mobilize and use effectively bilateral and multilateral financial aid for responding to climate change.
- Promote private sector engagement and promote green foreign direct investment.
- Encourage further development of market-based mechanisms and financial instruments, such as the CDM. Consider a shift in fiscal policy towards taxation through wider application of eco-taxes and a carbon tax.
- Increase management and coordination in using domestic and international financial resources for responding to climate change.” (Climate and Development Knowledge Network 2013).

#### ***Structure of the GIZ programme***

The GIZ macro-economic reform/green growth programme is financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) with co-financing from the EU. It is

comprised of a staff of around 30 people, with 3 to 4 international experts (including the Co-ordinator) and around 30 national staff. The latter comprise both technical staff members, which oversee the quality of work produced by sub-contractors, and administrative and financial staff. Many of the studies and reports produced are performed by national consultants. The Programme works closely with partners in Viet Nam, including the Ministry of Planning and Investment, Ministry of Finance, State Bank of Vietnam, State Securities Commission, Ministry of Labour, Invalids and Social Affairs, Office of the Government, and Central Institute for Economic Management. The Macro-economic reform/green growth programme is part of a cluster of 3 GIZ programmes that also includes the Legal Advisory to the Office of Government, which supports and checks legislation, and a new programme on the Social dimension of green growth, which started implementation in 2017. The clustering of these programmes is intended to promote integration and maximise synergies.

### 3.2 Monitoring and Evaluation

The GGS lists 10 priority programmes and projects for the period 2011 to 2015. One of these is: developing a framework for monitoring & evaluation and reporting for green growth strategy implementation. While this has not yet been carried out, it does indicate that the GGS has envisioned the importance of monitoring, evaluation and learning within the scope of policy formulation. This is also reflected in the learning which has happened from study trips to other countries as well as assessments for the specific sectors and solutions.

This attention to monitoring and evaluation is also reflected in a new initiative on “Strengthening Capacity and Institutional Reform for Green Growth and Sustainable Development in Vietnam (CIGG)”, which was jointly designed by the Ministry of Planning and Investment, UNDP, and USAid in consultation with line ministries. The Initiative builds on the significant technical assistance provided by especially UN, UNDP, and USAid during the development of the GGS and Action Plan (AP). In particular it will strengthen measurement, reporting and verification (MRV) mechanisms for mitigation actions and GHG emission targets under the GGS and support a M&E mechanism for reporting. The Initiative shall also support a well functioning Standing Office for GGS/AP coordination, as well as the preparation of policies and guidelines to assist ministries, sectors and provinces to integrate green growth into planning, budgeting and spending. Further learning opportunities shall take the form of stakeholder consultations (especially private sector) as well as policy analysis, in particular to review investment policies and identify gaps for new policies to stimulate green investments, including renewable and clean energy (Mai 2015).

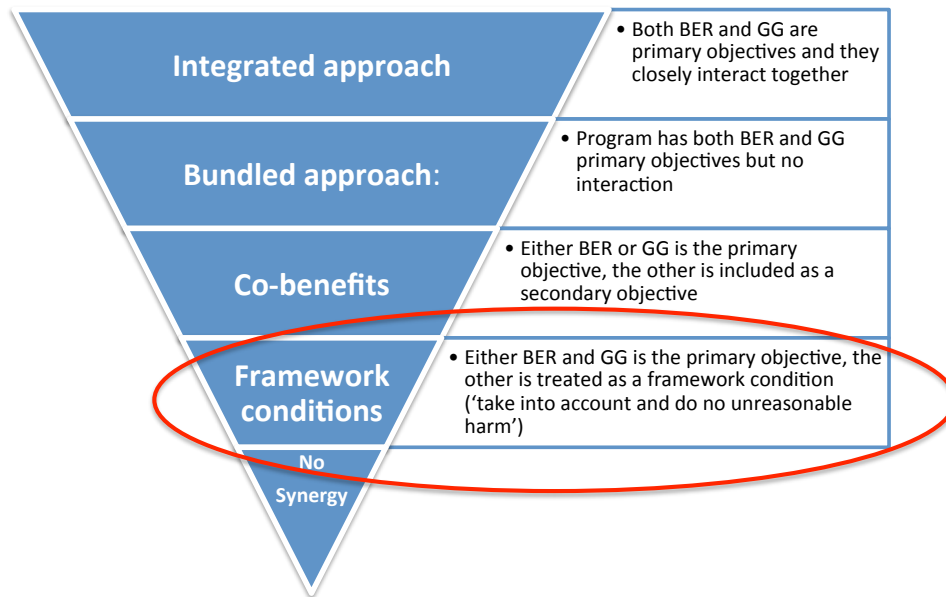
## 4 Good practices and lessons learnt

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### 4.1 Conclusion on synergies and trade-offs

In Viet Nam GG and BER are parallel processes. Both are led by the Ministry of Planning and Investment, but without a combined vision. The GGS has sustainable development as its overarching objective with a number of implicit synergies for business. As such it has been classified as fitting into “framework conditions” on the “Synergy ladder” (Figure 3). A multitude of other activities are ongoing in Viet Nam with impacts on BER (e.g. the Eco-Innovation Project run by the Centre for Creativity and Sustainability, among many others in the context of the SDGs, cleaner production, climate change etc.). The potential positive synergies between these programmes, GG and business opportunities in the context of BER also do not seem to be fully explored or exploited in a systematic way. It should be noted that this may also reflect more systemic challenges in the broader context of Vietnamese policies, which are marked by high levels of fragmentation (see e.g. Pincus 2015). Ultimately, GGS concepts would need to be integrated into especially sectoral level policies with a perspective to business to strengthen synergies, implementation and impacts.

Figure 3 Viet Nam's Position on the synergy ladder regarding BER and GG in the GGS



#### 4.2 Lessons and good practices for policy makers

##### **Challenges and opportunities related to the GGS**

The development of a strategy for GG in Viet Nam has been approached successfully. The assessment of many sectors and inclusion of branches of government has triggered synergies and common understanding about GG which has led to a re-orientation of economic development to include “green” aspects in Viet Nam. Also the development of different strategies by individual ministries has helped to mainstream GG under the framework of a common strategic approach to economic growth.

However, a number of challenges still exist, which could be learned from for future activities in the context of the Viet Nam GGS as well as for other countries. Challenges and opportunities include:

- Difficulty mobilising foreign and domestic investors / need to strengthen policy incentives; Catalyse and crowd-in investment by leveraging public funds and create PPPs supportive of green growth (e.g., transport, energy); Introduce a green growth investment network to facilitate dialogue and information-sharing and best practices between private sector investors and government (Anh 2015).
- Moving from strategy development towards implementation / Learn from case studies of other countries such as Mexico and Costa Rica. Mexico has an approach centered on NAMA development that fits Viet Nam well while Costa Rica is well advanced with its low carbon development; promote regional learning and sharing in the ASEAN context (Mai 2013); Mainstream green growth into the Socio-Economic Development Plan (Anh 2015).
- Work on development partner coordination; Development partners have converging approaches which hampers coordination / A coordination framework has been developed but needs to be rolled out (Mai 2013).
- Limited understanding at local level (Mai 2013) / Provide technical training and support to define GHG emission targets and policy options for preparation of GG action plans to ministries and provinces; Design a training programme on climate change and green growth (Anh 2015).
- Upfront investment costs remain significant for private sectors and uncertainty on climate finance and green climate funds limits mid to longer term commitments / develop new

financing mechanisms (Mai 2013) and improve Viet Nam's climate finance architecture for green growth; Provide training and technical support for project developers, private sector and investors to get access to green financial mechanisms and develop green projects (Anh 2015).

- General policy uncertainty (e.g. regarding RE support)
- Lack of incentives to be clean or green (cheap availability of resources, e.g. electricity, land for SOEs) Main point: haphazard enforcement of pollution laws/regulations creates disincentive
- Evaluation process is lagging / Strengthen measurement, reporting and verification (MRV) mechanisms for mitigation actions (Anh 2015).

Particular areas for improvement include the shift from strategy development toward implementation and the need to speed up some of the processes which have been lagging (e.g. the Inter-Ministerial Board, evaluation, as well as in-fighting between different ministries).

### ***Strengths and weaknesses related to the GIZ programme***

In respect to the relationship between the GSS and donor organisations, the government has organised and coordinated formal and informal donor meetings, which has worked well. Nevertheless, donor competition for government attention remains a structural constraint to strengthened co-operation. As regards the GIZ programme on macro-economic reform, GIZ also works closely with the Ministry of Environment so that synergies to environmental aspects could be better handled. Facilitating links and synergies also between GG policies and internal Vietnamese budgeting (as the GIZ works with both) would also significantly strengthen implementation of the GGS.

At the same time, a particular strength of the GIZ programme is that it co-operates with a broad range of actors in Viet Nam. For this reason it is able to work with a number of different ministries to help overcome fragmentation and support achieving synergies. This is in particular possible due to a long history of experience and action in Viet Nam with long-term commitments contributing to both effective implementation and building trust. In this way, the GIZ programme has become a key bridging organisation in Viet Nam. Another key strength of the macro-economic reform programme is capacity building and the exchange of best practices. In this sense technical expertise and support, also through the integration of international experts, is targeted to needs and helps to deliver services.

As regards the integration of GG and BER, GIZ is well able to support building synergies, and possibilities to better formalise and promote these synergies both conceptually and practically could be improved in the future.





## Appendix A Sources and further reading

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### A.3 Interviews

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