

# CTF Countries Meeting

## COUNTRY UPDATE: VIET NAM

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**November 1, 2012 - Istanbul, Turkey**

# Key Components of the IP

By December 2010

Financing Source	Proposed Programs and Projects				
	Industrial Energy Efficiency (ADB)	Urban Transport Enhancement (ADB)	Smart Grid Technology (IBRD)	Clean Energy Financing Facility (IFC)	Total
MDBs	40	500	180	200	920
GOV	25	100	100	0	225
<b>CTF</b>	<b>50</b>	<b>100</b>	<b>30</b>	<b>70</b>	<b>250</b>
GEF	0	0	0	0	0
Carbon Finance	10	0	0	0	10
Other Co-financing	40	500	0	0	540
Private Sector	100	0	0	900	1,000
<b>TOTAL</b>	<b>265</b>	<b>1,200</b>	<b>310</b>	<b>1,170</b>	<b>2,945</b>

# Key Components of the IP

By June 2011

Financing Source	Proposed Programs and Projects				
	Industrial Energy Efficiency (ADB)	Urban Transport Enhancement (ADB)	Distribution Efficiency Project (IBRD)	Clean Energy Financing Facility (IFC)	Total
MDBs	40	500	300	200	1,040
GOV	25	100	105	0	230
<b>CTF</b>	<b>50</b>	<b>100</b>	<b>30</b>	<b>70</b>	<b>250</b>
GEF	0	0	0	0	0
Carbon Finance	10	0	0	0	10
Other Co-financing	40	500	0	0	540
Private Sector	100	0	0	900	1,000
<b>TOTAL</b>	<b>265</b>	<b>1,200</b>	<b>435</b>	<b>1,170</b>	<b>3,070</b>

# Key Components of the IP

By September 2012

Financing Source	Proposed Programs and Projects				
	Industrial Energy Efficiency (ADB)	Urban Transport Enhancement (ADB)	Distribution Efficiency Project (IDA)	Clean Energy Financing Facility (IFC)	Total
<b>MDBs</b>	40	500	486.9	200	1,226.9
<b>GOV</b>	25	100	275.5	0	400.5
<b>CTF</b>	<b>50</b>	<b>100</b>	<b>30</b>	<b>70</b>	<b>250</b>
<b>GEF</b>	0	0	0	0	0
<b>Carbon Finance</b>	10	0	0	0	10
<b>Other Co-financing</b>	40	500	7.6	0	547.6
<b>Private Sector</b>	100	0	0	900	1,000
<b>TOTAL</b>	<b>265</b>	<b>1,200</b>	<b>800</b>	<b>1,170</b>	<b>3,435</b>

# Coordination & Ownership

## **Successes:**

- Participation of stakeholders: strong commitments and efforts
- Appropriated Adjustment in accordance with actual needs, changes in macro economy
- Recognizing coordination roles of the National Focal Point (NFP)
- Timing supports and cooperation of MDBs
- Expanding awareness, supports and determination of GOV to Climate Change and Advanced Environment Friendly Technology (determined in NCCS and GGS)

## **Challenges and barriers:**

- Economic crisis/changing in macro economic policy
- IAs participation and Capacity of IAs (Implementing Agencies)
- Internal MDBs and GOV Procedure requirements
- Lacking of frequent updated Report
- Other related difficulties ...

## **Improvements needed:**

- Coordination among stakeholders
- Capacity Building for IAs
- Additional Fund to maintain coordination and advisory qualification providing to IAs
- Updated progress by MDBs to the NFP

# Industrial Energy Efficiency (ADB)

## **Description:** Through TA studies

- ADB identified a potential market for improving industrial EE
- representing investments of about US\$1 billion, in which, there's about US\$100 Mil
- in candidate EE projects at heavy industries comprises the basis for an investment program to be co-financed with CTF
- Details of structuring financial intermediation mechanisms, which are being discussed by ADB, MOIT, Vietnamese financial institutions, and the target industrial enterprises.

## **Rationale:**

The rationale and expected impacts are the same as envisioned in the CIP, the project is replicable and scalable.

# Industrial Energy Efficiency (ADB)

## Progress:

- The ADB Project: Energy Efficiency in the Industry Sector is experiencing a slight delay due to a change in implementation arrangements.
  - MOIT recently agreed to become the executing agency for the project, taking over from the MOF
  - ADB sent a letter to the State Bank of VN and MOIT requesting the TA letter be signed in the week of September 3, 2012
  - In line with GOV requirements, MOIT will prepare a PDO for approval by GOV to facilitate the signature of TA Letter
  - MOIT expects be completed within 2 months, Consultants will be mobilized by the end of 2012.
- => Due to delays, loan processing will take place in late 2013.

# Industrial Energy Efficiency (ADB)

## Lessons:

1. Reporting Mechanism is needed
2. Foresee unexpected circumstances: macro conditions
3. Difficulties of Industrial Enterprises
4. Strongly commitments and remarkable efforts made by IAs => help to overcome the challenges
5. The Focal Point should play more active roles
6. Adjustment (IAs change) is needed where appropriated though it causes a time delaying



# Urban Transport Enhancement (ADB)

**Description:** The scope of the intervention is as proposed in the CIP, but will be implemented as a stand-alone project, complementing the core ADB project loan for:

- The HCMC Urban Mass Rapid Transit (MRT) Line 2 Investment Program; and
- The Hanoi Metro Rail System (MRS) Project

## **Progress:**

1. *The MRT Line 2 Investment Program:* funded US\$540 million, which was approved by ADB's Board on Dec. 14, 2010:
  - The CTF funded, explicitly indicated in the approved ADB loan, with specific covenants to be implemented or the core MRT loan funds would be suspended.

# Urban Transport Enhancement (ADB)

## **Progress** (The MRT Line 2 Program cont'd):

- The HCMC CTF concept paper was approved in October 2011;
- CTF grant TA of \$1 million for project preparation signed by the government in June 2012.
- Consultants mobilized in July 2012 and services will be completed in April 2013.
- The CTF project is expected to be submitted in March 2013 and the ADB Board approval is expected in August 2013.

## *2. The Hanoi Metro Rail System Project:*

- The progress has been made similar to the HCMC Urban Mass Rapid Transit

# Urban Transport Enhancement (ADB)

## Lessons:

1. Adjustment (IAs change) is needed where appropriated, though it causes a time delaying
2. More frequent reporting Mechanism is needed
3. Strongly commitments and remarkable efforts made by IAs can help to overcome the challenges
4. The ADB should speed up the consultant engagement process and fulfilling the requirements.
5. The Focal Point should play more active roles

# Distribution Efficiency Project (IDA)

**Description:** The Distribution Efficiency Project (DEP) is comprised of three components:

- (A) System Expansion and Reinforcement;
- (B) Introduction of Smart Grid Technologies in distribution for system modernization and efficiency; and
- (C) Technical Assistance and Capacity Building.

## **Rationale:**

- The power distribution corporations (PCs) are prioritizing their large investment needs to rehabilitate low voltage network and reduce losses in rural areas.
- The CTF financing...

# Distribution Efficiency Project (IDA)

**Rationale** (cont'd): The CTF financing will:

- enables demonstration of investments benefits in smart distribution grid technologies, through sub-projects in three PCs.
  - contributes to GHG reductions via loss reduction by modernizing the operation of key substations: (i) distribution grid, integration of small RE directly connected to PC networks; (ii) reduction in elec. consumption through incorporating large consumers into the system operation; (iii) introduction of demand response proj.
- => Supports country development objectives: improving electricity supply reliability and quality, targeting the distribution sub-sector and initial key substations, largest electricity consumers of three PCs, expected impacts are consistent with the CIP (there' s large potential for replication and scalability).

# Distribution Efficiency Project (IDA)

## Progress:

This project made a remarkable quick preparation process. After one year shifting from the original project, the project took one year to complete all preparation work and is now being implementing well.

## Lessons:

1. Reporting Mechanism is well set up
2. Strongly commitments and remarkable efforts made by IAs => help to overcome the challenges/deal with changes
3. The cooperation among WB, IA and the CTF focal point has been strong and effective.

# Clean Energy Financing Facility (IFC)

## *IFC Vietnam Sustainable Energy Finance Program (VSEF)*

**Description:** proposed allocation of US\$30 million, the IFC VSEF Program represents:

- the first comprehensive initiative helping develop Vietnam's SE; private financing, supporting local financial institutions, addressing market barriers on a programmatic basis.
- co-finance with IFC setting up credit lines with 3 to 4 commercial banks for projects on energy efficient /cleaner production measures & technologies, and small scale RE projects reducing fossil fuel consumption (US\$28 mil.);
- provide advisory services (US\$1.5 mil.) to the participating banks and support market development activities.
- Support earmarked for program supervision and monitoring (USD 0.5 mil.)

# Clean Energy Financing Facility (IFC)

## *IFC Vietnam Sustainable Energy Finance Program (VSEF)*

### **1. Description** (cont'd):

US\$900,000 to co finance the IFC advisory project on SE finance in Vietnam until mid 2013.

### **2. Rationale:** envisioned in the CIP.

### **3. Progress:** on basis of establishment of credit lines with commercial banks:

- IFC has conducted appraisals with two banks (tentatively US\$57 mil of credit lines, CTF portion approx.US\$12-13 mil.);
- Final negotiations: currently on hold due to the prevailing macro conditions in country, looking results of the stabilization program that has established caps to credit growth by commercial banks and loan control in foreign currencies.



# Clean Energy Financing Facility (IFC)

*IFC Vietnam Sustainable Energy Finance Program (VSEF)*

## 3. Progress (cont'd):

- Banks have been identified and co-financing for SE lending with these banks will be pursued once the macro-economic conditions improve for private sector investments
- The IFC advisory services activities are on-going.
- IFC has conducted a number of benchmarking studies, working with service and technology providers in the areas of technical, financial and risk evaluation of SE projects.
- IFC is also working with MOIT to implement the national energy efficiency market awareness campaign.

# Clean Energy Financing Facility (IFC)

## *IFC Vietnam Renewable Energy Program*

**Description:** Renewable Energy Program allocated US\$40 mil, potentially: Investment (US\$38 mil.) and advisory (US\$2 mil.):

- Program scope is under consideration of developments in RE support policies.
- Challenges in developing RE projects, including:
  - *low feed in tariff to make wind and solar power project bankable;*
  - *technical and commercial capacity of local wind and solar developers; and*
  - *Environment, social issues associated with hydro-power projects.*

**Rationale:** envisioned in the CIP.

# Clean Energy Financing Facility (IFC)

## *IFC Vietnam Renewable Energy Program*

### **Progress:**

- IFC conducted scoping studies in June of 2012 and number of exploratory discussions with potential credible and capable RE developers particularly related to wind energy, biomass and solar projects.
- Advisory component be included
- The program will look into the barriers and gaps that need to be addressed to ensure viable implementation of RE projects
- Revision of investment structures using CTF funds to address the gap feeding in tariff.

# Clean Energy Financing Facility (IFC)

## *IFC Vietnam Renewable Energy Program*

### **Progress (cont'd):**

- Coordinate and leverage the work being done with various organizations working on RE sector:
  - => proposed program be completed and not duplicated with the existing and/or planned activities by other organizations;
- Design phase is still under program: there'll be some additional time as IFC is in the midst of conducting a number of consultative meetings ensuring the program proposal is in line with the Government objectives regarding the RE sector.

# Clean Energy Financing Facility (IFC)

## Lessons:

1. Related GOV policies provide great supports to these projects.
2. Reporting Mechanism is needed
3. Foresee unexpected circumstances: macro conditions/financial policy change.
4. Difficulties of SMEs
5. The cooperation among IFC and the CTF focal point should be improved.
6. The Focal point should play more active roles

# Country Circumstances

## General

- VietNam's transition to a market oriented economy, getting a clear success story among the transitional economies
- Being Low Middle Income Country since 2010
- Policy reforms and incentive structure: a WTO member , FTA negotiation, addressing: (i) driven factors as SOE (State Owner Enterprise); and (ii) motivated factors (private sectors)
- Country has been highly successful in mobilizing huge investment to support its rapid growth but investment regime, especially its public investment component, is being increasingly viewed in the last few years as unaffordable, inefficient; therefore, sustainable issue is given priority.
- Recent reforms: Investment reform, Bank and SOE restructure ...

# Country Circumstances

The first 9 months 2012 (reference)

## **Inflation control and macro-economic stabilization**

- CPI increase in 9 months: 5.13%
- Mobilization of bank deposits: Up 12.7%
- Export: Up 18.9%, valuing US\$83.79 billion  
Import: up 6.6%, valuing US\$83.76 billion  
Trade deficit: about US\$1 billion, equivalent to 0.9% of export turnover
- Balance of payment surplus :US\$8 billion
- Budget collection: 67.3% of the estimate  
Budget spending: 71.2% of the estimate
- Total development investment capital: 29.5% of GDP (in 2011, 34.6%)
- 9-month production index: Up 4.8%
- Agro-forestry, aquaculture production value in 9 mons: Up 3.7%, in which
  - Rice production: 43 million tons in 2012 (estimated)
  - Rice export: 7 million tons
  - Aqua product export: US\$ 6.5 billion in 2012 (estimated)
- Total retail sales in 9 months: Up 17.3%.
- Tourism revenues: Up over 15% in 2012 (estimated)  
Number of international arrivals: up over 8% Passenger transport volume:  
up 12.1%

## **Social security and welfare**

- Poverty rate : Down 1.76% in 2012 (the plan: 2%)
- Job generation in 9 months: 1.13 million
- Regular social allowance provided: 2.3 million people
- New unemployment insurance buyers: 8.07 million, up 6.6%  
Unemployment insurance provided: Over 280,000 laborers  
New social insurance buyers: 10.34 million  
Health insurance purchase: Reaching nearly 68% (up 5%)

# Country Circumstances

Target 2012 (*reference*)

GOV proposed general targets for 2012, continuing to highlight macroeconomic stability, low inflation and higher growth, briefly as:

- *Economic indicators: GDP growth rate: 5.5%. Export turnover increase: about 10%. Trade surplus: 8%. Budget overspending: not over 4.8% of GDP. CPI increase: 8%. Total development investment capital: 30% of GDP.*
- *Social indicators: Poor household reduced by 2% nationwide, 4% in poor districts; New job generation: 1.6 million, urban unemployment rate: below 4%, trained laborers: 49%. Malnutrition of below-5-year-olds: below 16%. Number of hospital beds: 22/10,000 people.*
- *Environmental indicators: 84% of polluters are punished; 75% of industrial parks and export processing zones have their own standard sewage treatment stations. Forest coverage: 40.7%.*



# CTF Lessons Learned

1. GOV policies have been facilitating and supporting these CTF co-financing projects by issuing: NCCS, GGS, NTP, specific project addressed related climate issue [*e.g a project is under submission for GOV's approval on management of GHG emission and carbon credit trading to international markets is under development*], etc.
2. Macro Economic condition should be well predicted and seriously taken consideration
3. Capacity of IAs is always a key for the success of projects
4. Cooperation among MDBs, IAs & the CTF focal point should be strengthened
5. Frequent updated reports and information shared would help stakeholders effective work deal with any emerging difficulties.
6. Roles of the CTF focal point should be improved.



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*Thanks for your Attention !*