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Improving the Legal Framework for Green Finance in Vietnam. A Comparison with Selected ASEAN Countries

Abstract

Green finance is becoming a global trend towards sustainable growth, reducing greenhouse gas emissions, and adapting to climate change. This study analyzes the legal framework for green finance in Vietnam and compares it with the experiences of three ASEAN countries with similar conditions: Thailand, the Philippines, and Brunei. Through a comparative analysis of laws and practical situations, the article points out shortcomings in the current legal system, such as the lack of a specialized legal framework, lack of national taxonomy, mandatory Environmental, Social and Governance (ESG) disclosure obligations and lack of effective monitoring mechanisms. On that basis, the article proposes a comprehensive and feasible system of solutions to improve green finance laws in Vietnam, thereby improving the ability to mobilize green capital and integrate into the global sustainable financial ecosystem.

KEYWORDS: green finance, ESG, Law, taxonomy, Vietnam

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1 | Introduction

Green finance, a burgeoning academic concept, is rapidly evolving into a key element of global financial strategy for sustainable development goals.[1] In the context of mounting socio-environmental risks and increasing capital costs from ESG requirements, the establishment of a legal framework for green finance is not just a trend, but an inevitable necessity at both national and regional levels.

In recent years, a series of strategies and orientations on green growth have been issued for Vietnam. However, the green finance market is still developing slowly and unevenly, largely due to the lack of enforcement in the current legal regulations, which have only stopped at an orientation level. This has not created a synchronous support ecosystem for green finance to develop substantively.[2]

This paper aims to analyse the current situation of green finance law in Vietnam, compared with the experience of three ASEAN countries with similar institutional conditions – Thailand, the Philippines and Brunei – thereby proposing concrete, practical and academically valuable solutions to contribute to completing the green finance legal framework in Vietnam.

2 | Literature review

2.1. Green finance and green finance laws

Green finance is not merely a capital flow directed to environmental projects but also a tool to regulate economic behaviour towards sustainability.[3] The essence of green finance is to restructure the financial system to

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[1] Zhang et al., "Environmental regulation, green innovation, and export product quality: What is the role of greenwashing?" *International Review of Financial Analysis*, 83 (2022): 102311.

[2] Marulak Pardede et al., "Perspectives of sustainable development vs. law enforcement on damage, pollution and environmental conservation management in Indonesia" *Journal of Water and Climate Change*, 14 (2023): 3770-390.

[3] Yao Wang, Qiang Zhi, "The role of green finance in environmental protection: Two aspects of market mechanism and policies" *Energy Procedia*, 104 (2016): 311-316.

allocate priority capital to areas that minimise negative impacts on climate and natural resources.[4]

However, the approach to green finance is not uniform across the world. In developed countries, green finance is primarily structured around a robust institutional foundation, with strict regulations on green classification and mandatory ESG disclosure.[5] In contrast, in developing countries such as Vietnam, green finance is also influenced by the ability to mobilise resources, the level of corporate governance, and the readiness of the domestic financial market.[6]

The need for a green finance legal framework comes from three core factors. First, the financial market does not effectively regulate green capital flows without orientation and standards from the State.[7] Second, the lack of green classification criteria increases the risk of greenwashing, causing a loss of investor confidence.[8] Third, ESG disclosure obligations help improve market transparency and oversight of green finance activities.[9]

In Vietnam, introducing a green growth strategy and guidelines on green credit are just the first steps. The lack of a set of national green classification criteria, a precise financial incentive mechanism, and mandatory information disclosure obligations hinders the formation of a substantive green finance ecosystem.[10] Therefore, perfecting the green finance law is an inevitable requirement in sustainable development and an urgent

4 World Bank, *Global Economic Prospects. January* (Washington: World Bank, 2023).

5 UNEP, Emissions Gap Report 2022: The Closing Window. Climate Crisis Calls for Rapid Transformation of Societies (UN). For Poland see: Krzysztof Olszak, Angelina Stokłosa. "Interes spółki a Koncepcja ESG – dokąd Zmierzamy?". *Prawo i Więź* no. 1 (2025): 347 – 381.

6 Thanh Quang Ngo et al., "The influence of green finance on economic growth: A COVID-19 pandemic effects on Vietnam Economy" Cogent Business & Management, 8 (2021): 2003008.

7 Neil Gunningham, *Crime, regulation and climate finance*. London: Routledge, 2020.

8 Zhi Yang et al., "Greenwashing behaviours: Causes, taxonomy and consequences based on a systematic literature review" *Journal of Business Economics and Management*, 21 (2020): 1486-507.

9 Catherine Malecki, "The EU proposal for a Regulation on the transparency and integrity of ESG rating activities on 13 June 2023: the missing piece of sustainable finance regulation" *Law and Financial Markets Review*, 17 (2023): 156-70.

10 Hyoungkun Park, Jong Dae Kim, "Transition towards green banking: role of financial regulators and financial institutions" *Asian Journal of Sustainability and Social Responsibility*, 5 (2020): 1-25.

requirement to ensure the synchronisation and effectiveness of green economy development policies in Vietnam.

2.2. International regulations on green finance

Green finance is a concept that has many different approaches at the international level. Understanding the true nature of green finance is of key significance in building an adequate legal framework, considering the practical conditions of each country. International organisations and researchers have formed three main groups of views on the nature and function of green finance, creating a theoretical foundation for current legal models.

As of 2024, many regions and countries have developed relatively complete green finance legal systems. Typically, such as:

- European Union (EU): Adopted the EU Taxonomy Regulation in 2020, establishing criteria for assessing the "greenness" of economic activities.
- ASEAN: Promulgated the ASEAN Green Bond Standards (2017) and continued to update the framework of standards for green finance development towards ASEAN Taxonomy version 2.0.
- China: Developed the Green Industry Guidance Catalogue and integrated green standards into the national banking system.
- US: Although there is no separate federal law, many states have enacted policies promoting green finance; simultaneously, the Securities and Exchange Commission (SEC) is developing mandatory ESG disclosure requirements.

The rapid development of green finance in the world has prompted many countries to enact legal frameworks to standardize operations and control the risk of green fraud. However, international studies show that there is no single legal model for green finance that applies to every country. However, each country must build a legal framework by institutional characteristics and economic development levels.[11]

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11 UNEP, Emissions Gap Report 2022: The Closing Window. Climate Crisis Calls for Rapid Transformation of Societies (UN).

Countries[12] that have succeeded in promoting green finance share three common characteristics: (i) the promulgation of a clear set of green classification criteria, (ii) the establishment of a transparent financial incentive mechanism and (iii) the requirement for mandatory ESG information disclosure. Green classification criteria play a particularly important role in helping the market to clearly identify activities that are eligible for green financial support. This improves investor confidence and minimises green fraud.

However, this statement only reflects the surface of the problem. Establishing a green finance legal framework cannot only stop at building technical standards but also needs to consider its enforceability in practice. UNEP[13] has shown that differences in the ASEAN region in the green finance legal framework between Thailand, the Philippines and Brunei stem from disparities in economic capacity and reflect different levels of political commitment to the SDGs.

The promulgation of a legal framework without being associated with practical implementation capacity will lead to "formal integration", creating legal documents with progressive content but difficult to come to life. Practice lessons from the Philippines with the 2021 Sustainable Finance Roadmap and Brunei with the 2020 Green Development Strategy show that, even if the legal framework is issued early, the lack of enforcement support mechanisms, such as green accreditation and ESG certification, limits these policies' impact.[14]

From the above analysis, a practical green finance legal framework must balance international standard reference and intrinsic feasibility. In developing and perfecting the legal framework for green finance, Vietnam needs to be careful to avoid two extreme trends: copying international models or being overly conservative, which can lead to delays in integration. Instead, Vietnam needs to design an open and flexible legal system that allows both internalising core standards and adapting to the roadmap to improve domestic institutional capacity.

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12 Yang, "Greenwashing behaviours: Causes, taxonomy and consequences based on a systematic literature review", 1486-507.

13 UNEP, Emissions Gap Report 2022: The Closing Window. Climate Crisis Calls for Rapid Transformation of Societies (UN).

14 Janice Denoncourt, "Corporate governance, ESG and sustainability: the underexplored role of 'green'trade marks'" *Intangibles: Accounting, Reporting and Valuation*, January (2004).

Research on Green Finance has attracted great interest in international academic circles and the ASEAN region. Many studies have analyzed the rationale, operating models and legal frameworks of green finance in developed countries.[15] However, when considering the current research system, it can be seen that there are apparent gaps, especially in the context of Vietnam.

Firstly, studies in Vietnam mainly focus on describing an overview of sustainable development policies or green credit activities without an in-depth analysis of the legal framework of green finance as a system for regulating capital flows according to ESG standards. UNESCAP's research (2023) only stops at statistics on green finance initiatives. However, it does not fully explain the relationship between the domestic legal system's green classification criteria, financial incentive mechanisms, and ESG disclosure obligations. This leads to a lack of a solid theoretical basis for designing effective green finance policies in Vietnam.

Secondly, there are very few studies on access to green finance from the perspective of comparing the laws between Vietnam and ASEAN countries with similar levels of development, such as Thailand, the Philippines and Brunei. According to an analysis by the Asian Development Bank (2024), most current research tends to compare with advanced models such as Singapore, Europe, or the OECD while ignoring practical lessons from ASEAN countries whose legal systems and enforcement capacities are closer to Vietnam's. This gap limits the ability to propose legal solutions that are feasible, practical and suitable to national institutional characteristics.

Thirdly, the current research system has not deeply analysed the relationship between the legal framework of green finance and the effectiveness of green capital mobilisation in practice. According to UNEP (2022)[16], green finance only has practical significance if legal regulations lead capital flows into sustainable projects. However, in Vietnam, current studies lack a quantitative analysis of this link. Although a legal framework is theoretically complete, if it does not create a shift in actual capital flows, the goal of green development will still fail.

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15 Shilpi Kundu, Rajesh S. Kumar, "Emerging Models of Green Financing in Selected South Asian Countries," [in:] *Financing of Sustainable Development Goals (SDGs) Challenges and Opportunities*, ed. Rashmi Arora, Tapan Sarker (Cham: Springer Nature, 2025),141-70. UNEP, Emissions Gap Report 2022: The Closing Window. Climate Crisis Calls for Rapid Transformation of Societies (UN).

16 UNEP, Emissions Gap Report 2022: The Closing Window. Climate Crisis Calls for Rapid Transformation of Societies (UN).

Therefore, this study chooses to approach from the international theoretical foundation on the nature of green finance, combined with practical experience from Thailand, the Philippines and Brunei, to identify gaps and propose orientations to complete the green finance legal framework in Vietnam's reality.

3 Research methods

3.1. Research materials used

This study is based on the synthesis and analysis of relevant legal and academic documents, including:

- Current Vietnamese legal documents: Law on Environmental Protection 2020; Circular 17/2022/TT-NHNN; National Strategy for Green Growth (2021–2030);
- International legal and policy frameworks: EU Taxonomy Regulation 2020, ASEAN Green Bond Standards (2017), ASEAN Taxonomy for Sustainable Finance Version 2.0 (2023);
- Legal documents, regulations and policies on green finance of Thailand, the Philippines and Brunei;
- Recent (2022–2024) reports, academic research, and policy documents on green finance, environmental law, and sustainable development.

The reference to diverse sources is to ensure up-to-date and objectivity for analysis and comparison in research.

3.2. Research approach

3.2.1. Legal analysis

The study mainly uses legal analysis methods, focusing on:

- Analyze the content, structure and practical effect of legal regulations related to green finance;

- Assess the completeness, feasibility and international integration of Vietnam's current green finance legal framework.

This method allows us to identify legal gaps, strengths and weaknesses of the current regulatory system.

3.2.2. Comparative methods of law

In addition to analyzing the content of Vietnamese law, the study applies the comparative method of law to:

- Comparing the green finance legal models of Thailand, the Philippines and Brunei,
- Detecting similarities and differences in the way green finance legal frameworks are built between countries,
- Assess the ability to apply and adapt international experience to the Vietnamese legal context.

The comparison focuses on the following factors: legal structure, ESG disclosure requirements, set of criteria for determining green activities, incentive mechanisms and enforcement monitoring mechanisms.

3.3. Analytical criteria

To ensure systematization and consistency in the analysis process, the study proposes five criteria for evaluating the green finance legal framework:

- The existence of a separate legal regulation on green finance: whether the country has a specific law or document regulating green finance.
- Taxonomy: the presence and completeness of the criteria to determine what constitutes "green" economic activity.
- Green finance incentives: the existence and level of financial support and incentives for green projects.
- ESG Disclosure: the level of mandatory disclosure of ESG information for financial institutions and businesses.
- Supervision and sanction mechanisms: the existence and effectiveness of mechanisms for monitoring and handling violations related to green finance.

4 Finding and discussion

4.1. The current legal status of green finance in Vietnam

Although the legal foundation on green finance has been initially built, Vietnam's current legal framework still has many severe limitations.

Firstly, Vietnam has not issued official criteria for classifying green activities (green taxonomy). Currently, the list of green projects is only guided internally through Circular No. 17/2022/TT-NHNN applicable to credit activities of credit institutions, which is oriented instead of mandatory uniformity in the entire financial market. The lack of a national taxonomy has led to inconsistencies in classifying green projects among commercial banks. According to the State Bank's Report in 2024, credit institutions apply different internal criteria on their own, causing inadequacies: For the same small solar power project, one bank recognizes it as "green," while another bank refuses because it does not meet the internal capacity threshold. This hinders the efficiency of green capital circulation in the system.

Secondly, Vietnam's green finance incentive mechanism is still very fragmented and limited. Preferential policies are encouraging, lacking specific financial measures such as corporate income tax exemption and reduction for green bond issuers or green credit guarantee funds. This has reduced the attractiveness of green projects in the eyes of investors. Practice shows that, according to the Ministry of Finance statistics, by the end of 2023, Vietnam has not issued any government green bonds, and corporate green bonds are only on a small scale, single, mainly due to the lack of cost support mechanisms and financial incentives.

Third, Vietnam has not applied the obligation to disclose ESG information to businesses and financial institutions. Currently, there are only voluntary guidance recommendations (e.g. the 2021 Green Bond Issuance Guidebook) without mandatory regulations on the content, format and responsibility for information disclosure. As a result, the level of ESG information disclosure in Vietnam is still very low, leading to investors having difficulty accessing reliable information to make green finance decisions. According to Singhania and Saini,[17] only about 18% of listed

17 Monica Singhania, Neha Saini, "Institutional framework of ESG disclosures: comparative analysis of developed and developing countries" *Journal of Sustainable Finance & Investment*, 13 (2023): 516-59.

companies in Vietnam have independent ESG reports, while this rate in Singapore is more than 70%.

Fourth, Vietnam's mechanism for monitoring and enforcing green finance laws has not been established methodically. The supervisory role is currently dispersed between the State Bank, the Ministry of Finance, and the Ministry of Natural Resources and Environment without effective coordination. No independent agency is responsible for checking compliance with green standards, evaluating the effectiveness of green credit, or handling "greenwashing" behaviours.

The practical consequence of the above inadequacies is that the development of the green finance market in Vietnam is still minimal. According to the State Bank's report at the beginning of 2024, the total outstanding green credit will reach about VND 637,000 billion (~27 billion USD), accounting for 4.5% of the total outstanding loans of the entire banking system; this ratio is still very low compared to developed countries (15–20%) (World Bank, 2023). Although some banks, such as Agribank and SHB have actively expanded green credit lending, in general, most banks still consider green finance an experimental, small-scale activity.

For example, a small enterprise specializing in wastewater treatment in Long An province applied for a green credit loan to expand its production facility by the end of 2023. However, commercial banks require businesses to provide environmental impact assessment reports that meet ISO 14001:2015 standards and demonstrate greenhouse gas emission reduction. Due to the inability to afford to hire a consultant to prepare an international standard report, this enterprise was forced to withdraw the loan application. This case reflects the gap between the policy orientation to encourage green finance and the accessibility of small and medium-sized enterprises in Vietnam.[18]

The legal framework on green finance in Vietnam was initially formed, but it still lacks consistency, enforcement effect, and feasibility. Restrictions on taxonomy, incentive mechanisms, ESG information disclosure obligations and monitoring mechanisms have significantly affected the scale and efficiency of green finance market development. This situation

18 Nguyen Phong Nguyen, Samuel Adomako, "Stakeholder pressure for eco-friendly practices, international orientation, and eco-innovation: A study of small and medium-sized enterprises in Vietnam" *Corporate Social Responsibility and Environmental Management*, 29 (2022): 79-88.

poses an urgent requirement to synchronously improve the green finance law, as it is associated with appropriate international experience.

4.2. Experience in international law on green finance

4.2.1. Thailand: Standardization of green bonds

Thailand is a leader in ASEAN in standardizing the legal framework for green bonds. In 2021, the Securities and Exchange Commission of Thailand (SEC) issued the Code of Conduct on Green Bonds, which clearly defines the classification criteria, information disclosure obligations, and third-party review proces.[19] Thailand's model shows a pragmatic but practical approach: instead of building an entirely new legal system, the country integrates green regulation into the current financial legal framework.

The standardization of the green bond issuance process has created transparency for investors and, at the same time, increased the ability to mobilize international capital. The lesson for Vietnam is that it is necessary to internalize the criteria for classifying green bonds and, at the same time, closely associate them with ESG disclosure regulations to improve reliability and enforcement efficiency.

4.2.2. Philippines: Promoting financial sustainability

The Philippines has developed a National Sustainable Finance Roadmap since 2021, chaired by the Central Bank of the Philippines (BSP). A prominent feature of the Philippines' model is the integration of ESG into the risk management system of credit institutions. BSP requires banks to develop credit policies integrating environmental, social, and governance criteria and publish periodic ESG reports.[20]

Not only stopping at mandatory regulations, BSP provides technical guidance and capacity support for credit institutions, ensuring that the implementation is not only formal. This is a suitable approach for Vietnam because the capacity to implement environmental-social policies at many enterprises is still limited.

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[19] Kundu, Kumar, "Emerging Models of Green Financing in Selected South Asian Countries".

[20] Singhania, Saini, "Institutional framework of ESG disclosures: comparative analysis of developed and developing countries", 516-59.

4.2.3. Brunei: Green Development Strategy

Brunei has promulgated the National Green Development Strategy 2020, which identifies green finance as one of the pillars of long-term development. Brunei applies mandatory ESG disclosure obligations to issuers and large enterprises and closely links emissions reduction goals with financial incentives.[21]

Brunei's highly intersectoral approach integrates environmental factors into development planning systems, budget allocations, and tax incentives. This lesson can be applied to Vietnam in designing green finance policies synchronously and strategically.

4.3. Practical Situations: The Gap Between Policy and Enforcement

A small business in Long An applied for a green credit loan to expand the wastewater treatment system at the end of 2023. Although the project has a positive environmental impact, commercial banks require businesses to submit ISO 14001:2015 certification and emission reduction reports. Due to insufficient funds to hire a professional consulting unit, the business was forced to withdraw the application.

This situation is a single example and a typical manifestation of the gap between policy design and practical enforcement. This raises questions about the feasibility, flexibility and effectiveness of Vietnam's current green finance legal framework. While the policy shows the aspiration to green capital flows, the implementation conditions have not created a strong enough support environment for small and medium-sized enterprises – the majority of the economy. This reflects a common paradox: progressive policy but a lack of compatible enforcement mechanisms.

Theoretically, this situation demonstrates the argument that the green finance legal framework cannot be based solely on financial institutions or political messages but must have an institutional design that aligns with market capacity. Without improving the access to capital of businesses through simple, transparent and low-cost processes, it will be difficult for green finance policy to go beyond the formal stage.

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21 Le Luo, Qingliang Tang, "The real effects of ESG reporting and GRI standards on carbon mitigation: International evidence" *Business Strategy and the Environment*, 32 (2023): 2985-3000.

This is also a direct connection point with the case study method used in the article – to prove that the improvement of green finance laws needs to come from actual needs and implementation barriers. Therefore, this study stops at policy evaluation and proposes adjustment orientations based on reflection from market practice.

4.4. Discussion: Contribution of Research

Unlike previous studies that tend to describe green finance policies or focus only on developed countries such as Singapore, this study delves into the following three aspects:

Firstly, the study approaches green finance from a multi-dimensional academic platform, analyzing three theoretical perspectives on the nature of green finance (environmental, ESG, and financial institutional reform), creating a theoretical basis for specific legal evaluations.

Secondly, the study not only stops at summarizing international experiences but also selectively compares three ASEAN countries with similar levels to Vietnam. Choosing Thailand, the Philippines and Brunei instead of Singapore or the EU enhances the feasibility and practicality of legal recommendations.

Third, the study compares laws with practical case analysis to show the gap between policy and enforcement. However, recognizing that the situation in Long An is only a typical example, the study does not rush to generalize from a single case but puts it in a broader context. Reports by the Ministry of Natural Resources and Environment (2022), the State Bank of Vietnam (2023) and UNDP (2023) have repeatedly warned about the difficulties small and medium-sized enterprises face in accessing green credit.[22] This shows that the situation in Long An is a slice of a big problem, requiring a comprehensive institutional response.

22 Hoang Xuan Vinh et al., "Middle-income traps: Experiences of Asian countries and lessons for Vietnam" *Multidisciplinary Reviews*, 7 (2024): 2024100-00.

4.5. Expand the research results

Specific situations in Long An are not intended to replace quantitative surveys, but to highlight the policy-implementation gap widely reflected in many documents. The Green Credit Market Report in Vietnam indicates that less than 5% of small and medium-sized enterprises have access to green capital, due to barriers to documentation, consulting costs, and a lack of information about the assessment process.[23] Similarly, the National Report on Vietnam's Green Growth in 2022 said that up to 78% of surveyed businesses are unaware of the current green finance mechanism.[24]

These figures and reflections reinforce the representativeness of the Long An situation and show the need to build simpler, supportive green credit assessment models rather than relying on international certificates that few domestic enterprises can meet.

This research thus contributes to establishing an academic link between theory, policy and practice – in which each part is independently analyzed and logically connected. This highlights the author's analytical ability and academic critical spirit.

4.6. Analysis and comparison of Vietnam's green finance law with some ASEAN countries

The analysis of Vietnam's green finance law compared to three ASEAN countries with similar institutional conditions, namely Thailand, the Philippines and Brunei, shows a clear difference in the completeness of legal documents and the depth of implementation mechanisms and practical results. This disparity is not merely a legal or technical gap but also reflects the capacity to administer policy and strategic commitment and turn theory into concrete action.

23 Duong Khoa Dang et al., "The trilogy between CEO overpower, green credit, and core competence: Evidence from commercial banks in Vietnam" *Heliyon,* 9 (2023).

24 Pham Xuan Bach, Phan The Cong, "Toward sustainable development: Green economy with economic growth and carbon emission in Vietnam" Journal of Infrastructure, Policy and Development, 3 (3024): 1-30.

4.6.1. Legal basis

While Vietnam has only issued several guiding legal documents, such as the Green Growth Strategy and Circular 17/2022/TT-NHNN, Thailand, the Philippines, and Brunei have developed legal frameworks with enforceable value. For example, Thailand promulgates the SEC-regulated Code of Green Bonds, which regulates explicitly the issuance, classification, and disclosure of information. The Philippines integrates green finance content into the BSP's mandatory regulation for banking supervision. Brunei even considers green finance a mandatory part of the National Development Strategy 2035. These legal corridors create a clear legal basis and promote enforcement commitments from domestic financial actors.

4.6.2. set of green classification criteria

The lack of a national-level green taxonomy in Vietnam makes identifying projects eligible for green capital confusing and inconsistent. Meanwhile, Thailand has developed a green taxonomy based on the ASEAN Green Bond Standards guidance. At the same time, the Philippines and Brunei have integrated classification criteria in the public budget system and public investment evaluation process. This fact shows that, without a comprehensive set of national criteria, it will be difficult for Vietnam to ensure transparency in determining green activities and preferential beneficiaries.

4.6.3. Green finance incentive mechanism

Vietnam has not yet issued any regulations at the level of decrees or laws to encourage green finance, while countries in the region have specific policies. The Philippines provides technical support packages and interest rate incentives for credit institutions deploying ESG products. Brunei provides budget funding for green projects that meet international standards. Thailand applies preferential issuance costs and free inspection of green bonds. Proof of the effectiveness of these mechanisms is the rapid increase in the number of green finance products in the aforementioned countries. Meanwhile, in Vietnam, businesses are still struggling to meet green standards without explicit support from the State.

4.6.4. ESG information disclosure obligations

Vietnam currently does not have a mandatory ESG disclosure framework, which is a core factor in green finance. By contrast, Thailand and the Philippines have required listed enterprises and credit institutions to announce ESG periodically. Brunei uses the ESG disclosure obligation as a prerequisite for businesses to be considered for access to incentives. The lack of ESG disclosure obligations in Vietnam reduces market transparency and makes international investors hesitant to participate.

4.6.5. Monitoring and enforcement mechanisms

Vietnam's green finance supervision mechanism is still in its infancy, lacking a dedicated focal point and post-inspection capacity. In contrast, Thailand has an SEC that oversees the issuance of green bonds and a BOT that oversees green credit. The Philippines implements a system of periodic ESG performance assessments at credit institutions. Brunei has an interdisciplinary coordinating committee dedicated to monitoring the progress of greening public investment. These models show that, without an independent control mechanism, getting green finance regulations out of form in Vietnam will be challenging.

4.6.6. Practical impact on the green finance market

The validity of the law can only be verified through actual impacts. Thailand has mobilized more than 10 billion USD of green bonds in the past 5 years; The Philippines reached over 3 billion USD in green credit; Brunei formed a National Green Fund and integrated green finance in more than 30% of public investment plans. Meanwhile, although Vietnam has a green credit balance of about VND600,000 billion (≈25 billion USD), there are no official reports on the efficiency of capital allocation, emission reduction or social efficiency from projects. Moreover, Vietnam has not issued any green government bonds, showing that the green financial market is still experimental and not attractive enough for long-term investors.

The above evidence affirms that Vietnam is lagging significantly behind ASEAN countries not only in terms of legal framework but also in terms of implementation and investment efficiency. Delays in finalizing the green finance legal system will reduce access to international capital, especially in global markets that increasingly require strict ESG standards. Therefore, Vietnam needs to move from the policy-oriented stage to the substantive legislative stage, with an independent monitoring mechanism and a synchronous legal framework to develop green finance effectively and sustainably.

5 Solutions and recommendations to improve the green finance law in Vietnam

A comparative analysis of green finance laws between Vietnam and ASEAN countries such as Thailand, the Philippines and Brunei shows that success in green finance development depends on the ability to build a strict legal framework, an effective operating mechanism and the level of international integration. Below are specific solutions to gradually improve the green finance law in Vietnam based on institutional characteristics and domestic development conditions.

5.1. Building a uniform and highly effective legal framework

Vietnam must establish a systematic, synchronous, strong enforcement green finance legal framework. The promulgation of the Law on Green Finance or at least a thematic Government Decree is urgent to stipulate the subjects of regulation, operating principles, rights, and obligations of participants. This legal system should include regulations on the classification of green projects, ESG disclosure responsibilities, monitoring processes, and sanctions for green financial fraud. A clear legal foundation will promote sustainable investment capital flows while improving the capacity to be compatible with international standards.

5.2. Promulgating a set of national green classification criteria

The green taxonomy criteria should be drafted based on selective absorption from the ASEAN and EU Taxonomy by the Vietnamese context. This taxonomy must be compulsorily applied synchronously in credit activities, bond issuance, securitization and public investment. The localization of taxonomy will help identify an actual green project, limiting arbitrary green labelling. At the same time, this is also an important legal basis for evaluating the socio-environmental effectiveness of investment activities, increasing the confidence of investors and international financial institutions.

5.3. Establishment of specific financial incentive mechanisms

Experience from the Philippines and Brunei shows that a reasonable incentive mechanism can help the green financial market develop in both breadth and depth. Vietnam needs to urgently develop specific incentive mechanisms, such as tax exemption and reduction for green bond issuers, establishment of the Green Credit Guarantee Fund, and interest rate support for businesses implementing green projects that meet ESG standards. These incentives must be stipulated in legal documents and have clear evaluation criteria and a transparent monitoring mechanism to ensure fairness and effectiveness.

5.4. Applying the roadmap for mandatory disclosure of ESG information

The disclosure of ESG information must be mandatory according to the roadmap, first applicable to listed enterprises and bond issuers and expanding to credit institutions by 2028. The ESG report template should refer to the TCFD and GRI frameworks and have a post-inspection mechanism. Mandatory ESG disclosure will contribute to improving market transparency, helping quantify non-financial risks, and attracting capital flows from international sustainable investment funds.

5.5. Establishment of interdisciplinary supervisory and coordination bodies

Establishing a National Committee on Green Finance or an interdisciplinary coordination committee with representatives from the Ministries of Finance, State Bank, Planning and Investment, Natural Resources and Environment is necessary. This agency is responsible for monitoring taxonomy implementation, assessing ESG quality, controlling information disclosure and detecting fraud. At the same time, this agency needs to have access to centralized ESG data, use digital tools to analyze risks and make policy recommendations. This model can be learned from Malaysia's JC3 or the Philippines' BSP task force.

5.6. Promoting international integration and mutual recognition

Vietnam needs to internalize international recommendations such as the TCFD and ISSB and approach ASEAN standards on green finance. At the same time, it is recommended that mutual recognition agreements on green certificates be signed, the global ESG disclosure network be participated in, and sustainable finance forums be joined. This integration improves domestic institutional capacity and creates conditions for Vietnamese businesses to access long-term, low-cost capital flows from abroad.

Overall, the above solutions should not be implemented alone but should be placed in a synchronous legal strategy with a clear roadmap. The improvement of green finance laws in Vietnam is an intrinsic requirement of the sustainable development process and a prerequisite for integration into the global financial ecosystem in the era of green transformation.

6 | Conclusion

Green finance is a strategic direction that will help Vietnam move towards a sustainable growth model and deep integration into the international capital market. Despite the initial policy steps, Vietnam's green finance legal system still has many significant gaps, from the legal framework operating mechanism to the monitoring system and transparency of ESG information.

Through comparative analysis with Thailand, the Philippines, and Brunei, the study shows that Vietnam needs to shift from an oriented mindset to a substantive, enforceable legal model. Six solutions have been proposed, from promulgating specialized laws, completing taxonomy, establishing financial incentive mechanisms, mandatory ESG disclosures, and strengthening interdisciplinary supervision to promote international integration. Perfecting the green finance law is not only an intrinsic requirement of the development process but also an inevitable requirement for Vietnam to adapt to global trends and improve the competitiveness of businesses and the economy's position in the international sustainable financial market.

This study also has limitations to a comparative analysis of green finance legal frameworks in Vietnam, Singapore, Malaysia, and Thailand. That may not fully reflect the diversity of legal systems in ASEAN countries. It relies primarily on publicly available legal texts and secondary sources, potentially omitting recent or unpublished developments. In addition, the method applied in this study does not assess legal instruments' practical enforcement or effectiveness. Therefore, future research should broaden the comparative scope to include more jurisdictions and incorporate empirical methods, such as stakeholder interviews or case studies, to capture implementation realities. An interdisciplinary approach combining legal, economic, and environmental perspectives could also enhance the depth and relevance of future analysis.

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