

GGBP Case Study Series

Support Program to Respond to Climate Change in Vietnam

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Country: [Vietnam](#)

Sector(s): [Cross-cutting](#)

Key words: [finance](#), [concessional loans](#), [coordination](#)

The Government of Vietnam developed a coordination platform for climate funding, which mobilizes donor funding in support of a comprehensive climate change policy.

Context

Since the implementation of the Doi Moi reform policy in 1986, Vietnam has experienced rapid economic growth, resulting in increasing energy consumption. Since approximately 60 percent of the country's power generation is based on fossil fuels (Government of Vietnam, 2010), greenhouse gas emissions are increasing.

With a long coastline and extensive delta regions, Vietnam stands to be among the countries most vulnerable to climate change impacts. It is estimated, for example, that a rise in the sea level by one meter would affect about 11 percent of the population, and would decrease the gross domestic product by around

10 percent. There are concerns that the increasing frequency and ferocity of natural disasters accompanying climate change are critical risk factors in the sustained development of Vietnam.

In 2008 the Prime Minister approved the National Target Program to Respond to Climate Change, with a budget of USD 93.5 million up to 2015. The Support Program to Respond to Climate Change (SP-RCC) was set up to mobilize and coordinate resources from international donors.

Approach

The SP-RCC is based on a policy matrix of actions across sectors, including energy, transportation, construction, forestry, agriculture, waste, water, coastal management, natural risk disaster management, and healthcare. This matrix of actions, targets, and indicators is agreed between donors and the Government of Vietnam, including line ministries and other stakeholders.

Donors provide concessional loans as unearmarked budget support, with annual contributions released on the achievement of actions and outcomes as set out in the policy matrix. The government then allocates this as part of its overall budget expenditure system. In addition, donors provide technical assistance to support the implementation of the policy matrix.

The allocation of SP-RCC funds is done domestically through a defined process, guided by criteria and priorities set by the Ministry of Natural Resources and Environment (MONRE). Ministries and localities submit projects and requests for funding, and following inter-ministerial consultations. These are compiled into a prioritized list by MONRE and submitted to the Ministry of Planning and investment (MPI) and the Ministry of Finance (MOF) (AFD Hanoi, 2012).

MOF serves as recipient of the loans on behalf of the government. Progress is monitored by MONRE, MPI, MOF, and donors. There is no strict conditionality or 'payment for performance'. Instead government and donors have regular technical meetings to share information on the progress and lessons learned. If difficulties are identified through the consultation process, both government and donors try to solve the issue with technical

assistance. But the target can also be revised by mutual agreement.

Outcomes

Six donors are participating in the SP-RCC, providing USD 140 million for 2010, USD 220 million for 2011 and USD 260 million for 2012. These finances have contributed to filling the fiscal gap in the public budget, which in turn has allowed the government to allocate resources to climate change policy implementation.

During the first period of the SP-RCC (2009-2012), several climate change related policies and strategies were developed, such as the National Strategy on Climate Change (2011), the National Action Plan on Climate Change (2012), National Strategy on Green Growth (2012), and the Party Central Committee Resolution on responding to climate change, protection of natural resources and environment (2013), and hundreds of other policy actions were undertaken.

The government expects that donors will participate in a second phase of SP-RCC. Other funding sources for environmental policy include Clean Development Mechanism sales and environmental protection fees for wastewater, exhaust gas, solid waste, and mineral exploitation. In addition, the government is set to establish an eco-tax on polluting items such as plastic bags (UNESCAP, 2012).

Lessons

There are several unique features for the success of Vietnam's initiatives against climate change:

- Priorities and projects identified through dialogues among stakeholders;
- Indirect finance for climate action in the form of budget support ensures that the budget authority is involved in allocation to climate change related actions;
- Flexible financing mechanism respects ownership by the government;
- The scheme avoids duplication among donors' assistance.

On the other hand, there are several challenges:

- Some donors can find the unearmarked nature of the program unappealing since they would prefer to be able to track how the finance is allocated to particular actions;
- There has been limited monitoring of climate change related policy actions and their integration with other existing sectoral plans and policies;
- The classification of climate finance is still not clear in public budgeting process and the roles of MONRE and MPI can cause confusion among stakeholders;
- The engagement of sectoral ministries and subregions is still limited. In 2011, five out of nine line ministries, and six out of 58 provinces had developed climate action plans.

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