

Mobilizing Financial Conclusion for Climate Change Resilience: Case Study from Vietnam Bank for Social Policies



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1. Current context

Vietnam is among the most vulnerable nations to climate change impacts according to a recent International Panel on Climate Change report. With the country's diverse geography, it is hit by typhoons, landslides, flooding and droughts, weather events expected to worsen in coming years. Research has found that Vietnam is also home to abundant renewable energy potential, which could help alleviate some of these threats. Especially, the poor and marginalized people are at highest risk given their reliance on natural resources for their livelihood, particularly in agriculture, livestock and fisheries. Each year, more than 60,000 houses are destroyed by floods and storms in coastal provinces making it more difficult for vulnerable households to escape poverty.

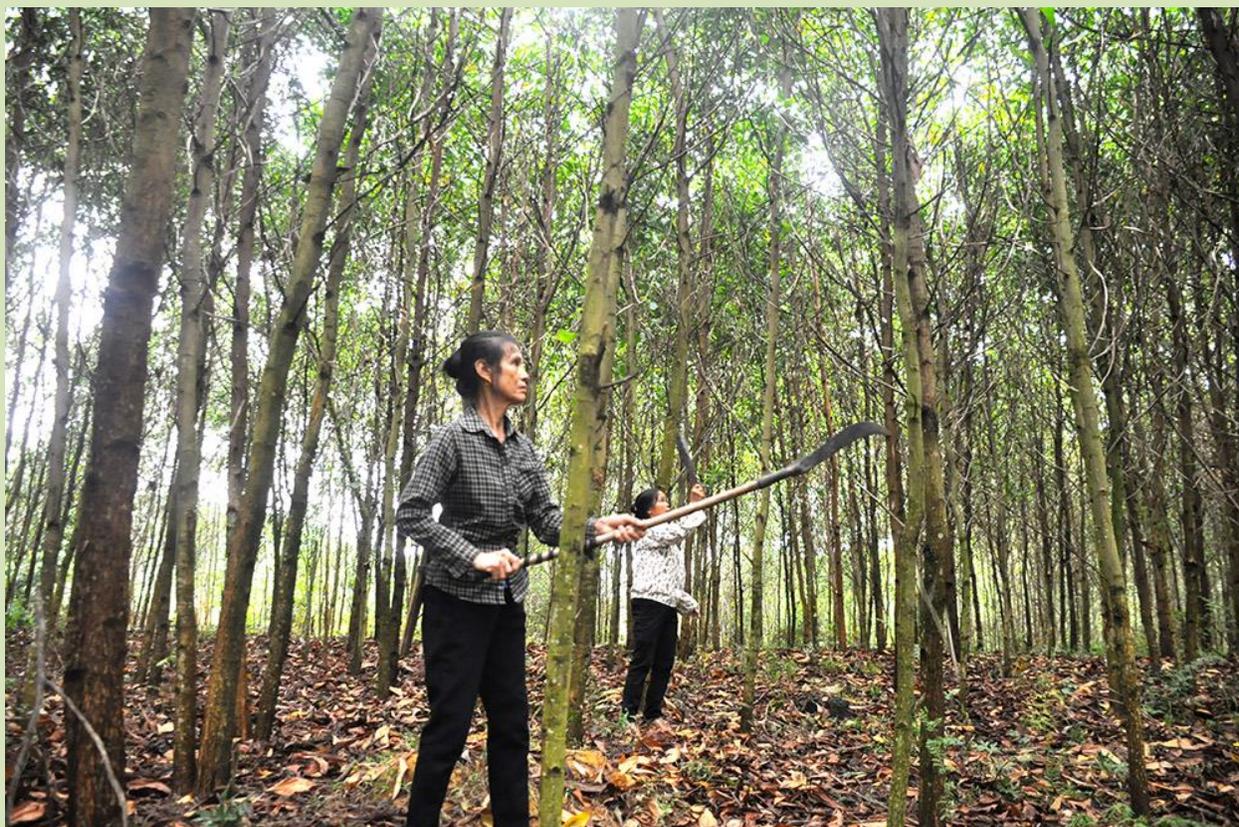
To strengthen resilience to climate change, VBSP has been providing preferential loans for investments in afforestation, irrigation, resistant plant seeds, clean water supply and rural sanitation facilities, storm-resistant housing for the poor, low-income populations; risk treatment policies to support greater resilience to shocks; providing remittance and transfer services to funnel aid in the aftermath of climate-related natural disasters; or facilitating clients' long-term financial planning, including via savings products, to help them build more adaptable economic activities. Moreover, VBSP aimed at non-financial products and services that involve in awareness-raising and understanding of climate risks through technical assistance and training for its clientele.

2. Inclusive financial schemes for strengthening resilience to climate change

Forest Sector Development Program: Covering more than **70,000** hectare forests in the central coast of Vietnam

The goal of the program is to develop 56,000 ha of production forest in four provinces of central Vietnam: Binh Dinh, Quang Ngai, Quang Nam and Thua Thien Hue. VBSP aimed to give a sub-loan of USD 27.2 million for commercial forestation loans (production forestation) with the preferential lending rate of 0.75% per year. As of 31 November 2019, VBSP has deployed in 6 provinces, including: Thanh Hoa, Nghe An, Thua Thien Hue, Quang Nam, Quang Ngai

and Binh Dinh with total outstanding loans reached **VND 411 billion** and nearly **11 million** active borrowers.



The acacia hill of Ms. Tran Thi Xuyen's family is invested from VBSP loans

Program of productive forestation with livestock raising for ethnic minorities

The purpose of this initiative is to help ethnic minority and poor households who are living in communes with difficult socio-economic conditions access loans for developing production forest and raise animals with the low interest rate of 1.2% per annum and not required collaterals. As of November 31, 2019, the program has reached **VND 344 million** outstanding loans serving **7.840** indigenous customers.

These initiatives have resulted in 76,500 ha of conserved special use forests and sustainably managed plantation forests and improving livelihoods for the pro-poor in rural areas, contributing to the implementation of the National Strategy on Climate Change while contribute towards poverty alleviation and sustainable development in Vietnam.

Safe Water and Rural Sanitation Program

In the 2000s, only 48% of rural households in Vietnam had access to clean water, compared to 82% of urban households. It was estimated that only 16% of rural households had access to water supply meeting clean water standards. Access to hygienic sanitation facilities was equally low. In order to increase the number of households accessing to clean water supply and sanitation in rural and mountainous areas, VBSP has launched the support program on safe water and sanitation. The program includes two components: Communication and financial literacy in order to change behaviors about water and sanitation issues within communities; Provide low-interest loans for rural households to build or rehabilitate hygienic toilets and sanitation facilities improving good health, living conditions and promote socio-economic development in rural areas.

Over the past 16 years, the program has achieved the following outcomes: Almost **6 million** rural households nationwide (equivalent to 24 million individuals, 4 members/household on average in Vietnam) accessed communication and financial literacy on water and sanitation issues. Six million rural households accessed low-interest loans to build or rehabilitate more than 11 million hygienic toilets and sanitation facilities with total lending volume of more than **VND 50,000 billion**. Total outstanding loans of the program reached nearly **VND 40,000 billion** and the default rate is very low at 0.17%. **Over 11 million** sanitation facilities and hygienic toilets were built. **Over 90%** of households were reported to be highly satisfied with services.



With VND 12 million, Ms. Tran Thi Mai has invested in building hygienic water works, contributing to improving the quality of life

Housing loans help fight against climate change

Credit program on helping the poor to build houses against storms and floods in the North Central Coast and Coastal Areas

Due to the geographical and climatic characteristics, the provinces in the Central Coast region are frequently affected by natural disasters, which greatly affect the lives of people in rural areas, especially the poor households, VBSP has implemented a credit program on supporting poor households to build houses to prevent from storms and floods in 14 provinces and cities, including: Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Thua Thien - Hue, Da Nang, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, Khanh Hoa, Ninh Thuan and Binh Thuan.

The program has brought positive effects, helping people in the Central region, especially the poor in rural areas to prevent and mitigate damage caused by storms and floods, creating conditions for them to have a safe life, ensure

social security and economic development. Up to now, total outstanding loans of the program reached **VND 191,480 million** and **12,941** active borrowers.



Ho Van Luan in Ca village, Tra Hiep commune (Tra Bong) borrow VBSP loan to expand cinnamon area and plant more acacia

Housing loan program for residents in flood-prone areas of the Mekong Delta

Mekong River Delta is the largest granary in Vietnam. Every year, floods of the Mekong River happen in a large area. To be honest, floods in the Mekong Delta bring many benefits to the people there, but floods also cause significant damage to them and their properties, affecting livelihoods and socio-economic activities.

Therefore, housing loans for poor households in flooding area in Mekong river delta is implemented by VBSP in 08 provinces of Tien Giang, Long An, Can Tho, Vinh Long, An Giang, Kien Giang, Hau Giang and Dong Thap.

The program has supported for over 100,000 houses. As a result, many households have a stable accommodation, creating favorable conditions for

economic development, contributing to poverty reduction in the community. On the other hand, this program also partially supports the local authorities not to worry about evacuating and saving people during and after the flood season. Therefore, people can live together with floods and effectively exploit aquatic resources in this season. In recent years, although the number of floods are quite high, thanks to the VBSP's program, people in these provinces no longer have to run away from floods, minimizing human and asset losses and reducing budget spending in the process of avoiding floods.



The houses are built to avoid floods in Tien Giang province

Social housing loan program for the poor and low-income population

According to Law on housing and Decree No. 100/2015/ND-CP dated October 20, 2015 of the Government on development and management of social houses, VBSP was assigned to provide inclusive finance to buy, lease-purchase social houses; new

house construction, renovation or repair.

The social housing loan program has capital to deploy lending from April, 2008. Up to now, loans have been provided provinces and cities with total loan amount of **VND**

1,105 billion to **3,485** households, outstanding loans is **VND 1,091**

billion, average loan size is VND 317 million.



Thanks to VBSP's Social Housing Program, many families had beautiful houses to live

3. Conclusion

In order to contribute to protesting climate change, in the coming time, VBSP will continue lending to poor households and other policy beneficiaries, especially those who live in remote areas in the Northwest, Central Highlands and Southwest regions; promote investment in green credit growth, clean agriculture, encourage models of environment-friendly business,

improving resource efficiency and saving energy.

In the coming time, VBSP will also continue to boost green credit projects, contributing to nature conservation, protecting the environment, combating climate change for the sake of social security and sustainable poverty reduction in Vietnam.



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