United Nations Development Programme

ANNUAL PROGRESS REPORT

United Nations Development Programme in Viet Nam

Reporting Period	15th August 2024 – 31st December 2025
Country	Viet Nam
Project Title	Catalysing Lower Emissions through Advancing National Adoption of Commercially viable Technologies (CLEAN-ACT) – Shifting Investment Flows Towards Green Transformation (SHIFT)
Quantum Project ID	
Responsible Party(is)	
Project Start Date	15th August 2024
Project End Date	31st December 2027
Allocated Resource	EUR3,114,364
UNDP Contact Person	Name: Nguyen Thi Thu Ha Title: PO Email: nguyen.thi.thu.ha@undp.org

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1. Background

Viet Nam has made a commitment to reach net zero carbon emissions by 2050 that reaffirms its strong political determination and contribution to the global efforts to combat climate change. Viet Nam also adopted the National Green Growth Strategy (NGGS) for the 2021-2030 period, vision to 2050, that sets the target to reduce greenhouse gas (GHG) emissions per GDP by at least 15 percent by 2030 and at least 30 percent by 2050 compared to 2014. The National Climate Change Strategy (NCCS) for the period to 2050 is aligned with the net zero emissions target by 2050.

Private sector actors are key contributors to economic development. At the same time, they are also key energy users leading to GHG emissions. They play an important role in pursuing sustainable development through inclusive and sustainable economic growth, providing decent work, green purchasing and production, and reducing GHG emissions.

Many businesses are already investing in green technologies, generating decent jobs and making contributions to the country's sustainable development. They can also make contributions to climate actions, including reducing GHG emissions and accelerating climate change adaptation solutions. There is significant potential for the business sector's contribution and investment to climate change responses and green development.

The "Shifting Investment Flows Towards Green Transformation" (SHIFT) is a joint project of six organizations to support the implementation of green finance and investment frameworks to drive Vietnam's transition towards a green, low-carbon, and climate friendly economy, with a focus on the energy sector. Project is commissioned by the German Federal Ministry for Economic Affairs and Climate Action (BMWK) and owned by the **Department for Sectoral Finance and Economics (DSFE)** of Ministry of Finance. The Catalysing Lower Emissions through Advancing National Adoption of Commercially-viable Technologies (CLEAN-ACT) sub-project presents UNDP's contribution to the overall SHIFT programme. CLEAN-ACT is closely aligned with the ongoing efforts of international partners to support the GOVN in achieving its GHG emissions reduction and EE targets, particularly in the context of enabling catalytic investments in energy transition technologies and the creation of decent jobs. As such, CLEAN-ACT contributes directly to the operationalisation of national strategies and international commitments, including those under JETP.

The SHIFT programme is structured around four Outputs, which collectively aim to: (i) enhance policies for public and private green investment, (ii) mainstream policies and regulations for the energy transition, (iii) increase the supply of green finance by financial institutions, and (iv) strengthen the capacity of the private sector to design and implement green investments. The CLEAN-ACT project falls Under Output IV of the SHIFT programme and focuses on improving the interest and capacities of the private sector to invest in RRE, EE or other transition technologies. UNDP will be leading Work Package (WP) IV.1 to support the design and implementation of replicable green pilot investment projects in energy transition technologies that substantially reduce GHG emissions in energy intensive sectors; and WP IV.2 to catalyse and facilitate the replication and scale-up of the piloted energy transition technologies and other energy transition technologies.

Under Output IV of the SHIFT project focused on improving the interest and capacities of the private sector to invest in renewable energy, energy efficiency or other transition technologies, UNDP will be leading Work Package IV.1 to support the design and implementation of replicable green pilot investment projects in energy transition technologies that substantially reduce GHG emissions in energy intensive sectors; and Work Package IV.2 to catalyse and facilitate the replication and scale-up of the piloted energy transition technologies and other energy transition technologies.

The overarching objectives of the assignment are to: (1) identify, liaise with and secure interest from two medium or large enterprises for the implementation of two technically and economically viable

pilot investment projects applying sound renewable energy and energy efficiency or energy transition technologies in identified energy-intensive sectors; and (2) develop a full and detailed roadmap and implementation plan for the aforementioned two pilot projects.

2. Results

2.1. Conduct energy audit for building

The objective of the survey is to conduct detailed energy audits and discuss with the board of directors and develop a detailed implementation plan for one selected building in the building sector, the consultant will conduct field trip to two existing buildings in Ho Chi Minh city: Somerset Mac Dinh Chi and Somerset Nguyen Binh Khiem.
The energy audit team has used the direct and actual measurement approach by using energy auditing equipment listed in Appendix 1. The data measured and recorded in this step consists of temperature, voltage quality, capacity coefficient, lighting illuminance, etc. In addition, the audit team also collected data from existing meters, monitoring data, historical data, and operation records by Somerset for both buildings.

2.2. Conduct energy audit for the steel company

The objective of the survey is to conduct IGA and discuss with the company board of directors and develop a detailed implementation plan for any electrifications pilot projects. With the targeted sub-sector in the industry sector, the consultant will conduct a field trip to a Iron & Steel company: Tay Nam Iron & Steel JSC (called Steel company).
The investment grade audit will provide:

- Overall assessment of the current state of energy use in all workshops and for all equipment.
- Potential areas for energy savings in all workshops and for all equipment.
- Energy saving solutions for all workshops and equipment
- Economic and environmental efficiency for the proposed solutions.
- An investment plan for the pilot program.

2.3. Develop and formulate the proposal for CLEAN ACT project

The design of the SHIFT project began in Quarter 1 of 2020. All members of the Consortium worked together to develop the project, including the WPs to be implemented by each member.

There were five Outputs in the original proposal, and UNDP was responsible for two WPs under Output IV: Green investments by small- and medium-sized enterprises (SMEs) and other private sector actors are increased (share of total budget for Output IV was expected to be 37 percent).

The main objective of the overall SHIFT project is to redirect financial flows towards energy transition and increase investments in RE and EE. The successful implementation of the SHIFT project will contribute to achieving Viet Nam's GHG emissions reduction targets set out in the NDC and other national strategies.

UNDP is responsible for the design and implementation of two Work Packages (WPs), specifically WP IV.1 and WP IV.2, both falling under Output IV. The objective of Output IV is to generate interest and build technical capacity in the private sector actors especially women-led enterprises or enterprises with a proven approach to promote gender equality concerning RE, EE and energy transition

technologies. Improved knowledge and interest in these technologies and their benefits will lead to increased private sector investments.

In particular, WP IV.1 will focus on the design and implementation of viable and replicable investment projects in energy transition technologies in emissions-intensive sectors, while the emphasis of WP IV.2 will be on facilitating the replication and scale-up of the investments piloted under WP IV.1, as well as other energy transition technologies.

The two UNDP-led WPs will pilot, replicate, improve confidence in and scale-up green investment projects in energy transition technologies. The findings of WPs IV.1 and IV.2 will be used to draw lessons learned and recommendations to inform Outputs II and III, and concomitantly financial instruments developed under Output III will be accessed to finance investment projects under WPs

Appraisal Mission

It was anticipated that the Appraisal Mission would take place in June of 2022, however this was delayed. In approximately late August of 2022, the Consortium regrouped and began to work on developing the full SHIFT project proposal.

Shortly thereafter, the Appraisal Mission took place in-person in Ha Noi between 21 November and 1 December 2022. This included a series of interviews with representatives of relevant institutions and organizations from the public and private sectors in order to prepare a formal submission to the Federal Ministry for Economic Affairs and Climate Action of Germany (BMWK).

From UNDP, Mr. Dao Xuan Lai (Head of the Climate Change and Environment Unit), Dr. Francesco Citro (Consultant) and Mr. Jay Malette (Climate Change Specialist) participated in the Appraisal Mission.

After the Appraisal Mission and meeting with MPI, UNDP was advised to make changes to our WPs based on the request from MPI to revise the target group, sectors and technologies.

Revised Work Packages Based on MPI Request

In accordance with the feedback from MPI and with agreement of the Consortium, UNDP has since revised our WPs under **Output IV: Improved interest and capacities of the private sector – the interest and capacities of private sector actors especially women-led enterprises or enterprises with a proven approach to promote gender equality to invest in RE, EE or other energy transition technologies are increased.**

Specifically, UNDP's revised WPs (based on the latest version of the proposal) are as follows:

- **WP IV.1:** Design and implementation of replicable investment projects in energy transition technologies to substantially reduce greenhouse gas (GHG) emissions in high energy consuming sectors.
- **WP IV.2:** Catalyse and facilitate the replication and scale-up of the piloted energy transition technologies and other energy transition technologies.

Proposal Submission

The proposal was submitted to BMWK on 30 March 2023, with UNDP's updated WPs.

It has since undergone two rounds of commenting from the Zukunft – Umwelt – Gesellschaft (ZUG), with the first round received on 3 May 2023 (and all comments addressed by 10 May 2023) and the second round received on 23 May 2023 (and all comments addressed by 7 June 2023).

UNDP has provided support to address relevant comments from ZUG as needed.

3. Financial Expenditure Overview

	11 Jan 22 - 31 Jul 23		CPFR as of 18 Nov 2024
	USD	EUR	USD
GRANT	**123,346.46**	**114,364.37**	**123,346.46**
Financial Report			
Staff	33,333.30	30,451.92	25,749.58
External Experts/ Consultant	69,050.54	64,539.81	79,542.75
Transportation/ Travel Costs	4,666.03	4,404.85	
Other costs/ Consumables	1,521.42	1,393.28	1,553.35
Direct Cost	**108,571.29**	**100,789.87**	**106,845.68**
GMS	10,197.69	8,053.80	8,547.89
UNRC Coordination Levy (1%)	-	1,132.32	
TOTAL	**118,768.98**	**109,975.99**	**115,393.57**
BALANCE	**4,577.48**	**4,388.38**	**7,952.89**

4. Risks, Issues and Lessons Learned

Obstacles Encountered

Some of the key challenges and obstacles encountered by UNDP during the preparation of the SHIFT project proposal include:

- **Changes to UNDP's WPs:** As detailed above, there were significant and substantial changes to UNDP's WPs following the Appraisal Mission in late 2022. This necessitated additional work in the preparation of the WPs.
- **Limited Time**: The Preparation Grant of €114,364.37 was received in February of 2023, several months later than originally expected. This created difficulties and complications for contracting and procurement of consultants and service providers to support the formulation of UNDP's WPs. For this reason, UNDP submitted a formal request for the Preparation Grant to be extended from 31 May 2023 to 31 July 2023, to allow for adequate time for all planned work to be completed after contracting and procurement.
- **Identification of Sectors and Technologies of Interest**: Reaching consensus and a shared understanding on sectors and technologies that are of interest not only to MPI, but also GIZ, was a rather long and challenging process. In the case of technologies, for instance, not only must they be "state-of-the-art," technically viable and financially feasible, but also, they must not overlap with planned future projects and interventions by GIZ. This resulted in some sectors where UNDP sees high potential, such as e-mobility, being discounted.

Lessons Learned

To mitigate some of these risks moving forward (i.e., as we firm up sectors/sub-sectors and technologies for the pilot projects), it would be beneficial to have closer and more regular consultation with the government counterpart(s) and GIZ, and discussions in which all Consortium members are present.

Furthermore, more clearly defined timelines and expectations communicated further in advance and regular updates from GIZ would be beneficial and would better enable us to adhere to deadlines.

5. Conclusions and Way Forward

Waiting for Viet Nam Government approval to move the project to the new mode for implementation.