



Evaluation of Viet Nam's accessibility to international climate funds

REPORT SUMMARY

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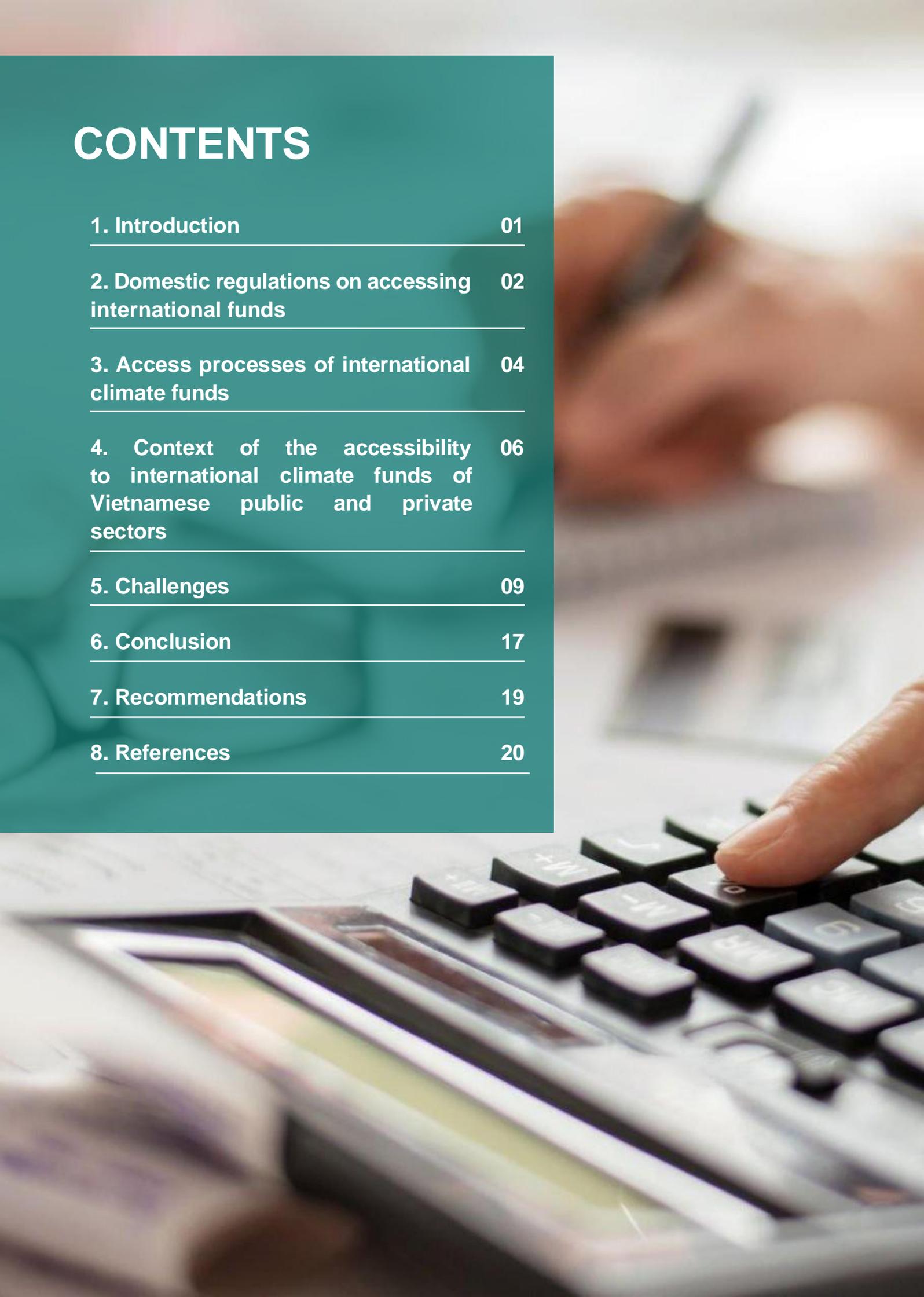
On behalf of

International Climate Initiative (IKI). IKI is an important part of the German Government's commitment on international climate finance. Since 2022, IKI has been implemented by the German Federal Ministry of Economic Affairs and Climate Action (BMWK) in close cooperation with the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and the Federal Foreign Office (AA).

08/2023

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1. INTRODUCTION

At the 26th United Nations Climate Change Conference of the Parties (COP26), Vietnamese Prime Minister Pham Minh Chinh made a strong commitment to respond to climate change, in which he emphasized that Viet Nam would develop and implement strong emission reduction measures to achieve net-zero emissions by 2050. To realise this ambitious goal, Viet Nam would combine the use of its own resources and the support and cooperation of the international community, especially developed countries in terms of finance and technology transfer, including the implementation of mechanisms in the Paris Agreement. Viet Nam also voiced its support for a number of important declarations and initiatives on forest protection, clean energy transition, support local community on adaptation, and methane reduction, all of whose implementations require significant resources from the public and private sectors both domestically and internationally.

Although financial funds to respond to disasters and climate change are said to be diverse, including central and provincial budgets, domestic and international programs/ funds on climate change response, ODA, investment from domestic enterprises and foreign invested enterprises, and donations from individuals and households, etc. they, however, can meet only 30% of the practical demand (Linh, 2022).

This report will put emphasis on the accessibility to international climate funds of 3 target groups, including (1) Central government agencies, (2) Local government agencies, and (3) Vietnamese enterprises. The expert group will evaluate the accessibility of these groups through reviewing legal documents and surveying line ministries, provinces, and enterprises in mobilising grants from international climate funds; the aim of which is to implement activities and projects in the field of green growth and climate change response. From this evaluation, they will support the Ministry of Planning and investment to evaluate Viet Nam's accessibility to international climate funds and then provide recommendations to enhance the financial mobilisation capacity for green growth and climate change response.

2. DOMESTIC REGULATIONS ON ACCESSING INTERNATIONAL FUNDS

The Government's regulations and guidelines on investment and international fund accessibility of competent authorities must be adhered to in both following phases: **(1) Developing project proposal**, and **(2) Approving project proposal and Receiving fund**.

Regarding climate change response, legislative documents have been thoroughly developed and promulgated. For example, the **Law on Environmental protection No. 72/2020/QH14** issued in 2020 provided an overview on climate change response to implement the Paris Agreement. **National strategies on green growth and climate change response** have also been developed and updated on a regular basis to define the development direction and prioritised fields, tasks, and activities of both public and private sectors in the coming time to maximise the resources and strengths of all parties.

Regarding resource allocation for climate change, Chapter XI of **Decree No. 08/2022/ND-CP** stipulates resources for environmental protection to respond to climate change. According to the Decree, in addition to the State recurrent expenditure, State investment expenditure on environmental protection, and resources for implementing environmental planning, there are also social fund for environmental protection, including funds from enterprises, organisations, and individuals participating in environmental protection activities; contributions, grants, and aids from organisations, individuals; and other revenue sources. The Decree also stipulates regulations on green credit and green bonds.

Moreover, the Decree mentions operating fund of the Viet Nam Environmental Protection Fund and provincial environmental protection funds, including grants, support, voluntary contributions, and entrusted investments from international organisations in environmental protection and climate change response. However, neither this Decree

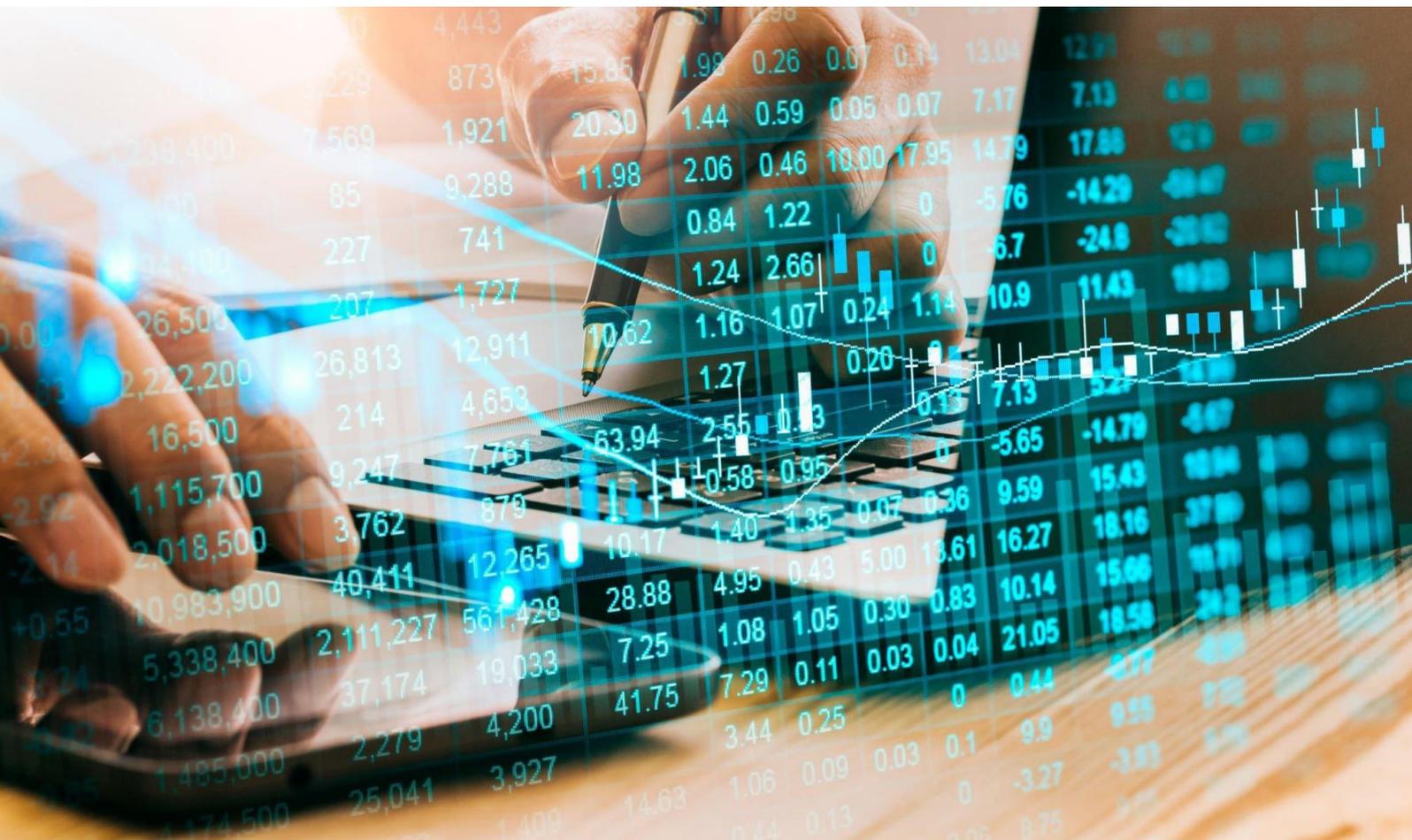
nor Circular No. 02/2022/TT-BTNMT mentions the case of receiving loans/ grants from international climate funds.

Regarding projects using official development aids (ODA) and concessional loans from foreign donors, it is mandatory to adhere to regulations on the project development, appraisal, and approval in Decree No. 114/2021/ND-CP, which has been amended and supplemented with a few new articles in Decree No. 20/2023/ND-CP dated 04/05/2023.

Decree No. 114/2021/ND-CP also stipulates the management and use of ODA and concessional loans from foreign donors for State enterprises, in which the implementation of the procedures of proposal, approval, and investment decision must adhere to the Law on Public Debt Management; Law on Investment; legal regulations on enterprises and the development, management, and use of State investment on the production and trading of enterprises; and other relevant legal regulations.

Regarding the private sector, **Decree No. 114/2021/ND-CP** specifies the methods for accessing and using ODA and concessional loans. However, the information provided is still at the general level.

In practice, the private sector usually gains access to international climate funds via concessional loans granted by international financial institutions for projects that meet the environmental and social risk evaluation criteria. In this case, they must comply with regulations in Decision No. 122022/QD-TTg dated 09/05/2022 on the procedures and authorisation to issue objection and non-objection letters towards private sector operations in Viet Nam from international financial institutions.



3. ACCESS PROCESSES OF INTERNATIONAL CLIMATE FUNDS

Different international climate funds have different priorities and investment criteria; however, in essence, all of their access processes will share the following steps:

ACCESS PROCESSES



Figure 1: Steps in access processes of international climate funds





Most of the current international climate funds require countries to develop and submit proposals through an entrusted intermediary or one of the fund's partners. These proposals must also be approved by the national designated authorities¹ to ensure that the project's objectives and activities are in line with the country's strategy, policies, plans, and priorities in each period.

The international climate funds will apply special processes to certain groups of project proposals. For example, to reduce the time from formulating project idea to implementing it, GCF issued the **Simplify Approval Process**² in 2017 for projects of under 25 million USD and minimal environmental and social impact.

In general, for project proposals to be approved or granted concessional loans, not only do their field of business need to align with the funds' prioritised areas but they must also demonstrate their longevity and sustainability via environmental and social risk evaluation, especially projects initiated and implemented by the private sector. Concerns about sustainable business, impact to biodiversity, etc. should also be addressed properly.

International standards and regulations can be used as a reference to ensure that the 'green' credit fund for the abovementioned programs and projects is in line with emission standards in their respective fields of business, EU taxonomy for instance. In case the projects fail to meet the criteria of the funds or there is not sufficient data for evaluation, additional demand may be issued; however, this usually results in disadvantages during negotiation with the proposing party.

¹ . In Viet Nam, the Ministry of Planning and Investment is appointed as the focal point (National Designated Authority – NDA) of the Green Climate Fund, while the Ministry of Natural Resources and Environment is the focal point of the Global Environment Fund and the Adaptation Fund (AF).

² . <https://www.greenclimate.fund/projects/sap>



4. CONTEXT OF THE ACCESSIBILITY TO INTERNATIONAL CLIMATE FUNDS OF VIETNAMESE PUBLIC AND PRIVATE SECTORS

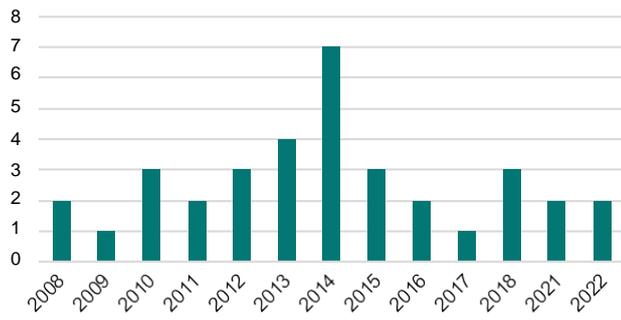
Most of the climate change response projects funded by international climate funds in Viet Nam have central state agencies (Ministries) as their lead executing agency. At the provincial level, only 10 out of 30 provinces participating in the survey have prepared or are preparing project proposals to international climate funds. Regarding the private sector, only 2 out of 75 surveyed enterprises either have their projects approved already or are submitting their dossiers to international climate funds, both of which are state enterprises³.

Funding sources from international climate funds to Viet Nam often belong to the Global Environment Fund (GEF) and the Green Climate Fund (GCF).

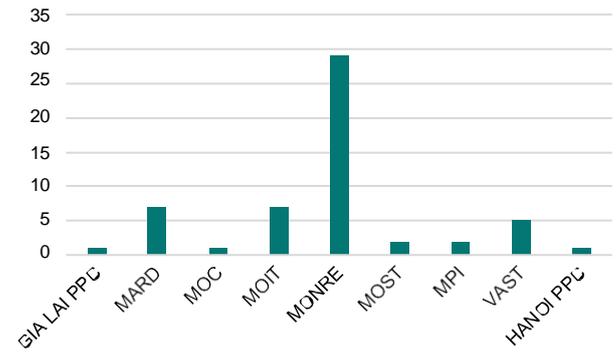
As of March 2023, studies from **GEF** indicates that 31 projects had completed, and 24 national projects had been approved and under implementation in Viet Nam⁴. The funding amount of these projects mostly falls between 1 million to less than 5 million USD. The total funding for national projects that have been or are being implemented is 195 million USD, adding up to 7% of the total funding for all projects. Apart from national projects, Viet Nam has participated and is participating in 52 GEF global or regional projects on biodiversity, climate change, and management and protection of marine environment.

³ . The State holds more than 50% of the charter capital and has the right to cast a vote

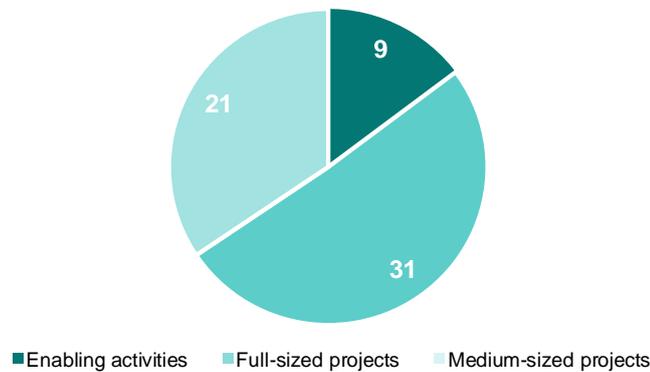
⁴ . Projects developed, submitted, and implemented by non-governmental organisations are not included



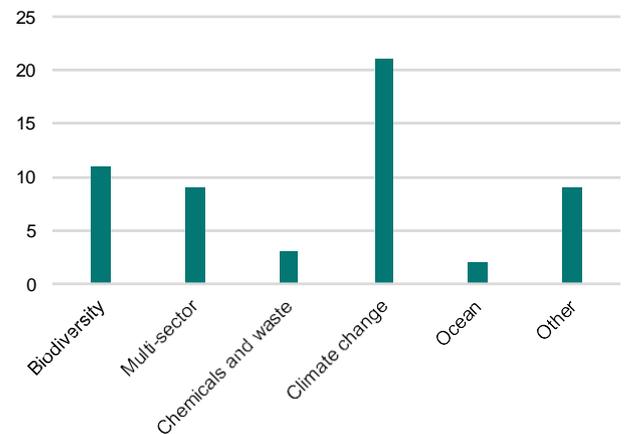
a. Per year



b. Per lead executing agency



c. Per project type



d. Per sector

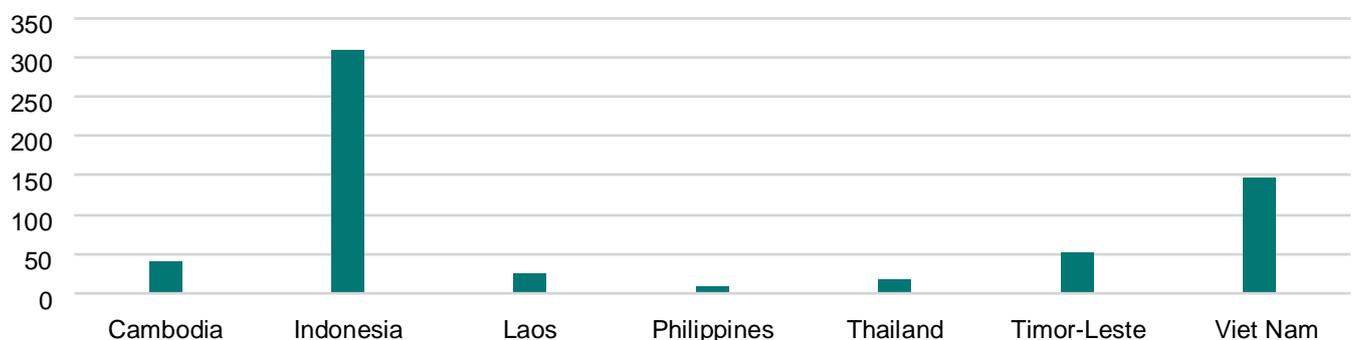
Figure 2: Number of GEF-approved national projects whose lead executing agencies are ministries or provincial authorities

Source: Public data from GEF

Regarding **GCF**, Viet Nam has 3 out of 67 public sector projects in Asia that have received funds from GCF, with the total amount reaches 146 million USD (equal to 4.5% total amount of funding for the region).

Table 1: Projects in Viet Nam that have received funds from GCF

Project	Implemented by	Region	Province	Project value	Duration
Strengthening resilience of small enterprises to water security due to climate change in the Central Highlands and South-Central Coast	UNDP & Ministry of Agriculture and Rural Development	Central Highlands and South-Central Coast	Dak Lak Dak Nong Khanh Hoa Ninh Thuan Binh Thuan	156.3 million USD	2020-2026
Viet Nam Scaling up Energy Efficiency for Industrial Enterprises Project (VSUEE)	World Bank & Ministry of Industry and Trade	Nation-wide		497.2 million USD	2020-2028
Strengthening resilience towards climate change impacts for vulnerable communities in coastal areas of Viet Nam	UNDP & Ministry of Agriculture and Rural Development		Nam Dinh, Thanh Hoa, Quang Binh, Thua Thien – Hue, Quang Nam, Quang Ngai, Ca Mau	40.5 million USD	2017-2023

**Figure 3: Total GCF funding to national projects in Southeast Asian (unit: million USD)**

Source: Consolidated from public data of GCF



5. CHALLENGES

Challenges for the central government agencies, local government agencies, and enterprises when accessing international climate funds are separated into 04 groups, including: **(i) Information barriers**, **(ii) capability to meet the criteria and standards of foreign donors**, **(iii) compliance with domestic laws**, and **(iv) preparation of human and financial resources**.

5.1. Central and local government agencies

The greatest challenge for central government agencies was to meet the criteria of international climate funds (100%), while that of local government agencies was the information barrier (97%).

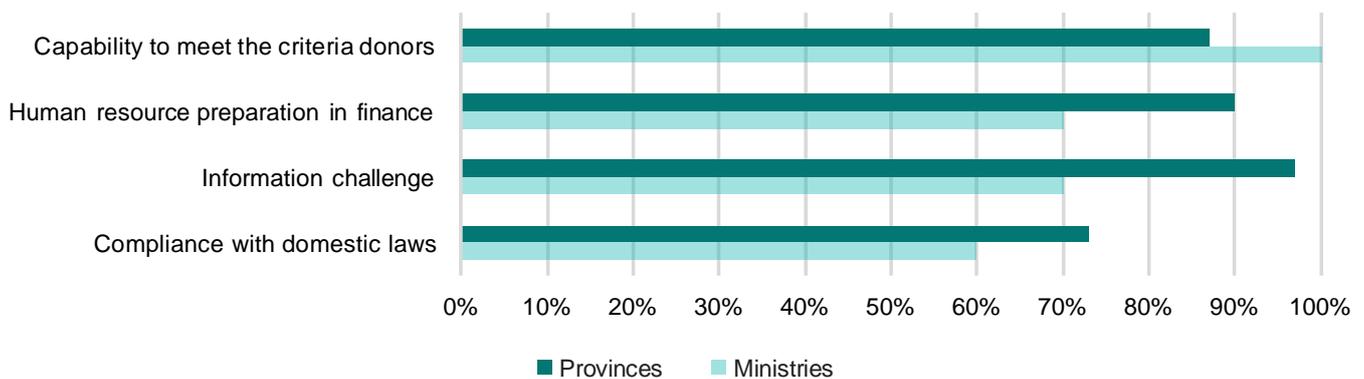


Figure 4: Challenges to Central and local government agencies

5.1.1. Information barrier

The survey provides a list of 15 international climate funds that have funded or are funding (either partially or wholly) for projects in Viet Nam. 100% participating ministries said they had been introduced to or were aware of at least 1 international climate fund, while that of local government agencies was 83%, among whom GEF and GCF were the most recognised.

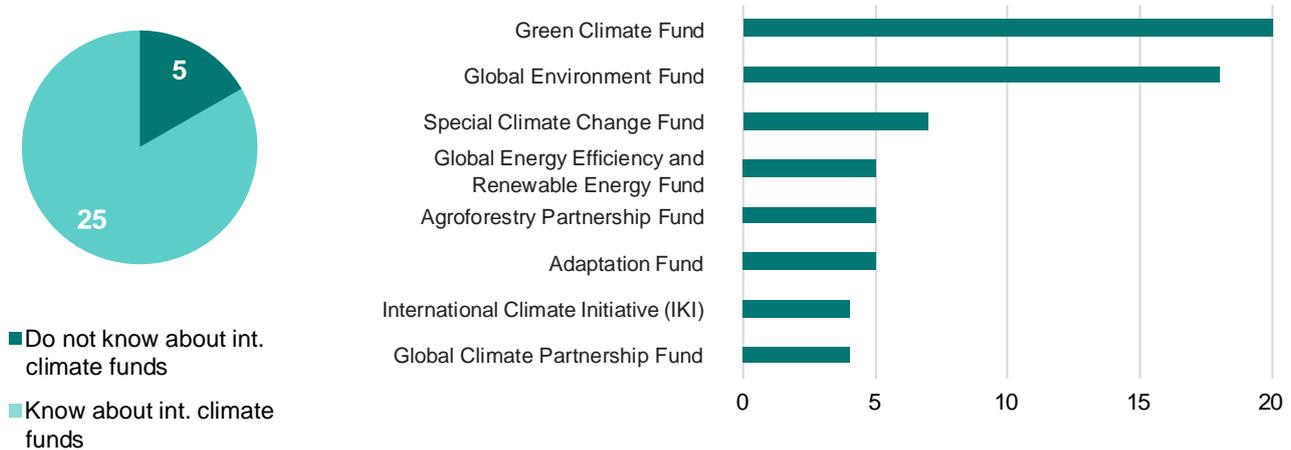


Figure 5: Number of provinces/ cities that have heard of or know about international climate funds

Surveys demonstrated that local government agencies were much more likely to encounter information barriers than the central agencies. These barriers were caused mainly by the lack of **(i) widely available information of funding opportunities from international climate funds** and **(ii) information on cases that have been selected by said funds, from which other projects can draw experience.**

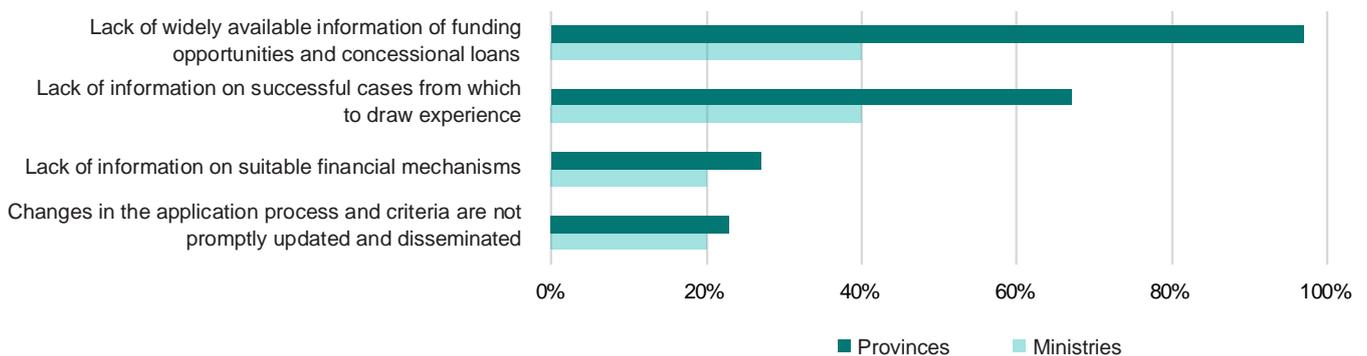


Figure 6: Information barriers for central and local government agencies

5.1.2. Capability to meet the criteria and standards of international climate funds

Challenges regarding to the capability to meet the requirements from international climate funds often resulted from the complicated, complex, and time-consuming process of project proposal application or the lack of comprehensive understanding about technical requirements from the donors.

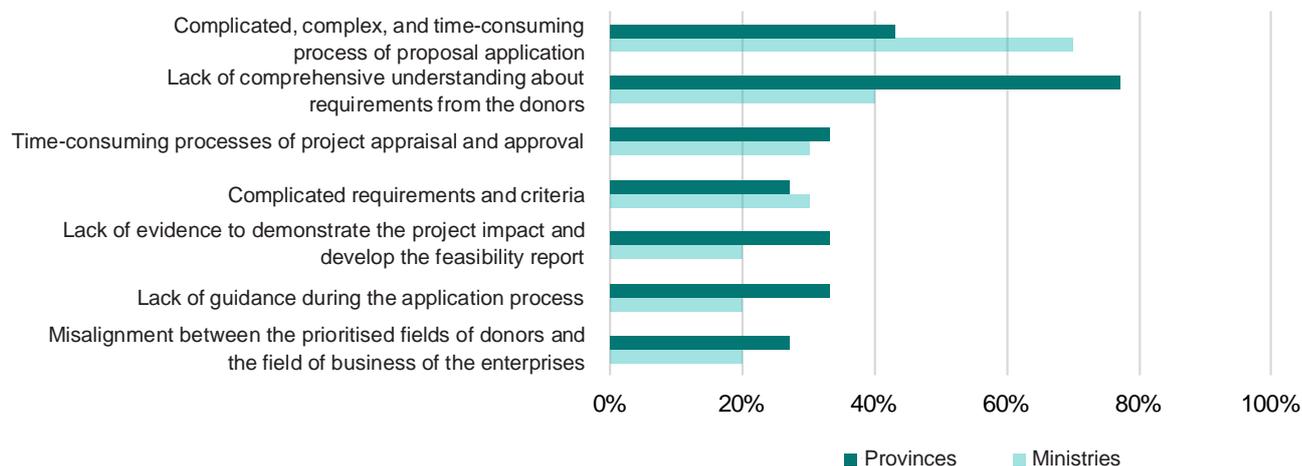


Figure 7: Challenges to meet the requirements of donors

5.1.3. Compliance with domestic laws

It often takes a lot of time for projects to collect feedback from competent line ministries throughout the entire project approval process. Furthermore, the feedback must be gathered twice, once before the proposal dossier is submitted to the international funds; and once after the funds have approved the project and the project owner has started the domestic project approval process.

60% participating ministries said they had problems complying with domestic laws when approaching international climate funds; while that of line ministries who had had projects financed by international climate funds was 80%.

43% local government agencies agreed that regulations on the roles and responsibilities of project proposing agencies were unclear and contradictory; and the approval process of receiving or disbursing the fund was too time-consuming. This hindered the implementation of the project, which caused its stakeholders withdrawing from the project, or prevents the project from addressing the community's issues in a timely manner.

5.1.4. Preparation of human and financial resources

Only a relatively small number (less than 30%) of central government agencies experienced human resource issues, while that of local government agencies was 2-3 times more severe. The biggest challenge for both central and local agencies, within the scope in this group, was the lack of personnels, experts, or specialised unit to proactively seek funding opportunities.

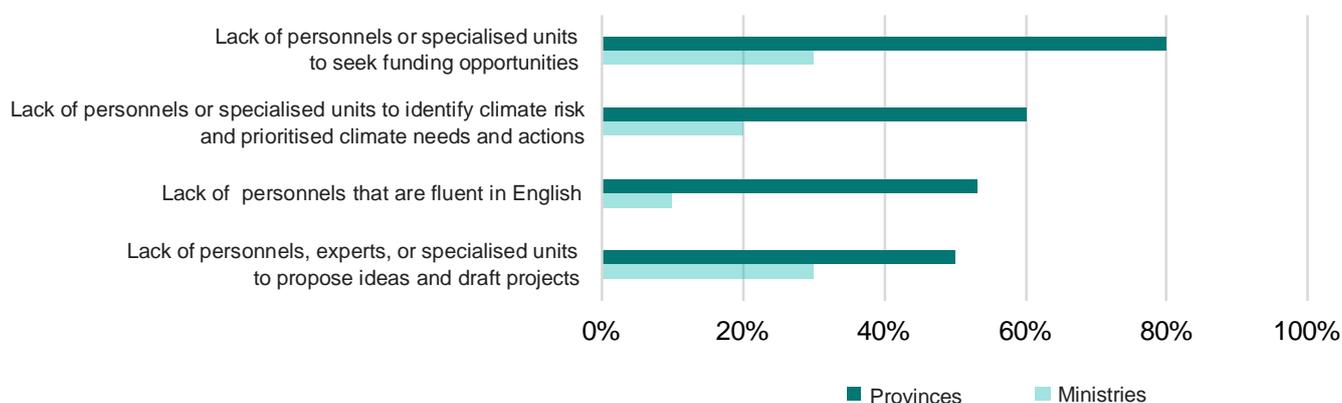


Figure 7: Human resource challenges for ministries and local government agencies

Additionally, in-depth interviews at several agencies revealed that due to the limited state budget, project development agencies were faced with a major obstacle of budget allocation for experts, technical analyses, and project impact evaluation (when developing feasibility report and finalising proposal dossiers for application). They usually had to negotiate and mobilise resources from international development partners for these expenses.

5.1.5. Coordination with relevant agencies and organisations

Proposal dossiers must be submitted to international climate funds, such as GCF or GCF, through a third party, who is either an accredited organisation⁵ or a partner⁶ of said funds. These intermediaries play a key role in finalising proposal dossiers based on the idea, demands, and activities proposed by line ministries. However, such finalisation is sometimes delayed due to the plans and prioritised activities of development partners in certain periods.

3. Accredited Entities | Green Climate Fund

4. [GEF Agencies | GEF \(thegef.org\)](https://www.thegef.org/)

SWOT ANALYSIS ON THE ACCESSIBILITY OF CENTRAL GOVERNMENT AGENCIES TO INTERNATIONAL CLIMATE FUNDS

Strengths

- Ease of access to information on funding opportunities when needed.
- Availability of the sector's existing database on the national scale for presenting and analysing the project techniques and impacts.
- Experience in working and coordinating with international development partners.

Weaknesses

- Lack of human resources.
- Lack of financial resources to develop impact evaluation report, feasibility report, etc.

Opportunities

- Viet Nam has received attention and prioritised financial resources from international community for development investment and climate change response.
- Ministries perform state management for each specific sector and sub-sector on a national scale. Consequently, activities implemented by ministries are directive, oriented, and highly replicable, which make this approach favourable by international climate funds.
- Line ministries are often approached by international development partners (which are also accredited entities and intermediaries of international climate funds) to cooperate in developing and submitting project proposals.
- International development partners in Viet Nam supports the development of project proposals in a proactive way.

Threats

- Exchanges with international climate funds must be done via accredited entities or intermediaries.
- The development, finalisation, and application of project proposals are dependent on the plans and priorities of development partners/ intermediaries.

SWOT ANALYSIS ON THE ACCESSIBILITY OF LOCAL GOVERNMENT AGENCIES TO INTERNATIONAL CLIMATE FUNDS

Strengths	Weaknesses
<ul style="list-style-type: none"> Provinces' deep understanding of their characteristics and prioritised needs and sectors. 	<ul style="list-style-type: none"> Limited access to the information of international climate funds. Lack of dedicated professional units or personnels that are fluent in English.
Opportunities	Threats
<ul style="list-style-type: none"> It is expected that there will be increasingly more opportunities to receive international funds/ concessional loans for projects in the field of climate change and sustainable development. Funds tend to streamline the proposal application process. 	<ul style="list-style-type: none"> Funds often directly approach ministries instead of provinces. Prioritised areas/criteria of funds are not in line with the provinces' characteristics. There is no consulting agency to provide detailed guidelines on the application process.

5.2. Enterprises

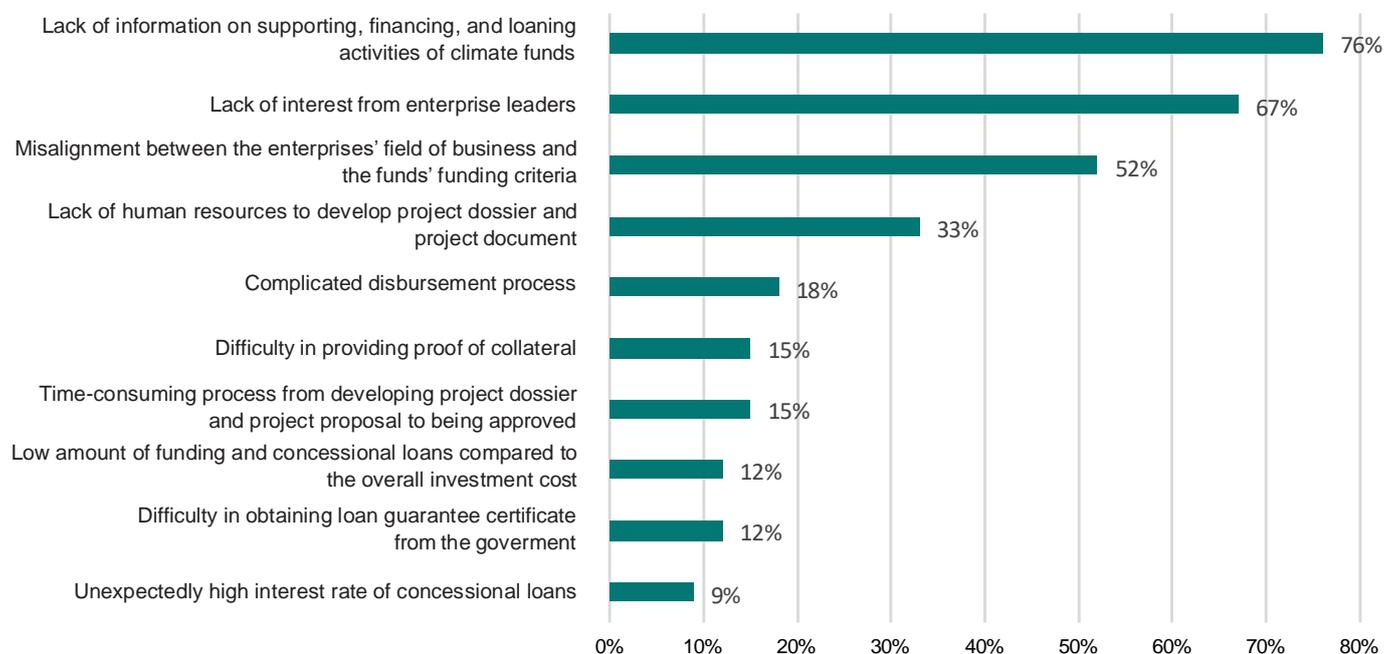
Regarding barriers to access international climate funds, **53.4%** of enterprises who had never had access to any international climate funds claimed to not have sufficient information to conduct practical evaluation of these funds. **98.6%** evaluated that they would meet certain challenges when accessing international climate funds should they developed a project proposal.

Challenges recognised by a lot of enterprises include **(i) the process of accessing international climate funds and the capability to meet their criteria and requirements, (ii) the current state of their resources, and (iii) domestic legal regulations.** However, these vary between enterprises of different charter capital size and labour size.

Table 2: Challenges to enterprises based on their charter capital

Charter capital	Domestic legal regulations	Process of accessing and meeting requirements from donors	Access to information	Current state of their resources	None	Have yet to look for information/ No information available to identify challenges
Less than 3 billion	50,0%	33,3%	66,7%	83,3%	0,0%	16,7%
From 3 to 50 billion	57,1%	57,1%	71,4%	71,4%	0,0%	42,9%
From 50 to 100 billion	15,4%	38,5%	46,2%	53,8%	0,0%	61,5%
More than 100 billion	36,2%	46,8%	42,6%	23,4%	2,1%	59,6%

In addition to the abovementioned barriers, there are 3 other reasons why enterprises lack interest in receiving grants or loans from international climate funds, including **(i) Enterprises have no information on the activities of receiving grants or loans from international climate funds, (ii) Lack of interest from business leaders, and (iii) Their field of business is not in line with the funds' criteria.**

**Figure 9: Reasons why enterprises are uninterested in receiving grants and loans from international climate funds**



SWOT ANALYSIS ON THE ACCESSIBILITY OF ENTERPRISES TO INTERNATIONAL CLIMATE FUNDS

Strengths

- Willing to conduct research and approach international climate organisations/ funds and receive and absorb their financial aids for their sustainable production and trade.

Weaknesses

- Lack of capital and human resources.
- Lack of proactive information seeking of international climate organisations/ funds and international processes.
- Weak negotiation skills, especially in the context of international climate organisations/ funds holding a higher status than enterprises.

Opportunities

- The Government of Viet Nam has committed to the net-zero goal by 2050 and will enact strong policies to uphold these commitments.
- Viet Nam is one of the countries most impacted by climate change, and thus receives attention from international climate organisations/ funds
- As of now, international climate organisations/ funds are in favour of supporting and giving loans to the private sector.

Threats

- The investment priorities of international climate funds and the business orientation of enterprises need to be harmonised.
- A network for experience sharing on accessing international climate funds for enterprises is non-existent.
- Long implementation period puts financial guarantee pressure on project owners.

6. CONCLUSION

Despite receiving a lot of attention and commitment of financial support to invest in green growth and climate change, Viet Nam still finds these resources short of its needs. Few line ministries, provinces, and enterprises have submitted their proposals to receive funding/ loans from international climate funds, especially for the latter two even though they show certain interest.

Based on the survey and in-depth interviews with ministries, provinces, and enterprises, the main findings on access challenges include:

Regarding information

Line ministries have easier access to the information of international climate funds and, as a result, have deeper knowledge about them. However, most ministries do not take the initiative to approach and seek information on international **climate funding opportunities**. At some provinces, respondents do not even know about international climate funds.

Main information channels include newspapers, media, and social media platforms, which are said to be quite generic and lack details on suitable financial mechanisms or successful cases of funded agencies.

A lot of enterprises have never heard of international climate funds (approximately 85%), all of which has never received consultancy, trainings, or information on the process of developing and submitting proposals to international climate funds.

Regarding the process of project proposal and approval

Many line ministries and provinces have described the process as complicated and complex in terms of regulations in legal documents and guidelines, and the implementation as time-consuming and prone to delays. Agencies must spend a tremendous amount of time on finalising their proposals after multiple rounds of amendment and supplement due to domestic and inter-

national processes, as well as waiting for feedback from line ministries and relevant stakeholders and approval from international climate funds.

Projects that are not official development aids (ODA) go through an easier process than ODA projects.

At the local level, the task allocation during the application process is not well-defined and receive little guidance from the project owners or focal points in charge of the process.

Regarding human resources

In essence, there is a lack of qualified personnels in developing project proposals and dedicated units in developing tactics and strategies for fund mobilisation at both central and local levels. Large enterprises, however, have a lot of human resources available for these tasks.

Regarding financial resources

Large enterprises also have an advantage in terms of financial resources, while small and medium enterprises struggle with reciprocal financial resources. Even line ministries themselves are perplexed about allocating financial resources to develop impact evaluation feasibility reports; however, there is a case of information asymmetry as all international climate funds have budget and experts to support in these initial steps.

In addition to those challenges, the lack of interest from enterprises' leaders or the fact that their line of work does not meet the funds' criteria also hinder their eligibility for international climate funds. This calls for more incentives from enterprises to address these issues, making it easier for them to have their project proposals financed.





7. RECOMMENDATIONS

Although Viet Nam has actively promoted connecting and supporting international climate funds to enhance their financial support, the following issues still exist and need to be addressed soon.

As of now, because regulations of the domestic approval process share many similarities with that of international climate funds, it is recommended to streamline the domestic process and shorten the duration of project appraisal and project approval. For example, a separate approval process (partially streamlined) can be implemented for projects that have passed multiple rounds of appraisal from both domestic agencies and international donors.

Focal agencies such as the Ministry of Planning and Investment and Ministry of Natural Resources and Environment play a vital role in providing information, guidance, and support for provinces and enterprises. However, the current dedicated workforce for the task is lacking and in need of capacity building. These agencies also need to coordinate more frequently with international climate funds in organising workshops/ forums to discuss the need for financial support and guidelines for project submission, disseminating information on their web portals, and circulating them to line ministries, provinces, and business management units. It is recommended to gradually develop tools to guide and support identifying international climate funding sources based on the funding needs of line ministries.

In the near future, it is critical to issue the Handbook on project application process for each international fund (with and without international development organisations as intermediaries).

Proposing agencies must take the initiative to establish specialised units and allocate personnel to study, develop, submit, amend, and finalise their proposals to enhance their eligibility for international climate funding sources. These personnel need to have not only professional knowledge on green growth, climate change response, and domestic legal regulations but also regulations of international climate funds.

For the initial steps in developing project proposals, all funds have already provided human resources and financial supports for line ministries, provinces, and enterprises, for whom line ministries, provinces, and enterprises should seek information to enhance their utilisation.

Regarding enterprises, the attention of their leaders is essential to their successful approaches. While international funds are interested in the environmental and social impacts of a project, enterprises themselves rarely pay attention to or demonstrate them. The close supervision from business leaders and the training of skilled workforce will therefore create many opportunities to overcome this issue.

Furthermore, it is necessary to actively look for information on funding opportunities, improve their capacity, and learn from successful case studies.

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