Innovative Financial scheme for sustainable development of Renewable Energy project in Rural Areas in Vietnam, Philippines and Indonesia (IFRERA) – Project 69

Supported by the ACE through the EC – ASEAN Energy Facility

Newsletter N°3: Social impact assessment in Vietnam

Editorial

Welcome to the third newsletter of the IFRERA project. IFRERA is a collaborative effort between IED (France), ETC (Netherlands), ADEME (France), IoE (Vietnam), MBA (Philippines), and the local authorities and investors in the concerned countries. This newsletter will focus at a social impact assessment, that has been undertaken as part of the Vietnam small hydro power development. This assessment was carried out by the Vietnamese Research Center for Energy and Environment, in cooperation with ETC, at Krong Pa 2 site (Gia lai province).

Picture 1: villagers watching television in the Rong House in Kon Lanh village, by RCEE

Why do a social impact assessment?

In Vietnam, by law, social impact assessments are integrated in the obligatory environmental impact assessment, when hydro power projects are concerned. In practice, this means that an EIA often only discusses social impacts that have to do with land use for the construction of the SHP (compensation fees, resettlement issues).

Access to electricity alone does not bring poverty reduction

In the IFRERA project it was decided to carry out a separate, more entailing social impact assessment, which would not only focus on land use issues, but also on the impacts of the electricity provision itself. By doing this, IFRERA aims to give recommendations to design the SHP project in such a way that it will lead to improvements of the livelihood of the local people, which is the main goal of the project. The following two main objectives of the social impact assessment were identified:

- to determine what impacts can be expected from the provision of electricity, in terms of poverty reduction
- to determine which additional measures should be taken to make the impact of the electricity provision as positive as possible.

Both in-depth research and anecdotal experiences have shown that the provision of electricity does not automatically lead to poverty reduction. Light may lead to evening education at schools, provided that there are instructed teachers available. Electricity might enable businesses to use electrical equipment, but without access to credit facilities they are not able to buy these. The social impact assessment in Vietnam has tried to identify concrete parallel actions, that should be taken to enlarge the positive sides of the impact of the electricity provision on the local people.

Methodology

In order to be able to determine the potential impacts of the electricity provision, two similar villages nearby to the Krong Pa 2 site were selected: Kon Lanh (was connected to the grid Feb 2004) and Ha Dung 2 (no electricity connection yet). The two villages are situated near to each other and, besides from the fact that Kon Lanh is situated nearer to the community center, they are similar in characteristics.

In both villages interviews were carried out with households, businesses, Women's Union and the Youth Union.

Picture 2: Interview with the Women's Association in Ha Dung 2 by RCEE

The livelihood changes that had found place in Kon Lanh after the electricity connection was established were used to formulate the expected impacts in Ha Dung 2

For the interviews and the analysis of the results, the livelihoods approach was used as a framework. The livelihood approach is a concept that focuses foremost on people. It seeks to obtain an accurate understanding of people's strengths and how they convert these into livelihood incomes. It approaches people's livelihood as a whole, comprising of all capabilities, assets and activities that are required for a means of living.

Definition: a livelihood

"A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation: and which contributes net benefits to other livelihoods at the local and global levels in the long and short term."

DFID SL Guidance Sheets, 1999.

Main uses of electricity

Below you can find a summary of the perceived impacts in Kon Lanh village:

Lighting in and around the houses

- making it easier for old people to go to toilet which is always located outside the house (if any)
- expanding working days: getting up earlier and going to sleep later
- used as decoration for weddings and festivals

Television

- the tv weather forecast was used in choosing sowing days
- the agricultural channel on tv has enabled the villagers in Kon Lanh 2 to improve their agricultural methods

Picture 3: Electricity connection to the households in Kon Lanh

Education

Pupils in Kon Lanh 2 village enjoy a better education environment with sufficient lighting and heating in the winter as well as electrical fans in summer.

Environment

By replacing the use of fuel wood for both lighting and cooking by electricity, tons of fuel wood has been saved.

Better life?

Although the interviews and the perceived impacts show that the villagers in Kon Lanh feel that they better off after the provision of electricity, the situation is not as positive as suggested. Up to now, electricity has only been used for consumptive purposes and the demand for electricity for productive purposed has not grown. This means that the average income of the villagers (one aspect of poverty) has hardly increased.

The villagers of Kon Lanh are still using diesel oil for rice milling and none of the villagers or micro businesses have invested in new equipment or electrical tools. The reason for this might be either lack of awareness for new opportunities or lack of investment capacity. The Youth Union in Ha Dung 2 has expressed the intention to start a mechanical workshop for repair of agricultural equipment after the provision of electricity. However, they also indicated that they at this moment lack appropriate financing to set up such a business.

Costs

The total costs of the electricity connection are about 200,000 VND (USD 13.50) for the connection fee and an average amount of 11,000 VND (USD 0.50) per month.

The average monthly income of the villagers in Kon Lanh is 150,000 VND/household.

Comment [TN1]: Or per capita, please check.

These figures show that the electricity costs (and especially the connection fee) is relatively high.

For Ha Dung 2, the situation is worse. First of all, the average income of a household is much lower. Secondly, they now receive governmental support by means of 5 litres of kerosene per person. When electricity lines are constructed, this support will be halted. Instead the villagers will have to pay themselves for the monthly fee. It is expected that the villagers in Ha Dung 2 will not be able to pay for the connection fee, and will continue to use fuel wood and kerosene for lighting in order to cut down on the monthly fee.

Recommendations

Based on the results of the social impact assessment, the IFRERA team recommends the following actions to be taken:

- Provide financial support to the villagers, both for the costs of the electricity provision itself (the connection fee) and for the costs of possible investments.
- Make the electricity provision part of a multidimensional poverty reduction programme: integrate and combine it with other development actions (e.g. education programme, health clinics, business development services etc.)
- Support the setup of a local electric mechanical workshop in Ha Dung 2.

Picture 4: Overview of Ha Dung 2 village

Calendar of activities

19 – 20 December 2005: Training workshop in Hanoi, Vietnam on "Economic Analysis of Sustainable Energy Projects and Programs, using SHP Krong Pa 2 as a case study"

21 December 2005: Team progress meeting focusing on implementation package, Hanoi, Vietnam

March 2005: Training workshop in Indonesia on "Economic Analysis of Sustainable Energy Projects, using SHP Mikuasi, Sambilambo and Ratelimbong as case studies"

Contacts

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This document has been produced with the financial assistance of the European Community through ACE-EAEF. The views expressed herein are those of IFRERA team and its partners, and can therefore in no way be taken to reflect the official opinion of the European Community