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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX IV**

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 Promoting Inclusive Circular Economy in Viet Nam**

**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

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Promoting Inclusive Circular Economy in Viet Nam OPSYS number: ACT-62485 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes TEI 1: Climate-resilient, low-carbon circular economy TEI 2: Responsible entrepreneurship and enhanced skills for decent employment
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Viet Nam
<b>4. Programming document</b>	EU-Viet Nam Multi-annual Indicative Programme 2021-2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	The action will mainly contribute to the following expected results of the MIP: <b><i>Priority Area 1: Climate-responsive digital circular economy</i></b> ; Expected result 1.2.1: Energy efficiency is enhanced; Expected result 1.3.2: Production and consumption practices are more sustainable <b><i>Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment</i></b> ; Expected result 2.1.1: More companies adopt responsible business practices
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	410 General environmental protection 430 Other multisector
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: SDG 12: - Ensure sustainable consumption and production patterns Other significant SDGs: SDG 2 – End hunger, achieve food security and improved nutrition and promote sustainable agriculture 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			
<b>8 a) DAC code(s)</b>	41010 - Environmental policy and administrative management – 50% 43010 - Multisector aid – 50%			
<b>8 b) Main Delivery Channel</b>	20000 – non governmental organizations			
<b>9. Target</b>	<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			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input type="checkbox"/>	<input checked="" 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"/>
<b>11. Internal markers and Tags</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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 <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	/
	energy	<input type="checkbox"/>	<input checked="" 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"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14.020131 Total estimated cost: EUR 7 000 000 Total amount of EU budget contribution EUR 7 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	<b>Direct management</b> through grants			

## 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 interests 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 them to fulfil increasing social and environmental standards, for which the regulator and the business sector in Viet Nam will need to be supported in order to achieve more progress. Supporting Viet Nam to develop a responsible and circular economy (RCE), 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.

This action aims to strengthen the role of the non state actors (NSAs) in circular economy in Viet Nam, who have been playing a critical role in supporting the country in implementing the Sustainable Development Goals (SDGs) through a variety of roles including advocating for change in business practices, providing knowledge or capacity building, serving as technical providers and implementing agents in development projects, notably at the grass-root level. Generally, the involvement of NSAs in the government funded programmes (including

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)

ODA projects) is mainly limited to either participating in public consultation or being as final beneficiaries, but not directly receiving financial and technical supports.

Together with other two bilateral cooperation actions<sup>2</sup> supporting circular economy in industrial and agriculture sectors, it is expected to contribute to the development of an ecosystem that enables more robust and conducive transition to green growth at all levels.

The Action aligns with priorities of both sides and will strengthen the bilateral partnership, including 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 increase participation of non-state actors in decision-making processes on gender sensitive, responsible and circular economy.
- Specific objective 2: To increase uptake of responsible and circular economy practices by non-state actors.
- Specific objective 3: To support non-state actors in promoting demand for responsible and circular economy products and services.

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 and circular economy (RCE) initiatives in the targeted sectors. To do so, the action will engage with a wide range of stakeholders, including public authorities at the central and provincial levels, enterprises, economic actors and NSAs in the targeted sectors. EU and EU Member States, and relevant European Development Finance Institutions will be engaged in a Team Europe approach to the maximum extent to share the 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 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, Team Europe Initiative (TEI) in Viet Nam on 'Climate-resilient, low-carbon circular economy'<sup>3</sup> and TEI on 'Responsible entrepreneurship and enhanced skills for decent employment'<sup>4</sup> and is aligned also with the ASEAN regional 'Green TEI'<sup>5</sup>. It complements other actions under MIP and will be implemented in synergy with supports provided in a Team Europe approach and 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)<sup>6</sup>, especially to its Thematic Area of Engagement "Promoting economic and social rights and empowering girls and women". It is also fully aligned with the EU Roadmap for Engagement with Civil Society in Viet Nam 2021 -2025, especially with the objective "to promote a stronger voice and participation of CSOs in domestic policies at national and local levels (from dialogue to PPP), with a particular emphasis on the areas of EU engagement in Viet Nam".

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, SDG10, SDG 13 and SDG16. It will be implemented through direct management with non-state actors. A Financing Agreement is not envisaged

<sup>2</sup> The EU will conclude a Financing Agreement for each of the two Actions with the Government of Viet Nam

<sup>3</sup> Participants in TEI 1: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Sweden, European Commission, and EIB.

<sup>4</sup> Participants in TEI 2: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Sweden, and European Commission.

<sup>5</sup> Participants in Green TEI: Austria, Denmark, France, Finland, Germany, Italy, Romania, European Commission, and EIB.

<sup>6</sup> 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

for this Action. It **complements** other two bilateral cooperation actions supporting circular economy in industrial and agricultural sectors and will be implemented in synergy.

## 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 EU-Viet Nam Free Trade Agreement (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.

Since the entry into force of the EVFTA, bilateral trade between the EU and Viet Nam grew significantly. Viet Nam became the EU's 16<sup>th</sup> 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 textiles<sup>7</sup>, 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 industrialization 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. 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. Moreover, it will decrease greenhouse gas emissions and enhance the resilience of systems to climate change impacts, thus providing a comprehensive approach to environmental stewardship and climate adaptation. Like many other countries, Viet Nam cannot afford to continue the current development path. To sustain its long-term economic growth and achieve sustainable development goals, the country will need to adjust its growth models and switch to a more responsible, smarter and greener economy.

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 National Strategy of Sustainable Agriculture and Rural Development (2021-2030) and 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). In December 2022, the government signed a political declaration with the International Partners Group<sup>8</sup> co-led by the EU and the United Kingdom (UK) to establish the Just Energy Transition Partnership, which will mobilise at least USD 15.5 billion through a combination of appropriate financial instruments to support the needs of Viet

<sup>7</sup> Viet Nam is the 3<sup>rd</sup> 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>)

<sup>8</sup> 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

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 EU internal market. 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 responsible and circular 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.

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. It 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 Farm to Fork Strategy** recognises the inextricable links between human health, plant health, animal health and eco-system health and seek to reduce dependency on pesticides and antimicrobials, reduce excess fertilisation, increase organic farming, improve animal welfare, and reverse biodiversity loss. Putting the food systems on a sustainable path brings new opportunities for operators in the food value chain. Additionally, the EU's Biodiversity Strategy underlines that the biodiversity conservation will need to be strengthened to ensure the provision of safe, sustainable, nutritious and affordable food.

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.

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 Vietnam with a total foreign direct investment outward stock of €8 billion in 2021<sup>9</sup>. 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

<sup>9</sup> The European Chamber of Commerce in Viet Nam (Euroham) was established in 1998. Eurocham has more than 1400 members, representing one of the biggest foreign business association in Viet Nam.

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.

**Non-state actors (NSAs)**<sup>10</sup> have been playing a critical role in Viet Nam in supporting the country in implementing the Sustainable Development Goals (SDGs). They are contributing in this SDG journey through a variety of roles including advocating for change in business practices, providing knowledge or capacity building, serving as technical providers and implementing agents in development projects, notably at the grass-root level. They operate within diverse political contexts and areas of expertise and act as a connection between the government and citizens. They share information/policies from government in the language and format that is relevant for citizens and provide feedback from citizens to the government for advocating policy change. They play an important role in providing basic social and economic services in places and to vulnerable and marginalised groups. The role and voice of NSAs has become more and more significant overtime, as their number and capacity steadily improved. The number of registered NGOs has risen from fewer than 200 in the late 1990s to an estimated number of 1700 today. Beyond the NGOs, the NSA's landscape in Viet Nam is experiencing rapid and multiple changes, as new types of informal organisations, actors and activities are coming into play and are active in the civic space, both physical and online. Nonetheless, the effective participation of NSAs, especially non-governmental organisations (NGOs), in policy making and monitoring processes in Viet Nam is becoming more challenging in recent years due to shrinking space and increased administrative control from the government. This underscores the importance to continue to strengthen the EU collaboration and support to NSA with a view to achieve inclusive and sustainable development, and to promote transparency and accountability in all sectors of cooperation.

This Action aims to strengthen the role of the NSAs in circular economy in Viet Nam. Together with the “EU-Viet Nam Women-led Green Partnership Programme” (adopted in 2023) supporting NSA women-led initiatives on climate change adaptation, disaster resilience and digital and circular value chains, and other two Actions supporting circular economy in industrial and agriculture sectors, it is expected to contribute to the development of an ecosystem that enables more robust and conducive transition to green growth at all levels. It will also complement other on-going and upcoming supports to Viet Nam, notably the Budget Support programme on Sustainable Energy Transition, the Decent Work programme, the Technical and Vocational Training programme, the SWITCH-Asia Programme, as well as the Integrated Sustainable Landscape Management (I-landscape), Smart Agro-ecological Transformation of Farming Systems towards Resilience and Sustainability (STAR-FARM) projects and the project enhancing transparency and traceability in the garment and footwear industry.

This Action will, therefore, 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.

This Action will also contribute to the Commission objectives and priorities, notably to the European Green Deal, the Global Gateway strategy, the EU Circular Economy Action Plan, and the EU Corporate Sustainability Due Diligence Directive 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 Action is also expected to contribute to improve bilateral trade and investment and to the implementation of the EVFTA, notably Chapter 13 on Trade and Sustainable Development. It will work with government and relevant non-state actors 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.

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<sup>10</sup> NSAs/CSOs include non-profit organisations, non-government organisations (NGOs), community based organisations (CBOs), academia, research institutes, cooperatives, business and/or professional associations, unions, social enterprises, youth and women movements, and private sector actors.

A just and inclusive transition towards circularity calls for a stronger participation of women and inclusion of persons with disabilities across the *entire* circular economy spectrum<sup>11</sup>. 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 change<sup>12</sup>. 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 15<sup>th</sup> 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, Ha Noi 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 population<sup>13</sup>. Growing population and rapid urbanisation have increased the demand for natural resources and pressure on the environment and reduce climate change resilience by depleting ecosystems.

Against the background of 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 2004<sup>14</sup>. 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 economy<sup>15</sup>. From a gender perspective, job opportunities have been mostly inclusive as the rate of women working in Viet Nam is 73%<sup>16</sup>, much higher than the regional peers. However, with a much greater share of care responsibilities due to social norms, 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.

### **The Industrial sector**

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 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 industrialization 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 green house gas (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 m<sup>3</sup>/day) is discharged directly and untreated<sup>17</sup>. 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,

<sup>11</sup> Why adopting a gender-inclusive approach towards Circular Economy matters, UNIDO 2022

<sup>12</sup> The WB, Climate Risk country profile, 2021

<sup>13</sup> General Statistical Office of Viet Nam, 2024

<sup>14</sup> [https://www-cdn.oxfam.org/s3fs-public/file\\_attachments/bp-vietnam-inequality-120117-en.pdf](https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-vietnam-inequality-120117-en.pdf)

<sup>15</sup> The World Bank, Viet Nam poverty and equity assessment, 2022

<sup>16</sup> The World Bank, Viet Nam poverty and equity assessment, 2022

<sup>17</sup> 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

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. Those sources of pollution take a severe toll on human health and well-being as well as on marine and coastal ecosystems that have a severe impact on climate change resilience in the coastal areas. According to UNEP data, municipal, industrial and agricultural wastes and run-off account for as much as 80% of all marine pollution<sup>18</sup>.

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 rise<sup>19</sup>. The proportion of hazardous solid waste amounts to 20% -30% of the total waste<sup>20</sup>. 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 recycled<sup>21</sup>.

The government recognised the need to pursuit 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 economy<sup>22</sup>. Given the significance of its resource consumption and environmental footprints, the industrial sector has been playing the central role in this green and circular transition process and the government has taken efforts to promote circular economy in the sector.

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 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)<sup>23</sup>, 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 and limit opportunities to reach Viet nams NDC targets as well.

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 of innovation capacity and knowledge of available technologies.

Lack of access to finance is another issue faced by industrial enterprises. Switching to circular economy business models requires investment in infrastructure, equipment, technologies 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 Agriculture sector**

The agriculture sector, including agriculture, forestry, aquaculture and fishery, continues to affirm its important position as a key pillar of the economy, ensuring food security and contributing to macroeconomic stability. The sector grew at the rate of 3.83% in 2023, the highest level in the last 5 years, and contributed 12% of the GDP.

<sup>18</sup> <https://www.unep.org/topics/ocean-seas-and-coasts/regional-seas-programme/land-based-pollution>

<sup>19</sup> Minh Duc Tran “Waste source owner in industrial solid waste in Viet Nam”, E3S Web of Conferences 258, 08010 (2021)

<sup>20</sup> <https://monre.gov.vn/Pages/tinh-hinh-phat-sinh-chat-thai-nguy-hai.aspx>

<sup>21</sup> <http://scp.gov.vn/tin-tuc/t13247/can-phat-trien-nganh-cong-nghiep-tai-che-rac-thai-nhua.html>

<sup>22</sup> 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/QD-TTg), the National Action plan to promote responsible business conducts in Viet Nam for 2023-2027 peiord. 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.

<sup>23</sup> 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.

Viet Nam has become one of the world's leading producers and exporters of many agricultural-aquaculture products, such as coffee, peanuts, rice, shrimp, pangasius, tuna, squid and others.

Decades of expansion and intensification of unsustainable agricultural practices, however, have resulted in declining agricultural productivity and degradation of biodiversity and environmental quality in Viet Nam. This 'take-make-dispose' behavior leads to a series of problems. Viet Nam produced about 43.5 million tons of rice in 2023, but about 28.3% of straw were burned directly and 18.4% of that were left untreated on the fields. It is also reported that 30.5% of rice husks were burned, 31% of that were reused as fuel and only 16.5% of that were collected for producing bio-char<sup>24</sup>. The burning practice contributes to air pollution and does not optimise the value of agricultural residues and by-products. Moreover, the degradation of health ecosystems in Viet Nam, including the loss of fertile soil, natural forests, and mangroves, significantly undermines the country's climate resilience. These ecosystems play a crucial role in mitigating the impacts of extreme weather events and stabilising rain patterns. The loss of fertile soil reduces agricultural productivity and increases vulnerability to droughts, while deforestation and the destruction of mangroves diminish natural barriers against storms and floods, exacerbating the adverse effects of climate change.

Agriculture is also one of the most water intensive sectors, consuming about 100 billion cubic meter annually, accounting for approximately 88% of the total water consumption in the production sector. Waste water from agricultural activities often contains organic matters (such as protein, carbohydrate, lipid), nutrients (such as nitrogen, phosphorous, kali), non-organic matters (such as minerals, heavy metals), sediments, toxic chemicals (such as pesticide, chemical fertilizers) and pathogens (such as bacteria, virus). Most of the agricultural waste water is not collected and properly treated before discarding into the environment. In 2022, aquaculture generated about 1.2 million tons of waste sludge of which only 27% was pre-treated<sup>25</sup>. The sector produced 98,6 million tons of CO<sub>2</sub>e, accounting for 30 % of the national GHG emission in 2016<sup>26</sup>. It also generates a huge volume of waste and residues.

Like the industrial sector, the agricultural policy framework also faces lots of challenges. Although the government strategies are ambitious, they have not been effectively translated into concrete policies and incentives to encourage agriculture economic actors to invest in circular economy business models. The traditional growth model, with a short-term vision, has prioritised productivity and rapid economic growth and in favors of immediate gains over sustainability and long-term benefits. For example, Viet Nam set target to be a top shrimp producing country and aims to achieve an annual growth rate of 7.3% and produce 1.1 million Mt by 2025. As a result, the volume of shrimp products is growing quickly (more than 400 thousand tons/year), but at the same time increases the environmental pressure, because wastes and residuals are not properly treated. It is estimated that the associated residuals and by-products from shrimp industry will reach 0.38-0.49 million Mt by 2025 (VNFOOD, 2024). The growth would not be sustained in the long-run as exporters will be required to demonstrate environmental standards to be able to export to advanced markets. They will need to invest in a cleaner, more sustainable and circular production. At the moment, the Vietnamese agricultural commodities for export focus mainly on quantity with low added values. For example, among products exported to EU, raw coffee beans accounts for 95% of the total coffee export turnover, raw cashew nuts, raw pepper and frozen /pre-processed seafood account for 96.8%, 79% and 60%, respectively. The government aims to establish agricultural value chains that are based on sound quality, safety and traceability management systems in order to produce national brand products linked with associated traditional and cultural values.

The Vietnamese agricultural sector also faces a shortage of high-skilled labour and the labour pool for agricultural workers is shrinking. Labour in the agriculture, forestry, and fishery sectors currently accounts for 30% of the total workforce, but less than 2% of about 520,000 students attending universities in 2022 are majoring in related disciplines. Some traditional agricultural areas face challenges in enrolling new students recently<sup>27</sup>. Higher-skilled workers tend to move to other sectors like manufacturing and services. The income gap between men and women is the biggest in the agriculture and in foreign companies (43%)<sup>28</sup>. Women are

<sup>24</sup> Institutes of Agricultural Economics (IAE) report, 2023

<sup>25</sup> Vietnam Institute of Fisheries Economics And Planning (VIFEP), 2022

<sup>26</sup> Vietnam Biennial Update Report (BUR) No. 3, MONRE, 2020

<sup>27</sup> <https://vir.com.vn/skilled-labour-force-needed-for-agriculture-sector-104158.html>

<sup>28</sup> Oxfam briefing paper: How to tackle inequality in Viet Nam, 2017.

particularly disadvantaged by their limited earnings and fewer worker protections in agriculture sector employment<sup>29</sup>. The situation challenges the government's ambition to develop a smart, ecological and circular agricultural sector.

In general, the agriculture sector does not yet have sufficient capacity to take up circular economy practices. Farmers, businesses and other stakeholders often lack knowledge about business models, practices and technologies, and also necessary skills to apply circular economy approach throughout the value chain.

There is a need to raise awareness and build capacity of economic actors and farmers, especially women and people from underserved groups such as people with disabilities, on RCE models/practices in agricultural sector with the view to develop business cases for further upscaling. The success models and lessons learnt documented, promoted and disseminated via proper channel is essential. Currently, there are limited mechanisms or platforms for collaboration and coordination between different stakeholders involved in promoting RCE in agriculture. This lack of coordination and platforms hinders the development and implementation of effective policies and initiatives

The action will support the development of circular economy in the industrial and agriculture sectors. It will contribute to strengthen capacity of public authorities, economic actors along industrial and agricultural value chains, and other relevant stakeholders to implement gender sensitive and inclusive circular economy models and practices that integrate the Human Rights Based Approach and the rights of people with disabilities, thereby improving economic, environmental and social performances of the sectors and the whole economy.

### **The non-state actors (NSA)**

The development process is a collective endeavour that involves both state and non-state actors working together to address complex challenges, promotes economic growth, and improves the well-being of people. The government plays a central role in policy formulation and resource allocation, while NSAs, together with other development partners, contribute valuable expertises, resources, and on-the-ground implementation. Collaborative partnerships that gather diverse perspectives and ensure inclusive participation are critical for achieving sustainable development goals and creating a better future for all. As such, non-state actors can play pivotal roles in promoting the shift to a green and circular economy. They are key in raising public awareness about sustainable practices, influencing consumer behavior, and advocating for policy changes. NSAs collaborate with governments to develop and implement circular economy policies, providing critical insights and expertise. They also drive innovation by supporting green entrepreneurship and new business models, as well as they facilitate networking and partnerships across sectors to share best practices and resources, essential for scaling circular initiatives. They also play a role in monitoring and evaluating the effectiveness of these initiatives, ensuring they are inclusive and effective. Promoting the participation of the entire society, including the public, NSAs and individual consumers, is thus an important driving force to promote RCE models/practices.

However, NSAs, depending on their political functions and areas of specialisation, have their own challenges and constraints including limited access to resources such as finance, technology, knowledge/information, skills and practical experiences on RCE, networking and marketing for business development, market connection and investment opportunities. These limitations affect their green production, employment and advocacy opportunities to promote RCE practices. Currently, the involvement of NSAs in the government funded programmes (including ODA projects) is mainly limited to either participating in public consultation or being as final beneficiaries.

While the two Actions promoting circular economy in industry and agriculture sectors will be jointly implemented with the government, this Action will support NSA to strengthen and exercise their roles in including policy developments and promoting circular economy principles in Viet Nam. This include supports to build capacity and to implement innovative RCE's initiatives in the two sectors which could not be otherwise supported within the framework of the two bilateral cooperation Actions<sup>30</sup>. This Action is designed as complementary measure to ensure the inclusive participation in RCE actions by all relevant stakeholders.

From experience of grant projects funded under the EU SWITCH-Asia Programme, engaging with the private sector in partner countries like Viet Nam and support their **micro, small and medium enterprises (MSMEs)** in the transition to more sustainable and circular production processes and in complying with high European and global standards will be crucial to prevent the disruption of global value chains and ensuring the resilience as

<sup>29</sup> ADB, 2022. Agriculture, Natural Resources and Rural Development Sector Assessment, Strategy and Road Map - Viet Nam 2021–2025

<sup>30</sup> In Viet Nam, the bilateral cooperation projects/programmes for which a Financing Agreement is concluded with the Government of Viet Nam, generally provide very limited opportunities for NSA to receive financial and technical support.

well as limiting negative socio-economic impacts in these countries. This transition will be possible by de-risking the testing of RCE practices/models through public funding (grants) to increase the flow of capitals and investments to MSMEs and their partners to integrate green practices and establishing a structural dialogue with financial institutions in order for them to align their mechanisms to the real needs of MSMEs in terms of access to finance for green investment and RCE actions.

**Consumers** also play a very important role in making responsible decisions affecting the market. Providing consumers with a better information about the environmental sustainability of products they purchase and protecting them against greenwashing will be decisive for them to play a key role in the green transition.

Having a neutral position without affiliation to public or for-profit organisations places NSAs/NGOs in a good position to engage with different stakeholders (including the local government, private sector and communities) in promotion of RCE policies/models/practices in industry and agriculture sectors.

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

Since this Action focuses in promoting innovative initiatives on responsible and circular economy (RCE) developed and implemented by NSA, the main stakeholders of the Action will include:

- Business and for-profit organisation (e.g. industrial and agricultural enterprises, retailers, chambers of commerces, industrial clusters or associations,...). These businesses/organisations are at the core of the Action, representing the primary target groups and beneficiaries. Their active engagement is crucial for the successful implementation of responsible and circular economy (RCE) practices.
- International organisations and NGOs play an important role in policy advocacy, technical/capacity building and implementing grant projects supported by this Action.
- Cooperatives, farmers and consumers associations, unions, labour organisation, academia/research and training institutions, business development services (BDS) and technology providers, social enterprises, development organisations, and other relevant public and private bodies will be engaged as relevant for specific policies and activities.
- Other NSA organisations such as community based organizations (CBOs) and civil society organizations (CSOs), including youth, 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.

At the central level, the Ministry of Planning and Investment (MPI) and the Ministry of Agriculture and Rural Development (MARD) are the two key ministries leading the implementation of the circular economy actions in the industrial and agriculture sectors, and they will be closely engaged. 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 (MOIT) takes the lead in state management of industrial clusters (ICs), 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 (MOST) 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.
- The Ministry of Construction (MOC) 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 (MOLISA) 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 (MOF) 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 stakeholder 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. Industrial and agriculture enterprises, household business and farmers of the selected value chains are beneficiaries with whom the Action will work directly and extensively at the activity level.

EU and EU Member State institutions and businesses<sup>31</sup> will be engaged in a Team Europe approach to the maximum extent to share 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 mobilize 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:**

- Specific objective 1: To increase participation of non-state actors in the decision-making process on gender sensitive, responsible and circular economy.
- Specific objective 2: To increase uptake of responsible and circular economy practices by non-state actors
- Specific objective 3: To support non-state actors in promoting demand for responsible and circular economy products and services.

**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 by non-state actors (NSAs) are assessed.
- 1.2 NSA capacity to contribute to decision-making process on gender sensitive, responsible, circular economy strengthened.

Contributing to Outcome 2 (or Specific Objective 2):

- 2.1 NSA capacity for implementation of responsible and circular economy practices enhanced;
- 2.2 Implementation of responsible and circular economy practices by NSAs supported;
- 2.3 Digitalization to support implementation of responsible and circular economy practices by NSA mainstreamed.

<sup>31</sup> 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.

### Contributing to Outcome 3 (or Specific Objective 3)

3.1 Awareness and understanding of the circular economy potential and benefits among NSAs and consumer groups increased.

3.2 Consumer willingness and capacity to make their choices on RCE's products and services increased.

## 3.2 Indicative Activities

### *Activities relating to Output 1.1*

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

### *Activities relating to Output 1.2*

- Provide trainings and good international & national practices relevant to RCE and bottlenecks identified;
- Support peer-to-peer learning among NSAs and relevant stakeholders on RCE practices;
- Support policy dialogues between NSA and regulators on policies and regulations relevant for the uptake of gender-sensitive, RCE practices.

### *Activities relating to Output 2.1:*

- Provide awareness raising, trainings to NSAs and relevant stakeholders on RCE standards, requirements and practices;
- Build capacity and skills on circular economy technologies and business models;
- Support peer-to-peer learning among relevant stakeholders along the selected value chains and targeted provinces.

### *Activities relating to Output 2.2*

- Assessment of potential for RCE practices to be implemented by NSA, support to conduct feasibility studies to identify opportunities for RCE projects;
- Provide technical support for the implementation of the identified RCE opportunities;
- Supports NSAs to access to finance and promote investment in RCE.

### *Activities relating to Output 2.3*

- Build capacity and skills among NSAs on digital and circular economy;
- Support NSA participation in circular economy platforms.

### *Activities relating to Output 3.1*

- Organise multi-stakeholder discussions and awareness raising campaigns on potential and benefits of RCE practices among NSAs and consumer groups as contribution to create market for RCE's products.

### *Activities relating to Output 3.2*

- Building capacity and awareness of consumer groups on the environmental and social impact of the products to help them make decision on circular economy purchases.

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;
- The "Circular Economy Cocoa: From Bean to Bar" implemented by Helvetas Germany.
- 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 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); and the “Smart Agro-ecological Transformation of Farming Systems towards Resilience and Sustainability (funded by the EU and implemented by FAO).

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

The action, fully in line with the Great 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 externally<sup>32</sup>. 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

<sup>32</sup> 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).

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 responsible and circular economy practices. Therefore, gender equality will be an important component of the training activities for NSAs, in order to improve the social performances of industrial and agricultural operators.

**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 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 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 industrial and agricultural sectors. In doing so, it will engage with a broad range of stakeholders, including workers, employees, non-state actors, farmers and households in these sectors who partly 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 sectors, 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/	Impact (High/ Medium/	Mitigating measures
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		Low)	Low)	
<i>1- external environment</i>	Key stakeholders are reluctant to participate in the Action as worsening market conditions discourage investments in clean and low carbon technologies	Medium	Medium	<ul style="list-style-type: none"> <li>- Collaborate closely with public authorities at the central and local level to secure political support.</li> <li>- Together with a suitable communication strategy, the Action will be able to reach out to targeted beneficiaries.</li> <li>- 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.</li> <li>- 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.</li> </ul>
<i>2- planning, processes and systems</i>	The approval of grant projects developed by NSA might be delayed.	Medium	Medium	<ul style="list-style-type: none"> <li>- Engage with relevant government authorities since the project preparation phase, to secure political support and updated project approval procedures.</li> <li>- Maintain effective collaboration and communication at the technical level to ensure common understanding and timely action on bottlenecks emerged.</li> <li>- Use of clear and appropriate language (translation version), consistent with the Government's guidelines and policies to avoid unnecessary delay.</li> </ul>
<i>3- legality and regularity aspects</i>	Policy barriers are not timely removed to enable implementation of responsible, circular economy initiatives	Medium	Medium	<ul style="list-style-type: none"> <li>- Engage with political leadership, since the identification phase, to secure political support.</li> <li>- Maintain regular policy dialogues (including multi-stakeholder forums) to ensure effective strategic oversight of the Action.</li> <li>- Align the Action and its workplan with the government's priorities and working agenda to secure the government support.</li> <li>- 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.</li> </ul>
<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	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.

	by the targeted institutions and non-state actors.			
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**Lessons Learnt:**

An important lesson learnt 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 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.

Earlier experiences also show that there is often a lack of available data at company, 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/agriculture symbiosis. 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 sectors go beyond the mandate of the two key ministries (MPI and MARD), 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 two major sectors of the economy (industrial and agriculture-fishery), 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.

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 demonstrates 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 participation of non states actors (NSAs) in the decision making process on gender sensitive, responsible and circular economy is increased (outcome 1) and IF uptake of responsible and circular economy practices by NSAs is increased (outcome 2) and IF NSAs are supported in promoting demand for responsible and circular economy products and services (outcome 3) THEN it will help to improve economic, social and environmental performance of business sector and contribute to the development of a climate-neutral, responsible and circular economy in Viet Nam (**impact**).

IF the policy bottlenecks hindering the implementation of gender-sensitive, responsible and circular economy practices by NSAs are identified (output 1.1) and IF the capacity of NSA to contribute to decision-making process on gender sensitive, responsible, circular economy is strengthened (output 1.2), THEN it will help to increase participation of NSAs in decision-making process on gender sensitive, responsible and circular economy (**outcome 1**). This intervention logic is based on the assumption that the government has strong political support to responsible circular economy (RCE) and NSAs are interested and actively participate in policy dialogues on RCE.

IF the capacity of NSAs for implementation of responsible and circular economy practices is enhanced (output 2.1)

and IF the implementation of responsible and circular economy practices by NSAs is supported (output 2.2); and IF digitalization to support implementation of responsible and circular economy practices by NSA is mainstreamed (output 2.3) THEN it will lead to increase uptake of responsible and circular economy practices by non-state actors (**outcome 2**). This intervention logic is based on the assumption that the central and local government support RCE initiatives, NSAs are interested in implementing RCE projects, and service organizations, including financial institutions, are keen and have sufficient capacity to provide services to NSA as needed.

IF awareness and understanding of the circular economy potential and benefits among NSAs and consumer groups increased (output 3.1) and IF consumer willingness and capacity to make their choices on RCE's products and services increased (output 3.2) THEN it will support NSA in promoting demand for responsible and circular economy products and services (**outcome 3**).

This intervention logic is based on the assumption that the government and consumer groups/organisation support RCE initiatives implemented by NSA and concept of RCEs products and services is introduced and accepted by the government and target consumer groups.

To increase participation of non-state actors in decision-making process on gender sensitive, responsible and circular economy, the action will assist to carry out assessment of policy bottlenecks and identify areas that need improvements, support multi-stakeholder discussion and policy dialogue on the identified issues (output 1.1) and provide relevant capacity building on policy advocacy on RCE to NSAs (output 1.2)

Awareness raising, training, peer-to-peer learning and other relevant activities will be organized to build capacity of NSAs and related stakeholders (output 2.1). Trainings on international and national frameworks (i.e. green growth, 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. Service providers, business servicing organizations will also be targeted in these activities to develop an ecosystem for implementation of RCE projects. The Action will also build capacity of consumer groups to support their decisions on circular economy purchases. EU business community and EU Circular Economy Stakeholder Platform will be connected when and where 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 NSAs (output 2.2). It will conduct assessments to identify opportunities for RCE projects to be implemented by NSAs 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 businesses, value chain actors and at the business 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 MS institutions. 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 2.3). This includes support to improve the existing database managed by the government and advice on the use of digital platform to facilitate circular economy. The EU Circular Economy Stakeholder Platform and the EU Circular Economy Resource Centre demonstrate strong business cases and will be engaged to share the EU experience.

To support NSAs in promoting demand for RCE products and services the Action will organise multi-stakeholder discussions and awareness raising campaigns on potential and benefits of RCE practices among NSAs and consumer groups as contribution to create market for RCE's products (output 3.1). The Action will carry out building capacity and awareness initiative for consumer groups on the environmental and social impact of the products in order to help them make decision on circular economy purchases (output 3.2).

Synergy with the actions promoting circular economy in the industrial and agriculture sector 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 both 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)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To contribute to the development of a climate neutral, responsible and circular economy (RCE) in Viet Nam	1_Material Footprint per GDP  2_Domestic material consumption per capital  3_Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq)	1_TBD  2_TBD	1_TBD  2_TBD	1 UN Environment Live platform, <a href="https://wesr.unep.org/">https://wesr.unep.org/</a> and <a href="https://unstats.un.org/sdgs/indicators/database/">https://unstats.un.org/sdgs/indicators/database/</a> 2 <a href="https://wesr.unep.org/">https://wesr.unep.org/</a> and <a href="https://unstats.un.org/sdgs/indicators/database/">https://unstats.un.org/sdgs/indicators/database/</a>	<i>Not applicable</i>
<b>Outcome 1</b>	1. Participation of non-state actors (NSA) in decision-making process on gender sensitive, responsible and circular economy increased.	1.1_Number of NSAs participated in policy dialogues with regulators on circular economy matters  1.2_ Number of briefings/policy papers/ recommendation notes produced by NSAs and shared with government authorities on circular economy	1.1 TBD  1.2 TBD	1.1 TBD  1.2 TBD	1.1 Project reports  1.2 Project reports	- The government has strong political support to RCE.  - NSAs are interested and actively participate in policy dialogues on RCE

<b>Outcome 2</b>	2. Uptake of responsible and circular economy practices by non-state actors increased	2.1_Number of NSAs applying RCE practices  2.2_Number of (a) job, (b) green jobs supported/ sustained (disaggregated by sex, age, and disabilities)  2.3_Degradation of ecosystems (loss of fertile soil, natural forests including mangroves in hectares and water in m3) prevented	2.1 TBD  2.2 TBD  2.3 TBD  2.4 TBD	2.1 TBD  2.2 TBD 2.3 TBD	2.1 Project reports  2.2 Project/government reports, independence verification by 3 <sup>rd</sup> parties	- The central and local government support RCE initiatives.  - NSAs are interested in implementing RCE projects  - Service organizations, including financial institutions, are keen and have sufficient capacity to provide services to NSA as needed.
<b>Outcome 3</b>	3. Non state actors actions in promoting demand for responsible and circular economy products and services supported	3.1_Number NSA initiatives to promote RCE products and services implemented.	3.1 TBD	3.1 TBD	3.1 Project reports/ market survey reports, baseline & endline/evaluation reports	The government and consumer groups/organisation support RCE initiatives implemented by NSAs. Concept of RCEs products and services is introduced and accepted by the government and target consumer group.
<b>Output 1 relating to Outcome 1</b>	1.1 Policy bottlenecks hindering the implementation of gender-sensitive, responsible and circular economy practices by non-state actors identified	1.1.1_Number of reports with recommendations done  1.1.2_Number of discussions supported	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 has strong political support to RCE and open for dialogue with NSA There is sufficient inter-ministerial coordination and effective participation of relevant public authorities in the Action
<b>Output 2 relating to Outcome 1</b>	1.2 Non-state actors capacity to contribute to decision-making process on gender sensitive, responsible and circular economy strengthened	1.2.1_Number of NSAs participating in capacity building activities reporting increased knowledge on RCE (disaggregated by sex, age, and disabilities)  1.2.2_Number of policy 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 has strong political support to RCE. There is sufficient inter-ministerial coordination and effective participation of relevant public authorities in the Action

<b>Output 1 relating to Outcome 2</b>	2.1 Non-state actors capacity for implementation of responsible and circular economy practices enhanced	2.1.1_Number of participants participated in capacity building activities reporting increased knowledge on RCE (policies, standards and requirements, technologies) (disaggregated by sex, age, and disabilities)  2.1.2_Number of peer-to-peer learning supported	2.1.1 TBD  2.1.2 TBD	2.2.1 TBD  2.1.2 TBD	2.2.1 Project reports  2.2.2 Project reports	NSAs and other relevant stakeholders are interested in RCE and have effective participation in the project activities.
<b>Output 2 relating to Outcome 2</b>	2.2 Implementation of responsible and circular economy practices by non-state actors supported	2.2.1_Number of RCE opportunities identified and implemented by NSAs  2.2.2_Value of finance mobilized for investment in RCE with the Action support	2.2.1 TBD  2.2.2 TBD	2.2.1 TBD  2.2.2 TBD	2.2.1 Project reports/ feasibility study reports  2.2.2 Project reports	<ul style="list-style-type: none"> <li>- The national/local conditions enable the uptake of RCE projects.</li> <li>- NSAs have sufficient capacity and resources to implement RCE projects.</li> <li>- Service organizations, including financial institutions, have sufficient capacity to provide required services to NSAs as needed.</li> </ul>
<b>Output 3 relating to Outcome 2</b>	2.3 Digitalization to support implementation of responsible and circular economy practices by non-state actor mainstreamed	2.3.1_Number of participants reporting improved digital skills for circular economy  2.3.2_Status of NSA participation in circular economy platforms	2.3.1 TBD  2.3.2 TBD	2.3.1 TBD  2.3.2 TBD	2.3.1 Project reports/ feasibility study reports  2.3.2 Project reports	<ul style="list-style-type: none"> <li>- NSAs and other relevant stakeholders are interested in digitalization and have effective participation in the project activities.</li> <li>- Service organizations have sufficient capacity to provide required services to NSAs as needed.</li> </ul>
<b>Output 1 relating to Outcome 3</b>	3.1. Awareness and understanding of the circular economy potential and benefits among consumer groups increased.	3.1.1_ Number of multi-stakeholder discussions and awareness raising campaigns on potential and benefits of RCE practices organised.  3.1.2_ Number of target consumer group reporting increased knowledge on RCE potential and benefits	3.1.1 TBD  3.1.2 TBD	3.1.1 TBD  3.1.2 TBD	3.1.1 Project reports  3.1.2 Project reports/ Baseline and endline surveys reports	Consumer groups and other relevant stakeholders interested and participated effectively in project activities

<p><b>Output 2 relating to Outcome 3</b></p>	<p>3.2. Consumer willingness and capacity to make their choices on RCE products and services increased.</p>	<p>3.2.1_ Number of training on relevant topics/skill, such as digital skills, access to information on the quality and traceability of products delivered</p> <p>3.2.2_ Percentage of consumers from the target population who report that they monitor the social and environmental impact of the products they buy, (disaggregated by sex, age, and disabilities)</p>	<p>3.2.1 TBD</p> <p>3.2.2 TBD</p>	<p>3.2.1 TBD</p> <p>3.2.2 TBD</p>	<p>3.2.1 Project reports/ training evaluation reports</p> <p>3.2.2 Project reports/ Baseline and endline surveys reports</p>	<p>Consumer groups and other relevant stakeholders interested and participated effectively in project activities.</p>
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## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not 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 90 months from the date of adoption by the Commission of this Financing Decision.

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 measures<sup>33</sup>.

#### 4.4.1 Direct Management (Grants)

##### **Grants**

##### **(a) Purpose of the grant(s)**

The grant(s) will contribute to achieving all three specific objectives of the Action.

##### **(b) Type of applicants targeted**

The Action intends to target non-state-actors (NSAs), such as non-government organisations (NGOs), international organisations, business and professional associations, research and technology organisations, academia, community based organisations (CBOs), unions, social enterprises and economic operators relevant for the targeted sectors.

#### 4.4.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances

In case the implementation modality in direct management as specified under 4.4.1 cannot be implemented due to circumstances outside of the Commission's control, the alternative implementation modality shall be indirect management with one or more entities to be selected in accordance with the following criteria:

- Having proven expertise and experience in supporting industrial and agricultural sectors in Viet Nam;
- Having proven experience in supporting development and implementation of circular economy in the industrial and agricultural sectors, including but not limited to sustainable consumption and production, resource efficiency, symbiosis, experience in Viet Nam is an advantage;
- Having proven experience in working and advising the government of Viet Nam on policies relevant for implementation of circular economy in industrial and agricultural sector
- Having a permanent establishment/representative office in Viet Nam

<sup>33</sup> [www.sanctionsmap.eu](http://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

<b>Indicative Budget components<sup>34</sup></b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4.4	
<b>Objectives 1, 2 and 3</b> composed of	<b>7 000 000</b>
Grants (direct management) – cf. section 4.4.1	7 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	to be funded from another decision
<b>Totals</b>	<b>7 000 000</b>

#### 4.7 Organisational Set-up and Responsibilities

The EU Delegation to Viet Nam is the overall coordinator of the Action. It will follow strictly the selection process of the proposals and monitor their implementation. The Delegation will ensure that synergies and complementarities of selected grant projects with bilateral Actions and Team Europe Initiatives are sought.

EU member States will be regularly informed about the implementation of selected projects and will contribute to relevant events and meetings to share (new) policy documents interventions, which could further guide the implementation of projects.

A Coordination Committee set up by the the EU Delegation to Viet Nam will be established to oversee the implementation of the Action. In addition, the committee will ensure coordination between this Action and other ongoing Actions related to circular economy<sup>35</sup>. . The Coordination Committee will meet yearly and on ad-hoc basis as required. It shall be made up of at least:

- A representative of the lead ministry in charge of each relevant action in circular economy(industry and agriculture);
- A representative of the EU Delegation to Viet Nam;
- Representative(s) from relevant participating ministries, government agencies and grant implementing organisations;

Other stakeholders or actors relevant to this Action may be invited as to attend the Coordination Committee as observers.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the

<sup>34</sup> 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.

<sup>35</sup> Two other bilateral cooperation Actions supporting circular economy in industrial and agriculture sectors will be implemented during the same period.

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.

## 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 dissemination<sup>36</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

<sup>36</sup> See best [practice of evaluation dissemination](#)

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

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.