

PMR Project Implementation Status Report (ISR)

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Socialist Republic of Vietnam
Reporting Period:	From 08/20/2017 to 04/03/2018
Report Date:	04/03/2018
Implementing Agency:	Ministry of Natural Resources and Environment
Contact Person:	Dr. Truong Duc Tri Dr. Luong Quang Huy

Grant Executed By:	Socialist Republic of Vietnam
Grant Effectiveness and Closing Dates:	08/20/2017 - 12/31/2020
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	USD 800,000
Funding Committed (USD)	USD 800,000

2. OVERVIEW
Objective

The Project Development Objective (PDO) is to strengthen the Government of Vietnam's capacity to develop market-based instruments to reduce greenhouse gas emissions.

The main project beneficiaries are the Department of Climate Change (DCC. Former Department of Hydrology, Meteorology and Climate Change) of the Ministry of Natural Resources and Environment (MONRE), which is the designated implementing agency for PMR, the Industrial Safety Techniques and Environment Agency (ISEA) of the Ministry of Industry and Trade (MOIT), the Department of Science, Technology, an Environment (DSTE) of the Ministry of Construction (MOC), the Department of Legal Affairs (DLA) of the Ministry of Finance (MOF), and the Department of Science, Education, Natural Resources and Environment (DSENRE) of the Ministry of Planning and Investment (MPI). All of them are participating agencies of the project.

The DCC will benefit from increased capacity to manage GHG emissions-related data, understanding of market-based carbon pricing approaches and their applicability in Vietnam and recommendations for their development and implementation. The other direct beneficiaries will be directly involved in the project activities and will benefit from increased capacity to employ market-based instruments to reduce emissions (for MOIT and MOC) and to issue required legislations for the possible future implementation of carbon pricing approaches across sectors (MPI and MOF). Other stakeholders that will benefit from this project are the Vietnam Steel Association (VSA), steel companies, urban

environment companies (URENCOs), waste treatment companies, city administrators, auditors and verifiers. Both participating government ministries and the private sector will benefit from an increased understanding of their roles and potential benefits and implications for implementing market-based instruments for reducing GHG emissions.

Indicators

PDO level results indicators are as follows:

- i) Submission by MONRE of two core national GHG emissions data management readiness building blocks (national MRV and Registry Systems and improved national GHG emissions inventory process) for Government's adoption;
- ii) Submission by MONRE of an action plan for priority market-based carbon pricing approaches for Government's adoption; and
- iii) Submission by MONRE of at least one designed crediting NAMA and MRV system (for steel and/or solid waste sector) for Government's adoption.

The PDO will be achieved through three complementary components mentioned below that will work towards developing the Government's core technical, policy and institutional regulatory market readiness to reduce GHG emissions in the country. This will be conducted through essential capacity development and improved data management at the central level, sustained stakeholder engagement to ensure efficient and effective leadership and implementation, and the design and preparation of market-based instruments (MBIs) in selected sectors to inform future carbon pricing approaches. The efforts towards preparing for and designing sector-specific MBIs in this project (Component 2. Please see below) will work in parallel with the development of policy and management tools for carbon pricing readiness (Component 1. Please see below), both of which will prioritize "no-regret measures" that would be beneficial irrespective of future policy decisions.

The project comprises of three components:

- Component 1: Strengthening capacity for developing carbon pricing approaches, including through supporting priority building blocks for MBIs (Grant Financing: USD 1.02 million).
- Component 2: Readiness to pilot selected market-based instruments (Grant Financing: USD 1.49 million).
- Component 3. Program management and stakeholder engagement facilitation (Grant Financing: USD 0.49 million).

Summary of the progress made as of today is as follows:

- The project was approved under Decision No. 493/QĐ-BTNMT dated 11st March 2016 of the Minister of Natural Resources and Environment. After the project was approved, the project's Steering Committee was established under Decision No. 1806/QĐ-BTNMT dated 9th August 2016 including 12 members, in which the Vice Minister of MONRE has been appointed to be Head of the Committee and other members have been nominated from 4 other related Ministries participating in the project.

- Then, the project's Management Board was established under Decision No. 357/QĐ-KTTVBĐKH dated 15th October 2016 of the Director General of DCC to manage the project implementation in accordance with the objectives, progress, quality and resources stated in the Project Document. After the project's Management Board was established, the Director General of DCC on promulgating the Organization and Operation Regulations of the project's Management Board and the assignment of officials of the Department to participate in the project under the Decision No. 358/QĐ-KTTVBĐKH and No. 359/QĐ-KTTVBĐKH dated 15 October 2016, respectively.
- On 20th August 2017, the State Bank of Viet Nam signed the Granted Agreement with the World Bank. Pursuant to the provisions of Law of International Treaty No.108/2016/QH13 issued on 9th April 2016, the State Bank of Vietnam and relevant agencies have carried out procedures for approving the international treaty action plan and directing commercial banks serving the activities of the project.
- The Project's Implementation Manual has been issued under the Decision No. 295/QĐ-BĐKH dated 25th September 2017 in order to guide project participants, related organizations and individuals to carry out the project's activities.
- The plan for selecting the project contractors was also issued under Decision No. 2609/QĐ-BTNMT dated 23rd October 2017. The DCC coordinated with relevant units to organize the bidding in accordance with current regulations and the Agreement signed with sponsors. There are two main tasks including:
 - Organize meetings with donors and consultants to discuss and plan for working parts which cannot apply the contractor selection such as: (1) to participate in domestic, regional and international conferences, workshops on mitigation, carbon pricing, market instruments organized by the PMR Program's General Assembly and international organizations; (2) to develop training materials, guidelines for NAMA and NAMA for credit, the MRV for NAMA, NAMA for carbon credits, carbon pricing, carbon market instruments and carbon trading and (3) to organize training courses to strengthen capacity from the central to local levels on management and implementation of NAMA and credited NAMA, the MRV process for NAMA and the market tools and carbon credit trading, to increase the responsibilities of all levels, sectors, localities, communities, etc.
 - Carry out the procurement for the consultancy servicing packages for technical expert on carbon pricing, policy expert on carbon pricing, administrative officer/procurement, technical specialist on steel industry, coordinator on steel industry, technical specialist on solid waste management, coordinator on solid waste management, and international technical expert on planning and evaluation.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

<p>Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?</p>	<p>No</p>
<p>There are no substantive differences between the objectives/activities proposed in the Market Readiness Proposal endorsed by the PA of the PMR and those agreed to in the Grant Agreement with the World Bank as a Delivery Partner.</p>	

Implementation Progress by Component

A. Component 1: Strengthening capacity for developing carbon pricing approaches, including through supporting priority building blocks for MBIs (Grant Financing: USD 1.02 million).	
<p>Status: Ongoing</p>	<p>Through this component, the GoV will facilitate future development of carbon pricing policy approaches, including MBIs, through a focus on evaluating carbon pricing options for Vietnam and assessing and developing the technical, policy and management tools available to the GoV for MBI implementation. The component will include support targeted at the following subcomponents:</p> <p>(a) Assessing the overall institutional, policy, and technical gaps and opportunities for designing and implementing carbon pricing approaches in Vietnam. This sub-component will focus on three main activities that will work to inform the Government and relevant stakeholders of the options available to the Government to employ carbon pricing policies. This includes:</p> <ul style="list-style-type: none"> (i) Analysis and evaluation of market-based carbon pricing approaches [including crediting Nationally Appropriate Mitigation Actions (NAMAs), emissions trading, and carbon taxes] applicable in Vietnam and definition of relevant sectoral scopes for these approaches; (ii) Research and formulation of financial mechanisms and policies needed to mobilize support from private sector, banks and credit funds including international sources, such as the Green Climate Fund, to establish and implement carbon pricing approaches in accordance with instruments recommended in the preceding activity; and (iii) Preparation of a mid-term action plan to help the Government of Vietnam to x) prepare and establish policy, legal, institutional and administrative infrastructure and financial

	<p>mechanisms to establish and implement the recommended market-based carbon pricing approaches; and y) establish clear pathways from piloting of crediting NAMAs in priority sectors toward establishing more comprehensive market-based approaches</p> <p>(b) Development of the main building blocks for recommended market-based carbon pricing approaches at the national level, with focus on the data collection, MRV-related components and the crediting process. This will be conducted through four main activities that together will support the Government in developing the institutional and technical capacity to enhance the country’s readiness for the implementation of MBIs and for the development of measurement, reporting, and verification (MRV) activities. This includes:</p> <ul style="list-style-type: none"> (i) Supporting the development of the national systems for GHG emissions data collection, reporting and management through the improvement of the national GHG emissions inventory process to support the design and development of market-based carbon pricing approaches; currently the DCC is leading in the development of database system for GHG inventory to serve as a basis for relevant activities. (ii) Developing the guiding principles for the national MRV and registry systems to ensure transparent accounting and tracking use of emission reductions that could be achieved through implementation of market-based carbon pricing approaches, mainly the crediting NAMAs in Vietnam (e.g., in steel sector and solid waste sector). The DCC, during the year 2018 and 2019 is planning to draft Guidelines on MRV for credited NAMA in order to guarantee transparency and appropriateness monitoring as well as Guidelines on procedures to accredit NAMA including criteria suitable with international verification. (iii) Supporting the development of national principles and criteria for credited NAMAs, including the participation requirements, approval processes, accreditation of independent verification entities, outline of quantification approaches (e.g., baseline setting and crediting thresholds where applicable) and general approach to net mitigation. This task shall be implemented in consistency with the aforementioned preparation of a mid-term action plan (activity iii above); and (iv) Stakeholder training on carbon pricing approaches including organized training and capacity building workshops on requirements for credited NAMA, and dissemination, awareness raising for implementing GHG emission reduction and trading of carbon credits (at the central, sectoral, and local levels).
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Comments:	<p>Since these are new tasks which are being implemented for the first time, the DCC needs to develop a framework for GHG inventory, MRV and other relevant aspects and continue improving the national policy system. This is more time-consuming than expected.</p> <p>Currently, the individual consultant for MONRE component have been recruited, specifically the technical expert (CS 1.3), the policy expert (CS 1.4), the Administrative and Procurement Officer (CS 3.1). These consultants have started working for the PMU based in MONRE.</p> <p>The international consultant package has to be reinitiated due to personal reason of the selected international consultant. The PMU has started the process again and will be able to select appropriate international consultant in the next month.</p> <p>All consultants have been working on drafting the ToRs for the bidding documents of other packages related to each component. The plan is to complete all procurement for international firms in 2018.</p>
B. Component 2: Readiness to pilot selected market-based instruments (Grant Financing: USD 1.49 million).	
Status: Ongoing	<p>Through this component, the GoV will lay the foundation for piloting and implementing market-based instruments through selected sectors. The selection of sectors and activities to be covered during the implementation of the Project was primarily based on three criteria: competitiveness, cost-effectiveness, and donor coordination and avoidance of overlap with existing initiatives. In addition to these factors, the Government has also considered alignment with Vietnam's climate change and green growth strategies, interest of stakeholders in the sectors, sector experience with MBIs, technical and MRV capacity, and implementation readiness. As a result, the Government has selected the steel and solid waste sectors for this Project.</p> <p>The component will include support targeted at the following sub-components:</p> <p>(a) Designing a pilot for selected elements of MBIs in the steel sector. This sub-component will include four main activities that will develop the institutional and data structure for GHG emissions management and will design a pilot credited NAMA for the steel industry. This includes:</p> <ul style="list-style-type: none"> (i) Designing and developing data collection and data management systems and MRV in steel sector in accordance with a selected crediting instrument in the steel sector; (ii) Developing a credited NAMA for steel sector, including the choice of the crediting instrument [sectoral crediting or project/Programme of Activities (PoA)-based implementation], main building blocks; and implementation of a pilot of a GHG

	<p>emissions database and voluntary reporting system in steel sector;</p> <p>(iii) Developing an action plan for mid- to long-term market-based carbon pricing approach in the steel industry (including participation in a potential domestic Emissions Trading Scheme) in coordination with the work on the national level Action Plan being developed under Component 1, activity a (iii); and</p> <p>(iv) Capacity building for stakeholders involved in the implementation of MBI(s) in the steel industry</p> <p>(b) Analyzing potential MBIs in in solid waste sector and designing measures to enhance readiness for implementation. This sub-component will include five main activities that will establish the core elements of data management and capacity building coupled with the design of a credited NAMA for the solid waste sector. This includes:</p> <p>(i) Developing a GHG emissions data collection and management system and relevant reporting forms, as well as a MRV protocol for the targeted sub-sectors of the solid waste sector (in accordance with a recommended crediting instrument and to support design of piloting activities for the crediting NAMA in 3 pilot cities);</p> <p>(ii) Defining the targeted sub-sector(s) and the choice of the crediting instrument (sectoral crediting or project/PoA-based implementation) and defining the outline of the required building blocks (crediting components) for a credited NAMA;</p> <p>(iii) Designing a concept for representative piloting activities for the crediting NAMA in the solid waste sector to test data collection and management system and the outlined approaches for the building blocks of the credited NAMA [defined under activity b (ii)];</p> <p>(iv) Conduct relevant capacity building focused on the 3 pilot cities [data collection, reporting and testing of the approaches defined in the building blocks designed in activity b (ii)] and on the relevant sectoral institutions to facilitate future implementation of piloting activities; and</p> <p>(v) Developing an action plan for mid- to long-term market-based carbon pricing approaches in the solid waste sector (including participation in a domestic ETS, e.g., through offsetting) in coordination with the work on the national level Action Plan being developed under the Component 1, activity a (iii).</p>
<p>Comments:</p>	<p>The other individual consultants for MOC and MOIT are being selected and expected to start their work shortly. Both MOC and MOIT have</p>

	<p>prepared the workplan for the consultant to start developing the ToR for their international bidding documents in order to speed up the process.</p>
<p>C. Component 3: Program management and stakeholder engagement facilitation (Grant Financing: USD 0.49 million).</p>	
<p>Status: Ongoing</p>	<p>This component will support MONRE to guide the implementation of the proposed activities and other MBI-related activities in Vietnam. This component would also support enhanced stakeholder engagement and communication efforts, including the reporting of PMR project implementation progress to the NCCC. The component will include support targeted at the following activities:</p> <p>(a) Supporting project management with a dedicated project team to ensure an efficient and effective implementation. This primarily support project coordination, monitoring of progress and results, and management of fiduciary requirements. This will include quality control of reports, document reviews, clearances and publications (particularly strong editing, translation, and design – in both Vietnamese and English) as well as ensuring that documents go through the official reviews and clearance processes across relevant line ministries.</p> <p>(b) Supporting communication and stakeholder engagement including conducting a feedback and learning process with stakeholders to ensure awareness raising and dissemination of results. This primarily supports designing and implementing a strategy for stakeholder engagement, which includes elements on communication involving stakeholder meetings, workshops and seminars. This includes engaging stakeholders by sharing information on the objectives, basic elements and technical requirements associated to the design, implementation and operation. This will also support stakeholder consultations on the need and design of proposed regulations with public and private sectors, as well as conducting workshops with representatives of countries that have already implemented comparable schemes. The institutionalization of a structured consultation process with stakeholders on carbon pricing and MBIs will also be supported (e.g., a structured series of dissemination and knowledge-sharing activities, such as workshops, seminars and meetings aimed at raising awareness on climate change issues and the role of carbon pricing and MBIs in the country). The content of this work will be propagated to line ministries, the private sector, and Provinces identified as having potential for steel and solid waste GHG emissions management in the form of a regularly updated website, newspaper, and brochure coupled with workshops and conferences.</p>
<p>Comments:</p>	<p>The VNPMR are planning a number of activities, first is to send representatives to attend PA18 organised in Ukrain in April and other events thereafter organized by the PMR or other relevant organizations in order to improve the outreach capacity of the line ministries.</p>

	<p>A number of events amongst the line ministries participating in the VNPMR project is also being planned for 2018 and 2019 to improve coordination and implementation capacity.</p>
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4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant's objectives and activities:

Developments:

1. Paris Agreement

According to Decision 2053/QD-TTg dated 26 October 2016 by the Prime Minister, related Ministries and Agencies were assigned to develop and enhance domestic carbon market as well as other cooperative mechanisms involved with GHG emission reduction as stated in Article 6 of Paris Agreement.

2. NDC Roadmap

MONRE is requesting line ministries to prepare the relevant NDC sectoral mitigation plan by 2019. Based on the line ministries' plans, MONRE is planning to update the NDC in 2019 (which is one of the Policy Actions in 2019 under the Support Program to Respond to Climate Change.)

3. The Decree on roadmap for GHG emission reduction

MONRE is currently preparing a draft Decree on roadmap for GHG emission reduction. The objective of the decree is to highlight the management of greenhouse gas emissions mitigation by carbon credits such as:

- a) Managing greenhouse gas emissions mitigation through carbon credits must be implemented through a carbon pricing policy system; Piloting in some areas, ensuring fairness and transparency in accordance with the requirements of state management of activities to reduce greenhouse gas emissions;
- b) The management of greenhouse gas emission mitigation through carbon credits stipulated in this Decree must not affect the rights and obligations of the Socialist Republic of Vietnam when negotiating and actually the international commitments on greenhouse gas emission reduction; and
- c) The carbon credits formed during the application of the carbon pricing policy are assets of the State, enterprises and individuals that are managed in accordance with law and ensure safety and security for the registration, issuance and management of carbon credits.

We expect the Decree to be approved late this year. After implementation, related stakeholders will submit the reports which state clearly current situation of plan to reduce GHG emissions, challenges and recommendations.

Other issues related to the Grant's activities

5. ADDITIONAL INFORMATION

In addition to the MRP implementation, on October 12, 2015, the Department of Meteorology, Climate Change of the Ministry of Natural Resources and Environment (DCC/MONRE) expressed interest in receiving support for the assessment of policy mix and financial actions needed to reduce GHG emissions in the future. The PMR Secretariat accepted to include Vietnam into the PMR Upstream Policy Analytical Support.

MONRE is currently requesting each key line ministry to submit their sectoral targets to achieve the NDC target.

At the sectoral level, the energy sector for power generation, industry, buildings in the residential and commercial sectors, and transport is the single largest source for GHG emissions in Vietnam, accounting for more than 60 percent of GHG emissions now, and more than 85 percent by 2030. The Ministry of Industry and Trade (MOIT) is working to identify and develop its sectoral contribution to achieve the NDC target. The MOIT envisages that the scope of its sectoral contribution towards Vietnam's mitigation commitments will cover both energy supply and demand sides.

Based on the request from MONRE and MOIT, this analytical advisory aims to support the MOIT to develop its energy sector targets and contributions to NDC. Specifically, this study will cover the power, industry, and building sectors, and may use the results from the parallel transport study as inputs to energy demand and interaction with the power sector in terms of electric vehicles, if the transport study is available in time. The scope of work under this analytical advisory will be an extension of the existing analyses that the GoV conducted as an analytical underpinning of its NDC. This task is part of the World Bank's Programmatic Advisory Services and Analytics (ASA) on Climate Resilience and Green Growth.

The task comprises of the following activities:

Activity 1: Stocktaking existing and ongoing activities

Activity 2: Collect data and develop modeling

Activity 3: Develop the baseline and two NDC scenarios and policies and institutional framework for their implementation

Activity 4: Analyze results, produce report and presentation

Activity 5: Provide hands-on training and take part in consultation

The task is expected to start in April 2018. The consultant selection process is now on progress. Tentative schedule is as follows:

Activity	Deliverable	Tentative deadline
	Inception report and modeling work plan (including work plan, consultation plan, and identification of critical gaps)	April 2018
Activity 1-2	Progress report and model methodology	June 2018
Activity 3-4	Draft analysis results and draft version of modeling tool	October 2018

Activity 3-4	Final analysis results and final version of modeling tool	December 2018
Activity 4	Delivery of final modeling tool, final report, and presentation slides	January 2019
Activity 5	Training and model sharing	March 2019

In addition to the MOIT, the other line ministries such as Ministry of Finance, Ministry of Planning and Investment, Ministry of Construction, MONRE was preparing a request for the PMR Policy Analytical Support. However, due to the PMR Secretariat's notification that the all the available funds have already been allocated, the Government of Vietnam has decided not to submit the request. The Government of Vietnam is still looking for any fund to carry out similar sector specific analytical works.