

INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Socialist Republic of Viet Nam Project Title: Distribution Grid Development Sector Project for Viet Nam Power Corporations

Lending/Financing Modality: Sector Modality Department/Division: SERD/SEEN

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Viet Nam's economy has grown steadily (gross domestic product [GDP] annual growth rate averaged 6.5% from 2005 to 2015) with a GDP of \$191.5 billion in 2015. During 2005–2015, GDP per capita increased from \$699 to \$2,109. Population living below national poverty line was 13.5% in 2014. Economic growth naturally demands more electricity and other forms of end-use energies and above economic growth was accompanied by: (i) growth of national electricity consumption from 45.6 terawatt-hours (TWh) to 128.4 TWh (12.2% annual growth); and (ii) growth of per capita electricity consumption from 549 kilowatt-hours (kWh) to 1,415 kWh. The growth was also due to the dramatic increase in the household electrification rate from less than 50% in the early 1990s to 98% by 2014. Demand for electricity is expected to grow at a similar rate in the demand in next 15 years and power consumption is projected to reach 500 TWh by 2030.

The government is committed to develop the power system in a suitable manner as power supply is one vital prerequisite to sustaining economic growth, and expanding employment and income-generating opportunities contributing to poverty reduction. In the government's Socioeconomic Development Plan 2011–2015 (SEDP), the government recognizes the importance of expanding power sector infrastructure to meet growing demand and thus sustain socioeconomic growth through continuous industrialization and commercialization. The country partnership strategy 2012–2015 of the Asian Development Bank (ADB) supports SEDP. The Viet Nam Energy Sector Assessment, Strategy, and Road Map recognizes the strategic importance for ADB of continuing to support the power sector and strengthening the transmission and distribution grid to ensure a reliable and efficient power supply to all consumers. The project is also in line with ADB's Midterm Review of Strategy 2020: *Meeting the Challenges of a Transforming Asia and Pacific* (2014, Manila), which emphasizes the need for inclusive economic growth and infrastructure development in middle-income countries.

The distribution networks operated and maintained by power corporations of Viet Nam Electricity (EVN) presents several constraints in supplying adequate, safe, reliable and efficient power supply at present. Hence existing distribution networks need to be upgraded to address the constraints and same needs to be expanded to meet the future power demand. The project will upgrade and expand: (i) 220 kilovolt (kV) and 110 kV distribution networks; and (ii) medium voltage distribution networks of different voltage levels ranging from 35 kV to 6 kV. Project locations are countrywide urban and key industrial areas. The project will support provision of reliable and efficient power supply for industrialization, modernization, and economic development countrywide. Given the importance of reliable power supply to support the economy and reduce poverty, ADB's support to the project is essential to ensure sustainable economic growth.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The project will provide more reliable and efficient electricity supply and it also foster the country's efforts in providing sustainable energy for all which is a key service necessary for sustainable economic growth and poverty alleviation.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Less than 1% of households in the peri-urban areas have per capita household incomes of less than D600,000 per month, but the cost of living has increased significantly since 2010 and most households are sensitive to increases in basic living expenditures. While these peri-urban areas offer a significant range of income-generating opportunities, the higher-value opportunities are generally contingent on a more reliable supply of electricity. The project does not involve tariff reform, but includes an assurance by the government to continue its social safety measures for the lower-income consumers. Urban and peri-urban consumers including industrial, agricultural, commercial, and domestic are all potential beneficiaries from the continuation of existing social safety related programs.

2. Impact channels and expected systemic changes. The project does not deal with the higher costs arising from the expansion of generation, transmission, and distribution capacities—which will necessitate gradual increases in electricity tariffs—most households do not consider tariffs to be the major issue. It is rather the unreliable supply of

power that worries them because it hampers household-based and income-generating activities. Poor and vulnerable groups will benefit from improved electricity supply because it will boost economic activity and in turn create more systematic and better income-generating opportunities for these groups, given that higher-value income generation hinges on the use of electricity.

3. Focus of (and resource allocated in) the PPTA or due diligence. Under the PPTA, in coordination with key development partners, Ministry of Industry and Trade, EVN and Power Corporations, assessments will be undertaken which will include (i) the viability of various projects under the sector loan; (ii) technical aspects including design, quality, quantity, and unit costs; (iii) financial and economic feasibility; (iv) environmental and social safeguards; (v) fund flow mechanisms, project reporting; (vi) procurement procedures; and (vii) other aspects which may be considered relevant and appropriate to the project.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project?

Women have capacity to meet their families' basic needs through income-earning activities while attending to other family needs. Reliable, sustainable, and affordable supply of electricity will significantly improve the productivity through lower production costs and increased revenue of home industries, businesses, and other enterprises run by women. Therefore, provision of reliable power supply can alleviate women's activities.

2. Does the proposed project have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

While provision of electricity is identified as a critical input for women's activities, the project aims at improvement of the distribution infrastructure for the electricity to be supplied to the population irrespective of gender and benefits will be generalized, allowing very little opportunity for gender design features. Therefore, it is not foreseen that the project will specifically promote gender equality or empowerment of women.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

Strengthening of the power distribution networks will impact positively on the population as a whole in a generalized manner, but will not have a direct gender impact nor widen gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Main stakeholders are the national and local governments, EVN and four power corporations. Beneficiaries include all classes of electricity customers.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? The stakeholders will be consulted through meetings, interviews and surveys in order to increase awareness about the project and seek inputs to the project. Consultation with the poor, vulnerable and excluded groups will focus on issues associated with environment, involuntary resettlement, if any, and other social issues that may affect them.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?
 Information generation and sharing Consultation Collaboration Partnership
 Because the social benefits of the project are primarily indirect, civil society organizations (CSOs) relevant to social impact and development will have a limited role in the project; if any such CSOs express interest in being involved, the project will make sure information flows are fully transparent and will seek their advice as appropriate.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

The program does not foresee large scale involuntary resettlement or land acquisition because the upgrading of

<p>distribution lines are already owned and managed by regional power companies and new extension of distribution lines will be installed normally along the roads. All affected persons will be consulted during the PPTA.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input checked="" type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input checked="" type="checkbox"/> Indigenous peoples plan <input checked="" type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p> <p>The impacts on indigenous peoples are not envisaged, however impacts will be evaluated in the PPTA to ensure that if indigenous peoples are impacted, they will be consulted, compensated, and able to seek grievance redress.</p>
<p style="text-align: center;">V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>(a) Creating decent jobs and employment: The project will contribute to the national economy through and generating additional employment as a result of expanded supply and reliability of electricity supply. Factories will be able to operate with greater certainty, for more hours per day, thereby increasing productivity; (b) affordability: the project will support the government's medium term plan to provide universal access to electricity nationwide.</p>
<p style="text-align: center;">VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>1. Do the terms of reference for the PPTA (or the due diligence) contain key information needed to be gathered to better analyze (i) poverty and social impact; (ii) gender impact; (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Social safeguards experts (one international position of two person-months and national positions of five person-months) will be recruited under the PPTA.</p>

Source: Asian Development Bank.