

Introduction

Viet Nam is one of the countries likely to be most affected by climate change. In part, this is due to its long coastline, dependence on agriculture and relatively low levels of development in rural areas. The projected effects include: an increase in rainfall in wet seasons and a decrease during the dry season by 10 per cent or more; an increased intensity and frequency of storms and floods; and a sea level rise of around one metre by 2100.¹

The effects of climate change are already evident: the average surface temperature has risen 0.7°C since 1950; the typhoon and flood seasons are longer than they used to be; there have been droughts in areas previously not vulnerable to aridity; there is more heavy rainfall and flooding; and storms are moving south.²

Policy Instruments and Implementing Mechanisms

Viet Nam ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and completed the National Target Program to Respond to Climate Change (NTP-RCC) in 2008. The government sought to mainstream climate change in its Socio-Economic Development Strategy (SEDS 2011–20) and Social Economic Development Plan (SEDP 2011–15), as well as committing to a long-term, 'low carbon' industrial economy, and prioritising greenhouse gas reduction in energy, forestry and agriculture. However, climate change adaptation is only mentioned in the agriculture section of the SEDP, and is not mainstreamed as a development challenge across all sectors.

The NTP-RCC provides the institutional framework for developing action plans related to climate change. The Ministry of Natural Resources and Environment (MoNRE) is the lead ministry, and the UNFCCC and Kyoto Protocol are the focal point and designated national authority for Clean Development Mechanism (CDM) projects. MoNRE is now drafting criteria for climate change project selection with the aim of guiding the next round of climate change planning in the line ministries.

Concerns about the climate-change planning process include the fact that the NTP-RCC is considered technocratic, with few opportunities for input from lower levels of government such as provinces or people's organisations. The fear is that the likely recommendations, such as large-scale infrastructure improvements, are not attuned to the localised, community-level impacts of climate change. The SEDS and SEDP will provide for guidance in the integration of climate change at sub-national levels.



Challenges and issues

The overlap of functions between and within ministries represents a significant challenge in the disbursement of climate change funds:

- The Ministry of Finance (MoF) is responsible for the budget, while the Ministry of Planning and Investment (MPI) leads the development planning process and is responsible for management and coordination of Official Development Assistance (ODA);
- As the lead agency for the NTP-RCC, the work of a number of Ministry of Natural Resources and Environment (MoNRE) departments now intersect with various MPI functions;
- The majority of climate change projects are implemented by other line ministries. The MoF has highlighted concerns about delegating too much responsibility to the MoNRE, which could weaken the MoF's accountability to stakeholders such as the National Assembly;
- Donors are calling for an expanded role of the NTP-RCC Standing Office or for the creation of a new unit that will handle large-scale ODA coordination.

¹ World Bank (2010), 'The social dimensions of adaptation to climate change in Vietnam', <http://climatechange.worldbank.org/reports/social-dimensions-adaptation-climate-change-vietnam>

² *Ibid.*

Financing Mechanisms and Issues

Budget support

This is the government's preferred choice, with the possible exception of MoNRE. However, donors have concerns about the possible diversion of climate change funds to other activities. This could be addressed by institutionalising a process for mainstreaming climate change into ministry-level and local development plans. A further concern is that budget support mechanisms are limited in their ability to attract private sector financing, which is seen to be crucial to meet the financing targets in particular for mitigation.

ODA support is expected for the NTP-RCC where 50 per cent of funds are expected to come from 'foreign capital'. The Japanese and French governments have committed \$134 million in ODA loans under a Support Program to Respond to Climate Change (SP-RCC). The interest on the Japanese loans, which form the majority of funds, will be 0.25 per cent over a 40-year repayment period with a 10-year grace period. The funds work in a similar way to the Poverty Reduction Support Credit where progress is measured through a policy matrix. The World Bank and the Canadian International Development Agency (CIDA) are now also planning additional funds for this mechanism.

Project support

Although compiled and updated into a matrix of climate change projects by the World Bank, this modality suggests a high level of fragmentation. In addition, the level of investment, especially for adaptation projects, is relatively low. However, project support will be essential, especially in the short term, to encourage innovation in different sectors. This mode of support is also likely to be one of the few available to civil society groups. Project support is bound to decline, however, once multi-donor funds such as the Adaptation Fund are up and running.

Multilateral channels and multi-donor trust funds

The Trust Fund for Forests (TFF)

The national-level Trust Fund for Forests (TFF) has been considered as a potential channel for reducing emissions from deforestation and degradation. It was established in 2004 with pooled funding from Finland, the Netherlands, Sweden, and Switzerland. It addresses sector priorities within agreed policy frameworks, such as the National Forest Development Strategy. TFF funding appears to be on the decline as only Finland and Switzerland have committed to support it after 2012.

The Global Environmental Facility (GEF)

The Global Environmental Facility (GEF) is a hosting financing mechanism for the different UN conventions, including the UNFCCC. GEF provides grants for projects tackling climate change, biological diversity, international waters and ozone layer depletion. The United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and World Bank are traditionally the three implementing agencies that channel most of the GEF resources to national partners in a wide range of projects. Increasingly, regional development banks and other UN organisations also channel GEF finance, as 'executing agencies'. In Viet Nam, most GEF funding is for large technical assistance projects focusing on mitigation, e.g. efficient energy.

Useful lessons and limitations of the Trust Fund for Forests (TFF)

- The TFF creates a common approach to capacity building in the sector.
- The rotation of the chair ensures that all donors feel equal in the decision-making process.
- Government and donor procedures are harmonised and therefore efficient.
- Donors still play a major role in project management because of the government management board's low capacity.
- Procedural compliance has been weak, exposing the work to financial risks.
- Projects selected are either carried out by large entities (e.g. the Asian Development Bank or World Bank) where the bulk of funding is absorbed by international consultants or by agencies lacking in capacity, leading to project failure.
- With so few donors, sustainability of the fund is weak.

Limitations of the Global Environmental Facility (GEF)

- Limited technical capacity of national stakeholders in project design.
- Government's inability to provide counterpart funding, which is an often-criticised GEF requirement.
- Slow project cycles and inefficiency, e.g. because of the need to apply through intermediate agencies.

Government trust funds

These include the Viet Nam Environmental Protection Fund (VEPF), Viet Nam Conservation Fund (VCF) and Forest Protection and Development Fund (FPDF).

- VEPF supports environmental projects, mostly in the form of soft loans. Current regulations require that all ODA-supported CDM credits will accrue to this fund and not to the project owners. Some stakeholders are concerned that this could limit the development of carbon financing and cause Viet Nam to lose out on significant funding opportunities in the future.
- VCF aims to improve the conservation and sustainable use of biodiversity resources in special-use forests (SUFs), and funds support projects up to \$200,000. The projects are considered to be generally successful. Sustainability is a significant concern as SUFs cannot be used for commercial purposes.
- FPDF is a non-profit, state entity launched in 2008 to accept money from various sources to invest directly in activities that seek to develop and protect forests, socialize forestry and raise awareness about the need to protect forests.

Adaptation Fund (AF)

This was set up under the Kyoto Protocol to help mainstream climate risk management into policies and plans. Initial funding is from a levy on CDM proceeds and some bilateral donors have also started to finance it. AF funds are made available through Multilateral Implementing Entities (MIEs) such as UNDP and the World Bank, which provide countries with indirect access to the funds and through National Implementing Entities (NIEs) which are accredited by the AF for direct access by developing countries' organisations. Viet Nam is keen to access climate funds through this new channel and is currently considering potential NIEs.

Lessons learned and recommendations

1. Adaptation strategies must target those who are most vulnerable, including poor people, women, children and minority ethnic groups. They should be participatory, ensuring that those who are most vulnerable have a voice in planning and decision-making. Poverty reduction programmes such as Programme 135 can be used as an example of how marginalised groups can be reached. Participation and ownership are essential to resource allocation and project implementation.
2. From the highest level of government officers to village heads, from international and local NGOs to mass organisations (e.g. the Farmers' Association and Women's Union) and informal interest groups, it is important to have trusted and accountable representatives and intermediaries. Evaluations have shown that such representatives and intermediaries increase the voice of vulnerable groups, although at times their work can suffer from donor pressure, weak capacity and a lack of sustainability.
3. It is vital that climate change funds are available for local capacity building, from addressing poor working conditions for village officials to promoting participation of the people and community in programme and project implementation. Training should be prioritised at the commune level so that staff and communities become trusted owners of the work. Building capacity at local level is essential because the impact of climate change varies significantly from one locality to another.

Adaptation Fund: direct and indirect access

- The advantages of direct access are that it could speed up the project cycle, depending on the capacities of NIEs, and enhance country ownership, thus offering greater potential for alignment with national needs and priorities. However, there are no guarantees that the action plans are inclusive or attuned to the needs of the most vulnerable sectors and local communities, and there are no mechanisms in place to hold approved applications accountable to programme outcomes.
- The major drawback of indirect access is that government ownership is diminished. In addition, within the UNFCCC negotiations, developing countries appear to have lost faith in the ability of the World Bank to manage climate funding.

4. The nature of poverty is changing in Viet Nam. Local civil society groups can provide useful insights into the types of adaptation investments that will yield results. However, traditional ODA to such groups is on the decline. Future funding schemes such as the Adaptation Fund should be reviewed soon in terms of stronger procedures for community and civil society engagement, and these lessons should be captured for the design of the new Green Climate Fund established in Cancun.
5. Leadership capacity should be built at all levels, in particular at commune and village level. The SEDP should consider how decentralisation, grassroots democracy and the role of the National Assembly should evolve over the next five years in terms of developing new and different forms of accountability. Transparent design, funding and implementation practices will allow the government and people's organisations to provide sufficient oversight. Government, mass organisations and NGOs should work together to find ways to improve accountability to and leadership by vulnerable groups.
6. Viet Nam should reach out to other developing countries and together establish a position such as demanding grants – rather than loans – for all adaptation plans. Adaptation funds should be made available to meet the demands of decentralisation, including building local capacities and project ownership. Communities should already be developing adaptation options, and local-level planning and experimentation should be a funding priority.
7. Climate finance projects and programmes must be mobilised according to national, sector and local socio-development plans. The government should accept only those grants that are consistent with the principles underlying the Hanoi Core Statement on Aid Effectiveness.

More information on this issue can be found in Oxfam's new briefing paper, *Owning adaptation: Country-level governance of climate adaptation finance*. To download your free copy of *Owning adaptation*, please go to www.oxfam.org.uk/publications.

As financing for climate change adaptation gathers pace, it has become fundamentally important to identify how it flows into developing countries. This is a major opportunity to shape the governance of funding at the national level so that the needs of the most vulnerable can be met. The core issue is country-level ownership of adaptation finance. Consequently, providers of adaptation finance must put developing countries in the driver's seat, and the countries themselves must exercise leadership and respond to the needs of those most affected by climate change. Most importantly, civil society and vulnerable communities must be able to steer and hold accountable the way in which adaptation finance is used.

For more information on climate finance governance in Viet Nam, please contact Le Minh (leminh@oxfamamerica.org)