UNITED NATIONS
VIET NAM

# VIET NAM DEVELOPMENT FINANCE ASSESSMENT

Hanoi, Viet Nam
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## Notes

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This Development Finance Assessment (DFA) paper was drafted by Dr. Kongchheng Poch, the Economist of the United Nations Resident Coordinator's Office (UNRCO) in Viet Nam as part of the desk review and background analysis conducted for the preparation of the Resource Mobilization Strategy (RMS) and Country Analysis (CA). It focuses on mapping and analysing the sources of development finance. It does not aim to examine the use of financial resources by the government. The paper follows the Development Finance Assessment (DFA) Guidebook in analysing the development financial flows and broadly utilized the summary of the development financial flow categorization. The DFA Guidebook has been developed as a tool to identify opportunities to mobilize additional sources of finance and to use existing financial resources more efficiently to achieve the SDGs. In the same manner, this paper aims to scan the development financial landscape in Viet Nam as a potential input to on-going discussions for developing SDG Financing Strategy, identified as a critical priority of the 2nd Voluntary National Review (VNR) report. The paper benefited greatly from the review, comments and feedback by the professional staff and UN Country Team in Viet Nam. The key findings and recommendations of the paper were presented at the UN Country Team and Development Partners Group meetings in March 2025.

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## 1. INTRODUCTION

In the past three decades, Viet Nam has sustained high economic growth, improved living standards and reduced poverty, despite setbacks during the COVID-19 pandemic. With this record of success, Viet Nam has set more ambitious goals for its development journey: To achieve upper middle-income country status and the 2030 Agenda for Sustainable Development by 2030, a high-income country status by 2045 and net-zero carbon emissions by 2050.

Viet Nam has recorded impressive socio-economic development progress in the past decades. Rapid economic growth has enabled the country to move up the development ladder from a low-income country to a lower middle-income country in 2011. In the 1991-2020, Viet Nam consistently registered high economic growth rates, averaging at 6.8 percent per annum. The country has also demonstrated remarkable resilience seen in its impressive management of the COVID-19 pandemic and its robust post-pandemic recovery. Gross domestic product (GDP) expanded by 8 percent in 2022 before it decelerated to 5 percent in 2023, owing to declining exports and turbulence in Viet Nam's property market.[1] Exports rebounded markedly at the end of 2023 and carried into 2024, stirring optimism about the country's growth prospects. GDP growth was achieved at the rate of 7.1 percent in 2024, driven by exports, foreign direct investment and domestic credit growth. Increased levels of public investment and a large public sector wage rise also supported domestic demand and thus GDP growth. With positive growth performance, Viet Nam's GDP per capita multiplied by more than 10 times from USD 402 in 2000 to USD 4,700 in 2024.[2]

Viet Nam has continued to make positive gains in poverty reduction despite the socio-economic fallout of the COVID-19 pandemic in 2020-2021. Multidimensional poverty declined significantly from 9.2 percent in 2019 to 3.2 percent in 2023.[3] The multidimensional poverty rate among children declined from 19.1 percent in 2016 to 11.7 percent in 2020.[4] The Human Development Index (HDI) increased from 0.689 in 2016 to 0.726 in 2022, which categorized Viet Nam as a High Human Development country since 2019.[5]

Nevertheless, Viet Nam continues to face numerous critical development challenges, including minimizing economic vulnerability, reducing poverty and inequality particularly among ethnic minority groups, and tackling climate risks. The country needs to strengthen economic, social, and environmental resilience for inclusive and sustainable development.

With an export-led growth model, Viet Nam has structurally shifted from an agriculture-based to an industry-driven economy, focusing on production of manufactured goods. However, manufactured exports, which are largely driven by foreign direct investment (FDI), are the most import-intensive in the region. FDI is heavily concentrated in low value-added

[1] GSO (2023), "Socio-economic situation in the fourth quarter and 2023," General Statistics Office (GSO).
[2] GSO (2024), "Socio-economic situation in the fourth quarter and 2024," General Statistics Office (GSO).
[3] Ibid.
[4] MPI (2023), "Voluntary National Review 2023."
[5] UNDP (2024), "Human Development Report 2023/2024", available at https://hdr.undp.org/data-center/human-development-index#/indicies/HDI.

manufacturing activities such as assembly, which employ predominantly low-skilled and low-wage workers. Expanded investments in the national innovation ecosystem, including investment in human capital development and research and development, is needed to develop the technological capacity of domestic firms, boost productivity and achieve greater forward and backward linkages between FDI and domestic firms. In the meantime, industrial upgrading has been limited, constraining productivity growth and slowing revenues growth, thereby constraining fiscal space for productivity-enhancing investments.

Gaps remain in social development outcomes, such as in poverty and inequality eradication, gender equality and women's empowerment, education, health care, and social protection. Even though all poverty yardsticks, including multidimensional and income poverty indicators, indicate that the incidence and depth of poverty has decreased, poverty and vulnerability remain among various population groups and regions, especially among ethnic minorities in mountainous and remote areas. In the coming years, poverty and vulnerability in urban areas is likely to become more salient, given cities' expanding size and increasingly high living costs.

High levels of chronic poverty persist among historically disadvantaged ethnic minorities, especially children and older persons; persons with disabilities (PWDs); and non-registered migrants.[6] Despite accounting for just 15 percent of the population, ethnic minorities constitute more than 50 percent of the country's poor. While multi-dimensional poverty rate was 9.35% in 2022, the average poverty rate of ethnic minorities was 35.5 percent.[7] Inequalities, including income and wealth gaps and gender inequality, continue to be a challenge. A significant share of Viet Nam's children confronts two or more deprivations of basic needs, including education, healthcare, water and sanitation, housing, and protection, the recognized definition of multidimensional child poverty.[8]

Viet Nam is increasingly vulnerable to climate change marked by increased incidence of flooding, salinization, heat waves and severe storms. With rapid economic growth fuelled by fossil fuels, Viet Nam continues to face critical climate challenges such as biodiversity loss, natural resource depletion, water scarcity and serious air pollution in large cities. Carbon dioxide emissions per capita doubled from 1.6 metric tons in 2012 to 3.5 metric tons in 2022.[9] Viet Nam's two most populous cities, Hanoi and Ho Chi Minh City, have become heavily polluted, posing threats to public health.

Therefore, Viet Nam needs to increase investments in inclusive and sustainable development pathways to realize its ambition to become a high-income country by 2045 and its net-zero targets by 2050. Viet Nam's second Voluntary National Review (VNR) sets out financing as one of the major means of implementation for accelerating sustainable development progress. Thus, it is vitally important to gain an in-depth understanding of the development financial

[6] MPI (2023) "Voluntary National Review 2023 on the Implementation of the Sustainable Development Goals."

[7] UNDP (2021), "Sustaining Rapid Reduction of Poverty in All Dimensions and Everywhere in Viet Nam - Viet Nam Multi-dimensional Poverty Report 2021."

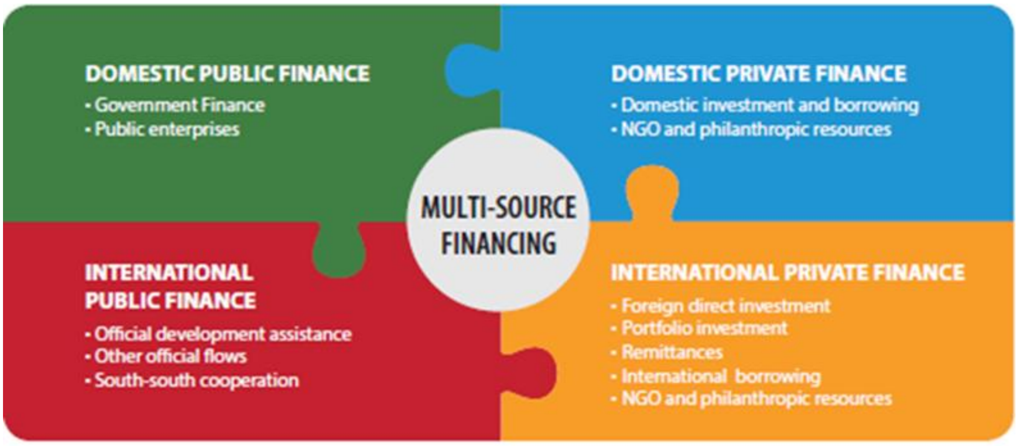
[8] GSO and UNICEF (2021) "Current Situation and Trends of Multidimensional Child Poverty in Viet Nam"

[9] Our World in Data, 2023, "Viet Nam: $CO_2$ Country Profile".

landscape in terms of the financial flows, structure and trends in supporting Viet Nam to attain its development ambitions.

This paper maps and analyses sources of development finance. It does not aim to examine the use of financial resources by the government. This analysis follows the summary of the development financial flow categorization in the Development Finance Assessment (DFA) Guidebook[10] in analysing the development financial flows. The DFA Guidebook has been developed as a tool to identify opportunities to mobilize additional sources of finance and use existing financial resources more efficiently to achieve the SDGs.

***Figure 1. Summary of the development financial flows in the DFA***




*Source: Development Finance Assessment Guidebook*

## 2. VIET NAM'S DEVELOPMENT FINANCING NEEDS AND EMERGING CHALLENGES

Financing is an essential means for Viet Nam to realize Sustainable Development Goals (SDGs) by 2030 and longer-term national development ambitions of becoming a high-income country by 2045 and accomplishing the net-zero emission target by 2050. With the aims for higher development status, Viet Nam's development financing needs have also risen substantially.

According to UNESCAP, Viet Nam would need an estimated investment of 11 percent of GDP per annum between 2021 and 2030 to attain the SDGs by 2030.[11] Although Viet Nam's economy has recovered relatively well from the COVID-19 pandemic, the scarring impact of the pandemic remains. As a result, the investments needed to achieve the SDGs by 2030 have substantially increased.

To attain the ambition of a high-income country by 2045, Viet Nam needs to achieve a GDP growth rate of 6 percent per annum over the next 22 years.[12] Viet Nam also needs to increase total investment in many important areas. These include physical and digital infrastructure, human capital development, energy transition and climate action. At present, the total

[10] UNDP (2019), "Development Finance Assessment Guidebook."
[11] ESCAP (2019), "Ambitions beyond growth," Economic and Social Survey of Asia and the Pacific 2019.
[12] Based on simple estimation of the growth rate required to reach the per capita income threshold of a high-income country.

investment in Viet Nam stands at just above 30 percent of GDP.[13] This investment level is lower than the historical levels of investment made by Singapore, Republic of Korea, Taiwan (China) and China. Achieving and sustaining rapid economic growth will require a marked increase in investment from a variety of sources.

At the 26th session of the UN Conference of the Parties (COP26), Viet Nam announced its commitment to achieve the net-zero carbon emission target by 2050. According to the Nationally Determined Contributions (NDC) updated in October 2022, Viet Nam's financing needs for climate change adaptation for the period of 2021-2030 will be USD 54.99 – 91.65 billion. If Viet Nam continues to implement the current plan of spending of 1.5 percent of GDP on climate change adaptation, it needs to mobilize extra-budget capital of around USD 27.5 – 64.16 billion in the 2021-2030 period.

Transitioning to a high-income country will require Viet Nam to upgrade its growth model to become more green, sustainable and inclusive, as well as to expand productivity growth and retain value in-country. To be effective, economic upgrading will need to include the decarbonization of high carbon-intensive economic sectors and the development of new, green industries such as digital products and services (e.g., ICT products, semi-conductors, software, digital contents, etc.) as the drivers of growth, among others.

## 3. DEVELOPMENT FINANCE IN VIET NAM: PROGRESS AND TRENDS

This section analyses the progress and trends of major sources of development finance: official development assistance (ODA), public debt, government revenue, external private resources (e.g., FDI and remittances), private sector borrowing and domestic private resources (e.g., domestic private investments, financial sector and private credit). The analysis underlines that, in the context of ODA reduction, it is imperative to use ODA as a catalytic resource, mobilize private financial resources and enhance government revenue through the improved tax collection for making greater investments in national development priorities to realize the SDGs by 2030 and attain a high-income country status by 2045 and net-zero emissions by 2050.

### 3.1. Official Development Assistance

In the last two decades, the role of ODA in funding development priorities has sharply declined. ODA as a share of the GDP decreased dramatically from 3.84 percent of GDP in 2001 to 0.012 percent of GDP in 2022. In particular, the ODA decline accelerated between 2011 and 2022, during which Viet Nam's economy was fuelled rapidly by private and public investments.

The reduction in ODA reflects Viet Nam's moving up of development ladder, from a low-income country to a lower middle-income country – in which the private sector plays an increasingly important role in economic development. As Viet Nam's economy is growing and developing towards an upper middle-income country, ODA is likely to further decrease.

However, ODA still plays a vital role in catalysing public and private investments in key development areas such as infrastructure, energy transition, social protection and human

[13] Based on investment data from the General Statistics Office (GSO).

resource development. It is a vital instrument in de-risking investment projects – paving the ways for private finance. As such, ODA plays a catalytic role in mobilizing and channelling private finance such as foreign direct investment (FDI) and domestic private investment into critical development areas where risks are perceived as high. Moreover, ODA in the form of concessional loans, technical assistance, and policy advisory can bring in new knowledge, innovation, and policy solutions that are not accessible via other sources of financing.

The decline in ODA in the last few years also reflects the increased and cumbersome bureaucratic process and regulatory framework for appraising and approving ODA-funded projects. The inefficiency has resulted in a low rate of disbursement of the ODA-funded projects. The return of ODA by the government's line ministries and authorities reportedly happened for the first time in 2020 and has remained an issue. In the first eight months of 2022, 17 ministries and local authorities returned around USD 298 million (nearly VND 7 trillion).[14] As of end of 2023, it was reported by 11 multilateral and bilateral donors that approximately USD 1 billion in development funding is pending approval, and a total of USD 2.5 billion has already been returned to donors due to the expiration of funding time. This loss of funding is a major setback for Viet Nam's development efforts. Many people's lives and livelihoods, especially vulnerable groups, could have benefited from the lost funding. If the current situation continues, Viet Nam risks missing important development opportunities, especially time-sensitive projects, resulting in compounding impacts and increased costs in the long run.

Noteworthy is that many donor countries decide their ODA commitments based on performance, including disbursement and impact of ODA funded projects. The accelerated pace of decline in ODA, compounded by the cumbersome and lengthy approval processes, could further negatively impact development outcomes.

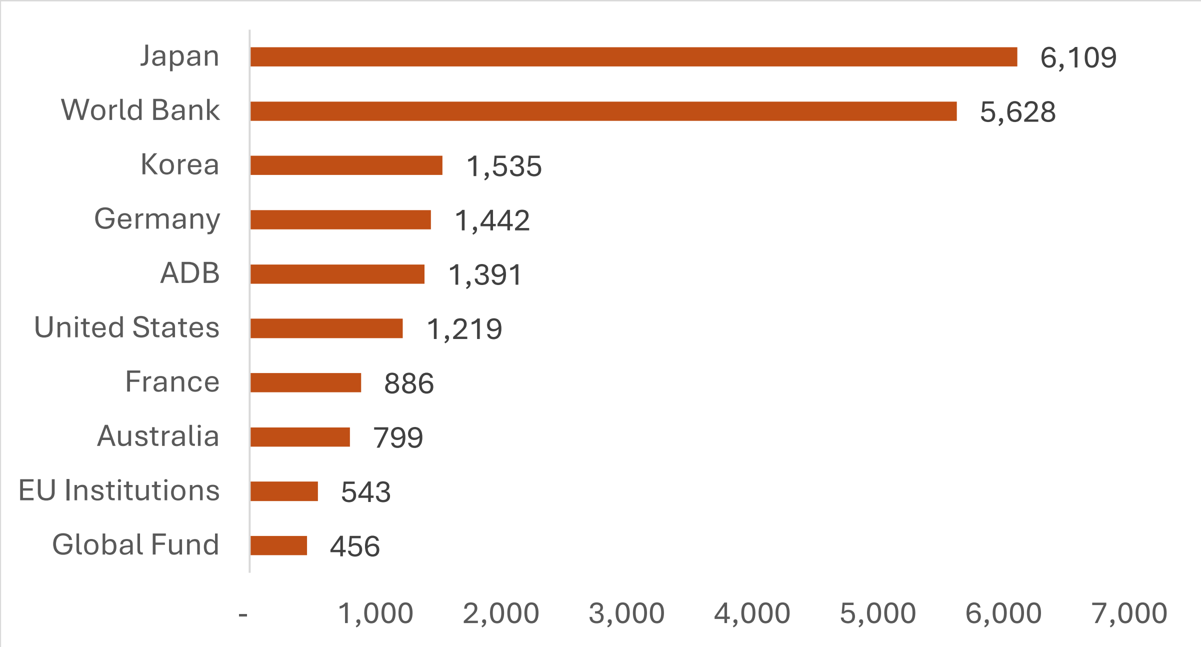
Figure 1 below presents the top ten development partners in Viet Nam in the 2013-2022 period. The World Bank and Japan were the two biggest ODA providers in terms of the disbursed funds during the 2013-2022 period given that ODA included concessional loans and grants, including technical assistance. They were followed by Asian Development Bank (ADB), Germany, France, the United States of America, Korea, Japan, Australia, European Union and the Global Fund.

However, when considering only disbursed ODA grants, the composition of top development partners in Viet Nam changes. The United States was the biggest donor, followed closely by Japan, Germany and Australia. The other biggest donors included Korea, France, European Union, the Global Fund, Switzerland, and the United Nations. The two international financial institutions, namely the World Bank and ADB, were not part of the top ten list. If ODA bottlenecks could be addressed as quickly as possible, these are the major sources of the ODA that could be optimized to catalyse public and private finance in key investment areas, such as energy, digital and food systems transformations.

[14] https://vietnamnews.vn/economy/1344373/oda-return-burden-to-fiscal-planning.html

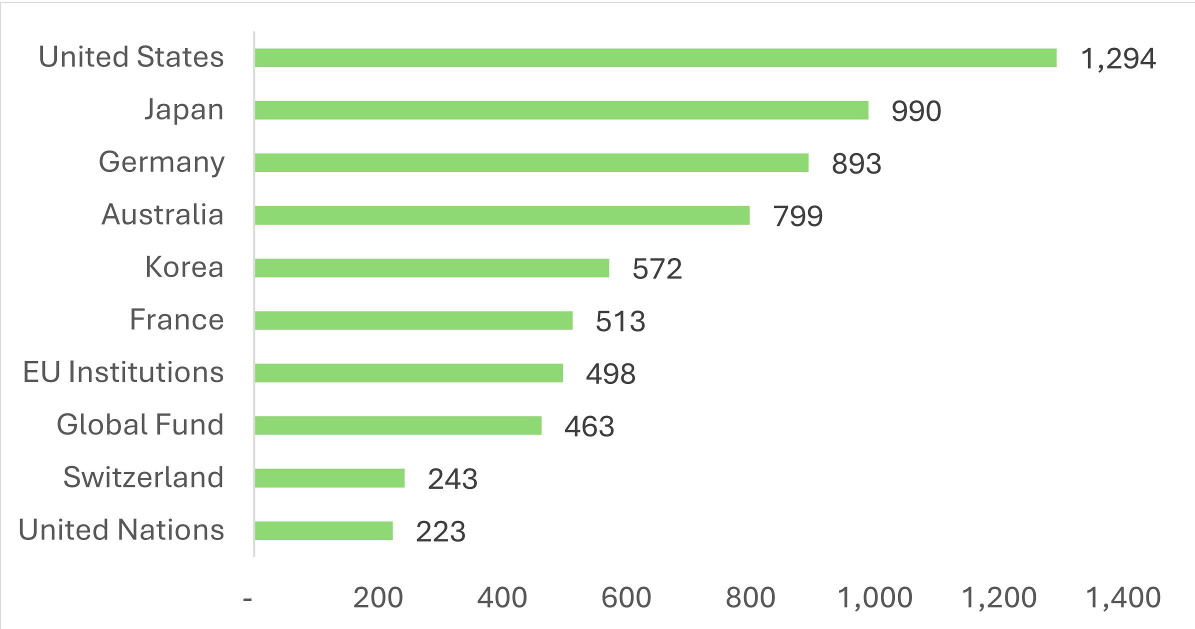
*Figure 2. Top ten development partners in Viet Nam*

***ODA Disbursements in USD million from 2013-2022***




*Source: Organisation for Economic Cooperation and Development (OECD)*

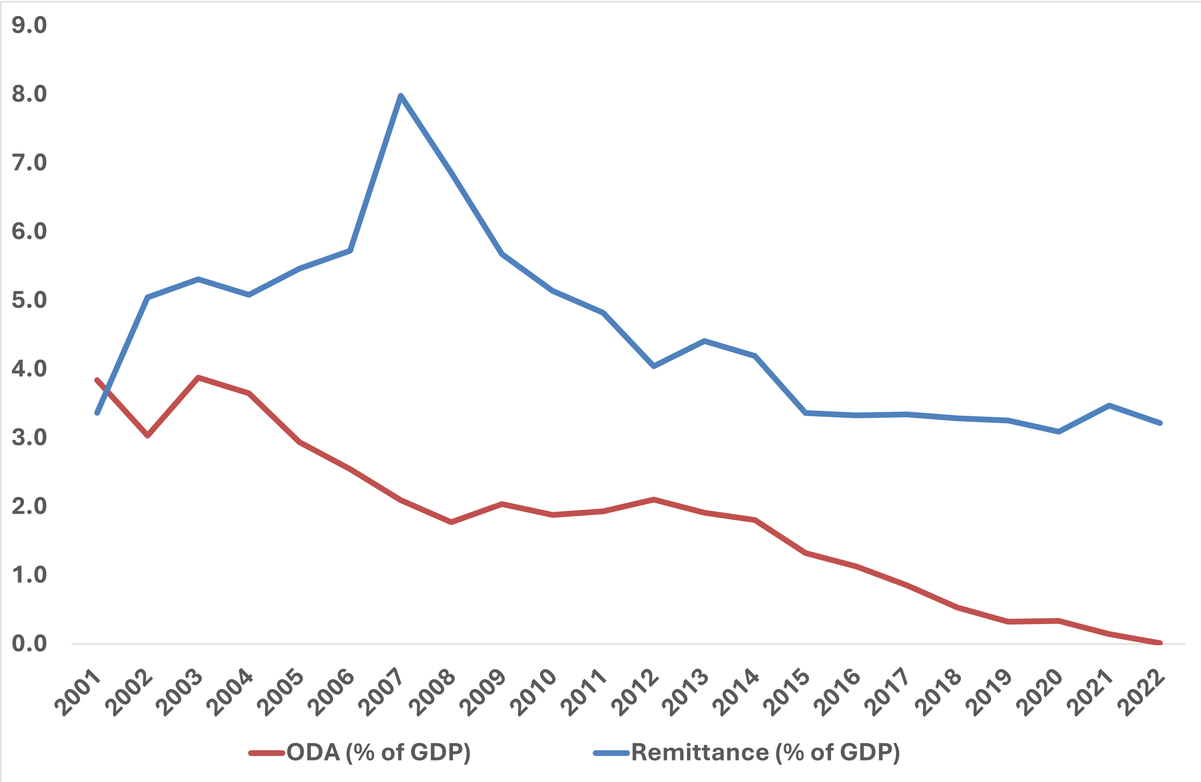
***ODA Grant Disbursements in USD million from 2013-2022***




*Source: Organisation for Economic Cooperation and Development (OECD)*

ODA disbursements during the 2013-2022 period focused mainly on supporting economic infrastructure, health and population services, education, and other social infrastructure and services. Looking forward, the mapping of the development partners in Viet Nam, which is part of the key-informant interviews, shows that despite different focus areas, development partners seem to converge on the idea of making Viet Nam's economic growth more inclusive, qualitative and green. Development partners are also interested in supporting the reform of institutional frameworks and policies to allow economic and human development to prosper. Many donor countries such as the European Union, Norway, and United States, are keen to support Viet Nam in just energy transition and addressing climate risks.

***Figure 3. ODA and personal remittance inflows to Viet Nam 2001-2022***




*Source: World Development Indicators (WDI)*

## 3.2. Public Debt

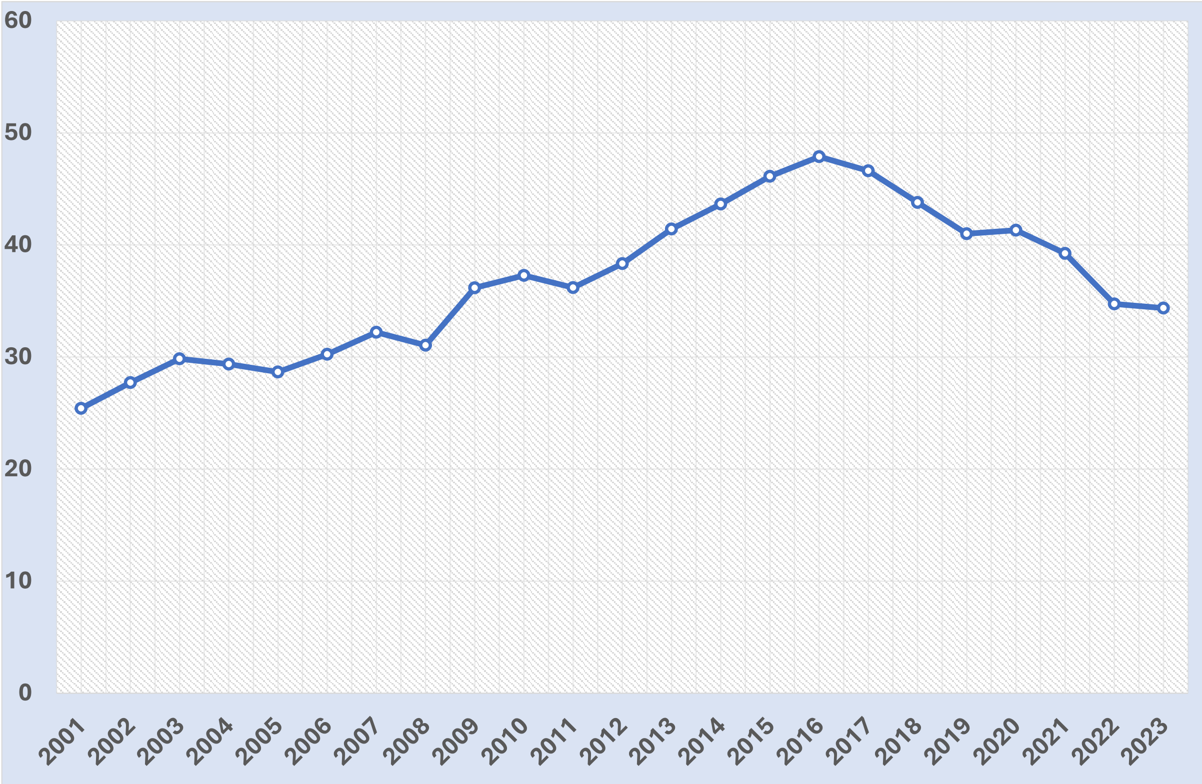
Viet Nam has maintained strong fiscal discipline in the past decades, keeping the public debt well below 50 percent of GDP. The country borrowed steadily to finance public investment projects, growing from around 25.4 percent of GDP in 2001 to the highest level of 47.9 percent of GDP in 2016.[15] Then, it decreased gradually to an estimated level of 34.4 percent of GDP in 2023, which was mainly due to sustained economic growth and reduced new borrowings.[16] The country managed to sustain a low fiscal deficit, with an average rate of 3.0 percent of GDP in the 2013-2023 period. It even recorded a fiscal surplus of 0.7 percent of GDP in 2022 due to the improved government revenue but lower spending, driven by robust recovery from the pandemic.

Viet Nam thus shows low risk of public debt distress. Considering the GDP growth prospect and the current debt ceiling at 60 percent of GDP, Viet Nam still has ample room for further leveraging debt for national sustainable development. Debt financing remains a viable option for Viet Nam to mobilize additional resources to finance rising development needs in critical priorities, including human development, energy transition and digital transformation.

[15] Based on the IMF's World Economic Outlook Database, October 2024.
[16] Ibid.

Importantly, debts must be invested efficiently and effectively in the development priorities most needed to propel Viet Nam to achieve its goals of becoming a high-income country by 2045 and realizing net-zero targets by 2050.

***Figure 4. Viet Nam's public debt as a share of GDP 2001-2023***




*Source: World Economic Outlook Database, Oct 2024*

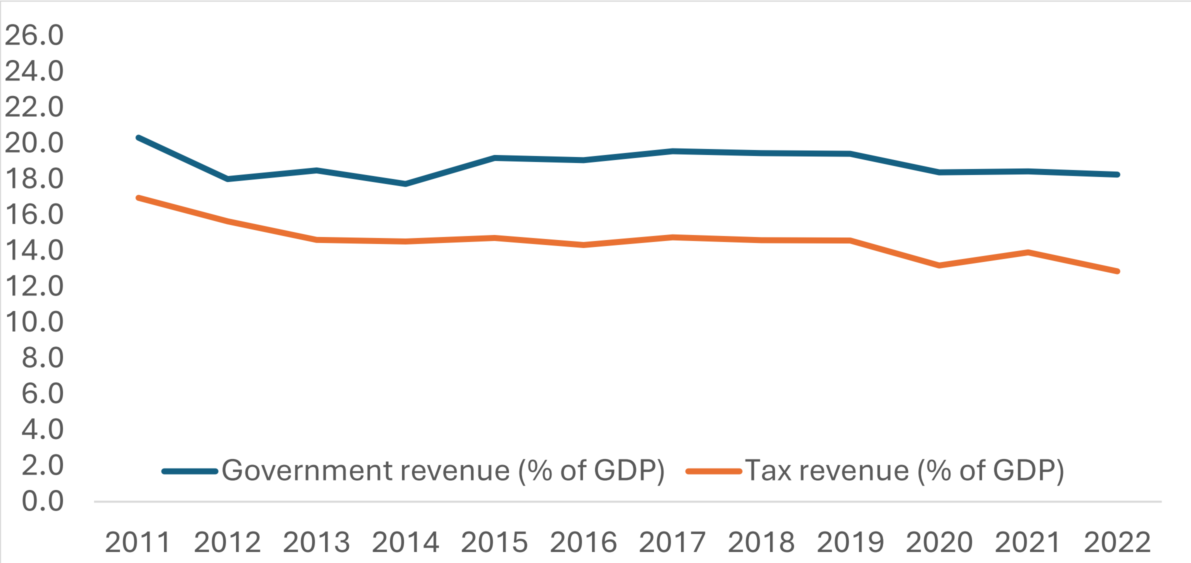
### 3.3. Government Revenue

Despite sustained and high GDP growth, government revenues fluctuated highly in the past decade. It dropped from its peak of 20.3 percent of GDP in 2011 to the trough of 17.7 percent in 2014 before bouncing back to 19.6 percent of GDP in 2017 and then subsequently decreased again to 18.3 percent of GDP in 2022. On average between 2011 and 2022, the government revenue was recorded at 18.9 percent of GDP. Notably, despite the economic fallout of the COVID-19 pandemic in 2020-2021, the economy still achieved growth rates by 2.6 percent and 2.9 percent in 2020 and 2021, respectively.

In the government's total revenue, tax revenue made the largest contribution. However, between 2011 and 2022, tax revenue decreased steadily from 16.7 percent of GDP in 2011 to 12.9 percent of GDP in 2022. While the economy has performed well in this period, tax revenue has declined. This negative trend underlines several challenges: lack of tax administration capacity, inadequate data collection and management and a shrinking tax base. Another reason is the decrease in crude oil exports, reducing the government revenues from crude oil production. Although the crude oil issue began in 2014, Viet Nam has not yet adjusted its tax regime to replace oil rents with other taxes, such as capital gain tax, property tax and income tax.[17]

The negative trend in tax revenue must be reversed to expand government revenue, which is a key source for investing in development priorities. The accelerated path towards graduating from the middle-income country calls for an increasingly larger role of tax revenue in financing national development needs and priorities.

***Figure 5. Government and tax revenues in Viet Nam 2011-2022***




*Source: World Economic Outlook Database October 2024 and CEIC*

## 3.4. External Private Finance

### 3.4.1. FDI

FDI has played an important role in driving Viet Nam's economic development, integrating Viet Nam into global and regional value chains and creating jobs and incomes for the growing labour force. In terms of absolute value, the FDI inflows nearly doubled from USD 11.1 billion in 2011 to USD 20.4 billion in 2019 before dropping slightly to USD 20 billion in 2020 and USD 19.8 billion in 2021 due to the negative impact of the pandemic. However, between 2011 and 2021, the FDI was stable around an average of 4.5 percent of GDP (see Figure 5 below). Top sources of FDI inflows into Viet Nam include Singapore, Republic of Korea, Japan, China and Hong Kong (China).

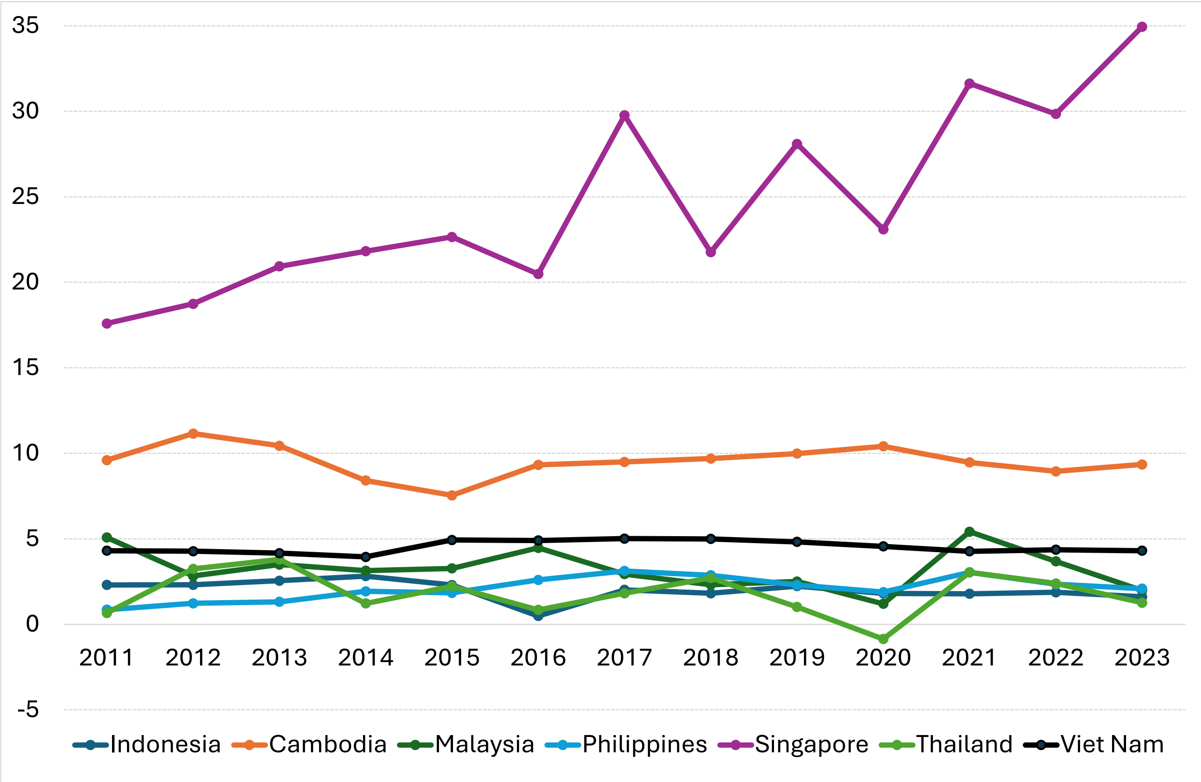
Viet Nam remains a top destination for foreign investors given its cost competitiveness, comparatively low taxation, comprehensive free trade agreements and special economic zones.[18] This trend is further deepened by the rising geopolitical tensions, particularly between the US and China.

[17] IMF (2022), "IMF Article IV Report," July 2022.

[18] Asia Briefing (2023), "Tracking Global Investment Flows into China and Asia," Asia Investment Research, Q3 July-September 2023 Issue.

The FDI has supported Viet Nam to diversify its economic base and export sectors from light manufacturing, including garment and footwear, to electronics, semi-conductors and green technology. Given the FDI attracting policy and growth prospects, FDI will continue to drive economic development, create jobs and improve living standards. Hence, it is important to attract not only quantity, but quality FDI that can help Viet Nam to achieve inclusive economic prosperity and sustainable development.

***Figure 6. FDI Inflows in selected ASEAN countries 2011-2023***




*Source: World Development Indicators (WDI)*

### 3.4.2. Remittances

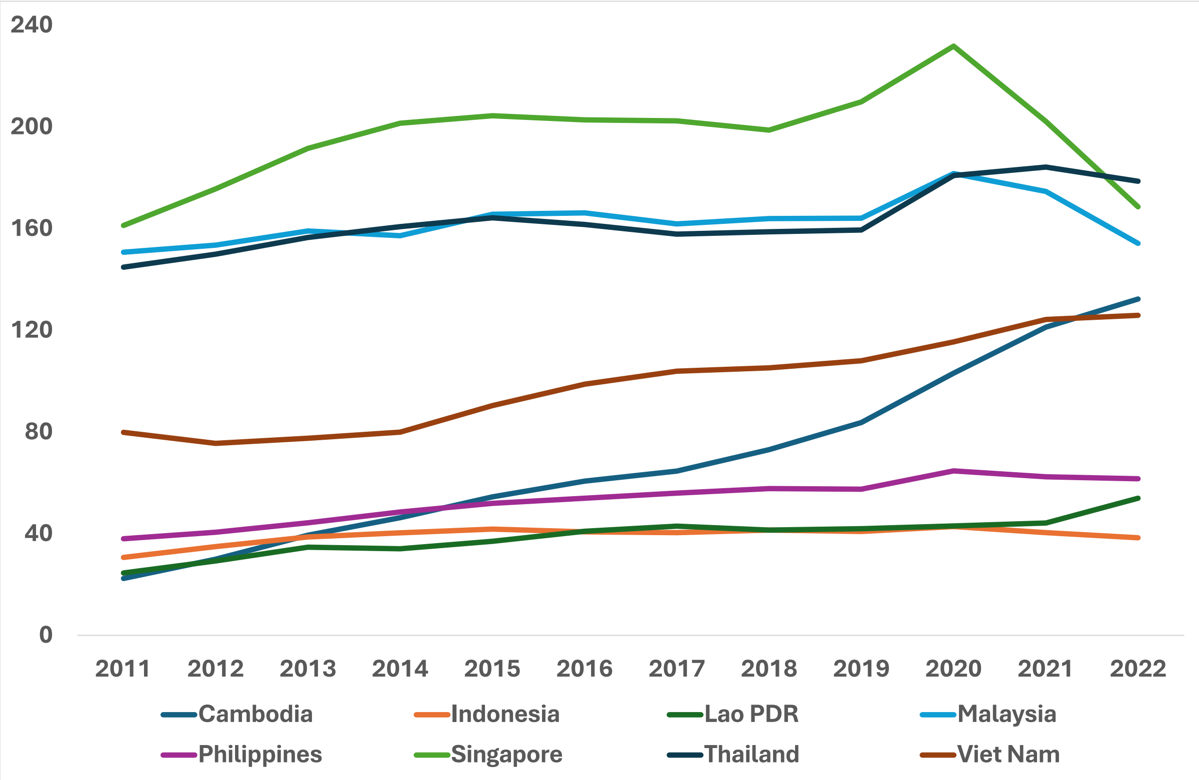
Remittance is one of the major sources of external financing for sustainable development in Viet Nam. It makes a significant contribution to economic and social development. It has helped the country to earn hard foreign currency and build up foreign reserves as well as improving the living standards of the migrant families, including access to education; healthcare; and water, sanitation and hygiene (WASH).

Total remittance inflows into Viet Nam grew by 57.9 percent in absolute terms from USD 8,326 million in 2011 to USD 13,151 million in 2022. In terms of its contribution to the economy, the remittance was stable around an average of 3.3 percent of GDP in the 2015-2022 period. It is worth noting that the remittance made larger contributions to the GDP than the ODA (see Figure 2). Between 2015 and 2021, while the remittance as a share of GDP was recorded a stable and average level of 3.3 percent, the ODA subsequently declined from 1.32 percent of GDP in 2015 to only 0.012 percent of GDP in 2022.

### 3.5. Private Sector Borrowing

Private sector debt increased steadily from 79.9 percent of GDP in 2011 to 125.9 percent of GDP in 2022. It appeared to rise rather rapidly by 16.3 percentage points between 2019 and 2021 (see Figure 6 below) before stabilizing in 2022. Although the private debt remains lower than regional peer economies such as Thailand, Singapore, Malaysia and Cambodia, it is imperative to monitor and manage the associated risks appropriately. It is worth noting that the private debt risks and the large amounts of restructured loans during the forbearance period due to the COVID-19 pandemic indicate potential stresses on the repayment capacity of some borrowers and resilience of the financial institutions.

***Figure 7. Private sector debt in selected ASEAN countries 2011-2022***




*Source: IMF Global Debt Database*

### 3.6. Domestic Private Finance

#### 3.6.1. Domestic private investments

Domestic private investments are the leading driver of Viet Nam's economic development and capital accumulation in the past decade. The domestic private investment made the largest contribution to the total investments in the economy and played a crucial role in generating employment and fostering exports. Domestic private investment's contribution to the total investments compared to the FDI expanded from 2.4 times in 2011 to 3.6 times in 2022. Compared to public investment, it expanded from 1.4 times in 2011 to 2.3 times in 2022.[19]

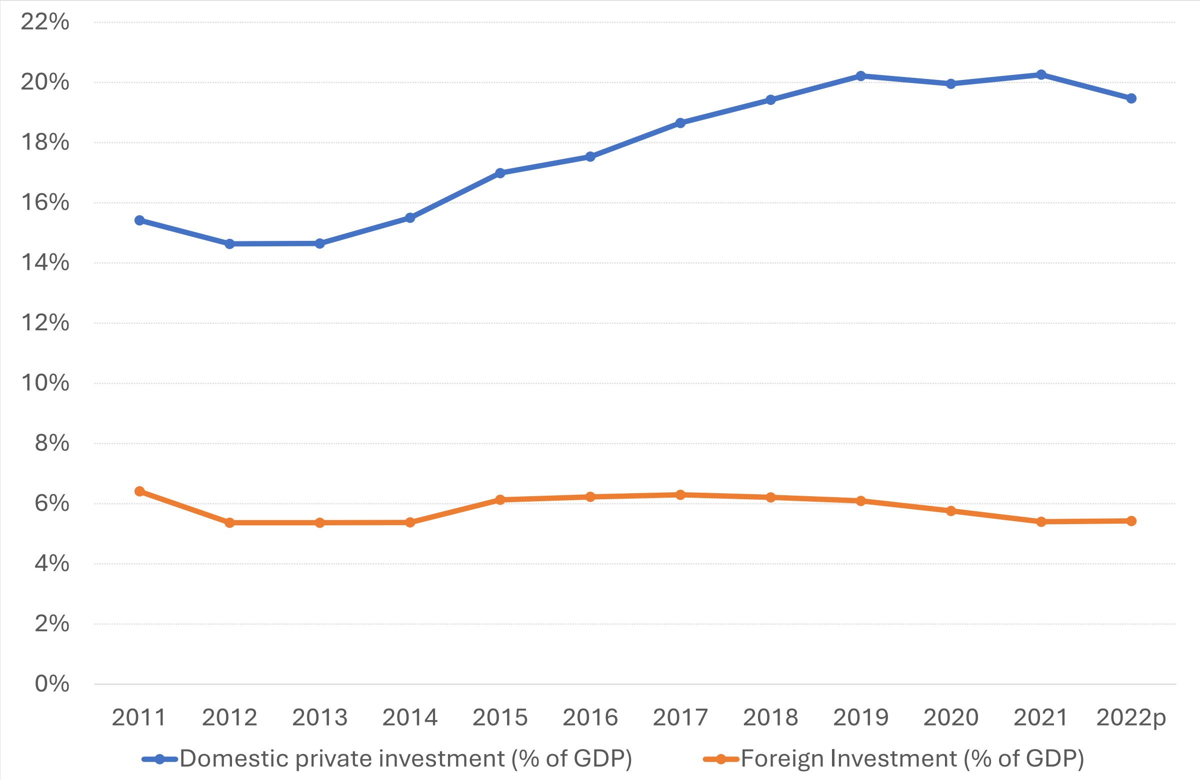
Domestic private investment in terms of absolute values nearly tripled from USD 26.6 billion in 2011 to USD 80 billion in 2022. It grew gradually from 15.4 percent of GDP in 2011 to 20.2

[19] Based on data from the National Statistics Office (NSO), accessed in March 2025.

percent of GDP in 2019 before dropping slightly to 19.5 percent in 2022 due to the pandemic.[20] Nevertheless, Viet Nam's domestic private investments remain low. The experience of newly developed economies such as the Republic of Korea, China and Taiwan (China) shows that high levels of domestic investments are essential for sustaining high GDP growth and advancing to a high-income country.

As access to ODA and concessional financing become more limited, domestic private investments are of paramount importance to meet investment needs and cater to increased demands for decent jobs among the growing young labour force. Boosting domestic private investments together with the public investments and FDI is key to support Viet Nam's high growth, attain the SDGs and realize the high-income country status by 2045.

***Figure 8. Domestic private investment and foreign investment 2011-2022***




*Source: National Statistics Office (NSO)*

### 3.6.2. Financial sector and private credit

Domestic credit to the private sector expanded rapidly by 50.4 percentage points from 75.5 percent of GDP in 2012 to 125.9 percent of GDP in 2022, according to the data from the World Development Indicators (WDI). Notably, despite the economic fallout of the pandemic, it continued to expand significantly by 17.9 percentage points between 2019 and 2022 from the pre-pandemic level of 108 percent of GDP in 2019.[21]

Based on data from the State Bank of Viet Nam (SBV), total credit outstanding expanded 2.6 times from VND 6.0 quadrillion (USD 261.7 billion) in 2015 to 15.6 quadrillion (USD 614.6

[20] Based on data from the National Statistics Office (NSO), accessed in March 2025.
[21] Based on latest data from the World Development Indicator, accessed in March 2025.

billion) in 2024. In the pre-pandemic period between 2015 and 2019, domestic credit grew at an average rate of 15.4 percent. During the pandemic period between 2020 and 2022, domestic credit grew at a subsequently slow rate of 14.5 percent in 2020, 10.7 percent in 2021 and 6.2 percent in 2022. The slower paces in the last three years reflected the adverse economic impact of the pandemic as well as a highly leveraged economic condition in which the domestic credit grew rapidly in the pre-pandemic period. The elevated domestic credit to GDP and high borrower leverage since the pre-pandemic may cause an increase in non-performing loans and the banks' asset quality risks.[22]

To support the economy in the context of weakening external demands and global growth slowdown in 2023, the financial policy is steered towards easing access to credit, including for the real estate sector that has stagnated and carried significant credit risks. In that year, domestic credit expanded by a rate of 13.5 percent, driven mainly by the improved economic conditions and demands in late 2023, which was carried into 2024. Consequently, 2024 saw a credit growth rate of 15.1 percent, which was channelled mainly to transport and telecommunication, industry and construction sectors.[23]

## 4. EMERGING OPPORTUNITIES FOR FINANCING VIET NAM'S DEVELOPMENT: GREEN AND INNOVATIVE FINANCE

On 14 December 2022, Viet Nam signed the political declaration to launch the Just Energy Transition Partnership (JETP) with the International Partner Group (IPG) countries. It secured an initial financing commitment of USD 15.5 billion from public and private finance from the IPG countries. On 15 May 2023, the Government of Viet Nam approved the eighth Power Development Plan 2021-2030 (PDP8), aligning with the net-zero emission target and reflecting commitments in the JETP Political Declaration. The plan includes increasing the share of renewable energy in the energy mix, phasing out coal after 2030, limiting the use of liquefied natural gas (LNG), and promoting unrestricted rooftop solar for self-consumption. The estimated investment needed until 2030 is around USD 134.7 billion, with the majority allocated to generation (USD 119.8 billion) and the remainder to grid and transmission (USD 14.9 billion). However, while the Viet Nam's commitment remains steadfast, the United States' official withdrawal from the JETP, which was announced in March 2025, may put Viet Nam's JETP implementation at risk.

In face of rising financing needs for green transition, Viet Nam is boosting its access to green finance and developing domestic green financial market. As of September 2024, total green credit in Viet Nam reached around VND 665 trillion (approximately USD 26.6 billion), accounting for around 4.5 percent of the total credit outstanding.[24] Renewable energy is the most financed sector, representing more than 50 percent of total green loans. It is followed by agriculture and clean water. Meanwhile, Viet Nam's sustainable bond market expanded to USD 800 million of which 46.9 percent in green bonds and 53.1 percent in sustainable bonds.[25]

[22] IMF (2022), "IMF Article IV Report," July 2022.
[23] Based on data from State Bank of Viet Nam, accessed in March 2025.
[24] https://vietnamnet.vn/en/green-credit-won-t-be-less-expensive-as-expected-2344468.html
[25] ADB (2024) "Asia Bond Monitor November 2024."

To promote the implementation of the green transition, Viet Nam needs to address critical barriers to internationally or domestically public and private financing. Some barriers include complexities in ODA regulations, green financial instrument regulatory frameworks, financial credit rating, green project classification and standards, predictability and consistency of policy in energy policies and regulations, among others.[26]

The country is still in the midst of developing policy and regulatory frameworks, institutional arrangements and capacity building for the financial sector and related transition sectors such as energy. It is on the path to develop green taxonomy with environmental screening criteria, thresholds and indicators, which aims to promote green credit, including green bonds.[27] The Government of Viet Nam has set targets for green loans to reach 10 percent of the total loans by 2025 and 25 percent of the total loans by 2030.[28]

Along with the growing sustainable or green financing, the issuance of thematic bonds such as SDGs bonds or social impact bonds (SIBs) offers the opportunities for Viet Nam to innovatively mobilise more financial resources and invest in accelerating SDG progress. However, the success of the SDGs bonds or SIBs depends on a range of factors, including the data availability and reliability, the capacity of social service providers, effectiveness and predictability of the regulatory framework, the willingness of investors to take on risk, and the effectiveness of the bonds' proceeds utilization.

# 5. CONCLUSION AND RECOMMENDATIONS

This section concludes the paper with a summary of the main findings to inform a policy discourse on financing Viet Nam's development needs. It is followed by a presentation of key recommendations to address the development financing issues.

## 5.1. Concluding Remarks

Viet Nam achieved major development progress – reducing reliance on ODA to fund development needs. Private investments, including FDI and domestic investments, have played an increasingly important role in driving socio-economic development, creating jobs and raising incomes. FDI has been instrumental in integrating Viet Nam into global and regional value chains. The banking and financial sector has also supported the economic growth process through the channelling of financial resources to economic and investment activity. Viet Nam has also shown good performance in its fiscal discipline with low risk of debt distress and low level of fiscal deficits.

To achieve the SDGs by 2030 and realize the high-income country status by 2045 and net-zero emissions by 2050, Viet Nam needs to vastly increase investments in key transition areas such as physical and digital infrastructure, energy transition, human capital development and biodiversity and natural resource management. The VNR 2023 underlines that financing the SDGs is one of the fundamental priorities that requires urgent action. With aspirations to

[26] Government of Viet Nam (2023), "Resource Mobilisation Plan Implementing Viet Nam's Just Energy Transition Partnership (JETP)" November 2023.
[27] Climate Bonds Initiative (2023), "Sustainable Debt Market Summary H1 2023," August 2023
[28] PwC (2025) "Green Finance in Vietnam: Pathway to Sustainable Economic Development," March 25, 2025.

reach higher development levels, financing needs also rise consequently. Hence, Viet Nam need to optimize the existing financial resources while unlocking public and private capital at scale to finance the investments needs required to realize the national development goals.

## 5.2. Policy Recommendations

It is imperative for Viet Nam to adapt to new development financing approaches, policies and institutional frameworks to meet rising financing needs in attaining ambitious development goals. With higher development status, it requires Viet Nam to depend increasingly on domestic internal resources to finance its development needs.

❖ Despite the declining roles, ODA continues to play an important catalytic role in Viet Nam's sustainable development, especially in promoting socio-economic progress in the hard-to-reach population and areas. Moreover, Viet Nam should optimize the existing ODA resources to catalyse larger public and private investments required to sustain economic growth, enhance social development and address climate risks.

❖ The negative trend in tax revenue must be reversed to expand government revenue, which become a major source of public finance for investing in national development objectives. There are several strategies available to the Government of Viet Nam in increasing tax revenues effectively: improving tax administration and enforcement mechanism, leveraging digital technology for more efficient tax collection and reporting, and introducing initiatives to improve tax morality. Moreover, the Government of Viet Nam may consider the possibility of introducing a carbon tax, which has the potential for improving tax revenue and developing the low-carbon economy.

❖ Viet Nam should consider actively the balancing between prudent public debt management and long-term development goals. While it is fundamental to ensure public debt sustainability, debt financing remains a viable option for Viet Nam to mobilize additional resources to finance rising investment needs in critical development priorities.

❖ In addition to the state budget, Viet Nam can make more effective use of public development banks and sovereign funds (e.g., drawing on the state pension fund) as a means of catalysing impactful investments across key areas.

❖ With growing FDI inflows, Viet Nam is well positioned to steer FDI towards sustainability-focused industries, such as renewable energy, climate-resilient infrastructure and digital and technology-related industries. Viet Nam should step up its efforts to enhance policy and regulatory frameworks and business environment around green investments, including fiscal and non-fiscal incentives, administrative procedures and green taxonomy.

❖ Financial policies can make crucial contributions to expanding productivity growth through the use of selective tax incentives and capital market reforms, which can spur productivity-enhancing investments in technologies and skills. Reforming domestic capital market is vitally important to enhance its role in channelling domestic savings into priority investment needs and reducing borrowing costs. Improving market infrastructure and policy frameworks is vitally important to increase investors' confidence in the bond markets, expand investor base and deepen market liquidity.

- ❖ The Government of Viet Nam and the State Bank of Viet Nam should continue to support the banking and financial sector to focus on green lending to promote green investments, while maintaining financial stability. This may entail enhancing regulatory frameworks and operational guidelines for green lending, monitoring and assessing environmental and climate risks, and incentivizing banks and financial institutions to lend to green projects. The establishment of a Viet Nam climate bank or timely enhancements of existing public development banks is a potentially powerful tool for mobilizing and coordinating investment, as international experience shows.

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