

# Reduce the impact and release of mercury and POPs in Vietnam through lifecycle approach and Ecolabel

Review PIF and Make a recommendation

## Basic project information

**GEF ID**

10519

**Countries**

Viet Nam

**Project Name**

Reduce the impact and release of mercury and POPs in Vietnam through lifecycle approach and Ecolabel

**Agencies**

UNDP

**Date received by PM**

3/20/2020

**Review completed by PM**

4/13/2020

**Program Manager**

Yuki Shiga

**Focal Area**

Chemicals and Waste

**Project Type**

FSP

## PIF

### Part I – Project Information

#### Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

#### Secretariat Comment at PIF/Work Program Inclusion

Yes. CW-1-1 in Table A is aligned with 2018-2022 GEFTF Programming Direction.

## **Agency Response**

**Indicative project/program description summary**

**2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

## **Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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03.29.2020:

The components are mostly clear for this stage of project development. However, further clarifications is requested for EPR. In Table B, it is mentioned that this is to be developed; however, in the different section(s) of the PIF, it is stated that this already exists.

Recommended action: Please clarify whether the above output is to be newly developed under the proposed project or is this to be improvement of the existing one.

## **Agency Response**

**3 April 2020:**

Both. In the PIF, the only existing EPR scheme mentioned is the one concerning ELV, i.e. the one established under Decision N°16/2015 which regulates the collection after use of products like vehicles, tires, electronic devices, oil, and batteries. In addition to the development of new EPR schemes, the enforcement of this already existing EPR scheme will be also improved. The text has been revised to make this aspect clearer. (Page 1 of the PIF – table B)

**Co-financing**

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

### **Secretariat Comment at PIF/Work Program Inclusion**

04.13.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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04.08.2020:

While there are further elaboration on how the investment from the private sector (total \$19 mil) was identified, PIF still lacks description on how other 'investment mobilized' from the Government was identified.

Recommended action: Please consider and elaborate on the above.

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03.29.2020:

While investment from the private sector (\$19 mil.) is described, there are no description on how other five investment mobilized were identified.

Recommended action: Please consider and elaborate on the above.

### **Agency Response**

**3 April 2020:**

A table with further details on the co-financing mechanism has been included. The industries will undertake direct investment in environmental technologies compliant with project objectives for an overall amount of 14 million USD and will, at the same time, subscribe Green Financing Loans at a discounted interest rate for 5 million USD. The Green Financing Loan will be designed in detail at PPG.

**10 April 2020:**

To explain better the financial strategy underpinning this project we would like to mention some concrete facts:

**Co-finance from Government sectors** (a narrative part has been added in "Describe how any 'Investment Mobilized' was identified" but this could not be highlighted, as the GEF Portal doesn't allow to do so):

The project envisages mobilization of capital for an amount of around 2,925,000 USD from MONRE (VEA+VEPF), recurrent expenditure from VEA up to 2,225,000 USD, plus a more limited amount coming from MOIT and MOH (300,000 USD each). As indicated in the PIF, Vietnam is quite keen on investment on POP management. The PM approval of National Target Program (NTP) in 2018 at Decision No. 807/QĐ-TTg allocates 20 million USD cash for cleanup of POP contaminated sites. Investment on monitoring is significantly increasing.

Vietnam Chemicals Agency (Vinachemia) under MOIT is now implementing activities for reduction and phasing out of Mercury used products and manufacturing process. Vinachemia is planning to develop a draft Decree for implementation of Minamata Convention in Vietnam. Similarly in MOH, Health Environment Management Agency (VIHEMA) also looks forward to eliminating the use of mercury health devices in the sector and have been carrying out some initial training and public awareness raising on the harm from mercury contained products and phasing out the use of mercury amalgam. Specific details on the implication of these activities on investment mobilization, currently estimated conservatively in 300,000 USD for MOIT and 300,000 USD for MOH, will be provided at PPG stage.

On the side of MONRE, the VEPF (Vietnam Environmental Protection Fund), as a department of the Ministry of Natural Resources and Environment, is at the core of the state financial strategy for the implementation of environmental projects. As explained in the project, The VEPF holds a total chartered capital of VND 1 trillion (approximately USD 43.15 million), including VND 727 billion (approximately USD 31.38 million) allocated by the state budget, and now has submitted the Plan to the Government to raise the chartered capital to VND 2 trillion during the period 2020-2021. Access to this fund is currently granted to eligible environmental activities, established under the Annex III of Decree No. 19/2015/ND-CP dated 14/02/2015, amended at Decree No. 40/2019/ND-CP guiding implementation of Vietnam Environmental Protection Law.

**Also, as added in the Project Justification section, under “Baseline associated projects”** (in green highlight), it may be noted that whilst the proposed project will work toward inclusion, in the list of eligible activities, of projects and activities directly related to POP and mercury prevention, the restructuring of the VEPF to receive financing from other sectors under an “Extended Producer Responsibility” scheme is already under discussion at the highest level, with the revision of the Chapter X of the Law of Environmental Protection, which is currently undergoing and will be approved in the next few months.

The draft of the LEP currently under discussion includes the provisions that industries importing or manufacturing products containing hazardous chemicals, difficult to be recycled, generating large amount of waste (like single use plastic products) will either implement EPR activities or directly contribute to the VEPF fund with compensation fees related to specific waste management and recycling issue. This could largely increase the size of VEPF fund which will then act as an intermediate financial facility to implement aspects related to the sound disposal of hazardous waste / chemicals and circular economy. In this framework, we consider that the mobilization of capital which we envisaged under the project is just a fraction of what can effectively be achieved with the restructuring of the VEPF.

Moreover, as the government is currently pushing hard toward a stronger enforcement of environmental protection laws, we consider that (as already occurred during the implementation of the UNDP/GEF Green Chemistry Project) the combined factors of international investors wanting to avoid environmental liabilities, governmental financing schemes aimed at facilitating the implementation of circular economy and the internalization of environmental costs, and a stronger enforcement of environmental rules will generate a significant mobilization of capitals, order of magnitude larger than the capital mobilization envisaged under the

project. Details on the revision of the LEP, the restructuring of the VEPF and its consequences in term of further mobilization of investment will be provided at PPG stage.

#### **GEF Resource Availability**

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

#### **Secretariat Comment at PIF/Work Program Inclusion**

04.17.2020: Cleared.

04.15.2020:

1. While Table E has a break up between POPS and Mercury, Table D does not. Please provide break-up or justification for consolidated figure in Table D.
2. Also regarding project information, please fill in submission date.

#### **Agency Response**

**17 April 2020:**

- 1) A break-up has now been provided in table D;
- 2) The submission date has now been set.

**The STAR allocation?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

#### **Agency Response**

The focal area allocation?

**Secretariat Comment at PIF/Work Program Inclusion** Yes.

**Agency Response**

The LDCF under the principle of equitable access

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

The SCCF (Adaptation or Technology Transfer)?

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

Focal area set-aside?

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

Impact Program Incentive?

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

Project Preparation Grant

**5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)**

**Secretariat Comment at PIF/Work Program Inclusion** Yes. PPG has been requested and is within the allowable cap at \$150k.

## **Agency Response**

Core indicators

**6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)**

## **Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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03.29.2020:

Indicator 9.1: The PIF seems to state that the project will be targeting POPs other than PFOS (e.g. HBCD and PFOA) which is indicated in Indicator 9.1. If so, please provide an estimate for these chemicals.

Indicator 10: PIF seems to state that the project will be eliminating u-POPs emissions in Figure 1. If so, please include this target as Indicator 10.

Indicator 11: Total of direct beneficiaries (1,000) is exceptionally low given the requested GEF finance.

Recommended action: Please address the above point(s).

## **Agency Response**

**3 April 2020**



Indicator 9.1: Preliminary amounts for each POP chemicals have been provided under indicator 9.1. As the experience from other projects demonstrated, the estimate at PIF stage are preliminary and will need to be confirmed at PPG (Ref. Core Indicator). Concerning the U-POPs amount, the quantity (2 gTEq/yr) is reported under the indicator 9.

Indicator 10 is legislation and technologies/practices implemented (Ref. Core Indicator)

Indicator 11: The direct beneficiaries previously reported in the PIF were limited to workers impacted by the measures and beneficiaries of training courses / awareness raising initiatives.

However, including consumers and users of non-POP equipment among the direct beneficiaries (10,000 thermometers, 20,000 non mercury lamps, and 500 tons of non-POPs equipment, the direct beneficiaries can be estimated as following:

For non-mercury equipment: 2 beneficiaries for each thermometer and 4 beneficiaries for each non-mercury lamps;

For non-POPs equipment. Assuming conservatively that one kg of non-POP products would directly benefit one beneficiary, 500 tons of POPs containing products would impact 500,000 persons. As far as U-POPs and mercury releases, considering that factories in Vietnam are often located in highly populated area, the decrease of mercury and U-POPs emission can potentially impact positively millions of beneficiaries.

Therefore, an estimate of 1,600,000 direct beneficiaries can be considered a reasonable estimate. This estimate does not include beneficiaries benefitting from global scale effect of POP reduction (Ref. Core Indicator)

#### **Project/Program taxonomy**

**7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?**

**Secretariat Comment at PIF/Work Program Inclusion** Yes.

#### **Agency Response**

#### **Part II – Project Justification**

**1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

**2. Is the baseline scenario or any associated baseline projects appropriately described?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

**3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?**

**Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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03.29.2020:

The project seeks to protect human health, environment and promote sustainable production and consumption through the reduction of the use of POPs, new POPs and mercury and the release of POPs, U-POPs and mercury throughout the entire lifecycle in key industrial sectors supported by EcoLabel system, Green Financing and

Procurement mechanisms. The project is structured around four Components:

Component 1: Promote sustainable production - consumption in key sectors through Ecolabeling, Green Financing and Procurement etc.

Component 2: Life cycle management of POPs and PTS containing products.

Component 3: Mercury lifecycle management of mercury containing products.

Component 4: Monitoring and Evaluation

However, clarification is requested for below for Output 1.3.1:

- 1) The PIF states 'the co-financing entity will fund the project for an overall budget of USD 5 mil.' It is unclear which co-finance indicated in Table C is associated with this USD 5 mil.
- 2) Please provide basis for USD 14 mil. direct investment. It is unclear how this was calculated.
- 3) PIF states 'green-financing scheme could mobilize USD 19 mil. cash against a GEF financing of USD 1.5 mil.' However, the proposed GEF financing for Component 1 which addresses green-financing scheme is USD 0.9 mil.

Recommended action: Please address the above point(s).

## **Agency Response**

**3 April 2020**

A table explaining the above has been included in the PIF document. Kindly note that the GEF financing associated to the green financing scheme is not under component 1 (this is only design of the scheme), but in equal parts under components 2 and 3 (Green Financing implementation).

Table C has been amended to show where the 5 million of Green Financing fund subscriptions will go.

The amount of 14 million USD is not the result of a calculation, but instead derives from consultations with VEPF and industrial associations which anticipate that this is the amount of investment that could be mobilized in areas related to project intervention, and that could be eligible for Green Financing loan. The commitment is currently preliminary and will be ratified at PPG through commitment letters.

### **4. Is the project/program aligned with focal area and/or Impact Program strategies?**

## **Secretariat Comment at PIF/Work Program Inclusion**

Yes. The proposal is aligned with CW-1-1 (Industrial Chemicals Program).

## **Agency Response**

### **5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

**Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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03.29.2020: Please refer to earlier comments provided for Core Indicator section.

**Agency Response**

3 April 2020

Kindly refer to the answer provided to earlier comments.

7. Is there potential for innovation, sustainability and scaling up in this project?

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

## **Secretariat Comment at PIF/Work Program Inclusion**

### **Agency Response**

**Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

## **Secretariat Comment at PIF/Work Program Inclusion**

The PIF clearly indicates a range of stakeholders and their potential role during the project.

### **Agency Response**

**Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?**

## **Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared.

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03.29.2020:

PIF states: 'Assessment of gender-specific chemical risk associated with POPs and PTS generated by E-Waste and ELV recycling activities'. Please provide clarification on why this gender-specific assessment seem to be limited to e-waste and ELV recycling activities.

Recommended action: Please address the above point(s).

### **Agency Response**

**3 April 2020**

This is the result of a typo deriving from a previous version of the PIF. That section has been currently amended as follows: “Assessment of gender-specific chemical risk associated with POPs and PTS used and/or released by industrial activities and in consumer products.”

**Private Sector Engagement**

**Is the case made for private sector engagement consistent with the proposed approach?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

**Risks**

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**

**Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared.

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03.29.2020:

PIF lacks Environmental and Social Safeguards policy.

Recommended action: Please address the above point(s).

**Agency Response**

**3 April 2020:**

The Social and Environmental Safeguard Policy has been attached to the portal.

#### **Coordination**

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared. Earlier comment(s) are appropriately addressed for the PIF stage.

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03.29.2020:

Please further provide details regarding coordination with potential UNEP project in Vietnam (GEFID: 10523) addressing related issues.

Recommended action: Please address the above point(s).

#### **Agency Response**

**3 April 2020:**

Coordination will be also sought with the UNEP project GEFID 10523. Indeed, the two projects are different in their objectives, as the UNEP project would be exclusively dealing with the Textile sector, whilst the UNDP cover a number of industrial sectors except textile. However, coordination and synergy can be established. The UNDP is concretely establishing a funding line for several POP-related sectors by extending permanently the eligibility criteria for application to the VEPF fund, whilst the UNEP will identify priority actions under a roadmap existing financial mechanism and assist SMEs in preparing applications. Further synergies can be identified in the part related to the drafting of improvement of current regulations and standards to include industrial products.

This project will coordinate with the UNEP regional project on textiles via their respective KM components. UNDP and UNEP can share best practices and knowledge gained in the country to ensure a wider dissemination than any of the individual agencies would achieve.

## **Consistency with National Priorities**

**Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?**

## **Secretariat Comment at PIF/Work Program Inclusion**

Yes.

## **Agency Response**

### **Knowledge Management**

**Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project's/program's overall impact and sustainability?**

## **Secretariat Comment at PIF/Work Program Inclusion**

04.08.2020: Cleared.

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03.29.2020:

Please provide knowledge management strategy on how this project will share findings and learn each other with the potential UNEP project in Vietnam (GEFID: 10523) addressing very similar issues.

Recommended action: Please address the above point(s).

## **Agency Response**

**3 April 2020:**



Findings, lessons and strategies will be shared among the two projects. However, kindly note that the two projects are not addressing similar issues, as the UNEP project would be exclusively dealing with the textile sector, whilst the UNDP will cover a number of industrial sectors except textile. As both the projects will be implemented by the MONRE and Vietnam Environment Administration (VEA) is the project owner, the exchange of information among the two projects, with specific reference to the development of new regulations and standards, and the assistance to enterprises concerning the access to environmental funds, will be greatly facilitated.

This project will coordinate with the UNEP regional project on textiles via their respective KM components. UNDP and UNEP can share best practices and knowledge gained in the country to ensure a wider dissemination than any of the individual agencies would achieve.

### **Part III – Country Endorsements**

**Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes.

#### **Agency Response**

**Termsheet, reflow table and agency capacity in NGI Projects**

**Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.**

#### **Secretariat Comment at PIF/Work Program Inclusion**

#### **Agency Response**

**GEFSEC DECISION**

**RECOMMENDATION**

**Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?**

**Secretariat Comment at PIF/Work Program Inclusion**

04.17.2020: This PIF is recommended for technical clearance.

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04.15.2020: Please refer to review item in Section I-4.

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04.08.2020 /03.29.2020: Not yet. Please refer to the review items and resubmit for consideration. (please highlight the update).

**ADDITIONAL COMMENTS**

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

**Secretariat Comment at PIF/Work Program Inclusion**

**Review Dates**

	PIF Review	Agency Response
<b>First Review</b>		
<b>Additional Review (as necessary)</b>		

	PIF Review	Agency Response
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

#### PIF Recommendation to CEO

#### Brief reasoning for recommendations to CEO for PIF Approval

#### CONTEX:

This project is aligned with C&W strategic objectives CW-1-1 (Industrial Chemicals Program).

The contamination by mercury and POPs is currently hindering a full development of circular economy in Vietnam due to the fact that material potentially contaminated by POP and mercury is unsafe for reuse or recycling into new products.

A significant amount of these chemicals, still present in Vietnam either in articles or products being used, in end of life articles, or in waste, represents both a local and a global problem, as it is well known that both POPs and mercury have the capacity to be transported globally to very large distance. This is specifically true for tropical areas like Vietnam, where POPs or mercury compounds can easily evaporate, be entrapped in atmospheric streams, and condensed far away in regions where the temperature are lower. What is more, export of products presents a clear and present route to (re)distributing chemicals contaminants.

As recycled material (particularly plastic, as the amount of recycled yarn is minimal (some craft villages near Hanoi and HCM city to collect these scraps and make pillows, quilted blankets, clothes for children. And of course, some non-reuseable will go to landfill or incineration) is not checked for the presence of POPs, these substances may re-enter the cycle through the use of low-quality recycled material in the manufacturing sector.

The plastic which is not considered recyclable by the recycling industry is often dumped in the environment, burnt in the open or used as secondary fuel, with the associated release of POPs and chlorinated and brominated dioxins and furans.

#### **COMPONENTS AND RESULTS:**

The project seeks to protect human health, environment and promote sustainable production and consumption through the reduction of the use of POPs, new POPs and mercury and the release of POPs, U-POPs and mercury throughout the entire lifecycle in key industrial sectors supported by EcoLabel system, Green Financing and Procurement mechanisms.

The project is structured around four Components that will result in avoidance of 30,000 MT of POPS/Hg containing materials and approximately 35 MT of chemicals of global concern along with 1.6 million direct beneficiaries as co-benefit of GEF investment:

Component 1:

Promote sustainable production - consumption in key sectors through Ecolabeling, Green Financing and Procurement etc.

Component 2:

Life cycle management of POPs and PTS containing products.

Component 3:

Mercury lifecycle management of mercury containing products.

Component 4:

Monitoring and Evaluation

#### **INNOVATION, SUSTAINABILITY, SCALE-UP & GENDER:**

This project includes a mix of innovative and conventional approaches, including green-labeling, green finance framework and EPR to reduce the use and release of POPs and mercury throughout the entire lifecycle of products and materials.

The project will establish a shared network of knowledge among manufacturers, industries and designers on the design and manufacturing criteria which may be intrinsically less chemical intensive, for specific categories of products, product components and materials. This approach is not just highly innovative, but can be expected to contribute towards further sustainability and replicability of the project.

In the course of the project design, a specific gender mainstreaming work plan, with gender-sensitive targets and indicators, will be developed and integrated in the project results framework. In addition, in the course of project design and implementation, UN policies on equal opportunities will be considered with the purpose to ensure that the project supports women's capabilities and their enjoyment of rights, and women's equal and meaningful participation as actors, leaders and decision makers.

It is aligned with country priorities and will coordinates with relevant baseline initiatives on the ground.  
The project will deliver additional global environmental benefits within \$28.5 million of co-financing.