

ABSTRACT

Project Title: Green banking model - International experiences and lessons for Vietnam

Code number: KT.14.07

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Duration: from September 2014 to May 2015

The research focuses on green banking model, international experiences and lessons learnt for Vietnam, with three basic objectives as follows:

First, to clarify categories of green banking, concepts of green bank by conducting comparative analysis between characteristics of green banking and of traditional banking activities; by reviewing the bodies of literature and rationale for green banking operations both in an international and Vietnamese contexts.

Second, to analyze two green banking models as the two distinguished cases. One developed in the UK, which is representative for the retail green bank model, while the other developed in the US, which is representative for the investment green bank model.

Third, to sum-up characteristics of green bank, to draw lessons learnt from those experiences, and to propose policy recommendations as well, so that to improve the current legal framework to support for creation of better conditions for development of green bank model within specific context of Vietnam.

By using multi-dimensional approach to green banking, and in accompany with mixed research methods between documentary and case study, the author proceeded to exploit information and data about green banking operations of the two typical green bank models in the UK and US. Data and information were collected from official websites of State Bank of Vietnam, Ministry of Planning and Investment, Environmental Research Institute of the Environment and Natural Resources, Institute of Strategic Development Finance Ministry, Government Office, the Ministry of Science and Technology; International organizations: the green projects of GIZ, World Bank, Asian Development Bank, etc ...

The research results showed that concept of green bank is no longer a new issue in Vietnam, especially to those researchers and practitioners who are interested in this field,

However, a typical model of green bank has not been set up in Vietnam. A green bank model should be a model that not only ensures good service quality as compared to traditional banks but also have to ensure the harmonization among the four addressed fundamental objectives, which are environment, customers, shareholders and community.

In this regard, 5 lessons learnt is sum up as as follows:

First, Vietnam must develop a green bank model which is based on the experiences of the UK and the US, in which the state budget is part of capital resources (as the experience of UK GIB suggested) and successful entrepreneurs, social investors have strong roles in development of green banking and contributing to building green bank model (as experienced by the case of FGB in the US).

In the specific context of Vietnam, with limited sources of the State budget, approach to international funding for setting up green bank or green banking projects should be seriously considered as an effective way.

Second, Vietnam can set up two separated models of green bank, one is retail banking models and the other should be investment banking model.

Third, the first green bank in Vietnam in the future should be set up either under the basis of a bank holding company or a government agency with comprehensive legal framework for a bank, which is licensed by the State Bank of Vietnam, or newly established as a legal entity, so that it can operates fully focusing on green bank operations.

Fourth, international experiences also indicate that the green bank should be associated with the phrase "Green Bank" in the official name when it is registered with the State Bank of Vietnam, so that it can reinforce and raise awareness of the society about the existence of a legal entity as the green bank model.

Fifth, in terms of sustainable development for green bank model, all aspects relating to corporate governance, management of economic performance, risks and social and environmental impacts should be reinforced in the strategic management and business management of the bank.

Within the scope of the project, the author offers following five recommendations to state authorities, which include:

Firstly, besides the issuance of Directive 03/CT-NHNN dated 03/24/2015, the State Bank of Vietnam needs to continue to improve the legal framework to support green bank activities.

Second, commercial banks operating in Vietnamese market should make revise current credit and lending policies, in which make priorities for business sectors and industries friendly with the environment.

Third, in terms of risk management, commercial banks need to integrate the management of environmental risks, social and risk management systems in the current business risk management. To do this, they need to build or strengthen the human resources department responsible for environmental risk management, development of social and green credit for gradually implementing risk management systems environment in future cases.

Fourth, experiences in the UK and the US showed that Vietnam's commercial banks should consider the Equator Principles and the most advanced practices of risk management and social environment, and on that basis to build Action Program for organizational self-assessment criteria defined in Equator Principles.

Fifth, theoretical and practical studies of green banking, green bank model should be made and should be incorporated into the short training programs organised by State bank of Vietnam and universities, so that to educate people and to improve awareness of the bankers, managers, staff and officers about the role and the need to develop models of green banks in the future.