

## Divergent Paths, Common Destinies: Comparative Sustainability Transitions in Indonesia and Vietnam

*(Jalan Berbeda, Takdir Bersama: Transisi Keberlanjutan Komparatif di Indonesia dan Vietnam)*

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### Abstract

**Objective** : This paper presents a policy-oriented comparative analysis of sustainability transitions in Indonesia and Vietnam, focusing on institutional frameworks, governance structures, and policy coherence in the pursuit of sustainable development.

**Methods** : Drawing on primary policy documents, national development plans, and reports from international organizations such as the World Bank, UNDP, and ASEAN, the study adopts a descriptive qualitative methodology to map the interconnections between economic reform, environmental policy, and social inclusion.

**Research results** : The study finds that Indonesia's decentralized governance fosters participation but suffers from fragmentation, while Vietnam's centralized model ensures policy coherence yet limits transparency. Their sustainability paths are complementary: Indonesia excels in participatory management, Vietnam in coordinated green industrialization. Integrating both approaches can strengthen ASEAN's regional sustainability and low-carbon resilience.

**Keywords** : Sustainable Development, Policy Analysis, Indonesia-Vietnam, GGE, Institutional Reform

## 1. Introduction

Southeast Asia has emerged as one of the most dynamic regions of the global economy, with Indonesia and Vietnam representing two of its most compelling development stories. Over the last three decades, both countries have transformed from low-income agrarian economies into middle-income industrial and service-based societies. Yet this transformation has come at a cost widening inequality, environmental degradation, and growing vulnerability to climate change. Both Indonesia and Vietnam now face the critical question of whether their economic progress can be sustained without compromising ecological integrity and social inclusion. Addressing this dilemma has placed the concept of *sustainable development* as articulated in the 2030 Agenda and the Sustainable Development Goals (SDGs) at the center of national policy debates ([UNDP 2022](#); [World Bank 2023](#)).

While Indonesia and Vietnam share similar aspirations, their policy approaches diverge sharply. Indonesia operates under a democratic, decentralized governance model that prioritizes participatory decision-making and regional autonomy ([Haryanto and Taufik 2021](#)). This framework has allowed for innovative local sustainability practices but has also created coordination gaps across jurisdictions. Vietnam, by contrast, retains a single-party governance system characterized by strong central planning and state-directed industrial policy ([Tran 2020](#)). This model enables rapid implementation of national green growth initiatives but limits stakeholder inclusivity and accountability. Thus, a comparative analysis between these two countries provides valuable insights into the institutional trade-offs that shape sustainability trajectories in emerging economies.

The urgency of this comparison stems from their shared exposure to environmental and structural challenges. Both countries rank among the world's top ten nations most vulnerable to climate change impacts, facing rising sea levels, extreme weather, and agricultural disruption ([ADB 2022](#); [IPCC 2023](#)). Additionally, both economies remain heavily dependent on resource-intensive sectors such as manufacturing, energy, and agriculture creating a tension between economic expansion and ecological limits ([OECD 2021](#)). The tension is particularly evident in Indonesia's

dependence on extractive industries and Vietnam's heavy reliance on energy-intensive export manufacturing.

From a policy perspective, sustainability in both nations has transitioned from a normative aspiration to a strategic necessity. In Indonesia, the integration of sustainability principles can be traced through the National Medium-Term Development Plan (*RPJMN*) 2020–2024, which explicitly aligns economic targets with environmental protection and social welfare goals (Bappenas 2020). Meanwhile, Vietnam's *Green Growth Strategy* (2021–2030) emphasizes green industrial restructuring, renewable energy development, and carbon neutrality targets by 2050 ([Government of Vietnam 2021](#)). These policy frameworks reflect the growing recognition that sustainable development is not merely about environmental preservation but also about transforming governance and institutional design.

This paper situates itself within the policy-oriented comparative studies tradition ([Evans 2012](#); [Leftwich 2015](#)), using sustainability as an analytical lens to explore how governance structures shape the implementation and coherence of development policies. By mapping the “institutional ecosystems” that underpin Indonesia's and Vietnam's sustainability agendas, the study contributes to broader debates on state capacity, institutional reform, and adaptive governance in the Global South.

Ultimately, this research aims to demonstrate that while Indonesia and Vietnam have adopted divergent pathways democratic decentralization versus centralized developmentalism their destinies converge on the same imperative: to reconcile growth with sustainability. Understanding how these different governance architectures approach this challenge offers not only comparative insight but also practical lessons for regional policy integration within the ASEAN framework and beyond.

## 2. Brief Literature Review (Theoretical and Conceptual Framework)

### 2.1. Theoretical Foundations of Sustainable Development Policy

The concept of sustainable development has evolved from its early ecological roots into a comprehensive governance paradigm that integrates economic, environmental, and social objectives. The foundational definition meeting “the needs of the present without compromising the ability of future generations to meet their own needs” that was introduced in the Brundtland Report (WCED 1987). Over time, this notion has expanded to encompass institutional reform and governance innovation as essential preconditions for sustainability (Meadowcroft 2013). Within the policy sciences, sustainable development is now widely understood as a wicked policy problem requiring multi-sectoral coordination, adaptive learning, and long-term institutional alignment (Jordan and Huitema 2014).

Governance plays a decisive role in translating sustainability principles into actionable policies. Scholars have distinguished between governance for sustainability which focuses on integrating environmental goals into existing institutions and sustainability governance, which calls for systemic transformation in policy-making and power relations (Kemp, Loorbach, and Rotmans 2007). Both Indonesia and Vietnam exemplify hybrid approaches to this transition: Indonesia seeks to embed sustainability within a decentralized democratic framework, whereas Vietnam operationalizes sustainability through centralized, state-led coordination. This divergence mirrors broader debates in the governance literature regarding the trade-offs between participation and efficiency, or between pluralism and policy coherence (Howlett and Ramesh 2014).

### 2.2. Institutional Theories and Governance Models

The analytical foundation for this study draws on institutional theory and comparative governance. Institutionalism, particularly its “new institutionalist” variant, posits that state structures, rules, and norms condition how policies are designed and implemented (March and Olsen 1989; Peters 2019). In the context of sustainability transitions, institutional coherence and stability are critical to ensure

that economic, social, and environmental policies are mutually reinforcing rather than contradictory (Nilsson, Griggs, and Visbeck 2016).

Indonesia's decentralized model exemplifies what scholars term polycentric governance (Ostrom 2010) a system where multiple overlapping authorities make collective decisions at different levels. This structure can enhance adaptability and local innovation but often creates coordination challenges and uneven implementation (Andrews and Bebbington 2021). Conversely, Vietnam's single-party state reflects a developmental state model (Johnson 1982; Evans 1995), characterized by strong bureaucratic capacity and centralized planning aimed at rapid industrialization and export-led growth. While this model has proven effective in driving economic transformation, it can limit horizontal accountability and stakeholder participation (Nguyen and Dang 2020).

The contrast between these two models provides a rich basis for understanding how institutional architectures shape sustainability outcomes. Comparative institutionalism highlights that there is no universal governance model for sustainability; rather, outcomes depend on the fit between institutional capacities and contextual challenges (Pierre and Peters 2020). This study adopts that comparative lens to evaluate how Indonesia's participatory governance and Vietnam's centralized developmentalism each influence the design and effectiveness of sustainability policies.

### 2.3. The Sustainable Development Goals (SDGs) and Policy Coherence

The 2030 Agenda for Sustainable Development introduced an integrated framework for global development governance, emphasizing *policy coherence* as a key principle (United Nations 2015). Policy coherence refers to the systematic alignment of objectives across economic, social, and environmental domains to prevent conflicting policies and maximize synergies (OECD 2019). For emerging economies like Indonesia and Vietnam, achieving such coherence is particularly challenging because development priorities industrialization, poverty reduction, and environmental

protection often compete for limited fiscal and institutional resources (Sachs et al. 2019).

Indonesia's *SDG Roadmap 2030* explicitly recognizes the need for cross-sectoral coordination between national ministries and local governments (Bappenas 2020). However, empirical studies show persistent fragmentation due to overlapping mandates and inconsistent budget allocations (Rahman 2022). Vietnam's *National Green Growth Strategy 2021–2030* addresses similar coherence issues by integrating sustainability objectives into its *Socio-Economic Development Plan (SEDP)*, thereby institutionalizing green policy frameworks within economic planning (Pham and Painter 2022). Both approaches align with the growing body of scholarship emphasizing *whole-of-government* and *whole-of-society* approaches to SDG implementation (Kanie and Biermann 2017).

#### 2.4. Conceptual Framework for Comparative Analysis

Building upon these theoretical insights, this study constructs a comparative framework based on three interconnected analytical pillars :

1. **Regulatory and Standardization Frameworks** – the extent to which national regulations, quality standards, and compliance mechanisms support sustainable production and environmental protection.
2. **Institutional and Governance Structures** – how state institutions, administrative arrangements, and participatory mechanisms enable or constrain the integration of sustainability across policy sectors.
3. **Strategic Partnerships and Policy Coordination** – the role of cross-sectoral collaboration, including public-private partnerships, regional cooperation (ASEAN), and engagement with international donors in advancing sustainability transitions.

This framework reflects an integrative policy analysis approach, bridging the *institutional capacity* perspective (Skocpol 1985) with the *adaptive governance* paradigm (Folke et al. 2005). By focusing on how institutional coherence, regulatory

frameworks, and partnership mechanisms interact, the study aims to capture the systemic nature of sustainability governance in both Indonesia and Vietnam.

Ultimately, the literature suggests that successful sustainability transitions in developing contexts depend on hybrid governance where hierarchical control, market mechanisms, and community participation operate in a complementary rather than competitive manner (Meadowcroft 2013; Duit et al. 2010). This conceptual foundation provides the analytical scaffolding for the subsequent sections, where the empirical mapping of Indonesia's and Vietnam's institutional frameworks will be analyzed in detail.

### **3. Research Methodology**

#### **3.1 Research Design**

This study adopts a comparative descriptive policy analysis design, emphasizing institutional mechanisms, governance structures, and policy coherence across the cases of Vietnam and Indonesia. The comparative framework follows a most-similar systems design (MSSD), in which both countries share several key attributes emerging middle-income economies, state-led developmental trajectories, and participation in the ASEAN Economic Community yet demonstrate distinctive approaches to green growth, industrial policy, and governance reform.

Rather than employing hypothesis testing, the research focuses on systematic mapping and analytical classification of the policy frameworks governing sustainability transitions and SME sectoral upgrading. It investigates how institutional coordination, regulatory integration, and policy learning function within each system, and how these elements shape the trajectory of national sustainable development.

#### **3.2 Data Sources and Collection**

Data were collected exclusively from primary and secondary policy documentation, including government strategy papers, legal frameworks, ministerial decrees, and institutional development programs from 2015–2024. Key primary sources include:

1. Vietnam's National Green Growth Strategy (2021–2030), National Socio-Economic Development Strategy (2021–2030), and Decree No. 01/2016 on SME Development;
2. Indonesia's Medium-Term Development Plan (RPJMN 2020–2024), National Action Plan for Sustainable Development Goals, and Ministry of Cooperatives and SMEs reports;
3. Institutional reports and evaluations from the World Bank, UNDP, OECD, and Asian Development Bank (ADB).

These materials were supplemented with peer-reviewed academic publications, policy briefs, and official statistical data from both countries' national statistics agencies (GSO Vietnam; BPS Indonesia). The triangulation of data sources ensured that the study captures both the normative policy intent and the operational mechanisms of implementation.

### 3.3 Analytical Framework

The study's analytical framework is grounded in the institutionalist and governance literature, particularly drawing upon (Peter Evans' 1995) concept of *embedded autonomy*, (Ostrom's 2010) theory of *polycentric governance*, and (Howlett and Ramesh's 2014) typology of *policy design and capacity failure*.

Three analytical dimensions structure the comparative investigation:

1. **Regulatory Integration and Standardization** : Examines how both states develop and enforce national regulatory frameworks for environmental sustainability, food safety, and SME competitiveness. In Vietnam, this involves state-coordinated industrial policy under the Ministry of Planning and Investment (MPI); in Indonesia, multi-level governance coordination under Bappenas and regional governments.
2. **Institutional Capacity and Policy Coherence** : Evaluates inter-ministerial coordination, the coherence of national strategies with the Sustainable Development Goals (SDGs), and the operational capacity of agencies and cooperatives to deliver on developmental mandates.

3. **Collaborative and Cross-Sectoral Partnerships** : Assesses the involvement of State-Owned Enterprises (SOEs), private actors, and international donors in supporting green innovation, SME upgrading, and sustainable infrastructure. This dimension highlights policy networks and partnership models in both countries.

By structuring the analysis across these three pillars, the study aligns with the governance-for-development paradigm, emphasizing the interplay between institutional design, policy coherence, and implementation capability.

### 3.4 Comparative Strategy

To ensure analytical depth and balance, this study uses a qualitative comparative analysis (QCA) logic, supplemented with documentary content analysis. Each country's institutional arrangements were coded and compared based on:

1. **Regulatory architecture** (laws, decrees, certification systems);
2. **Policy instruments** (subsidies, training programs, tax incentives, green credit);
3. **Coordination mechanisms** (inter-agency committees, cross-sectoral taskforces);
4. **Implementation outcomes** (policy consistency, SME performance, green innovation indicators).

These comparative indicators allow for an interpretive but systematic understanding of how similar policy ambitions are pursued through distinct governance logics — *centralized developmentalism* in Vietnam and *decentralized participatory governance* in Indonesia.

### 3.5 Validity and Limitations

To ensure analytical validity, the study applied methodological triangulation between document analysis, cross-referencing with institutional data, and consistency checks with external evaluations (World Bank, UNDP). However, several limitations remain :

1. The reliance on documentary evidence means that the study cannot directly observe policy implementation dynamics at the local level;
2. Data asymmetry exists between Vietnam's centralized statistical reporting and Indonesia's regionalized system;
3. The absence of direct stakeholder interviews limits the inclusion of informal or tacit institutional knowledge.

Despite these constraints, the **systematic policy-mapping approach** provides a robust and comparative understanding of governance innovation in Southeast Asia's sustainable development agenda.

#### 4. Research Result

##### 4.1. Overview of Policy Ecosystem and Institutional Frameworks

Both Vietnam and Indonesia have established comprehensive institutional frameworks for supporting sustainable and inclusive SME development, yet the governance logics and implementation trajectories differ markedly. Vietnam's approach reflects a centralized developmental model, with the state exercising directive control over industrial and SME policy. In contrast, Indonesia operates through decentralized coordination, relying on multi-level governance between national ministries, regional governments, and cooperative networks.

The Vietnam National Green Growth Strategy (2021–2030) and the SME Development Law (2017) serve as foundational policy instruments. These frameworks integrate environmental, industrial, and social objectives into a single coordinated platform. The Ministry of Planning and Investment (MPI) acts as the lead institution, while other ministries including the Ministry of Industry and Trade (MOIT) and the Ministry of Natural Resources and Environment (MONRE) align their programs through national steering committees.

Through the Green SME Initiative, Vietnam has operationalized sustainability standards in food production, waste reduction, and digitalization, supported by UNDP's SME Resilience Program (2022–2025). The centralized policy design ensures

coherence but limits flexibility, particularly for local-level innovation and adaptive implementation.

Indonesia's Medium-Term National Development Plan (RPJMN 2020–2024) embeds SME development as part of its economic transformation pillar. The institutional structure is characterized by shared mandates among the Ministry of Cooperatives and SMEs (Kemenkop UKM), Bappenas, and sectoral ministries (Agriculture, Industry, Health). The decentralized design allows for region-specific adaptation for instance, provincial governments manage the issuance of P-IRT food safety permits and Halal certification facilitation in coordination with the Halal Product Assurance Agency (BPJPH).

Indonesia's innovation lies in institutional pluralism: policy implementation is distributed through regional training centers, cooperatives, and multi-stakeholder partnerships. However, coordination challenges often arise due to overlapping responsibilities and inconsistent regional capacities.

#### **4.2. Regulatory Integration and Quality Standards**

Regulatory compliance serves as the cornerstone of SME sustainability, particularly within the food sector. Both countries have progressively aligned domestic standards with ASEAN and international frameworks, yet implementation gaps persist.

Vietnam's regulatory model emphasizes top-down harmonization. The Food Safety Law (2010, revised 2019) integrates hygiene, labeling, and import/export requirements under unified authority. The state enforces compliance through a three-tier inspection system involving MONRE, the Ministry of Health, and local People's Committees. For SMEs, compliance with Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) protocols remains a prerequisite for export certification.

The main strength of Vietnam's model is regulatory clarity; however, small enterprises often lack resources to meet certification costs. Consequently, policy

reforms in 2023 introduced subsidized audit assistance for SMEs targeting export markets, funded through public-private partnerships.

Indonesia's regulatory architecture is fragmented but adaptive. Food SMEs must navigate multiple certifications Halal (BPJPH), BPOM licensing, P-IRT permits, and occasionally NKV (Veterinary Control Number) for animal-based products. This complexity initially created administrative burdens but has recently been streamlined through the Online Single Submission Risk-Based Licensing System (OSS-RBA).

Moreover, Indonesia's Halal Certification Acceleration Program (2021–2025), coordinated by the Ministry of Religious Affairs, provides free certification for micro-enterprises, significantly reducing compliance costs. These reforms illustrate Indonesia's effort to democratize access to formal markets and ensure inclusivity within the regulatory framework.

#### **4.3. Institutional Capacity and Policy Coherence**

Institutional coordination defines the effectiveness of sustainable SME policy. The two countries demonstrate different patterns of state capacity and coherence.

Vietnam's institutional model reflects a high degree of policy coherence through centralized control. The National Committee for SME Development acts as an inter-ministerial coordination body, ensuring consistent interpretation of policy directives. Capacity-building programs, such as SME Support Centers (SMESC) and Green Innovation Hubs, are established at the provincial level but operate under MPI oversight.

While coherence is strong, the centralized command structure sometimes limits responsiveness to local constraints. Small enterprises in rural provinces report limited access to training and green credit, indicating that vertical integration can suppress bottom-up innovation Indonesia.

Indonesia's model relies on polycentric governance multiple centers of authority sharing common development goals. The Cooperative Service Units (PLUT-KUMKM)

serve as one-stop advisory centers providing business consultation, digital marketing support, and financial linkage services. Furthermore, provincial development forums facilitate horizontal policy coherence between agencies, aligning local priorities with the national RPJMN.

Indonesia’s institutional innovation lies in the participatory approach: through forums, FGD sessions, and training initiatives, local stakeholders — including SMEs, cooperatives, and academic institutions — actively shape implementation strategies.



**Figure 1. Focus Group Discussion with Food SME actors on capacity-building and regulatory compliance, 2024.**

Such participatory engagement mechanisms have increased local policy ownership and enhanced inter-agency learning, aligning with (Ostrom’s 2010) polycentric governance theory.

#### 4.4. Strategic Partnerships and Developmental Collaboration

The third analytical pillar examines the synergy between public, private, and civil society actors in SME empowerment.

Vietnam’s partnership landscape is dominated by state-linked corporations and international development partners. The Viet Nam Development Bank (VDB) and National Technology Innovation Fund (NATIF) provide subsidized loans and grants for technological upgrading. Collaborative programs with the Japan International Cooperation Agency (JICA) and KfW Germany focus on enhancing food traceability and green energy in SMEs.

Despite these achievements, private sector engagement remains limited to formal industry associations, leaving community-based enterprises underrepresented.

Indonesia's Partnership and Community Development Program (PKBL) operated by State-Owned Enterprises (SOEs) exemplifies a robust public-private linkage. PKBL provides revolving microloans, managerial training, and mentoring to micro and small food producers. Complementary to this, Corporate Social Responsibility (CSR) programs from firms such as Unilever Indonesia and Danone-Aqua fund capacity-building initiatives on food safety and packaging innovation.



**Figure 2. Collaborative CSR training program for local Food SMEs, 2024**

The institutional pluralism of Indonesia's SME ecosystem allows for more dynamic innovation, as social enterprises and universities often act as intermediaries linking policy frameworks to community practice.

#### 4.5. Comparative Discussion

The comparative analysis underscores that Vietnam's centralized coherence ensures effective regulatory enforcement and clear institutional accountability but limits local flexibility and adaptive governance. Indonesia's decentralized participatory model, meanwhile, fosters inclusivity, innovation, and stakeholder ownership but faces persistent coordination and capacity asymmetries across regions.



**Figure 3. Policy Dialogue and Knowledge Exchange Session between Indonesian Doctoral Delegation and the University of Economics and Finance (UEF), Ho Chi Minh City, Vietnam.**

In policy terms, Vietnam’s governance resembles a developmental state model with strong bureaucratic steering, while Indonesia embodies a networked governance system emphasizing collaboration, flexibility, and regional adaptation. Both trajectories reflect legitimate pathways toward sustainable SME transformation one prioritizing coherence, the other inclusiveness.

#### **4.6. Implications for Policy Learning and Regional Cooperation**

This comparative inquiry contributes to regional policy learning within the ASEAN framework. Three strategic implications emerge:

##### **1. Policy Harmonization :**

Regional alignment of SME and food safety standards could reduce compliance duplication and enhance cross-border trade. The ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) could facilitate technical harmonization and certification recognition.

## 2. Institutional Learning Networks :

Indonesia's participatory mechanisms and Vietnam's bureaucratic efficiency offer complementary lessons. A hybrid governance model combining centralized direction with decentralized adaptability could improve regional resilience.

## 3. Inclusive Green Growth :

Strengthening the financial and technological capabilities of food SMEs is critical to achieving the SDGs. Future regional cooperation could focus on shared digital platforms for SME certification, e-learning, and cross-border financing.



**Figure 2. Collaborative Workshop on Regional Policy Innovation and Sustainable Development Practices.**

## 5. Conclusion

This study has sought to provide a comprehensive descriptive and comparative analysis of the institutional frameworks that shape the development and sustainability of Food SMEs in Indonesia, viewed in light of broader Southeast Asian experiences particularly the collaborative learning with Vietnam. The findings highlight that the success and resilience of the SME food sector depend not merely on entrepreneurial effort, but on the coherence and integration of multi-level governance, regulatory compliance, and inclusive partnerships among state, private, and cooperative actors.

At the core of Indonesia's policy environment lies the interplay between three interdependent pillars: (1) regulatory and quality standards (Halal, BPOM, P-IRT, NKV, HACCP); (2) government support and cooperative empowerment; and (3) strategic partnerships through PKBL and CSR-based initiatives. The analysis indicates that these pillars collectively form the structural backbone necessary for advancing food safety, market legitimacy, and long-term competitiveness. When properly synchronized, they can drive a virtuous cycle of compliance, innovation, and sustainable market participation.

A key insight drawn from the Vietnam case study is the critical importance of policy alignment between national and local levels. Vietnam's coordinated approach linking local training centers, universities, and government agencies provides an operational model for Indonesia's future direction. Indonesia could strengthen its regulatory architecture by adopting a similar decentralized but synchronized framework that encourages localized innovation while maintaining national quality standards. Such coordination will be particularly relevant in ensuring the traceability and certification of food products, which are increasingly demanded in global value chains.

Moreover, the results emphasize that capacity building cannot rely solely on technical training. Soft institutional factors trust, transparency, and continuity of partnerships remain decisive in maintaining sustainable development outcomes. Cooperatives must be reimagined not merely as financial intermediaries but as long-term learning institutions that foster innovation, collective branding, and inter-firm collaboration. Similarly, CSR programs should transition from short-term philanthropic engagements toward co-created innovation ecosystems that link corporate expertise with SME needs.

The comparative dialogues and policy learning activities conducted in Vietnam further underscore the value of cross-national knowledge exchange. The ASEAN region offers fertile ground for policy harmonization, especially regarding SME digitalization, standardization of quality certification, and mechanisms for green financing. Collaborative research platforms between Indonesian and Vietnamese

universities can play a transformative role in building policy intelligence and developing evidence-based recommendations for inclusive economic growth.

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