



## [REPORT TASK I.7.4] PROGRAMS/PROJECTS IN VIETNAM RELEVANCE FOR THE NAMA CEMENT PROJECT

### EXECUTIVE SUMMARY

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This report is one of the Tasks of the Phase 1- Designing stage of the NORDIC PARTNERSHIP INITIATIVE PILOT PROGRAMME FOR SUPPORTING UP-SCALED CLIMATE CHANGE MITIGATION ACTION IN VIETNAM'S CEMENT SECTOR (NAMA Cement)

The Consultant has mapped the relevant domestic and donor supported programs/initiatives running in the Vietnam. During the mapping process, related objectives, procedures, description for each program/initiated are listed for the recommendations to coordinate with NAMA Cement.

**Some key findings of the report are summarized below:**

- There are several programs/initiatives running in parallel which can be relevant for financing mitigation options and enabling activities of NAMA Cement. Each international program has specific criteria and procedure for projects to apply with no specific allocation for Cement industry. There could be some cement

projects successful in applying for such programs, but it should be considered to be pilot project and could not solve the whole picture for cement sector. Domestic programs have targets that are usually general and overlapping. If the targets could be translated into sector-specific target, there would be better mainstreaming of mitigation in sub-sectors particularly cement.

- The financial demand for NAMA Cement actions is quite large<sup>1</sup>. The existing programs will not be able to satisfy the demand for cement sector.
- NAMA Cement is approaching the readiness phase. MOC may want to take this opportunity to accelerate the project for implementation phase, starting with development of incentives for cement sector including policies and regulations.

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<sup>1</sup> As described in draft reports under Task I.7.2,3/5 and I.5.2-4

- The majority of the financial sources required for NAMA Cement shall come from the domestic sources and co-benefits and appropriate incentive structure should be the key drivers of Vietnamese input into the NAMA. International financing will never be sufficient to fill the gaps. Surprisingly, many stakeholders focus more on mobilizing international financing for the NAMA and are less willing to consider introducing domestic policy instruments/mobilizing domestic resources justified by the achieved co-benefits. The involvement of one or few domestic financial institutions such as domestic banks, trust funds is important to ensure the feasibility of NAMA mitigation implementation.
- The Cement sector under the framework of NAMA Cement program will set up clear targets for energy and GHG emission. It will also identify the financial needs for priority actions. Thus, it would be practical to have specific financial program budget for cement sector in order to mainstream the mitigation actions. This effort will be worth wise taking into consideration that cement sector is one of the largest energy consumers and GHG emitters.
- A strong coordinating body to manage the national mitigation action and sector-level NAMA operating unit will be the key for successful implementation of NAMA Cement. The role of the NAMA coordinating unit, NAMA financial unit, MRV structure shall be defined clearly to ensure that financing will be distributed and coordinated effectively. Details of these institutional set-ups can be found in Report 1.6.3 “Description the institutional requirements for the possible NAMA”.

While mapping and reviewing other related programs financing, the Consultant team propose **recommendations for coordinating these financial resources with NAMA cement** and practical ways to do it:

- The Social-Economic Development Plan (SEDP) is made for each five years period for sector and provincial level. Integration of NAMA Cement into SEDP for period 2016-2020 could have positive impact to government’s planning and expenditure in cement sector. Therefore, we recommend that MOC use the result and conclusions which will be presented in the reports for Tasks 1.9 “Preparation of Baseline and Options Study and Preliminary Readiness Plan” to adjust the related development plans. On the other hand, the SED P would provide valuable inputs to determining transformational change objectives of the NAMA Cement and develop a list of sustainable development co-benefits indicators.
- Although there are diversified financial sources from other programs/initiatives, we have made several recommendations to coordinate NAMA Cement with these programs. In brief, a Coordination Unit within MOC should be established and built up with capacity to collaborate with other governmental agencies in regards to NAMA activities as well as to manage the NAMA funds and to help cement plants finding financial resources to implement mitigations projects. Under this Coordination Unit, the following coordination activities regarding financial issues are executed:
  - o Sign Joint Circulars with other line ministries and cooperation agreements with other domestic and international stakeholders implementing related programmes/initiatives in Vietnam

specifying the importance and mutual benefits of cooperation under NAMA Cement.

- Event and workshop for awareness raising and promotion of NAMA cement for relevant stakeholders, especially for development banks (World Bank, ADB, AFD, KOICA, KfW, JICA, etc.) and local financial institutions (State Bank of Vietnam, commercial banks).
- Inter-ministerial Steering Committee including MOC, MPI, MONRE and MOIT regarding the implementation of NAMA Cement. The set-up of such Steering Committee is described under Task I.6.3 “Institutional requirements for the possible NAMA”.
- Issue guidelines and instruction for cement plants to apply for specific/dedicated financial resources to implement EE measures and other mitigation

options. Update cements companies with related program operated by other agencies.

- As most of climate funds’ approach is to mobilize private capital rather than lend directly to project owner, it’s suggested that MOC identifying/creating appropriate financial institutions in order to leverage investment based on grant and guarantee provided by international climate fund.
- For other international climate fund providing loan as ODA, MOC should collaborate closely with MPI and MOF for funding approval procedure. Usually the loan was provided via the MOF to state-owned banks for on-lending to project.

The outcome of this report will serve for Report I.7.2.3-5: “Setting up financial plan for a NAMA”.

The report was developed under the framework of the Nordic Partnership Initiative Pilot Programme for Supporting Up-scaled Climate Change Mitigation Action in Vietnam's Cement Sector.

The Nordic Partnership Initiative (NPI) established in December 2011 to support climate change mitigation efforts in developing countries and funded by Denmark, Finland, Iceland, Norway and Sweden. The budget of the NPI Programme in Vietnam is €1.6 million, and it is financed by Nordic Development Fund (NDF) and the Ministry of Construction of Vietnam. The implementation of the Vietnam cement sector Pilot Programme started in March 2014, by a consortium led by NIRAS A/S (Denmark) in collaboration with Perspectives GmbH, South Pole Group, VNEEC JSC and NIRAS Vietnam.

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