



CLIMATE FINANCE IN VIETNAM

Enhancing and ensuring the financial support commitments of developed countries play a big role in mitigating the impacts of climate change in Vietnam. At the same time, there is a need to increase public awareness and further promote the engagement of Civil Society Organizations (CSOs) in the planning process as well as mobilize resources to address climate change.

Most of the climate finance reported for Vietnam is provided as loans, and grant-based climate finance remains low. Over the period 2015-2021, A total of 1886 climate-related projects were committed to Vietnam, amounting to 5,918 million USD in climate finance. Of which, 846 million USD (14%) was committed as grants, 4,297 million USD (73%) was committed through concessional loans and other debt instruments and 775 million USD (13%) was committed through non-concessional loans and other instruments on terms not generous enough to qualify as ODA. The dominance of loans in international funding has potential consequences on Vietnam's public finance due to interest rate risks. Repayments could strain the public budget, impacting spending in other key sectors. This can be worse, after Vietnam, on 14 December 2022, subscribed with the Group of Seven (G7) for providing 15.5 billion USD (mostly through loans) to help Vietnam transition away from coal through a transition to cleaner energy. The majority of the funding being loans also highlights how irresponsible rich countries, specifically the G7 countries, are towards their climate finance commitments.

State budget expenditure, including ODA, plays the dominant role, however localities find it challenging to access these climate finance sources. Funding from bilateral and multilateral organizations, usually in the form of ODA, is transferred directly to the central government budget. Local governments therefore technically cannot access direct funding from international providers, but have to make proposals to the central level. During 2016-2020, the average combined climate budget of 29 provinces in Vietnam was about 18,000 billion VND (equivalent to 732 million USD). This budget gradually increased over the period, mainly due to an increase in ODA, raising the proportion of ODA in the total climate budget from 24% in 2016 to 46% in 2020. Meanwhile, domestic investment budget remained stable over the period (see Figure 4.3).

There is not yet complete consistency on the gender issue in important legal documents on climate change. Gender equality and vulnerability of ethnic minority communities have been repeatedly affirmed by the government in its many policies as important issues in climate change response. However, documents guiding the implementation of laws on environmental protection and response to climate change also do not have regulations on integrating gender issues into activities. Of the total 5,918 million USD climate finance for Vietnam in 2015-2021, only 21% is assigned a gender marker of significant. This level is very low comparing with Swedish having 72% and Denmark having 48% of all bilateral climate projects with gender marker in 2021.

NCitizens' awareness of and participation in climate change policy making are weaknesses. Our survey reveals that most of the people interviewed did not know how to find information about climate change. They were not aware of the budget for the climate goals of Vietnam or their province/city, or any official documents or announcements on these issues. Apart from people living in areas where natural disasters often occur, the other people did not know how their locality is affected by climate change. In most of the localities, as the feedback from interviewee, the local government did not inform people at all, or did but with very limited information, about climate change. In areas directly affected by climate change-driven natural disasters, local government support policies were not clear, or even absent. People also never got to be invited to express their opinions and recommendations on plans and policies related to climate change response and climate finance of the provinces/cities. Meanwhile, civil society organizations (CSOs) are usually not formally involved in the climate policy making process.

From the analyzed shortcomings in the field of climate change response and climate finance, we propose the following recommendations to the stakeholders in Vietnam:

For the Government:

Recommendation 1: Vietnam should urge developed countries to fulfill their climate finance commitments and increase the share of grants in their financial support, not at least the G7 initiative overwhelming built on loans. It should also explore other sources of climate finance, such as carbon markets, green bonds, and private sector investments, so as not to be too reliant on international providers.

Recommendation 2: The Vietnamese government needs to frequently innovate its financing mechanisms to enhance the integration of climate goals in the budget cycle, and allow local governments more flexibility in decision-making regarding climate finance. This could be achieved by aligning the budget planning and execution with the climate policies and plans, and by establishing a climate budget tagging system to track and report on climate finance flows and results. It is suggested that the Vietnamese government initiate a pilot tagging system for be informed about the level of climate finance in public projects in Vietnam.

Recommendation 3: All all bilateral and multilateral donors should increase their gender integration in climate project which could be part of the revision of the Gender action Plan during COP29 in November 2023. Furthermore, it is essential that the government review and revise relevant legal documents to ensure consistent inclusion of gender-responsive approaches in climate change strategies and action plans. Specific guidelines and regulations for integrating gender into the implementation of environmental protection and climate response laws should be developed.

Recommendation 4: The government should design more open mechanisms that allows opportunities for more profound participation of citizens and CSOs in climate finance planning and governance, by actively informing citizens about the national and local policies related to climate change adaptation and mitigation, creating more spaces and platforms for them to engage in the decision-making process, and building the capacity and network of CSOs to access and manage climate finance effectively and accountable.

For the CSOs in Vietnam:

Recommendation 1: Vietnamese CSO networks could together with international NGOs try to influence G7 countries for providing softer terms for the Just Energy Transition Partnership (JETP) that the Group of Seven (G7) has promised 15.5 billion USD for Vietnam transition away from coal through a transition to cleaner energy. Efforts should be undertaken for avoiding a considerable increase in Vietnams foreign debt and possible negative implication for public social and education.

Recommendation 2: As a bridge between citizens and the government, CSOs, particularly locally- and province based ones, first need to improve their own awareness and insights of climate change and climate finance policies in Vietnam. Important resources of reference include official legal documents issued by state agencies, officially published financial data of provinces/cities and state agencies, and research reports by other CSOs and government ministries. CSOs should equip themselves with good understanding of the legal framework as well as the practice of climate finance planning, management and monitoring, aiming at better to be able to encourage local citizens to learn about these issues and advocate for participation in the public decision-making process.

Recommendation 3: In order to raise public awareness of climate financing, Vietnamese CSOs can disseminate policy information to citizens in friendly, understandable formats by translating complex legal documents and technical terms into easily digestible summaries and infographics. It would also be useful to make the information available in multiple ethnic languages and through diverse channels like community radio, social media, and prints. Training programs and workshops can be organized to equip citizens with the knowledge and skills necessary to effectively participate in policymaking processes. This could include training on climate change, policy analysis, and advocacy skills.

Recommendation 4: CSOs can act as facilitator of communication between citizens and policymakers, researchers, and NGOs working on climate finance. This exchange of knowledge and expertise not only can enhance the quality of policy decisions, but also provide citizens with valuable insights into the policy making process and a sense of social responsibility and inclusion.

Recommendation 5: To strengthen CSO networking in climate finance, there should be more platforms, including online ones, to share best practices, challenges, and opportunities related to climate finance between Vietnamese CSOs and international counterparts. These platforms also help to gather advocacy efforts of different organizations to form a greater voice towards policymakers.

Recommendation 6: Regarding policy dialogue, CSOs that operate in the field of environment and climate change in Vietnam should agree on a consistent effort on policy dialogue for open and inclusive decision-making. Meetings and discussions between CSOs and policymakers, where policy briefs outlining CSOs' collective positions on climate finance issues are presented, should be held regularly. It is also beneficial for CSOs to collaborate with each other, and with public research organizations and government agencies (for example, the MPI) to conduct joint research and analysis of climate finance in Vietnam.

Recommendation 7: In relation to COP29 (climate finance focus) and COP30 (updating NDCs), it would be important to strengthen the collaboration among national Vietnamese networks working with climate change, where a focus could be influencing the climate finance negotiations before and during COP29 regarding a New Collective Quantified Goal on Climate Finance (NCQG). Collaboration could be found, among others, Oxfam, CARE and Climate Action Network (CAN) in Asia.



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