



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 10-Jun-2019 | Report No: PIDC27220



BASIC INFORMATION

A. Basic Project Data

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| Country Vietnam | Project ID P171006 | Project Name Climate Change and Green Growth DPF (P171006) | Parent Project ID (if any) |
| Region EAST ASIA AND PACIFIC | Estimated Board Date Dec 18, 2019 | Practice Area (Lead) Environment & Natural Resources | Financing Instrument Development Policy Financing |
| Borrower(s) Socialist Republic of Vietnam | Implementing Agency Ministry of Natural Resources and Environment, Department of Climate Change | | |

Proposed Development Objective(s)

The program development objective (PDO) is to (a) promote climate resilient planning and management of vulnerable landscapes and resources, and tracking of public investments for climate change adaptation; and (b) strengthen green growth regulatory and incentive frameworks and planning in key GHG emitting sectors.

Financing (in US\$, Millions)

SUMMARY

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|------------------------|--------|
| Total Financing | 100.00 |
|------------------------|--------|

DETAILS

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| Total World Bank Group Financing | 100.00 |
| World Bank Lending | 100.00 |

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

6. Vietnam is one of the world’s most vulnerable countries to climate change impacts. The intense exploitation of natural resources and environmental degradation linked to its rapid Vietnam’s economic growth has exacerbated its vulnerability. Droughts, salinization, extreme temperatures, and changes in growing seasons and floods, compounded by sub-standard housing in exposed areas and a lack of assets to buffer shocks , strongly impact the livelihoods of poor rural and urban households. Over the past 25 years, extreme weather events have resulted in 0.4 to 1.7 percent of GDP loss. By 2050, a 1–3 percent loss in real GDP is projected from climate change impacts. Depletion and degradation of natural resources has increased the impact of climate change on those who depend on natural ecosystems for direct livelihoods



and to moderate the impacts of hydrological extremes. In the late 2000s, when growth was peaking, nearly 15 percent of GNI was lost to natural resource depletion. Utilization of land has intensified, water resources are stretched, forests have been unsustainably logged, and capture fisheries and mineral resources are being depleted.

The new DPF anchors the Bank's strong and multi-sectoral climate engagement, which aims to both ensure a successful conclusion to the current phase of GoV's Support Program to Respond to Climate Change (SP-RCC), as well as shaping the next phase of action to deliver on Nationally Determined Contribution (NDC) commitments and increase the level of ambition post-2020.

The macroeconomic policy framework is deemed adequate for this operation. Economic growth has been resilient and macroeconomic stability has been broadly maintained. While relatively high public debt, rapid credit growth, and balance sheet weaknesses in the banking and SOE sector remain key macroeconomic vulnerabilities, the Government has started to address them.

Relationship to CPF

By strengthening Vietnam's climate resilience and promoting a low-carbon and green growth development path, the DPF operation directly supports Focus Area 3 (Ensure Environmental Sustainability and Resilience) of the FY18-22 WBG Country Partnership Framework (CPF) with Vietnam. The CPF is fully aligned with the government's 2010–2020 Socio-Economic Development Plan (SEDP) and the 2016–2020 SEDP, which underscore the need for strengthening resilience to climate change impacts, environmental protection, and improved management of natural assets. This operation supports the adoption of sustainable models for resource use and management, strengthened climate change mitigation efforts, climate resilience and support for a more sustainable energy generation path. The DPF end of program indicators also contribute towards the indicators for achievement of CPF objectives. This operation also supports Focus Area 1 of the CPF (Enable inclusive growth and private sector participation) through its support to policies that promote sustainable and climate-smart irrigation and key component of the WBG's broader climate change engagement strategy in Vietnam.

C. Proposed Development Objective(s)

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Key Results

As a result of implementation of the policies, it is expected to have the following key results to be measured by their associated indicators: a) the number of hectares of production and natural forests with approved sustainable forest management plans will increase; b) the planning council will approve the draft Integrated Regional Master Plan for the Mekong Delta for submission to the Prime Minister; c) the mainstreaming of the planning, budgeting and monitoring of climate change and green growth associated expenditures; d) a monitoring system is established and operationalized at MONRE and DONRE to monitor the protection of river bed, river bank and alluvial and groundwater; e) contribution to increase the Area of selected crops under more water-efficient irrigation practices; f) reducing emissions of various pollutants from in-use and imported used cars; g) contributing towards promoting energy efficiency through policy, financing, and capacity building across key high-energy consuming sectors in Vietnam; h) with the development of an implementation roadmap for scaling up solar through an auction mechanism, the pilot auction on solar will be approved for implementation by the Prime Minister.

D. Concept Description

The National Climate Change Strategy (NCCS) and Vietnam Green Growth Strategy (VGGG) lay out a vision not just to



address a set of specific climate risks and opportunities to reduce waste and pollution, but to re-orient the whole economy towards a more sustainable mode of planning, incentives and development, which will position Vietnam as a modern competitive economy with high quality of life, and as a responsible member of the international community, on par with other major countries. Vietnam's adopted 2016-2020 Socio-Economic Development Plan (SEDP), puts an unprecedented emphasis on climate resilience and promoting a low carbon and green growth development, demonstrating the GoV's commitment to the NCCS and VGGS as well as for implementing the Paris Agreement.

To support implementation of the NCCS, VGGS and NDC, the government has developed and approved a Support Program to Respond to Climate Change (SP-RCC) for the period of 2016-2020 that provides a platform for cross-sectoral policy dialogue and coordinated financing with key development partners, including the World Bank, JICA and AFD. The SP-RCC is intended to support policy reform, capacity building and increased investment for prioritized climate change and green growth actions.

The operation includes a cohesive set of five policy tracks and eight prior actions across the two pillars, selected from key policy actions under the Government's SP-RCC program. The associated prior actions (8) describe :1) Clear guidance on the classification of coastal protection forests recognizing the different resilience functions of coastal protection forests including coastal wind- and sand-shielding functions, and tidal wave-shielding and sea-encroachment prevention functions; 2) The aim to convert the fragmented planning process into a more coherent process, and provides guidance for implementing the planning law and, more specifically, the tasks for developing regional master plans and content of regional master plans; 3) The roles and responsibilities for the identification, classification, analysis and reporting of climate change-green growth allocations; 4) Regulation for the exploitation of groundwater and imposes restrictions to protect these resources from further depletion and the guidance to determine four different levels of groundwater zones where measures are to be taken from stopping to limiting the exploitation of the resources; 5) Regulation to support for construction of small and on-farm irrigation systems and application of water saving for agriculture and investment in the new constructions 6) Adoption of emissions standards for in-use and used cars and emissions reduction from transport sources ; 7) Adoption of a National Energy Efficiency Program through 2030 to achieve an efficiency rate of 8 - 10% per total national commercial energy consumption; 8) Adoption of a mechanism to promote solar power development in Vietnam and to amend several articles related to incentivizing solar investment in Vietnam

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

The Bank has prepared a Poverty and Social Impact Analysis (PSIA) to assess the distributional impact of the prior actions financed under this DPF. The PSIA has assessed whether the policy actions have significant positive and/or adverse social impact on the policies' target groups, particularly on the poor and vulnerable groups, including ethnic minority peoples (who mostly live in remote, mountainous areas). Since most of the prior actions are in early stage of effectiveness, this analysis was conducted through a desk review of similar case studies and scenarios in an attempt to anticipate the potential impacts. The PSIA also attempted to look into the potential effects of the prior actions on the target groups from a gender perspective. All the prior actions proposed in this DPF are anticipated to result in significantly positive net social impacts, particularly on poverty reduction, livelihood development, and environmental protection. Some prior actions may have potential for adverse impact for certain groups of people, not because of the intrinsic content of the policies, but because of insufficient experience or care in implementation. For activities that involve forest management and tourism development in or near forest reserves, measures are proposed to avoid potential conflicts with ethnic minority peoples living in the forest or buffer zones. The PSIA also attempted to look into the potential effects of the prior actions from a gender perspective.



Environmental Impacts

Overall, the prior actions will mainly bring positive environmental effects through reduction of GHG emission, resource use efficiency and sustainable management of natural resources. However, it is also envisaged that the implementation of some prior actions may have some adverse environmental effects. The implementation of Circular 28/2018/TT-BNNPTNT, while bringing significant positive effects for sustainable management of forests, it may likely involve some environmental and health risks due to exposure to unmonitored chemicals and synthetic chemical pesticides used for control of harmful pests. The policy asks for development of sustainable forest management including ecotourism activities which could likely bring pollution and cause the degradation of natural habitats if the number of tourists is not controlled. The implementation of Decision 280/2019/QĐ-TTg will enhance efficient use of energy, yet it would likely generate waste due to replacement and disposal of inefficient equipment and machinery. The Government's existing policy framework, under the Law on Environmental Protection 2014, provides an adequate system to address these risks. The related regulations provide guidance and mechanism to address potential effects.

CONTACT POINT

World Bank

Stephen Ling, Thu Thi Le Nguyen
Lead Environmental Specialist

Borrower/Client/Recipient

Socialist Republic of Vietnam

Implementing Agencies

Ministry of Natural Resources and Environment, Department of Climate Change
Cuong Tang The
Director General
ttcuong@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>



APPROVAL

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| Task Team Leader(s): | Stephen Ling, Thu Thi Le Nguyen |
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Approved By

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| Country Director: | Achim Fock | 22-Jun-2019 |
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