



CLIMATE FINANCE ADAPTATION STUDY REPORT- VIET NAM SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

INTRODUCTION

This report is part of an international pilot project on climate adaptation finance tracking. The project engaged civil society organisations in 6 developing countries (Ghana, Uganda, Ethiopia, Nepal, Vietnam, and Philippines) to assess multilateral and bilateral international support for climate change adaptation.

The project aims to assess if multilateral and bilateral donors' reporting of adaptation finance is reliable, in the sense that the amounts reported are reasonably accurate, through the assessment of 23 projects, including the 10 largest received by Vietnam, between 2013-2017. The project further investigates if the supported adaptation activities are targeting the poorest and most climate vulnerable parts of the population, and if the activities are gender sensitive.

This report is only about international adaptation financing for Vietnam but results from all six countries will be summarized in a global report all reports from the assessments will be available at <https://careclimatechange.org/>.

The full report for Vietnam in English is available at:
<https://www.care.org.vn/wp-content/uploads/2020/06/Climate-Adaptation-Finance-Tracking-Full-Report-Vietnam-6.2020.pdf>

The assessment was carried out by a team of researchers from CARE International in Vietnam in cooperation with the Center for Sustainable Rural Development (SRD).

INTERNATIONAL AND NATIONAL NEEDS FOR ADAPTATION FINANCE

Across the 15th and 16th sessions of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen and Cancun, respectively, developed countries committed to mobilise climate financing to developing countries of 100 billion USD per year by 2020, to address the needs of developing countries. At COP21 in Paris, it was urged that the allocation of funds strive to be balanced between adaptation and mitigation objectives. Yet, recent OECD (2019) reporting indicates that these targets and the stated balance are far from being met. With public climate finance from developed to developing countries reaching USD 54.5 billion in 2017, of which only 12.9 billion USD, or 23%, targeted adaptation activities and only 15% was channeled towards LDCs.

Vietnam is one of the most at-risk countries for climate-related disasters, by international comparison, according to the Global Climate Risk Index. The most vulnerable sectors are expected to be agriculture and food security, natural ecosystems, biodiversity, water resources, public health, shelters and technical infrastructure.

In Vietnam, the cost of adaptation to climate change is increasing and is estimated to reach 3-5% of national GDP per year by 2030. According to the United Nations Development Program (UNDP), and based on data from the government, Vietnam would be able to cover only 30% of the costs of adaptation, which necessitates additional adaptation funding from international sources. Vietnam's Nationally Determined Contribution (NDC) submission to the UNFCCC shows the expected budget for adaptation activities across all ministries is approximately 0.21% of GDP. Furthermore, if the country aims for the expenditure option of 1.5% of GDP, additional funds of USD 3.5 billion per year, or USD 35 billion for the period of 2021-2030, is required.

OVERVIEW OF RECEIVED CLIMATE FINANCE IN VIETNAM

A total of 1,091 climate-related projects were committed to Vietnam in the period 2013-2017, with the related total climate commitments (for adaptation as well as mitigation) summing to 6.13 billion USD, of which 2.2 billion USD was committed in 2016 and 2017 over 489 projects. The four largest providers of climate finance were the World Bank (WB), Japan, Germany, and the Asian Development Bank (ADB), providing around 33%, 28%, 16% and 6% of all climate-related finance flows over the period, respectively.

With cross-cutting finance distributed equally between objectives, the ratio of adaptation to mitigation finance received by Vietnam was 41% and 59%, with 1.8 billion USD and 2.6 billion USD committed for adaptation and mitigation, respectively. Representing a significant imbalance between the objectives of 777 million USD over the 5-year analysis period.

Key finding 1: Climate finance received by Vietnam predominantly targets mitigation. To represent the balance stipulated in the Paris Agreement, donor development aid targeting adaptation activities must be significantly increased without adversely impacting general increases in received climate finance.

As noted in the OECD's Rio Marker Handbook (Annex 18), those projects which have been assigned "principal" Rio markers of "2" for both mitigation and adaptation objectives should "be considered only upon explicit justification".¹ This is due to the exceptional circumstances through

Key finding 2: 719 million USD, or 12% of total received climate finance in Vietnam, has been Rio marked "principal" for both mitigation and adaptation objectives. Considering the OECD's guidelines, this figure risks inflating climate finance figures. In the team's assessment three of the four projects with Rio markers of "2,2" should instead be marked as "2,1" or even 0 for adaptation.

¹

which both mitigation and adaptation can be considered as fundamental to the design and objectives of a climate-related project. Our analysis finds that 106 projects received in Vietnam have been assigned “2” for both climate Rio markers, accounting for 719 million USD, or 12% of total received climate finance, and is concentrated in projects reported by the United States (62) and Japan (18).

Recommendations:

- It is important to determine the extent to which mitigation and adaptation are specifically targeted, and particularly to avoid, or have very good arguments for, reporting a project with principal markers for both mitigation and adaptation (i.e. with both Rio markers as 2).
- Donors should revise guidelines on their adaptation finance tracking so that only relevant projects are reported and included in reporting and donor effort calculations. They should avoid reporting projects as adaptation-relevant if not well justified.

ANALYSIS OF ADAPTATION RELEVANCE

The study followed a multi-step process adapted from the 3-step assessment developed by the MDBs, including assessments of: (1) the climate vulnerability context outlined by a project; (2) the stated intent of a project and its consideration of the identified risks, vulnerabilities and impacts; and (3) the demonstration of a direct link between these identified risks, vulnerabilities and impacts, and the financed activities.

Key finding 3: Accurate and independent analyses of adaptation finance, and climate finance more generally, is hindered by a lack of willingness of donors to make project documentation public. This lack of transparency makes it difficult for recipients of climate finance to determine if it suitably meets national, regional and local needs and priorities. Project documents and reports should be made more easily available online.

Key finding 4: Adaptation projects seen to address adaptation needs routinely produce vulnerability analyses relevant to the projects activities and impacted stakeholders. Furthermore, projects which are found to effectively consider the relevant context of climate vulnerabilities, are also found to develop activities addressing the identified risks, vulnerabilities and impacts. Similarly, projects which fail to outline an adequate vulnerability context, often fail to meet the adaptation needs of those affected by the project’s activities.

In total the team assessed 2.4 billion USD of climate finance across 23 projects, amounting to 39% of total climate-related commitments received in Vietnam between 2013-2017. Of this total 2.19 billion USD was reported by donors as finance for adaptation objectives. The team finds that a significant portion of adaptation finance received in Vietnam has been inaccurately and over-reported. The overwhelming contributor to the produced over-reporting figure resulted from four projects committed by the Japanese International Cooperation Agency (JICA).

Key finding 5: This report finds that the climate-relevant budgets of four large infrastructure projects provided by Japan have been inaccurately reported as climate-relevant. The assessment team finds that all four of these projects have been reported as adaptation-relevant finance, and therefore that this adaptation finance has been over-reported in full. This over-reporting by Japan amounts to 852 million USD of adaptation-related finance.

Key finding 6: Of the 2.19 billion USD of assessed adaptation finance, the team estimates that 890 million USD can be considered as over-reported by JICA. This equates to 55% of adaptation finance committed by Japan to Vietnam from 2013-2017, or 27% of the high-end estimate of adaptation finance committed to Vietnam by all donors throughout 2013-2017.¹ Highlighting the high impact of inflated adaptation finance reporting on figures of provided and received climate and adaptation finance.

The team also assessed just over a 1 billion USD of adaptation finance provided by the World Bank. The team found 827 million USD, or 82%, to be adaptation relevant.

Key finding 7: This report finds that 214 million USD of adaptation finance has been over-reported by the World Bank to Vietnam across 6 projects. Therefore, of the 2.19 billion USD of assessed adaptation finance, our estimates show that a total of 1.12 billion USD has been over-reported, 99% of which by Japan and the World Bank.

Loans for adaptation is an issue of social justice, and countries are unable to get out of the poverty trap whilst development gains are offset against loans to address climate risks, and their related

Key finding 8: The total amount of adaptation finance provided as loans for the projects included in this assessment amounts to 2 billion USD, of a total 2.4 billion USD. As a developing country and among the most vulnerable to climate change, Vietnam needs more support for poor communities for adaptation to be provided as grants and without the incursion of debt. For the greatest impact, this funding should be decentralized and provided to communities.

debt. As a result, there is a need for grant-based support for adaptation objectives in low income developing countries who are at high risk from climate impacts, without having contributed much to their drivers.

Across the 23 assessed projects those engaged at the community level, and consulted for observational evidence, highly appreciated climate-smart agriculture initiatives. IFAD's AMD project rated the maximum score of 10 for such activities according to analysis through observation sources. According to the Vietnamese NDC, agriculture is one of the sectors most vulnerable to climate change while constituting the main livelihood sources for 43% of Viet Nam's population of 92 million², with potential co-benefits from climate smart agriculture highlighted in the document. Regarding financial transparency, not being able to easily access project information was a common hurdle for the assessment team when analysing for majority of projects. Communities only were able to learn about the project budgets through meetings with the community officers.

Recommendations

- Additional focus from donors in future adaptation projects should specifically aim to increase resilience in Vietnam's agricultural sector and promote climate-smart agriculture initiatives.
- Future projects should implement systematic feedback mechanisms to ensure transparency and engage local communities.

ANALYSIS OF POVERTY ORIENTATION, GENDER, AND THE JOINT PRINCIPLES FOR ADAPTATION

This session assesses whether the selected projects adequately integrate gender concerns, poverty orientations, and the Joint Principles for Adaptation within their design.

The assessed projects have varied emphasis and orientation towards poverty reduction, yet most projects are implemented in areas with significant poverty, such as the Mekong Delta. However, most projects do not focus specifically on the poorest or identify the numbers of poor people they would reach. In most cases, project implementation is slow and so it is not possible to appraise their impact on the poor in implementation.

Key finding 9: Most projects focus on the Mekong Delta. In the near future, Vietnam should strive to balance support for adaptation in the Mekong with projects in mountainous areas where the poorest and vulnerable ethnic minorities live, as well as in the Red River Delta, which is a typhoon hotspot and where livelihood strategies are sensitive to climate change.

Parties to the Paris Agreement have recognized the importance of incorporating gender equality aspects into adaptation flows. However, the progress has been found limited

² FAO, 2018

Key finding 10: Only 32% of donor adaptation projects report gender co-targets, and 76% of adaptation finance does not address gender equality. Identifying a large blind spot in the focus of adaptation projects in Vietnam.

None of the projects reviewed scored 2 on the OECD gender marker, which would indicate that gender equality was the fundamental driver of the project. Only a few projects included an analysis of how climate change is affecting the livelihoods of different genders, gender

Key finding 11: There should be an increased effort from donors to report on the results relating to gender, to reflect comprehensive and integrated achievements and to ensure real progress on gender equality. In some projects, such as those funded by the World Bank and ADB, gender analysis and gender action plans were conducted. However, progress on gender issues was not captured in their reports.

disaggregated indicators, or gender-specific activities. The impact of the projects on the resilience of women and girls is therefore likely to be weak.

Recommendations

- In the near future, Vietnam should strive to balance support for adaptation in the Mekong with projects in mountainous areas where the poorest and vulnerable ethnic minorities live, as well as in the Red River Delta, which is a typhoon hotspot and where livelihood strategies are sensitive to climate change.
- Projects should begin with careful vulnerability and gender analyses, which will help establish an understanding of the communities' adaptive capacity and needs.
- There should be an explicit budget allocation for gender analysis and planning within projects. The projects should also address gender in their implementation strategy and results frameworks used for monitoring and evaluation. This would allow results relating to gender to be recorded more comprehensively and better integrated and reflected upon, ensuring real progress on gender equality.
- Projects should focus on building climate-resilient livelihood.