



Ethnic Minority Development Plan

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Asian Development Bank

**ETHNIC MINORITY DEVELOPMENT PLAN
FOR NAM NGHE MICRO HYDROPOWER PROJECT
HUA BUM COMMUNE, MUONG TE DISTRICT, LAI CHAU PROVINCE**

A. Background and Context

1. Project Rationale

1. Persistent poverty in mountainous and isolated communities in Viet Nam is closely connected to deficient infrastructure development including lack of electricity. The Government's Socio-Economic Development Plan (SEDP) 2006–2010 puts a considerable emphasis on provision of rural infrastructure. Although the household electrification rate has increased from 51% in 1996 to 91% by 2007, the electrification rate in the remote northern mountainous provinces is relatively low. The household electrification rate in the Lai Chau and Dien Bien Provinces is 36% and 56%, respectively. The low per capita consumption and low population density in remote areas makes grid extensions to provide electricity to these communities a financially unattractive proposition to the electricity utility. However, these provinces have a good potential for hydropower development, which can be economically developed to meet the demand for electricity in the local communities and provide surplus electricity to the national grid.

2. The primary objective of the sector Project is to develop the rural electrification and renewable energy sector in Viet Nam to benefit the ethnic minority communities inhabiting remote and poorer parts of the country. The proposed Renewable Energy for Remote Commune (RERC) Sector Project consists of two investment components: (i) mini hydropower plants in northern provinces, and (ii) grid extensions and rehabilitation of distribution network in Dien Bien, Lai Chau in the north, Quang Tri in the Central, and Soc Trang and Tra Vinh in the Southern provinces. Component 1 of the Project will develop about 5–10 grid connected run of the river mini hydropower plants with a capacity less than 7.5 megawatts (MW) totaling 30 MW in Lai Chau, Dien Bien Provinces and several other provinces in the Northern region. The executing agencies (EA) of the Project will be Power Company (PC) 1, PC 2 and PC 3 of Viet Nam Electricity (EVN). The Rural Electrification Project Management Board (REPMB) of the Ministry of Industry and Trade (MOIT) will set up a steering committee to coordinate and monitor the implementation of both the components of the sector Project. PC 1 is responsible for northern provinces.

3. Ethnic minorities are the major beneficiaries in the northern mountainous Project provinces. In Muong Te District, Lai Chau Province, where the core subproject is located, poverty rate is high, with 61% of households and almost 97% of the total population consists of 14 different ethnic minority groups. In Dien Bien Province, five ethnic minority groups also make more than 98% of the population. This Ethnic Minority Development Plan (EMDP) is prepared for Nam Nghe subproject in the Muong Te District in the northern Lai Chau Province. For preparation of the EMDP for all subprojects under Components 1 and 2 of the Project, an Ethnic Minority Framework (EMDF) is prepared (Supplementary Appendix N). The household poverty rates for ethnic minority people are far above the average poverty rate in Viet Nam. The fast socioeconomic development that has led to a general poverty reduction and living standards improvement in the country still remains to take place in ethnic minority areas. Most households live in persistent poverty, with very low living standards and lacking alternatives for sustainable income generation. Electricity provision is one of the most important prerequisites for socioeconomic development in remote mountainous ethnic minority communes. The project location therefore gives it a strong poverty and ethnic minority focus.

2. Subproject Setting

4. Nam Nghe micro-hydropower plant is planned to be constructed in the Nam Nghe River in Hua Bum Commune, Muong Te District, and Lai Chau Province. Muong Te is a mountainous poverty-stricken district with a total land area of 363,898 hectares (ha) or 3,639 square kilometers (km²), of which less than 3% (10,211ha) is used for agriculture, most area being forest (165,729 ha, 45.5%) and unused mountain land (187,958 ha, 51.7%). The district population (2007) totals 47,821 persons in 8,159 households divided into 15 different ethnic groups of which Thai is the far-most largest one, followed by La Hu, Ha Nhi and Mong. District household poverty rate is very high with 61% (12/2006) of households falling under the national poverty line.¹ Hua Bum is a remote mountainous commune bordering to China. The total land area of the commune is 26,000 ha (260 km²), of which only 295 ha (1%) is used for agriculture, the rest is forest, of which in its turn approximately half the area is used for forestry and half is so far unexploited mountain forest areas.

5. The current electricity production in Muong Te District takes place with six small power stations with a capacity varying from 20 to 500 kilowatts (kW), but Hua Bum commune entirely lack any permanent electricity provision system. Hua Bum inhabitants produce electricity through household micro-hydropower (Pico) generators set up in rivers and streams, which provide power mainly for lighting. However, these appliances are regularly washed away with floods during the rainy season. There is natural potential in Muong Te for hydropower development, and there is also a significant need for living standards improvement that electrification potentially can contribute to.

3. Ethnic Minorities and Ethnic Minority Poverty in Viet Nam and in the Northern Project Provinces

6. According to the current classification accepted by the Vietnamese Government, 54 different ethnic groups are recognized in Viet Nam. The majority Kinh (or Vietnamese) make 87% of the total population. The 53 ethnic minority groups are varying in size from 500,000 to a few hundred members each. Ethnic minorities account for 13% of the total population, but nearly a third (29%) of Viet Nam's poverty classified people are ethnic minority people. Ethnic minorities are over represented in poverty statistics and their poverty is more persistent than among the Kinh.

7. In the northern provinces of Lai Chau and Dien Bien with planned RERC subprojects, large majority of the population consists of ethnic minorities. In Lai Chau, 88% of the total population of 332,000 (12/2007) persons are divided into 14 different ethnic minority groups, and the province poverty rate is 45%. In the planned subproject district of Muong Te poverty rate is high with 61% (12/2006) of households, and almost 97% of the total population consists of 14 different ethnic minority groups, of which Thai is the far-most largest one, followed by La Hu, Ha Nhi and Hmong. In Dien Bien province, 80% of the 470,000 people consists of 20 different ethnic minority groups, Thai making 40% and Hmong 29% of the total population. In the Dien Bien districts where subprojects are planned, in Tuan Giao with 69,000 inhabitants and poverty rate at 32%, five ethnic minority groups make more than 98% of the population, Thai (64%) and Hmong (28%) being the largest ones. In Dien Bien Dong district 57% of the population of 53,200 is classified as poor, and Kinh make less than 2% of the total population. Also here Hmong (54%) and Thai (32%) are the largest ones of the totally five ethnic minority groups.

¹ Monthly per capita income less than D200,000, or annually under D2.4 million, according to MOLISA definition.

4. Legal and Policy Framework on Ethnic Minorities in Viet Nam

8. The definition of ethnic minority status in Viet Nam is based on the following criteria:
- (i) A language different from the national language;
 - (ii) Long traditional residence on, or relationship with, land, and long traditional social institutional system;
 - (iii) A self-provided production system; and
 - (iv) A distinct cultural identity and self-identification as a distinct cultural group that is accepted by neighboring ethnic groups.
9. Article 5 of the Constitution of Viet Nam (1992) acknowledges equality and equal rights among ethnic groups, upon which also the Government policy and programs on ethnic minority development are based upon. Articles 36 and 39 of the Constitution appoint citizens living in the mountainous regions as *national minorities* and instruct that they are given priority in education and health care services. A number of ethnic minority groups with especially small populations and lagging behind in development are defined as *especially difficult national minorities*.
10. The Government has implemented a number of National Targeted Programs for Poverty Reduction (NTPPRs) and special support schemes through government Decisions in order to provide funds for poor provinces, especially those with large ethnic minority populations with very high and persistent household poverty. A key policy targeting poverty issues is expressed through the *Program 135 (135/1998/QD-TTG)* dated July 31, 1998. It aims at poverty reduction through a socioeconomic development program for communes with special difficulties in mountainous areas and far from centers of the country. The first phase covered 1,715 communes and the ongoing second phase 2006–2010 is implemented in 1,644 of the country's poorest communes. Since the policy concerns hunger elimination and poverty reduction, ethnic minority issues appear prominently due to the strong correlation of ethnic minorities with poverty. The focus of Program 135 activities is on infrastructure (roads, small irrigation systems, clean water systems, schools, health centers, electricity, etc.), funded from multiple donor resources². Another central program focused on supporting production and residential land (houses) and water for difficult ethnic minority households is Program 134. Program 139 is supporting health care and poor households' access to health services, and Program 159 is focused on improving education infrastructure in ethnic minority areas. In very poor ethnic minority provinces major part of the provincial budget is provided through NTPPRs and other government funds and subsidies (Lai Chau over 90% of the province budget).
11. The main vehicle for implementing government policies concerning ethnic minorities in the central level is the Committee for Ethnic Minorities (CEM), which is a cabinet-level committee established in 1993. The task of CEM is to identify, coordinate, implement, and monitor projects targeted to ethnic minority development and has an own budget to be spent on the main programs and projects. At province level the Department of Ethnic Minorities is the implementing agency for development policies concerning ethnic minorities, at district level this office has been integrated into the office of Agriculture and Rural Development.
12. The state-owned *Social Policy Bank (SPB)*, also previously called Bank for the poor is providing micro loans targeted for poverty and ethnic minority households and households in communities that are classified by the Government as *extremely difficult areas*. To qualify for a loan from SPB, the borrower has to be member of a village-level micro credit group. Mass organizations (Women's Union, Farmers' Association, Fatherland Front, Youth Union) support

² World Bank, IFAD, Australia, Finland, Ireland, Sweden, the United Kingdom.

these groups and further cooperate with SPB in disseminating information on loan availability, procedures and management. Mass organizations also give recommendations for priority listing of households for loan attainment. Added to facilitating the SPB loan procedures, provincial Women's Union also has a credit fund with funds from the national WU (i.e., government funding) to provide loans to poor WU members for income generation improvement.

5. Ethnic Minority Population in the Project Area

13. Nam Nghe Micro hydropower project will affect and benefit inhabitants in Hua Bum Commune in Muong Te District, Lai Chau Province. The assessment of expected resettlement and social impacts has been completed on the local population. For the core subproject, Nam Nghe Mini Hydropower, a short resettlement plan has been prepared. A total of nine households will be affected due to permanent impacts on their agricultural land. There are no stream users or fishing activities on the proposed reservoir and downstream area, therefore, the subproject will not affect any livelihood or socioeconomic activities of the local people. A summary resettlement plan and framework is presented in the Report and Recommendation of the President (RRP), Appendix 15. The Resettlement Framework and Resettlement Plan are shown in RRP Supplementary Appendices D and E, respectively.

a. Hua Bum Commune and Population

14. Hua Bum Commune consists of four villages with 258 households and 1,387 persons, of whom all except eight persons are ethnic minority people. Chang Chao Pa village, which is the commune center, is located at a distance of 16km through a seasonal road from Muong Te district town. During the rainy season Hua Bum Commune regularly becomes inaccessible. As seen in Table 1 the three ethnic minority groups of Ha Nhi, Hmong and Mang live in ethnically separated villages: Chang Chao Pa village has a Ha Nhi population, Pa Mu village at a distance of 5km from the commune center is inhabited by 53 Hmong households, Pa Cheo village 3.5km and Nam Nghe village 4km from the commune center have Mang population. There are only 8 people are Kin in Chang Chao Pa village where Commune Center is located. Pa Cheo and Nam Nghe villages lack road are accessible only by foot. Map over Hua Bum commune is seen in Appendix 1.

Table 1: Hua Bum Commune Villages, Population and Ethnicity

Village	Distance to commune center in km	Total No. HHs	Population	Ethnicity
Chang Chao Pa	0.0	129	622	Ha Nhi, Kinh
Pa Mu	5.0	53	381	Hmong
Pa Cheo	3.5	45	233	Mang
Nam Nghe	4.0	31	151	Mang
Total		258	1,387	

b. Poverty Situation

15. Totally 63% of households in Hua Bum commune are poor, but in Nam Nghe and Pa Mu villages as many as 87% and in Pa Cheo village 73% of households are classified under the national poverty line. The average income in the commune is D200,000/person/month, meaning

that even most of those households that are not classified poor are actually just above the poverty line.

16. Educational level is low and especially many of the women are both illiterate and not able to communicate fluently in Vietnamese. Most families have lived in the same location for generations. They live their daily life in their own local ethnic culture, and in general rather isolated from the rest of the society (see Appendix 2 for details on Social Analysis). Even though there are 3 ethnic minority groups in Hua Bum, their socioeconomic conditions are similar.

c. Economic Activities of Hua Bum People

17. The majority of Hua Bum households rely for their living on small-scale agriculture added to animal breeding, forest products collection and fishing in mountain rivers and streams. Main crops are wet rice and upland rice, maize, potato, cassava, peanut and beans. Seventy five percent of households are mainly cultivating wet rice and 23% hill rice, each giving only one harvest per year. The total agricultural land area is 295 ha but only some 200 ha is actually under active cultivation. Households' cultivation areas are small, practically no machines are used, and productivity remains low. Major part of production is for household food, there is no commune market and access to district market is very difficult due to poor road access. Local business consists of six small shops selling basic goods for household needs. Almost 30% of households receive monthly 10 kg rice/person from the government under its policy to support difficult ethnic minorities. Hua Bum is classified as an extremely difficult ethnic minority commune, and is applicable for the National Targeted Programmes for Poverty Reduction.

18. Animal breeding is an additional income generation activity to agriculture. Poultry and pigs are kept for household food and for calendar festivities, cows and buffaloes for selling and generating cash. Occasionally traders arrive in Hua Bum to buy cows and buffaloes. Alternative income generation to agriculture is only found among government staff and six traders with small shops selling everyday basic items for household use.

19. There are more women than men in the population, mainly due to the higher and earlier mortality of men. Accordingly, one obstacle for household production activities is lack of male labor force, other major ones being difficult transportation conditions, lack of funds for production investments, lack of technical knowledge in agriculture and animal raising, and lack of ability for household economic planning.

d. Infrastructure and Services

20. Road conditions are very poor in Hua Bum. The road from the commune to the district is only a seasonal one, and within the commune two of the four villages, Nam Nghe and Pa Cheo lack road and are only reached on foot. Approximately three months every year Hua Bum is isolated during the rainy season, land slides and flooding rivers cutting off the access road from the commune to the district center.

21. Standard education is available in Hua Bum, but many students, especially girls, never achieve basic skills in the Vietnamese language, or in reading and writing; girls in general get married at the age of 14-15 years and stop attending school. Health care standard in the commune health care center is low, and most women deliver their babies at home. Hygienic standard and people's knowledge about health and hygiene are deficient; household water is taken from mountain streams, toilets and latrines are lacking. Drug use is significant, with men in all age categories smoking opium.

22. Current energy use situation shows that there is no central electricity provision but some households produce electricity through Pico hydro generators that are placed in rivers and streams. Most poor households though cannot afford a generator but use kerosene lamps for lighting or get some shared power from a neighbor's generator. Only two households own diesel generators that are mainly used in agricultural production for running threshers, and Hua Bum commune has two diesel generators for running the commune office.

6. Expected and potential positive project impacts on local ethnic minority people

23. Life and living conditions are marked by poverty in Hua Bum. Lack of electricity is one of the contributing factors to the poverty and poor level of services in Hua Bum, together with the isolated location, poor road access, low educational level as well as lack of knowledge and capacity for income generation and living standards improvement. Currently households produce electricity through micro hydropower generators and use kerosene lamps for lighting, but government services like schools and commune health care station lack electricity. Income generation is based on low-productive small-scale agriculture based on manual labor due to lack of electricity, and due to poverty and low educational level. No business has been developed in Hua Bum apart from six small shops selling very basic items for everyday household needs.

24. Electricity provision can potentially contribute to improving living and production conditions in Hua Bum, given that the inhabitants can afford and will have capacity to use electricity. Electricity will enable some improvements in agriculture, animal breeding, and food processing. Women plan to have electric sewing machines for making clothes, but as long as access to marketing clothes is lacking, the effect is mostly for household consumption and not for improving income. There is some potential in wood production with electric machinery, if local people can access micro credit for buying machines. Some local men plan to use machinery for producing and selling planks for house construction and reparation, but at present they have no market access outside the commune.

25. If electricity can be provided at an affordable price for Hua Bum households, better lighting will increase their comfort and potentially some evening time activities may increase, like studying and watching the TV — given that poor households can afford TVs.

26. Given that the Project will provide free electricity connection to the all poor ethnic minority households, there will be no differential impacts of the Project related to household electricity connection on different ethnic minority groups. However, in order for electricity to improve overall livelihoods of Hua Bum inhabitants, electricity provision needs to be combined with other development efforts, and capacity building as well as access to micro credits from Social Policy Bank. Access to Micro-credit from Social Policy Bank will be facilitated for the ethnic minority people in the Project villages through the Project NGO.

7. Expected and potential negative project impacts on local ethnic minority people

27. Most ethnic minority people in Hua Bum lack preparedness for electrification and for taking any new opportunities through it. Preparedness to take new opportunities is found only among some people with assets and income above the average. There is a significant risk that, unless electricity will be strongly subsidized and electrification connected to other supportive mechanisms for capacity building and income generation, only the most "well-off" households in

Hua Bum will benefit from using electricity for other purposes than small-scale household lighting. Only nine households will be affected by agricultural land acquisition due to construction of mini-hydropower plant. Apart from the nine households, no adverse impact is expected on any ethnic minority households' livelihood activities from resettlement.

28. The current educational level of Hua Bum population is low and experience of wage labor is next to non-existent. It is therefore probable that any of the new labor opportunities that potentially will appear in the future, like within wood processing industry, may be taken by workers coming from the outside and not by the local ethnic minority people.

29. In a very poor ethnic minority commune such as Hua Bum, there could be negative social effects from electrification, like more beer and karaoke bars and guest houses, which might potentially increase vulnerability of women. Due to the scattered pattern of the villages, this kind of a development can only be expected in the commune center, and be very limited, due to the isolated location of the commune and the general poverty situation. The influx of construction workers and exposure of the villages to the outsiders can increase potential risk for HIV/AIDS and Human Trafficking.

B. Objectives of the EMDP

30. ADB's *Policy on Indigenous Peoples* requires preparation of an EMDP for all projects, which are likely to have impacts on ethnic minority communities. ADB's Policy is based on recognition of the vulnerability of ethnic minority communities to development processes, as well as the need to ensure their opportunities to participate equally in and benefit from development. If the project social and poverty analysis identifies ethnic minority people to be affected by or being beneficiaries of the project, a subproject specific EMDP has to be prepared.

31. EMDP will in the relevant context of the specific project location address the (i) aspirations, needs, and preferred options of the affected indigenous peoples; (ii) local social organization, cultural beliefs, ancestral territory, and resource use patterns among the affected indigenous peoples; (iii) potential positive and negative impacts on indigenous peoples; (iv) measures to avoid, mitigate, or compensate for the adverse project effects; (v) measures to ensure project benefits will accrue to indigenous peoples; (vi) measures to strengthen social, legal, and technical capabilities of government institutions to address indigenous peoples issues; (vii) the possibility of involving local organizations and non governmental organizations with expertise in indigenous peoples issues; (viii) budget allocation; and (ix) monitoring.

32. The EMDP will ensure the culturally appropriate implementation of the Hua Bum subproject and proper social and economic benefits for the local ethnic minority people. It will:

- (i) Ensure that the benefits from the subproject for ethnic minority people are proper and culturally appropriate
- (ii) Avoid potentially adverse impacts on ethnic minority people
- (iii) Minimize, mitigate or compensate for such effects when they cannot be avoided.

33. The EMDP will also be connected to the Project's: (i) *Consultation and Participation Strategy*, which will provide guidelines for proper involvement of the affected people throughout the project, in all project planning and implementation activities; (ii) *Resettlement and Compensation Plan* that is applicable if a subproject will lead to any relocation or loss of houses, land, or other assets; (iii) *HIV/AIDS and Human Trafficking Prevention Program*; and (iv) *Gender*

Strategy, which will ensure addressing gender issues in the relevant Project activities, and women's involvement and benefiting from the Project.

C. Development Activities

34. Households' preparedness for electricity in Hua Bum shows very poor; most households do neither find electrification necessary nor are willing to pay for it. This condition should be seen in light of the current persistent poverty situation. Consequently, under the present poverty circumstances, electrification can be expected to have only very limited positive consequences for households' living standards and income generation without significant subsidies and/or additional supportive mechanisms.

1. Ensuring Project Benefits and Promoting Productive Use of Electricity

35. The project will ensure that the poor ethnic minority households in Hua Bum will be motivated and prepared for using electricity and that they will benefit from electrification. This EMDP is related to Component 1. Under the EMDP, the project will provide in Hua Bum:

- (i) Subsidized grid connection to poor ethnic minority households, subject to availability of additional grant funds;
- (ii) Free distribution of energy efficient bulbs for all poor households;
- (iii) Awareness raising and motivational campaign on information and training on safe use of electricity and conservation in ethnic minority language and at a level and way that is understandable for each ethnic minority group. This campaign will use culturally popular media, poster and pictorial information, group meetings etc. Poster and pictorial information will be placed in a central place in each village. The Community Management Board (CMB) established under this Project at the village level will be trained to implement the campaign together with the project NGO;
- (iv) Support to microcredit access for poor households from the Social Poverty Bank and Women's Union for improving income generation connected to electrification; and
- (v) Technical support to borrowers in utilizing the loans in an efficient way.

36. Under the Project activities, Power Company No 1 will seek additional funding through ADB to provide all poor ethnic minority households with subsidized connection to the grid and free energy efficient bulbs. The poor households will then receive a subsidy of \$40 for or half of the actual connection cost, whichever is the lower. The house wiring for electricity bulbs and electricity socket shall also be undertaken for such poor households by the PCs as part of electricity connection. The Project also includes productive use of electricity component as part of the Technical Assistance (TA). The activities under this component include awareness raising and motivation on safe and productive use of electricity, cooperation with Social Policy Bank to facilitate access to micro-credit for all ethnic minority households in the subproject area under the Component I. At present Social Policy Bank has micro-credit program (Loan for the Poor) for all the communes in Muong Te District. The assessment of the micro-credit program in Hua Bum suggests that very few people have access to this credit program. This is due inadequate dissemination of the program, modalities of the micro-credit program, lack of capacity of commune level loan operation committee in reaching out the potential borrowers, etc. The commune level loan operation committee includes representatives of Mass Organizations and the Commune Leader. The commune Women's Union head is the chair of the Committee. The

Provincial Unit of the Project Management Board (PMB) will have an agreement with Social Policy Bank to have an effective micro-credit program for the ethnic minority households in the subproject. Under the TA, a Project NGO will be recruited to work with the Provincial Unit of PMB and the Social Policy Bank to develop a program which will focus on building capacity of the commune level loan operation committee, developing effective outreach activities for the borrowers, and developing relevant credit activities for improving productivity and income of the households. The loan program will include both farm and non-farm activities. To reach increasing number of borrowers and to implement awareness and motivation campaign on safe use of electricity, in each village a Community Management Board (CMB) will be established with representatives of mass organizations, village leaders and Commune leaders. The PMB will be supported by the Project NGO. In sum, the NGO will be responsible to build capacity of the CMB, facilitate implementation of the awareness and motivational campaign, ensuring access to micro-credit from Social Policy Bank to eligible borrowers from the ethnic minority households, need assessment and social preparation for micro-credit program, assessment of potential individual and group enterprises through micro-credit, technical assistance for loan activities and other related tasks of the Project component *Promoting Productive Use of Electricity* (see Appendix 3 for details).

2. Measures to Address Potential Negative Impacts

37. Given that most ethnic minority people in Hua Bum lack preparedness for using electricity for new opportunities, only some people with assets and income above the average might accurately benefit. Unless the poor households provided with subsidized grid connection and other supportive mechanisms for capacity building and income generation, only the most “well-off” households in Hua Bum will use electricity for other purposes than household lighting. Likewise it is probable that any of the new labor opportunities that potentially will appear in the future, like within wood processing industry, will be taken by workers coming from the outside and not by the local ethnic minority people with very low educational level and no experience of wage labor.

38. To ensure that local people classified as poor will be able to benefit from electrification, the Project will seek additional funding to provide poor households with subsidized grid connection, raise community awareness on safe use of electricity, and support households for productive use of electricity. The Project NGO will be engaged to support and provide capacity building for the CMB, local beneficiaries as well as for the Province Unit of PMB and relevant government staff (see Appendix 4 for NGO TOR). A short resettlement plan is prepared for nine affected households. To counter any risk of HIV/AIDS or STDs, during the project construction, a prevention of HIV and Human trafficking program will be included in the Project for all ethnic minority villages. The construction laborers, women and men from the ethnic minority villages will be targeted for this program. The National HIV/AIDS Prevention Program has been implemented in all communes in Muong Te district. At present, in the Hua Bum Commune, communication and awareness campaign has been conducted through commune health clinic. In each village, the village leader is responsible for conducting this campaign in the respective village. The Province Unit of PMB will make an agreement with the Provincial Department of Health to facilitate the National HIV/AIDS Prevention Program at the commune level for all project villages. The Project NGO will work with the commune health clinic, and CMB to develop an effective outreach program on HIV/AIDS Prevention Program. Similarly, for Human Trafficking Prevention Program, the Province Unit of PMB will work with the national program on Prevention of Human Trafficking (Steering Committee of National Action Against Crime of Trafficking in Children and Women) to implement commune level program. The Project NGO

will work with the District and Commune Women's Union to facilitate the implementation of this program.

D. Strategy for Ethnic Minority People's Participation: Consultation, Participation and Disclosure

39. All project activities that will impact on the local stakeholders have to be communicated properly with them, following the *Project Consultation and Participation Strategy* (see Appendix 5). Consultations have to be arranged with formal commune and village leaders, as well as with traditional village leaders in each of the four villages, mass organizations including Women's Union and all Project affected households. At the commune level a CMB will be formed, consisting of the Commune leader, village leaders, men and women representatives from the mass organizations and the field staff of the Project NGO. Chairpersons of the CMB will participate in regular consultations and meetings with the Province Unit of PMB during the detailed design and implementation of the project. The Province Unit of PMB will have regular dialogue and meetings with the CMB and will prepare a schedule to follow set milestones throughout the project phases. Issues raised and decisions made at these meetings are requested to be recorded, and copies of these minutes of meetings to be kept and be available for the local people in the Hua Bum commune office.

40. Apart from regular meetings with CMB the Province Unit of PMB is required to organize a participatory village meeting in each of the four villages at least once during the detailed project planning and once during the project implementation in order to ensure that villagers have awareness and understanding about the project content, the benefits and risks that are related to the project. It is crucial to invite all villagers to these meetings, and especially encourage participation of women and of the most vulnerable households.

41. The aim of the consultations is that all the ethnic minority people who are expected to be affected by the project will be properly and timely informed about the project, its scope, implementation schedule and activities, as well as of expected impacts on the local community. Local ethnic minority stakeholders will learn about the benefits and opportunities of electrification, and what kind of support is available (such as micro credits) for them to take new appearing opportunities. The purpose of proper and timely information and consultation is that local stakeholders will gain a proper understanding of all the project issues that will affect them, and that all their concerns can be expressed and assessed in a timely manner. Villagers' opinions will be recorded in an appropriate way through minutes from the village meetings.

42. Any substantial concerns or claims brought up in meetings between the Province Unit of PMB and CMB, in village meetings or through other consultations are required to be recorded and brought into the project planning and for making necessary adjustments in the activities throughout the project phases whenever needed.

43. Project information will also be posted in a central public location in each village, like in the traditional village leader's house, and centrally in the commune office. This information will be mostly pictorial in order to guarantee accessibility of the information for ethnic minority people with poor literacy skills.

44. The Province Unit of PMB communication with CMB and villagers will be facilitated and supported by the Project NGO and also by Lai Chau CEM or Muong Te district staff for ethnic minority issues in order to ensure that all information and communication with ethnic

minority people will take place at a level, in a language and in a manner that is understandable for them.

E. Strategy for Ensuring Women's Involvement and Benefiting from the Project

45. Hua Bum women belong to three different ethnic minorities: they are poor, and have in general low education level, and poor abilities in reading, writing, and speaking the Vietnamese language. According to tradition, girls get married early, often in the age of 14–15 years, they live in isolated villages with limited contacts outside, and they take major share of the production and household work. Ethnic minority women are often shy to express their opinions or speak up in meetings if men are present. Therefore, communication and consultations about the Project have to be arranged separately for men and women in the villages. Special attention have to be paid to women's awareness about safe and productive use of electricity, so that poor ethnic minority women will be able to benefit from electricity and from the special support provided by the Project for using electricity in a safe and productive way.

46. The following Gender Strategy will be implemented to ensure benefit of the project to women and to address adverse impact of the Project. The Project gender strategy is related to the following activities of the Project: (i) Community Management Board, (ii) Awareness campaign on safe use of electricity and conservation; (iii) Productive use of electricity through micro-finance; (iv) HIV/AIDS, STDs and Human Trafficking program; and (v) Resettlement. However, the gender issue in the component 2 (grid extension) is limited to Awareness campaign on safe use of electricity and conservation and HIV/AIDS, STDs and Human Trafficking program. Followings are specific measures to ensure women's involvement in the Project activities and benefit from the project:

- (i) inclusion of representatives of Women's Union (WU) and 2 women leaders from the ethnic minority communities including one women leader from poor households in CMB; capacity building training of the women CMB members for planning, implementing and monitoring of project activities (productive use of electricity, awareness on safe use of electricity);
- (ii) ensure that poor ethnic minority female households, poor ethnic minority households will have the opportunity for subsidized grid connection; separate meeting with women groups for awareness campaign on safe use of electricity; ensure participation of ethnic minority, female households and poor women in the awareness campaign;
- (iii) training of Women's Union Members to facilitate campaign on HIV/AIDS, STDs and Human Trafficking Program; HIV/AIDS, STDs and Human Trafficking program will be targeted women's group in the villages; Information and Educational material for campaign on HIV/AIDS, STDs and Human Trafficking Program and motivational campaign on safe use of electricity will be relevant to ethnic minority culture in the subproject area.
- (iv) needs assessment for women specific activities through micro-finance; conduct meetings with women's groups to provide information on micro-finance program and its potential for income generation; provide skills training to women borrowers for productive use of micro-finance; women headed households and poor women will be specifically targeted for income improvement activities;

- (v) in subprojects resettlement plan gender strategy will be included to ensure that women are consulted separately for loss of inventory, land acquisition, compensation etc,
- (vi) In cases where land allocation is required, land will be registered in both husband's and wife's name; and compensation will be paid to both men and women;
- (vii) Project will ensure that ethnic minority women and poor women participate actively in all the relevant project activities mentioned and have equal access to project benefit; project monitoring system will develop gender disaggregated monitoring indicators for resettlement, awareness and motivational campaign on safe use of electricity, awareness campaign on HIV/AIDS and Human Trafficking, micro-finance for productive use of electricity;
- (viii) Capacity building and awareness of the Province Unit of PMB to operationalize the above gender strategy for the EMDP.

47. The NGO staff will include a gender specialist to work with the PMB to prepare an action plan to implement the above gender strategy of the EMDP.

48. The Project NGO will work with Gender Specialist to ensure that the Project *Gender Strategy* is followed throughout the project activities in Hua Bum. The NGO will arrange special consultation and meetings with women and provide information on safe use of electricity to ethnic minority women. Information meetings concerning the risks of HIV and trafficking will be arranged separately for men and women. Project NGO will investigate the available opportunities to improve income for women, and provide support to poor ethnic minority women with access to micro credits from the Social Policy Bank. The NGO will provide capacity building to WU for operating the loan program at the village level. The NGO will also provide capacity building for ethnic minority women in efficient utilization of credits for production and income generating activities, and training in relevant activities like using rice threshers, improving animal fodder and running machinery, and using electric grinders for food processing, etc. The Project NGO will also investigate opportunities for ethnic minority women to do small business activities like tailoring, handicrafts and small trade, and support women in starting up the kind of activities that will be found sustainable and generate income for them.

F. Institutional Arrangements for Implementing the EMDP

49. The Province Unit of the regional Power Management Board (PMB) will be responsible for the implementation of the EMDP and monitoring of all the activities throughout the project. The Province Unit of PMB will set up routines for regular dialogue and meetings with the CEM, the CMB and traditional village leaders in order to plan, implement and monitor the activities of the EMDP. The Project NGO will facilitate and provide technical assistance to the Province Unit of PMB for implementation and monitoring of the EMDP.

1. Power Management Board

50. The CMB will facilitate community level planning, implementation and monitoring of the Project activities especially for motivational work, awareness on proper and safe use of electricity, productive use of electricity for income generating activities. The CMB will conduct community level monitoring of awareness and motivational work, facilitate households' connection to electricity and productive use of electricity for income generation, as well as

HIV/AIDS and Human Trafficking Awareness Program. The Project NGO will develop capacity of the CMB to perform its tasks effectively. The NGO will also work with Province Unit of PMB and CMB to implement the loan scheme for productive use of electricity, motivational work on use of electricity and other relevant Project work.

G. Budgeting of the EMDP

51. Costs for implementation of the activities in the EMDP will be included in the project budget, based on the overall project costs for subsidized electricity provision for poor households and on the local cost norms for the Province Unit of PMB activities. Detailed budget will be prepared during the feasibility study, connected to the total subproject budget and its activities and phases. The Project component *Promoting productive use of electricity* will be implemented by an NGO under the TA.

H. Supervision and Implementation

52. An NGO will be engaged for supporting and facilitating the implementation of the EMDP, and for providing adequate capacity building for the Province Unit of PMB, CMB and relevant government staff in all the activities and components of the EMDP. The Project NGO will also provide support to Province Unit of PMB in supervising the proper planning and implementation of all the activities according to the EMDP.

I. Monitoring Indicators

53. It will be the responsibility of the Province Unit of PMB to set up routines for internal supervision and monitoring of activities against the set goals. A baseline will include the following: access to electricity, awareness on safe use electricity, number of households with access to micro-credit, number of businesses in village, number of households using electricity for production, number of HIV/AIDS cases, number of cases of human trafficking, etc. At the commune level, CMB together with the NGO will take care of the internal monitoring of project activities on an ongoing basis. Quarterly monitoring report will be prepared for field level activities. The ADB Project Review Mission will do a field monitoring of the EMDP activities.

54. Added to the internal monitoring, an external monitoring and evaluation will be conducted by an independent consultant specialized in ethnic minority and rural livelihoods development. Independent monitoring will be done during the mid-term review of the Project and completion of the Project.

55. Monitoring indicators will deliver information on:

- (i) Number/percentage of ethnic minority households (including poor and female-headed ones) with subsidized grid connection;
- (ii) Number of ethnic minority households including the poor and female headed households received free energy savings bulb;
- (iii) Number/ percentage of ethnic minority households (including poor and female-headed households) utilizing electric appliances in homes;
- (iv) Number/ percentage of ethnic minority households (including poor and female-headed households) utilizing electricity in production/income generation;
- (v) Number/percentage of poor ethnic minority households accessing micro credits and receiving project technical support for efficient utilization of credit for income improvement with electrification;

- (vi) Number of laborers displaced (men and women) due to mechanization of production process;
- (vii) Number of outsiders who have established business in Hua Bum;
- (viii) Number of households that have transferred land lease rights, mortgage rights, inheritance rights, bonus (present) rights;
- (ix) Number of HIV/AIDS cases found;
- (x) Number of adolescents and adults (men and women) migrated outside the commune, district and province;
- (xi) Number of human trafficking cases.

J. Implementation Schedule

56. Detailed monthly implementation schedule will be prepared during the feasibility study, following the technical design and implementation schedule of the Project.

MAP

SOCIAL ANALYSIS AND GUIDELINES FOR SUBPROJECTS: HUA BUM COMMUNE

A. Project Setting

1. Nam Nghe micro-hydropower plant is planned to be constructed in the Nam Nghe River in Hua Bum Commune, Muong Te District, Lai Chau Province. Muong Te is a mountainous poverty-stricken district with a total land area of 363,898ha (3,639km²), of which less than 3% (10,211ha) is used for agriculture, most area being forest (165,729ha, 45.5%) and unused mountain land (187,958ha, 51.7%). The district population (2007) totals 47,821 persons in 8,159 households divided into 15 different ethnic groups of which Thai is the far-most largest one, followed by La Hu, Ha Nhi and Mong (Table A2.1). District household poverty rate is very high with 61% (12/2006) of households falling under the national poverty line¹.

2. Hua Bum is a remote mountainous commune bordering to China. The total land area of the commune is 26,000ha (260km²), of which only 295ha (1%) is used for agriculture, the rest is forest, of which in its turn approximately half the area is used for forestry and half is so far unexploited mountain forest areas. Hua Bum has four villages: Chang Chao Pa in the commune center and Pa Mu 5km from the commune center have road accessibility. Nam Nghe at a distance of 4km and Pa Cheo at a distance of 3.5km from the commune center are only accessible by foot. Distance from the commune center to the district town is 16km and the access road is a seasonal one crossing several riverbeds and being regularly inaccessible during the rainy season. Almost all the inhabitants in Hua Bum are ethnic minority people.

B. Rationale for the Proposed Energy Production Alternative

3. The current electricity production in Muong Te District takes place with six small power stations with a capacity varying from 20 to 500kW, but Hua Bum commune entirely lack any permanent electricity provision system. Hua Bum inhabitants produce electricity through household micro-hydropower generators set up in rivers and streams, which provide power mainly for lighting. However, these appliances are regularly washed away with floods during the rainy season. There is natural potential in Muong Te for hydropower development, and there is also a significant need for living standards improvement that electrification potentially can contribute to.

C. Social and Poverty Assessment of Hua Bum

4. For subproject planning an assessment has been prepared of the current social and poverty situation and of the potential for electrification in Hua Bum Commune. This assessment is based on: (i) Statistical socioeconomic data from government offices at province, district and commune levels; (ii) Interviews with key commune staff (administration, health and education sectors) and mass organization representatives; (iii) Representative household survey including households from different wealth and income generation activity groups; (iv) Focus group interviews with representatives from different income generation activity groups (farming and business) and wealth groups (poor, medium, well-off), men and women; and, (v) Individual interviews with business owners. Information for the assessment was collected in Hua Bum in July 2008.

5. Deep interviews were conducted with representatives for the governmental sector and Women's Union, focused to deliver information on their respective responsibility and activity

¹ Monthly per capita income less than D200,000, or annually under D2.4 million, according to MOLISA definition.

area. These interviewees also provided a good overview and insights into various socioeconomic and cultural issues in Hua Bum. The following staff were interviewed:

- (i) Commune Chairman
- (ii) Officer responsible for Poverty reduction
- (iii) Health care worker
- (iv) Vice headmaster of the secondary school
- (v) Commune Women's Union chair
- (vi) Commune party cell Secretary

6. Deep interviews also took place with each Village leader in three villages.

7. Household survey included 94 households (36%) of totally 258 in Hua Bum. All three ethnic groups present in Hua Bum were covered in the survey in the following way:

Village	No. of survey HHs	Total No. HHs	Ethnicity
Chang Chao Pa	44	129	Ha Nhi, Kinh
Pa Mu	27	53	Hmong
Pa Cheo	23	45	Mang
Nam Nghe	-	31	Mang
Total	94	258	

HH = Household, No. = number.

8. Selection of households for the survey was done with assistance from the Commune leader and Poverty reduction officer and with village leaders in each village. Households were selected following the wealth ranking to cover different type of households. However, as 70% of the households in Hua Bum fall under the national poverty line and most of the rest of the households are still close to the poverty line, few "average" (just above the poverty line) and "well-off" (mostly traders and some government staff) households were found. Household wealth ranking in the survey follows therefore the real situation in Hua Bum with most households being very poor and only a few households being marginally "better-off" than all the others.

9. The household survey deliver data on the current socioeconomic situation including population and poverty profiles, land and land use, assets, income generation, education, health, water and sanitation, infrastructure and communications, market access; and on the current electricity situation and expected impacts of electrification, including people's expectations and ability to pay for and use the future electricity provision. Many follow up questions were discussed with the surveyed households, delivering additional and clarifying information and opinions of the interviewees. Evaluation of the anticipated potential positive and negative impacts from electrification has been made based on analyzing all the assessed information.

10. Focus group discussions separately with men and with women in each of the three covered villages concentrated on a wide range of socioeconomic and cultural issues, development fallbacks and options, electricity situation and views on electrification potential and people's preparedness for electrification.

11. The collected quantitative data was computerized into the SPSS (Statistical Package for Social Sciences) program. It was combined with all the qualitative data from interviews, group discussions, and talks with people and observations on place to provide a comprehensive socioeconomic profile of the subproject setting and the expected potential and impacts of electrification in Hua Bum.

D. Current Socioeconomic Setting

1. Population, Ethnicity, Gender and Poverty Profile

12. Hua Bum Commune has totally 1,387 inhabitants in 258 households (2007). Population and poverty data is seen in Table A2.1 and ethnicity in Table A2.2. For comparison the Muong Te district population and ethnicity setting is given in Table A2.3.

Table A2.1: Population and Poverty in Hua Bum

Unit	HHs	Population			Average HH size Persons	HH poverty	
		Total	Male	Female		%	No
Muong Te District	8,159	47,821	22,281	25,540	5.9	61	5,005
Hua Bum Commune	258	1,387	662	725	5.4	63	163
Chang Chao Pa village	129	622	309	313	4.8	44	57
Pa Mu village	53	381	181	200	7.2	87	46
Pa Cheo village	45	233	99	134	5.2	73	33
Nam Nghe village	31	151	73	78	4.9	87	27

Table A2.2: Ethnicity in Hua Bum

Unit	Population	Ethnicity			
		Ha Nhi	Hmong	Mang	Kinh
Hua Bum Commune	1,387	614	381	384	8
Chang Chao Pa village	622	614	-	-	8
Pa Mu village	381	-	381	-	-
Pa Cheo village	233	-	-	233	-
Nam Nghe village	151	-	-	151	-
% of population	100	44.3	27.5	27.7	0.5

Table A2.3: Population, Ethnicity and Poverty in Muong Te District 2

Ethnic group	No. of HHs	Population	% of population	No. of poor HHs	Poverty rate (%)
Thai	2,366	13,408	28	1,050	44
La Hu	1,621	8,542	17.9	1,470	91
Ha Nhi	1,387	8,530	17.8	808	58
Hmong	1,147	9,351	19.6	960	84
Kho mu	375	975	2.0	116	31
Kinh	354	1,613	3.4	-	-
Mang	274	1,716	3.6	269	98
Cong	201	1,149	2.4	162	81
Giay	153	967	2.0	-	-
Dao	132	872	1.8	72	55
Si La	108	524	1.1	89	82

² Source: Lai Chau CEMMA, December 2006.

Ethnic group	No. of HHs	Population	% of population	No. of poor HHs	Poverty rate (%)
Muong	22	105	0.2	-	-
Hoa	13	56	0.1	9	69
Tay	5	10	n.a.	-	-
Nung	1	3	n.a.	-	-
Total	8,159	47,821	100	5,005	61

13. The ethnic composition in Muong Te District is complex with 14 different ethnic minority groups and very persistent poverty situation. Hua Bum Commune inhabitants belong to the three ethnic minority groups of Ha Nhi, Hmong and Mang, and only eight persons registered in the commune are Kinh. All Hua Bum villages are small and each inhabited by one ethnic minority group. Average number of persons in a household is 5.4 and there are more women than men (53.4% respective 46.6%), mainly due to higher and earlier mortality among men. In a community where people make their living on small-scale agriculture, lack of male labor force is a great obstacle, and puts heavy workload on women. Moreover, there is a culture of drug use among men, which further affects their labor capacity in a negative way. All households in Hua Bum are poor, 63% fall under the poverty line according to the national criteria and almost 30% of households are further classified as hungry³ and receive 10kg rice/person/month from the government. Average income in Hua Bum is D200,000/pers/month, and majority of households are either under or just above the poverty line, and can be considered very poor even if not classified as poverty households. According to the adjusted poverty line criteria, introduced by MOLISA as late as July 2008, with income under D300,000/pers/month, even more households in Hua Bum will probably fall under the poverty line in the future classification.

14. The commune office have no data on the number of persons in labor age (15–60 years), but according to the household survey, most households (69%) have a labor force of 1–2 persons, 27% of households have 3–4 persons working, and 4% consist of 5 or more persons able to contribute with a labor input.

15. Population is very stable; most inhabitants (90% according to the HH survey) have been living in the area all their lives and also their ancestors were living in the same area. There has been neither labor migration from the area nor significant in-migration. There are, however, a number of persons working in the commune area who are not registered inhabitants in Hua Bum. Of the 36 school teachers, only two are inhabitants in the commune, two of the three health care workers are not registered in the commune, and one of the six traders in Hua Bum is a non-resident. There is also a national border station with some 35 soldiers, but there is no available information about the station or the staff there.

16. Poverty is very severe and persistent in Hua Bum, and the commune is approved for the governmental support for poor communes⁴. According to CPC, inhabitants lack funds to invest in production, they lack technical knowledge in agriculture and animal raising, they lack male labor force, and have no ability for household economic planning. Difficult transportation conditions are added as a major cause for the persistent poverty in the household survey.

³ Households that are lacking rice more than 2 months/year

⁴ National Targeted Programmes for Poverty Reduction 135, 139, Assistance for poor students, Program to support difficult ethnic minorities.

2. Subsistence and income generation

a. Income generation profile

17. Great majority of households in Hua Bum are living on small-scale agriculture added to animal breeding, fishing in the rivers and mountain streams and collecting forest products like mushrooms, bamboo shoots, fruits and roots for food. Only the government staff and the six shop owners gain income from other activities, but among them only the CPC staff of 30 persons, two of the totally 36 teachers and one of the three health care staff are registered inhabitants in the commune. Food is produced and mostly sold locally for household use and there is no market in the commune. The available food items and daily consumer goods are few in the six existing small local shops. Amount of cash is low given the very high poverty incidence in Hua Bum.

b. Agriculture and land use

18. Agriculture is the main occupation in Hua Bum. 75% of households are mainly cultivating wet rice and 23% is cultivating hill rice. The total agricultural land area is 295 ha but only some 200 ha is actually under cultivation. The crops, cultivation areas used and approximate productivity of crops are seen in Table HB-3 below.

Table HB-3: Cultivated crops, areas and productivity

Crop	Area in ha	Productivity		Comment	Average productivity tonnes/ha in	
		Ton/ha	Ton/yr		Northern provinces	Viet Nam
Wet rice	47	4	188	1 crop/year	3	10
Upland rice	25	1	25	Hmong in Pa Mu Village	1	2
Maize	85	1.5	128	Mang in Pa Cheo and Nam Nghe villages	5	9
Potatoes	30	5.8	174		7	10
Cassava	5.5	6.6	36		9	9
Peanut	5	0.6	3		1	3
Beans	5	0.65	3.3		1.5	3

19. The productivity of wet rice and upland rice in Hua Bum is good in comparison with the average in the northern mountainous provinces but low compared to the national average. Only one crop can be harvested annually. Productivity of other crops is lower or much under the average of both the northern areas and the country.

20. Division of agricultural land and land allocation to households was done 1989. Land allocation is usually revised every 20 years and is accordingly planned to take place in Hua Bum in 2009. According to the household survey, 56% of households have land use certificates on agricultural land, the other households have received land or taken land into use without certificates. All households have, however, received certificates for residential land. Of the households with agricultural land certificate, majority, 63% have a cultivation area of 0.1–0.5 ha (1,000–5,000 m²), 25% an area of 0.01 to less than 0.1ha (100-1,000 m²) and 12% have an area of 0.5–0.8 ha (5,000–8,000 m²). Forest is managed by the community and no land use certificates are allocated for forest land.

21. Agricultural products are mainly used without processing by each producing household itself. Buffaloes are used for ploughing, agriculture is based on manual work only, and only two local farmers own agricultural machines.

22. Annual income from selling agricultural products, mainly rice, span between 0 and D13.85 million in 2007. The household survey showed that 4% of the households had no income from selling basic agricultural products, half the households (48%) had an annual income under D10 million and half (48%) had 2007 an income between D10 million and D13.85 million (i.e. D1.154 million/month for a household or in average D214,000/person, which is just slightly above the poverty line). Most households selling rice have only little income from other sources. 16 households (17%) had further income between D125,000 and under D1 million from selling vegetables, beans and peanuts, and 10 households (11%) from D1 million to D2.5 million. Six households (6%) earned between D400,000 and D4 million and one household declared an income of D12.5 million from selling cardamom. Income from selling agricultural products is summarized in Table A2.4 below.

**Table A2.4: Income from Selling Agricultural Products in 2007
(Household Survey, 94 HHs)**

Product	Annual income	No. of HHs	% of HHs
Rice		90	96
	No income	4	4
	<D10 mn	45	48
	D10 mn to D13.85 mn	45	48
Vegetables, beans, peanuts		26	28
	No income	68	72
	D0.125 mn - D1 mn	16	17
	D1 mn to D2.5 mn	10	11
Industrial trees (Cardamom)		7	7
	No income	87	93
	D0.4 mn to D4 mn	6	6
	D12.5mn	1	1

c. Animal Breeding and Fishery

23. Animal breeding is an additional income generation activity to agriculture. In June 2008 there were totally approximately 95 cows, 500 pigs and 1,500 poultry in Hua Bum. The number of especially cows is currently low because many cows died during the past cold winter. Poultry and pigs are kept for household food and for calendar festivities, cows and buffaloes for selling and generating cash. Occasionally traders arrive in Hua Bum to buy cows and buffaloes.

24. Of the 94 surveyed households, 42 (44%) had no income from animals in 2007, 13 (14%) got less than D1 million, 13 (14%) from D1 million to D10 million, 13 (14%) between D10 million and D20 million, and 13 households (14%) over D20 million, the highest income being D83 million. Income from selling animals in 2007 is summarized in Table A2.5 below.

**Table A2.5: Income from Selling Animals in 2007
(Household Survey, 94 HHs)**

Annual income	No. of HHs	% of HHs
No income	42	44
< D1 mn	13	14
D1 mn to D10 mn	13	14
D10 mn to D20 mn	13	14
D20 mn to D83 mn	13	14

25. Fish is caught in rivers and mountain streams to complement household diet. Two households have taken microcredit for preparing fish ponds for raising fish to earn income. Income from selling fish has been rather minor, one household reporting an income of D400,000 and the other D2 million in 2007.

d. Marketing and Business

26. Most households are producing just enough food for household consumption, and there are few products available for selling. There is no commune market in Hua Bum and infrastructure for marketing outside the commune is lacking. Access to district market in Muong Te town is very poor due to lacking transportation conditions; the 16 km long road from Hua Bum commune center is seasonal and regularly cut off during the rainy season. Few inhabitants in Hua Bum own motorbikes or even bicycles, and almost all transportations take place by carrying on foot.

27. The only small business activities in Hua Bum consist of four small shops in the commune center and two in Pa Mu Village. Five of the shops are run by households registered as residents in the commune and one by a non-registered one. These shops transport basic goods on motorbike from the district town and sell mainly food and items like salt, fish sauce, soap, washing powder, clothes etc. for everyday household use.

28. The monthly profit of the largest shops is D1.5-2 million (annually about D18–24 million). Trading households supplement their earnings with income from other activities. The highest annual income a trading household declared was D216 million, with salary both from the government and income from doing business.

e. Additional Income Generation

29. Twenty-eight percent of Hua Bum households receive 10kg/person/month rice from the government under the governmental “Program to support difficult ethnic minorities” including the five ethnic minorities of Kho mu, Mang, Si la, Cong and La hu. Mang ethnic minority households have received this support from the government since 2005, which they are liable to get during five years. Many of these households have made the receipt of subsidies into a way of living; they expect the government to sustain them without putting much effort to developing their own income generation. They also sell part of the rice to other households in order to get cash.

f. Utilization of Micro-credits

30. A few households in Hua Bum have taken a loan from the Social Policy Bank for income improvement, mainly for purchasing animals. Two households have also invested in preparing fishponds. Of the surveyed households 11 (12%) had taken microcredit with the following amounts:

- D100,000–D500,000: 3 HHs
- D6 million: 6 HHs
- D15 million: 1 HH
- D20 million: 1 HH

31. No microcredit programme or any income development projects have been implemented in Hua Bum so far, apart from the Social Policy Bank and mass organizations' loan schemes.

3. Transportation and Communications

32. Road conditions are very poor in Hua Bum. The road from the commune to the district is only a seasonal one, and within the commune two of the four villages, Nam Nghe and Pa Cheo lack road and are only reached on foot. Approximately three months every year Hua Bum is isolated during the rainy season, land slides and flooding rivers cutting off the access road from the commune to the district center.

33. People are very poor and few households own motorbikes, according to the household survey less than 20%. Only 1% of households own a bicycle. Transportation of goods and people mainly takes place on foot. Traders use motorbikes for transporting the goods to be sold in the local shops from the district town. There is a post and telephone office in the commune center providing communications outside the commune.

4. Health and Healthcare

34. Health care standard is low in Hua Bum, and it is also very difficult to transport any emergency patients to the district health care due to poor road conditions, especially during the rainy season. There is a small commune health care center (CHC) in Hua Bum, but a new one is currently under construction and is scheduled to be opened in 2009. The staff consists of one assistant doctor, two nurses and one midwife. Health care services and equipment are very basic, and due to lack of electricity no machines can be run or medicines requiring cooling can be preserved. The general child vaccination program reached 80% of its goal in 2007, and according to the household survey 96% of the households trust the commune health care center when a family member gets ill. However, 78% of the women according to the household survey do not go to CHC for any check-ups during pregnancy. Accordingly, 87% of the women deliver their babies at home, though regularly assisted by the commune midwife.

35. Respiratory infections in the winter and diarrhea in the summer are the most common health problems in Hua Bum. 30% of the total number of patients to the health care center is due to coughing and 30% due to diarrhea. 20% of the patients seek treatment for malaria occurring during the summer, and 20% have eye diseases during summer and autumn.

36. Drug use is a problem in Hua Bum, both among elder and younger men. At least 50 men are regularly smoking opium. No information could be attained if this opium was cultivated and produced locally or bought where and for what cost, but clearly the habit impacts both on the capacity of the male labor force and its health status as well as on household economy.

5. Water and Sanitation

37. Hua Bum inhabitants have sufficiently water for agricultural irrigation and household use. Only 3% of the surveyed households claim lack of water two months (Jan-Feb) during the dry season. Water is taken from rivers and mountain streams. People also use rainwater for

household needs. Water for household consumption is lead from water sources through pipes into water tanks provided with Program 135 support. As the stream and rainwater is considered sufficient, no wells or irrigation systems have been constructed.

38. The hygienic standard in Hua Bum is very low and people's knowledge about health and hygiene poor. There are neither bathrooms nor toilets or latrines. People wash themselves with stream water and use forest as a toilet. The population density is low and therefore this practice is not environmentally destructive at present, however, the free roaming animals eating human feces increase the risk of spreading diseases.

6. Education

39. Standard education is available in Hua Bum with village schools providing education in grades 1–5, and the commune school in grades 6–9. The lower secondary school in the commune center provides boarding opportunity and subsidized education for students from remote villages through the governmental programme of supporting poor students. Only one or two students yearly continue to upper secondary school in the ethnic minority boarding school in the district town.

40. There are 36 teachers in Hua Bum, of whom 12 are of ethnic minority origin and the rest are majority Kinh people. Only one of the teachers is Ha Nhi, and no teacher has Hmong or Mang origin.

41. Most children start school at the age of 6 years, but approximately 10% start later, at the age of 8–9 years. Many ethnic minority students remain poor in their knowledge in the Vietnamese language and consequently attain poor skills in reading and writing. Irregular school attendance is common as children have to contribute with labor in agriculture and animal breeding. Ethnic minority girls get married at the age of 14–15 years and stop attending school, in many cases only with finished grade 3 or 4 education. Accordingly illiteracy is common among the ethnic minority population in Hua Bum, especially among women (no exact illiteracy data available).

E. Current Electricity Situation

1. Production and Use of Power

42. There is no central electricity provision in Hua Bum, but people set up Chinese-built non-permanent micro hydropower generators (pico hydro systems) in rivers and streams to produce electricity. Hua Bum Commune chairman estimate that 90% of the households get at times electricity in this way; however, less than half the households actually own micro hydropower generators, but in most cases two or more households share the power produced. At the time of the information collection in Hua Bum the total number of pico hydro generators was calculated to 115.

43. Electricity produced with pico systems is mainly used for lighting, but some households also have a TV (30% in the HH survey), video (19% of surveyed HHs), radio (2%), fan (1%) and refrigerator (1%). Yet majority of households in Hua Bum are too poor to afford buying any household electrical appliances. Poverty households are also too poor to invest in micro hydropower generators, and instead use kerosene lamps for lighting.

44. Electricity is used very little for agricultural production only two households have diesel generators to run threshers. The six households that run the local shops use power for evening time lighting from pico systems. The commune has two diesel generators for running the offices.

2. Current Costs for Producing Power

45. A micro hydropower generator costs between D0.5 million and D1 million and can be run 2 years. However, floods during the rainy season regularly wash away this tiny equipment, and a new one is needed. Added to the purchasing costs of micro-hydro generators, costs for producing power include electric cords (to lead the power from the generator to the electric device) and light bulbs. 42 out of 94 households in the survey estimate their annual cost for micro hydro systems as seen in Table A2.6 below. The rest of the households (52) do not own a micro hydro generator, however, two households own a diesel generator that costs D400,000 and is run with diesel for a price of approximately D15,000/litre. Diesel generators are also used seasonally in agricultural production for running threshers.

Table A2.6: HHs Estimates on Annual Costs for Micro Hydropower Generators (Household Survey, 94 HHs)

Cost in '000 dong	No. of HHs	% of HHs
No cost	52	53
100≤500	26	30
500<1,000	10	11
1,000≤2,400	6	6
Total	94	100

46. Households that do not have micro hydro or diesel generators mainly use kerosene for lighting or borrow power from a neighbor's micro hydro generator. The cost of one liter of kerosene is D14,000–15,000. Households' annual and monthly estimated costs for kerosene are seen in Table A2.7 below.

Table A2.7: HHs Estimates on HHs Current Annual and Monthly Costs for Kerosene (Household Survey, 94 HHs)

Cost in '000 dong	No. of HHs	% of total No. of HHs	% of HHs without a generator	Average monthly cost span in '000 dong
No cost	44*	47	n.a.	0
≤60	26	28	52	≤5
60 <100	3	3	6	5–8.3
100 ≤ 500	8	9	16	8.4–41
500<1,000	9	9	18	42–84
1,000≤ 2.7	4	4	8	85–225
Total	94	100	100	

*44=42 HHs with a micro hydropower generator + 2 HHs with a diesel generator.

47. As poor households mainly rely on borrowing power from a neighbor's micro hydro system and on using kerosene lamps, the estimated costs appear very low. Poverty households use very little power and only for lighting; they work long days with food production and go to bed early, which makes the time needed for lighting very short. One third of the total households, or 58% of the households without a generator, have an annual cost under D100,000.

Households with the highest costs for kerosene are large and consist of several families with children.

48. Combining the costs for HHs with micro hydro and diesel generators and for those sharing power and using kerosene lamps, the annual and monthly costs are as seen in Table HB-8 below. Two households that own a diesel generator, but cannot estimate the cost for running them, are estimated to have an annual cost between D0.5 million and D1 million, consisting of both the purchasing price and running costs.

Table HB-8: HHs estimates on HHs annual and monthly costs for producing electricity/lighting (household survey, 94 HHs)

Annual Cost in '000 dong	Average monthly cost span in '000 dong	No. of HHs	% of HHs
<100	<8.4	29	32
100≤500	8.4–42	34	36
500<1,000	42–84	21	22
1,000≤2,700	84–225	10	10
Total		94	100

49. Approximately 1/3 of the households have an annual cost for electricity under D100,000, or less than D8,400/month. Slightly more than 1/3 has an annual cost between D100,000 and D500,000, or D8,400 to D42,000/month, and approximately 1/3 has an annual cost exceeding D500,000 or over D42,000/month. Considering the high poverty rate and the severe household poverty situation in Hua Bum, the figures appear rather high, especially for those paying most. However, the costs for purchasing micro hydro generators are highly varying, depending on the age of the generators and weather conditions.

3. Fallbacks from lack of electricity

50. Life and living conditions are marked by poverty in Hua Bum. Most activities take place during the light time of the day due to lack of electricity. Households produce electricity through micro hydropower generators and use kerosene lamps for lighting, but government services like schools and commune health care station lack electricity, which affects the quality of these services. Income generation is based on low-productive small-scale agriculture based on manual labor due to lack of electricity, and due to the general poverty and low educational level. No business has been developed in Hua Bum apart from six small shops selling very basic items for everyday household needs. Lack of electricity is one of the contributing factors to the poverty and poor level of services in Hua Bum, together with the isolated location, poor road access, low educational level as well as lack of knowledge and capacity for income generation and living standards improvement.

F. Development Options of Activities through Electrification

1. Household Income Generation and Production

51. Approximately half the surveyed households think their income generation may be better with electricity access, either through improving the current production or starting new activities. A few households (13%) plan to improve their income generation after electrification if micro

credits will be available for them. However, 40% of the surveyed households anticipate no future improvements following electrification.

52. Electricity will enable some improvements in agriculture and animal breeding, like using electric threshers to peel rice, and machines for maize processing for animal food. Ethnic minority women think they will be able to use electric grinders for grinding beans for making tofu for household food. They also plan to use electric sewing machines for making clothes, but as long as their access to marketing clothes is lacking, the effect remains mostly for household consumption. Some men consider potential in wood production with electric machinery that could be purchased if they can access micro credits. They plan to use machinery for producing and selling planks for house construction and reparation locally. Yet at present they have no market access outside the commune.

53. The potential for wood processing industry will probably be taken by business from outside the commune. If wood processing industry will provide new labor opportunities there will probably be in-migrating men with more experience than the local ethnic minority labor force. Poverty together with lack of funds and lack of experience restrict opportunities for production and income generation development though electricity if no additional measures to support the local ethnic minority people will be connected to electrification.

2. Consequences for Households Living Standards

54. Households' preparedness for electricity in Hua Bum is very poor; most households do neither find electrification necessary nor are willing to pay for it. This condition should be seen in the light of the current persistent poverty situation. Consequently, under the present poverty circumstances electrification can be expected to have only very limited positive consequences for households' living standards without significant subsidies and/or additional supportive mechanisms. People cannot afford to use electricity or purchase electric appliances to be used in homes or for income generation, and therefore also lack motivation for electrification. If electricity can be provided at an affordable price for Hua Bum households, better lighting will increase their comfort and potentially some evening time activities may increase, like studying and watching the TV — given that poor households can afford buying a TV.

3. Potential for Improved Public Services and Social Life

55. The strongest positive effect of electrification in Hua Bum lies in improving comfort and public services like education and health care. Health care center will be able to have and use better equipment and store medicines in a safe way. Schools will potentially be able to have lighting and fans and electric appliances like photocopying machines and computers connected to internet. Lighting will enable evening classes for adult population, e.g. literacy classes for women. Commune office will be able to use computers and photocopying machine on a regular basis, and be connected to internet, which will enhance communications and information access. However, the development of the governmental sector services and administration after electrification is dependent on the economic capacity of the commune to invest on all the new equipment that will potentially enhance the administrative, health and educational services in Hua Bum. Staff capacity building is required as well.

56. Evening time public lighting potentially increase comfort and security in the commune center and may encourage social activities like meetings, study groups and beer drinking.

4. Potential for Business Development

57. Potential from electrification for business development is rather limited in Hua Bum due to the isolated location, poor road infrastructure and poor population that cannot afford buying consumer goods or paying for private services. Electricity will, however, enable development of wood processing industry that potentially will create a few new labor opportunities. There is poor capacity and preparedness among the local population to take any new opportunities, which consequently risk to be taken by in-migrating business.

58. Rural electrification usually leads to increasing the number of household electric appliances, mostly TVs, leading to an additional need of repair services. This potential is though limited in Hua Bum due to the high poverty rate and low consumer purchasing power. Usually internet shops follow electrification, and there may certainly appear some in Hua Bum commune center, yet the number of people with ability to use and pay for internet services is so far very limited in Hua Bum.

G. Potential Adverse Impacts of Electrification

59. Most ethnic minority people in Hua Bum lack preparedness for electrification and for taking any new opportunities through it. Preparedness to take new opportunities is found only among some people with assets and income above the average. There is a significant risk that, unless electricity will be strongly subsidized and electrification connected to other supportive mechanisms for capacity building and income generation, only the most “well-off” households in Hua Bum will benefit from using electricity for other purposes than small-scale household lighting.

60. The current educational level of Hua Bum population is low and experience of wage labor is next to nonexistent. It is therefore probable that any of the new labor opportunities that potentially will appear in the future, like within wood processing industry, will be taken by workers coming from the outside and not by the local ethnic minority people.

61. In a very poor ethnic minority commune like Hua Bum, negative social effects from electrification, like more beer and karaoke bars and guest houses, which potentially increase vulnerability of women, are improbable due to the traditional culture, poverty and isolated location. No such negative social impacts are anticipated in Hua Bum.

H. Affordability of Electrification for Households and Private Business

62. The household survey shows both very poor estimated ability and very poor willingness of households to pay for electricity. Accordingly, 78% of the surveyed households do not consider they can afford paying anything for electricity, and the whole 94% are not willing to pay anything. Of those households that think they can afford and are willing to pay for electricity, four households are willing to pay D5,000/month, one D10,000 and only one household is willing to pay D50,000/month at the most. Households and interviewed people do not consider a need for electricity; lighting and running some electric appliances like TV is enough, and can be done through the current systems that are not comprehended to be expensive.

63. Local business in Hua Bum currently consists of four small-scale shops in Chang Chao Pa Village (the commune center) and two in Pa Mu Village. They currently run micro hydro generators to provide lighting and according to interviews and household survey are willing to pay only up to D50,000 each per month for electricity.

I. Recommendations for Enhancing Access to Electricity and Productive Use of Electricity

64. Current electricity use in Hua Bum is very minor, and most households find neither need nor opportunities in electrification. Preparedness and motivation for electrification is therefore very low and willingness to take any costs for using electricity next to non-existent. Poverty is very persistent, educational level low and amount of cash small in the isolated ethnic minority villages. Even if electricity infrastructure is provided, poor families will probably not spend money to purchase electricity, but continue to run kerosene lamps for lighting. It is likely that only subsidies, in combination with capacity building in using electricity and utilizing electricity for income generation, could facilitate Hua Bum households to become electricity consumers.

65. Calculating affordability of electricity for Hua Bum should be based on the fact that the average income in the commune is D200,000 /person/month, approximately D1,080,000 /household/month (with the average number of persons per household being 5.4), and that currently 63% of households are classified as poor and have even less than D200,000 /person/month. If electricity pricing is set on a level that can be made affordable for these households, creating motivation among them to use electricity still remains. Poverty households' (almost 2/3 of Hua Bum households) present monthly cost level for electricity can roughly be estimated to be equal to ½–3 litres of kerosene for a price of D15,000 (D7,000–D45,000), even though households are not always aware of the costs, as they buy kerosene when they have cash and do not when they are lacking cash. The remaining households currently have a monthly cost varying from approximately D45,000 to D85,000, and only some 10% of households have a cost exceeding that.

66. There is little potential in electrification for raising living standards and improving income generation if it is not connected to general improvements in infrastructure and long-term community and income development supporting activities. These should include both literacy and educational level improvements and income generation development through training and micro credits. A few people have plans to use electricity for developing current and starting new activities (wood processing, cloth making, agricultural machines) but the potential of these small-scale improvements for improving households' income is very limited if market access is not significantly improved and marketing capacity developed.

67. Local households need capacity building both in how to use household electricity and appropriate training to improve income generation activities, connected to guidance into accessing and utilizing microcredit funds in a productive way for income generation. How this support will be provided during the project implementation is outlined in the Project component of *Promoting Productive Use of Electricity*.

J. Summary of Expected Impacts of Electrification in Hua Bum

68. Below the anticipated positive and negative effects from electrification after the Project implementation in Hua Bum are summarized and described in short, and the major stakeholder groups benefiting or suffering from the impacts are defined. Comments are provided to further describe the specific consequences.

Sector	General Impact	Impact Description	Comments	Major Stakeholders
Income and economic activities				
Agriculture	Machines to improve production will be possible to use	<ul style="list-style-type: none"> • Some small-scale agricultural machines 	<ul style="list-style-type: none"> • Use will depend on HH economic and skills capacity • Supportive systems needed (funds, training) 	<ul style="list-style-type: none"> • Local farming households
Production development	Machinated production will be possible	<ul style="list-style-type: none"> • Making clothes with electric sewing machines • Food processing with milling • Small-scale local wood processing 	<ul style="list-style-type: none"> • Expected impacts on household level • Market access lacking to have significant income improvement effect • Supportive systems needed (funds, training) 	<ul style="list-style-type: none"> • Some local households
Trade and business	Trading of new consumer goods Wood processing industry development potential	<ul style="list-style-type: none"> • Electricity enables demand of new consumer goods • Electricity enables development of wood products processing 	<ul style="list-style-type: none"> • Magnitude depends on local HHs economic capacity to invest in new consumer goods • Wood processing depends on access to microcredit • Outsiders may take the new opportunities so little local benefit will appear 	<ul style="list-style-type: none"> • Local and external traders • Those capable of taking new opportunities • Local and external labor force
Governmental sector				
Public services	Improved quality of health care and education services, governmental offices	<ul style="list-style-type: none"> • Time for availability of services increase with lighting • Electricity enables better equipment and medical supplies in health care • Potential for computers 	<ul style="list-style-type: none"> • Positive impact depends on commune economic and staff capacity 	<ul style="list-style-type: none"> • All commune inhabitants • School students

Sector	General Impact	Impact Description	Comments	Major Stakeholders
		and internet improve communications, and knowledge level		
Inhabitants, households				
Households living standards	Enhanced security and comfort	<ul style="list-style-type: none"> • Lighting enable evening time activities like studying • Consumer goods like TV, karaoke machines, CD-players, computers etc. may increase 	<ul style="list-style-type: none"> • Household labor will be easier • Access to information and knowledge potentially improve • Electricity use depends on HH economic resources, so poor HHs access to electricity should be ensured 	<ul style="list-style-type: none"> • Households using electricity • Households that can afford buying machines, consumer goods
Social life	More activities and evening time activities will be possible	<ul style="list-style-type: none"> • Evening time activities like study groups, meetings may increase 	<ul style="list-style-type: none"> • Access to information and knowledge potentially improve 	<ul style="list-style-type: none"> • All inhabitants

PROMOTING PRODUCTIVE USE OF ELECTRICITY IN PROJECT COMMUNITIES

A. Rationale for the Promoting Productive use of electricity Component

1. The Project has a pro-poor focus in that it is focused on providing affordable electricity to consumers in remote areas where the proportion of poverty households in the population is far above the average in Viet Nam and majority of the project-affected people and project beneficiaries are ethnic minority people. In mountainous ethnic minority communities, poverty is very severe in large majority of the population and the households that are not classified as poor are still near poor. Local business is next to non-existing, consisting of a few small local shops selling everyday necessary household items. The potential future electricity consumers in these areas typically have very poor preparedness for using electricity or any willingness to pay for it.

2. Electrification has a poverty reduction potential only if poor and near-poor households can afford and have capacity of benefiting from electrification. In very poor communities most people have neither necessary economic nor technical capacity to make use of electricity for improving their lives and livelihoods. It is therefore decisive for the Project to provide:

- (i) Subsidized grid connections for poor households;
- (ii) Free distribution of energy efficient bulb;
- (iii) Capacity (economic and technical) for poor households to use electricity for improving their living standards and income generation.

3. Affordability of electricity will be an integral part of the project design while people's capacity to benefit from electricity needs to be strengthened with special supportive measures: the project component *Promoting productive use of electricity* will be focused on providing poor ethnic minority households in mountainous areas extra support for improving their livelihoods through new opportunities with electrification at the implementation of a micro hydropower project. This component will consist of:

- (i) Providing awareness building on efficient use of electricity for living standards improvement and on using electricity in a productive way for income generation;
- (ii) Supporting poor households' access to available micro credits for income improvement;
- (iii) Providing borrowers with technical assistance and capacity building for utilizing the loans efficiently for improving their income generation.

4. An NGO will be contracted for implementing this component. Added to awareness and capacity building and technical assistance for productive use of electricity, the NGO will provide relevant capacity building for the Community Management Board (CMB) in implementing the Ethnic Minority Development Plan (EMDP) and support to the Province Unit of the Project Management Board (PMB) in all relevant tasks, especially in implementing the productive use of electricity and gender strategy.

B. Affordability of electricity

5. For each subproject household and small business, affordability analysis need to be prepared based on the specific local conditions. Affordability of grid connection for different types of households will be properly assessed in the detailed project planning and ensured for all poor households.

In the remote mountainous communes with primarily ethnic minority populations, all poor households will be provided with subsidized grid connections and subsidized energy efficient bulbs. The tariff applied will be a life-line tariff for the poorest households according to the law.

C. Project support for efficient and productive use of electricity

1. Awareness building of electricity utilization

6. Preparedness for electrification appears very deficient in poor mountainous ethnic minority communities. People have awareness neither of use of electricity nor of opportunities to improve production and income generation with electricity. The Project will therefore provide support for communities that will be electrified through micro hydropower development on safe and productive use of electricity. Households will be provided awareness building in how to use electricity in a safe and efficient way in order to avoid accidents and improve living standards. Poor ethnic minority beneficiaries' awareness of the possibilities to use electricity in production and income generation activities related mainly to agriculture, forestry, livestock and fish breeding will be improved. Awareness building will prepare for support for planning productive activities in order to improve income through microcredit utilization.

2. Project support to microcredit accessibility and its efficient utilization

a. Current availability of micro credits for poor and near-poor households and local small business development

7. **Social Policy Bank (SPB)** is a state-owned bank with both province and district level offices all over the country with the mandate of providing micro credits targeted for poverty and ethnic minority households and households in communes that are by the government classified as extremely difficult areas. According to a Government decision, Social Policy Bank has seven loan programs:

- (i) **Poverty households**: The largest programme, focused on improving poor households' income generation activities. A typical loan in Lai Chau and Dien Bien provinces is between D5 and D15 million, the maximum is D30 million with an interest rate of 0.65%. This loan can be used for e.g. buying livestock; preparing fishponds; planting forest, fruit trees, industrial trees like cotton, coffee, tea, rubber, short-term trees; repairing houses; connecting HH to power grid. To be eligible for a loan household has to be proved by CPC to be registered in the commune and classified as poor. Of the total loan capital of Dien Bien SPB of D485 billion, 76% is used within this program, and of the total loan capital in Muong Te district SPB in Lai Chau of D51.7 billion, 63% is allocated for this program.
- (ii) **Extremely difficult ethnic minority communities**: Households with at least either wife or husband of ethnic minority origin can borrow up to D5 million with 0% interest rate. Household's total assets may not exceed D3 million.
- (iii) **Water supply and sanitation**: Loans for both poor and non-poor HHs in rural communes for clean water and sanitation constructions, loan amount D4–D8 million with 0.9% interest rate.
- (iv) **National Fund for Creating Occupations**: With guarantee from a mass organization, a prospective borrower has to prepare a proposal of how to create more jobs through developing a small business. Business with one laborer can

- borrow up to D20 million, business with two or more laborers up to D60 million, maximum D500 million.
- (v) Household business development in extremely difficult communes: According to Government classification, HHs in the classified communes (86 communes in Dien Bien, 88 in Lai Chau province) are eligible for a loan of maximum D100 million with 0.9% interest rate.
 - (vi) Loan for poor students: Students from poverty households can borrow up to D800,000/month for vocational training or university studies for an interest rate of 0.5%.
 - (vii) Exporting labor abroad: Workers with a labor contract for working in a foreign country can borrow up to D30 million with an interest rate of 0.65% for moving and establishment costs.
 - (viii) Dien Bien Social Policy Bank has since 2005 an additional programme that is being implemented in 15 provinces in Viet Nam, providing loans for small and medium size enterprises. For being eligible for this loan the business has to own assets for guaranteeing the loan, and this loan is therefore hardly applicable for poor household businesses.

8. Target borrowers of SPB are poor households, and in both Dien Bien and Lai Chau provinces more than 70% of the borrowers are poor ethnic minority households. The return time of the loan is dependent on the purpose and size of the loan: Normal return time for small loans is one year, for medium loans three years, and big ones up to five years; e.g. a credit for buying poultry has one year return time, pigs two years, big livestock five years, and for household business development the return time is five years.

9. To be eligible for a loan from any of the loan programmes except no. 4 above, the borrower has to be a member of a village-level micro credit group and receive a guarantee from one of the four commune level mass organizations (Women's Union, Youth Union, Fatherland Front, Farmers' Association). Mass organizations are also committed to disseminating information about SPB in their meetings at commune and village levels, and preparing priority listing at commune level of loan applicants that the organization gives recommendation for.

10. SPB provides training for micro credit group leaders in loan procedures - leaders have to be able to fluently read and write in Vietnamese, which many poor ethnic minority borrowers in remote villagers are not able to do. A micro credit group can have up to 50 members, and its function is to support members in applying for and managing loans in order to ensure that borrowers understand what taking a loan entails, and to share experiences and technical knowledge between the members. The group has no collective responsibility for any individual member's loan, but may take responsibility for a member's interest payment in case he/she has temporary problems in payments. Added to membership in a micro credit group, loan applicant has to be recommended by any of the four mass organizations, which also provide support for micro credit groups and households in loan procedures and management of loans.

11. According to the SPB in Lai Chau and Dien Bien the return rate is very high, and only 1-2% of the borrowers are not able to pay back the loan in time. The poverty reduction effect seems to be around 30%, meaning households coming over the poverty rate. Being no more classified as a poverty household, however, makes a household non-eligible for the micro credits earmarked for the poor. The near-poor have less options and opportunities for further improvement of their income generation through micro loans, unless they reside in the extremely difficult-classified communes or own a business. In other case, the near poor need to have assets as a guarantee for a loan from a commercial bank.

12. **Women's Union (WU)** is actively supporting SPB bank loan procedures, and giving priority for poor female-headed households. According to Dien Bien WU, 76% of the poor female-headed households in the province had taken credits since the SPB was established in the province 2003, and 30% of them had improved their income and come over the poverty line. Commune WU chair and vice chairperson are trained in micro credit procedures, and WU is responsible for collecting the interest from SPB every three months. At commune level WU organize quarterly meetings for its members to share experiences in issues of importance for loan utilization like where to buy animals or seeds of good quality or how to take care of animals.

13. Provincial WUs also each have their own micro credit fund of D1.5 billion provided by the national WU. According to Dien Bien WU, however, the current demand for micro credits greatly exceeds the available funds. Eligible for a loan from WU is a member of the organization, classified as poor, recommended by commune level WU, and member of a village level micro credit team. Typical loan from WU is at D3–5 million and most often used for buying poultry, pigs and big livestock (cows and buffaloes) with an interest rate of 0.65%. Return time for a loan is dependent on the purpose and amount, being one year for poultry, two years for pigs and five years for large ruminants. According to Lai Chau WU, approximately 40% of the borrowers are able to improve their income significantly.

14. WU and other mass organizations also allow a group of households take a rotating benefit loan, for example for buying a cow that one household takes care of until after the first calving whereas the household retains the calf but the cow is transferred to the next household to be taken care of until after the second calving, etc. This kind of a rotational benefit loan is applicable on other animals like pigs and chicken as well.

b. Identified lack of resources in the existing microcredit provision and support systems

15. Mass organizations are the major channel for information of microcredit availability and procedures at village level. However, both human capacity and competence in the organizations is limited. Especially information dissemination to ethnic minority people and assisting them with the loan procedures in their own language and in a way that meets their low educational level is deficient. Viet Nam's ethnic minority people in general have much poorer access to credit than the majority Kinh, and they need a lot of support to be able to use the available opportunities.

16. Poor households, especially ethnic minority ones in isolated communities, seldom have sufficient knowledge on how they could improve their income through a micro loan apart from investing in traditional activities using traditional methods. Currently SPB and mass organizations are organising some technical training for micro credit borrowers in activities like fish breeding and animal care through province and district Agricultural Extension Centres. According to Lai Chau SPB, the bank organizes training courses through the extension center, based on the training needs its district support group is identifying among borrowers. However, the trainings organized by the extension centers are often very short, ½-1 day, and not based on any systematic training needs assessment among the very participants, neither content nor quality or efficiency of the training is evaluated, and the training is not followed up at any later date.

c. Outline for the capacity and technical support provided by the Project

17. The Project component *Promoting productive use of electricity* will accordingly be focused on supporting poor households' access to micro credits from the existing microcredit providers and providing these borrowers technical support in utilizing the loans in an efficient way in order to improve their livelihoods in the newly electrified setting. The Project Management Board will have an agreement with the Social Policy Bank to provide access to credit to the ethnic minority households in the subprojects under Component 1. A credit program for the subproject will be developed for productive use of electricity. The component will be implemented by an NGO and consist of the following parts:

- (i) Microcredit information and procedures support. The Project will cooperate with SPB and Commune level Committee for Loan Operation. The Committee includes representatives from mass organizations and Commune leader. The NGO will provide capacity building for commune and village level information dissemination on credit availability, procedures for applying for a loan, regulations and practicalities on managing the loan. Special attention will be paid on the ways of the information dissemination, appropriateness and language.
- (ii) Support in choosing activities for improving income with electricity. Poor ethnic minority households seldom have knowledge on how to carry out income bringing activities apart from the traditional ones using traditional methods. They need assistance for developing activities that are both suitable and can be potentially more productive through electrification and using micro credits. The Project will provide both direct support to poor households in selecting activities and identifying microcredit needs for these activities, and providing mass organizations and Agricultural extension centers with relevant capacity building to carry out this activity.
- (iii) Technical capacity building support for efficient income improvement with electricity. For implementing a chosen activity with a micro credit in an efficient way, poor households need to improve their knowledge and technical capacity in the activity, for example how to grow elephant grass and process it mechanically for improving fodder for livestock. The Project will provide this technical support directly through the Project NGO and through NGO providing relevant capacity building for the District Agricultural Extension Centre. This support will be connected to micro credit taking for activities that are related to using electricity.
- (iv) The Project will develop an affordable model for a leasing system of agricultural machines for poor households. It needs to be investigated in detail and in each location, which kind of a model is the most feasible for the specific locations: e.g. a group of households ownership model, a subsidized commune ownership model, or other alternative.

18. The NGO that will be contracted for implementing the component will be responsible for the detailed planning of the activities for each subproject location. The activities will be scheduled to follow the project implementation in each location. The scope of the support period will be location specific, depending on the activities and the return time of the micro credits for the chosen activities (see Appendix 4 for NGO TOR).

TERMS OF REFERENCE FOR PROJECT NGO

1. The NGO chosen for the task is required to have wide experience in community development work among ethnic minorities and working with ethnic minority women, as well as knowledge in microcredit organization and procedures, experience and competence in supporting microcredit schemes, and in capacity building. The organization needs to have available staff with relevant experience and technical capacity in supporting various production and income generation activities, focused on ethnic minority settings in remote locations, staff with gender expertise, and with capacity for promoting prevention and awareness program on HIV and human trafficking. The NGO needs to be familiar with the mass organizations and their work at different levels, be co-operative and establish a good working relationship with PMB and Community Management Board (CMB), Committee for Ethnic Minorities (CEM), Social Policy Bank, mass organizations, and authorities at different levels and especially CPC at each subproject location.

2. The overall tasks for the Project NGO are:

- (i) To work with the Province Unit of PMB and implementation of Ethnic Minority Development Plan (EMDP); To provide relevant capacity building training of the Province Unit of PMB in planning and implementing the Project activities following the social guidelines, as given in the *Communication and Participation Strategy*, *Ethnic Minority Development Framework* and *Gender Strategy* and other relevant social documents of the Project;
- (ii) To provide capacity building training for the CMB to implement the subproject specific EMDP and undertake other relevant tasks;
- (iii) To facilitate implementation of the National HIV/AIDS Prevention Program with the District Health Center and Commune Health Clinic, District Committee for Social Evil and Protection Human trafficking prevention program;
- (iv) To implement the Project specific Gender Strategy as outlined in the EMDP; accordingly ensure that gender issues are addressed in all relevant Project activities and that ethnic minority women are provided relevant support to participate and benefit from the Project;
- (v) To undertake motivational work for improving ethnic minority households' awareness of safe electricity use and possibilities in utilizing electricity;
- (vi) To work with Social Policy Bank, Commune level Loan Operation Committee, CMB in capacity building of the Committee, CMB for their role on loan operation, social preparation for the borrowers, need assessment for micro-credit schemes for the ethnic minority households for women and men; Identify loan schemes for men and women; Prepare proposal with the men and women borrowers to secure loan from Social Policy bank, women's union and other Mass organizations;
- (vii) To develop a credit program on farm (agriculture, tree plantation, livestock) and non-farm activities. To provide borrowers with technical support for efficient utilization of the loans for households' income improvement through electricity; to develop a village level livestock extension training for para-veterinary services; and

- (viii) Conduct on-going monitoring of the activities at the commune and village level together with CMB; Prepare monitoring reports of the EMDP activities on a quarterly basis.

3. TOR for NGO for Subproject Implementation:

- (i) Work with the Province Unit of PMB and implementation of Ethnic Minority Development Plan (EMDP); Provide relevant capacity building training of the Province Unit of PMB in planning and implementing the Project activities;
- (ii) Conduct training needs assessment and conduct relevant capacity building support to CMB in each subproject location in facilitating community participation and implementation of the EMDP and when relevant, the Resettlement and Compensation Plan;
- (iii) Propose needed and relevant awareness raising support to local households in subproject locations in using and utilizing electricity;
- (iv) Work with Social Policy Bank, Commune level Loan Operation Committee, CMB in capacity building of the Committee, CMB for their role on loan operation, social preparation for the borrowers, need assessment for micro-credit schemes for the ethnic minority households for women and men; Identify loan schemes for men and women; Prepare proposal with the men and women borrowers to secure loan from Social Policy bank, women's union and other Mass organizations;
- (v) Investigate if there are any ongoing projects or governmental initiatives at district and province level relevant for the Component; propose how project cooperation with these will be arranged;
- (vi) Identify suitable optional activities for production and income generation improvement with electricity in each subproject location.
- (vii) Identified income generation improvement for individual households and/or groups of households and facilitate access to credit from SPB;
- (viii) Work with the poor households and identify relevant potential activities for them for micro-credit program;
- (ix) Develop a credit program on farm (agriculture, tree plantation, livestock) and non-farm activities; to provide borrowers with technical support for efficient utilization of the loans for households' income improvement through electricity; Develop a village level livestock extension training for para-veterinary in the subproject villages.
- (x) Identify the technical capacity building needed for households to be able to undertake the identified income generation improvement activities in an efficient way; make a plan how the identified technical capacity building will be provided;
- (xi) Assess the capacity and capacity building needs of relevant health care staff and WU to participate in implementing the national *HIV/AIDS and trafficking prevention program* in each subproject location; Facilitate implementation the of National HIV/AIDS Prevention and Human Trafficking prevention program;
- (xii) Include gender strategy from the EMDP of core subproject (Hua Bum) in HIV/AIDS and STDs and Human Trafficking Program, Productive use of Electricity (micro-credit), Safe of use of electricity campaign in all subproject locations and activities;
- (xiii) Propose monitoring indicators to evaluate the impact of the planned activities; support the community-based monitoring by CMB and the internal monitoring by Province Unit of PMB through capacity building and other relevant assistance;
- (xiv) Supporting the Province Unit of PMB in all project planning and implementation tasks and activities as needed; and

- (xv) Supporting the CMBs in all project implementation activities in subproject locations as needed.

CONSULTATION AND PARTICIPATION STRATEGY FOR THE PROJECT IMPLEMENTATION

A. Purpose of the Consultation and Participation (C&P) Strategy

1. According to ADB requirements¹, the borrower/client is required to involve the communities, groups, or persons who are expected to be affected by a proposed project through information disclosure, consultation and informed participation. The scope of this consultation and participation (C&P) should be in proportion to the expected risks and impacts on the affected communities.
2. If the project will potentially have impacts on ethnic minority people, the borrower/client has to *undertake free, prior and informed consultation with affected people to obtain their broad community support of the project, and their informed participation in (a) designing, implementing, and monitoring measures to avoid adverse impact on them, or when avoidance is not feasible, to minimize, mitigate, and compensate for such effects; and in (b) tailoring project benefits that accrue to them in a culturally appropriate manner. Free, prior and informed consultation is an ongoing process and will be started as early as possible in the project cycle so that views of affected people can be taken into account in the project design.*²
3. C&P is a process through which stakeholders' influence and share control over development initiatives and the decisions and resources that affect them. Sufficient C&P is based on an understanding of who the different stakeholder groups are, and systematic engagement of these groups through a C&P plan. Thus, an adequate C&P requires conducting stakeholder analysis and developing a C&P plan. Accordingly, a C&P plan defines which stakeholders should be engaged and how deeply at each stage of the project cycle, taking into account time and resource constraints.
4. The goal of the Consultation and Participation Strategy is to provide a framework for preparing subproject specific C&P plans, in order to ensure the involvement of different stakeholders in all phases of the project planning, implementation and monitoring. It will guarantee that all groups of people who are expected to be involved and affected in the project are informed, that their interests, concerns and needs will be assessed in the project, and that the vulnerability of project affected people will be considered in all project activities.
5. Consultation and participation will be an integral part of the Project, and the costs will be included in the Project Implementation Support and Capacity Building (Component III) budget of the loan. A subproject specific plan for consultation and participation of stakeholders, based on the Project Consultation and Participation Strategy, has to be formulated during each subproject preparation, parallel with the technical design. The extent of the C & P plan is dependent on the subproject scale and the scope of the expected impacts and benefits from the project. Most of the subprojects under the loan are expected not to lead to significant negative impacts such as relocation, however, when a subproject has such effects, resettlement and compensation planning with affected households will be a central part of consultation and participation.

¹ Consultation draft of Safeguard Policy Statement, October 2007.

² Attachment C, p.25.

B. Steps for Preparing the Subproject C&P Plan

6. Subproject specific C&P Plan will be prepared following the subsequent steps of:
- (i) Identification and analysis of different stakeholder groups:
 - Interests of different stakeholder groups
 - Most important stakeholder groups
 - Who are the vulnerable stakeholders
 - How different stakeholders will benefit from the project
 - Which stakeholders will be negatively affected by the project
 - Capacity and resources of different stakeholders
 - Mandates or formal authority of different stakeholders
 - (ii) Defining which stakeholder groups will be engaged in C&P process based on the identification
 - (iii) Defining which decisions need to be made through the C&P and how
 - (iv) Planning extent of stakeholder engagement at each stage of the project cycle
 - (v) Planning methodology of C&P for involving the different stakeholder groups at each stage of the project cycle
 - (vi) Planning timeline for C&P
 - (vii) Defining roles and responsibilities for conducting C&P
 - (viii) Defining expected outputs and recording of C&P
 - (ix) Cost plan and budgeting for C&P implementation

C. Identification of different stakeholder groups

7. During the detailed design phase of each subproject, a stakeholder analysis will be conducted in order to identify all the different stakeholder groups, initially define their vulnerability profiles, and estimate project impacts, both positive and negative, on each group of stakeholders. This analysis will ensure that all groups of people that are significantly affected by the project are included in the detailed C&P plan, and that the plan is designed to meet the needs and capacity of the major stakeholder groups.³ Major focus in stakeholder involvement will reasonably be on the project area inhabitants who will be affected of the project implementation activities, and who also will be the major beneficiaries of electrification.

8. The Stakeholder analysis should initially assess the following potential stakeholder categories in order to ensure that all relevant groups of stakeholders are recognized in the C&P Plan:

- (i) Village and Commune Level
 - Project affected households, both men and women, from different wealth categories; poverty, vulnerable and female-headed households need to be paid special attention to
 - Local producers and business owners from different income generation branches
 - Community-based organizations (if any)
 - Mass organizations (Women's Union, Farmers' Association, Youth Union, Fatherland Front)

³ Key questions for identifying different stakeholders interests are seen in *Tools for applying C&P*, Ch.6 in *Strengthening Participation for Development Results: A staff guide to consultation and participation*, ADB April 2006.

- Traditional leaders
- CPC representatives
- Representative staff of gov. service providers (health, education, agricultural extension) and private service providers (if any)
- (ii) District level
 - DPC
 - Representative staff from relevant Governmental offices
 - Ethnic Minority authority representative (if relevant)
 - District health care representatives, especially from Preventive health care unit
 - Mass organization representatives (Women’s Union, Farmers’ Association, Youth Union, Fatherland Front)
 - Representatives from private business and service providers with interests in the project area
- (iii) Province level
 - PPC
 - Representative staff from relevant Governmental departments: DOIT, DPI, DARD, DONRE, DOFA
 - CEM and Ethnic Minority Office (if relevant)

D. Methodology for C&P to Ensure Stakeholder Involvement

9. Planning of the methodology and tools for a subproject C&P to ensure the full involvement of the project-affected people will be based on the identification of different stakeholder categories and an analysis of their interests, needs, roles and vulnerability as well as the anticipated project impacts on them.

10. All project activities that will potentially impact on the local communities in the project areas have to be consulted with identified local stakeholders, and conditions have to be prepared for their full participation throughout the project in all its phases. Consultations have to involve both formal commune and village leaders and the traditional ethnic minority leaders in ethnic minority communities, as well as community-based organizations (if any exist). Participatory village meetings and focus group meetings in relevant smaller groups (for example, men, women, youth, farmers, business owners, governmental officials) will be organized in order to ensure that all local people have full awareness and understanding about the project content. These meetings need to be regular and scheduled to follow set milestones throughout the project phases. It is crucial to invite all project-affected people to the meetings, and especially encourage participation of women and of the most vulnerable households. Many ethnic minority people in remote communes, especially women, are not fluent in the Vietnamese language and their reading skills are limited. It is therefore crucial that all information and communication with ethnic minority people will take place in their own language, at a level that is understandable for them and in a manner that is culturally appropriate and will encourage their active involvement.

11. At the commune level a Community Management Board (CMB) will be formed, consisting of the Commune leader, village leaders, male and female representatives from the mass organizations and the field staff of the Project NGO. Chairpersons of the CMB will participate in regular consultations and meetings with the Province Unit of PMB during the

detailed design and implementation of the project. PMB has to set up routines and a schedule for regular dialogue with set milestones with the CMB. Issues raised and decisions made at these meetings are requested to be recorded, and copies of these minutes of meetings be kept and be available for the local people in the commune office. In ethnic minority communes the province level Ethnic Minority Office and/or relevant staff dealing with ethnic minority issues at the district office may support this communication. Regular dialogue with village-level stakeholders will ensure that all concerns, conflicts and grievances can be expressed and assessed in a timely manner.

12. All the meetings with local stakeholders have to be recorded and summarized, and the results be brought into project planning and for adjusting activities whenever needed. The protocols have to be kept in the project archives.

13. All draft documents and plans, including an assessment of potential impacts that may arise during and after project implementation also have to be made permanently available for the local stakeholders through posting them up both at the commune office and in a suitable point in each involved village.

14. The aim of the consultations is that all local inhabitants who are expected to be impacted by the project will be properly and timely informed about the project, its scope, implementation schedule and activities, as well as impacts on the local community. They will gain knowledge about the benefits and opportunities of electrification, and what kind of support is available (such as micro credits) for them to take new opportunities. Proper and timely information is a prerequisite for the local people, especially in ethnic minority communities, to fully understand and participate in the project in all different phases and also be able to benefit from the electrification effects.

15. If the subproject implementation will lead to land losses, loss of assets, and/or relocation, the affected people have to receive timely information about the planned procedures. Province Unit of PMB has to provide the affected people with assistance to fully understand their rights to compensation and grievances, as well as of the compensation and grievances procedures. Individual consultations are required to be arranged with each affected household, their losses have to be identified and their expectations brought into the detailed resettlement and compensation planning.

E. Recommendations for Institutional Arrangements Enhancing Bottom-up Participation of Local Stakeholders

16. Province Unit of PMB will have responsibility to prepare a timely subproject C&P plan, and to follow it accordingly in order to ensure that free, prior and informed consultations with all relevant and central stakeholders are carried out in all phases of the project cycle.

17. All C&P has to take place in a culturally appropriate way and to be sensitive to local culture and traditions. It is important early in the project cycle to involve local institutions and organizations, like traditional leaders, community-based organizations, mass organizations, local leaders and People's Committees. The role and responsibilities of each representative body and individual need to be clearly stated in the C&P Plan.

18. Community Management Board (CMB) will be the representative of the local people and ensure communication between the local people and the Province Unit of PMB. Funds for CMB will be included in the project budget. CMB or its representatives will participate at any relevant commune and district level meetings concerning the project, and share the information with the villagers, especially in subprojects with many and scattered villages. Province Unit of PMB and CMB are required to set up agreed routines and timeline for their regular dialogue and meetings throughout the project cycle.

F. Recommendations for Community-Based Monitoring and Grievance Procedures

19. One of the tasks of the CMB is to function as a community-based monitoring supervisory group to ensure a proper implementation of project activities according to the project plans and following the agreements with stakeholders. Province Unit of PMB will have the overall responsibility for the monitoring, and the Project NGO will ensure appropriate capacity support to CMB and the local communities for monitoring of the activities. If the subprojects are taking place through ordinary governmental budget, monitoring of project performance could be coordinated with the SEDP monitoring in cooperation with the Fatherland Front.

20. Grievance procedures have to be set up in a way that ensures local stakeholders to take up any issues they consider not to follow the project plan and agreements in an appropriate way. If any beneficiaries of the project are not satisfied with deliveries or compensation received or any other issue, CMB should mediate in claiming through the CPC to the Province Unit of PMB. Complaints should be assessed and negotiated into a solution between the Provincial Unit of PMB and the CPC. However, if a conflict is not solved amicably, it should be taken to the Project Steering Committee (SC) under the PPC.

G. Summary Checklist for Participation and Consultation of Stakeholders

21. Involvement of stakeholders is required to be monitored throughout the different project phases. The following stepwise check-list may ensure that a proper C&P plan has been prepared and followed, and that different stakeholders have been involved in all stages of the project:

- (i) Stakeholder identification and analysis conducted?
- (ii) Consultation and participation plan prepared involving all major stakeholders?
- (iii) Methodology chosen that ensures bottom-up stakeholder involvement?
- (iv) Informed consultations conducted with all chosen stakeholder groups?

- (v) Consultations have been gender balanced so that both men and women have been consulted?
- (vi) Feedback from stakeholders brought into project planning and implementation?
- (vii) Stakeholder consultations summarized?
- (viii) Grievance procedures prepared in cooperation with stakeholders?
- (ix) Community Management Group formed in a representative way and is functional?
- (x) Monitoring of the project performance conducted involving stakeholders?