

Water Financing Partnership Facility
RETA 6498: Knowledge and Innovation Support for ADB's Water Financing Program

PILOT AND DEMONSTRATION ACTIVITY

Activity Title: Strengthening the Benefits Sharing Mechanism for People Adversely Affected by Hydropower Generation Projects in Viet Nam	
Proposer: Benefit Sharing Council	
Request Date: 23 November 2009	
Country: Viet Nam	Region: Southeast Asia
Activity Proposed Start Date: 15 December 2009	Activity Proposed Duration: 3 months
Cost Estimate: USD 50,000	

A. Background and Rationale

1. Viet Nam's Power Sector Master Plan for 2000-2010 emphasizes the importance of developing hydropower along with other power generation technologies. This is mainly due to abundant water sources in the country and hydroelectricity is cheaper per KWH than electricity generated from fossil fuels. The availability of electricity at lower prices to consumers has spurred economic growth and significantly reduced the overall poverty. However, in some provinces, such as Lai Chau and Son La and in Central highlands, where some large hydropower projects are located, the poverty rate is significantly higher than the national average. About 50% of ethnic minorities (about 13% of the country total population) who are mostly inhabitants of the mountainous areas still live below the poverty line. Their livelihood is land-based and when these vulnerable population groups are adversely affected by power development projects, the depth of impact and the required assistance for long-term livelihood restoration are significant.

2. Against this backdrop, TA 4689-VIE: Developing Benefits Sharing Mechanisms for People Adversely Affected by Power Generation Projects was prepared and approved in 2005. It is aimed at developing an institutional and policy framework for sharing part of the economic benefits of hydropower projects with the communities directly or indirectly affected for their socio-economic development and to mitigate long-term environmental impacts. The scope of the TA included: (i) a review of prevailing regulations, legislation, and other policies affecting benefit sharing with affected people, (ii) preparing guidelines for implementing a benefit sharing mechanism for Viet Nam, taking into account the views of stakeholders, and prevailing practices, and (iii) preparing a detailed work plan to implement the proposed guidelines for a selected hydropower project.

3. The TA was implemented with the Electricity Regulatory Authority of Viet Nam (ERAV) as the implementing agency and the Ministry of Industry and Trade (MOIT) as the executing agency. A rapid appraisal of three hydropower projects was undertaken to ascertain the relevance of benefit sharing in the context of Viet Nam. Based on the findings, guidelines were prepared so that benefit-sharing could be institutionalized which the Government has agreed to do through an official decree to be issued by MOIT in 2010 under the provisions of the Electricity Law. The government has requested ADB to help in piloting the proposed guidelines in A Vuong Hydropower Project and in drafting the decree.

4. In response, a major change in scope of TA 4689 was processed in May 2008 to pilot the proposed guidelines in the context of A Vuong Hydropower Project and to finalize the proposed decree based on the lessons learned from the pilot test. Specifically, the activities to be undertaken under the major change in scope include: (i) overseeing the field testing of the guidelines to introduce benefit sharing mechanisms on hydropower projects in Viet Nam in the context of A Vuong Hydropower Project in Quang Nam Province, (ii) formulating Viet Nam's strategy to scale up implementation of benefit sharing mechanisms nationally to existing and future hydropower projects, (iii) confirming procedures for incorporation of benefit sharing measures in early stages of power sector planning and development as the power industry is restructured and reformed, and (iv) interpreting results of the pilot study for policy development and framing appropriate legal instruments and regulations.

5. Under TA 4689, the institutional arrangements for the benefit sharing were established in Quang Nam province, a process for the implementation of benefit sharing was developed from pilot activities and the draft decree on benefit sharing is presently under revision. The main outcome of the TA will be a Decree on Benefit Sharing for national implementation in 2010. The focus of this PDA is developing mechanisms at provincial level in preparedness for the effective implementation of the decree. The main outcome of this PDA will be flexible modalities that can be adapted to prevailing conditions in any province. The focus of the PDA will be strengthening the institutional arrangements in Quang Nam, capacity development of benefit sharing institutions, capacitated benefit sharing institutions supporting community development, integration of benefit sharing into the Vu Gia Thu Bon RBO and public campaigns on effective management and production models.

B. Objective

6. This PDA seeks to demonstrate that strengthening the benefit sharing mechanism at provincial level improves the impact and sustainability of benefit sharing investment funds. Through this PDA the Benefit Sharing Council aims to strengthen the institutional arrangements and the capacity of benefit sharing institutions including the Benefit Sharing Council itself, the Fund Management Board and district and commune leaders and officials in affected areas. During pilot activities benefit sharing institutions were established and these need to be assessed and revised, if necessary. Other institutional models for benefit sharing were identified during the pilot process. Capacity development will be provided on issues such as markets for the poor, sustainable ecological and environmental management, integrated water resource management, renewable energy, value chain analysis and income generation for the poor ethnic minority groups. Public campaigns will be conducted so communities access information about the management and production models.

7. After capacity development, the Benefit Sharing Council will conduct a consultation process with stakeholders including the community and decide production and management models to demonstrate in the area affected by A Vuong hydropower station. The focus will be community development and so PDA funding will be concentrated on supporting mass associations, cooperatives and community based organizations (CBOs) of 5-10 households. This builds on and strengthens the outcomes from the pilot phase supported by TA 4689 where the Benefit Sharing Council focused investment support to household level.

8. The project has been designed in close consultation with the Benefit Sharing Council and Fund Management Board in Quang Nam. In the short-term, the PDA will improve benefit sharing in the area affected by the A Vuong hydropower station. In the medium-term the PDA

will help Quang Nam develop practical and sustainable benefit sharing institutions and the capacity to develop effective strategic plans for benefit sharing in all hydropower stations in the province. In the long term, the PDA will outline a flexible benefit sharing model and mechanisms that can be adapted by other provinces in Vietnam and other countries.

C. Scope and location of Work / Description of Activities

9. The PDA will be implemented in the A' Vuong hydropower project, Quang Nam province, and specifically in Ma Cooh and Dang communes in Dong Giang and Tay Giang districts, respectively. These two communes were pilot communes under TA 4689 and so additional provincial approval is not required to conduct PDA activities. Activities undertaken by this PDA include the following:

- Institutional assessment of pilot benefit sharing institutions and revisions if necessary
- Capacity assessment of key stakeholders including the Benefit Sharing Council , Fund Management Board and relevant stakeholders from government and mass associations at district and commune levels.
- Conduct training workshops for provincial, district and commune stakeholders
- Conduct a public campaign in the two communes so communities access information on models
- Training on the establishment of community based organizations (CBOs)
- Mass associations and CBOs select models and after approval receive training on carrying out the models.
- Develop an M&E system so that the Benefit Sharing Council monitors the implementation of the models

D. Implementation Schedule

10. This PDA will be implemented over a period of 3 months. The detailed implementation plan is shown below:

Activity / Milestone	1	2	3
Inception meeting with the BSC and FMB on PDA objectives, outputs	X		
Institutional assessment	X		
Capacity development plan discussed prepared	X		
Training workshop for provincial, district and commune stakeholders	X		
Training workshop for provincial, district and commune stakeholders		X	
Training workshop for provincial, district and commune stakeholders		X	
Develop M&E system		X	
Public Campaign and training on CBOs		X	
Mass associations and CBOs receive training on selected model			X
Mass associations and CBOs carry out selected model			X
M&E system started			X
Final meeting to assess lessons learnt and next step			X

E. Institutional Management Arrangements

11. The Benefit Sharing Council (BSC) will serve as the PDA implementing agency. The BSC assists the Provincial People's Committee (PPC) in making, and organizing the

implementation of all forms of benefit sharing related to the hydropower project. The BSC reports to the Quang Nam PPC and supervises the Fund Management Board (FMB) in awarding the grants. With non-monetary benefit sharing types, the BSC processed the applications in terms of entitlement in A'Vuong project area and electricity access.

12. Decisions made by the BSC are reported to the PPC according to procedures outlined in the Fund Charter. The Fund Charter was developed by the BSC with assistance from consultants and approved by the PPC as part of TA 4689. The BSC establishes the conditions for the allocation of grants to eligible people in communities and approves grants based on the evaluation by the Fund Management Board (FMB). It also has the responsibility to process applications for non-monetary types of benefit sharing.

13. The BSC has the following membership:

- The vice-chair of the PPC is the BSC Chairman;
- The director of the Department of Finance (DoF) and Department of Industry and Trade (DOIT) are the Vice-Chairmen
- Representatives from provincial departments and mass associations including Committee of Ethnic Minority, DONRE, DARD, DOLISA;
- Representatives from the Vu Gia- Thu Bon River Basin Organisation;
- Representatives from Provincial People Council;
- Leaders from the three affected Districts People Committee;
- Leaders of some of the affected communes;
- Director of A'Vuong Hydropower plant.

14. The FMB is the interface between BSC and project affected people. It played a key role in implementing the pilot activities and functions as the Secretariat for the BSC. The FMB facilitates BSC meetings, manages the fund, specifies the affected communes, clarifies the communities who are eligible for grants, develops the criteria for evaluation, evaluates applications, disburses grants, monitors the usage of grants and reports/accounts to the BSC. During the pilot TA 4689, the FMB is under DOIT in the existing Industrial Projects Management Board and includes some experts from DARD, DONRE and DOLISA. The head of FMB is the vice-chairman of BSC. TA 4689 used DOIT's financial accounting system, which is the government's accounting system. The membership of the FMB includes the following:

- Mr. Nguyen Quang Thu, deputy director of DOIT is expected to be the head of pilot PMB;
- Mr. Do Thi, Manager of Electricity Management Division is the vice-head of pilot PMB;
- Ms. Tran Thi Thanh Thuy from Electricity Management Division is the pilot PMB coordinator.

15. During TA 4689, the Fund Management Board evaluated applications and accounted for funds in compliance with criteria/standards specified by WWF under its BCI and WAP projects.

F. Proponent Qualifications

16. The Benefit Sharing Council was established by the Provincial People's Committee and uses the legal status of the PPC to approve decisions. The BSC is a non-profit government body and has the official capacity to supervise the FMB and the implementation of demonstration activities in affected areas. The membership of the BSC includes key department heads and mass associations. Commitment and political willingness to strengthen benefit

sharing mechanisms is high. The BSC opened a dedicated bank account in a government bank to hold benefit sharing funds. The FMB is staffed by people with good financial management skills. All financial activities during the pilot phase were transparent and accountable.

17. The BSC and FMB have conducted one round of grant disbursements to nearly 500 households already. The reporting, monitoring and financial systems are in place and have worked effectively and efficiency.

18. An international institutional development expert (Tim McGrath) will be providing expert support to BSC in the implementation of the PDA. Tim McGrath is an institutional and development consultant with over 17 years experience working in Vietnam. During the implementation of TA 4689 he supported national and provincial stakeholders develop institutional arrangements, and carried out a consultation process to develop a process to carry out the benefit sharing mechanisms.

G. Expected Results (outputs/outcomes/effects/impacts):

Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> • Capacity development plan • Trained Benefit Sharing Council, Fund Management Board • M&E plan • CBOs established • Trained CBOs and mass association on management and production models • CBOs and mass associations carry out models 	<ul style="list-style-type: none"> • Integration of training into Benefit Sharing Council decision-making and strategic planning • Increased organizational capacity on new management and production models • Models effectively carried out by CBOs and mass associations 	<ul style="list-style-type: none"> • Improved benefit sharing for communities in 2 communes in affected area of A'Vuong hydropower station • Improved benefit sharing for all hydropower stations in Quang Nam • Improved benefit sharing for hydropower stations in Viet Nam

H. Measurable Performance Indicators:

Time Scale	Area of Interest	Indicator
Month 1	Benefit Sharing Council and Fund Management Board commitment to PDA activities	Inception meeting hosted by Benefit Sharing Council and Fund Management Board capacity development plan developed
Month 2	Increased capacity in Benefit Sharing Council and Fund Management Board	2 training workshops conducted M&E plan prepared
Month 3	Increased community	Public campaign conducted

	awareness	CBOs established Final assessment meeting hosted by Benefit Sharing Council and Fund Management Board
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I. Stakeholders Participation:

19. The BSC will supervise demonstration activities conducted under the PDA and receive regular updates from the FMB. The BSC will approve applications submitted by CBOs and mass associations according to a transparent criteria. The BSC will issue the invitations for the two training workshops supported the PDA and approve the materials for the public campaign.

20. The FMB will facilitate the implementation of demonstrated activities conducted by the PDA and ensure that the rules and regulations outlined in the Fund Charter are followed. This Fund Charter was developed during TA 4689 and provides information about illegibility and illegibility, application and approval process and resolving problems and complaints.

21. The leaders and officials from the two communes will help implement the public campaign and circulate information on the management and production models, promote the development of CBOs, and facilitate the application process.

22. The international consultant will conduct the institutional and capacity assessments and provide advice on the content for the training workshops; help organize speakers for the training workshops and participate in workshops; in consultation develop a M&E plan; support the BSC and FMB prepare the public campaign; monitor the development of CBOs; and monitor the approval process and disbursement of BS funds.

J. Scope for Replication/Use in Other Countries:

23. There is significant scope for replication of the outcomes of PDA in Quang Nam, Vietnam and other countries. The PDA strengthens the institutional arrangements and capacity of provincial level and below to implement a national decree on benefit sharing. Initially, the PDA builds on pilot activities conducted under TA 4689 to improve benefit sharing in the area affected by the A Vuong hydropower station. The management and production models that will be demonstrated in the communities will be replicated by other local groups and associations in the communes and districts. Lessons learnt from the PDA will help Quang Nam develop practical and sustainable benefit sharing institutions and the capacity to develop effective strategic plans for benefit sharing in all hydropower stations in the province. The PDA will outline a flexible benefit sharing model and mechanisms that can be adapted by other provinces in Vietnam to carry out the decree on benefit sharing, which is expected to be issued by the government in 2010.

24. In South-East Asia, Vietnam is leading the way in developing effective and sustainable benefit sharing mechanisms and implementation process. Neighbouring countries such as Laos and Cambodia which are also rapidly developing their hydropower industries could easily adapt the lessons learnt in Vietnam for their own benefit sharing purposes.

K. Cost Estimates

Expenditures	Amount
Consultants/Specialists Services and related expenses <ul style="list-style-type: none"> ▪ Remuneration <ul style="list-style-type: none"> - International institutional development specialist @453 USD per day for 15 days - National community development specialist @ 60USD per day for 15 days ▪ Per Diem @ 75 USD per day for 15 days ▪ Travel Costs (air, car hire and taxi) = 1,200 USD ▪ Insurance for international consultant = 100 USD 	10,120
Demonstration models conducted by CBOs and mass associations (See note below) 10 – 15 models X 2,000 USD – 3,000 USD per model	30,000
Training, workshops, public campaigns, conferences: 2 X stakeholder training workshops = 6,000 USD 1 X public awareness campaign = 2,000 USD 3 X training workshops for CBOs and mass associations = 1,400 USD	9,400
Contingency	480
Total	50,000

Note on Demonstration Models: From initial research, the BSC estimates that it is necessary to conduct 5 to 8 different management and production models in each of the two communes to adequately demonstrate links in the value chain, different produce for developing markets for the poor, and sustainable environmental management. These models will include but not be limited to fish raising, pig, chicken and cattle farming. Income generation production models will also include papaya, honey, medicinal herbs and specialized vegetables.

The BSC and FMB estimate that each model will cost between 2,000 USD and 3,000 USD depending on the cost of inputs. The FMB also estimates that this level of investment for each model is necessary so they demonstrate a scale of production that is practical and sustainable in the communities. The exact number and type of models will be determined after the public awareness campaign on the different models.

PDA funds will be used to purchase specific inputs for each of the models. For example, funds will be provided to purchase a number of pigs for the pig production model. Other inputs such as pig feed and the construction of a pig sty will be provided by the implementing CBO or mass association. For fish raising, PDA funds will be used for the construction or rehabilitation of ponds and the purchase of small fish or fingerlings. Other inputs such as fish feed will be provided by the implementing CBO or mass association. For special medicinal herb production, herbs will be collected from the forest and grown in hothouses and nurseries paid for by the PDA. Other inputs such as land and labour will be provided by the implementing CBO or mass

association.

The District and Commune People's Committee will have the responsibility for the CBOs and mass associations. Documentation to allocate funds to CBOs and mass associations will be countersigned and officially stamped by the District and Commune People's Committee, and the FMB. The Commune People's Committee will directly monitor the CBOs and mass associations to ensure funds are used for their intended purpose. Any wrongful use of funds will be reported to the FMB. The Fund Charter outlines provisions for the settlement of these cases.

The PPC will be responsible for the funds for the demonstration models. The BSC will supervise the use of the funds. A dedicated BSC bank account in a government bank will be used for transactions. This account was established for TA 4689 and funds were deposited into the account by WWF. The FMB will be responsible for the management of the funds and ensure that GoV and ADB accounting procedures are followed.