GREEN BONDS IN VIETNAM: CURRENT SITUATION AND DEVELOPMENT SOLUTIONS

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Abstract: ***In the context of climate change and the increasing demand for sustainable development, mobilizing financial resources for environmentally friendly projects has become an important priority for many countries. Within the system of green financial instruments, green bonds are considered an effective medium- and long-term financing channel, contributing to directing capital flows into sectors with positive environmental impacts. In Vietnam, along with the orientation toward green growth and commitments to reducing greenhouse gas emissions, the green bond market has gradually been formed. This paper focuses on analyzing the current situation of green bond market development in Vietnam through its achieved results, thereby providing a basis for evaluating existing limitations and proposing development solutions in the coming period.***

• Keywords: *green bonds; Vietnam; current situation; development solutions.*

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1. Introduction

In recent years, sustainable development has become a central orientation of the global financial system, aiming to address the challenges of climate change and promote long-term growth. The shift of capital flows from traditional sectors to environmentally friendly sectors has created a demand for the development of appropriate financial instruments, among which green bonds play a notable role in mobilizing capital for projects with positive environmental impacts.

For Vietnam, the demand for capital to support green growth and the transformation of the development model is substantial, while government budget resources remain limited. In this context, the development of the green bond market not only contributes to diversifying financing channels but also supports the orientation of capital flows toward priority sectors. Therefore, analyzing the current situation of green bond market development in Vietnam is necessary to clarify the achieved results as well as the existing limitations and challenges, thereby proposing appropriate development solutions.

2. Current Situation of Green Bond Market Development in Vietnam

2.1. Achievements

Capital mobilization for environmental projects through debt instruments in Vietnam had emerged prior to 2020; however, it was mainly pilot in nature and had not yet been standardized according to green bond criteria. Since 2020, along with increasing pressure from climate change and the need to transition toward a sustainable growth model, the green bond and sustainable bond market in Vietnam has begun to develop more clearly, gradually shifting from an experimental stage to a more structured development phase.

According to statistics, the total value of green bond issuance in Vietnam during the period 2020-2025 exceeded USD 1.5 billion, with a focus on sectors such as renewable energy and clean water management, contributing to the reduction of greenhouse gas emissions. Notably, Vietnam's sustainable finance market is expected to maintain a compound annual growth rate of 17.02% through 2033, with green bonds accounting for a significant share of bond transactions.

From an institutional perspective, the legal framework for the green bond market has been gradually established and improved through relevant legal documents, decrees, and guidelines, thereby facilitating the issuance, management, and use of proceeds from green bonds. The development and completion of financial policy frameworks for green bonds were reflected in Decision No. 1191/QĐ-TTg dated August 14, 2017, issued by the Prime Minister approving the roadmap for bond market development for the period 2017-2020. The 2020

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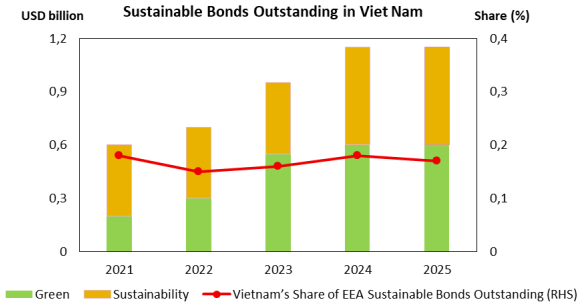
Law on Environmental Protection laid a fundamental legal foundation for green bonds, particularly in Article 150, which stipulates that proceeds from green bonds must be properly accounted for, closely monitored, and used for their intended purposes in environmental protection projects.

In addition, the Ministry of Finance has coordinated with relevant agencies to develop and submit to the Government specific regulations for different types of green bonds, including green government bonds, green local government bonds, and green corporate bonds. Decree No. 08/2022/NĐ-CP dated January 10, 2022, provides detailed guidance on green bond issuance, including the use of proceeds, principles for cash management, disclosure requirements, and reporting regimes. Moreover, this decree introduces incentive policies to encourage both issuers and investors in green bonds. Public investment projects financed by green bonds issued by the Government or local authorities are prioritized for full capital allocation in line with project implementation progress within medium-term and annual public investment plans. At the same time, the National Green Growth Strategy for the period 2021-2030, with a vision to 2050, clearly identifies the role of the green financial market in mobilizing resources for sustainable development. The issuance of these coordinated policies has created an important legal foundation, contributing to guiding the development of the green bond market in Vietnam.

In terms of scale, Vietnam's sustainable debt capital market has grown rapidly, with GSS issuance increasing from USD 0.3 billion in 2020 to USD 1.5 billion in 2021. By the end of 2023, outstanding green bonds reached approximately USD 1 billion (about 2% of total bonds outstanding), while total issuance during the period 2019-2023 reached USD 1.16 billion, making Vietnam the second-largest market in ASEAN.



Source: AsianBondsOnline calculations based on Bloomberg LP data

According to Figure 1, the green bond market in Vietnam during the period 2021-2025 recorded significant development, as reflected in the steady increase in the scale of outstanding bonds. Specifically, the value of green bonds increased continuously from 2021 to 2024, indicating the gradual formation and expansion of the domestic green financial market. This growth demonstrates that Vietnam has gradually adopted and implemented sustainable financial instruments in line with global trends. In addition, although Vietnam's share in the total emerging East Asian market remains modest, it has been relatively stable throughout the period. This indicates that Vietnam's green bond market is gradually strengthening its position in the region, despite competition from larger economies.

In terms of period-specific developments, the 2023-2024 period stands out with the most positive growth rate, reflecting the initial effectiveness of policies promoting green finance and the increasingly evident participation of domestic issuers, particularly the banking sector. Moreover, the maintenance of a stable market size in 2025, despite ongoing volatility in both global and domestic financial markets, reflects a certain level of market resilience. This suggests that the foundation of Vietnam's green bond market has been established and is capable of sustaining operations under less favorable conditions.

In addition to the expansion in scale, the structure of green bond products has become increasingly diversified. At the local level, green bonds have been issued to finance environmental and sustainable infrastructure projects, with notable examples such as Ho Chi Minh City (VND 3,000 billion for 34 projects, including 11 green projects) and Ba Ria-Vung Tau (VND 500 billion for 8 projects). At the same time, the corporate sector has actively participated through large-scale issuances during the period 2021-2024, including Vinpearl (USD 425 million), BIM Group (USD 350 million), BIDV (USD 100 million), and EVN Finance (USD 70 million), thereby expanding funding sources for environmentally friendly projects.

In 2025, green bond issuance reached VND 3,407 billion with five issuance transactions (compared to VND 10,325.1 billion with six transactions in 2024). Notably, non-financial corporations accounted for three out of five green bond issuances, an increase from two out of six in 2024. The structure of green and sustainable bond issuers has become more

diversified, as three out of five issuances were from enterprises operating in sectors directly associated with the green economy, such as water infrastructure, plastic recycling, and paper recycling.

Table 1. Summary of Typical Green Bond Transactions in Vietnam in 2025

Issuer	Size / Tenor	Funded Projects	Notes
HDBank (Ho Chi Minh City Development Joint Stock Commercial Bank)	USD 100 million (3-year tenor)	International green bond program covering renewable energy, clean transportation, green buildings, and energy efficiency projects; expected to reduce approximately 102,000 tons of CO_2 over 10 years.	Complies with HDBank's Sustainable Finance Framework in line with ICMA and LMA standards.
HDBank (Ho Chi Minh City Development Joint Stock Commercial Bank)	VND 3,000 billion (2-5 year tenor)	Projects include renewable energy, energy efficiency solutions, and green buildings.	Complies with HDBank's Sustainable Finance Framework in line with ICMA and LMA standards.
Miza Nghi Son Co., Ltd.	VND 150 billion (7-year tenor)	Projects include new investments and expansions directly related to the circular economy, sustainable water and wastewater management, energy efficiency improvement, renewable energy development, and sustainable natural resource management. A significant portion of the proceeds will be used to procure machinery and equipment for the Miza Nghi Son Recycled Paper Manufacturing Plant - Phase II in Nghi Son Economic Zone, Thanh Hoa Province.	Complies with ICMA standards; issuer rated BBB by Thien Minh Ratings. Marks the first green bond issuance in Vietnam meeting international and regional standards without international guarantees.
Binh Thuan Plastics Group (BPG)	VND 160 billion (7-year tenor)	Plastic manufacturing plant project in Hung Yen applying energy-efficient standards and a recycled pallet leasing model to promote circular production and reduce emissions.	Guaranteed by GuarantCo. Complies with ICMA standards and rated AAA by Fiin Ratings.
Xuan Mai - Hanoi Clean Water Transmission Co., Ltd.	VND 317.2 billion (20-year tenor)	Financing the Xuan Mai - Hoa Binh water supply system project, including the construction of treatment plants and clean water transmission systems for Hoa Binh and Hanoi.	Guaranteed by GuarantCo. Complies with ICMA standards and rated AAA by Fiin Ratings.

Source: Compiled by the author

Although the overall value remains modest, green bonds have been deployed across multiple sectors of the economy, including infrastructure, industrial production, and banking and finance, indicating the increasingly evident diffusion of sustainable finance rather than being concentrated in a few sectors or isolated transactions. In addition, market quality has gradually improved as issuances increasingly comply with international principles. Specifically, 100% of green bond issuances in 2025 adhered to the Green Bond Principles of the International Capital Market Association (ICMA), with pre-issuance external reviews conducted by reputable organizations, among which FiinRatings and S&P Global Ratings accounted for 80% of the transactions. Furthermore, several major issuers have relatively comprehensively disclosed information on the use of proceeds and environmental impacts. For example, the Joint Stock Commercial Bank for Investment and Development of Vietnam published allocation and impact reports for its green bond issuances during the period 2023-2025, clearly specifying the financed project portfolio and the environmental indicators achieved.

According to FiinRatings, Vietnam's green bond market is gradually shifting toward deeper development. The Second Party Opinion (SPO) instrument has been increasingly adopted to assess alignment with international standards, thereby enhancing transparency and market discipline. The application of SPO is also expanding across a broader range of issuers, reflecting a trend toward convergence with sustainable finance standards and supporting investors in assessing risks more consistently.

Overall, Vietnam's green bond market has transitioned from an experimental stage to a more structured development phase, with notable improvements in institutional frameworks, scale, and quality. The increasingly legal framework has created a foundation for more transparent issuance and management while encouraging broader participation across the economy. At the same time, product structures have become more diversified and increasingly aligned with international standards, thereby enhancing investor confidence and gradually shaping the market toward greater sustainability and professionalism.

2.2. Limitations and Challenges

It can be observed that, while the achieved results indicate that the legal foundation for Vietnam's green bond market has gradually taken shape, the implementation process still reveals various structural limitations and challenges that affect the efficiency of market operations and its capacity for expansion.

First, the lack of a green taxonomy and standardized criteria.

One of the key bottlenecks is that Vietnam has not yet established a comprehensive and unified legally binding green taxonomy. In practice, issuers often rely on international principles or develop their own frameworks, leading to inconsistencies across issuances. As a result, the determination of what qualifies as "green" remains relative, posing challenges for regulators in supervision as well as for investors in risk assessment. This

issue also increases the risk of superficial "green labeling," directly affecting market credibility and transparency.

The absence of a unified classification system also reduces comparability among domestic green financial instruments and creates difficulties in connecting with international markets. When each issuer applies different criteria, foreign investors face obstacles in assessing compliance with global standards, thereby limiting cross-border capital flows into Vietnam's market.

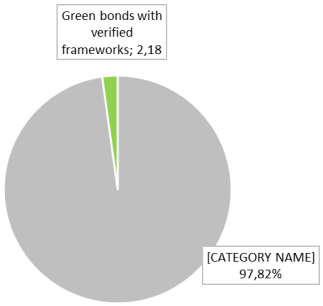
Moreover, although the Green Taxonomy issued in July 2025 under Decision No. 21/2025/QĐ-TTg has initially established a legal basis for identifying green activities, a significant gap remains between regulatory requirements and the implementation capacity of enterprises in meeting these criteria. The preparation of projects that satisfy technical requirements within a short timeframe remains a major challenge, resulting in a shortage of high-quality eligible green projects. Consequently, capital from investors, despite its considerable potential, has not yet been effectively absorbed into green transition objectives.

Second, the lack of synchronization in the financial system's development.

The financial ecosystem supporting the green bond market has not yet been fully developed. The number of supporting institutions, such as green investment funds, green trust funds, and underwriting entities, remains limited, while the participation of institutional investors in the green financial market in general and the green bond market in particular is not yet prominent. Supporting financial products, such as green insurance and green refinancing instruments, have not developed commensurately, reducing the attractiveness of green bonds for both issuers and investors. In addition, the lack of independent evaluators with sufficient capacity to assess sustainability criteria represents a significant barrier to market transparency.

This lack of synchronization is also reflected in the weak linkage between different segments of the financial market, particularly between the capital market and the green credit market. The absence of effective coordination mechanisms among capital channels results in fragmented green finance flows, reducing the efficiency of resource allocation for sustainable projects. Furthermore, market infrastructure, including secondary trading systems, market-making mechanisms, and liquidity support instruments, remains underdeveloped. This limits the tradability of green bonds, reduces investor flexibility, and hinders the development of a deep and mature market.

Figure 2. Outstanding Green and Sustainable Bonds as a Share of Total Corporate Bond Outstanding as of December 31, 2025



Source: FiinRatings' calculations based on data updated as of February 2, 2026.

As illustrated in Figure 2, green and sustainable bonds accounted for only approximately 2.18% of total corporate bond outstanding by the end of 2025, while conventional bonds continued to dominate. This indicates that green financial instruments have not yet become a significant component of the financial system and remain insufficiently competitive in the market, reflecting the lack of synchronization and the still limited level of market development.

Third, high issuance costs.

Compared to conventional bonds, green bonds incur additional costs such as the development of green finance frameworks, external reviews, auditing, and periodic reporting. These additional costs are estimated to increase total issuance costs by approximately 10-20%, according to studies by the International Finance Corporation (IFC). In the absence of financial support mechanisms in Vietnam, these additional expenses constitute a significant barrier, particularly for small and medium-sized enterprises. Moreover, maintaining periodic post-issuance environmental impact reporting requires substantial data systems and resources that many Vietnamese enterprises are not yet able to meet. This helps explain the slow growth in the number of new issuers and the limited diffusion of the market.

Fourth, limited awareness and capacity of market participants.

Both domestic enterprises and investors still lack a comprehensive understanding of green bonds.

Many enterprises are not fully aware of the benefits as well as the technical requirements associated with issuance, particularly regarding disclosure and verification standards. On the investor side, experience in evaluating and pricing green projects remains limited, leading to a cautious approach to market participation, largely due to concerns about transparency and the profitability of such investments.

The expansion of the green financial market in Vietnam since 2015 has been primarily driven by policy directions and initiatives from the State Bank of Vietnam and the Ministry of Finance, rather than arising from intrinsic market demand. In contrast, in developed economies such as the United States and member states of the European Union, the growth of green finance—including green credit and green bonds—has largely been driven by investment demand, associated with increasing investor awareness of sustainable development and corporate social responsibility.

The simultaneous shortage on both the supply and demand sides of the market has resulted in low liquidity and reduced attractiveness of green financial instruments compared to other investment channels that carry higher risks but offer higher returns. This creates a barrier to expanding the scale and improving the operational efficiency of the green financial market.

3. Proposed Solutions for Developing the Green Bond Market in Vietnam

Based on the identified limitations, it can be observed that the development of the green bond market in Vietnam is not only constrained by isolated factors but is also influenced by the combined effects of the legal framework, market structure, and the capacity of participating stakeholders. These bottlenecks require a systematic policy approach, in which solutions should be designed in a coordinated manner to address both short-term barriers and establish a foundation for the market's long-term development.

First, narrowing the implementation gap of the green taxonomy.

To address the gap between regulations and practice, policy focus should shift from framework development to implementation support. Initially, it is necessary to review and adjust the roadmap for applying the green taxonomy in a more flexible manner, for instance by designing tiered criteria or phased implementation to allow enterprises to gradually adapt to new requirements.

In addition, the issuance of detailed technical guidelines for specific sectors is essential to operationalize broadly defined criteria. Technical assistance, advisory, and training programs should also be implemented to enhance enterprises' capacity in project development, environmental impact measurement, and compliance with disclosure requirements.

Furthermore, transitional mechanisms could be considered, such as recognizing "transition green" projects or establishing intermediate criteria for high-emission sectors undergoing improvement. This approach would expand enterprise participation while maintaining long-term sustainability objectives. As the implementation gap is reduced, the green taxonomy will be more effective in guiding capital flows and promoting the development of the green bond market.

Second, developing the financial ecosystem and market infrastructure.

To address the lack of synchronization within the financial system, it is necessary to promote the development of a comprehensive supporting ecosystem for the green bond market, in which intermediary institutions play a key role in connecting market participants. Priority should be given to expanding the presence of green investment funds, green trust funds, as well as advisory and credit rating institutions, thereby improving issuers' market access and diversifying funding sources.

At the same time, improving market infrastructure is a prerequisite for enhancing the operational efficiency of the green bond market. This includes developing a dedicated secondary market, establishing market-making mechanisms, and promoting the standardization of green bond products to improve tradability and pricing. Additionally, the development of specialized trading platforms and data systems for green financial instruments would enhance market connectivity and efficiency.

Moreover, policy measures should be introduced to attract long-term institutional investors such as insurance funds, pension funds, and sustainability-oriented investment funds. The participation of these entities would not only expand market scale but also contribute to shaping a stable and long-term demand structure. When the financial ecosystem and

market infrastructure are developed in a coordinated manner, the green bond market will have a solid foundation for efficient operation and expansion.

Third, reducing issuance costs and establishing financial support mechanisms.

To alleviate cost-related barriers, targeted financial support mechanisms should be implemented, particularly for first-time issuers and small and medium-sized enterprises. This may include partial subsidies for costs associated with developing green finance frameworks, external reviews, auditing, and other technical requirements, thereby reducing initial financial burdens and encouraging market participation.

In addition, risk-sharing mechanisms such as credit guarantees or support funds should be established to improve access to capital and reduce perceived risks for both issuers and investors. The development of such supporting financial instruments is particularly important in the context of a nascent market where risk pricing mechanisms are not yet fully developed.

Furthermore, financial incentives such as tax exemptions or reductions on issuance costs or income from green projects could be considered, alongside the promotion of blended finance models to mobilize private sector resources. These measures would not only reduce costs but also expand the issuer base, contributing to the broader development of the market.

Fourth, enhancing transparency and the capacity of market participants.

To reduce information asymmetry and strengthen investor confidence, it is necessary to establish a standardized and consistent system for disclosure and environmental impact reporting across the market. Specifically, clear requirements should be set for quantitative environmental performance indicators, along with periodic reporting obligations to ensure effective monitoring and evaluation of fund utilization.

At the same time, the application of independent verification mechanisms is essential to enhance information credibility and mitigate the risk of "greenwashing." Instruments such as second-party opinions or compliance verification should be widely encouraged, enabling investors to assess and compare financial products more effectively.

In parallel, strengthening the capacity of market participants is fundamental to ensuring long-term sustainability. Training programs, technical advisory services, and knowledge dissemination initiatives should be implemented to help enterprises better understand both the technical requirements and the benefits of green bonds. For investors, enhancing awareness of sustainable investment will contribute to shaping more long-term market behavior. As transparency and capacity improve simultaneously, information asymmetry will be reduced, thereby supporting the stable and efficient development of the green bond market.

Conclusion

Overall, the green bond market in Vietnam has made notable progress in establishing a legal framework and directing capital flows toward sustainable development, particularly with the introduction of a national green taxonomy. However, the implementation process continues to reveal several structural limitations, including the gap between regulatory criteria and enterprise capacity, the lack of synchronization in the financial ecosystem, high issuance costs, and incomplete information transparency.

In this context, designing solutions that directly address each group of issues is a key condition for improving market efficiency. This, in turn, will enable green bonds to gradually become an effective financing channel for the transition toward a green economy and sustainable development.

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