**COUNTRY CLIMATE AND DEVELOPMENT REPORT (CCDR)**

**OVERVIEWS**

**Vietnam needs to choose between a business-as-usual path or a green recovery path to help address and adapt to the impacts of future pandemics or climate and disaster risks and build a resilient future.** While health and climate shocks differ in their impact on human lives and economic structures, they have many similarities. Both will cost more due to inaction, and both require significant changes in individual and collective behaviors (World Bank, 2020). Drawing from this experience, Vietnam could move fast to prepare itself by championing a green recovery in the aftermath of the COVID-19 pandemic. Vietnam’s current growth model has come with huge costs to its environment and natural resources, which has exacerbated climate risks. A central question for Vietnam is how to achieve ambitious growth targets while managing the environment and climate risks.

**A growing body of analysis indicates that low-carbon and climate-resilient growth path provides stronger growth, more poverty reduction, and better human development outcomes than the alternative.** This comes in part from reducing future costs of climate change impacts, and also from important co-benefits such as reduced air pollution. In many cases, green solutions can be cheaper and quicker to deploy than longstanding, dirtier policies, and practices. While the longer-term benefits are clear, green solutions result in short-term trade-offs – often requiring bigger investments now for benefits later, and a complex array of different winners and losers. Despite general agreement on the benefits of the low-carbon, climate-resilient growth path, there is a need to consolidate and drill down this analysis at the country level to allow greater focus on key policy issues in this regard.

**Addressing climate change as an integral part of development is central to the WBG mission of eliminating poverty and increasing shared prosperity in a sustainable manner.** The new Climate Change Action Plan aims to deliver record levels of climate finance to developing countries, reduce emissions, strengthen adaptation, and align financial flows with the goals of the Paris Agreement. The Action Plan for 2021-25 broadens WBG efforts from investing in “green” projects to helping countries fully integrate their climate and development goals. The Action Plan also comes as countries seek sustainable pathways out of the disruption caused by the COVID-19 pandemic. Over the past decade or so, the WBG has actively supported many climate change activities in Vietnam.

**The purpose of this CCDR is to ramp up WBG actions to meet the urgency and the scale of the challenge in Vietnam.** This will mean focusing more specifically on how the WBG can get greater impact for what it does in this area – broader scale, more systemic impact, and greater transformation. The CCDR has been formulated with this strategic impact focus in mind. In most cases, the broad priorities are clear but, in some cases, deeper analytics on what actions will generate the biggest impacts still needs to be done. The WBG will help in some of these areas through its upcoming CPF.

**While Viet Nam has made progress in attracting climate finance, increased flows of investment are required given the scale of the climate challenge facing the country.** Previously, the Ministry of Planning and Investment (MPI), had estimated that financing the transition to green growth will cost at least USD 30.7 billion by 2020 (equal to 15% of Viet Nam’s GDP in 2015). With its more ambitious climate change and green growth agenda, Vietnam may need to generate not only additional domestic resources but will have to increase the effectiveness of climate finance and diversify funding sources. It is becoming clear that, while important, global public finance alone cannot provide all the capital needed to finance mitigation and adaptation projects. A large share must come from the private sector. The CCDR will identify the enabling policy environment that will be critical to Vietnam to access sources of finance for green growth from private investors.

**The CCDR will be structured to accelerate transformative climate action around five major transitions that will be critical to Vietnam’s development in coming decades.** Policies and investments and capacity building activities will be identified activities in both private and public sector for the next three-to-five years to bolster WBG engagement that supports green growth and climate resilient development. The transition areas are:

* A green and resilient energy transition that powers development while ensuring reduced environmental and social costs, including expanded renewable energy (RE), LNG-to-power solutions and energy efficiency (EE) efforts while minimizing coal transitions risks and heightening private sector investment.
* A sustainable food and agricultural transition that increases agricultural incomes in lo-carbon and climate-resilient ways, including actions involving agriculture, forests, water, and landscape management, and the interplay between them.
* A financial system transition that is greener and climate risk-informed, including the incorporation of climate finance instruments such as carbon taxes or emissions trading systems while at the same time ensuring adequate risk management and provisioning for the public and financial sectors. Developing green financial market and mobilizing private sector investment.
* A resilient infrastructure and social services transition including use of nature-based solutions and climate-adapted social protection systems with a focus on vulnerable coastal areas, with the goal of strengthening the overall capacity of the social system to face major disasters (including outbreaks).
* An inclusive, sustainable, and resilient transition of the public and private sectors to deliver low-carbon and climate-resilient development that creates jobs and growth and delivers essential basic services to the poor, including the transformation of climate governance, transport, and city planning, policies, coordination, and governance in urban areas and an improved investment climate for private-sector investments.