

Current issues in mobilizing, managing and utilizing financial resources responding to climate change in Vietnam.



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Introduction

- Vietnam is one of the most affected countries of climate change, especially rising temperatures, sea levels and extreme weather phenomena.
- Damages to the economy are serious. Approximately 2-4% GDP annually in 2050 and it could reach 6.5% GDP later on.
- Not just natural disasters, CC also threaten seriously food security and poverty alleviation in Vietnam.
- In order for responding to the impacts of climate change in Vietnam, it requires a budget of 0.5% GDP (approximately 1 Bil USD) annually (MPI, 2011).
- In recent years, Vietnamese government has developed policy efforts and programs as well as international cooperation to derive solutions and mobilize resources responding to impacts of climate change.

What is our framework?



Policy efforts responding to CC

- ❑ Three major policy efforts: NTP-RCC, SP-RCC and NSCC.
- ❑ National Target Program Responding to Climate Change (NTP-RCC) started in 2008. Total budget of 1,965 BVND (appro. 100 Mil USD) with 50% foreign sources and 50% domestic sources (30-10-10).
- ❑ 3 stages: 2009-10 (start-up), 2011-15 (implementation) and after 2015 (development).
- ❑ Implementing priority activities:
 - Assessing the level of CC, developing CC scenarios
 - Developing and implementing the scientific and technological program on CC
 - Strengthening the organizational capacity, regulations and policies on CC
 - Raising awareness and human resources development
 - Strengthening international cooperation capacity
 - Developing and implementing the action plans to respond to CC

Policy efforts responding to CC

□ Financial aspects of NTP-RCC

- Legal framework: State Budget law, Decision 135/QD-TTG (2009) and Circular 07/2010 approved by MOF, MONRE and MPI
- The government ensures necessary sources , mobilize domestic and international support; encourage participation and investment domestically and internationally in responding to CC.
- Projects and activities within NTP-RCC frame should be integrated with other socio-economic activities.
- Projects and activities within NTP-RCC frame will obtain tax remission.

Policy efforts responding to CC

- ❑ Support Program Responding to Climate Change (SP-RCC) was established in 2009 based on the idea of a group of international donors to provide a financial support mechanism for the implementation of NTP-RCC.
- ❑ To coordinate the activities of SP-RCC which include budget support, policy dialogue, coordination among relevant stakeholders and policy formation through a PCU (under MONRE).
- ❑ During 2010-2012: the committed fund from donors – both loans and grants is 620 mil USD from several major donors such as JICA, AFD, WB, AusAID, Korea Eximbank...
- ❑ The program supports 16 areas, especially energy sector and agriculture.
- ❑ Not just on financial issues, policy formation, capacity building, donor coordination, but also on investment activities for those projects satisfied selection criteria set (followed Decision 1719/QD-TTg/2011).

Policy efforts responding to CC

- Vietnam's National Strategy for Climate Change (NSCC) (approved in 2011) targeted on:
 - Proactive disaster preparation and climate monitoring
 - Food and water security
 - Proactive response actions to sea-level rise
 - Protection and sustainable development of forests, enhance GHG absorption and biodiversity conservation
 - GHG emission reduction
 - Improving the role of government in CC response
 - Community capacity development
 - Scientific and technological development
 - International cooperation and integration
 - Diversification of financial resources and enhancing efficiency of using it

Government bodies in climate finance

- ❑ At state level, climate finance is regulated by State Budget law and coordination among three ministries – MONRE, MOF and MPI. However, the difference between NTP-RCC and SP-RCC need to be considered.
- ❑ Based on the current legal framework, the budgeting mechanism of NTP-RCC and SP-RCC follows Public Investment regime.
- ❑ The budget appraisal for NTP-RCC and SP-RCC by MOF and MPI is compulsory.
- ❑ CC activities and projects are cross-cutting issues. It may take longer time to consult with other government bodies. Therefore, bureaucracy may shorten the time for project implementation.

Budgeting for NTP-RCC

- ❑ The program, like other NTPs, follows the general process of NTP formulation.
- ❑ MONRE coordinate with MPI and MOF to formulate and get approval for NTP-RCC.
- ❑ Circular 07/2010 is the guidelines for financial mechanism of NTP-RCC. The details of the guidelines is still one issue.
- ❑ The budget allocation for the NTP-RCC implementation is regulated by State Budget Law and Decision 135 (2009).

Financial mechanism for SP-RCC

- ❑ Budget allocation: regulated by Circular 03/2013 and Dispatch 15020/BTC-QLN (2012).
- ❑ Three channels for allocating funds (incl. SP-RCC) for CC activities and projects:
 - The annual budget: resources for carrying everyday tasks related to CC.
 - Funding for capital development investment
 - State budget for NTP-RCC
- ❑ To obtain funds from SP-RCC organizations/agencies need to prepare project proposal which satisfy a set of criteria (detailed in Decision 1719/2011) and submit to MONRE. MONRE then consults its inter-sectorial committee, send to MOF, MPI to collect their comments, revising and submit to PM for the final approval.

Financial mechanism for SP-RCC

Formulating and selecting projects

- ❑ Ministries and local government based on the guideline (Dispatch 3939/2011-MONRE) to formulate CC project proposals which are required to meet a set of criteria (Dispatch 1719/2011-MONRE).
- ❑ Criteria
 - Having content aligned with adaptation to CC or mitigation of GHGs.
 - Belonging to prioritized issues in the SP-RCC, but not overlapping the others.
 - Being in accordance with the action plan of ministries and provinces.
 - Utilizing appropriate technologies to ensure the sustainability.
 - Ensuring feasibility in financing and operating capacity.
 - Appropriate to functions and duties of the proposing agencies

Financial mechanism for SP-RCC

- The 1719 was criticized on several points:
 - Not providing a detailed framework for project selection. Some criteria are quite qualitative.
 - Does not take into account other dimensions such as social and poverty in the selection process.
 - The voice of beneficiaries and affected group is not integrated in the selection board.
 - Timing problem

Financial mechanism for SP-RCC

- Monitoring and Evaluation: the projects are financed by the state budget, therefore they are regulated by Decree 113/2009.
- Reporting: regulated by Decision 52/2007 and reports upon donors' request.

Other sources for climate finance

- Beside financial resources from NTP-RCC and SP-RCC, Vietnam also obtain the others sources from bilateral and multilateral donors, international organizations and NGOs.
 - UNDP
 - CIF
 - Danish government
 - REDD
 - ...

Current issues

- ❑ Financial resources for responding to CC depends heavily on state budget. Domestic source mobilization is still limited.
- ❑ Mobilizing international source is very potential. However, managing, allocating and coordinating mechanism is not really efficient. The lack of skill, experiences and capacity reducing effectiveness of fund managing and utilizing.
- ❑ The definition of CC activities and projects is not clear.
- ❑ The other dimensions are not well integrated in CC related projects.

Current issues

- ❑ The information on the financial mechanism related to CC is limited at provincial level.
- ❑ Lack of market instruments to encourage the participation of other sectors (outside state) to invest in CC related projects.
- ❑ Coordination among provinces, provincial agencies in formulating CC activities is weak.
- ❑ Integrating financial resource related to CC activities into general state budget may reduce the efficiency in utilizing it.

Policy implication

- ❑ On resource mobilizing
- ❑ On budget allocation
- ❑ On project planning and formulation
- ❑ On project selection
- ❑ On efficiency of project implementation
- ❑ On monitoring and evaluation
- ❑ On market instruments



Thanks for your kind attention