



Market Survey

---

# Potential of Green Bond in Viet Nam

How the local commercial banks viewed the opportunities relating to green bond market in Viet Nam.

**September 2020**





Market Survey

---

# Potential of Green Bond in Viet Nam

How the local commercial banks viewed the opportunities relating to green bond market in Viet Nam.

**September 2020**



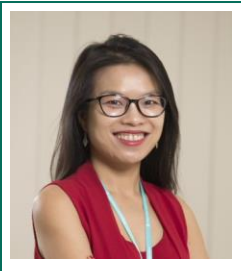
# CONTENTS

---

	<b>Foreword</b>	5
	<b>Abbreviations</b>	6
	<b>01. EXECUTIVE SUMMARY</b>	7
<b>02. MARKET READINESS AND PREFERENCE</b>		10
	<b>03. MARKET OUTLOOKS AND RECOMMENDATION</b>	15
	<b>04. APPENDIX</b>	20
	<i>Background and purpose of the Survey</i>	20
	<i>Methodologies &amp; Respondent profiles</i>	21
	<b>Disclaimers</b>	23

# Foreword

---



**Hanh Le**  
Country Representative  
Viet Nam

Dear Valued Readers,

The Global Green Growth Institute (GGGI) is an international organization founded to support and promote a model of economic growth known as “green growth”. Since 2011, we have worked with the government of Viet Nam on various projects focusing on the finance, urban and water sectors to promote the adoption of green growth initiatives.

Currently GGGI is working with Ministry of Finance of Viet Nam and other key public/private stakeholders on Viet Nam Green Bond Readiness Program funded by the Government of Luxembourg. The Program aims to support the long-term development of a green bond market, enhancing investments in sustainable projects that would reduce greenhouse gas (GHG) emissions and create green jobs, contributing to the achievement of Viet Nam’s Nationally Determined Contributions (NDC) targets.

As a part of this Program, GGGI is developing an insight brief to highlight the perspective of financial experts working at financial institutions about the green bond market in Viet Nam through a market survey (the “Survey”). The objective of the Survey is to assess the market appetite of local investors relating to green bond issuance. It also aims to explore potential market drivers, existing barriers as well as priorities to accelerate the green bond investment in Viet Nam. Furthermore, this market survey will help navigate the market preferences from financial institutions regarding green investments and serves as a reference to incorporate GGGI’s works in supporting the pilot issuance of green bond in Viet Nam in the coming time.

See page 20 for a more detailed view of the firms we surveyed as well as our method of data collection.

We would like to express our appreciation to all of respondents who offered us their valuable insights and observations. We believe these contributions will assist stakeholders in making decisions as they continue to advance the green bond market in Viet Nam in the future.

We hope that you enjoy reading the edition and look forward to your constructive feedbacks. Should you have any concerns or questions, please do not hesitate to contact us via [info\\_vn@gggi.org](mailto:info_vn@gggi.org).

# Abbreviations

---

<b>Abbreviations</b>	<b>Description</b>
<b>ADB</b>	Asian Development Bank
<b>GDP</b>	Gross Domestic Product
<b>GGGI</b>	Global Green Growth Institute
<b>GHG</b>	Greenhouse gas
<b>GIZ</b>	German Agency for International Cooperation
<b>HNX</b>	Hanoi Stock Exchange
<b>IFC</b>	International Finance Corporation
<b>MOF</b>	Ministry of Finance of Viet Nam
<b>NDC</b>	Nationally Determined Contributions
<b>ODA</b>	Official Development Assistance
<b>UK Embassy</b>	The Embassy of United Kingdom in Viet Nam

---



# 01 EXECUTIVE SUMMARY

---

## Intro

Despite impressive economic growth supported by the proliferation of coal power generation, Viet Nam is highly vulnerable to climate change and is experiencing a rise in GHG emissions due to rapid urbanization and industrialization. Recognizing the need to address climate change, the government of Viet Nam has set GHG emission reduction targets and policies to enhance resilience through its NDC and national green growth strategy.

It is estimated that fully implementing the Viet Nam NDC and green growth strategy will require USD 30 billion by 2030. This fund cannot come from the public sector alone, either from the central budget or ODA sources. Private sector finance is crucial and green bonds have been recognized as an innovative instrument to support Viet Nam to access both domestic and international capital markets.

But is the Viet Nam market ready for green bond? What is the status of the market participants, i.e. the local commercial banks towards the green bond? Are there any challenges to invest in green bonds in Viet Nam? What should be done to enhance the green bond market in Viet Nam? As the green finance continues drawing the appetites of developers as well as fund providers, it is essential for the banks to identify key risk barriers, appropriate policy interventions to address the challenges.

The Executive Summary in the next page highlights key findings from the Survey on these questions.

## 01. Executive Summary

### Market readiness and preferences

1. Most of the local commercial banks are still at an early stage with limited knowledge about green bond investments. Of which, 80% of respondents indicated that their organization is still “at early stage” to explore the green bond market. However, there is also some positive sign that 15% of respondents indicated that their banks are developing action plans or even mandated green bond in their annual targets.

**80%**

Early stage, with limited awareness

2. Renewable energy and water are the dominated green sectors in the portfolio of most local banks at the present. On the other hand, solid waste management and clean transport represent a small portion among the existing pipelines of the banks.

Most popular		Least popular	
Renewable energy	Water	Solid waste mgt'	Clean transport
<b>45%</b>	<b>30%</b>	<b>10%</b>	<b>5%</b>

3. There is a strong preference toward green projects with small size, of which 50% respondents indicated that they would prefer a project with an optimal deal size below US\$10m, followed by 25% respondents indicated their optimal investment size in range of US\$ 10 - 50m. Some banks also gave a flexibility that they are open for even bigger deal size if the projects are attractive enough.

**55%**

Preferred deal size below US\$ 10m

4. The lack of policy guidance is considered as the most significant challenge for implementing green bond investment in Viet Nam. The local context with the shortage of the regulation guidance, banks' internal guidance coupled with the lack of project pipelines and corresponding issuers have restrained the green bond investment in the market.

### Outlooks

5. Standardization of the green definition and applicable projects is the essential policy mechanism to enable the green bond issuance and investment. Likewise, promoting independent reviews of green bond issuance frameworks, and enabling tax incentives and/or subsidy are strongly believed to boost the green bond market in Viet Nam in the future.

6. Again, renewable energy is viewed as the most potential sector for green bond issuance in next 3 years. Other potential sectors also included water (e.g. water supplies, waste-water treatment...) and sustainable agriculture (e.g. organic farming, low-carbon cultivation...)

Most interested		Least Interested	
Renewable energy	Water	Solid waste mgt'	Green buildings
<b>75%</b>	<b>50%</b>	<b>25%</b>	<b>25%</b>

## 01. Executive Summary

---

### Outlooks (cont.)

7. Development banks are viewed as the most attractive green bond issuers, followed by sovereign issuers (government) and financial corporates. On the other side, non-financial corporates are viewed lesser attractive as only 45% of respondents think it is aligned with their interest.

**65%**

respondents strongly interested in the development banks' green bonds

8. Policy clarity is essential to develop green bond market in Viet Nam. 70% of respondents expressed that the most essential factor to develop green bond market in Viet Nam is to enhance the local policy framework (for instance, standardize green definition, guidelines in green bond issuance, reporting framework, disclosure of green bond). Additionally, the development of market stakeholders (e.g. credit rating agencies, verification firms) and support in capacity building are important to boost the market.
9. In consideration of COVID-19, a half of respondents think it will have negative impact to the development of Viet Nam green bond market, whereas the rest believe that it may have neutral or positive impact.



# 02 MARKET READINESS AND PREFERENCES

---

## Overview

In 2016, Viet Nam piloted its first green bond issuance in Ho Chi Minh City and Vung Tau, listing on Ha Noi Stock Exchange, at US\$ 25m and US\$ 4m, respectively. Since then, there has been no corporate green bond issuance and no further government green bond issuance in Viet Nam.

Which best describes the status of your firm engaging in green financial instruments?

---

# 80%

OF RESPONDENTS INDICATED THEIR BANKS ARE AT EARLY STAGE, WITH LIMITED AWARENESS ON GREEN BONDS

---

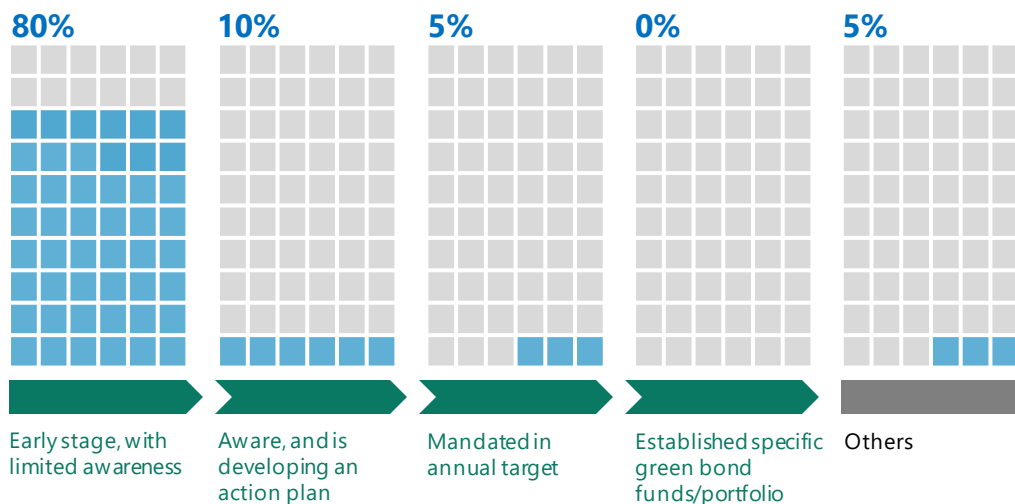
## 02. Market readiness and preferences

### Engagement status

Initially, the respondents were asked to indicate the status of their organization in engaging with green financial instruments (e.g. green bond). Although all the respondents found that they are highly interested to explore investment opportunities with green bond, the engagement status of their organization is at the emerging stage.

Particularly, 80% of respondents indicated that their involvement is still “at early stage” that the awareness is relatively limited. Only 10% and 5% of the respondents, have developed future action plans and mandated in its target, respectively to catch up with green bond investment in the future. Others (5%) indicated that their organizations have not been interested in the green bond at this junction.

Engagement status of the organization’s respondents in green instruments (e.g. green bonds)

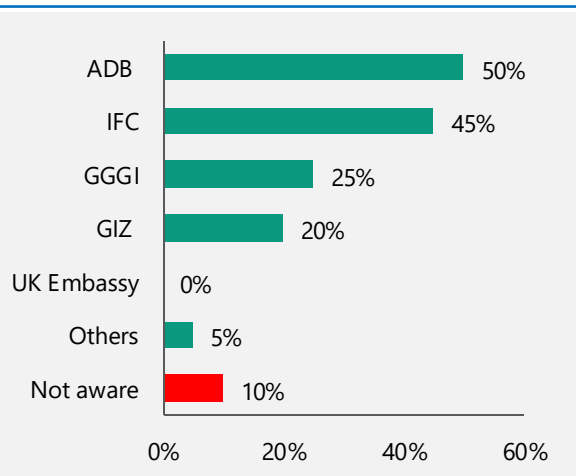


Respondents were also invited to describe any development program that they are aware.

Among various supporting programs for green bond in Viet Nam, it is observed that the participated respondents have shown a strong awareness of ADB & IFC program, thanks to their regular involvement between the international development banks and local banks.

Beyond the supporting program launched by GGGI or GIZ, the respondents also mentioned of Hanoi Stock Exchange (HNX) as a local stakeholder that is working in this area. However, there were also 10% of respondents that expressed no awareness of any indicated programs.

Awareness on available supporting programs



## 02. Market readiness and preferences

### From sector preference...

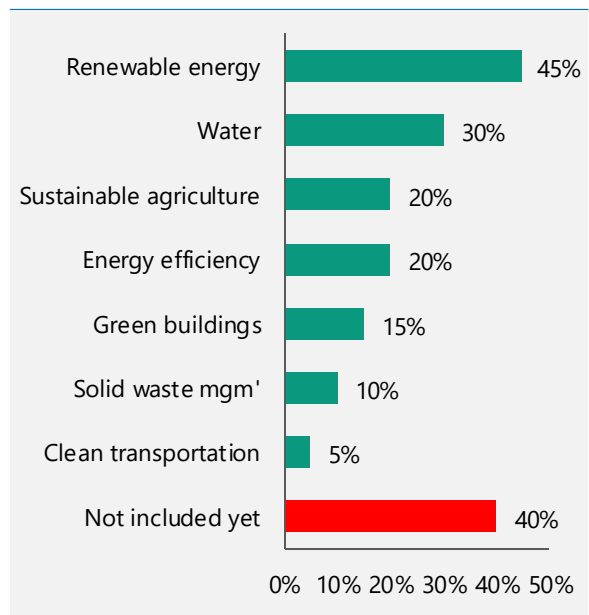
Respondents were asked to describe the current green investment portfolio at their organization, including 7 main sectors as described below. Respondent were asked to select all that applied.

Over 45% of respondents mentioned that the renewable energy sector (e.g. solar, wind energy) is currently included in their investment portfolio, accordingly, making it as the most-wanted sector in the market recently.

Water is the 2<sup>nd</sup> top-tier sector with 30% respondents who expressed that their banks invested in either water supply or waste-water treatment projects. This is followed by sustainable agriculture (e.g. organic farming, low-carbon cultivation...) and energy efficiency, each accounts for 20% of respondents.

40% of respondents indicated that there are no green investment projects in their investment portfolio yet. Consistently, all these respondents previously expressed that their banks are at "early stage, with limited awareness" of green instruments.

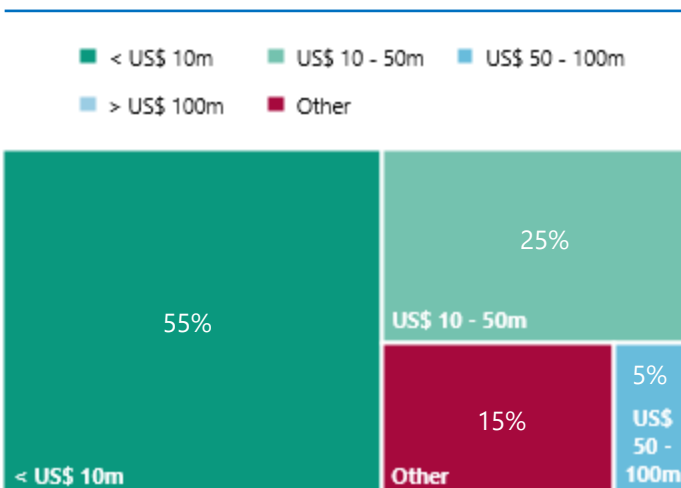
Current green investment portfolio by sectors



### ...to optimal deal size

Respondents were also asked to indicate what is the optimal deal size for a green project that their organization is looking to invest. 4 options relating to size preference ranging from below US\$10m to above US\$100m were provided for their consideration as below.

Optimal deal size respondents are looking



It is noted that most respondents expressed strong preferences for small deal size. Of which, around 55% of respondents expressed that they would prefer looking for investments size below US\$ 10m, followed by 25% interested in US\$ 10 - 50m and the rest 5% interested in US\$ 50 - 100m.

Also 15% of respondents who indicated that their banks are flexible to upper size if the project is attractive enough and meets the bank's credit policies.

## 02. Market readiness and preferences

### Incentives for green bond investment

*Respondents were asked to rate their incentives regarding investment in green bond at 3 levels, ranging from not relevant at all to most relevant, against 6 key provided drivers.*

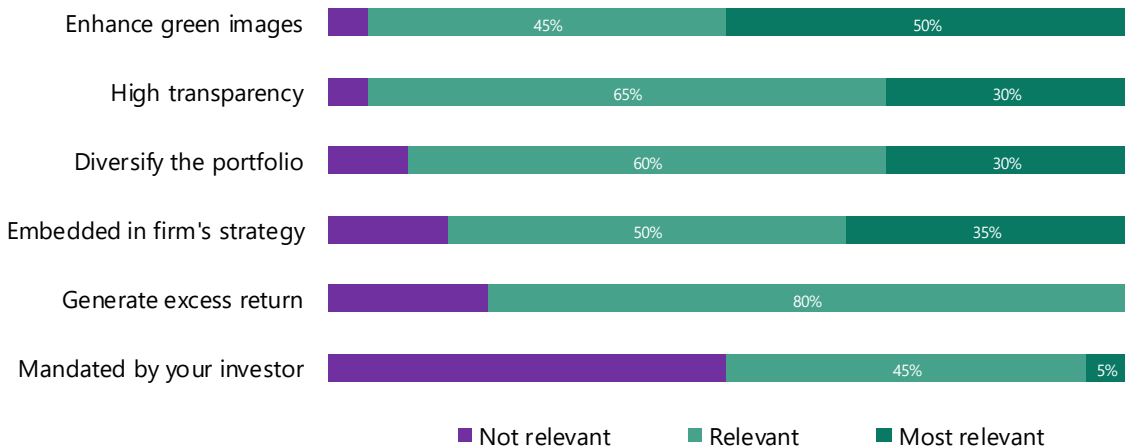
Among various reasons, it is noted that the respondents indicated that the 3 top drivers for their firms to seek green bond investment in the coming time are for the purpose of (1) enhancing green images of their organizations, (2) high transparency of green bond as a result of increased disclosure requirement and (3) diversifying their investment portfolio.

Of which, 50% of respondent rated the Option (1) is the most relevant, followed by 45% respondents who also considered relevant.

Although "generate excess return" is also accounted for 80% relevant from respondents, it is not viewed significant as compared to preceding reason.

On the other hand, there are different views of the respondents whether "Mandated by their investor?" is the reason for investment in green bond. Of which, a half of respondents did indicate that "mandated by investors" is not really the primary reason for them to invest in green bond.

#### What is your key driver to seek for investments in green bond?



## 02. Market readiness and preferences

### Absence of policy guidance is the key challenge

*Respondents were asked to select the applicable challenges that they perceive when considering investment in green bond. They can select all options which are applicable.*

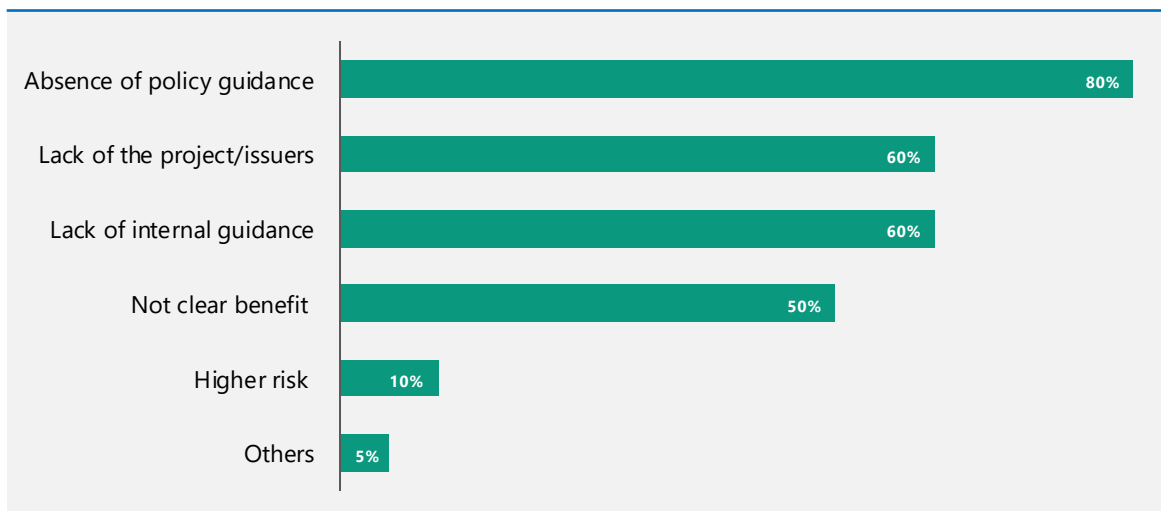
80% of respondents claimed that the absence of policy guidance is the most significant challenge for green bond investment in Viet Nam. It is noted that currently there is no policy guidance of green bond issuance in Viet Nam regulation framework. Also, certain aspects of green bonds are only presented recently in 3 Decrees (93, 95 and 163) launched in 2018 regulating issuance of government, municipal and corporate bonds.

Likewise, the respondents also claimed that their institutions have not fully introduced the internal guidance for green bond instruments which also restrained the investment in this sector. Given the level of engagement of local banks with green bond market is still at an early stage, this is understandable.

It is also highlighted that 60% of respondents find the shortage of project pipelines and corresponding green bond issuers among the top-3 challenges that limits the presence of green bond in their portfolio.

5% of respondents also commented that the rate of return is the reason that prevent their investment in green bond.

What is the main challenges that prevent you to invest in green bond?





# 03 MARKET OUTLOOKS AND RECOMMENDATION

## Narrative

Moving forward, what should be done to unlock the potential of green bond market in Viet Nam?

This section will revisit the key factors to promote the green bond market in Viet Nam. It will also present the perspective of local financiers on potential sectors and their expectation for the potential green bond issuers in the coming time.

What is necessary for green bond market to be developed in Viet Nam?



**POLICY CLARITY**



**DEVELOP MARKET STAKEHOLDERS**



**CAPACITY BUILDING**

**THE TOP 3 FACTORS ARE BELIEVED TO HELP PROMOTE THE GREEN BOND MARKET IN VIET NAM**

### 03. Market outlooks and recommendation

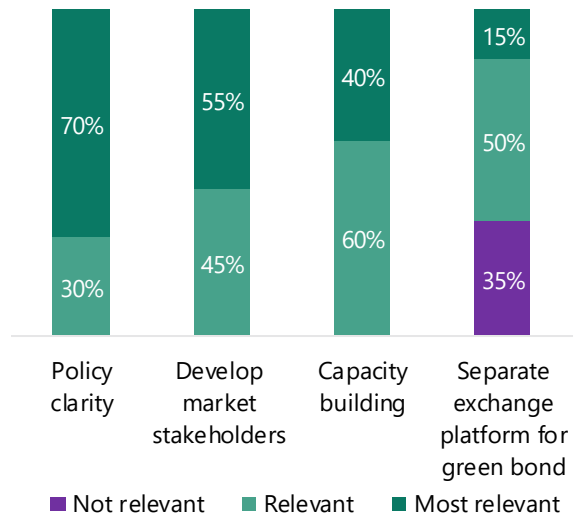
## Necessary factors for market development

The results show that the first and foremost concern of all respondents is policy clarity, which 70% of respondents expressed it as the most essential factor. Obviously, clear regulations and preferential policies (e.g. standardize green definition, guidelines in green bond issuance and reporting framework, disclosure...) are also among the experiences of all developed market.

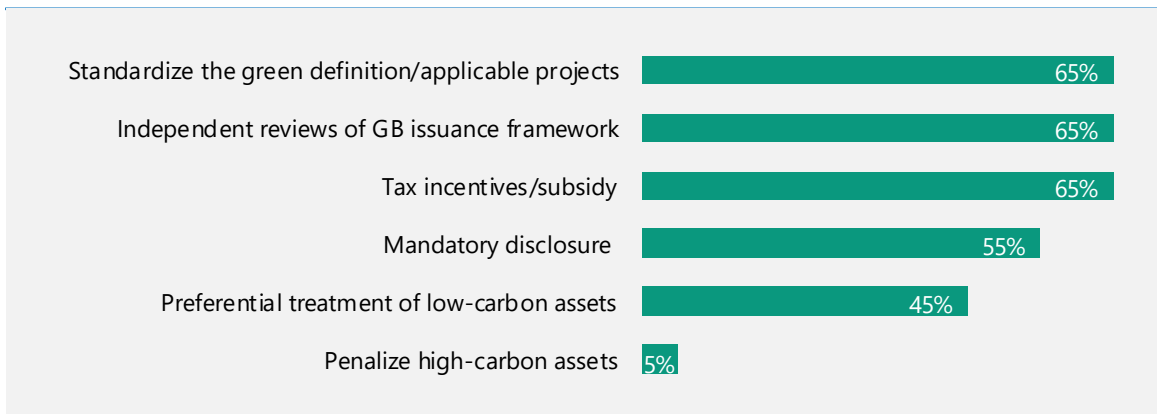
The importance of market stake-holders development (e.g. credit rating agencies, verification firms) and capacity building has also been confirmed by all respondents as necessary for the development of green bond market.

35% of investors viewed the suggestion of having a separate exchange platform for green bond as not relevant as it only plays a small role.

### What is necessary for green bond market to be developed in Viet Nam?



### Policy mechanism that promote decisions to invest in green bonds



Following the previous question, respondents are requested to pick up three most important policy mechanism to promote decisions to invest in green bonds in Viet Nam. Among the top priority options, nearly two-thirds (65%) said they preferred policies that standardize the green definition and applicable projects, which is apparently a legitimate demand. Likewise, promoting independent reviews of green bond issuance frameworks, and enable tax incentives and/or subsidy are strongly believed to boost the green bond market in Viet Nam in the future.

Following closely is the need for mandatory disclosure which accounts for 55%. Preferential treatment of low-carbon assets ranks next with a weight of 45%.

On the other hand, most of the respondents considered the policy of penalizing high-carbon assets will not be effective to help promote green bond investment.

### 03. Market outlooks and recommendation

## Preferable issuers in the coming period

Respondents are invited to rate their preferable issuers in the next three years based on three levels of interest. The issuer groups vary from Sovereign, Municipality to Development bank, Financial corporate (i.e. commercial banks), Non-financial corporate and Other issuers.

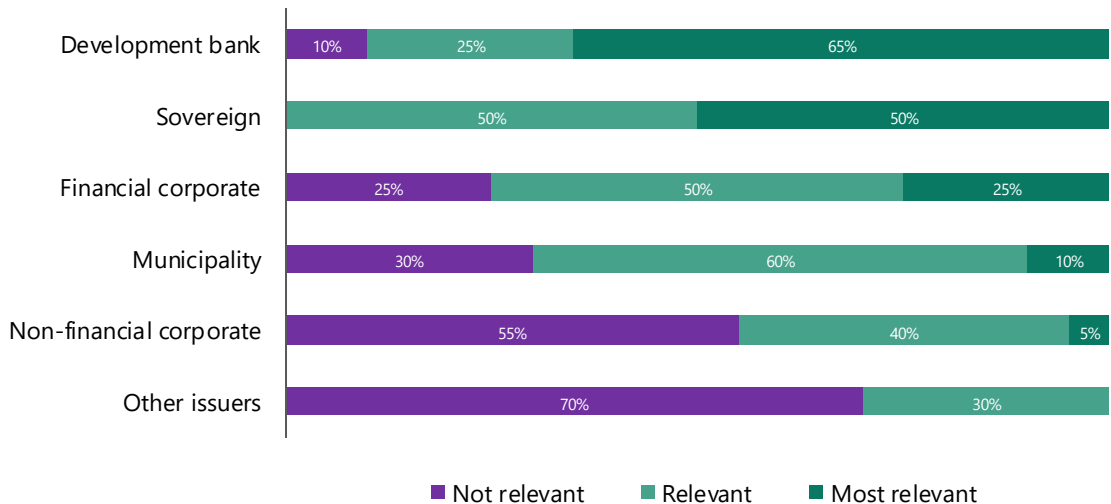
This question brings us quite an interesting result as respondents expressed differing views on who their favorite issuers were.

Interestingly, the largest number of investors (65% of respondents) considered development banks as the most interested issuers, while only 10% think this type of issuer is not attracted. Sovereign bond, that currently is the largest type of Viet Nam bond market, was considered by all respondents as the relevant issuer for investment.

With joint percentage of 75% and 70%, financial corporate and municipality were in the next ranking, respectively.

Surprisingly, non-financial corporates is viewed to a lesser extent as only 45% of respondents think it is aligned with their interest. It is likely that the banks still hold a prudent view of the private sector companies when considering new debt financing instruments like green bond.

In the next 3 years, what sector do you see as the most potential for green bond issuance?

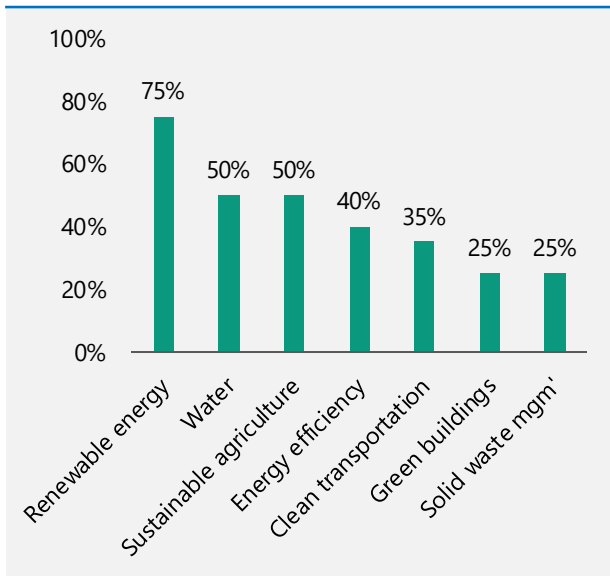


### 03. Market outlooks and recommendation

## Potential sectors for green bond issuance

The survey asked about respondents' opinions on the most potential sectors for green bond issuance in the next three years. The respondents can pick up 3 sectors among provided ones.

#### Potential sectors for green bond issuance



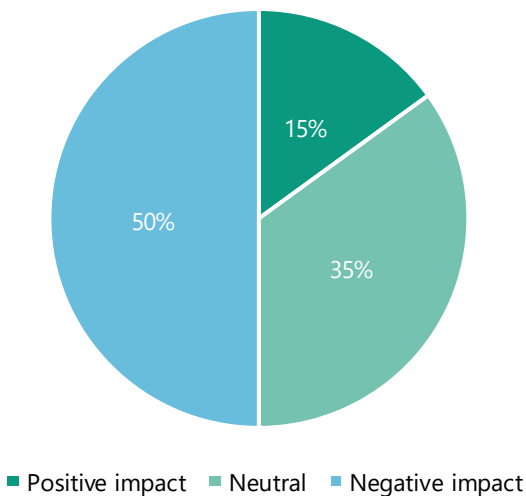
Respondents continued to express a high expectation in renewable energy with three-quarter of the answers believing this will be the most potential sector for green bond issuance in the next 3 years. Water and sustainable agriculture count for the second biggest portion with 50% each.

Although clean transportation currently is the least popular sector (only 5% - see Page 12) in the local banks' portfolio, it is viewed to have considerable potential in the next 3 years by 35% of respondents.

On the other hand, green buildings and solid waste management are viewed as the least attractive to investors, each of them counting for 25% only.

## Impact of COVID-19 to the green bond market development

In short to medium term, how do you see the impact of Covid-19 to the development of green bond market in Viet Nam?



The survey raised a question about the impact of COVID-19 to the green bond market development in Viet Nam in the short and medium term.

Half of the responses showed gloomy viewpoint that COVID-19 will have a negative impact to the bond market. It is quite understandable in the general situation that the country's GDP growth reached its lowest level in the last 10 years, industrial manufacturing and many other industries were seriously affected.

More optimistically, 35% of respondents gave a forecast of neutral impact whereas 15% expected a positive impact. This last minority group probably had their own reasons as the liquidity of Viet Nam bond market in the first 6 months of 2020 was approximately VND 9,850 billion/session, continued to increase 7% compared to 2019 (MOF news, Jul 2020).

### 03. Market outlooks and recommendation

## “Do you have other comments regarding the green bond issuance?”

Besides technical questions, the survey also received valuable comments and contributions from respondents.

*It's necessary to raise public awareness about green projects development. Once they understand better about green bonds, more and more investors will be interested and participate in fund raising activities through green bonds.*

*More seminars and conferences on Green Bonds should be organized.*

*Clear, transparent rules and open communication are needed.*

*There have been meetings of the World Bank and ADB on the issuance of green bonds, but the information about the projects as well as the investment calling activities in Viet Nam are not widely known.*

*Our bank is very interested in green bond issuers in Viet Nam. However, there is limited information them.*



# 04 APPENDIX

---

## Background and purposes of the Survey

GGGI, in partnership with the Government of Viet Nam and the Government of Luxembourg, is implementing the Viet Nam Green Bond Readiness Program (the “Program”) to support the development of a green bond market in Viet Nam. Specifically, this Program aims to (i) enhance regulatory framework for green bond development, (ii) improve capacity and knowledge of Viet Nam government officials and market participants in green bond issuance, and (iii) increase green investment through pilot issuance.

As a part of this Program, GGGI is developing an insight brief to highlight the perspective of financial experts working at financial institutions about the green bond market in Viet Nam through a market survey (the “Survey”).

The objective of the Survey is to assess the market appetite of local financiers relating to green bond issuance in Viet Nam. The survey aims to explore potential market drivers, existing barriers as well as priorities to accelerate the investment in green bond in Viet Nam market. Furthermore, this market survey will help navigate the market preferences from financial institutions regarding green investments and serves as a reference to incorporate GGGI’s works in pilot of green bond issuance in Viet Nam.

## 04. Appendix

# Methodologies

From July 2020 to August 2020, GGGI conducted a survey with financial specialists working in Vietnamese local commercial banks. The survey is conducted via online platform provided by Qualtrics.

As at 30 June 2020, there are 44 commercial banks operating in Viet Nam (31 joint-stock banks, 4 State-owned banks and 9 wholly foreign-owned banks). 30 commercial banks were contacted for survey. Of which 20 participated the survey completely, 1 partially completed the survey, 2 declined to participate and 7 did not answer. The overall response rate is 67%.

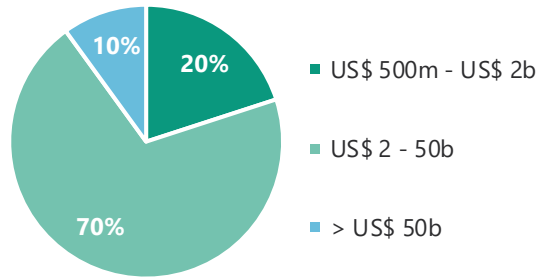
All amounts presented in this report are USD unless otherwise stated.

For several of the questions, multiple answers were allowed resulting in responses that do not total 100%.

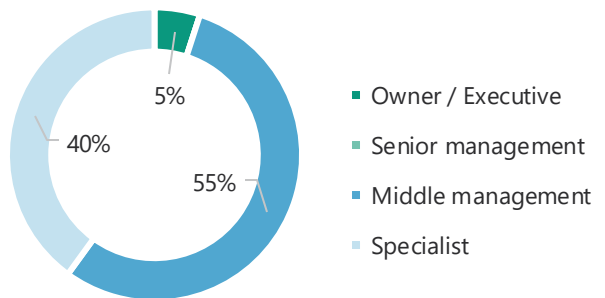
The answers provided here by financial specialists may not represent the opinions of their institutions.

## RESPONDENT PROFILES

What is your firm's total assets under management as at 31/12/2019?



What is your job level in your organization?



## NUMBER OF FIRMS SURVEYED

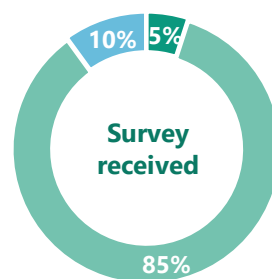
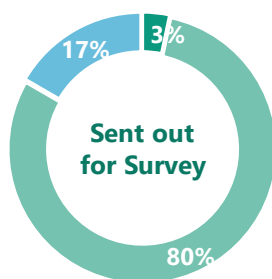
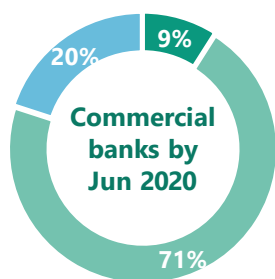
# 20

DIFFERENT BANKS IN VIET NAM ARE SURVEYED

## 04. Appendix

### RESPONDENT PROFILES (cont.)

Breakdown of Viet Nam commercial banks by types of ownership



<i>Type of ownership</i>	<i>VN commercial banks as at 30 June 2020</i>	<i>Survey sent out</i>	<i>Survey received</i>
■ Stated-owned banks	4	1	1
■ Joint-stock banks	31	24	17
■ Wholly foreign-owned banks	9	5	2
<b>TOTAL</b>	<b>44</b>	<b>30</b>	<b>20</b>

# Disclaimers

---

All information and opinions contained in the Survey Report have been provided solely by the participating respondents and the Survey Report has not been independently verified as to its accuracy. No representation or warranty, expressed or implied, is given by the participating respondents or GGGI or any of their respective directors, partners, officers, affiliates, employees, advisers or agents (and any warranty expressed or implied by statute is hereby excluded to the maximum extent permitted by law) as to the accuracy or completeness of the contents of this Survey Report or any other document or information supplied, or which may be supplied at any time or any opinions or projections expressed herein or therein, nor is any such party under any obligation to update the Survey Report or correct any inaccuracies or omissions in it which may exist or become apparent.

To the maximum extent permitted by law, no responsibility or liability is accepted for any loss or damage howsoever arising that you may suffer as a result of this Survey Report and any and all responsibility and liability is expressly disclaimed by the participating respondents and GGGI or any of them and by any of their respective directors, partners, officers, affiliates, employees, advisers or agents.

Although we try to get the institutional perspective of those participating respondents, please keep in mind that the opinion expressed in this Survey does not necessarily state or reflect those of the institutions of those participating respondents.

Copyright 2020

**Global Green Growth Institute**

Viet Nam Office

Room 311, MPI Building,

65 Van Mieu Street, Dong Da District, Hanoi, Viet Nam

The Global Green Growth Institute does not: (i) make any warranty, either express or implied; or (ii) assumes any legal liability or responsibility for the accuracy, completeness, or any third party's use or the results of such use of any information, apparatus, product, or process disclosed of the information contained herein; or (iii) represents that its use by any third party would not infringe privately owned rights. The views and opinions of the authors expressed herein do not necessarily state or reflect those of the Global Green Growth Institute.



Follow our Activities on  
Facebook and Twitter



[www.gggi.org](http://www.gggi.org)