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Mobilizing Capital Resources to Meet the Needs of Green Economic Development in Vietnam

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Abstract

Currently, the development of science and technology and the breakthroughs of the Fourth Industrial Revolution have brought many opportunities for growth to Vietnam. Investment trends for smart production activities, e-government construction, smart cities, smart industry and agriculture... have become popular. Economic growth has produced many major breakthroughs but has not led to widespread progress. The model of exploiting natural resources at an unsustainable scale causes many negative impacts on the environment, biodiversity loss, environmental pollution, climate change. Leading to many social problems. Other complex societies, affecting economic opportunities for future generations. Vietnam is one of the countries heavily affected by climate change, natural disasters, epidemics and many external factors.

To solve this problem, green economic development becomes an inevitable choice and a goal that every country is aiming for. This is a new approach to economic growth, towards harmonious socio-economic development with restoration and conservation of natural ecosystems. For Vietnam, green economic development is an important content of sustainable development and a development process with a close, reasonable and harmonious combination between socio-economic development and environmental protection Environment. Therefore, Vietnam needs capital to meet the needs of green economic development in depth, quality and efficiency. The article discusses the current situation and solutions to mobilize capital to meet the needs of green economic development in Vietnam.

Keywords: Development, Green Economy, Resources

1. Introduction

Green economy is an economy that aims at harmony between the economy and the ecological environment, with a focus on environmental protection, developing clean production technology and clean energy, and quickly achieving sustainable growth. The green economic strategy from Vietnam's perspective is to promote the process of restructuring and perfecting economic institutions towards more effective use of natural resources, improving the competitiveness of the economy, through Strengthen technological innovation and economic tools, thereby contributing to responding to climate change, reducing poverty and ensuring sustainable economic development. Thus, green growth is basically synonymous with sustainable growth, or it can be understood as development that can meet current needs in all aspects without affecting or harming the ability to meet current needs of future generations. This is the targeted task of many countries, including Vietnam, based on their economic, political and cultural characteristics to build appropriate strategies. However, currently, capital sources to meet the needs of green economic development in Vietnam are still limited. Therefore, the issue of unlocking capital sources to meet the needs of green economic development in Vietnam needs to be implemented for the country to develop sustainably and comprehensively.

2. Theoretical Basis of Green Economy

The World Bank defines a green economy as "economic development that ensures the effective use of natural resources, which minimizes pollution and environmental impact, and enhances resilience to climate change." natural change, promoting the role of state management of the environment and natural resources in preventing natural disasters" ^[5].

According to the United Nations, a green economy is an economy that brings in the future a new economic growth model that

is friendly to the earth's ecosystems and contributes to solving employment problems for workers. Based on the foundation of economic production, green economy helps reduce emissions, reduce resource consumption and reduce environmental costs^[4].

Thus, green economy is understood as a combination of three factors: economic (poverty eradication, improving the quality of public health care, developing clean energy, meeting the employment needs of people) population and promoting growth...), environment (ensuring sustainable production and consumption, conserving marine resources, protecting, regenerating and encouraging sustainable use of terrestrial ecosystems....) and society (improving the quality of education, narrowing the gender inequality gap and minimizing social inequality...). Green economy is sustainable, meaning that activities in the economy create profits or beneficial values, aiming to develop the life of the human social community; At the same time, these activities are environmentally friendly. These three factors, when balanced, will satisfy sustainability. A green economy is a necessary economy because it creates jobs, ensures sustainable economic growth and prevents environmental pollution, global warming, resource depletion and environmental degradation.

The core meaning of green economy is economic growth that simultaneously ensures two goals: protecting a clean and sustainable living environment.

3. Research Methods

The article uses qualitative research methods including two basic methods: data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to capital sources to meet the needs of green economic development, the article analyzes the main contents to highlight some shortcomings in mobilizing capital sources to meet the needs. Green economic development in Vietnam today, thereby proposing a number of solutions to unlock capital sources to meet the needs of green economic development in Vietnam in the coming time.

4. Current Status of Capital Mobilization to Meet the Needs of Green Economic Development in Vietnam

Green economic development has been of concern to our Party and State since the early years of the Doi Moi period and has achieved certain achievements. The promulgation of the "National Strategy on Green Growth for the period 2021-2030, vision to 2050"^[1] has contributed to innovating the growth model, while promoting capacity and improving economic equality. the ability to access opportunities and enjoy the fruits of development for each person. In fact, the current situation of mobilizing capital to meet the needs of green economic development in Vietnam also reveals a number of opportunities and challenges.

4.1 Opportunity to Mobilize Capital to Meet the Needs of Green Economic Development in Vietnam

In recent years, under the direction of the Party and State, green credit is making positive changes, receiving increasing attention and investment. The results of the State Bank's survey with credit institutions show that credit institutions' understanding of green economic development has significantly improved and is increasingly enhanced. Many credit institutions have developed strategies that take into account environmental and social risks; Integrate

environmental and social risk management content into the green credit appraisal process; building credit products and green banking services; pay attention to devoting mobilized capital from the bank to fund these projects, mainly in the medium-long term and with preferential interest rates. Some credit institutions also have a clear change in the orientation of green credit activities, proactively seeking opportunities to cooperate with many international organizations to develop and deploy green credit lending programs.

For the banking industry, in the period 2017-2022, outstanding green credit loans have an average growth of more than 25%/year. The total value of Vietnam's green credit and green bond market by 2022 will reach 1.5 billion USD, outstanding credit for green projects accounts for more than 4% of the total outstanding debt of the entire economy, an increase of 0.46% compared to 2021. Vietnam is the second largest issuer of green bonds in Southeast Asia, with 1 billion USD in 2022. According to statistics from the State Bank of Vietnam^[3], By the end of 2022, there are 67 credit institutions participating in lending for green projects in the fields of renewable energy, clean agriculture, environmental sanitation, textiles and many other fields.

By June 30, 2023, outstanding credit for green projects reached more than 474,000 billion VND, accounting for 4.1% of the total outstanding debt of the entire economy, an increase of 7.08% compared to 2021, mainly focusing on focusing on renewable energy, clean energy (47%), green agriculture (32%).

Recent practice shows that the green financial market still has a lot of potential for strong development, especially new financial products such as green stocks and green bonds. The green credit structure in Vietnam is shifting from the field of sustainable water management in urban and rural areas to the field of renewable energy and clean energy.

In the context of the complicated developments of the Covid-19 epidemic, the banking system has made efforts to implement many solutions to promote green credit capital, however, the implementation of capital supply for green development businesses, Environmental protection still needs to be further promoted in the future.

4.2 Challenges in Mobilizing Capital to Meet the Needs of Green Economic Development in Vietnam

Besides the opportunities that have been achieved, mobilizing capital to meet the needs of green economic development still has many challenges. Detail:

1. The need for investment capital for green economic development programs and projects is huge, while Vietnam currently lacks policies to attract green financial sources to participate in these fields.
2. The ability to mobilize resources from the state budget, donors and the private sector to implement green economic development is limited.
3. Although Vietnam has had positive signs, the development of green credit and green growth in Vietnam is considered to be not as fast as expected and has not fully exploited its potential. Developing green banking activities at Vietnamese credit institutions still faces many difficulties.

In fact, credit institutions' loan capital is often short-term mobilized capital, while green projects often have long payback periods and large investment costs, making it difficult for banks to balance capital and ensure the ratio of short-term capital to medium and

long-term loans according to regulations. In addition, there are still problems in monitoring and managing risks when granting credit due to the lack of regulations, criteria, and standards for evaluating environmental impact measurement tools. Therefore, it is necessary to continue to open up other sources of capital in the bank credit channel to meet the needs of green growth.

4. The lack of investors and sponsors participating in all segments of the credit market, stocks and green bonds leads to a lack of professionalism in the market and less attraction to international investors.

Regarding the green bond channel, only a few large enterprises can issue them internationally. According to market feedback in the State Securities Commission's 2022 Survey Report on the green bond market, 90% of businesses said it was difficult for them to find buyers when issuing bonds. The basic reason is that there are no general national regulations on criteria and lists of green projects for sectors according to the economic subsector system, as a basis for credit institutions to determine green credit granting, for the next period. Granting green credit requires specialized environmental technical factors, making it difficult for credit officers to appraise and evaluate the effectiveness of the project and the customer's ability to repay debt.

Besides, the majority of Vietnamese businesses are not ready to participate in issuance and investment to welcome the wave of international investment. The absence of both buyers and sellers will make these investment channels have low liquidity and lack of attraction, compared to other investment portfolios that are inherently more risky, meaning that Interest rates are also higher.

5. The ability to mobilize financial resources from financial institutions, funds and international private investors is limited.

Capital sources for the goal of greening Vietnam's economy are still quite limited in the context of a limited state budget and heavy impact from the Covid-19 pandemic. According to estimates by the Ministry of Planning and Investment and the World Bank ^[2], Vietnam needs about 30 billion USD to implement the green economic development strategy until 2030, of which the State budget can only meet the maximum. 30% of resources and need up to 70% from other sources, mainly the private sector.

6. Private financial resources for this activity are quite limited, such as lack of medium and long-term capital, lack of loans at reasonable costs for innovation activities or start-up companies, often ignore funding for activities that do not yet have a certain profit...
7. According to research by the WB and the United Nations Development Fund on mobilizing capital for climate change and green growth, Vietnam's public investment capital for combating climate change and current green growth goals accounts for only 0.1% of GDP.

The above challenges require synchronous and long-term solutions, with specific steps towards green economic development.

5. Solutions to Unlock Capital Sources to Meet the Needs of Green Economic Development in Vietnam

Green economy is a trend that will be promoted in the near

future in Vietnam. In particular, capital is mobilized from both the State and private sectors, financial institutions and non-profit organizations to implement sustainable development goals and priorities.

On October 1, 2021, the Government issued Decision No. 1658/QĐ-TTg approving the "National strategy on green growth for the period 2021 - 2030, vision 2050" ^[1] with the goal of economic development. Green economy contributes to promoting economic restructuring associated with growth model innovation, achieving economic prosperity, environmental sustainability and social justice; towards a green, carbon-neutral economy and contributing to the goal of limiting global temperature rise. In particular, transforming the growth model towards greening economic sectors, applying the circular economic model through the economical and efficient exploitation and use of natural resources and energy based on scientific foundations. learning and technology, applying digital technology and digital transformation, developing sustainable infrastructure to improve growth quality, promote competitive advantage and minimize negative impacts on the environment.

In fact, green economic development requires huge resources to carry out investment projects for technological innovation, planning, infrastructure development... to serve implementation. Meanwhile, domestic resources, especially the State budget for green growth, are very limited. To unlock capital sources to meet the needs of green economic development in Vietnam, in the coming time it is necessary to focus on the following solutions:

1. It is necessary to quickly complete the specific legal framework on green credit as well as business investment projects that impact the environment, develop green credit standards, and a list of industries/fields. Green areas for general and unified application - as a basis for commercial banks to evaluate when granting green credit.

In addition, it is necessary to develop a roadmap to implement mechanisms and policies to support green industries in each industry and field in a synchronous manner to attract and promote the effectiveness of green credit capital. At the same time, it is necessary to research and develop mechanisms and policies to support the development of the capital market and green bond market, creating more capital mobilization channels so that investors have more resources to implement green projects. Priority is given to supporting the development of industry, agriculture, services, and green energy to create jobs, increase income, and enrich natural capital.

With available resources, Vietnam needs to manage and apply the most effective way to prioritize investment in key industries as well as use those resources to promote and encourage the creation of a legal environment. to promote private investment and attract private investment in Vietnam as well as international private investment.

2. It is necessary to restructure the economy on the basis of the Government providing a clear roadmap and orientation for investment from the public and private sectors as well as foreign direct investment to focus on key industries. sharp.

3. The State Bank needs to appoint banks as advisors to legalize the origin of bonds, based on high levels of expertise and experience in the capital market; There is strict control from the State Bank.

In addition, there needs to be guidance on green categories and criteria for determining green projects suitable for Vietnam's economic sub-sectors, as a basis for credit

institutions to appraise, evaluate and supervise. closely when implementing green credit.

On the other hand, commercial banks need to research and deploy solutions to synchronously develop green financial markets, especially the green bond market and organized investors, creating a basis for banks. Mobilizing green capital in the market; Take advantage of scientific achievements of the fourth industrial revolution to green banking operations.

4. The Government needs to focus on promoting resources from commercial loans and private investment such as green credit and green corporate bonds.

Currently, green bonds are a trend of the international capital market. Vietnam needs to take advantage of this opportunity to mobilize capital for development. The reason is that by mobilizing capital through this channel, businesses can optimize costs and have a long loan term.

5. Vietnam needs to promote the attraction of green finance and capital from investment funds to serve the restructuring of the economy, with a focus on restructuring state-owned enterprises, and taking advantage of incentives. New growth drivers of green transformation and green growth. This is both an urgent issue when Vietnam is one of the countries most heavily affected by climate change, and a strategic issue to improve productivity and create new growth momentum for the economy.

6. Need to call for investment in green economic development from the private sector.

International experience shows that public investment is not the main source of capital for efforts to combat climate change or green growth. The decisive sources of private investment for green economic development include: Investment projects of FDI enterprises, domestic enterprises, production households, and households. Total investment capital for this goal currently reaches nearly 2.5 billion USD, mainly focusing on renewable energy and partly energy efficiency. In the context of increasingly limited public investment sources and having to cover many urgent public spending needs, the role of private investment is increasingly appreciated in greening the Vietnamese economy, because Over 40% of GDP is contributed from the private sector.

To mobilize private investment, Government policies need to have a longer-term vision instead of short-term policies to create trust from the private sector. Currently, many private investments are only short-term for 4-5 years, then they move to other fields due to policy fears.

6. Conclusion

Converting the traditional economy to a green economy is a trend many countries around the world are aiming for. Vietnam is setting many priorities for green economic development and urgently needs to attract investment capital sources into sustainable development projects. Therefore, there is a need for breakthrough initiatives and solutions to mobilize private investment in projects that bring about environmental, social and governance effects. Thereby, contributing to creating jobs, contributing to comprehensive growth as well as helping Vietnam complete the sustainable development goals (SDGs) by 2030.

In particular, it is necessary to promote the implementation of the public-private partnership model, proactively access private capital sources as well as deploy market-based financial tools, such as the carbon credit trading and

exchange market. to ensure sustainability and stable financial resources for green growth. Effective mobilization of external resources combined with domestic resources for sustainable socio-economic development is a consistent and urgent goal and requirement of Vietnam.

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