



Country brief Vietnam

Based on political and economic priorities of Vietnam as well as relevance for circular economy (CE), the following two areas of interest are addressed in this country brief:

1. **Production and consumption (including eco-industrial parks)**
2. **Textiles and garments**

© Further information about these areas as well as considerations for other sectors and material streams can be found in the full study ‘Finance for Circular Economy in Low- and Middle-Income Countries’^[1], particularly in Section 3.3.

1 Production and consumption incl. eco-industrial parks

Major challenges for CE: Due to the low level of financial inclusion organisations - especially SMEs – face hurdles to access dedicated finance with explicit criteria, thereby impeding investments for green/circular production. This is accompanied by a lack of awareness for opportunities and benefits provided by CE on the supply (e.g. manufacturer) and demand (e.g. client or consumers) side. Despite the progress on institutional, policy and regulatory level in CE-related areas (see entry points below), fragmentation and insufficient coherence within policy planning remains high. The private and public sector investment environment is not fully ready to promote responsible investments on the needed long-term basis.

Relevant strategies and frameworks for CE: The Government of Vietnam aims to promote CE via various initiatives to prolong material lifespans, reduce waste and emissions, and restore the ecological system.^[2] Concretely, the National Action Plan on Sustainable Production and Consumption (2021 to 2030) emphasises the commitment to a CE by setting specific targets for reducing the use of certain materials and resources and aiming at eco-friendly products and packaging, e.g. by 2030, seven to ten per cent decrease in resources and materials used by major production sectors such as textile, steel, plastic, chemical, cement, alcohol and beer, beverage, paper, seafood processing and some other production sectors.

Different endorsed national legal frameworks such as Decree 82/2018/ND-CP on the management of industrial parks and economic zones, Decree 54/2015/ND-CP on regulating privileges for water saving and efficient practices and Decree 38/2015/ND-CP on management of waste and discarded materials aim at more sustainable production. Currently, the Ministry of Natural Resources and Environment (MONRE) and the Ministry of Finance (MOF) together with the State Bank of Vietnam (SBV) develop a taxonomy for sustainable finance, which is expected to be aligned with the EU Taxonomy. This comes in line with a continuously rising investors’ interest in sustainable investment products in recent years.

Herausgegeben von:

A key entry point represents the Eco-Industrial Park Initiative that addresses a range of activities partly reflecting circular concepts. While only a small number of industrial zones is targeted, this offers potential investment opportunities by integrating ecological considerations in other industrial zones. Finally, critical drivers for more sustainability are the participation in Free Trade Agreements (FTAs) including their favoured conditions like tax reliefs for certified sustainable production.

Table V1 Production and consumption in Vietnam – entry points for circular economy on the Value Hill (excerpt)

Up-hill	Top-hill
Introduce the CE concept along the value chain of (eco-) industrial parks.	Support the transition of industrial zones into eco-industrial parks addressing sustainable infrastructure (incl. recycling, biogas plants, wastewater treatment).

➤ Promising interventions for circular economy in Vietnam – production and consumption

1a. Facilitate the integration of circular concepts in Vietnam’s industrial zones and build on good practice of the Eco-Industrial Park Initiative: Assess (via technical assistance/grant funding) investment needs for upgrading industrial zones to eco-industrial parks and integrating the CE concept and compare it with available funding that does not explicitly address CE, but encompasses circular-relevant investments (e.g. International Finance Corporation – World Bank Group (IFC) for cleaner production, Agence Francaise de Developpement (AFD) and World Bank for energy efficiency, and the Vietnam Environment Protection Fund (VEPF) for environmental protection at industrial zones, the Green Credit Trust Fund, the Vietnam Development Bank (VDB) and the National Technology Innovation Fund, etc.). Tailored loan and equity finance through a sustainable green/circular credit line could be provided to corporates in industrial zones to implement circular measures. Such a credit line needs to be endowed with explicit investment criteria and indicators that encourage green production and the integration of circular concepts including circular product design and shared services.

1b. Assess opportunities to leverage alternative finance sources for CE such as pension funds as long-term saving vehicles: Consider to support leveraging alternative refinance sources, such as pension funds (e.g. in cooperation with the Ministry of Finance and the State Bank of Vietnam). Private pension funds could be considered as one form of long-term saving vehicles and funding mobilisation via the capital market (taking Environmental, Social, and Governance risks and opportunities into account). A deep-dive analysis would be needed to assess opportunities and incentives.

2 Textile and garment sector

Major challenges for CE: Strong economic growth has been accompanied by extensive natural resource exploitation in the recent decades. The current textile production facilities are very energy-, resource-, and pollution-intensive. International export competition preserves the business-as-usual linear mode as a pre-dominant business model, especially among SMEs. Insufficient financial, technological, and human resources besides clients' and customers' preference for 'fast' fashion cycles and more sales rather than high quality and durable products are also barriers for circular approaches in the textile sector.^[9]

Relevant strategies and frameworks for CE: To spur circular opportunities in the textile sector, the enabling framework and access to finance must be improved. While the international export market sets prices that are not reflecting true social and environmental costs, there are emerging global driving forces for integrating circular concepts due to increasing consumer awareness and buyer requirements. Some global players with high production standards (GAP, H&M, or Levi Strauss & Co) have started to reflect sustainability targets in their strategies and supply chains, including recycled materials, sourcing organic or sustainable raw materials, reducing energy consumption, and conservation of non-renewable resources. Such initiatives are also promoted by the introduction of environmental certifications and eco-labels such as the Global Recycled Standard, Better Cotton Initiatives, Cradle-to-Cradle, Global Organic Textile Standard, ISO 14001, bluesign PRODUCTS, and EU Ecolabel. With support of the Vietnam Textile and Apparel Association (VITAS), the textile and garment industry is gradually recognising the need to apply circular activities, emphasizing sustainable production, clean water management and reducing green house gas (GHG) emissions to be in line with national priorities as the National Strategy on Environment Protection and global commitments, particularly the Paris Agreement, and Kigali Amendment. Finally, the endorsed national legal framework also requires a more sustainable garment production (e.g. Law, 55/2014/QH13, Environmental Protection). To green the textile sector through resource efficiency, decreasing waste release, stopping microfiber discharge, and addressing the 'throw away culture', capacity building is needed.

Table V2 Textiles and garments in Vietnam – entry points for circular economy on the Value Hill (excerpt)

Up-hill	Top-hill	Down-hill
Design and planning of garment production without harmful residuals and less virgin materials.	Facilitate coordinating vehicles to drive circular ambitions/standards.	Improve chemical end-of-use processing (in combination with chemical leasing).

➤ Promising interventions for circular economy in Vietnam – textiles and garments

2a. Assess circular concepts and business models in the textile sector including chemical leasing in cooperation with the Vietnam Cleaner Production Centre (VNCPC): Support a sector assessment (via grant funding) in collaboration with Vietnam Cleaner Production Centre and Vietnam Textile and Apparel Association to identify relevant circular interventions and business models for the textile sector in Vietnam. This could be done via a detailed environmental impact assessment as well as reviewing and comparing good practices in Vietnam and in neighbour countries such as the international operating company PTT Global Chemical PCL from Thailand which ranks best in an Asian chemical company sector rating by RobecoSAM that covers also sustainability aspects.



Moreover, bankable circular business models in the textile sector need to be identified and/or developed. For instance, the economic viability of chemical leasing, a performance-based business model, that supplies chemicals to customers rather by selling-a-service than selling-a-product, could be assessed for Vietnam’s textile sector. It allows for more efficient use of chemicals (see Figure V1) and shifts responsibility for disposal up the Value Hill to the producers. A pathway to enable chemical leasing could be via extended producer responsibilities (EPR) and introduction of tight restrictions on disposal ‘outputs’, thereby catalysing innovations in the production process. Interventions could build on experiences in India where GIZ supports the development of a national framework for treated wastewater, and the Nation Mission of Clean Ganga (NMCG) develops policies including zero-liquid discharges (ZLD) and provides trainings. Moreover, South-South knowledge transfer of best practice examples with other countries experienced in textile production should be considered.

2b. Capitalise the National Technology Innovation Fund (NATIF) to support circular innovation in the garment

sector: Facilitate access to finance (via e.g. concessional loan finance) for circular concepts, such as urgently needed textile recycling activities. This could be in cooperation with Vietnam Cleaner Production Centre and the World Bank thereby building on results of a recent ‘textiles sector assessment and feasibility study to implement wastewater reuse in industrial parks’. In addition, consider additional capitalisation (via e.g. equity injection) of the National Technology Innovation Fund (NATIF) as key national finance vehicle, which already provides soft loans, guarantees or financial aid for organisations to research, apply, transfer, innovate, and complete innovative technology.

Key stakeholders for circular economy in Vietnam

- ☉ The Vietnam Cleaner Production Centre (VNCPC) has the objective to disseminate the cleaner production concept and is gradually integrating circular concepts in Vietnam’s industry.
- ☉ The Vietnam Circular Economy Network/Hub^[4] has been introduced in October 2021 with support from the Norwegian Embassy and technical support from the Dutch Embassy. It has the objective to raise awareness and build capacities in adopting CE principles.
- ☉ The Institute for Circular Economy Development (ICED) established in July 2020 – a private/government/university collaboration – has the objective to propose policies in application and development of CE models for related agencies.

^[1] GIZ, Frankfurt School, FS-UNEP Collaborating Centre for Climate & Sustainability Energy Finance (2021). Financing Circular Economy in Low- and Middle-Income Countries. <https://www.giz.de/de/weltweit/15109.html>.

^[2] UNDP VietNam (2021). Consultation on Circular Economy Policies and the Viet Nam Circular Economy Hub – ways towards a low-carbon and circular Viet Nam. <https://www.vn.undp.org/content/vietnam/en/home/presscenter/pressreleases/consultation-on-circular-economy-policies-and-the-viet-nam-circu.html>.

^[3] WWF (2020). Guidelines for Greening the Textile Sector in Vietnam. https://wwfasia.awsassets.panda.org/downloads/greening_textile_sector_in_vn_---eng.pdf.

^[4] Viet Nam Circular Economy. Accelerating the circular economy in Viet Nam. <https://vietnamcirculareconomy.vn/en>.

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