

GREEN GROWTH IN VIETNAM: CURRENT STATUS AND POLICY IMPLICATIONS

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Abstract: *Climate change causes negative impacts on the sustainable development of many nations, including Vietnam. The World Bank (2022) showed that Vietnam's GDP was reduced by 3.2% in 2020 due to the impact of climate change. Furthermore, this impact could range from 12 to 14.5% of Vietnam's GDP in 2050. Therefore, green growth is an important strategy to achieve sustainable development goals for Vietnam. This study aims to analyze the situation of green growth in Vietnam and discuss policy implications to promote green growth in Vietnam to achieve the National Green Growth Strategy goals for the 2021 - 2030 vision towards 2050, issued under Decision No. 1658/QĐ-TTg dated October 1st, 2021, of the Prime Minister.*

• Keywords: *green growth, equity transition, sustainable development goals.*

JEL codes: *D62, H23, O13, O44, Q01*

Date of receipt: *10th Nov., 2024*

Date of delivery revision: *18th Dec., 2024*

DOI: <https://doi.org/10.71374/jfar.v25.i2.03>

Date of receipt revision: *05th Feb., 2025*

Date of approval: *12th Mar., 2025*

1. Introduction

Green growth is considered a key element of sustainable development. It has become a prominent development trend in many countries by orienting the economy towards “green” and environmentally responsible goals (OECD, 2019; World Bank, 2012). The OECD recommends that green growth offers an opportunity to contribute to sustainable economic, social, and environmental development.

In Vietnam, green growth is included in Decision No. 1658/QĐ-TTg in 2021 to ratify the National Green Growth Strategy for the 2021-2030 period, vision toward 2050. According to the Ministry of Planning and Investment of the Socialist Republic of Vietnam (2021), the set of green growth statistical indicators includes four main goals: (1) Reducing greenhouse gas emissions intensity per GDP; (2) Greening economic sectors, including the following fields: energy; transportation; agriculture; trade - services; technology; investment capital, bonds, credit; forest resources; mineral resources; water resources; (3) Greening lifestyles and promoting sustainable consumption; (4) Greening the transition process on the principles of equality, inclusion, and resilience enhancement. The set of indicators consists of 2 components: List of green growth statistical indicators and Content of green

growth statistical indicators with 72 indicators, arranged according to 4 goals of the National Strategy on Green Growth from reducing the intensity of greenhouse gas emissions per GDP, to reflecting the level of “greening” in economic sectors.

This study aims to provide scientific evidence for policymakers to promote green growth in Vietnam. Based on some statistical indicators of green growth, it will analyze the current status of green growth and discuss policy implications for promoting it in the future.

2. Situation of green growth in Vietnam

This study collects indicators representing the four target groups of green growth in Vietnam based on the Green Growth Statistical Indicators of Vietnam, shown in the Ministry of Planning and Investment of the Socialist Republic of Vietnam (2021).

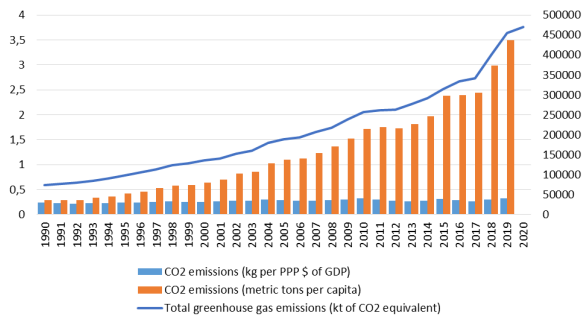
Goal 1: Reducing greenhouse gas emissions intensity per GDP

Along with economic growth, Vietnam's CO₂ emissions have increased for many years. The rise in greenhouse gas emissions suggests that Vietnam should encourage green production and consumption and substitute fossil fuels with renewable energy. Although the average CO₂ emissions per unit of GDP have slightly

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decreased, CO2 emissions per capita have increased, reflecting the limitation of controlling emissions in socioeconomic activity (Figure 1).

Figure 1. Emission intensity and economic growth in Vietnam



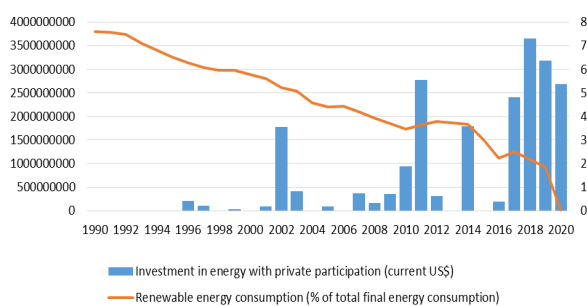
Source: Own illustration by using data from World Bank's Data

Goal 2: Greening economic sectors

With the government's firm determination and strategic policies, Vietnam has made significant progress in green growth. Between 2010 and 2020, approximately \$9 billion in foreign direct investment (FDI) was invested in renewable energy and the production of equipment for green projects, laying the foundation for a green economy valued at \$6.7 billion in 2020, with an annual growth rate of 10-13%.

Figure 2 shows an increase in private investment in the energy industry in Vietnam from 1990 to 2020. However, on the demand side, the percentage of renewable energy in total final energy consumption decreases over time. The percentage gradually declined from around 70% in 1990 to approximately 20% in 2019. This shows the limitations of encouraging the use of green energy in greening economic sectors.

Figure 2. Supply and demand of energy



Source: Own illustration by using data from World Bank's Data

Goal 3: Greening lifestyles and promoting sustainable consumption

Decision No. 1658/QĐ-TTg in 2021 to ratify the National Green Growth Strategy for the 2021-2030 period, vision toward 2050 target that the rate of municipal solid waste that is collected and treated in compliance with the regulated standards reaches 95% in 2030 and 100% in 2050. According to GSO (2023), this rate was about 91.8% in 2019 (Table 1). Although this rate is relatively close to the target, the decreasing trend in the waste collection rate in recent years shows the challenges facing the goal of promoting green lifestyles (GSO, 2023).

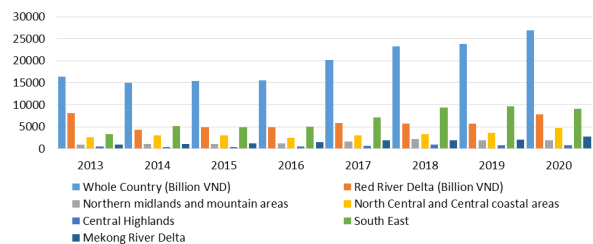
Table 1. Domestic solid waste collection rate in urban and rural areas by region in 2019

Region	Urban (%)	Rural (%)
Red River Delta	96.8	84.7
Northern midlands and mountain areas	82.3	51.8
North Central and Central Coast areas	84.9	62.8
Central Highland	62.5	29.1
South East	98.6	87.5
Mekong River Delta	88.3	49.1
National average	91.8	65.7

Source: Ministry of Natural Resources and Environment (MONRE), cited in GSO (2023)

The government expenditure structure also promotes sustainable consumption. Figure 3 shows that government expenditures on environmental protection increased from 16,391 billion VND in 2013 to 26,949 billion VND in 2020. The Southeast and Red River Delta regions had the highest government expenditures on environmental protection in Vietnam.

Figure 3. Government expenditure for environmental protection, 2013-2020

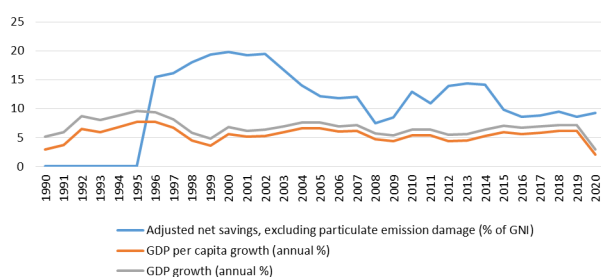


Source: Own illustration from data of Ministry of Finance, cited in GSO (2023)

At the same time, to encourage green lifestyles in all production and consumption, the government has handled many violations of environmental protection regulations. The number of ecological violations addressed

between 2012 and 2021 increased more than 5.7 times, rising from 2,438 cases in 2012 to 14,042 cases in 2021. Similarly, the fines imposed grew nearly 7.6 times, from approximately 31.9 billion VND in 2012 to about 240.7 billion VND in 2021. This underscores the crucial role of the government in steering the private sector toward greener consumption and production practices, thereby promoting green growth (GSO, 2023).

Figure 4. Green net saving and economic growth



Source: Own illustration by using data from World Bank's Data

The goal of promoting sustainable consumption can also be assessed through the adjusted green net savings rate as a percentage of GNI, which remained positive and relatively high (15-20%) from 1996 to 2002. However, it has decreased recently (Figure 4)

Goal 4: Greening the transition process on equality, inclusion, and resilience enhancement principles.

Some indicators for measuring the goal of “Greening the transition process on equality, inclusion, and resilience enhancement principles” include the percentage of days in the year with air pollutant concentrations exceeding the technical standards; the rate of the urban population provided with clean water through centralized water supply systems; the rate of the rural population using clean water that meets standards; the percentage of household members with sufficient drinking water over the past 12 months; and some others. Vietnam always focuses on promoting economic growth while ensuring social equity. The social protection system and poverty reduction policies aim to leave no one behind. These are essential buffers to help Vietnam successfully implement the energy transition process to meet green growth goals while ensuring social equity.

3. Policy discussion on promoting the green growth in Vietnam

Analysis of the current status of green growth in Vietnam shows achievements and limitations. Along with the efforts of the Government and the private economic sector in greening production and consumption activities, statistical results show that Vietnam has achieved remarkable results in all four green growth goals. Specifically, the average emission rate per GDP tends to be stable and slightly decreasing, increasing private investment in energy industry development, increasing government spending on environmental protection, limiting environmental violations through administrative sanctions, strengthening solid waste pollution treatment, and growing green savings. However, there are still challenges in achieving green growth goals in Vietnam. The average CO₂ emission rate per capita is high and has tended to increase in recent years. The green consumption trend is not yet widespread. In particular, the transition to production and consumption using renewable energy sources is still limited. Many studies have also pointed out institutional obstacles in promoting renewable energy production in Vietnam. These are essential bottlenecks that need to be removed to encourage the greening of economic sectors. In addition, the goal of equitable transition in renewable energy development, mainly promoting green growth in general, has been and is posing requirements for further improvement of the social security system. ILO (2024) analyzed the importance and orientation of designing a universal and comprehensive social security system to adapt to climate change, meeting the goal of equitable transition.

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