



**VIETNAM BANK FOR SOCIAL POLICIES**

**GREEN FINANCE FOR SUSTAINABLE  
DEVELOPMENT: EXPERIENCE LESSONS FROM  
VIETNAM BANK FOR SOCIAL POLICIES**

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## **1. Background**

Over 17 years of operation and development, besides the main purposes of poverty alleviation and social security, Vietnam Bank for Social Policies (VBSP) understands the importance of sustainable development associated with environment protection. Serving millions of customers being the poor and disadvantaged groups across Vietnam, VBSP always pays special attention to its green-oriented inclusive financial services.

## **2. Vision**

VBSP defines the green growth as one of the vital targets in the development orientation. As a public not-for-profit bank, VBSP aims to a key bank on green growth which provides the most effective solutions for poverty alleviation, social security and environment protection at the same time.

## **3. Mission**

VBSP focuses on developing loan programs to improve living standards for the poor and other beneficiaries associated with using natural resources efficiently, reduce greenhouse gas emissions, respond to climate change and contribute to poverty reduction while attaining sustainable development.

## **4. Best practices on VBSP's programs on green finance for the poor and other disadvantaged groups**

### ***4.1. Current context***

After three decades since international integration, Vietnam's economy has been particularly recognized as one of the most successful developing countries in the world. However, Vietnam also has faced the danger of environment including biodiversity loss, deforestation, air pollution or GHG emission. Therefore, the economic achievements of Vietnam are under threat in recent years due to climate change and at risk of being reversed if the worst scenario occurs. To solve this urgent problem, the Government has constantly implemented several measures to mitigate the damage caused by natural disasters and accelerate the environment protection. The Vietnamese government has responded by developing the Vietnam Green Growth Strategy as stated at the Prime Minister Decision No.1393/QD-TTg. Approved in September 2012, the Green Growth Strategy aims at increasing the resource-efficiency of the economy, and increase sustainability while achieving

development and economic objectives. Vietnamese government also built Vietnam Green Growth Action Plan in 2014.

In particular, the “green” credit policy in the banking system is considered as one of the effective financial measures.

Spending 17 operation and development years, Vietnam Bank for Social Policies is recognized as “the green bank”, providing credit programs for poor households, near-poor households, micro-enterprises etc. to improve business and production and business which are green growth-oriented in rural, remote areas.

VBSP was established in 2002 to provide inclusive financial services to poor households and other policy beneficiaries. Up to 2018, total outstanding loan is VND 187,792 billion with nearly 6.7 million poor households and other policy beneficiaries as active borrowers. VBSP also sets up 10,960 mobile transaction points out of over total 11,000 communes, wards and towns nationwide.

With the goal of building a Green Growth Strategy in restructuring the economy, the Vietnamese Government has responded by developing the Vietnam Green Growth Strategy by Decision No 1393/QD-TTG in 2012 and after that Vietnam Green Growth Action Plan in 2014. In order to contribute to green growth and sustainable development, VBSP focuses on green credit programs, encouraging environmentally friendly agricultural production and business projects to improve resource efficiency and energy saving.

Currently, VBSP is lending more than 20 inclusive financial programs, in which outstanding loans for agriculture, forestry and fishery accounts for about 70% of the total outstanding loans. In the credit operation process, VBSP's project appraisal procedures always associate with level of environmental impacts. Programs and projects must have an environmental impact assessment before requesting for loans.

#### ***4.2. Inclusive finance schemes served by VBSP***

##### *a. Nature conservation and anti-climate change from afforestation projects*

Vietnam's forest area decreased from 14.3 million hectares in 1943 to 10.7 million hectares in 2005. After decades of forest destruction, the whole country had 7 - 8 million hectares of unused forest land became eroded. Meanwhile, about 25 million poor and ethnic minorities live based on forests. To address these challenges, in 2005, the Forest Sector Development Program (FSDP) signed between the Vietnam Government and WB World Bank (WB) has been implemented. The purpose of the

project is to assist households in the central provinces of Vietnam in accessing loans to plant forests, then improve livelihoods and contribute to the protection of forests and nature.

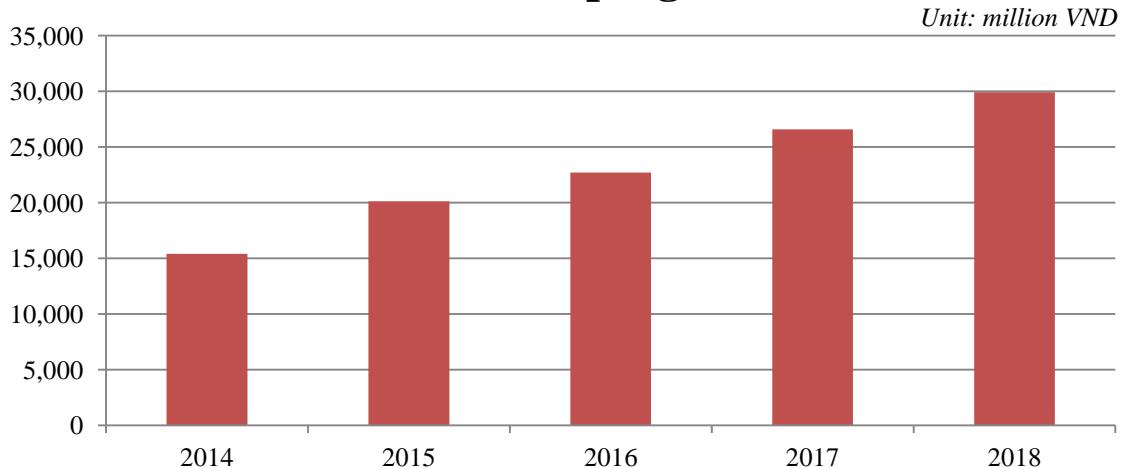
Under the FSDP, the initial goal of this component is to develop 56,000 ha of production forest. In 2005, the Ministry of Finance, on behalf of Vietnamese Government, signed a sub-agreement with VBSP to give a sub-loan of USD 27.2 million for commercial forestation loans (production forestation) with the preferential lending rate of 0.75% per year. As of 31 December 2018, FSDP project has been undertaken in 6 provinces namely: Thanh Hoa, Nghe An, Thua Thien Hue, Quang Nam, Quang Ngai and Binh Dinh with total outstanding loans reached VND 411 billion and nearly 11 thousands active borrowers.

*b. Improve the quality of life through the rural safe water and sanitation program*

VBSP's program on rural safe water and sanitation is one of the most practical and effective "green" credit channels, creating a greener environment and prosperous life. The program set up is not only for business purposes, but also for rural households using clean water as well as proper sanitation. From the end of September 2018, the maximum loan size for this program from VND 6 million/construction to VND 10 million/construction (each household is entitled to borrow 2 constructions), promptly meet the people's need. Since then, people in rural areas can access the hygienic condition, meet national standards to improve health and improve living conditions.

After 17 years of implementation, the program has deployed to 63/63 provinces and cities. In the last 5 years, the outstanding loans are increased nearly twice with over VND 15 billion in 2014 to nearly VND 30 billion, which is one of the most successful programs being deployed. The program reaches to about 2.7 million active customers, about 11 million clean water and rural sanitation facilities have been built and used effectively and efficiently.

## Oustanding loans of Rural safe water and sanitation program



### 4.3. Some successful examples

People income in a poor village of Xuan Thang commune, Thoi Lai district, Can Tho coastal city is mainly based on agriculture and husbandry. Day by day, most of them use river water for daily routine, which is not safe due to partial pesticide residues and livestock wastewater.

The life of Ms. Nguyen Thi Tuyen and her family in Xuan Thang was struggling without clean water and sanitation construction. She could not afford to have enough water for daily activities. Ms. Tuyen said: “For a long time, my family use groundwater from my mother's house. Sometimes, I have to use water from a near river. Since I knew the safe water and sanitation program of VBSP, I was very excited to apply for a loan to build toilets and install water pipes in the house”.

Ms. Tuyen said money for construction materials, toilets and masons hired is about a dozen million, excluding the cost of installing water metering. With the interest rate of 0.75%/month, the maximum loan term of 05 years, Ms. Tuyen and many other households can be assured to use safe water and easily balance the income to pay debt and interest at the same time.



*Accessing to the clean water helps families in Xuan Thoi commune be assured about daily activities.*

Go back to central province of Vietnam, Nghe An is one of the provinces with successful deployment of FSDP. In Thanh Thuy , the bordered commune of Thanh Chuong district was the bare forests in the past. Nowadays, the forest has been covered and the whole village has several hundred hectares of acacia. People's life is getting better.

The typical example is Ms. Tran Thi Xuyen. She said that in 2013, from VND 190 million borrowed from the program, she and her husband invested in afforestation. After only five years, from the wasteland, the forest grows and yielded VND 50 million per hectare. With the profit, she has paid off the loan and borrowed another loan. In present, with the second loan, she continues to invest in planting acacia and raising her children to go to school.



*Ms. Tran Thi Xuyen's acacia plantation is invested from VBSP loans*

## **5. Conclusion**

In conclusion, the effectiveness of VBSP's programs is undeniable. Being a key bank in providing inclusive finance associated with environment protection, VBSP always focuses on the final results and external impacts of each loan usage.

In the coming time, VBSP will also continue to promote cooperation with domestic and foreign organizations to exchange experiences, mobilize foreign funding to implement green credit projects, contributing to nature conservation.

## **6. References**

*VBSP's Annual Reports 2014-2018*

*“Vietnam Government directives make a breakthrough in inclusive finance in Nghe An” article <http://nhcsxh.chinhphu.vn/Thong-tin/Chi-thi-cua-Dang-tao-dot-phan-trong-tin-dung-chinh-sach-o-Nghe-An/7966.vgp>*

*“Increasing loan size for the Rural Safe Water and Sanitation Program” article <https://baocantho.com.vn/tang-von-cho-vay-chuong-trinh-nuoc-sach-va-ve-sinh-moi-truong-a103902.html>*