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CLIMATE AND GREEN GROWTH PUBLIC EXPENDITURE AND INVESTMENT REVIEW IN THE MEKONG DELTA 2016-2020

The Ministry of Planning and Investment (MPI) with support from UNDP's Global Low Emission Capacity Building Programme (LECB), USAID and the Integrated Coastal Management Programme (ICMP), financed by the Governments of Australia and Germany conducted a Climate & Green Growth Public Expenditure and Investment Review in 13 Mekong Delta (MD CPEIR) provinces for the years 2016, 2017 and medium-term Public Investment Plan (MTIP) 2016-2020. This MD CPEIR followed the previous works on national CPEIR for the period of 2010-2013 conducted by MPI with support from the WB and UNDP and CPEIR for the period 2013-2015 in 4 piloted MD provinces conducted by GIZ.

Objectives of the MD CPEIR are to pilot the MPI's Guidelines for classifying public investment in CC&GG (MPI Guidelines)¹; to present data on expenditure related to Climate change & Green growth (CC&GG); to support the integration of CC&GG into planning and budgeting; and to support the monitoring and reporting tasks in Viet Nam's Plan for Implementation of the Paris Agreement.

Data collection, classification and analysis were conducted according to the MPI Guidelines which classify investment according to 17 key themes: Energy efficiency, Planning, Electricity, Industry, Disaster risk reduction, Urban, Transport, Waste, Agriculture, Forestry, Health, Irrigation, Water supply, Fisheries, Biodiversity, River and Coastal. Each theme is divided further into a total of 28 sub-themes. The data was provided by Departments of Planning and Investment and other Departments and Agencies in the Mekong Delta provinces. The classification process relied mainly on project approval decisions and other project documents namely project summary report, feasibility studies, environmental impact assessment reports and others.

¹ Guidelines are officially issued in Decision No. 1085/QĐ-BKHĐT July 16, 2018 by MPI



MD - CC&GG INVESTMENT IN 2016 AND 2017

For the whole MD region, the actual CC&GG investment slightly grew from USD 433 million (VND 9,747 billion) in 2016 to USD 436 million (VND 9,808 billion) in 2017. However, the share of CC&GG investment from the total public investment in the MD declined from 33.3% in 2016 to 28.2% in 2017. This was a very slight increase in investment for CC&GG of VND 61 billion in 2017 while the region's total public investment received higher additional allocation of VND 5,459 billion² (from USD 1,301 million (VND 29,278 billion) in 2016 to USD 1,544 million (VND 34,736 billion) in 2017)) (see **Figure 1**). This may reflect a deliberate policy or be the side-effect of policy changes driven primarily by routine development objectives. It could also be the result of changes in a few large projects that are not driven by policy prioritization.

The majority of actual CC&GG investment between 2016 and 2017 in all Mekong Delta provinces was devoted to climate change adaptation. For the whole MD, 95.3% of CC&GG investment was used for adaptation, with 1.1% for mitigation and 3.6% for both adaptation and mitigation (see **Figure 2**).

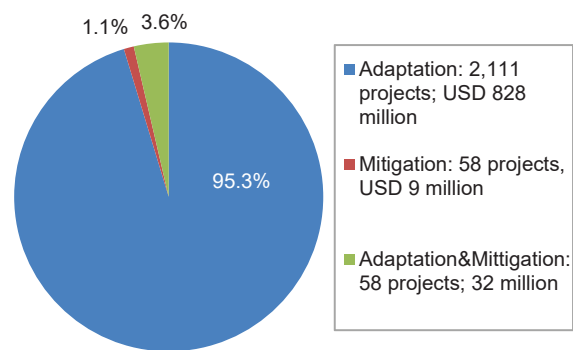
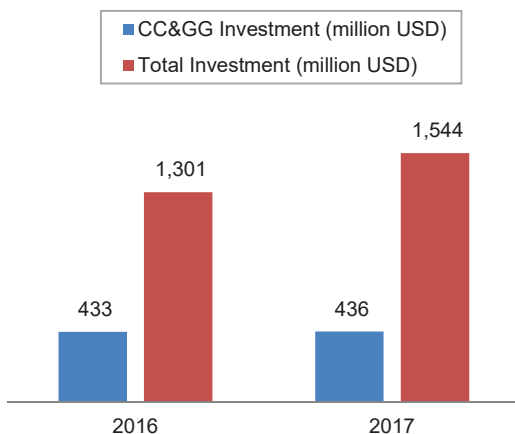


Figure 1: CC&GG investment in comparison to total public investment in 2016 & 2017

Figure 2: Adaptation/Mitigation projects ratio in 2 years (2016 & 2017) in 13 MD provinces

² This figure excluded the total public investment of An Giang since this data is not available at the time of research conducted.



CC&GG investment in the delta during 2016-2017 predominantly focused on seven themes accounting for 84%. Specific themes and its respective ratio can be seen in **Figure 3**. Other sectors accounted for 16% of the total CC&GG investment³.

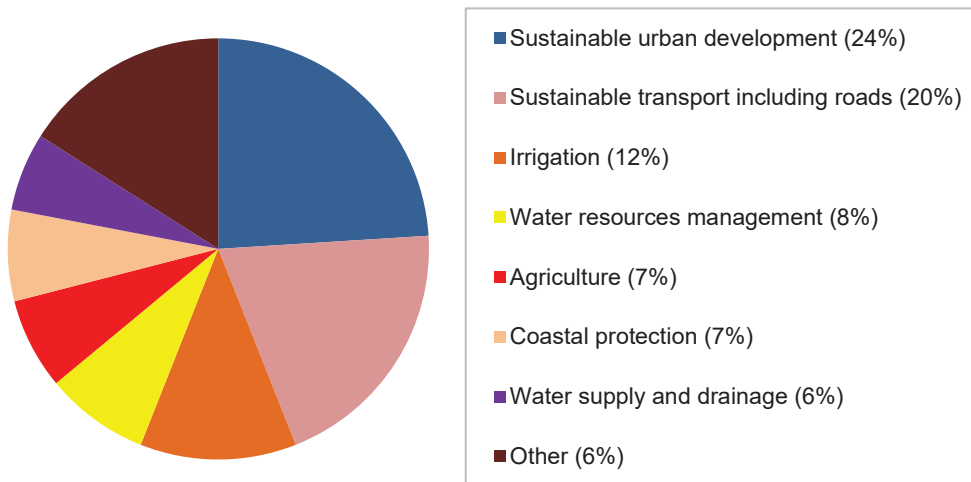


Figure 3. CC&GG investment in the MD in 2016 and 2017 by themes

CC&GG investment varies from provinces to provinces between 2016 and 2017. There is a decrease in investment in 07 provinces (Hau Giang, Ben Tre, Tra Vinh, Long An, Kien Giang, Soc Trang and Ca Mau), with the fall being over 40% in Hau Giang, Kien Giang and Long An. And, the other 06 provinces experienced an increase in CC&GG investment in 2017, including an increase of 151% in Can Tho (mainly from urban projects), 127% in Vinh Long (mainly from urban, irrigation and rivers); 44% in An Giang, 42% in Tien Giang and 27% in Dong Thap. The differences in expenditures among the provinces and years were largely affected by the starting or ending of large scale projects. Therefore, assessments in a longer period are needed to determine if these changes truly reflect priorities or actual policies rather than by the ad-hoc changes in large scale projects.

³ These themes including: Energy efficiency, Electricity, Biodiversity, Fisheries, Health, Forestry, Waste, Disaster risks reduction (DRR) and Planning.

MD - CC&GG INVESTMENT FOR MTIP (2016-2020)

Overall, the total public investment capital for CC&GG of the 13 Mekong Delta provinces for the MTIP period 2016-2020 would be about USD 2.5 billion of which central budget accounts for 53.7%, local budget accounts for 42.9% and the rest government bond is 3.4%.

Key themes for CC&GG investments in the MTIP are: sustainable urban development (30% of total CC&GG investment), sustainable transport (16%), irrigation (10%), agriculture (9%), water resources management (8%) and water supply (4%). These themes were present in most of the provinces although the balance of expenditure between themes varied greatly. The pattern of CC&GG investment for each province can also be seen in **Figure 4**.

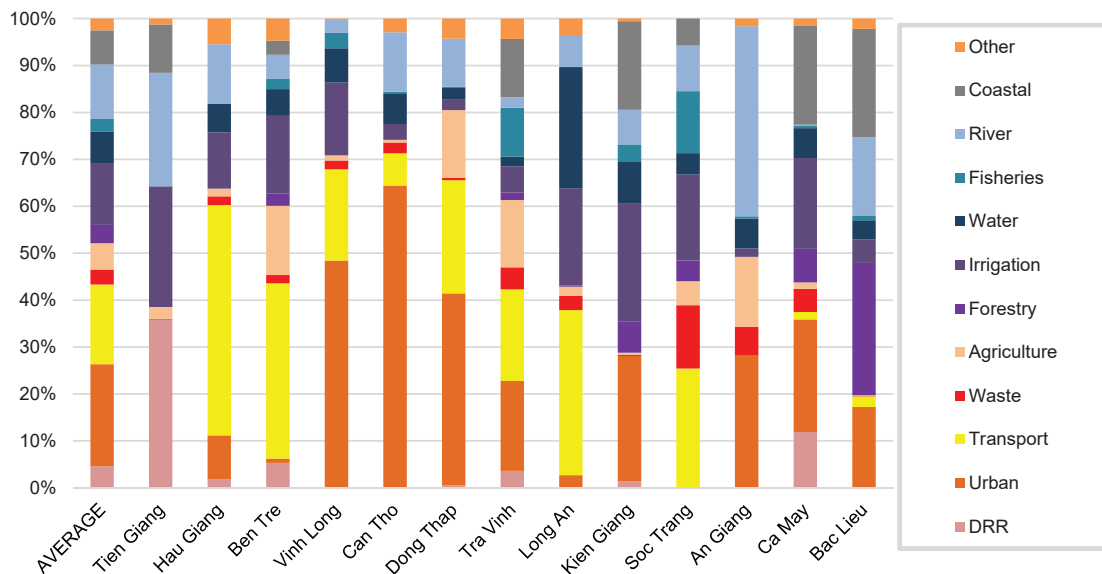


Figure 4. Thematic Focus of CC&GG Investment in the Provincial MTIPs

CONCLUSIONS

The CC&GG investment planned in 2016 and 2017 for whole MD provinces was about USD 869 million, accounting for nearly 35% total CC&GG investment during the MTIP 2016-2020 of USD 2.5 billion. According to this estimation, the total investment for CC&GG of the region would be USD 1.63 billion in three years 2018-2020. Meanwhile, as estimated in MPI reported in 2017 that the total estimated requirement for adaptation investment in the Mekong Delta was USD 6.6 billion (VND 153,000 billion). Thus, there is a significant gap between the estimated CC&GG investment needs and the planned CC&GG investment.

The MPI Guidelines provide a framework that can be used to encourage the structured integration of CC&GG into project design and appraisal. In the context of the new planning law coming into force in 2019 and planning and budgeting of new mid-term investment plan 2021-2025, the planning for CC&GG investment will need to ensure the consistency and synergy between planning and strategy, taking into account the socio-economic development plan; sector management; territorial management; environmental protection; regional and sectoral linkages; and socio-economic issues.

Budget classification process lays the foundation for broader objective to provide policy makers with an indication of the adequacy of the planned CC&GG investment, when compared with the scale of the challenge posed by climate change. This will involve estimating the Adaptation Gap, measured in terms of planned adaptation compared with needs to avoid the full impact of climate change.