



Leveraging Finance for Green Growth/LEDS in AFOLU

Experiences from Vietnam

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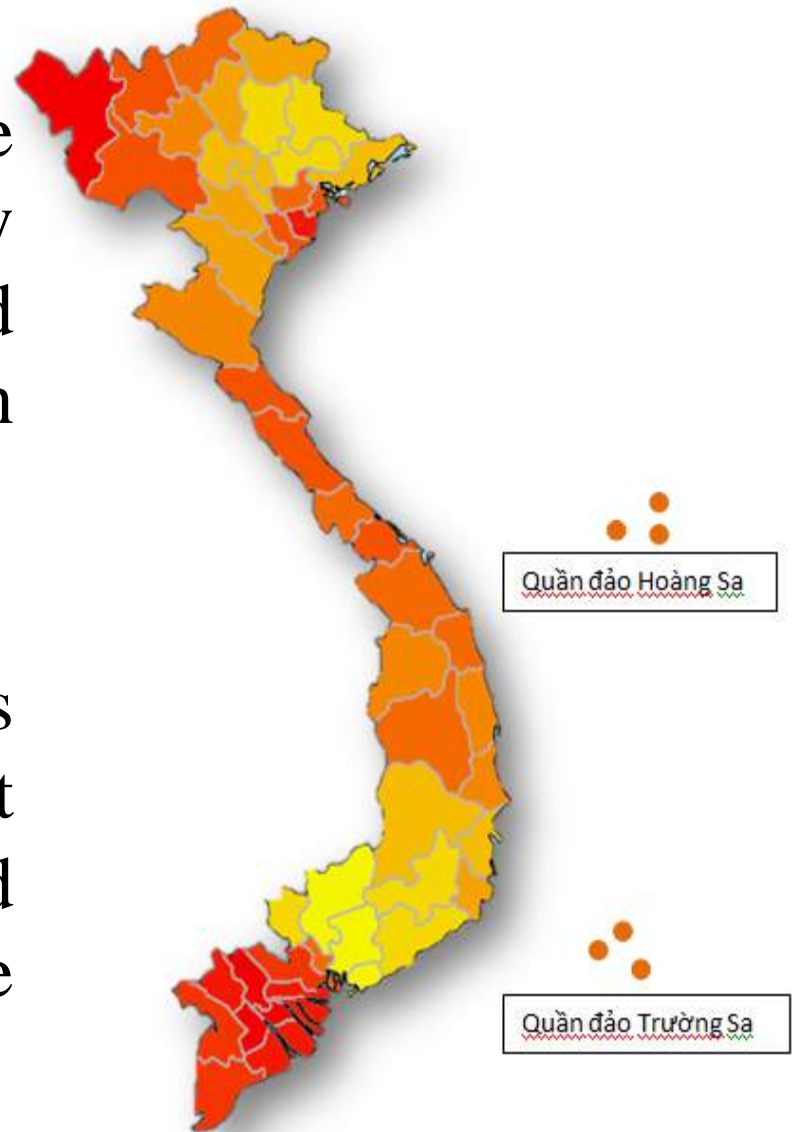


Outline:

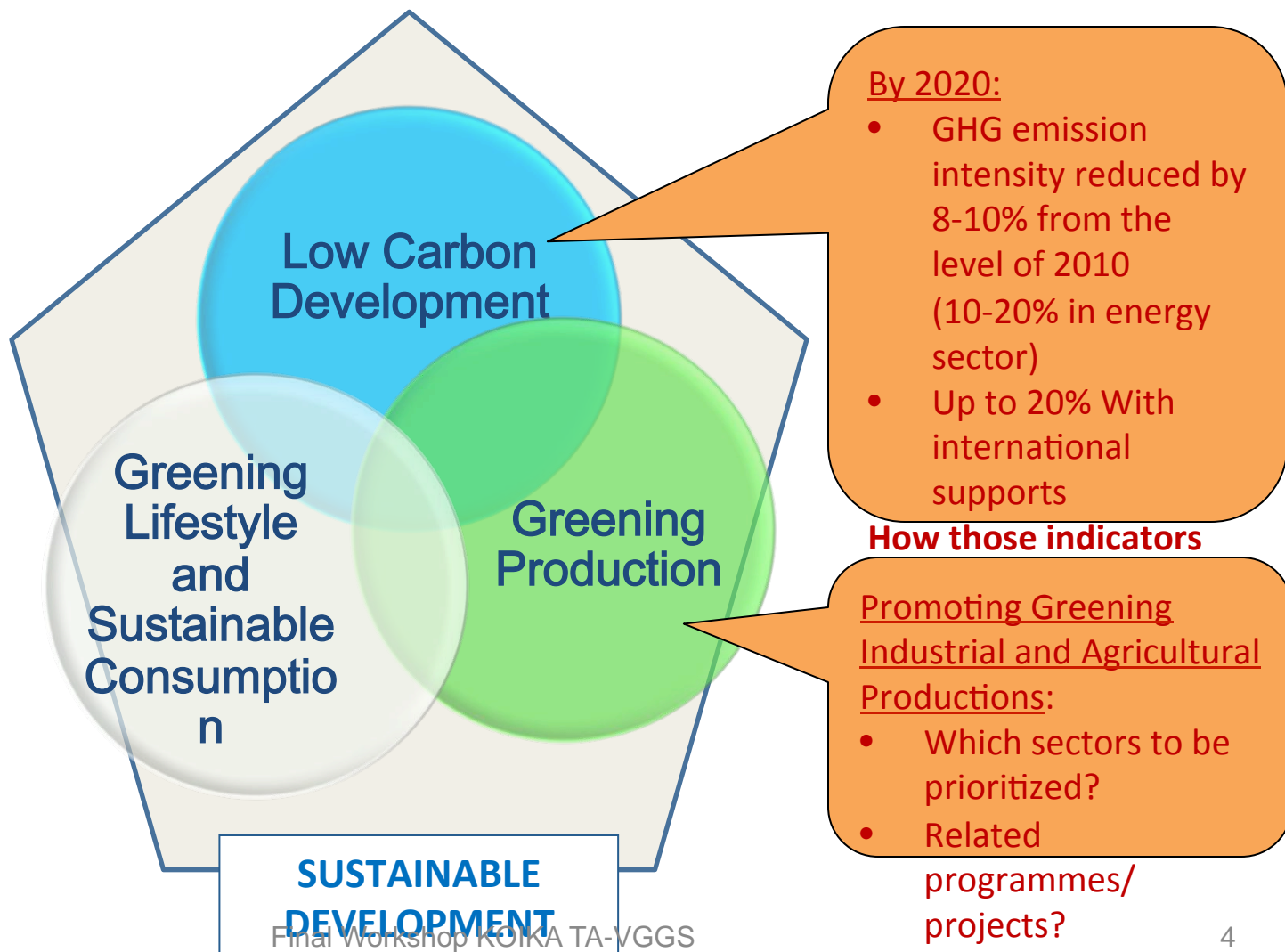
- **Background: GHG Emissions in Agriculture, Forestry, and Other Land Use (AFOLU)**
- **Case-Study: Vietnam REDD+ Programme**
- **Mobilizing Finance for Green Growth and AFOLU: Challenges and Opportunities**

INVESTMENT NEEDS FOR CLIMATE CHANGE

- Over the past decade, climate related disasters (particularly storms and floods) have caused an annual average cost in damages of 2-6 percent of GDP.
- Viet Nam's rate of emissions growth currently outstrips that of its GDP growth and committed to reduce the emissions.



Three pillars of VGGS



Background: GHG Emissions in AFOLU

| Year | Economy-Wide GHG Emissions | | AFOLU GHG Emissions | |
|------|--|-----------------------|-------------------------|---------|
| | GHG Emissions (MtCO ₂ e) | GDP (US\$ billion) | GHG Emissions (%) | GDP (%) |
| 2000 | 150.9 | 31.2 | 53 | >20 |
| 2010 | 246.8 | 115.9 | 28** | ~10 |
| 2020 | 474.1* | 268 [^] | 12.2** | |
| 2030 | 787.4* | | 8.1** | |

*: forecast upon BAU, source: INDC 2015

** source: NC3, INDC 2015

[^]: <http://www.tradingeconomics.com/vietnam/forecast>



Viet Nam's GHG Emission Reduction Targets and Finance Gaps for AFOLU

| Sector | Modality | Reduction target by 2030 (%) | Budget (US\$ million) |
|--------------------|-----------------------------|-------------------------------------|------------------------------|
| Agriculture | voluntary | -11,6 | 3,693.0 |
| | with inter'l support | -45 | 13,385.8 |
| LULUCF* | voluntary | +83.4* | 218.32 |
| | with inter'l support | +94.4* | 755.47 |

source: Viet Nam INDC 2015

*: increase GHG sequestration

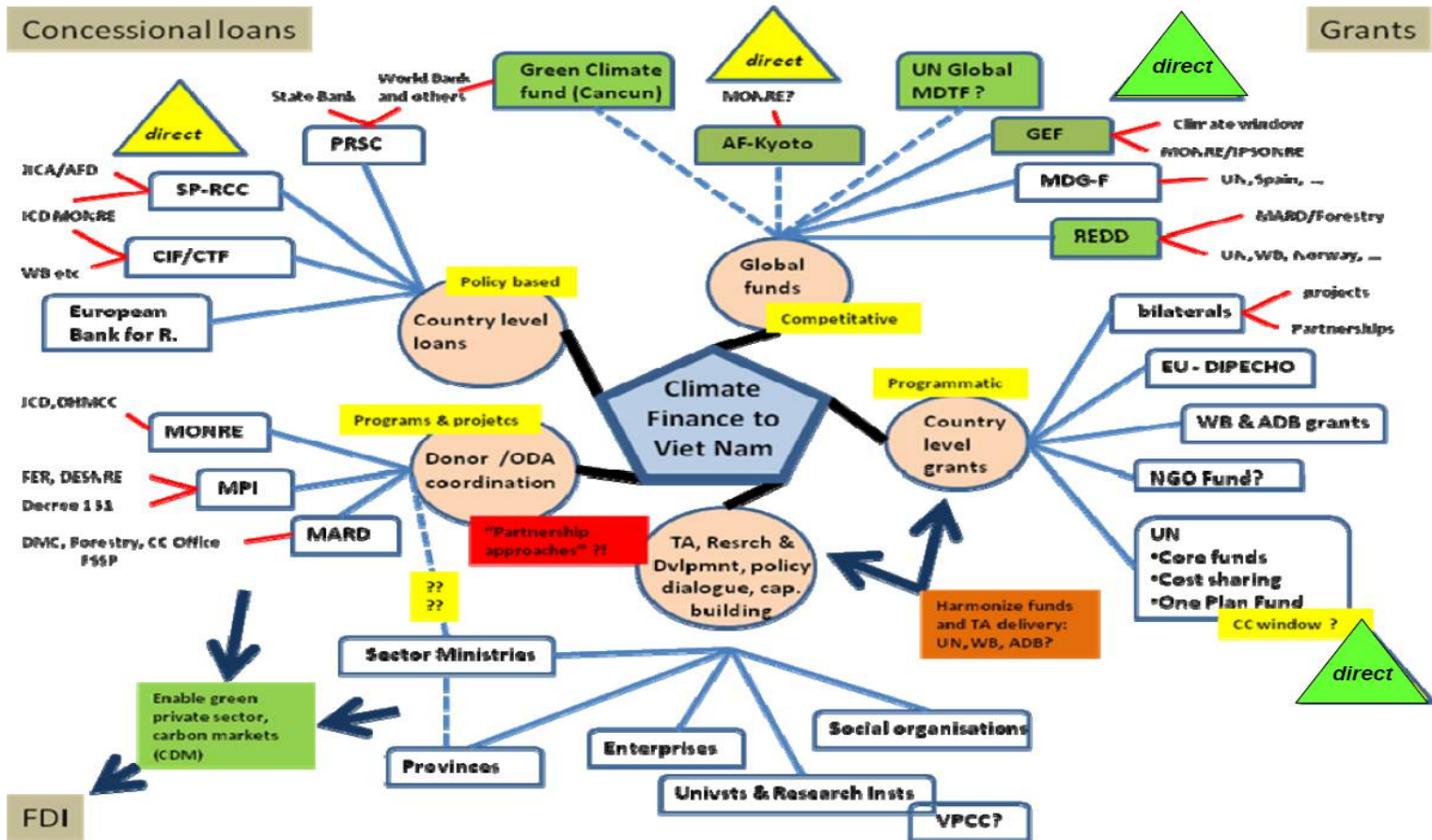
Mobilizing Finance for Green Growth and AFOLU: Challenges and Opportunities



- Less than half of priority actions in the GGAP are funded (~43%).
- ~\$30 billion needed by 2020, of which 70% targeted from non-public sources.
- Only 26% of total ODA programmes and projects currently support green growth priorities of GoV.
- Majority of Vietnam's national climate change response is funded through public resources (64%).
- Significant scope to move to scale on mitigation and adaptation programmes, by creating incentives to leverage private sector and accelerate public-private partnerships.



Situation of climate finance



Mobilizing Finance for Green Growth and AFOLU: Challenges and Opportunities



- New 2015 Law on Public Investment: catalyze and crowd-in investment through PPPs for green growth.
- The Government of Vietnam issued Decree No. 15/2015/ND-CP regulating the investment in the form of public-private partnership (PPP) effective from April 10, 2015.
- **Project contract types:** PPP is an investment form implemented on the basis of contract between the authorized state agency and the investor, project enterprise to implement, manage, and operate infrastructure project or provide public services.
 - BOT, BTO and BT contracts
 - BOO (Build – Own – Operate)
 - BTL (Build – Transfer – Lease)
 - BLT (Build – Lease – Transfer)
 - O&M (Operate – Manage)



Mobilizing Finance for Green Growth and AFOLU: Challenges and Opportunities



- **PPPs in AFOLU:** Applicable investments sectors include agricultural and rural infrastructure facilities and development services for connecting production with processing and sale of agricultural products.
- Reducing energy density of AFOLU by, for example:
 - promoting solar PV for agricultural processing, irrigation and fisheries
 - transiting from road freight transport to in-land waterways
 - repurposing agricultural waste such as crop residue
 - promoting peri-urban and urban agriculture to reduce food transit
 - management of enteric fermentation;
 - more effective manure management;
 - shifting rice cultivation practices to reduce emissions;
 - investing in carbon sequestration capacity of agricultural soils;
- Payment for Ecosystem Services (PES):
 - partner with households, communities and private sector (pilots underway in provinces)

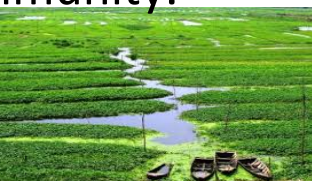


Mobilizing Finance for Green Growth and AFOLU: Challenges and Opportunities

- In March 2015, the State Bank of Vietnam released [Directive No. 3](#).

Objective: expand green credit programs and policies in order to raise green credit proportion in credit portfolio.

- commercial banks, finance companies, financial leasing companies, cooperative banks, and foreign bank branches are to:
 - i. review, adjust and upgrade credit regulations in accordance with green growth objectives;
 - ii. focus on credit granting to projects and production and business activities which are environmentally and socially friendly; and
 - iii. contribute to the implementation of green growth targets by the business community.





AFOLU Case-Study: Vietnam Programme on Reducing Emissions from Deforestation & Forest Degradation (REDD+)

•**Objectives:** To enhance Vietnam’s ability to benefit from future results-based payments for REDD+, undertake transformational changes in the forestry sector, and reduce GHG emissions.

•**Duration:** 2013 – 2018

•**Expected Outcomes:**

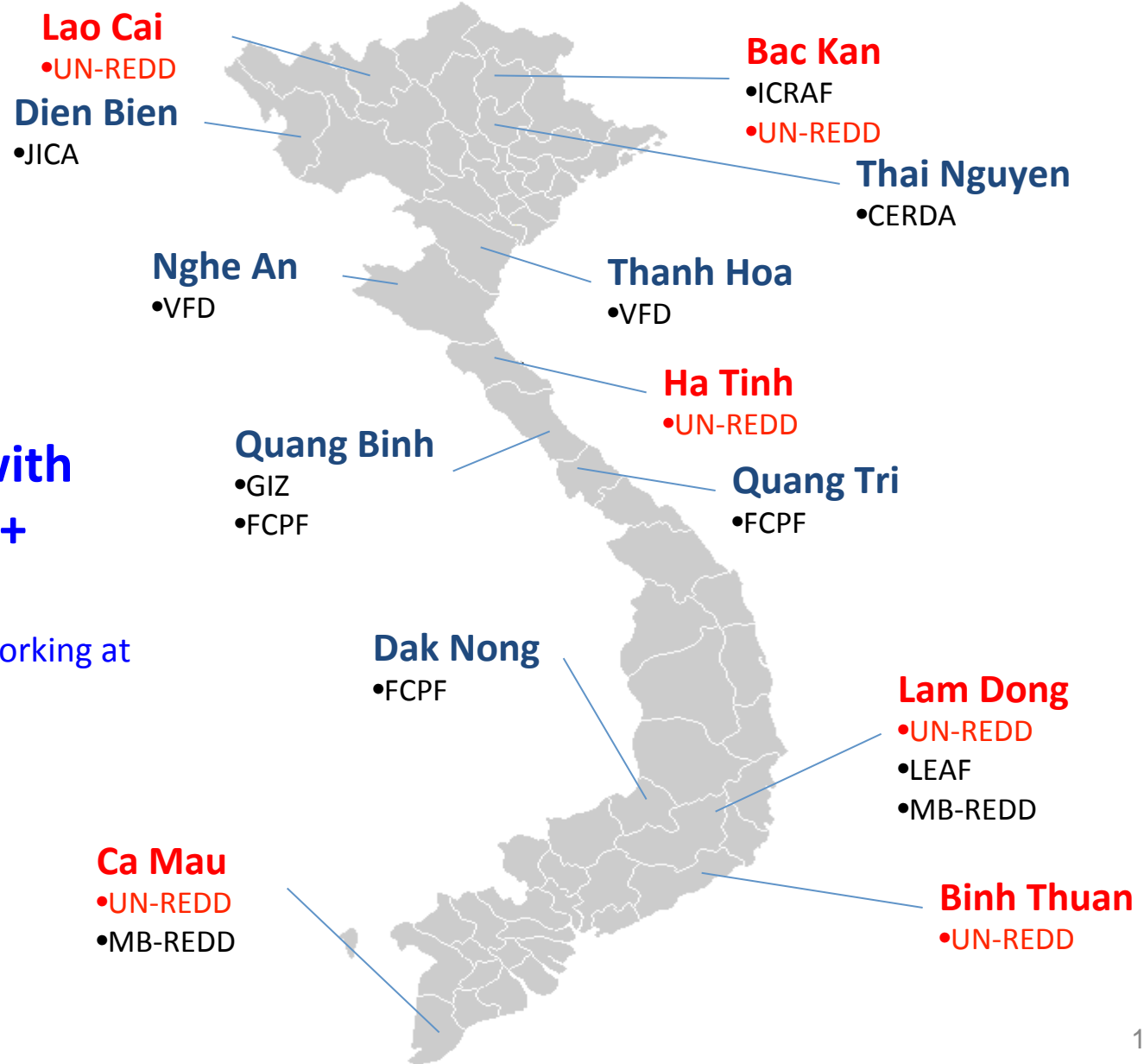
- Operational capacity in six pilot provinces is strengthened;
- MRV information system operational;
- Financial incentives fully functional;
- Regional cooperation in Lower Mekong Sub-region expanded;
- Benefit Distribution System operational.



Provinces (13) with provincial REDD+ projects

(more REDD+ projects working at sub-provincial level)

6 UN-REDD provinces





Vietnam National REDD+ Fund (NRF):

- US\$30 million (~50% demonstration activities)
- Meets UNFCCC standards for result-based payments
- Transition period, with funding from international development partners, but voluntary grants from domestic entities (private sector) and government contributions
- NRF can access to Carbon Fund, Green Climate Fund
- High fiduciary standards of internal control, budget planning and execution, treasury and cash management, accounting, internal and external auditing and reporting.

NRF Windows in Vietnam:

| Disbursement windows and modalities | WINDOW 1: Strategic government mandate | WINDOW 2: Competitive results-based window | WINDOW 3: Small grants window | OTHER (government research, benefit sharing, operational costs) |
|--|---|---|----------------------------------|--|
| Types of activities | | | | |
| Operation and management of the national REDD+ Program | ✓ | | | |
| Support to Policies & Measures | ✓ | ✓ | | |
| Development of Prov'l REDD Action Plans (PRAPs) | ✓ | | | |
| Implementation of PRAPs | ✓ | ✓ | ✓ | ✓ |
| Implementation of benefit sharing plan for emission reductions | | | | ✓ |

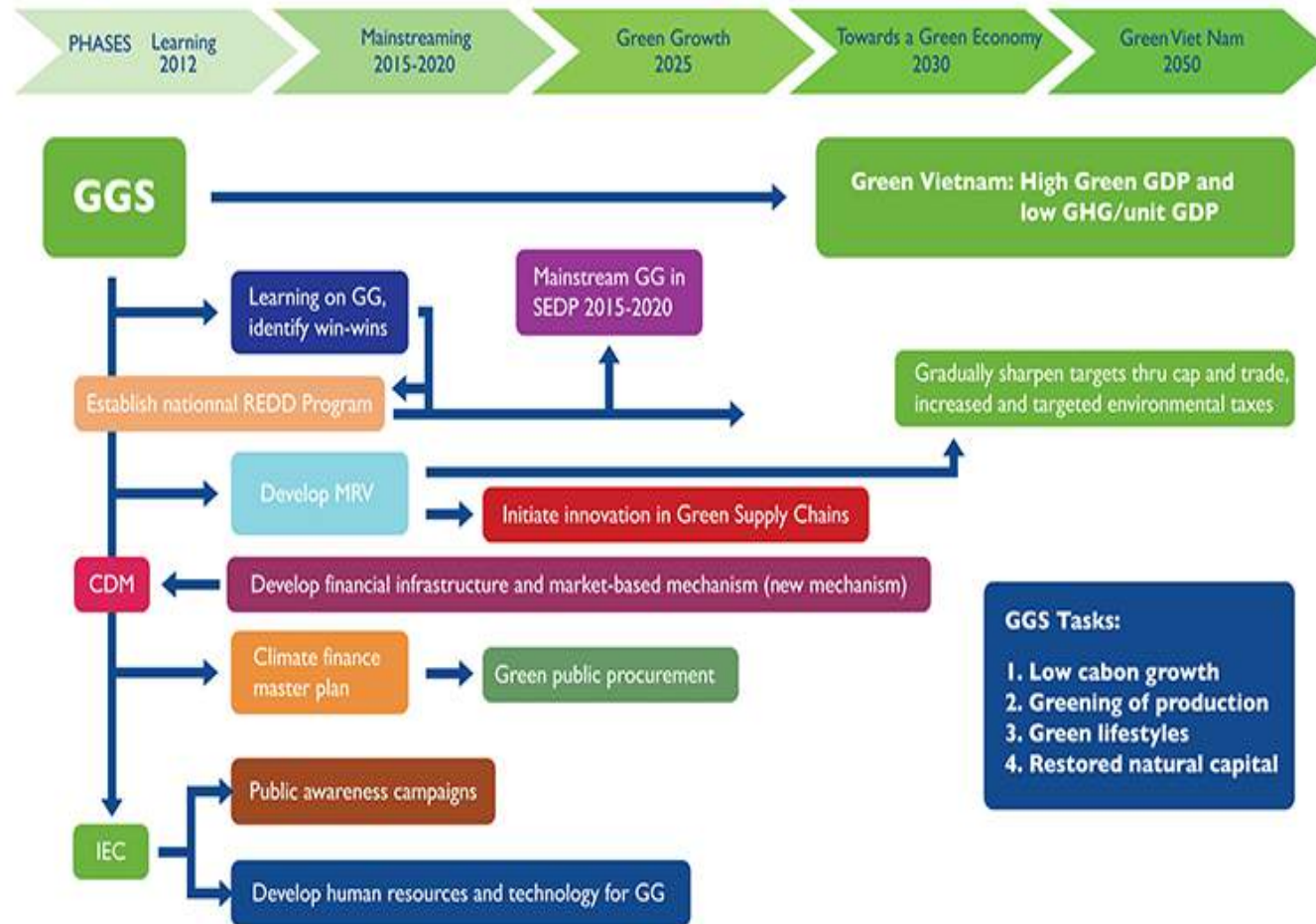
Green Growth Action Plan (GGAP): MPI's Role

- Sector-based green growth action plans under development by various ministries.
- ~16 provinces are early adopters, preparing Provincial Green Growth Action Plans (mandatory for all provinces by 2017/18).
- Support accreditation of National Implementing Entities (NIEs) to directly access climate finance, e.g., Green Climate Fund, GEF, Adaptation Fund.
- Support national entities to meet accreditation criteria, assess capacity needs, and strengthen environmental and social safeguards to facilitate access to climate finance (with support from Belgium, UNDP, GIZ, KOICA).
- Developing “Investment Guideline for Green Growth” to strengthen appraisal and prioritization of public investments (with support from UNDP and Global Green Growth Institute)



CLIMATE FINANCE NEEDS TO BE LINK TO POLICY

Proposed Green Growth Strategy Roadmap



THANK YOU

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How to leverage finance for Panama REDD+ National Strategy

Rosilena Lindo
Head of Climate Change Unit
Ministry of Environment
16-10-2015

CONTENT

1. National Priorities
2. REDD+ National Strategy and finance challenge



National Priorities

Government Strategic Priorities 2014-2019

6. Value and protect the environment

**New Environmental Law
Climate Change Title**

5. Foreign affairs policy geared towards sust. dev.

Adaptation

Capacity building,
Technology transfer, and
innovative financing

Mitigation

4. Citizens Safety

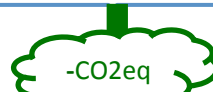
REDD+ National Strategy

3. Sustainable economic growth

- Reduce deforestation
- Reduce degradation
- Conservation
- Sustainable Forest Management
- Enhancement carbon stocks

2. Strengthen democracy

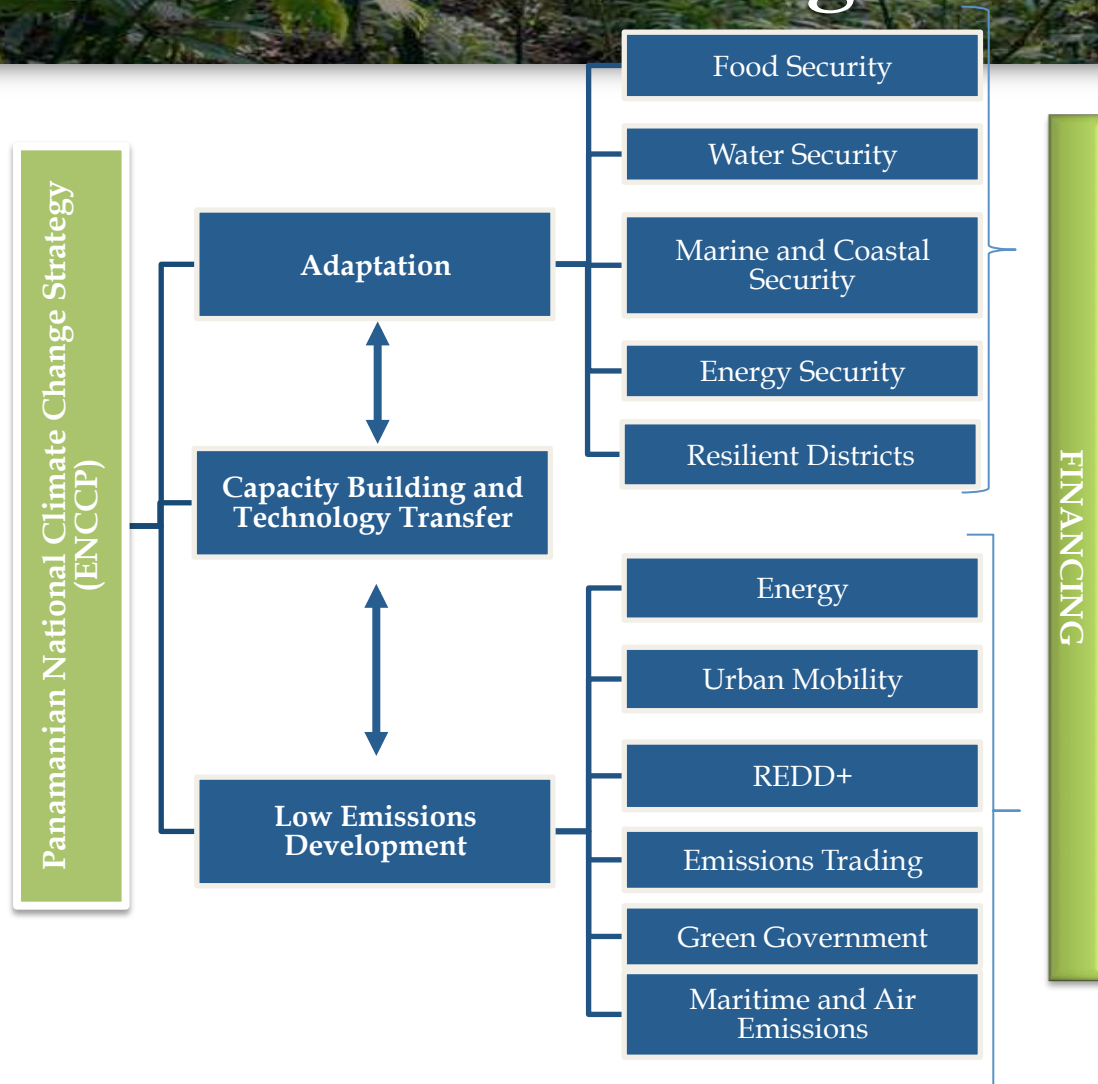
Alliance for the Million



1. Livelihoods wellbeing

ETS – domestic and international

National Climate Change Strategy



Panama Forest circumstances

Land cover- 2012



Data

Total country area
7,491,653 ha

Primary Forest lands:
2.73 million ha (36.5%)

Deforested area:
2 million ha (27%)

Commercial forest plantation:
0.35 million ha (4.7%)

Protected areas:
2.3 million ha (31%)

Indigenous reserves:
1.4 million ha (19%)

Other type of forest:
0.14 million ha (3.3%)

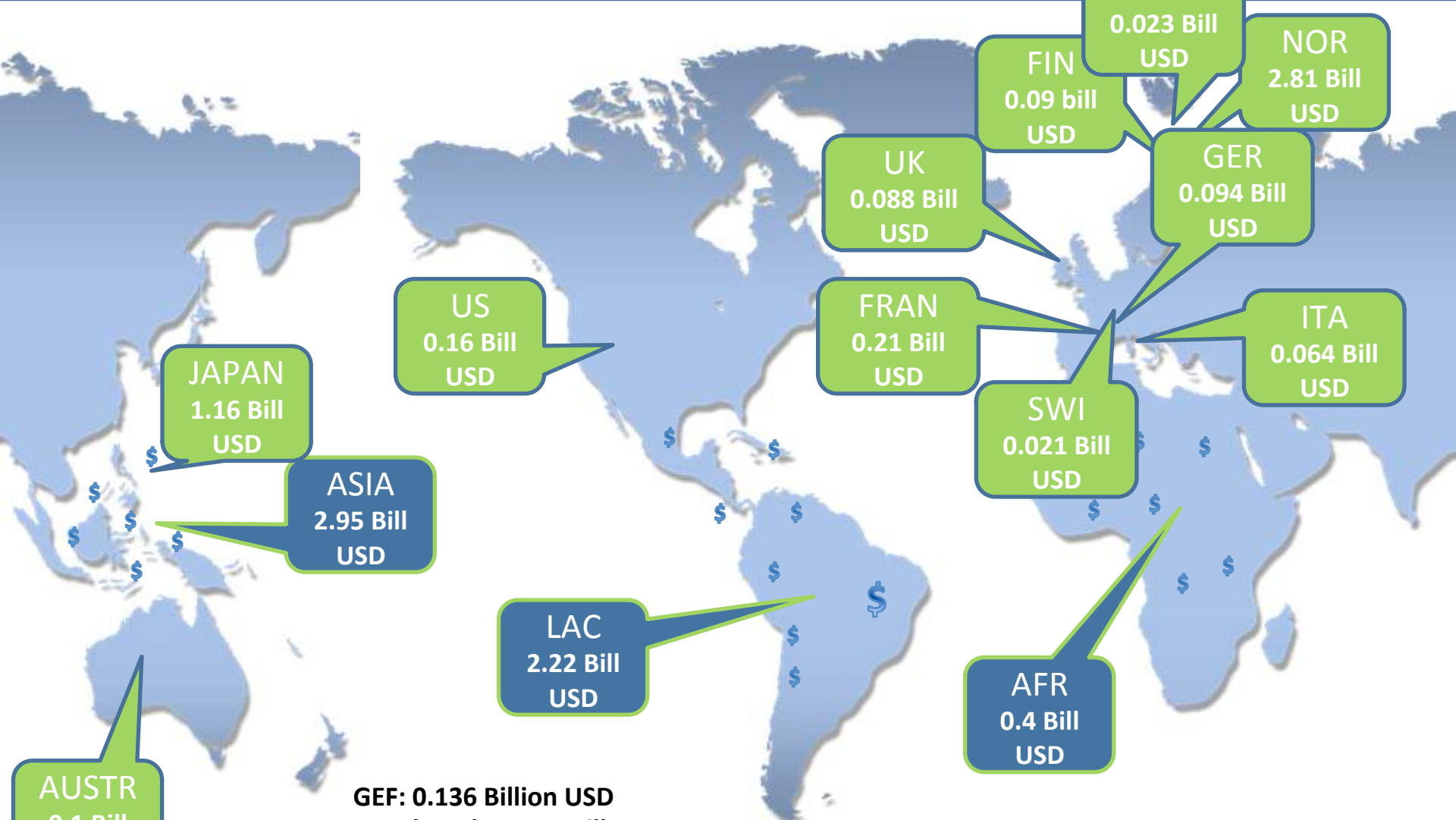
Why does the World need finance for REDD +



Mapping Finance for Forest - REDD+

Worldwide 5.57 Billion USD

2009-2017



GEF: 0.136 Billion USD
World Bank: 0.144 Bill USD
EU: 0.019s Billion USD
Climate Investment Fund: 0.445 Bill USD

Source: REDD Database, African Development Bank Group, Ghana Web, PNUD Mexico, WWF Global, The REDD desk, UNDP Vietnam,

Mapping Finance for Forest - REDD+

Panama 30 Million USD

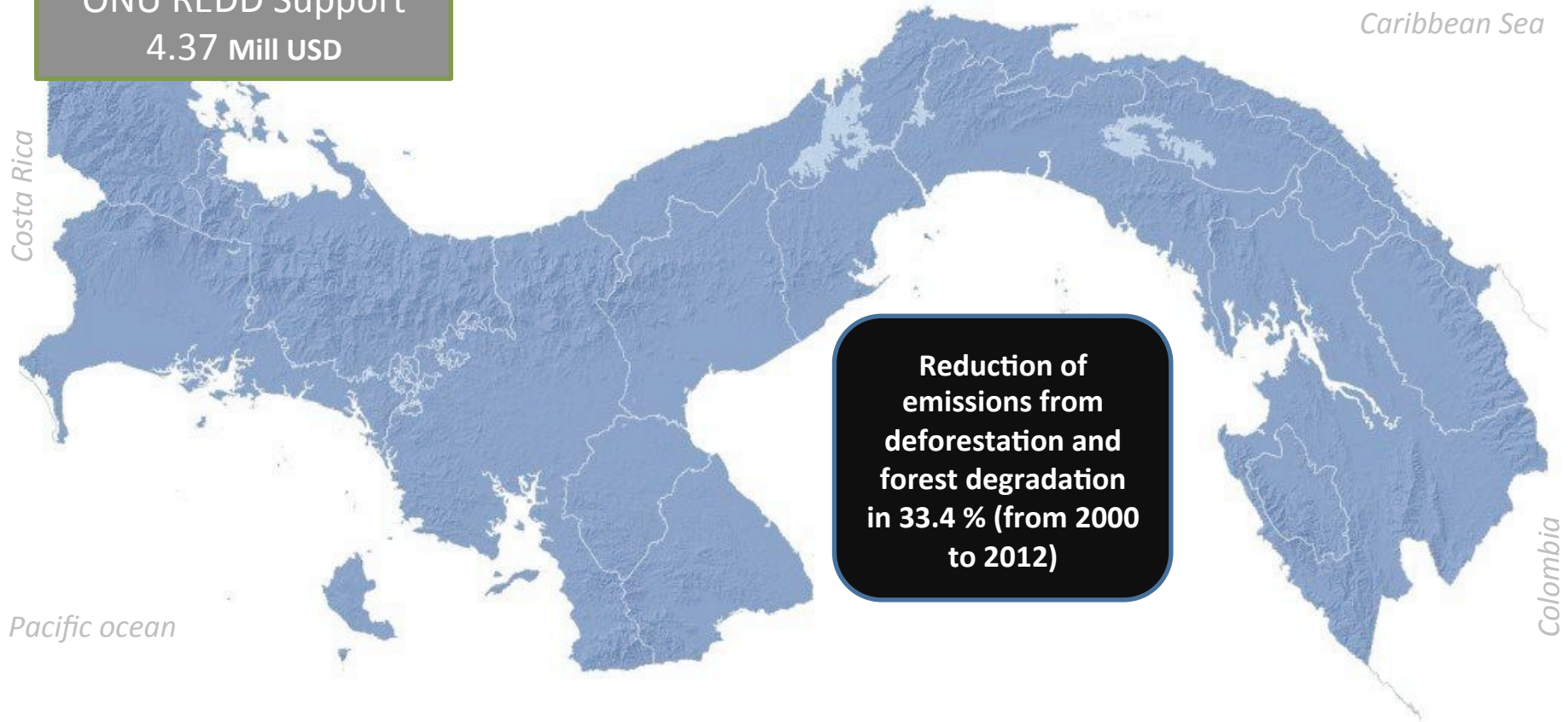
2009-2014

River Basin
Restoration
2.17 Mill USD

Protected Areas
22.37 Mill USD

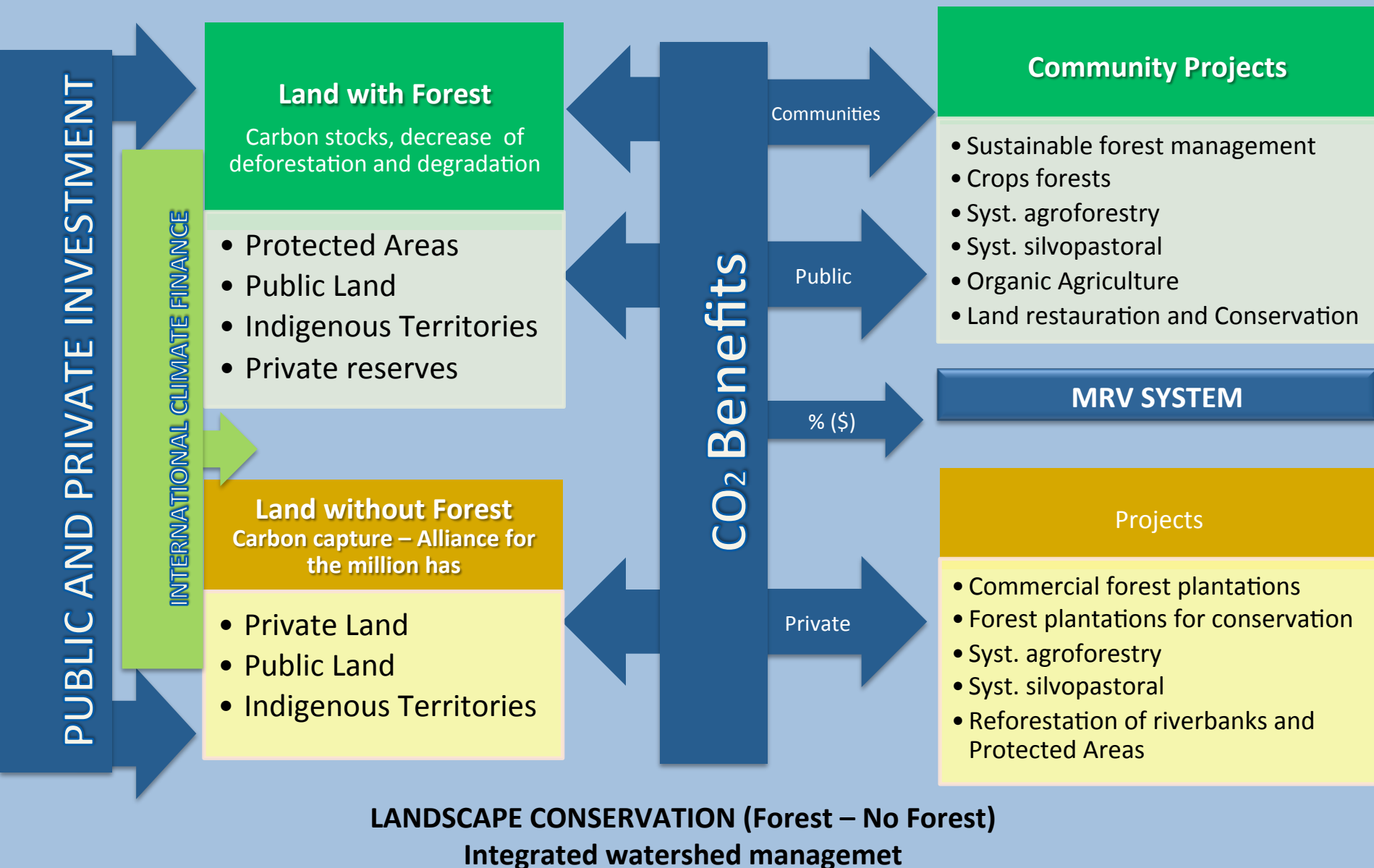
REDD+ Readiness
activities
2.06 Mill USD

ONU REDD Support
4.37 Mill USD



REDD+ STRATEGIC TECHNICAL FRAMEWORK

2015



Mapping Finance for Forest - REDD+

Panama 59.8 Million USD

2015-2017

River Basin
Restauration
20.19 Mill USD

FCPF Support
4.0 Mill USD

Protected Areas
2.9.37 Mill USD

ONU REDD Support
0.926 Mill USD

REDD+ Readiness
activities
0.75 Mill USD

Expected Results

1. Strengthening Institutional Forestry Administration
2. MRV System
3. Community reforestation:
Reforestation in degraded land from State and indigenous reserve
4. Reforestation of hydrological recharge zones
5. Sustainable forest management in indigenous reserves
6. Interoperational ETS



It is sufficient?

Alliance for the 1 million hectares

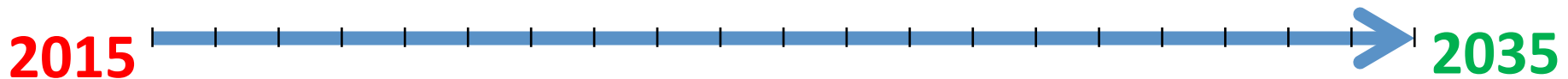
2015-2035

Reforestation of 1,000,000 ha in the next 20 years



CO2 Capture potential of the Alliance for the million Hectares in 20 years aprox. 300,120,500 TCO₂e.

Estimated investment required: **5 billion -7,billion USD**



CLIMATE FINANCE OPTIONS UNDER EVALUATION



- International emissions trading: It is expected that from Paris agreements, the international carbon market receives a signal that encourages investment in carbon credits (offsets) from REDD + activities.
- Corporate Social Responsibility (CSR) offer REDD + credits for CSR programs both locally and internationally.
- Projects significant impacts (Category II and III): the possibility of seeking compensation for loss of carbon content within a bond of environmental compliance for projects that incur losses of biomass is analyzed.

MAIN FINANCE CHALLENGE

International Level

- COP 21 results (30 nov. – 11 dic.)
- Definition of mechanism to mitigate the risk exposition associated to REDD+ activities and ETS

National Level




- Establishment of an Institutional Framework that guarantee REDD+ activities transparency in its implementation and the disbursement of the expected benefits.
- Create the enabling conditions to incentive private sector.
- Have the appropriate human resources to implement REDD+ Strategies and to provide the required associated services.





Thanks

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-  ETS in force
-  ETS scheduled
-  ETS considered

