

# Macroeconomic Reforms/ Green Growth

## Supporting Viet Nam to Implement the Vietnam Green Growth Strategy

### The challenge

Since its comprehensive policy reforms in 1990, Vietnam has developed rapidly and achieved impressive economic growth, to the point that it is now classified as a lower middle income country. However, this growth entailed an extensive use of labor, natural resources and capital and led to the current reality of low energy and resource efficiency, rising levels of pollution of air, waterbodies and soils and a continuing increase in greenhouse gas emissions per unit GDP. This can be illustrated by comparing CO<sub>2</sub> productivity of Vietnam with other emerging economies, e.g. India and China. While Vietnam started from relatively high values, the GDP the country is able to achieve per emission of CO<sub>2</sub> continues to decline over time, contrary to the development in the other countries.

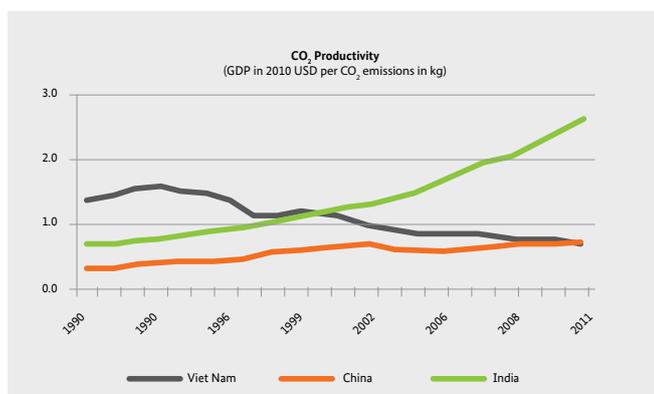


Fig 1: Comparing CO<sub>2</sub> productivity (World Bank data)

To maintain a high level of growth in the future, the country must now increase the productivity of its economy and effectively mitigate the negative impacts on the environment and the climate. At the same time, the economy has to become more inclusive and provide more welfare benefits for the population. A comprehensive transformation of the growth model fostering a more inclusive and green economy is needed.

In 2013, Viet Nam adopted the National Green Growth Strategy (VGGG) to induce this transformation. However, the strategy is hindered by the absence of a common understanding within the Vietnamese Government of what green growth entails. Government bodies also lack the relevant capacities to develop and implement effective and harmonized policies that would accommodate the needs for environmental protection and for the environmentally and socially responsible use of resources. Other

difficulties include a shortage of financing for green investments, which often involve huge capital requirements, long payback periods and high levels of risk.

Vietnam has also embraced a number of sustainability related initiatives and reform processes. For example, the country is a key partner for implementing the Sustainable Development Goals, has submitted Nationally Determined Contributions to the UN-FCCC aiming for a low-carbon transition, has a comprehensive sustainable development agenda and a multitude of sector specific initiatives to increase productivity and raise environmental standards. However, coherence of these different initiatives remains challenging.

### Our approach

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|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project name</b>     | Macroeconomic Reforms/ Green Growth Programme                                                                                                        |
| <b>Commissioned by</b>  | Federal Ministry for Economic Cooperation and Development (BMZ)                                                                                      |
| <b>Project region</b>   | Viet Nam                                                                                                                                             |
| <b>Executing agency</b> | Ministry of Planning and Investment (MPI), Central Institute for Economic Management (CIEM), Ministry of Finance (MoF), State Bank of Viet Nam (SBV) |
| <b>Duration</b>         | 2014 – 2018                                                                                                                                          |

The program supports the Vietnamese government with developing and implementing macroeconomic reforms towards a green, more inclusive model of growth. The role of GIZ is to provide its partner ministries with economic policy expertise for a successful transformation. Building effective linkages with other sustainability related initiatives is key in achieving this. Accordingly, the programme aims to effectively link the objectives of the VGGG with other initiatives and forges alliances within the government and with other donors on specific issues to effectively harness synergies and create the necessary momentum for transformation.

To achieve a green, more inclusive model of growth GIZ provides strategic advice, capacity development as well as methodological support by cooperating with key government institutions:

1. Strengthening advisory capacity on green growth issues: The

- programme provides a range of capacity building measures to assist the Central Institute for Economic Management (CIEM) in providing appropriate advice to the government based on state-of-the-art research. The measures include policy simulation, environmental impact analyses and stake-holder dialogues.
2. Coordination of the National Green Growth Strategy: GIZ is supporting the Ministry of Planning and Investment in its task of coordinating the various government agencies involved in the Strategy. This includes the development of related legal and administrative instruments and, at the provincial level and the formulation of provincial green growth action plans. An extensive training programme aims at fostering a common understanding of green growth topics within the Government of Vietnam.
  3. Capacity development support to the Ministry of Finance (MoF): On behalf of the EU Delegation to Viet Nam, GIZ is implementing a capacity building support facility as part of the EU's 'Public Financial Modernization Project'. By providing technical assistance to the MoF, the project aims to improve transparency, accountability and efficiency in public financial management (good financial governance).
  4. Green fiscal policy reform: The programme provides targeted advisory services to the MoF on fiscal policy reforms. This includes a national action plan, the analysis of budget process,

the adjustment of fiscal instruments and incentives for green investments, the levying of relevant taxes and the introduction of green standards for public spending.

5. Green financial sector reform: In this component, GIZ works with the State Bank of Vietnam (the country's central bank) and with commercial banks, the State Securities Commission and the stock exchange. The programme is promoting environmentally and socially sustainable reforms to the financial system above all green banking and green capital markets.

The program focuses in particular on capacity development, trainings and e-learning courses to enable the partner organizations and key stakeholders to implement reforms sustainably and independently. The cooperation with other relevant institutional stakeholders such as the Ministry of Environment and the Ministry of Industry and Trade and other donors is also important for the programme in order to maximize potential synergies with policies related to the cross-cutting issue of fostering green growth.

Further specific approaches and impacts are outlined in separate factsheets.