Policies, Institutions & Climate Change: How Policy-Based Lending & Policy Dialogue can support Climate Change Response

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Part I: Development Policy Operations and Climate Change

• What is Development Policy Lending?
• How DPOs support policies & institutions
• Why policies & institutions matter in CC response
What is Development Policy Lending?

A Development Policy Operation (DPO) is an instrument to support policy and institutional reform than combines:

• **A rapidly disbursing financing** to address development financing requirements

• **A program of policy and institutional actions** consistent with a country’s economic and sectoral policies

  – i.e. Poverty Reduction Support Programs, National Strategies/Programs, Sector Strategies, including for CC (cross cutting) – [BUY'S REFORM]
Funds are made available to the recipient upon:

- Completion of a number of **policy and institutional actions** critical to the achievement of a reform program results [RESULTS FOCUS]

- Implementation of the **overall program** in a satisfactory manner [LEVERAGE beyond policy actions]

- Maintenance of an **adequate macroeconomic policy framework**
## Why? Policy & Institutional Reform and CC

<table>
<thead>
<tr>
<th>What does a reform program do?</th>
<th>How is it relevant to CC?</th>
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</table>
| Serves to focus institutional attention & clarify accountability about policy & institutional measures | - Accountability & reform are key to strengthen timely and inclusive CC response  
- Mechanisms & incentives for cross-sectoral action are essential. |
| The content of the reform program is a signaling device for domestic & external constituencies | - A strong CC policy program can attract domestic & international support for both climate resilience & low carbon development |
| Serves to align domestic and international efforts, in particular TA to increase and speed up implementation | - Enable more focused and effective use of limited resources |
| Allows to focus on readiness and to prioritize measures | - Implementation of National Action on Climate Change requires prioritization and country leadership |
From Reform to Results: CC Adaptation Framework Ex.

**Policies/Programs promoting long-term adaptation**
- Climate-aware social protection, shift subsidies from climate sensitive areas
- Shift in support to less climate sensitive areas or sub-sectors

**Financing and Implementation of Risk-Reduction Actions**
- Warning systems, infrastructure for climate stressed areas, social support
- Budgets for disaster risk reduction, building codes for vulnerable areas

**Diagnosis, Monitoring, Planning**
- Assessing climate projections and vulnerability, national and sectoral planning
- National, sectoral, provincial strategies, physical monitoring

**Awareness and Capacity Building**
- Tools and data assembled, training, institution building, public awareness
- Impacts estimated and in use by relevant stakeholders
Connecting DPOs to Investment Lending & AAA

**Analytical Work**
- Informs Development of DPO

**Development Policy Operation**
- Might finance technical assistance

**Investment Lending**
- Impact analysis
- Improve the regulatory framework for existing and future projects

**Analytical Work**
Part II: Case Study - WB Climate Change

DPO in Vietnam

- The Government’s Response to CC in Vietnam
- How the DPO supports Policy Reform & CC Response
- Examples from Water Sector and Planning Sector
- How the DPL links to the greater Vietnam portfolio
Climate Change and Vietnam

Vietnam is considered one of the most vulnerable countries to the effects of climate change...

- Sea level rise about 3cm/decade
- Longer droughts, more extreme weather events
- >70% population exposed to risk from natural climatic hazards
- Rising trend in human and economic loss
- 1-3% loss of real GDP from climate change impacts predicted by 2050

...at the same time, Vietnam is a growing GHG emitter.

- Total 2010 CO₂ emissions: 169.2 million tons
- 36th Largest GHG emitting country
- 20th highest carbon intensity
- Rising trend in CO₂ emissions per output of GDP

Source: Vietnam’s Second National Communication to UNFCC.
Active response to Climate Change:

- Support Program to Respond to Climate Change (SP-RCC) brings together Government & donors in support of policy reform.
- The Government has also enacted a series of national-level CC initiatives & CC features in national development plans.
The Vietnam Climate Change DPO

- A series of 3 annual $70 million/year budget support operations
- Part of the Support Program to Respond to Climate Change (SP-RCC), a multi-donor/government partnership
  - The SPRCC is a cross-sectoral reform program led by the Ministry of Natural Resources and Environment
- WB covers a focused subset of policy goals under the SP-RCC, working with 5 different line ministries
Vietnam Climate Change DPO Objectives

• Support the government of Vietnam in its efforts to address climate change by adopting policies and strengthening institutional capacity to promote climate resilience and lower carbon intensity development.
Vietnam Climate Change DPO Objectives

**Pillar 1: Adaptation**
- Goal 1: Water Resources Resilience

**Pillar 2: Mitigation**
- Goal 2: Energy Efficiency

**Pillar 3: Cross-Cutting Policy & Institutional Framework**
- Goal 3: Capacity & preparedness for CC Action
- Goal 4: Climate Finance
## Vietnam CC DPO Series Summary

<table>
<thead>
<tr>
<th>DPO 1 Triggers &amp; Benchmarks</th>
<th>DPO 2 Triggers &amp; Benchmarks</th>
<th>DPO 3 Triggers and Benchmarks</th>
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</thead>
<tbody>
<tr>
<td><strong>Pillar I: Adaptation</strong></td>
<td></td>
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<tr>
<td><strong>Goal 1 - Climate-resilient development: Improving the resilience of water resources</strong></td>
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</tr>
<tr>
<td>MONRE has furnished to MPI a letter submitting for approval a National Target Program for Water Resources Management based on the Water Sector Review</td>
<td>Develop the New Law on Water Resources</td>
<td>Strengthen the legal framework for the implementation of the new Law on Water Resources</td>
</tr>
<tr>
<td>Circular 65/2009/TT-BNNPTNT approved and issued by MARD Minister on October 12, 2009.</td>
<td>Establish the model for the operationalization of irrigation management transfer at secondary level, and select at least 3 schemes for a pilot program</td>
<td>Prioritize actions and define responsibilities for the implementation of the National Action Plan on Water Resources Management</td>
</tr>
<tr>
<td>Establish the model for the operationalization of irrigation management transfer at secondary level, and select at least 3 schemes for a pilot program</td>
<td>Adopt roadmap for benchmarking of Irrigation Management Companies to promote efficiency of the irrigation supply system</td>
<td>Operationalize irrigation management transfer at secondary level</td>
</tr>
<tr>
<td>Operationalize benchmarking of Irrigation Management Companies in selected irrigation schemes</td>
<td><strong>Pillar II: Mitigation</strong></td>
<td><strong>Pillar II: Mitigation</strong></td>
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<td><strong>Goal 2 - Lower carbon intensity development: Exploiting energy efficiency potentials</strong></td>
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<td>The Prime Minister has issued guiding the implementation of the Law on Energy Efficiency and Conservation, and has received for approval a draft Decree on administrative sanctions in the field of energy saving and efficiency.</td>
<td>Regulations establishing the qualification and certification requirement for energy auditors and energy managers adopted</td>
<td>Adopt regulations for energy efficiency measures and operationalize in key energy-intensive industrial sectors</td>
</tr>
<tr>
<td>Regulation with requirements and procedures for energy consuming designated enterprises to submit annual and five-year energy efficiency plans adopted</td>
<td><strong>Vietnam CC DPO Series Summary</strong></td>
<td>Adopt objectives, scope and procedures for the M&amp;E framework for Vietnam National Energy Efficiency Program Phase 2</td>
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### Pillar III: Cross-Cutting Climate Change Policy and Institutional Framework

#### Goal 3 - Strengthening the capacity and preparedness to formulate, prioritize and implement climate change policies

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<tr>
<td><strong>MONRE has finalized a Report on Updated Climate Change Scenarios updating climate change scenarios with an improved methodology</strong></td>
<td><strong>Develop National Climate Change Strategy guiding GoV actions on climate change</strong></td>
<td><strong>Develop the National Action Plan for Climate Change</strong></td>
</tr>
<tr>
<td><strong>Prime Minister issued endorsed Implementation Plan of National Strategy for Natural Disaster Prevention, Response, and Mitigation to 2020</strong></td>
<td><strong>Develop the methodology for an Adaptation Prioritization Framework</strong></td>
<td><strong>Establish and operationalize the National Climate Change Committee</strong></td>
</tr>
<tr>
<td><strong>Decree 14 on the mandate and functions of Central Committee for Flood and Storm Control approved</strong></td>
<td><strong>Establish institutional framework for implementation of the national low carbon development assessment</strong></td>
<td><strong>Restructure institutional set-up at MONRE for Climate Change</strong></td>
</tr>
<tr>
<td><strong>Establish the National Coordination Platform for Disaster Risk Reduction and Climate Change Adaptation</strong></td>
<td><strong>Develop the Law on Natural Disaster Prevention and Mitigation</strong></td>
<td><strong>Finalize the Adaptation Prioritization Framework</strong></td>
</tr>
<tr>
<td><strong>Complete the reference scenario of the low carbon development assessment (2010-30)</strong></td>
<td><strong>Establish and operationalize the National Climate Change Committee</strong></td>
<td><strong>Hold launching meeting of National Coordination Platform on Disaster Risk Reduction and Climate Change Adaptation</strong></td>
</tr>
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#### Goal 4 - Strengthening the financing framework to support climate change action

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<tr>
<td><strong>The Prime Minister issued Official Instruction outlining the guiding principles relating to the use of official development assistance to respond to climate change through budget support</strong></td>
<td><strong>Develop institutional mechanism to promote potential climate financing sources</strong></td>
<td><strong>Establish implementation guidelines for allocation and reporting of financial resources directed at climate change action</strong></td>
</tr>
</tbody>
</table>
**Challenge**: Climate change is expected to further stress water resources by causing greater rainfall variability, sea level rise & higher incidence of extreme weather events.

**Policy Action supported by CC DPO**: Develop the New Law on Water Resources

**Linking Policy Actions to Solutions**: The new Law increases CC resilience by promoting **Integrated Water Resources Management (IWRM)**. For example the new law:

- Integrates *salinity intrusion and SLR* monitoring and prevention into WRM planning
- Introduces *instruments* for IWRM such as licensing frameworks and protection corridors
- Mandates climate change consideration in reservoir management

**Linkage**: TA in support of the development of the new Law is financed under the adaptation component of the Vietnam Climate Change Partnership (VNCLIP).
**Challenge:** Climate change is expected to further stress water resources by causing greater rainfall variability, sea level rise & higher incidence of extreme weather events.

**Policy Action supported by CC DPO:** Approve a National Action Plan (NAP) on Water Resources Management

**Linking Policy Actions to Solutions:**
The NAP will set out the **roadmap & investment plan** to implement IWRM approaches, specifying directions, priority measures & funding. Activity III of the draft NAP specifically addresses improving climate resilience by setting targets for:

- *Scenarios forecasting CC & upstream development impacts* for prioritized river basins
- *Signing international agreements* on transboundary rivers
- *WRM plans* for prioritized basins that incorporate CC

**Linkage:** TA for the preparation of the NAP and mainstreaming Climate Change into the NAP is being financed under the adaptation component of the (VNCLIP).
**Example 2: National Climate Change Strategy**

**Challenge:** The National Target Program to Respond to Climate Change, initiated in 2009, will expire in 2015. In addition, there are several gaps in the scope of the NTP-RCC.

**Policy Action supported by the CC DPO:** Develop National Climate Change Strategy guiding GoV actions on climate change

**Linking Policy Actions to Solution:** The NCCS identifies priority tasks and implementation measures to be used to mainstream climate change response into sectoral, regional and provincial strategies and action plans *through 2020*. The NCCS builds on the NTP by introducing new concepts such as:

- Increased importance of *mitigation* action in addition to adaptation
- Responsibility of the *private sector and civil society* in CC response
- *longer term vision* to 2050

**Linkage to greater VN Portfolio:** The NCCS, by outlining the Government’s priorities, will guide the Bank’s climate change support in AAA and investment lending.
Example 3: Adaptation Prioritization Framework

**Challenge**: Adaptation investment is not strategically allocated due to lack of methodologies and scientific basis for planning.

**Policy Action supported by the CC DPO**: Finalize an adaptation prioritization framework (APRF) to guide adaptation investment.

**Linking Policy Actions to Solution**: The APRF is a tool for prioritizing adaptation investment based on evidence and criteria determined by the Government. The APRF leads to increased transparency in allocation, leading to more effective action and making adaptation a more attractive area for investment for donors and other external sources.

**Linkage to greater VN Portfolio**: TA for development of the framework is being financed under the adaptation component of the (VNCLIP).
The DPO was designed to complement the VN portfolio and build on the Bank’s comparative advantage. The DPO:

i. complements & connects ongoing and planned operations,

ii. is a platform for CC dialogue with GoV

iii. is a platform for internal WB CC dialogue

iv. provides a basis for further structured CC engagement by the WB
Part III: Case Study - WB Climate Change

DPO in Mexico

- The Government’s Response to CC in Mexico
- How DPLs supports Policy Reform and CC Response in Mexico
- Examples of Outcomes in the Water Sector
1. Growing desertification in the Central and North regions of Mexico. Reduction of agricultural potential. Difficulties for water supply in several areas

2. Flooding in coastal areas

3. Increase of extreme hydro-meteorological events

4. General effects in forest areas (forest degradation and increase in fires) and hydrological effects

5. Loss of biodiversity

6. Impacts on human health

7. The Government of Mexico is committed to reducing the country’s GHG emissions
Government Response to CC in Mexico

Active response to Climate Change:

- **The only** Non-Annex 1 Country with **four communications** submitted to UNFCCC
- Inter-secretarial Commission on Climate Change created in 2005 with the participation of **10 Ministries**
- **Leading advocate** for a global climate agreement during COP16
The Ministry of Finance, through the unit in charge of multilateral organizations, is an active catalyst of reform process:

- Helps coordinate multi-area policy matrix and keeps track of timetable;
- Even though DPLs in Mexico do not increase sectoral budget allocations, Ministry of Finance helps prioritize needed programs for Climate Change within existing budgets;
- Helps link sectoral reforms to fiscal and economic policies (e.g., service tariffs, natural resource rights, etc.)

There have been several climate change DPLs in Mexico:

- Energy efficiency
- Renewable Energy
- Urban Transport
- WRM
- Forests
- Adaptation in social policy
Example 1: Adaptation to CC in the Water Sector

Policy Area 1: Strengthening the **Institutional Framework** and Monitoring Capacity in Integrated Water Resources Management

1. GoM has submitted the **Fourth Communication** to the UNFCCC
2. CONAGUA has delegated responsibilities to **18 River Basin Councils**
3. CONAGUA has set up **two water banks** to foster IWRM

Policy Area 2: **Mainstreaming Adaptation** to Climate Change in Water Programs

1. CONAGUA **issued two norms** to promote the conservation of groundwater resources
2. CONAGUA incorporates in the Wastewater Treatment Funding Program criteria for recharge of aquifers and **water reuse**
3. Forest agency has issued the **Special Program for the Conservation and Protection of Microwatersheds**
4. CONAGUA has strengthened protection of **overexploited** aquifers to improve the **water productivity of irrigation**
Example 2: Social Resilience to CC

Support the mainstreaming of the adaptation agenda with a multi-sector approach

- Building resilient livelihoods in rural and forest areas
- Building resilient and sustainable cities
- Strengthening disaster risk management in high risk municipalities to deal with current extreme weather

Strengthening the institutional and policy framework for adaptation to long term climate changes at subnational level
Thank you.