



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



VIETNAM CLIMATE FINANCE READINESS

Dr. Pham Hoang Mai
Director General

Dept. of Science, Education, Natural Resources and Environment
Ministry of Planning and Investment of Vietnam



CONTENT

1. **LEGAL FRAMEWORK;**
2. **EXISTING CLIMATE FINANCE IN VIETNAM;**
3. **DEMAND FOR CLIMATE FINANCE;**
4. **INSTITUTIONAL FRAMEWORK**
5. **VIETNAM READINESS FOR GCF;**
6. **THE WAY AHEAD.**

LEGAL FRAMEWORK

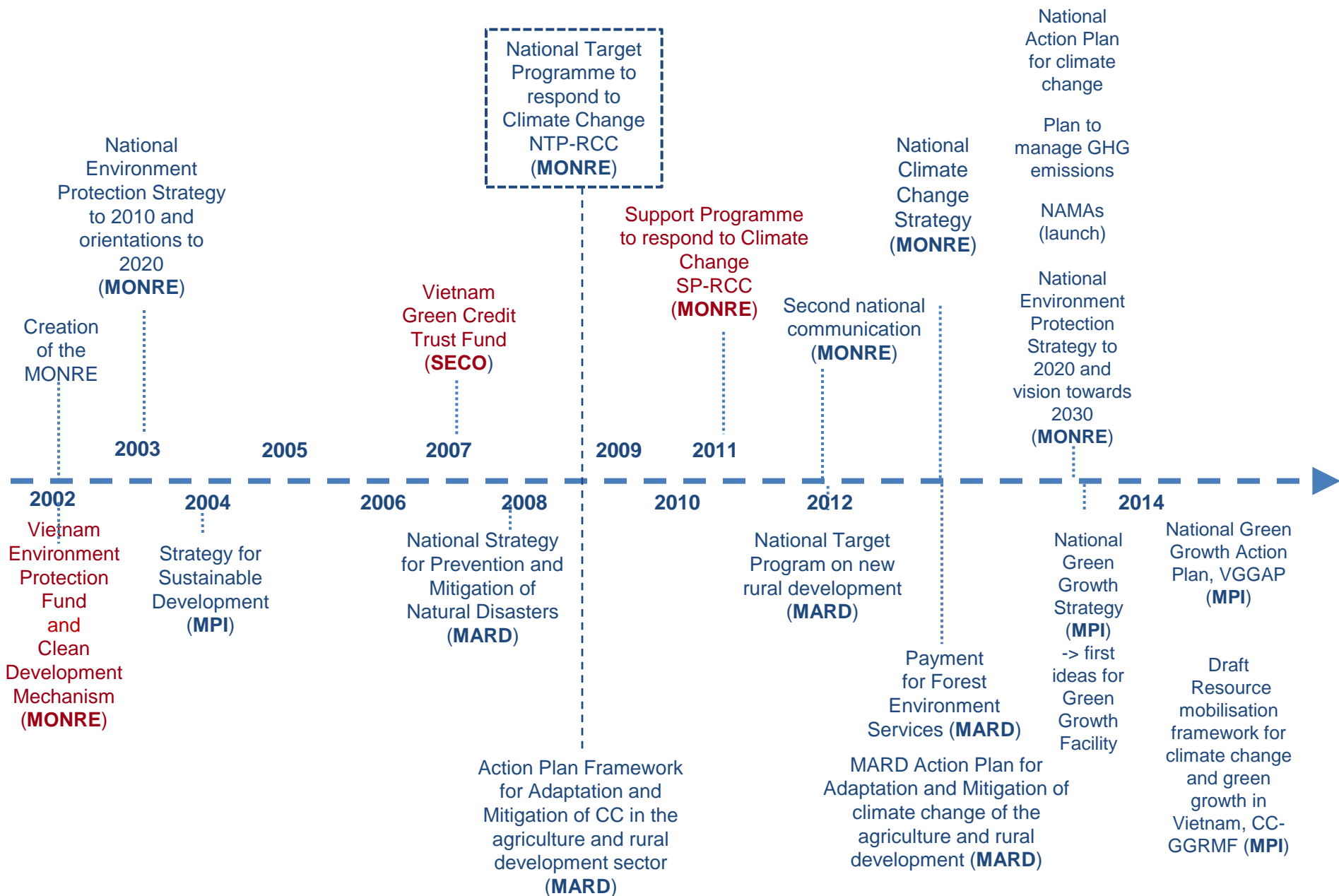
- **2016-2020 Socio-economic development plan**

Recognizes climate change as a significant threat to development and reaffirms commitments on improved natural resource and disaster risk management.

- **The climate change related strategies/action plans**

- The 2011 Vietnam Climate Change Strategy (VCCS) and the National Action Plan to Respond to Climate Change (NAPCC);
- The 2012 Vietnam Green Growth Strategy
- The 2013 National Action Plan for Green Growth Strategy;
- The National Target Program to Respond to Climate Change (NTP-RCC) - three phases (2008-2011, 2012-2015 and 2015-beyond).
- National Target Program for Climate Change and Green Growth.

Key policies / initiatives related to climate finance





MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



CLIMATE FINANCE IN VIETNAM

Forms of Climate Change Finance

1. **Public:**

- **Government investment** for Climate Change projects and programs including Green Growth (around \$1 billion annually):
 - National Targeted Programs (NTP-RCC, Energy Efficiency, Reforestation);
 - Projects and programs directly link to Climate Change and Green Growth.
- **Current expenditure** for research, capacity building projects
- **ODA:** from 1993 of about \$11 billion under the forms of CC related projects & programs and budget support;
- **Others:** REDD+, Vietnam Environment Protection Fund, CDM.

2. **Non-Public:** Private Investment under the forms of FDI, Equity, Local Investment etc.



CPEIR 2010-2013 (rev. 2015)

PCEIR 2010-2015

Finance sources: State Budget

Investment made by all types of enterprises in Vietnam, incl. SOEs

05 ministries: MONRE, MOIT, MARD, MOC, MOT; 03 provinces; not representative for public expenditures as 70% of that spending at provinces.

Reviewing investment in selected key sectors (energy, industries, agriculture, transport, forestation) in both Mitigation and Adaptation.

Data collection at specific 05 focal points of ministries and 03 provinces.

No statistics on private investment, data is scattered, multiple sources and types, many sub-sectors and provinces, defining climate relevance

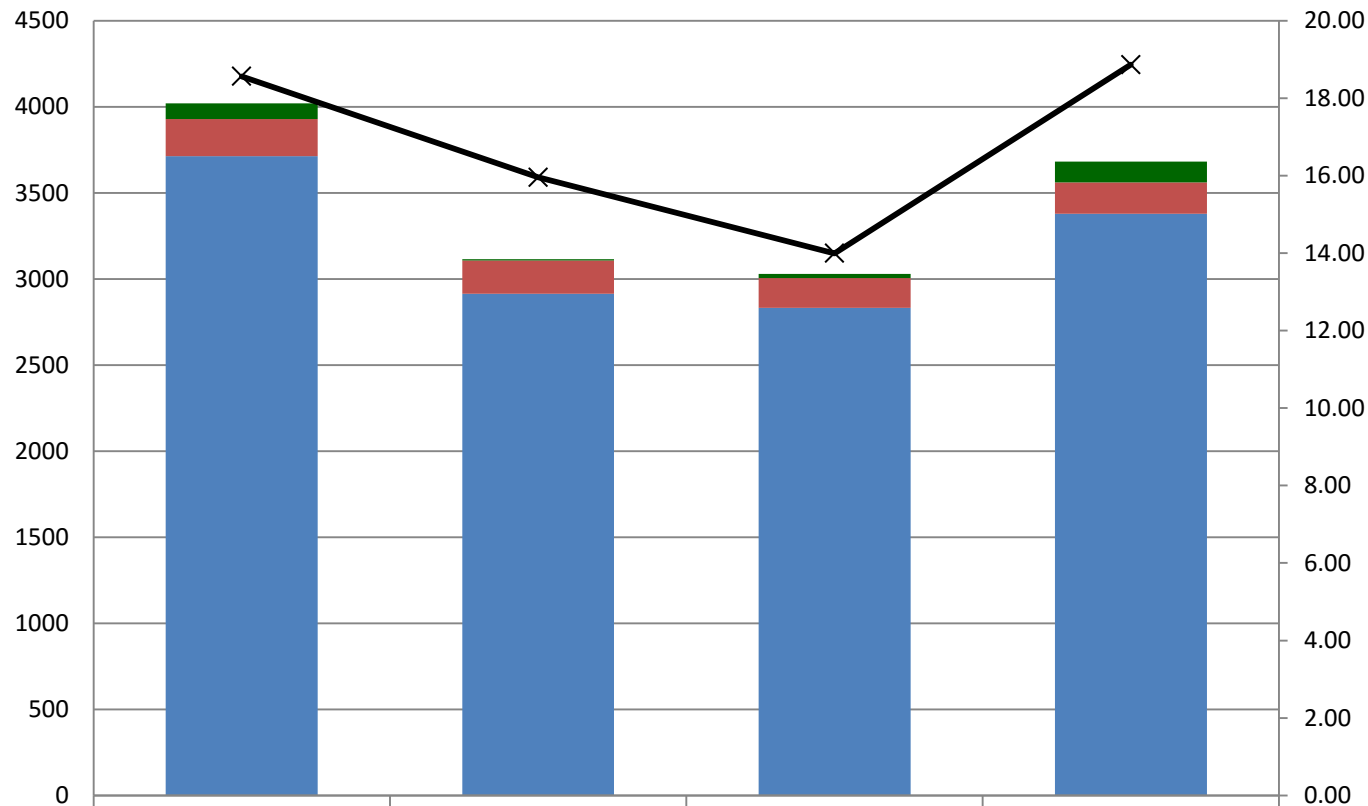
Total spending on CC in 05 ministries at \$ 200 million/year (mostly for Adaptation, Mitigation is only at 3%)

- Total investment for only renewable energy ~ US\$8.5 billion for 2010-2015, US\$1,7 billion/year;

- CC Investment by private sector mainly for Mitigation.

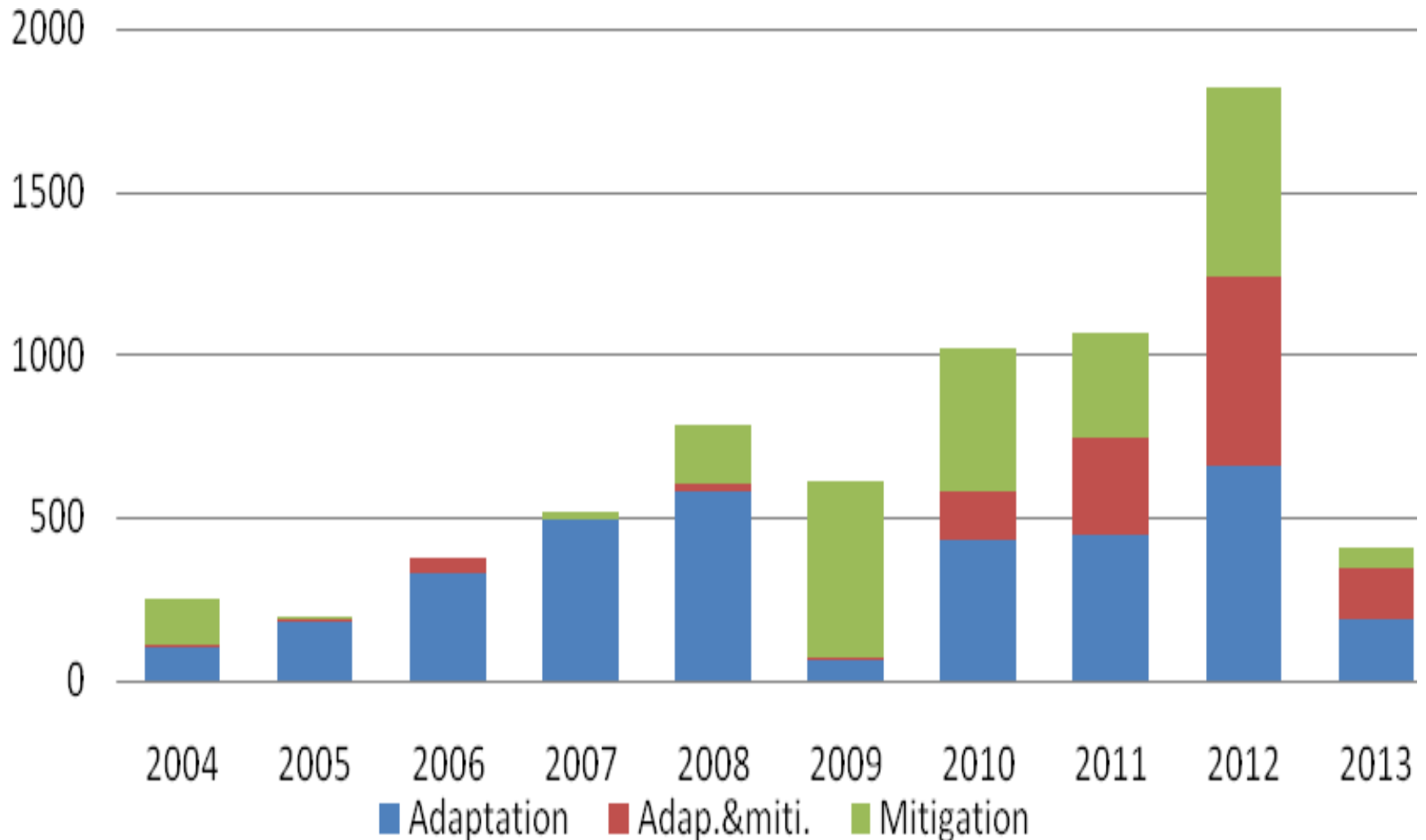
PUBLIC EXPENDITURE & INVESTMENT FOR 5 MINISTRIES & 2 NTP (2010-2013)

Total expenditure, planned, constant price 2010, VND bill.



■ Mitigation	91.05	7.11	24.51	121.07
■ Adapt.&miti.	215.61	192.97	171.46	182.94
■ Adaptation	3712.85	2913.782	2832.653	3377.874
—x— Share of state budget (%)	18.56	15.96	13.99	18.86

ODA & CLIMATE FINANCE



ODA & GREEN GROWTH IN VIETNAM

- 177 programs, projects (USD 10.8 bill) related to 36 actions of VGGS
- 48 programs, projects related to 10 priority actions of VGGS
- 129 programs, projects related to 26 actions of VGGS
- 64 programs, projects related to 26 actions of VGGS
- 30 actions of VGGS do not receive ODA supports

Scope of PCEIR: Sectors & Sub-Sectors

CC Activities	Economic-Sector	Projects types	Sub-sector	Case Studies
Mitigation	Industry	Renewable Energy (RE)	Hydro, biomass	Power generation (PE)
			Wind, solar, biogas	Power generation and Heat.
		Energy Efficiency (EE)	Cement	Waste Heat Recovery (WHR), Co-generation, Technology changes
			Iron and Steel	
			Sugar Cane	
			Chemicals	Technology improvement or replacement; Wastewater treatment and biogas recovery; 3R, using high energy efficiency equipments and devices etc.
			Pulp and Paper	
			Food processing, Beverages, Textile	
		Commercial Residential	Building & Residential Sectors	
		Transport		
	Agriculture			
	Forestation			
	Adaptation			



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



DEMAND FOR CLIMATE FINANCE

Total estimated investment needs for Climate Change Adaptation (USD Billion)

Year	2015	2016	2017	2018	2019	2020	Period 2016-2020
GDP	196.00	207.76	220.23	233.44	247.45	262.29	
0.2% Investment (Minimum)*		0.42	0.44	0.47	0.49	0.52	2.34
0.5% Investment*		1.04	1.10	1.17	1.24	1.31	5.86
1.5% Investment*		3.12	3.30	3.50	3.71	3.93	17.57
4 – 6% Investment (Maximum)**		8.31 – 12.46	8.81 – 13.21	9.34 – 14.01	9.90 – 14.85	10.49 – 15.74	46.85 – 70.27

* Denotes ADB estimates within Table;

** Denotes TP CC-GG estimates within Table

Total estimated investment needs for Green growth in energy sector

Sub-sector	Number of options	Total cost of capital (mil, US\$)	Total CO ₂ to be reduced (MtCO ₂)	Average MAC (US\$/ton CO ₂)
Construction building	3	3.33	0.17	-69.46
Construction material	1	17.54	0.49	-14.39
Cement	3	725.00	2.61	-45.27
Textile	2	0.00	0.08	-60.28
Household	10	2,279.19	16.54	-32.32
Paper	2	0.00	0.19	-93.46
Electric generation	10	27,625.00	61.37	16.11
Steel and metallurgy	3	79.50	0.22	-44.60
Road traffic	1	0.00	3.45	0.00
Total	35	30,729.56	85.12	

(UNDP/MPI project "Sustainable Development and Climate Change": Vietnam needs at least USD 30 billion, primarily in the energy sector to implement the VGGs over the 2014-2020 timeframe.

Total expenditure for mitigation in Vietnam INDC, November 2015

Sector	Modality	Reduction target by 2030 (%)	Expenditure (mil. US\$)
Energy	self-executing	-4.4	1,894.3
	international support required	-9.8	5,317.4
Agriculture	self-executing	5.8	885.43
	international support required	41.8	12,093.54
Waste	self-executing	-8.6	311.7
	international support required	-42.1	2,596.2
LULUCF*	self-executing	+50.05	131.98
	international support required	+145.7	1,127.98
Total self-executing expenditure			3,223.41
Total required international support expenditure (mil. US\$)			17,911.71
Total (mil. US\$)			21,135.12

* *Increasing GHGs absorptive capacity*



GAP OF INVESTMENT FOR for Climate Change Adaptation and Green Growth for 2016-2020 (US\$ billion)

	CC Adaptation (at 4% of GDP)	Green Growth (\$9 Bil.)	Green Growth (NDC)	Total Demand	MTIP 2016-2020	Gap
	46.85	9	17.9		24	
1st Option				55.85		31.85
2nd Option				64.75		40.75

* Percentage of 20% of investment for CC&GG will be used for 5 key ministries, ie. \$17.3 bil.;

** Percentage of 5% of investment for CC&GG will be used for all provinces, ie. \$1.57 bil.;

*** Key TPs \$5.2 bil.



Solutions

- **Engagement of private sector:**

- + Government investment and ODA will be used as a catalyst to attract/create favorable environment for private investment in Climate Change/Green Growth (Technology transfer/Pilot projects/Good practice);
- + Introducing on PPP modalities (infrastructure, power generation).



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



INSTITUTIONAL ARRANGEMENTS

Key players involved in climate finance

Name	Role in relation to Climate Change
Ministry of Planning and Investment (MPI)	Lead agency for program planning, resource mobilization and allocation for CC programs: <ul style="list-style-type: none"><li data-bbox="343 425 1889 596">– Advices on national socio-economic development strategies and plans; economic master plans and general economic management policies<li data-bbox="343 615 1889 729">– formulating Green Investment guidelines and legal documents and policies on climate change<li data-bbox="343 748 1889 919">– Distributes foreign direct investment, manages (mobilises, coordinates) official development assistance (ODA) and aids from non-governmental sources<li data-bbox="343 938 1889 1052">– Takes the lead in collaboration with MONRE to design proposal for market readiness to emission<li data-bbox="343 1071 1889 1185">– Allocates the budget to the projects selected by the MONRE for the SP-RCC<li data-bbox="343 1203 1889 1293">– coordinates the distribution of capital investment among projects submitted by ministries and agencies.

Key players involved in climate finance

Name	Role in relation to Climate Change
Ministry of Natural Resources and Environment (MONRE)	<p>Lead agency for climate change planning and governance:</p> <ul style="list-style-type: none">– focal point for UNFCCC/Kyoto Protocol and Designated National Authority for CDM– preparing and leading national climate change policies, targets, and strategies– coordinating the set-up of climate change strategies across sectors– administrating the Vietnam Environmental Protection Fund which supports environmental protection programs and projects in form of concessional loans, loan guarantees, but also environmental awards– assisting the Executive Board of the NTP-RCC to coordinate activities of ministries, sectors, provinces in managing and implementing the NTP-RCC– leading the evaluation and selection of climate change projects submitted to the SP-RCC funds– managing the verification, monitoring, and reporting to donors regarding activities and expenditure using SP-RCC funds

Key players involved in climate finance

Name	Role in relation to Climate Change
Ministry of Agriculture and Rural Development (MARD)	Lead agency for dealing with climate change in agricultural sector: <ul style="list-style-type: none">– it is notably responsible for REDD-related activities and mitigation efforts related to agriculture, other rural sectors and forestry, through the <u>directorate of forestry</u>– Administers the Vietnam Forest Protection and Development Fund (VNFF) which mobilises and manages resources to protect and develop forests through payments for forest environmental services (PFES)
Ministry of Industry of Trade (MOIT)	In charge of all activities related to the energy sector and, as such, involved in several projects related to Climate Change Mitigation
Ministry of Transportation	Leads on the low emission in transport sector with the TDSI, an Institute actively involved in the project
State Bank of Vietnam (SBV)	Handles monetary policy; mainly relating to the issuance of money, control of inflation as well as to the oversight of commercial banks (regulation and supervision of banking operations). Plans to implement a green lending strategy

Key players involved in climate finance

Name	Role in relation to Climate Change
Ministry of Finance Vietnam Development Bank (VDB)	<ul style="list-style-type: none">-Budget policies;- Fiscal policies-Tax and fee- policies <p>Executes the state development investment and export credit policies by mobilizing capital from domestic and foreign organizations and providing investment and export credit, and on-lending of ODA</p> <ul style="list-style-type: none">– expected to do act as <u>a financial and credit agency of the government</u> by implementing the state’s fiscal policies and providing loans for major national programmes; e.g. electricity, agriculture and rural development, infrastructure construction and waste treatment– serves private enterprises and SoEs, but is essentially an off-budget mechanism to channel resources to SoE investments– MoF supervises, inspects and investigates activities of VDB

Climate finance initiatives

Fund/Initiative	Main characteristics
Vietnam Green Growth Strategy Facility (VGGSF) project	<p>To be developed by MPI with support of Belgian Technical Cooperation (BTC), with the overall aim to reducing GHG emissions and promoting clean and renewable energy, and a greening of production and lifestyles.</p> <ul style="list-style-type: none">- Will support actions (e.g. feasibility studies, EIA, identification of investors, awareness raising, increasing data, and enabling environment) that favour green investments projects.- For demonstration purposes - to build up a track record, the facility is expected to support green pilot projects in three provinces.- The project will prepare for and set up the Vietnam Green Growth Strategy Facility (VGGSF), which is expected to mobilise and manage resources to support the VGGS.

Climate finance initiatives

Fund/Initiative	Main characteristics
Clean Technology Fund (CTF)	<p>Investment Plan in Vietnam: endorsed in Nov. 2009</p> <p><u>Mission</u>: provides concessional loans, guarantees and grants to support projects in the fields: power, transport, and energy efficiency</p> <ul style="list-style-type: none">– USD 250m envelope for Vietnam for low carbon investments in the power, transport, and industrial sectors– 5 national projects approved in Vietnam so far, for USD 110m grants and loans (via IBRD, ADB and IFC)
Global Environment Facility (GEF) Trust Fund	<p>GEF-6 Cycle: 2014-2018</p> <p><u>Mission</u>: provides grants to support projects in the fields: biodiversity, climate change mitigation, chemicals and waste, international waters, land degradation</p> <ul style="list-style-type: none">– 51 national projects approved in Vietnam so far, for USD 131.4m grants (via UNIDO, UNEP, UNDP, ADB, IBRD, IFAD)– 41 regional/global projects approved incl. Vietnam so far, for USD 262.2m grants (via: UNIDO, UNEP, UNDP, ADB, IBRD, IFAD, FAO)



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



VIETNAM READINESS FOR GCF

VIETNAM READINESS FOR GCF

- NDA: The Prime Minister assigned MPI to be NDA for GCF at official letter No. 4478/HTQT-VPCP;
- Establishment of Climate Finance Task Force (CFTF);
- Establishment GCF Vietnam Steering Committee;
- Coordination of MIEs;
- Capacity building for potential NIEs;
- Awareness raising: Seminars for key stakeholders on GCF;

REVIEW OF PUBLIC FINANCIAL REGULATIONS

The most relevant public financial management regulations which guide ministries and national agencies and are reflecting on the GCF's fiduciary standards requirements are as follows:

- Decree defining the State Inspectorate (2003)
- Law on Inspection (2004)
- Decree on Asset and Income Transparency (2007)
- Decree on On-lending (2010)
- Decree defining the Ministries and Ministerial-level Agencies (2012)
- Law on Bidding (revised in 2013)

PROCEDURES HARMONISATION

PROCEDURES ALIGNMENT

Call for Proposals

- MIEs: UNDP, WB, GIZ, KfW, KEXIM Bank, ADB & AfD etc.
- NIEs: VGGSF, VDB and others;
- MPI, MARD, MOIT, MOC, MONRE, People Committees and other lines ministries, Civil societies.

PROCEDURES

Screening process:

- MIEs and NIEs to screen and then forward to MPI;
- MPI and Vietnam GCF Steering Committee to screen;
- MPI reports to Prime Minister for approval;
- MPI informs MIEs & NIEs for improvement of the proposals;
- Provision of No Objection

Inform to GCF

- MIEs and NIEs submit project proposal to GCF with No Objection of NDA.



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS

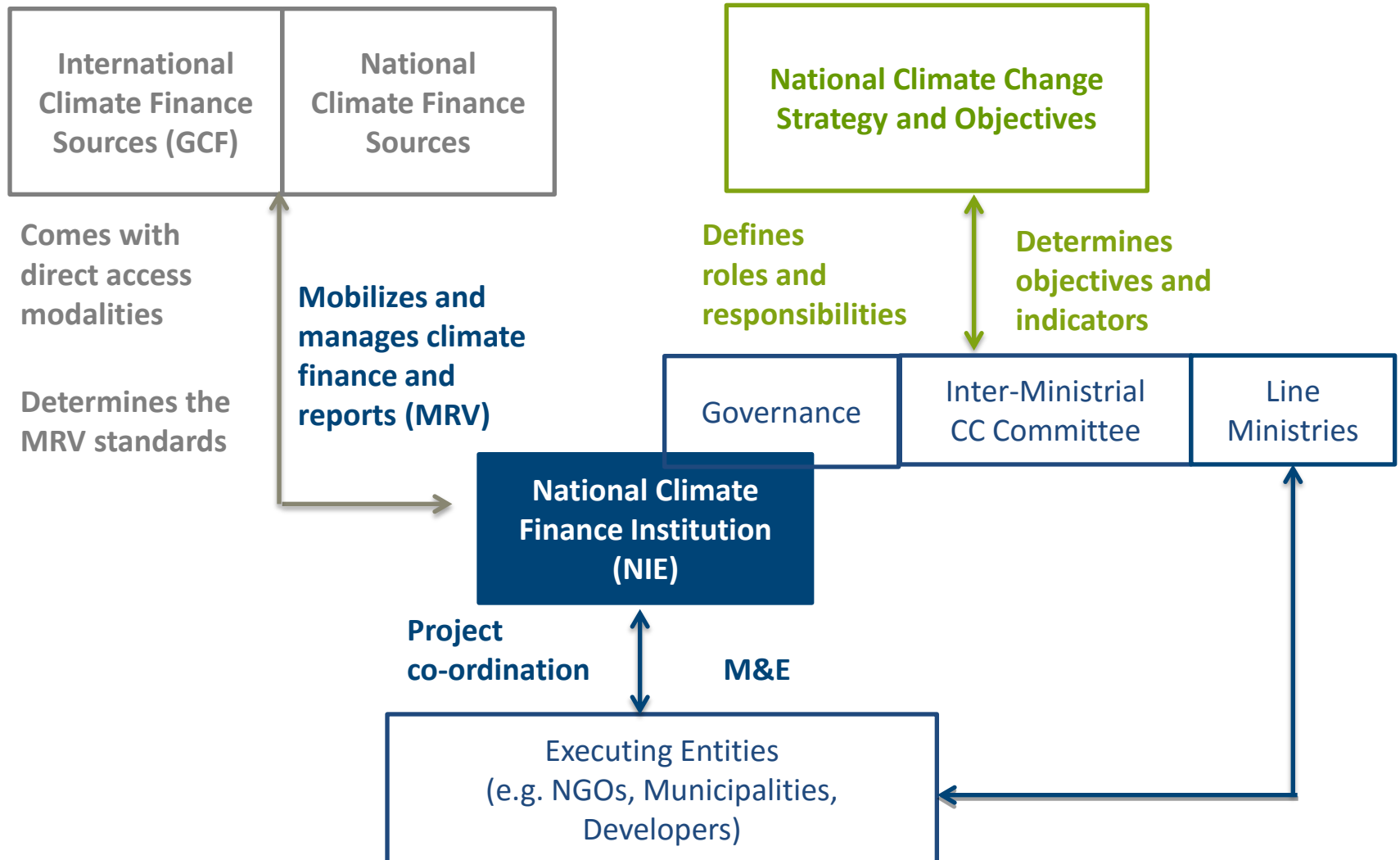


THE WAY AHEAD

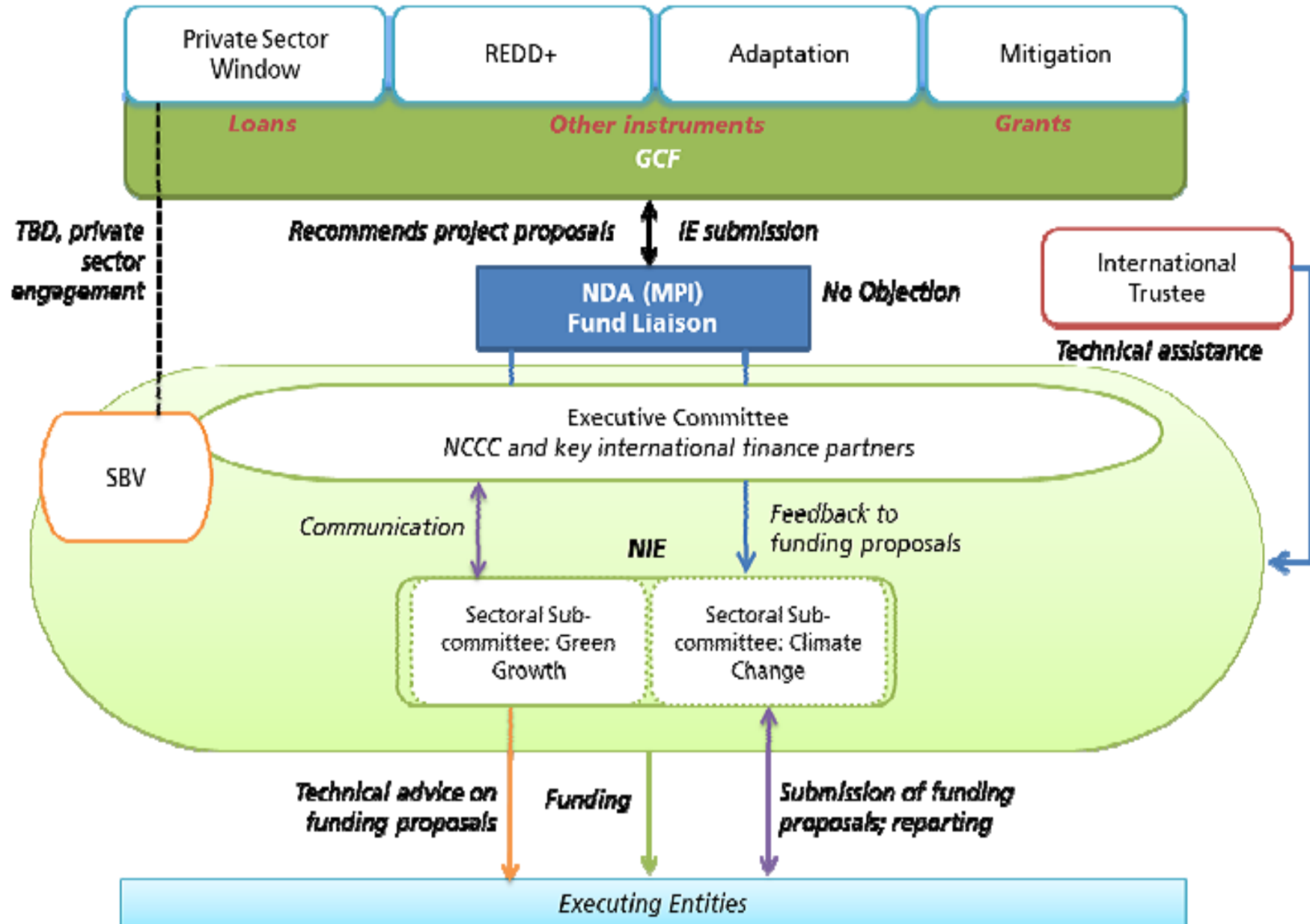
THE WAY AHEAD

- Restructure national climate finance governance structure;
- Identify strategy to get access to GCF via several channels of fit-for-purpose, indirect access and direct access

Example national climate finance governance structure



Vietnam climate finance governance structure



THE WAY AHEAD

Medium- to long-term solution (> 36 months)

Develop the selected NIE

- Capacity building via CF Readiness Program
- Cooperation with MIE
- Coordination with GFMIS and other agencies

Select NIE

incl. consultation with
with different agencies
(public and private)

**NIE accreditation
application**

NIE accreditation

Bilateral talks
with Gov and
potential MIE

MIE application/
accreditation
Cooperation
with potential MIE

MIE & NIE develop
project concepts

Short- to medium-term solution (24-36 months)



MINISTRY OF PLANNING AND INVESTMENT

HANOI, 27 – 29 JUNE 2016
MOBILIZING FINANCE FOR
PRIORITY ACTIONS



THANK YOU FOR YOUR ATTENTION!

Dr. Pham Hoang Mai
Director General
Dept. of Science, Education, Natural Resources and Environment
Ministry of Planning and Investment of Vietnam
Email: hmaipham@mpi.gov.vn