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ANNEX II

to the Commission Implementing Decision on the financing of the multiannual action plan in favour of Viet Nam for 2024 and 2025

Action Document for EU-VN Promoting Circular Economy in the Industrial Sector

MULTIANNUAL ACTION PLAN

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23(1) and (2) of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	EU-VN Promoting Circular Economy in the Industrial Sector OPSYS number: ACT-62815 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes TEI 1: Climate-resilient, low-carbon circular economy TEI 2: Responsible entrepreneurship and enhanced skills for decent employment
3. Zone benefiting from the action	The action shall be carried out in Viet Nam
4. Programming document	EU-Viet Nam Multi-annual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	The action will mainly contribute to the following expected results of the MIP: <i>Priority Area 1: Climate-responsive digital circular economy</i> ; Expected result 1.2.1: Energy efficiency is enhanced; Expected result 1.3.2: Production and consumption practices are more sustainable <i>Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment</i> ; Expected result 2.1.1: More companies adopt responsible business practices
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	410 General environmental protection 430 Other multisector
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 12: - Ensure sustainable consumption and production patterns Other significant SDGs: SDG 5 - Gender equality SGD 6 - Clean water and sanitation for all SDG 7 - Affordable and clean energy

	SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation SDG 10 - Reduced inequalities SDG 13 - Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy SDG 16 - Peace, justice, and strong institutions			
8 a) DAC code(s)	41010 - Environmental policy and administrative management – 50% 43010 - Multisector aid – 50%			
8 b) Main Delivery Channel	13000 – Third country government (Delegated co-operation) 40000 – Multilateral organizations			
9. Target	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective
Digitalisation @		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
digital connectivity		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	/

	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
	digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES	NO	/
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities1 @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BUDGET INFORMATION

12. Amounts concerned	<p>Budget line(s) (article, item): 14.020131</p> <p>Total estimated cost: EUR 15 500 000</p> <p>Total amount of EU budget contribution EUR 11 500 000</p> <p>The contribution is for an amount of EUR 11 500 000 from the general budget of the European Union (EU) for 2025, subject to the availability of appropriations for the respective financial year following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.</p> <p>As a part of TEIs, Finland plans to provide an additional support of EUR 4 000 000 in joint co-financing.</p>
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MANAGEMENT AND IMPLEMENTATION

13. Type of financing	Indirect management with one or more entities to be selected in accordance with the criteria set out in section 4.4.2
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1.2 Summary of the action

The EU and Viet Nam have a strong partnership, building on various bilateral agreements, notably the Partnership and Cooperation Agreement (PCA) and the Free Trade Agreement (EVFTA). Since the entry into force of the EVFTA, bilateral trade between the EU and Viet Nam has grown significantly. To date, Viet Nam is the EU's biggest trading partner in the Association of Southeast Asian Nations (ASEAN) and the EU is one of the biggest foreign investors in Viet Nam.

In the context of sustainable socio-economic development, the EU and Viet Nam share a common interest in the green and circular transition. As a lead global player in achieving net-zero by 2050, the EU has put in place a set of strategies and policies to support this transition process, which also impacts economic actors in partner countries including Viet Nam. The policy reforms under the EU-Viet Nam Free Trade Agreement (EVFTA) and the EU Green Deal in particular require the parties to fulfil increasing social and environmental standards, for which the regulator and the business sector in Viet Nam will need to demonstrate more progress. Supporting Viet Nam to develop a responsible, circular economy including from a gender equality and disability-inclusion perspectives,

¹ For more information, please consult: The European Commission inequality marker - Publications Office of the EU (europa.eu) and Inequality Marker – Complementary Guidelines Application of the I-Marker to SSC fiches and Action Documents | Capacity4dev (europa.eu)

focusing on sectors which have strong linkages with the EU market and the priority value chains of the EU Circular Economy Action Plan would contribute to the green transition process of both sides.

The action aligns with EU – Viet Nam cooperation priorities and will strengthen the bilateral partnership, including in the area of trade and investment.

The **overall objective** of the action is to contribute to the development of a climate neutral, responsible and circular economy in Viet Nam. It aims to achieve the following **specific objectives**:

- Specific objective 1: To improve the regulatory framework and business environment for the uptake of gender-sensitive, responsible and circular economy practices.
- Specific objective 2: To improve the circularity in industrial businesses and industrial parks.

The action was designed and will be implemented in synergy with two other actions under the 2024-2025 Multiannual Action Plan in favour of Viet Nam supporting circular economy in Viet Nam, namely action 62816 – EU – Viet Nam Promoting Circular Economy in the Agriculture Sector and action 62485 - Promoting Inclusive Circular Economy in Viet Nam. The three actions, covering a diverse group of stakeholders, will provide a comprehensive package of support to develop an ecosystem to facilitate a transition to a circular economy in Viet Nam.

The action will bring in relevant European and international experiences to share with Viet Nam, provide hands-on advice on policies and support the implementation of responsible, circular economy (RCE) initiatives in the industrial sector. To do so, the action will engage with a wide range of stakeholders, including duty bearers (such as public authorities at the central and provincial levels, industrial parks (IPs), industrial enterprises) and other economic and non-state actors in the industrial sector. EU and EU Member States, and relevant European Development Financial Institutions will be engaged in a Team Europe approach to the maximum extent to share EU's experiences on relevant regulatory framework, good practices and models, as part of the Global Gateway framework. The action will also work with the European business community, and European development banks and financiers to promote sustainable and inclusive production, trade and investment, and mobilise finance for bankable RCE projects identified during the implementation phase. Digitalisation will be mainstreamed to support the management and implementation of RCE initiatives.

The action will contribute to the following priorities of the Multiannual Indicative Programme (MIP) 2021-2027 in favour of Viet Nam:

- Priority Area 1: Climate-responsive digital circular economy
- Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment

It will also contribute to the implementation of the Global Gateway Strategy, the EU-ASEAN Global Gateway Investment Package, the Team Europe Initiative (TEI) in Viet Nam on 'Climate-resilient, low-carbon circular economy'² and the TEI on 'Responsible entrepreneurship and enhanced skills for decent employment'³ and is aligned also with the ASEAN regional 'Green TEI'⁴. It complements other actions under the MIP and will be implemented in synergy with support provided in a Team Europe approach and through other trusted development partners to Viet Nam.

The action will contribute to EU's Action Plan on Gender Equality and Women's Empowerment in External Relations 2020–2025 (GAP III)⁵, especially to its Thematic Area of Engagement "Promoting economic and social rights and empowering girls and women" and 'Addressing the challenges and harnessing the opportunities offered by the green transition and the digital.

The action will contribute significantly to SDG 12 - Ensure sustainable consumption and production patterns, while also supporting progress toward SDG 5, SDG 6, SDG 7, SDG 8, SDG 9, SDG 10, SDG 13 and SDG 16. It

² Participants in TEI 1: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Sweden, European Commission, and EIB.

³ Participants in TEI 2: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Sweden, and European Commission.

⁴ Austria, Denmark, France, Finland, Germany, Italy, Romania, European Commission; EIB.

⁵ The [Gender Action Plan III](#) is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through [EU Presidency Conclusions](#) of 16 December 2020 endorsed by 24 Member States

will be implemented in indirect management through entrusted entity. A Financing Agreement with the Government of Viet Nam, represented by the Ministry of Planning and Investment (MPI) is envisaged.

2 RATIONALE

2.1 Context

Viet Nam is a dynamic emerging partner that wants to play an increasing role in world affairs. Since establishing diplomatic ties in October 1990, Viet Nam has become one of the EU's main partners in Southeast Asia. No other country in South East Asia is party to as many agreements with the EU: the PCA, the EVFTA and the Investment Protection Agreement (EVIPA – Member States' ratification ongoing), the Framework Participation Agreement (FPA) and the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA). These agreements are the cornerstones of the EU's relationship with Viet Nam, offering opportunities for enhanced engagement in a number of strategic areas.

The EU launched its Indo-Pacific and Global Gateway Strategies in a context of accelerating geopolitical and geostrategic shifts in the region. Viet Nam has been identified as one of 16 key countries by the EEAS for increased EU strategic engagement. The Global Gateway Strategy seeks to foster a rules-based international order, a level playing field, as well as an open and fair environment for trade and investment, tackling climate change and supporting connectivity with the EU.

Since the entry into force of the EVFTA, bilateral trade between the EU and Viet Nam grew significantly. Viet Nam became the EU's 16th largest partner in terms of total trade of goods in 2022. In the past 5 years, the annual average growth rate was 5% for EU exports to Viet Nam and more than 10% for Viet Nam's exports to the EU. However, the policy reforms under the EVFTA, require fulfilment of environmental and labour related commitments, on which Viet Nam will need to demonstrate more progress.

The export-led growth model implemented by Viet Nam since 1980s has helped the country to achieve an average growth rate of 7% over the last decades and to become a lower-middle income country. Today, Viet Nam is a major hub for the production of textiles⁶, footwear and electronics. It is also ranked among the top ten seafood suppliers, with products being exported to 170 markets in the world.

The country's economic growth model however has been relying on intensive use of resources and has led to environmental degradation. Viet Nam's rapid growth and industrialisation have caused negative impacts on the environment and natural assets. It is one of the world's five most vulnerable countries to climate change, where typhoons, floods, droughts, and landslides frequently threaten a high proportion of the country's population and economic assets concentrated along its long, densely populated coast. Like many other countries, Viet Nam cannot afford to continue the current development path. To sustain its long-term economic growth and achieve the Sustainable Development Goals, the country will need to adjust its growth models and switch to a more responsible, smarter and greener economy. Implementing circular economy principles in Viet Nam's economy and priority value chains will support building resilience to climate change and reducing carbon emissions by promoting resource efficiency, minimising waste, and fostering the reuse and recycling of materials. Integrating circular economy principles in industrial production and agriculture reduces reliance on non-renewable resources and curtails environmental degradation, decreasing greenhouse gas emissions and enhancing the resilience of systems to climate change impacts, thus providing a comprehensive approach to environmental stewardship and climate adaptation.

The government recognised the need to pursue a more sustainable pathway and accordingly adopted in 2021 the 'Viet Nam Green Growth Strategy for the period 2021–2030 with a vision to 2050'. At COP26, it committed to achieve net-zero emission by 2050. The government passed the Master Plan for Development of Circular Economy in 2022, and subsequently updated its Nationally Determined Contribution (NDC), pledging to reduce greenhouse gas (GHG) emission by 15.8 % by 2030 compared to the business-as-usual scenario (unconditional contribution), and to further aim at 43.5 % reduction with support from the international community (conditional contribution).

⁶ Viet Nam is the 3rd biggest exporter of textile (<https://worldpopulationreview.com/country-rankings/textile-exports-by-country>). It is also one of the countries participating in the project entitled 'Enhancing transparency and traceability of sustainable value chains in the garment and footwear industry' (<https://unece.org/trade/traceability-sustainable-garment-and-footwear>)

In December 2022, the government signed a political declaration with the International Partners Group⁷ led by the EU and the United Kingdom of Great Britain and Northern Ireland (UK) to establish the Energy Just Transition Partnership, which will mobilise at least \$15.5 billion through a combination of appropriate financial instruments to support the needs of Viet Nam's just energy transition.

While the ambitions of the above Vietnamese vision are high, implementation progress is slow. The business sector in the country is facing increasing challenges in demonstrating their compliance with environmental standards set by its major export markets, including the European's. The government of Viet Nam has expressed its strong interest in learning from the EU experiences and receiving EU's technical assistance to materialize its strategy objectives, particularly the development of a responsible, smart and circular economy. By leveraging circular and responsible economy practices alongside digital transition, Viet Nam can sustain its economic growth while reducing its environmental footprint. Team Europe has extensive knowledge and experience to share in this field and can build on its existing strong international cooperation to assist Viet Nam in key policy areas of the EU's Green Deal, the EU Circular Action Plan and the Global Gateway.

This action will contribute to two priorities of the MIP 2021-2027, namely (i) climate-responsive digital circular economy and (ii) responsible entrepreneurship and enhanced skills for decent employment. It complements other on-going and upcoming supports to Viet Nam, notably the Action Promoting Circular Economy in the Agriculture Sector, the Action Promoting Inclusivity and Partnership in Circular Economy, Budget Support programme on Sustainable Energy Transition, the Decent Work Programme, the Technical and Vocational Training Programme, the SWITCH–Asia Programme and the Project Enhancing Transparency and Traceability in the Garment and Footwear Industry.

It will contribute to the Commission objectives and priorities, notably to the European Green Deal, the Global Gateway strategy, the EU Circular Economy Action Plan, and their related policies and strategies. The European Green Deal demands a transformational change to make the Europe the first climate neutral continent in the world by 2050. Most recently, the 'Fit for 55' legislation sets legally binding climate targets covering all key sectors of the economy. To ensure a level playing field for European companies, the Carbon Border Adjustment Mechanism requires that imported goods pay an equivalent carbon price on targeted sectors.

The Global Gateway strategy is the EU's contribution to narrowing the global investment gap, supporting global economic recovery, and accompanying the twin green and digital transitions beyond European borders. Global Gateway covers both hard connectivity and the enabling environment, regulatory frameworks and norms and standards. It aims at boosting smart, clean and secure links in the digital, climate, energy and transport sectors, and to strengthen education, research and health systems across the world.

The Green Deal Industrial Plan puts the Europe's net-zero industry in the lead in the transition to climate neutrality. One of the four pillars of the Industrial Plan facilitates open and fair trade, strengthening global cooperation and making trade work for the green transition. It is built on the engagement with the EU partners, including through the network of Free Trade Agreements and other forms of cooperation to build supply chain resilience.

The EU's Circular Economy Action Plan 2020 puts the EU in the leading position to drive the global transition to a just, climate-neutral, resource efficiency and circular economy. Innovative models powered by digital technologies will not only accelerate circularity but also make us less dependent on primary materials. Scaling up the circular economy throughout the value chains, from front-runners to the mainstream economic players, will make a decisive contribution to achieving climate neutrality by 2050. Key product value chains requiring urgent actions are electronic and ICT, batteries and vehicles, packaging, plastics, textile, construction and buildings, food, water and nutrients.

The EU Corporate Sustainability Due Diligence Directive aims to foster sustainable and responsible corporate behaviour by requiring companies to identify and address adverse human rights and environmental impacts in their operations and value chains. This directive will promote the green and circular transition by ensuring businesses minimise negative impacts and adopt sustainable practices, thus reducing environmental degradation and enhancing resilience to climate change. The directive mandates large companies to develop climate change mitigation plans aligned with the Paris Agreement, promoting transparency, legal certainty, and innovation, and setting a potential global standard for mandatory due diligence.

⁷ The International Partners Group consists of the EU, the UK, the United States of America, Japan, the Federal Republic of Germany, the Republic of France, the Italian Republic, Canada, the Kingdom of Denmark and the Kingdom of Norway

Viet Nam is the EU's biggest trading partner in ASEAN, with bilateral trade-in-goods amounted to €64.2 billion in 2022. The EU is one of the biggest foreign investors in Viet Nam, with a total foreign direct investment outward stock of €8 billion in 2021⁸. The largest sector of investment by the EU is industrial processing and manufacturing, while Viet Nam's main exports to the EU are electronic products, footwear and textiles, coffee, rice, seafood, and furniture. These export commodities fall under the key product value chains of the EU's Circular Economy Action Plan 2020. Working with Vietnamese export sectors that have strong linkages with the EU key value chains for circular economy is therefore important to ensure the achievement of the EU ambitions on circular economy and green transition. .

The action is expected to improve bilateral trade and investment, and contribute to the implementation of the EVFTA, notably Chapter 13 on Trade and Sustainable Development. It will work with both government and the private sector to improve regulations and create a more enabling environment to support businesses to switch to cleaner production, resource efficient and circular business models. This encompasses facilitation of access to finance to scale up investments in green infrastructures, digital-circular economy technologies, including opportunities brought by the European Fund for Sustainable Development Plus (EFSD+) under the NDICI -GE, in the context of the EU Global Gateway strategy.

A just and inclusive transition towards circularity calls for a stronger participation of women, in all their diversity, and inclusion of persons with disabilities across the entire circular economy spectrum⁹. Accordingly, the Action will promote for more responsible business conducts, which address the gender gaps and promote the inclusion person with disabilities.

2.2 Problem Analysis

Viet Nam is among the top five countries most affected by climate change¹⁰. It has an extensive coastline and diverse but generally warm climate including temperate and tropical regions. The country's low-lying coastal and river delta regions are highly vulnerable to rising sea levels. Viet Nam faces potentially significant social and economic impacts across multiple regions and sectors. It was estimated that climate change would reduce national income by up to 3.5% by 2050. Without effective adaptation and disaster risk reduction efforts, multidimensional poverty and inequality are likely to increase.

Viet Nam is ranked the third in the South-east Asia region and the 15th in the world in terms of population size, with an estimated population of 100,3 million in 2023. Approximately one third of whom live in the metropolitan areas of its two mega-cities, Hanoi and Ho Chi Minh cities. Viet Nam has been experiencing fast urbanisation. At the end of 2023, urban area accounts for 42% of the total area, hosting 38.1% of the total population¹¹. Growing population and rapid urbanisation have increased the demand for natural resources and pressure on the environment.

Besides steady economic growth and rising average incomes, Viet Nam is facing growing inequality. The richest are taking a disproportionate share of income and the gap between the richest 20% and the rest has been widening since 2004¹². The poorest households are increasingly concentrated in low-income agricultural activities and these groups risk falling further behind and being less connected to the more vibrant sectors of the economy¹³. From a gender perspective, job opportunities have been mostly inclusive as the rate of women working in Viet Nam is 73%¹⁴, much higher than the regional peers. However, Vietnamese women are being incorporated into industrialisation more as wage workers than as entrepreneurs. Women entering export-oriented manufacturing sectors are largely wage workers and tend to be younger and better educated than the women working in agriculture. Regarding women entrepreneurs, they report various forms of discrimination in accessing productive resources and networks, gender pay gaps, and lack of education, which may translate into limited knowledge of legal provisions, or simply less self-confidence¹⁵. With a much greater share of care responsibilities due to social

⁸ The European Chamber of Commerce in Viet Nam (EuroCham) was established in 1998. Eurocham has more than 1400 members, representing one of the biggest foreign business association in Viet Nam.

⁹ Why adopting a gender-inclusive approach towards Circular Economy matters, UNIDO 2022

¹⁰ The WB, Climate Risk country profile, 2021

¹¹ General Statistical Office of Viet Nam, 2024

¹² https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-vietnam-inequality-120117-en.pdf

¹³ The World Bank, Viet Nam poverty and equity assessment, 2022

¹⁴ The World Bank, Viet Nam poverty and equity assessment, 2022

¹⁵ https://www.unido.org/sites/default/files/unido-publications/2023-11/UNIDO_ISID_The_Gender_Dimension.pdf

norms and limited public support, women have less freedom to pursue more labour-intensive occupations, while family business income for women is lower than for men because of fewer hours worked.

In general, there is a serious shortage of data on specific groups of persons with disabilities (PwDs) in Viet Nam, especially those who are most marginalised, including persons with hearing and print disabilities. The National Survey on PwDs (2016) found there were 6.2 million PwDs in Viet Nam. This represents 7 percent of the population. Of these PwDs, 58% were women. The report highlights the high incidence of poverty among persons with disabilities, high rates of unemployment, and 71% of employed stated they worked in the informal sector¹⁶. And Common stereotypes about persons with disabilities from the community which lead to discrimination stem from deeply rooted cultural or religious concepts¹⁷. Industrialisation is the central piece of the country's export-led growth model. Viet Nam has updated its regulatory framework to attract a significant amount of foreign investment in the country (USD 36.61 billion in 2023). The size and number of industrial parks (IPs) in the country have been increasing over time. As a result, the share of processing and manufacturing industry in national GDP increased from 18.82% in 2005 to 24.76% in 2022, representing one of the most important components of the economy.

While industrialisation has been supporting economic growth, it has also negatively impacted the environment and natural capital. Viet Nam is one of the most energy-intensive countries in the Southeast Asia. The energy consumption increased four-fold over the past two decades, largely due to industrial growth. The industrial sector accounts for more than 50% of the total energy consumption in 2023 and the demand continues to rise. Emissions have multiplied fivefold in the last 20 years—largely fuelled by significant growth in electricity demand. By 2030, Viet Nam's overall GHG emission is projected to increase five-fold, per capita emissions four-fold and the carbon intensity of GDP by 20%. Promoting circular principles in the industrial sector would improve resource-efficiency, reduce the consumption of virgin materials, and increase the input of renewable energy and would be one of the means to reduce carbon emissions from manufacturing processes.

The rapid urbanisation and industrialisation in coastal areas has contributed to the deterioration of coastal water quality. Approximately 30% of the effluent from industrial activities in Viet Nam (around 1 million m³/day) is discharged directly and untreated¹⁸. The consequence of this practice is an increased pollution in surface and ground water as well as marine ecosystems due to toxic substances, with negative impacts for agriculture, aquaculture and general sanitation. The dominating land-based source of pollutants consist of persistent organic pollutants (including pesticides), heavy metals, oils, nutrients and sediments - whether brought by rivers or discharged directly into coastal waters. They take a severe toll on human health and well-being as well as on coastal ecosystems. According to UNEP data, municipal, industrial and agricultural wastes and run-off account for as much as 80% of all marine pollution¹⁹.

The industrial sector also creates a huge amount of waste. The total solid industrial waste has steadily increased in recent years with a growth rate of about 10% per year and will continue to rise²⁰. The proportion of hazardous solid waste amounts to 20% -30% of the total waste²¹. The amount of recyclable waste is high, but its potential has not been exploited due to the lack of economic incentives, a well-developed domestic market and the best available technologies for recycling. Using inadequate pollution control measures results in industrial zones emitting significant quantities of hazardous and toxic substances. Viet Nam also releases about 3.1 million ton of plastic waste to the environment every year, and is among the 20 countries with the largest plastic waste discharges. Only about 30% of plastics is recycled²².

As of February 2023, there were 4.11 million jobs in industrial parks (IPs). As the number and size of IPs continue to rise, more jobs will be created. While the national policy framework on labour and welfare for employees in IPs are generally clear, provision of facility and complementary supports to employees and workers are insufficient. The majority of IPs are struggling to provide adequate housing for workers and fundamental facilities such as kindergarten. Some IPs offer poor working conditions and low wages, which negatively affects the wellbeing of

¹⁶ Source: Situational Analysis Report on the Rights of Persons with Disabilities in Viet Nam, UNDP 2023.

¹⁷ Source: <https://www.undp.org/vietnam/press-releases/making-people-disabilities-more-visible-national-database-inclusive-socio-economic-policies-and-programs>

¹⁸ Marina Sabelfeld "Optimization potentials for wastewater treatment and energy savings in industrial zones in Viet Nam": Case studies, p. 1. Case studies in Chemical and Environmental Engineering 5(2022) 100169

¹⁹ <https://www.unep.org/topics/ocean-seas-and-coasts/regional-seas-programme/land-based-pollution>

²⁰ Minh Duc Tran "Waste source owner in industrial solid waste in Viet Nam", E3S Web of Conferences 258, 08010 (2021)

²¹ <https://monre.gov.vn/Pages/tinh-hinh-phat-sinh-chat-thai-nguy-hai.aspx>

²² <http://scp.gov.vn/tin-tuc/t13247/can-phat-trien-nganh-cong-nghiep-tai-che-rac-thai-nhua.html>

workers and their families²³. Many enterprises pay little attention to working conditions. Workers have to work in a polluted environment, which negatively affects their health²⁴. Occupational health and safety can be a concern in some IPs, particularly where workers are exposed to hazardous materials. Female workers in general face some forms of gender-based discrimination and are exposed to risks of sexual harassment. The government recognized the need to pursue a more sustainable development pathway, and has updated its development strategies for 2021-2030 period accordingly. It considers responsible business conducts and circular economy business models as solutions for greening the economy and has issued several policies and regulations to promote for responsible, circular economy²⁵. Given the significance of its resource consumption and environmental footprints, the industrial sector has been playing the central role in this green transition process and the government has taken efforts to promote circular economy in the sector. It has adopted the eco-industrial park (EIP) approach in its policies, notably in Decree 08/2022 guiding the implementation of the Law for Environmental Protection and Decree 35/2022 guiding the management for industrial park and economic zones.

EIPs can be defined as managed industrial areas that promote cross-industry and community collaboration for common benefits related to economic, social and environmental performance. The EIP concept has evolved to address additional, interrelated aspects, including resource efficient and cleaner production, industrial symbiosis, climate change, pollution, social standards, shared infrastructure, improved management of risks and shared resources, including land and ecosystem services. The EIP framework, describing performance requirements for EIPs for four key categories: park management, performance, environmental performance, social performance, and economic performance, has been applied across the world²⁶. The requirements for the EIP aims to:

- Increase park management performance, specifically with regard to management and monitoring. This includes investing in better infrastructure; applying national/international standards; organizing and managing services (including disaster preparedness and risk management), and marketing.
- Enhance environmental performance by minimizing the footprints of parks, by providing sustainable means to manage water, wastewater, waste, and resources. It also involves addressing climate change issues and effects on local and global environments.
- Improve social performance by addressing the needs of the community and employees, including in relation to labor rights and working conditions, gender equality, community dialogue, land acquisition and social infrastructure.
- Increase economic performance by maximizing returns for park managers and business owners. Economic benefits from an industrial park include revenue and profit, job creation, and competitiveness, as well as access to additional investment for resident industries.

The EIP framework also considers climate change adaptation (CCA) and disaster risk management. It requires regulators and IPs to anticipate local impacts and acts to prevent or minimize possible damages. IPs and tenant firms often have to consider measures to reduce environmental, social and economic damages caused by heat waves, droughts, heavy rainfall, cyclones and floods etc. In this context, they should implement adaptation measures for infrastructure and services, such as integration of CCA measures into site selection, planning, implementation, and risk management within new parks, as well as in the retrofitting of existing industrial parks

In Viet Nam, some interventions have been implemented since 2014 with the support of development partners to build capacity of related stakeholders and support a limited number of regular IPs to gradually transform into EIPs. To date, some tangible results have been achieved. There are strong business cases demonstrating that circular economy business models bring economic values while reduce environmental impacts and transformation of regular IPs into EIPs will improve the sector's economic, social and environmental performance at a much larger scale.

Despite some successful business cases, the implementation of RCE in the industrial sector has not been without challenges. The work done so far only accounts for a small portion of the industrial sector capacity. The majority of potential in the industrial sector remain un-tapped. The lack of technical capacity and financial resources for

²³ Le Thi Le - Research Gate "Workers's life assessment in industrial parks in Vietnam's North Central region

²⁴ Ai Nhan Nguyen & Xuan Thi Tran: E3S Web of Conferences 258, 07046 (2021) UESF-2021 "Worker's material and mental life in sustainable development of industrial zones"

²⁵ Notable policies are: the Law for Environmental Protection 2020 and its decrees, the National Action plan on Sustainable Consumption and production for period 2021- 2030, the Master Plan for Development of Circular Economy (Decision 687/QĐ-TTg), the National Action plan to promote responsible business conducts in Viet Nam for 2023-2027 period. A National Action Plan on circular economy and a Decree on piloting mechanisms in 4 priority sectors (agriculture-forestry-fishery, industry, energy and construction materials) are expected to be adopted in the coming months.

²⁶ See more at: https://www.unido.org/sites/default/files/files/2021-04/An_international_framework_for_eco-industrial_parks_v2.0.pdf

investment in circular economy have been the main barriers to the transition to circular economy at full speed. The current regulatory framework also has many bottlenecks preventing implementation of resource efficiency, cleaner production and industrial symbiosis. For example, there are opportunities for industrial symbiosis to improve energy, material and water efficiency in Industrial parks (IPs)²⁷, nonetheless barriers related to energy pricing, rooftop solar, transmission lines, reuse of treated wastewater or trading of by-products and waste among firms exist. Without addressing these constraints, scaling up of RCE practices will be difficult and slow.

The eco-industrial park (EIP) approach and related standards remain relatively new to many park developers and industrial enterprises. Although Decree 35/2022 introduced EIP approach and standards, further guidance are needed to support the implementation. There is a huge need to raise awareness and build capacity of park operators and tenant firms on the EIP approach and relevant standards, including gender equality and disability inclusion and accessibility.

Technologies is the key enabler of circular economy. Development of energy management system and renewable energy (solar, wind, biomass and waste-to-energy), water supply and wastewater treatment system, and system for industrial symbiosis and material recovery will require investment in technologies. The private sector in Viet Nam in general lacks innovation capacity and knowledge of available technologies.

Lack of access to finance is another issue faced by park operators and tenant firms. Switching to circular economy business models requires investment in infrastructure, equipment, technologies, green skills and human capital, which would go beyond the resource available at their hands. Without policies and financial support, implementation of circular economy practices will continue to be challenging.

The Action will support the development of circular economy in the industrial sector. It will strengthen capacity of public authorities, industrial park operators and tenant firms, and other relevant stakeholders to implement gender sensitive policies and responsible circular economy business models that integrate the Human Rights Based Approach and the rights of people with disabilities, thereby improving economic, environmental and social performances of the industrial sector and the whole economy.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The Ministry of Planning and Investment (MPI) is the key partner ministry for the implementation of the Action. Among other tasks, MPI takes the lead in economic governance and state management of industrial parks and economic zones. The Department for Management of Economic Zones is the most important partner within the MPI.

Ministry of Agriculture and Rural Development (MARD) takes the lead role in state management of agriculture and rural development, covering all sub-sectoral agriculture value chains such as crop & livestock productions, aquaculture/fishery and irrigation/water services. MARD will be the key partner for the implementation of an envisaged complementary Action promoting circular economy in the agriculture sector and will be closely engaged to ensure the synergy between the two Actions, notably regarding cross-cutting policies and industrial-agriculture symbiosis.

Other ministries having functions and tasks that are highly important for the Action will also be important stakeholders at the activity level, notably:

- The Ministry of Natural Resources and Environment (MONRE) takes the lead in setting policies on environment and natural resources and is responsible overall coordination of the National Action Plan on Circular Economy. MONRE has a crucial role in addressing bottlenecks related to water and solid waste treatment, land use and others.
- The Ministry of Industry and Trade takes the lead in setting industrial policies and policies on energy (including electricity), energy-label, eco-design and trade. It has a key role in removing a number of barriers to facilitate energy efficiency, sustainable production and sustainable trade.
- The Ministry of Science and Technology is the key partner in all issues related to technology and innovation, notably in setting policies, standards, criteria and guiding the use of clean and low-carbon technologies and facilitate research and development activities.

²⁷ Some examples of RCE initiative through industrial symbiosis are: industrial park management hired roof-top of tenant firms to produce solar power and sell to tenant firms, excessive steam heat from one company (as a by-product) can be sold to neighbouring companies, treated waste water meeting standards can be re-used for production purposes, a waste-to-energy plant can use wastes/by-products/residuals from IPs and tenant firms to produce electricity/steam heat and sell to IPs/tenant firms.

- The Ministry of Construction takes the lead in setting policies on construction. It plays a key role in addressing a number of bottlenecks related to planning and implementation of constructions in IPs, industrial symbiosis associated with construction (e.g. using by industrial by-products as land-fill materials).
- The Ministry of Invalids and Social Affairs is an important partner for the promotion of gender equality, responsible business practices, including ensuring better working conditions for industrial and agricultural workers, labour rights, and social security.
- The Ministry of Finance is a key interlocutor regarding setting pricing mechanism for utilities (water, electricity), financial mechanisms for energy service companies and tax and financial incentives to promote green investment. It is therefore an important partner of the Action.

Other ministries might also be relevant to a certain policies and activities and will be engaged as needed.

At the local level, the Action will work with local authorities of selected provinces, notably the People Committees (PPC) and its relevant departments. The management board of IPs, industrial and agriculture enterprises, male and female household businesses and farmers of the selected value chains are beneficiary with whom the Action will work directly and extensively at the activity level.

Business associations, trade unions, the Viet Nam Women Union, research & training institutions, business development services (BDS) and technology providers and other relevant public and private bodies will be engaged as relevant for specific policies and activities. Non-state actors such as community based organizations (CBOs) and civil society organizations (CSOs), including women and People with Disabilities (PwD) organisations, play an important role in policy advocacy and capacity building at the grassroots level and the Action will engage them when and where possible.

EU and EU Member State institutions, respective Development Finance Institutions and businesses²⁸ will be engaged in a Team Europe approach to the maximum extent to share the EU's experiences on the relevant regulatory framework, good practices and models, in line with the Global Gateway strategy focus on soft and regulatory measures. EuroCham and the European business community are important stakeholders of the Action. As the Action will work with the local export sector, which has strong linkages with the European market, working with European business communities is key to ensure the circularity and enforcement of responsible business conducts through out the value chains. It will also promote the EU experiences and technologies for RCE through demonstrations and business match-making events.

The action will collaborate with banking and financial institutions, including those from the EU and EU member States to facilitate and mobilise finance for bankable projects identified during the implementation of technical assistance at the bussiness level.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this action is to contribute to the development of a climate neutral, responsible and circular economy in Viet Nam.

The Specific(s) Objective(s) of this action are to:

1. Improve the regulatory framework and business environment for the uptake of gender-sensitive, responsible and circular economy practices;
2. Improve the circularity in industrial businesses and industrial parks

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are:

Contributing to Outcome 1 (or Specific Objective 1):

- 1.1 Policy bottlenecks hindering the implementation of gender-sensitive, responsible and circular economy practices in the industrial sector identified;
- 1.2 The public capacity for improving regulatory framework and business environment to support gender-sensitive, responsible and circular economy practices strengthened;

Contributing to Outcome 2 (or Specific Objective 2):

²⁸ In Viet Nam, they include but are not limited to 18 EU Member States, EU DFIs (such as AFD, KfW), EIB, a number of implementing agencies (GIZ, Expertise France, AICS, LuxDev, PROPARCO), and EuroCham with more than 1400 members – representing one of the biggest foreign business community in Viet Nam.

- 2.1 Assessment and benchmarking of industrial parks and industrial businesses against eco-industrial park standards conducted;
- 2.2 The capacity of industrial parks, industrial businesses and relevant stakeholders to implement responsible, circular economy practices and meet eco-industrial park requirements enhanced;
- 2.3 Implementation of responsible, circular economy practices by industrial parks and industrial businesses supported;
- 2.4 Digitalization to support the management and implementation of responsible and circular economy practices in the industrial sector mainstreamed.

3.2 Indicative Activities

Activities relating to Output 1.1

- Assessment of policy bottlenecks and identify areas that need improvements to facilitate gender-sensitive, responsible, circular economy (RCE) practices;
- Support policy dialogues and discussions on the identified policy bottlenecks.

Activities relating to Output 1.2

- Support to improve relevant regulatory framework to enable the uptake of gender-sensitive, RCE practices;
- Provide trainings, good international practices and peer experiences relevant to RCE and policy bottlenecks identified;
- Support policy dialogues between IPs, businesses, regulators and other relevant stakeholders on policies and regulations relevant for the uptake of gender-sensitive, RCE practices.

Activities relating to Output 2.1:

- Identify and select industrial parks (IPs) and industrial enterprises to be supported by the project;
- Conduct periodic assessment of IPs and industrial enterprises, including the compliance level with national and international EIP requirements.
- Support the certification of selected IPs and enterprises

Activities relating to Output 2.2:

- Awareness raising and capacity building on EIPs framework, responsible business conduct and relevant requirements;
- Awareness raising and capacity building on relevant standards and technologies for the uptake of RCE initiatives;
- Support peer-to-peer learning among IPs, industrial enterprises and relevant stakeholders.

Activities relating to Output 2.3:

- Assessment of potential for RCE practices at enterprise and industrial park level, conduct feasibility studies to identify opportunities for RCE projects;
- Provide technical support for the implementation of the identified RCE opportunities;
- Supports projects to access to finance and promote investment in EIP and responsible, circular economy.

Activities relating to Output 2.4:

- Support the improvement of the EIP database, focusing on IPs supported by the project;
- Advise on the use of digital platform to enable and facilitate responsible, circular economy.

The commitment of the EU's contribution to the Team Europe Initiatives to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

The Action will work in synergy with support provided by Team EU to Viet Nam, notably:

- Re-thinking Plastic project implemented by Expertise France (EF) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in collaboration with MONRE as the lead ministry;
- The Programme for Energy Efficiency in Buildings implemented by the Agence Française de Développement (AFD);
- The project supporting shrimp value chain in the Mekong Delta implemented by the French Agricultural Research Centre for International Development;
- Two technical projects support to sustainable agriculture and aquaculture in ASEAN countries funded by Italy, implemented by (i) consortium of the University of Milan, the Scuola Superiore Sant'Anna of Pisa and The Alliance of Bioversity International & International Centre for Tropical Agriculture (CIAT) and (ii) the International Centre for Advanced Mediterranean Agronomic Studies respectively.

- The Green Transition Investment Project supporting plastic recycling implemented by the Global Green Growth Institute (GGGI) and funded by Finland and related projects on waste to energy;
- Related technical cooperation projects implemented by GIZ;
- Existing and upcoming green financing schemes provided by EU and MS financiers.

It will also collaborate with like-minded partners who are providing similar/complementary support to Viet Nam, notably the project ‘Scaling up EIP approaches to promote circular economy in Viet Nam’ (funded by SECO and implemented by UNIDO), the ‘Better work programme’ supporting improved working condition and worker’s welfare (co-funded by the EU and implemented by ILO and IFC); the project supporting responsible business practices in Japanese companies and their supply chains in Viet Nam (funded by Japan and implemented by the UNDP).

3.3 Mainstreaming

Environmental Protection & Climate Change

The action, fully in line with the Greal Deal ambition, will complement other green and just interventions and support sustainable and inclusive economic development agenda. Environmental protection and climate change mitigation and adaptation are key aspects of the transition towards a green and circular economy and are the main focus of the action. The principles of the circular economy - designing out waste and pollution, keeping products and materials in use for as long as possible, and regenerating natural systems - can deliver positive environmental impacts together with economic benefits.

Outcomes of the SEA screening

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required. The Action offers opportunities to enhance the state of the environment and contribute to climate-resilient and low-carbon development. The Action will contribute directly to Viet Nam’s efforts to protect environment and fight against climate change by supporting the transformation towards a responsible, smart, and green economy in Viet Nam.

Outcomes of the EIA (Environmental Impact Assessment) screening

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is a significant objective and will be mainstreamed across various project activities and performance indicators. Gender analysis has been based on existing gender analysis conducted internally and externally²⁹. Explicit gender equality objective is provided at specific objective level. Data and indicators are disaggregated by sex where applicable. The evaluations foreseen for this action will also monitor and report on the extent the gender equality results are achieved.

The Action remains consistent with EU Gender Action Plan-GAP III and the Country Level Implementation Plan (CLIP). It will ensure equal opportunities for women and girls to participate in its training and capacity building activities and to empower women’s leadership in circular economy and green growth when possible. As the Action will work with businesses to improve their environmental and social performance, it will advocate for a safer, healthier, and better working environment (e.g. provision of better facilities such as housing and kindergartens) for staff and workers. It will also advocate for women and girls to have equal access to resources, job opportunities, and participation in decision-making processes.

Gender equality is one of the key social drivers of eco-industrial parks (EIP). Therefore, gender equality will be an important component of the training activities for park management and tenant companies, in order to improve the social performances of industrial parks and industrial enterprises.

²⁹ Such as the EU Gender Action Plan-GAP III, GAP’ Country Level Implementation Plan (CLIP), Viet Nam poverty and equity assessment (the World Bank, 2022), Country Gender Equality Profile Viet Nam (ILO/UN Women, 2021).

Human Rights

Human Rights will be mainstreamed into the Action's activities to the extent possible. All actors involved in the action will abide by the UN Guiding Principles on Human Rights. The Action will develop the capacities of the stakeholders as 'rights-holders' to claim their rights and 'duty-bearers' to meet their obligations. It will work toward ensuring that every individual entity and community has equal access to resources, the enjoyment of the inherent value of resources as well as the added value created by themselves, as well as their responsibilities for ensuring sustainable resources; that equality of ethnicity, religion, gender and social status when implementing and benefiting from project activities is adhered to; and that the rights to express opinions in the decision-making process are promoted. In working with the corporate sector, the Action will pay particular focus on the labour rights issues.

The Action includes consultations with right-holders, including women, people with disabilities and ethnic minorities when relevant, to promote and ensure their participation and voice in the green transition. An accountability mechanism will be in place for people and communities who believe that they have been, or are likely to be, harmed by the Action, and transparent and equal access to information will be ensured.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the Action's activities will promote the inclusion of persons with disabilities. They include but are not limited to (i) ensuring equal opportunities for people with disabilities to participate in training and capacity building activities, policy consultation and dialogues, (ii) promote for policies that support employment of and better working environment for persons with disabilities, and (iii) advocate for participation of persons with disability in relevant decision making processes. To this end, the action will gather data on needs of persons with disabilities and help to mainstream inclusiveness and special needs across all activities.

Reduction of inequalities

The Action will support the implementation of RCE business models in the industrial sector. In doing so, it will engage with a broad range of stakeholders, including workers, employees, and other non-state actors in the sector who belong to low-income, disadvantage group.

The Action recognises the increasing inequality, notably in terms of income gap and opportunities faced by the disadvantage groups. Accordingly, it will promote for more inclusive regulations and policies at the national and provincial level, while advocating for more inclusive employment policies at the business level.

As the Action will seek to improve the competitiveness of the targeted sector, it is expected that it will help to create more job opportunities and the Action will work toward ensuring equal access to those new opportunities.

Democracy

NA

Conflict sensitivity, peace and resilience

NA

Disaster Risk Reduction

NA

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
<i>1- external environment</i>	Key stakeholders are reluctant to participate in the Action as	Medium	Medium	Collaborate closely with public authorities at the central and local level to secure political support. Together with a suitable communication strategy, the Action will be able to reach out to targeted beneficiaries.

	worsening market conditions discourage investments in clean and low carbon technologies			Organize information sessions and awareness raising events to provide information and share knowledge so that stakeholders understand the requirements, benefits and challenges associated with the transition to circular economy. Demonstration of successful business cases and hand-on technical assistance to build mutual trust and incentivise businesses to move to circular economy. Work with financiers to provide accessible financing scheme to support investments, and collaborate with the government to advocate for a more supportive policy framework for green financing.
<i>2- planning, processes and systems</i>	Coordination among stakeholders and approval of matters related to the Action are insufficient and lead to delays.	Medium	Medium	Engage with political leadership, since the identification phase, to secure political support. Maintain regular policy dialogues and project Steering Committee meetings to ensure effective strategic oversight of the Action. Maintain effective collaboration and communication at the technical level to ensure common understanding and timely action on bottlenecks emerged.
<i>3- legality and regularity aspects</i>	Barriers for circular economy are not timely removed to enable implementation of RCE initiatives	Medium	Medium	Engage with political leadership, since the identification phase, to secure political support. Maintain regular policy dialogues (including Steering Committee meetings) to ensure effective strategic oversight of the Action. Align the Action and its workplan with the government's priorities and working agenda to ensure ownership and buy-ins. The Action includes activities to identify bottlenecks and build capacity of public authorities so that they would improve regulations and business environment for the uptake of circular economy initiatives.
<i>4- communication and information</i>	Lack of access to data and information necessary to deliver the Action	Medium	High	Ensure effective communication among key stakeholders and build trust in the partnerships since the beginning, notably through provision of quality advice and technical input. Demonstrate the benefits of successful business cases and the opportunity cost forgone due to the lack of data and information (and coordination), therefore incentivise stakeholders to share data and information.
<i>5 - Socio-cultural</i>	Limited commitment to gender equality and women's empowerment, HRBA and PwD by the targeted institutions and non-state actors.	Medium	Medium	The project will provide sufficient means to work with institutions and non-state actors on the importance of mainstreaming Gender Equality, HRBA and rights of PwD.

Lessons Learnt:

Earlier interventions on EIPs (supported by SECO and UNIDO) demonstrated good business cases for further scaling up. An important lesson is that initial awareness raising and creating successful cases at the earlier stage is essential. Once the early adopters show results, then all the neighbouring companies would join and benefit from the Action. There are resource efficient, cleaner production initiatives that can easily be implemented at low or no cost with high returns on investments. Simple and no investment cost options should be implemented immediately and this will also

motivate and create confidence for the company to deploy projects with higher investment costs. For technology upgrades and investments, it is necessary to inform companies on available green financing schemes and preferential loans and support them to access these funds.

The EIP experience also shows that there is often a lack of available data at company, park, provincial, and national level. Data on the quantities and qualities of resources (e.g. raw materials, wastes, and by-products, energy, and water) is needed before being able to assess the potential for industrial symbiosis in an IP. Collecting these basic data can be a time-consuming process. Therefore, strengthening resource monitoring at all levels should be a priority.

More generally speaking, experience shows that it is important to align the Action workplan with the workplan of the government to secure political buy-in and ownership. Many bottlenecks that are blocking implementation of RCE initiatives in the targeted sector go beyond the mandate of the Ministry of Planning and Investment (MPI), therefore it is crucial to engage relevant ministries and public agencies in the implementation of the Action so that they can work together to remove the barriers.

Also, the private sector plays the central role in the transition toward circular economy and they can move fast once they understand the costs and benefits of the transition. Therefore, working with the private sector is inevitable. By building capacity, providing hands-on support to define bankable circular economy projects and supporting access to technologies and finance of economic actors in the industrial sector, it would help to improve resource efficiency and decarbonisation of production at a larger scale and provide good cases for further scaling up. The EU and its MS are leading efforts on green transition and many policies adopted by the EU have already impacted or will have impacts on the Vietnamese export sector and other local producers that are participating in the related value chains. Working with the local private sector, which has strong linkages with the EU market, would be a win-win solution, contributing to green transition process of both sides.

On responsible business conducts, experiences from the Better Work programme suggest that Sustained improvements in working conditions within firms are supported by a mix of strong technical interventions that combine capacity development and accountability with the motivation of positive incentives related to trade, as well as to access to global supply chains. Interventions that support women's empowerment, by addressing the underlying root causes of discrimination and inequality at all levels, and promoting gender equality and effective social dialogue, are the processes that drive lasting improvements within firms and encourage overall inclusive growth.

Further experience shows that innovation and digitalization can be a game-changer in circular economy and therefore should be supported. Nonetheless, this should be done with due consideration of the corresponding investment in infrastructure, facilities and equipment, and human resources by both the public and the private sector. As a lesson learned, competence of the contractors/implementing partners is the key success factor of the Action, which in turn demonstrate the quality and credibility of the EU technical cooperation. Therefore it is important that the contractors/implementing partners are selected on the basis of their technical capacity to deliver the Action.

3.5 The Intervention Logic

The underlying intervention logic for this action is that IF the policy and regulatory framework is improved to support the uptake of responsible, circular economy (RCE) practices (outcome 1) and IF feasible RCE projects are identified and implemented by businesses in the industrial sector (outcome 2), THEN it will help to improve economic, social and environmental performance of the industrial sector and contribute to the development of a climate-neutral, responsible and circular economy in Viet Nam (impact).

IF the policy bottlenecks preventing effective implementation of RCE projects in the industrial sector are identified and informed to regulators (output 1.1) and IF the capacity of relevant public bodies (as duty bearers) are strengthened (output 1.2), THEN they will improve policies and regulations to create a more enabling environment for the implementation of RCE projects in the industrial sector (outcome 1).

IF assessments using evidence based analytical work are conducted, including on those emerged during the actual implementation of RCE projects at business level, and IF discussions and dialogues are supported, THEN policy bottlenecks hindering the development of RCE will be identified. IF public agencies are provided with relevant peer experiences and good international and national practices; in-depth discussions among relevant stakeholders and public-private dialogues are facilitated and technical advices on regulatory framework are provided to the public authorities, THEN they will have a better understanding of RCE, bottlenecks and implementation issues faced by businesses and practitioners, and would advocate for more enabling regulations and business environment. The intervention logic is based on the assumption that the government remains committed to green growth, sustainable and inclusive development and there will be concerted efforts and coordination across ministries and public agencies to remove multiple challenges that are blocking the implementation of circular economy practices.

IF (i) industrial parks and industrial businesses are selected and their performance are assessed using structured method and objective criteria (output 2.1), (ii) their knowledge and capacity on RCE are strengthened (output 2.2), and (iii) the implementation of RCE by selected industrial parks and businesses are supported, including through mainstreaming digitalization (output 2.3 and 2.4), THEN the circularity in industrial parks and industrial enterprises (outcome 2 and 3) will be improved. This intervention logic is based on the assumption that (i) the central and local government support RCE (ii) businesses commit to implement RCE projects (iii) service organizations, including financial institutions, has sufficient capacity to provide services to businesses as needed.

To improve the circularity in the industrial sector, the Action will build capacity of a number of businesses and help them to identify and implement feasible RCE projects. Those businesses will be selected based on assessments using a structured framework (such as EIP framework) and other objective criteria (output 2.1). A scoping mission will be organized as the first step to allow collection of information to be used for an objective assessment against the set criteria. Based on the assessment results and the validation of relevant stakeholders, a number of industrial parks and businesses will be selected for further technical support. Periodic assessments will be conducted in order to track the development and improvement of these beneficiaries towards the national and international requirements and against their own RCE targets. This activity will also allow identifying gaps and RCE opportunities to improve their performance, specifically for the criteria that are not initially fulfilled. The Action will support participating IPs and industrial enterprises in completing procedures for eco-industrial parks (EIP) and related certification in accordance with national and international standards when the conditions allow.

Awareness raising, training, peer-to-peer learning and other relevant activities will be organized to build capacity of IPs, enterprises and related stakeholders (output 2.2). Trainings on international and national frameworks (i.e. on EIP, sustainable production and consumption), responsible business conduct and practices, and other relevant requirements will be provided so that they understand the requirements, associated cost and benefits and would voluntarily choose to apply. Trainings on standards, requirements and technologies necessary for the uptake of circular economy projects will be provided (i.e. those on energy management system and system optimization, water management, waste treatment, sustainable design, eco label, material recycling/upcycling, industrial/agriculture symbiosis, urban-industrial symbiosis). Service providers, business servicing organizations will also be targeted in these activities to develop an ecosystem for implementation of RCE projects. EU business community and EU circular economy stakeholder platform will be connected as much as possible to share EU experiences and demonstrate EU technologies, with the view to create business match-making opportunities and contribute to the bilateral trade and investment.

The action will support the implementation of RCE initiatives by targeted group (output 2.3). It will conduct assessments to identify opportunities for RCE projects at industrial parks and industrial enterprises, and if possible at the value chain and provincial levels, aiming at increasing resource efficiency and circularity, and reducing waste and GHG emissions. The assessments will inform on the production/consumption of resources and by-products and therefore on possibilities to implement symbiosis between companies and/or value chain actors and at the park level and/or provincial level. Feasibility assessments will be conducted to assess whether the identified opportunities are technically sound, financially attractive and in line with regulations. When bankable projects are identified but project owner's face financing gap, the Action will support finding potential financiers and access to existing financing schemes, particularly those supported by the EU and EU Member States institutions including the private sector. The Action will explore the potential to work with the local banking sector to promote sustainable finance, including financing for RCE projects.

Digitalization will be mainstreamed to support the management and implementation of RCE initiatives (output 2.4). This includes support to improve the existing database managed by the government and advice on the use of digital platform to facilitate and enable circular economy. The EU Circular Economy Stakeholder Platform and EU Circular Economy Resource Centre demonstrate strong business cases and will be engaged to share the EU experience.

Synergy with other two Actions promoting circular economy in Viet Nam will be ensured in a number of ways, including but not limited to (i) collaboration on the first outcome as there are policy bottlenecks that are commonly faced by the targeted sectors and require engagement with the same government counterparts and (ii) working with industrial enterprises who are participating in the selected agriculture value chains in the selected provinces.

If the topics of gender equality and empowerment of women and girls, human rights, disabilities and reductions of inequalities are mainstreamed in the Action's activities, it will contribute to achievement of the related policy objectives. This holds true with the assumption that the government support these policies and there will be strong buy-in from targeted beneficiaries to implement the policies.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest.

New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baseline s (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute to the development of a climate neutral, responsible and circular economy in Viet Nam	1_ Material Footprint per GDP 2_ Domestic material consumption per capital	1 TBD 2 TBD	1 TBD 2 TBD	1 UN Environment Live platform, https://wesr.unep.org/ and https://unstats.un.org/sdgs/indicators/database/ 2 https://wesr.unep.org/ and https://unstats.un.org/sdgs/indicators/database/	<i>Not applicable</i>
Outcome 1	1. The regulatory framework and business environment for the uptake of gender-sensitive, responsible and circular economy practices improved	1.1_ Number of policies and regulations updated/developed to either (i) mainstream RCE or (ii) remove barriers for RCE 1.2. Number of gender-responsive policies approved by partner government in the circular economy sector	1.1 TBD 1.2 TBD	1.1 TBD 1.2 TBD	1.1 Government reports, project reports 1.2 Government reports, project reports	The government continues to have strong political support to RCE. Competent institutions and decision-makers continue to work together to support policy reforms and removal of bottlenecks.
Outcome 2	2. The circularity in industrial businesses and industrial parks improved	2.1_ Number of industrial businesses applying RCE practices 2.2_ Greenhouse Gas (GHG) emissions avoided (tonnes CO ₂ eq) 2.3_ Number of eco-industrial parks certified with the project support	2.1 TBD 2.2 TBD 2.3 TBD	2.1 TBD 2.2 TBD 2.3 TBD	2.1 Project reports 2.2 Project/government reports, independence verification by 3 rd parties 2.3 Project/government reports, independence verification by 3 rd parties	The central and local government continue to support responsible circular economy. IPs and enterprises continue to be interested in implementing RCE projects Service organizations, including financial institutions, has sufficient capacity to provide services to IPs and industrial enterprises as needed.
Output 1 relating to Outcome 1	1.1 Policy bottlenecks hindering the implementation of gender-sensitive, responsible and circular economy practices in the industrial sector identified	1.1.1_ Number of reports with recommendations delivered (disaggregated by gender and disability inclusion related recommendations) 1.1.2_ Number of policy dialogues and discussions supported (disaggregated by	1.1.1 TBD 1.1.2 TBD	1.1.1 TBD 1.1.2 TBD	1.1.1 Project reports 1.1.2 Project reports	The government continue to stay engaged in policy dialogues. Ministries continue to maintain effective collaboration and interest in improving regulations

		gender and disability inclusion related discussions)				
Output 2 relating to Outcome 1	1.2 The public capacity for improving regulatory framework and business environment to support gender- sensitive, responsible and circular economy practices strengthened	1.2.1_Number of officers participating in capacity building activities reporting increased knowledge on RCE (disaggregated by sex, age, and disabilities) 1.2.2_Number of public-private dialogues organized	1.2.1 TBD 1.2.2 TBD	1.2.1 TBD 1.2.2 TBD	1.2.1 Project reports 1.2.2 Project reports	The government continues to stay engaged in policy dialogues. Ministries continue to maintain effective collaboration and interest in improving regulations .
Output 1 relating to Outcome 2	2.1 Assessment and benchmarking of industrial parks and industrial businesses against eco-industrial park standards conducted	2.1.1_Number of assessments done 2.1.2_Number of IPs and industrial business supported to obtain certifications	2.1.1 TBD 2.1.2 TBD	2.1.1 TBD 2.1.2 TBD	2.1.1 Project reports 2.1.2 Project reports	IPs and enterprises continue to be interested in green transition.
Output 2 relating to Outcome 2	2.2 The capacity of industrial parks, industrial businesses and relevant stakeholders to implement circular economy practices and meet EIP requirements enhanced	2.2.1_Number of participants in capacity building activities reporting increased knowledge on RCE (disaggregated by sex, age, and disabilities)	2.2.1 TBD 2.2.2 TBD	2.2.1 TBD 2.2.2 TBD	2.2.1 Project reports 2.2.2 Project reports	IPs, enterprises and other relevant stakeholders continue to be interested in RCE and have effective participation in the project activities.
Output 3 relating to Outcome 2	2.3 Implementation of circular economy practices by industrial parks and industrial businesses supported	2.3.1_Number of IPs supported to comply with EIP requirements 2.3.2_Number of RCE opportunities identified and implemented 2.3.3_Value of finance mobilized for investment in RCE with the project support	2.3.1 TBD 2.3.2 TBD 2.3.3 TBD	2.3.1 TBD 2.3.2 TBD 2.3.3 TBD	2.3.1 Project reports 2.3.2 Project reports 2.3.3 Project reports	The national/local conditions enable the uptake of RCE projects. IPs and enterprises have sufficient capacity and resources to implement RCE projects. Service organizations, including financial institutions, have sufficient capacity to provide required services to IPs and industrial enterprises.
Output 4 relating to Outcome 2	2.4 Digitalization to support the management and implementation of responsible, circular economy initiatives mainstreamed	2.4.1 Status of the EIP database 2.4.2 Status of digital platform(s) for RCE	2.4.1 TBD 2.4.2 TBD	2.4.1 TBD 2.4.2 TBD	2.4.1 Project reports 2.4.2 Project reports	The government continue to commit and allocate sufficient resources to improve the EIP database. There is strong interest from businesses for well-functioning digital, circular economy platform(s)

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component: N/A

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³⁰.

4.4.1 Direct Management (Grants): NA

4.4.2 Indirect Management with one or more entrusted entities

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Having proven expertise in the international framework for eco-industrial park and using the framework to measure social, economic and environmental performance of IPs, experience in Viet Nam is an advantage;
- Having proven experience in supporting implementation of circular economy practices in the industrial sector, including but not limited to clean/sustainable production, energy efficiency, resource efficiency, industrial symbiosis, urban-industry symbiosis, including experience in supporting industrial sector in Viet Nam;
- Having proven experience in working with and advising the government of Viet Nam on policies relevant for implementation of circular economy in the industrial sector;
- Having a permanent establishment/representative office in Viet Nam.

The implementation by this entity entails the specific objectives 1 and 2.

4.4.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case the implementation modality in indirect management as specified under 4.4.2 cannot be implemented due to circumstances outside of the Commission's control, the alternative implementation modality shall be direct management (procurement).

³⁰ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components³¹	EU contribution (amount in EUR)	Third-party contribution³² (amount in EUR)
Implementation modalities – cf. section 4.4		
Objective 1 and 2 composed of	11 500 000	4 000 000
Indirect management with one or more entrusted entities - cf. section 4.4.2	11 500 000	4 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	to be funded from another decision	
Totals	11 500 000	4 000 000

4.7 Organisational Set-up and Responsibilities

The Ministry of Planning and Investment (MPI) is the government's lead agency for the implementation of this Action.

A Steering Committee will be established to oversee the implementation of the Action. The Steering Committee shall be made up of representatives of the MPI, a representative of the EU Delegation and representative(s) of other key stakeholders (i.e. relevant line ministries, provincial authorities, industrial park management boards). The Steering Committee will meet yearly and on ad-hoc basis as required.

A Coordination Meeting will be organized on annual and on ad-hoc basis as required to coordinate the implementation of the circular economy interventions supported by the EU in Viet Nam. It shall be made up of at least:

- A representative of the lead ministry in charge of each action;
- A representative of the EU Delegation to Viet Nam;
- Representative(s) of key participating agencies;

Other public and private stakeholders relevant to circular economy actions may be invited to attend the Steering Committee and the Coordination Meeting as observers.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission will participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

³¹ N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

³² The amount is indicative, subject to the final decision of the Republic of Finland.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The implementing partner contracted to implement parts of the Action shall be responsible for monitoring and reporting on indicators of the logframe matrix, including the collection of baselines and data collection, as in line with the contract concluded between the EU and the implementing partner. Aside from its own monitoring system, it can also resource to data collection systems in place in Viet Nam, conduct own surveys/assessment and/or using reliable surveys/assessments available at the time of reporting. Surveys conducted by a third party for the purpose of data collection and reporting on the Action shall not be covered by the Action's budget unless otherwise discussed and agreed between the EU and the respective implementing partner.

Gender equality and HRBA results will be monitored and reported, thus, the inclusion of sex-disaggregated information within the monitoring tools used will be ensured along with including specific gender equality and HRBA questions in the monitoring protocols.

Aside from regular technical meetings, the Steering Committee meeting and Coordination Committee meeting will allow meaningful participation of stakeholders.

5.2 Evaluation

Having regard to the importance and nature of the action, a mid-term and/or final evaluation(s) may be carried out for this action or its components via independent consultants contracted by the Commission.

A mid-term evaluation may be carried out for problem solving and learning purposes, in particular with respect to the lack of implementation progress and limited results achieved.

A final or ex-post evaluation may be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the project has been supporting important reforms in Viet Nam and there are potentials to leverage further the achievements of the project.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination³³. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

³³ See best [practice of evaluation dissemination](#)

All evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 "[Communicating and Raising EU Visibility: Guidance for External Actions](#)", it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.