



International Climate Finance Options for Vietnam's Transport CC Actions

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www.transportandclimatechange.org

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Objectives

- Provides an overview of sources of international climate finance for transport mitigation and adaptation actions in Vietnam
- Outlines the challenges and capacity gaps for Vietnam to gain access to such financial sources
- Provides preliminary recommendations to bridge the gaps



General Context

- The global climate finance architecture is complex: multilateral funds, bilateral channels, national climate change funds
- Transparency/MRV of climate finance to be improved (more so in bilateral initiatives than multilateral).
- Challenges of coordinating and accessing finance.
- Climate Public Expenditure & Investment Review for Vietnam (to be launched in April 2015) assessed Vietnam's climate relevant expenditures and investments (UNDP/World Bank)

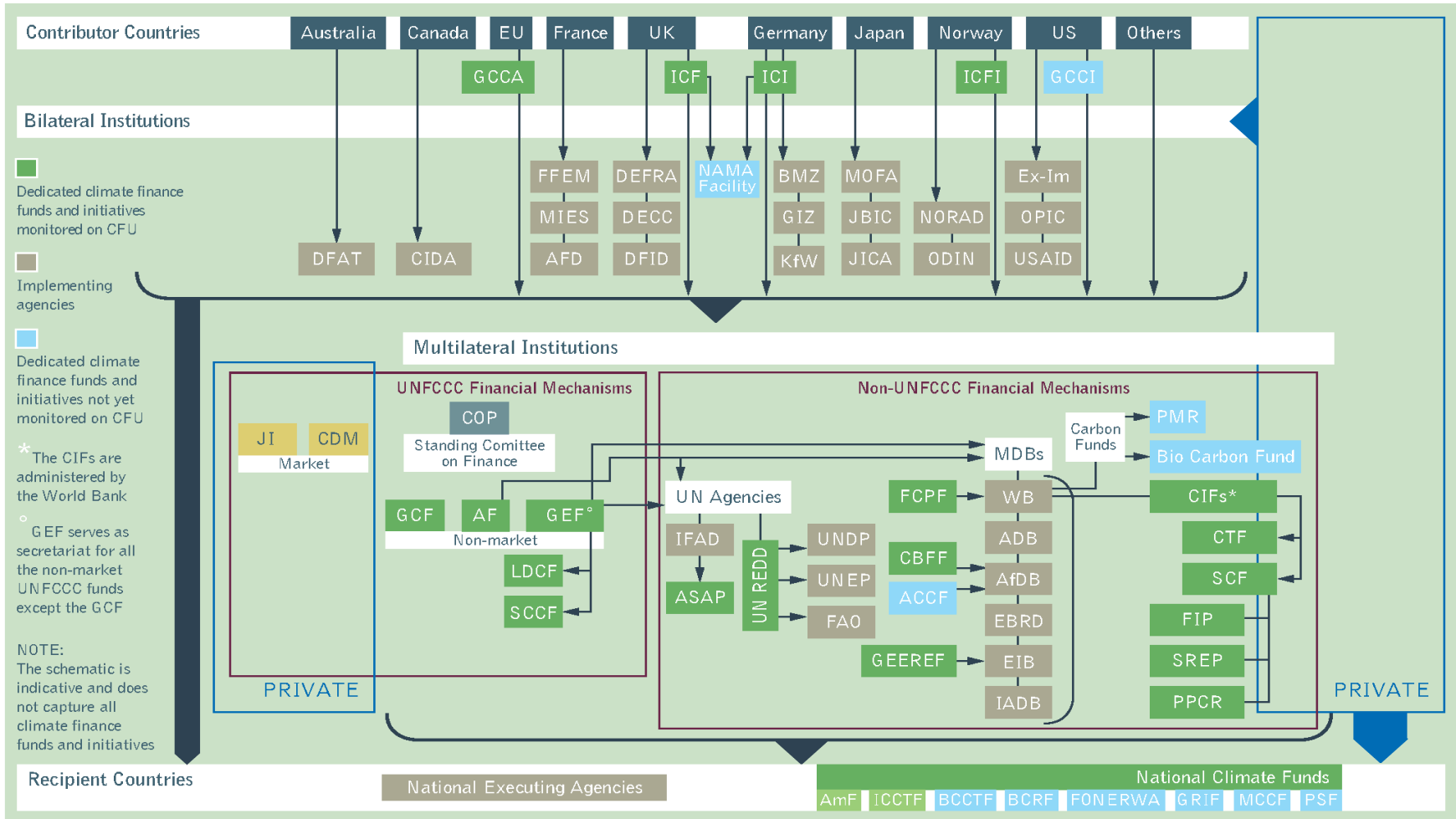


Key Sources of Climate Finance

- International Climate Finance:
 - Official Development Assistance (ODA)
 - Multilateral Climate Financial Mechanisms:
 - ✓ UNFCCC Funds and Mechanisms
 - ✓ Non-UNFCCC Funds
 - Bilateral Funds
- National budget and fiscal measures



International Climate Finance - Architecture



Source: Climate Funds Update (<http://www.climatefundsupdate.org/>)

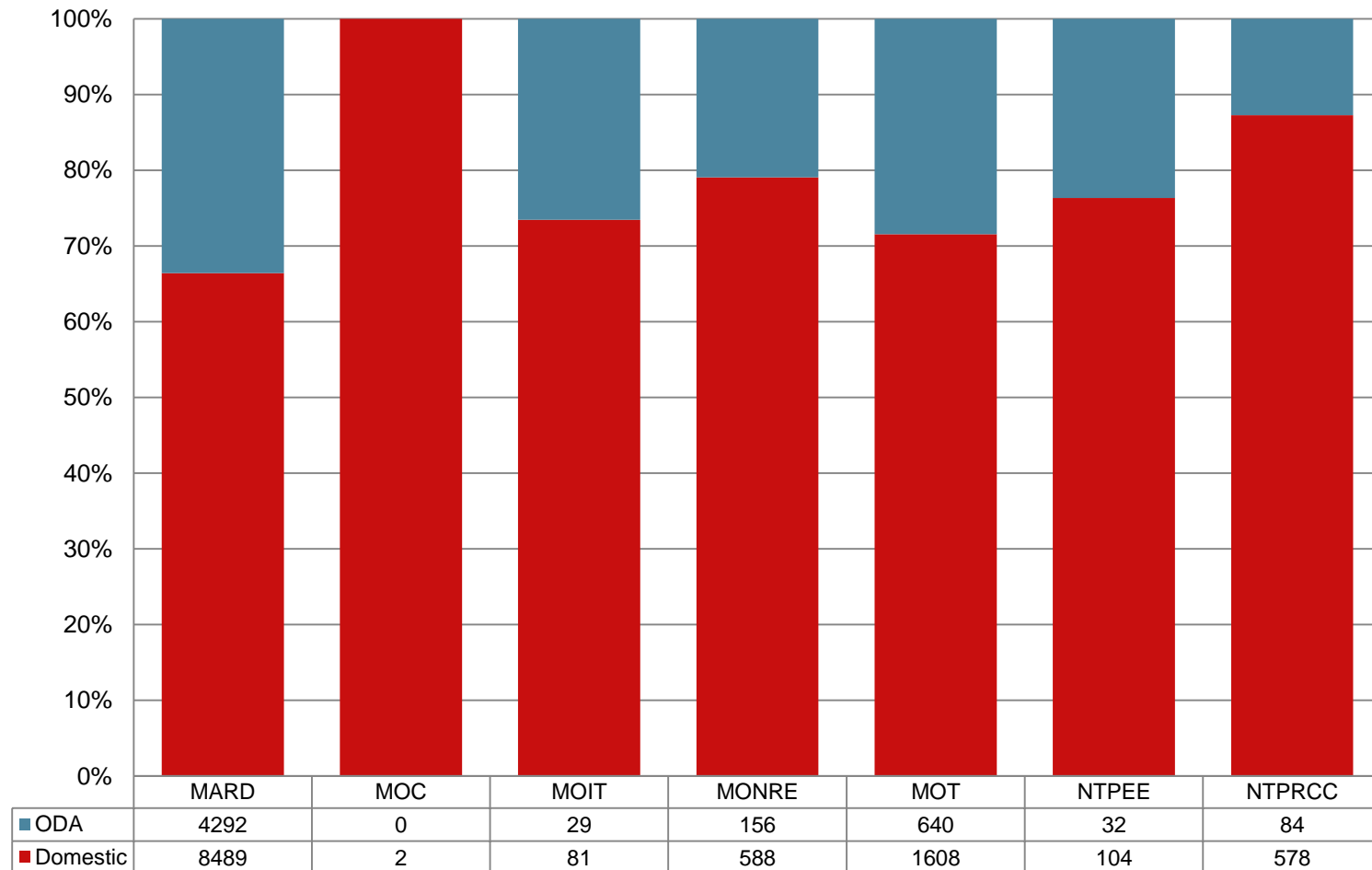


Official Development Assistance

- Official Development Assistance:
 - International public flows that aim to promote **development**
 - Grants or loans for developing countries
 - Cannot simply be labeled as climate funding
 - Climate finance: new and additional to existing ODA
- Vietnam's access:
 - ODA contribute to climate finance through general budget support (SPRCC) and also through off-budget support (directly with Ministries and implementing agencies)
 - 97% of ODA is in the form of loans for investment projects (Draft CPEIR Vietnam)



Vietnam: ODA-Related Climate Finance



Note: constant price 2010 VND billion (Source: Draft CPEIR Vietnam)



Multilateral Climate Financial Mechanisms

- UNFCCC Funds:
 - Global Environment Facility (GEF6) - Special Climate Change Fund (SCCF)
 - Green Climate Fund (GCF)
- Non-UNFCCC Funds:
 - Climate Investment Fund (CIF) – World Bank (including **Clean Technology Fund**, Forest Investment Programme, Pilot Programme for Resilience; Scaling up RE Programme)
 - GCCA – Global Climate Change Alliance
- Adaptation-Focused: Adaptation Fund (AF)
- Mitigation-Focused: Clean Development Mechanism (CDM)



Multilateral Climate Funds - Status

USD Million	Funds	Pledged	Deposited	Approved	Disbursed
		25,770	9,975	8,453	580
AF	Adaptation Fund	483	471	264	113
CTF	Clean Technology Fund	5,191	4,756	4,101	427
GCCA	Global Climate Change Alliance	386	386	409	
GCF	Green Climate Fund	9,007	51		
PPCR	Pilot Program for Climate Resilience	1,148	1,074	888	37
SREP	Scaling-Up Renewable Energy Program for Climate Resilience	516	501	142	3
SCCF	Special Climate Change Fund	347	336	263	
ICI	International Climate Initiative (Germany)	1,082	1,082	1,368	
ICFI	International Climate and Forest Initiative (Norway)	1,608		305	
ICF	International Forest Carbon Initiative (UK)	6,002	1,318	713	

Source: Climate Funds Update (accessed 10 March 2015)



Global Environmental Facility – SCCF

- Global Environment Facility (GEF) funds through:
 - Special Climate Change Fund (SCCF)
 - Least Developed Countries Fund (LDCF) – **Not Applicable to Vietnam**
- Voluntary & depending on contributions from developed countries
- Vietnam: established a national procedure for GEF/SCCF
 - GEF Agencies: World Bank, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO), United Nations Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), Asian Development Bank (ADB).
 - National Executing Partners: Government of Vietnam, Ministry of Environment and Natural Resources, Ministry of Agriculture and Rural Development, Ministry of Science, Technology and the Environment, Ministry of Industry, Ministry of Construction, National Environment Agency, National Office for Climate Change and Ozone Protection (NOCCOP), Hanoi People’s Committee (HPC), United Nations Office for Projects Services (UNOPS).



Adaptation Fund

- Adaptation Fund:
 - Established in 2001 under Kyoto Protocol
 - Finance adaptation projects and programmes in developing country Parties to the Kyoto Protocol
 - Funded by a 2% levy on CERs from CDM and donor contributions
 - Currently, \$264m is approved vs. \$483m pledged
 - Allows Direct Access – through National Implementing Entities (NIE).
- Vietnam's Access:
 - Vietnam currently does not have an accredited NIE for the AF
 - Can access through Multilateral Implementing Entities (MIEs)



Green Climate Fund

- Green Climate Fund (GCF):
 - A new multilateral funding for climate change mitigation and adaptation
 - \$100 billion (for both mitigation & adaptation) annually by 2020
 - New and additional and from many sources: public and private, bilateral and multilateral
 - Access:
 - ✓ National Designated Authority (NDA): no-objection procedure
 - ✓ National Implementing Entities (NIEs): public and private sector
 - ✓ Multilateral Implementing Entities (MIEs)
- Vietnam's Access:
 - NDA: Ministry of Planning and Investment
 - NIEs: Readiness Programme for accreditation (GIZ and GCF) – VEPF/SPRCC?



Climate Investment Fund (CIF)

- CIF - Four different funding windows
 - Clean Technology Fund;
 - Forest Investment Programme
 - Pilot Programme for Resilience;
 - Scaling up RE Programme
- Vietnam's Access:
 - Accessed through intermediaries such as MDBs and UN agencies
 - Mainly access to CTF
 - \$250m in various projects in Hanoi and HCMC
 - World Bank: energy efficiency and renewable energy
 - ADB: mass rapid transit in urban transport enhancement and industrial EE



Market Mechanisms – CDM

- Clean Development Mechanism
 - UNFCCC Market Mechanisms including non-Annex I countries
 - Private Sector Climate Finance
 - Mitigation focus (GHG emissions reduction) as offset activities
 - Trade in CERs
- Vietnam's Access:
 - Average 2012 Secondary CER Price (€0.32) → Vietnam's carbon revenues: approx. €2.5m
 - EU-ETS limits CERs from LDCs and low CER price: challenges for CDM projects in Vietnam



Bilateral Funds and Initiatives

- **JCM** - Joint Crediting Mechanism (Japan)
- **NAMA facility** - Nationally Appropriate Mitigation Action facility (UK and Germany)
- **GCCI** - Global Climate Change Initiative (US)
- **ICF** - [International Climate Fund](#) (UK)
- **ICI** - [International Climate Initiative](#) (Germany)
- **ICFI** - International Climate and Forest Initiative (Norway)
- **SP-RCC Financial Mechanism**



Joint Crediting Mechanism(Japan)

- Bilateral cooperation mechanism with participation of private sector from Japan
- Viet Nam: 6th signatory of Memorandum of Cooperation with Japan (March 2013)
- Domestic context for Vietnam: Pilot implementation of NAMAs
- Institutional structure: Joint Committee (comprised of representatives from Line Ministries on both Vietnam and Japan sides)
- Current status: 28 projects carried out by Japanese businesses for JCM, including following areas: Waste management and treatment (03); Land use and forestry (03); Industry, energy saving and efficiency (18); Transport (04)
- Challenges:
 - Technical guidelines and Methodologies yet to be tested;
 - Funding modalities and credit sharing arrangement not yet clear
 - Capacity of project participants;
 - Lack of information about mechanism among Vietnamese enterprises.



NAMA Facility (Germany & UK)

- Jointly established by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the UK Department of Energy and Climate Change (DECC)
- Objectives: Provide financial support to implement country-led NAMAs
- Central decision-making body: NAMA Facility Board (representatives from DECC and BMUB) - selects the NAMA Support Projects for funding.
- NAMA Support Projects need to nominate qualified delivery organisation (no accreditation process).
- Short-term focus. Third call in early 2015.
- Criteria:
 - General eligibility
 - Ambition
 - Feasibility/readiness

Ambition Criteria of the NAMA Facility

Potential for
transformational
change

Mitigation
ambition

Financial
ambition

Sustainable
development
co-benefits



SPRCC Financing Mechanism

- The Support Program to Respond to Climate Change (SP-RCC): a financing mechanism that enables scaling up CC-responses, for example financing of the NTP-RCC (**mainly soft loans**).
- Set up to also serve as a platform for CC-policy coordination between Government and international development partners.
- Development partners (DPs): JICA, AfD, WB, CIDA, AusAID, and Korea EXIM Bank
- Institutional Structure: Program Coordination Unit based in the Department of Hydro-Meteorology and Climate Change (DHMCC) in MONRE.
- 61 projects for a planned allocation of around VND 17,900 billion
- 16 projects (of around VND 4,400 billion) are being financed, with approximately VND 815 billion committed for 2013 and 2014.



Examples of Climate Finance in Sustainable Transport

ST Measures (examples)	Role Climate Finance
All SUT measures	Design, pilot phase, MRV, incremental costs
MRT /LRT / BRT; interurban rail; high-speed rail	Planning support, loans?; MRV
Logistic centres; multimodal facilities	Planning support, MRV
Fuel Economy Standard	Develop standard, creating buy-in, enforcement, capacity building
Biofuel production facility	Loan (e.g. for 2 nd gen)



Vietnam: Challenges & Capacity Gaps

- **Direct Access Modalities** (for AF and GCF) – NOT YET ACHIEVED
 - NDA: procedure to be established and institutional capacity to be developed
 - NIEs:
 - Suitable entities to be identified (VEPF, SPRCC, Green Growth Facility, private investment funds?)
 - Accreditation ability to be assessed
 - Institutional capacity to be developed: fiduciary standards, financial governance, investment management
- **Challenges in managing international climate finance** (case study: SPRCC)
 - Weak uptake at sectoral and provincial level (lack of capacity)
 - Lack of human and institutional capacity in evaluating and verify projects
 - Inter-governmental coordination is challenging
- **Capacity** in estimating costs of climate change impacts and CC actions is limited
- International climate finance flows to Vietnam, esp. **off-budget support** – not yet monitored and tracked

Source: *Status of Climate Finance in Vietnam (2013)* – GIZ/Castlerock/Adelphi



Recommendations towards Vietnam's CF Readiness

Five Success Factors to Climate Finance Readiness (GIZ)



Source: GIZ Clif Reflect Tool



Recommendations towards Vietnam's CF Readiness

- **Coordination :**

- ▶ Strengthening coordination between MONRE, MPI and MoF
- ▶ Development of a national financing architecture (underway under the NCCC): **Climate Finance Task Force** established (MPI led) with responsibilities including developing strategies in mobilizing financial sources
- ▶ **A monitoring and tracking** system to be established for international climate finance flows, both on- and off-budget support (part of a national MRV framework)

- **Capacity Building:**

- ▶ Enhance planning and project/policy development for line ministries and local governments
- ▶ Technical assistance for accreditation of NIEs to AF and GCF, both public and private entities
- ▶ Awareness amongst private sectors for commercial opportunities in climate mitigation and adaptation

- **Enhancing Finance:**

- ▶ Improve access to undersubscribed multilateral and bilateral climate funds
- ▶ Explore other options: Fiscal instruments, ETS, Climate Bonds, private investment funds



Thank you for your attention!!!

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