**Stakeholder Engagement Plan**

*Vietnam Solar Transition Accelerator (VISTA)*

1. **Introduction**

**Solar could become a game changer for Vietnam as it is already least-cost in most countries, solar resource is widely spread, and PV has a modular and shorter construction timeline than other power plants.** Solar generation can play a critical role from different perspective: (i) climate change, (ii) energy security, (iii) energy access as it is a modular source of energy, (iv) answering fast growing demand as it has short construction timeline, and (iv) local development with industrial integration and community development. Solar PV can help Vietnam deal with its coming power shortage while ensuring it is not dependent on imported fuels.

**Since 2017, the Government of Vietnam is promoting solar and wind through a feed-in-tariff (FIT) policy to mobilize private investments in renewable energy generation**. When the PDP 7 was revised in 2016, prices of solar and wind were still not competitive with fossil production and targets of 12 GW of PV and 6 GW of wind by 2030 were announced. To support the development of solar PV and wind, the Government of Vietnam issued in 2017 a Decision establishing a FIT policy with fixed prices for 20 years power purchase agreements (PPA) of US$ 9.35 cents per kWh for PV and US$ 7.8 cents per kWh for wind which was increased to US$ 8.5 cents per kWh in 2018. The solar FIT policy expired in June 2019. Around 4.5 GW of solar generation was deployed under the FIT before mid-2019, meeting the 2025 PV targets in 2019 and 300 MW of onshore/nearshore wind. Discussion of a solar FIT two are ongoing with prices discussed in the range of US$ 6-9 cents per kWh.

**In the last few years, when promoted under a well-organized competitive tender, solar power reached prices between US$ 2.4 and 5 cents per kWh in developing countries which is least-cost compared to coal in Vietnam**. In 2019, Tunisia, Ethiopia, Uzbekistan, Zambia and Philippines announced PPA prices of US$ 2.44, US$ 2.56, US$ 3.9 and US$ 4.5 cents per kWh, respectively. Those prices are the results of combining steep decrease in capital expenditure (CAPEX) cost, in particular solar module cost, high competition between solar independent power producers (IPPs), the scale of the market and a competitive selection of IPPs. A bankable well-organized competitive selection can attract cost-competitive IPPs and ensure low cost of capital.

**To support the development of affordable least-cost privately-owned PV projects, it is key to (i) design and launch well-organized and transparent competitive biddings, and (ii) provide the right risk mitigation instruments to the private sector.** The World Bank with the French Development Agency (AFD), the International Renewable Energy Agency (IRENA) and the International Solar Alliance (ISA), are working together in a new Initiative to support a sustainable solar deployment leveraging private investments in development countries, the Solar Risk Mitigation Initiative (SRMI) renamed the Sustainable Renewables Risk Mitigation Initiative. Based on a private sector market sounding conducted end 2018[[1]](#footnote-1), the main risks identified by IPPs are (i) off-taker risk, (ii) legal/contractual arrangements, (iii) counterpart expertise in procurement, (iv) grid/risk of curtailment and (v) land availability. Specifically for Vietnam, IPPs identified risk of curtailment, bankability of documents and land availability as the main deployment bottlenecks.

**With the support of the World Bank, the Government of Vietnam decided to officially move from FIT to competitive bidding**. The World Bank is supporting Vietnam to move from its FIT scheme to a competitive bidding. Since 2017, the World Bank conducted upstream work on solar deployment, financed by the World Bank Energy Sector Management Assistance Program (WB-ESMAP), namely the *Solar PV Deployment Strategy* finalized in October 2018, a solar measurement campaign, variable renewable energy (VRE) integration analysis and solar park development, and rooftop solar PV mapping and strategy, and downstream work on solar deployment, financed by the Global Infrastructure Facility (GIF), namely the *Solar Competitive Bidding Strategy and Framework* and the present recipient-executed transaction support. Based on this work, the Government of Vietnam is designing and implementing a solar competitive bidding program to mobilize affordable private sector investment at scale. The Government of Vietnam is currently working on a Prime Minister Decision to officialize the decision to move to competitive bidding.

**However, even if solar and wind are least-cost in most countries today, large penetration of VRE is usually rapidly constrained due to technical and commercial limitations.** The main challenges related to the integration of VRE into the grid are its variable nature, uncertain availability and that it can only produce power during the day for solar. Three issues must be considered when deploying VRE into a grid: (i) the capacity for the generation mix to meet demand at any hour of the year, considering VRE variability; (ii) the economic optimum in terms of power system operating costs, after considering both cost reductions thanks to VRE and the investment costs required for deploying and integrating VRE; and (iii) the limitations of solar PV capacity to maintain grid stability, due to its variability and its limited capacity to contribute to the balancing of demand and generation.

**Investment for grid modernization and upgrade will be required to ensure large penetration of least-cost VRE in Vietnam.** Taking advantage of variable renewable generation requires significant expansion and modernization of electrical grids. Specific technologies and processes may be used to support the gradual transition of power systems into “VRE-friendly” grids that will significantly reduce integration costs in the long term. The penetration of VRE requires power system planning and grid management to adapt to the particular characteristics of VRE. It also requires better forecasting methods and stringent grid code requirements. Grid reinforcements that will support VRE integration (as per the least-cost transmission plan) in Vietnam could include (i) addition or replacement of lines and transformers for grid extension and capacity enhancements (both for answering growing demand and for integrating VRE power), (ii) equipment for smoothing the voltage and frequency issues, such as capacitor banks, battery storage and other reactive power compensators, together with flexible alternating current transmission systems (FACT), and (iii) equipment for faster and more efficient grid operation, such as monitoring systems, demand and production forecasting systems, and automats for controlling generation units and grid operations through automatic generation control with a strong SCADA system.

**Based on the identified development challenges and in particular grid curtailment risks in Vietnam, two deployment schemes, namely substation-based competitive bidding and solar park competitive bidding, were identified as most suitable for the country**. These schemes seek to address the key constraints faced in Vietnam, namely grid availability, risk of curtailment and complex land allocation. Both schemes aim to reduce the development risks perceived by IPPs, thus reducing the risk premium in the cost of capital and reduce the cost of integrating the solar generation into the grid for EVN. The main outcome expected is a reduced PPA tariff proposed by developers. More precisely:

1. **Under the substation-based competitive bidding scheme**, the government identifies substations with available MW capacity, and a certain MW capacity at each substation is opened for bidding. It helps optimize the use of existing transmission capacity in the deployment of solar projects, reducing the potential cost to integrate them. It can proactively drive grid investments needed for new VRE generation. Under that scheme, the IPPs are responsible for selecting the land. Therefore, they are responsible for the environmental and social impacts and need to follow, at minima, the Vietnamese regulation.
2. **The solar park concept**, with pre-arranged comprehensive de-risking measures (that is, land, power evacuation and permits secured), would contribute to reach fully cost-effective electricity tariff. The government identifies the site(s), conducts land clearance, and constructs infrastructure for the solar park that can range from the evacuation line to basic elements (such as the fence, roads, street lighting, etc.). The government conducts the environmental and social assessment as well as the geotechnical studies and acquires the environmental permit prior to bidding to provide to the selected IPP full comfort that the sites are environmentally and socially sound. Once the project is ready for competitive bidding, the bidding procedure begins and the winning IPP is responsible for the financing, construction, and operation of the solar project.
3. **Project Description**

**The Vietnam Solar Transition Accelerator (VISTA) aims to support the Government of Vietnam to pilot competitive selection of IPPs for the first time in the country.** A comprehensive technical, legal and procurement support is needed to ensure a successful implementation. The present Project financed by the GIF is funding the procurement support (which encompasses some legal and technical support) under a transaction advisory consultancy. The Project is implemented in parallel to a Bank led technical assistance financed by the WB-ESMAP and implemented under the Programmatic ASA (P171453). The technical support will enable the Government to (i) select the substations for the Pilot Substation-Based Competitive Bidding, (ii) understand better the needs for critical grid upgrades (battery storage, dispatch, voltage and frequency support) for VRE integration that could be financed under a new Investment Project Financing (IPF), and (iii) identify champion Provinces and select pieces of land for solar parks.

**The Project has three components, namely (i) transaction support for IPP selection under Substation-Based Competitive Bidding; (ii) transaction support for IPP selection under Solar Park Competitive Bidding and (iii) capacity building.** More precisely:

* 1. **Component 1: Transaction Support for IPP Selection under Substation-Based Competitive Bidding (US$ 750,000).** Component 1 is to finance the transaction advisory support (legal, procurement and technical) to prepare and conduct the 500 MW Pilot Substation-Based Competitive Bidding under which the site selection and everything related to safeguards are to be done by the winning IPPs. The government is only selecting the substations into which the IPPs will be able to connect their projects;
	2. **Component 2: Transaction Support for IPP Selection under Solar Park Competitive Bidding (US$ 600,000).** Component 2 is to finance the transaction advisory support (legal, procurement and technical) to prepare and conduct the 500 MW Pilot Solar Park Competitive Bidding under which the site selection and the safeguards assessments will be conducted by the Government prior to launching the competitive selection of IPPs. Component 2 is conditional to the Government officially deciding to proceed with the solar park option. In that case, additional funds from the Government of Vietnam and/or SRMI/ESMAP funds are to be mobilized for feasibility studies (FS) and environmental and social impact assessments (ESIA); and
	3. **Component 3: Capacity Building (US$ 150,000).** Component 3 would focus on providing direct support for MOIT, local authorities and EVN to build internal capacity to reduce their reliance on external advisors for the next competitive selection processes, and finance for MOIT’s incremental cost for the project implementation. This Component will finance (i) embedded consultants in their team and (ii) training/knowledge exchange workshops and (iii) traveling.
1. **Summary Previous Engagement Activities**

**Since 2018, with the support of the World Bank, the Government of Vietnam has held various workshops on solar deployment and competitive bidding:**

1. January 2018 – various ministries (MOIT, MPI) and EVN on solar deployment, VRE integration issues and competitive bidding
2. September 2018 – First Solar Competitive Bidding Workshop with various ministries, private sector and Provinces representatives
3. September 2018: Meetings with two Provinces, namely Ninh Thuan and Binh Phuoc
4. January 2019 – Second Solar Competitive Bidding Workshop with various ministries, private sector and Provinces representatives
5. April 2019 – First legal workshop with various Ministries
6. July 2019 - Second legal workshop with various Ministries
7. **Stakeholders Engagement**
	1. **Stakeholders Identification and Analysis**

ESS10 refers to Identifying individuals, groups, and other parties that may be directly or indirectly affected by the project, positively or adversely. This TA does not anticipate that any stakeholders will be adversely affected by the project nor any disadvantaged/vulnerable individuals or groups (project-affected parties). The consumers, especially disadvantaged and vulnerable people will be positively affected as the project implementation will help providing them with greener electricity.

Stakeholders can include community or individual affected by the project and their formal and informal representatives, national or local government authorities, politicians, religious or community or adat leaders, organizations and civil society groups with special interest, academic communities, or other business. The identification of those project-affected parties (individuals or groups) will also include who, because of their circumstances, may be disadvantaged or vulnerable; i.e. those who may be more likely to be adversely affected by the project impacts and/or or limited than others in their ability to take advantage of the project benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the consultation process and as such may require specific measures and/or assistance to do so. It is necessary to ensure broad and inclusive participation of community in project areas. Such participation will be conducted through a culturally sensitive approach and is based on a meaningful engagement and Free, Prior and Informed Consent (FPIC) in the event of adverse impacts on Indigenous Peoples. Communities will be provided with options to enable them to participate and a targeted outreach will be made available to ensure that vulnerable groups have access to overall project activity.

This stakeholder identification is undertaken by including the indirect impacts from the works conducted under the TA activities when it is implemented for future investments. Outline initial stakeholder grouping below, identification several groups at different levels are distinguished to identify appropriate and accessible communication and engagement methods among stakeholders throughout the project implementation process. The groups identified are as follows:

1. **People, social groups, and organization that will gain direct and/or indirect benefit from the project.** These target beneficiaries include: (i) potential new customer, (ii) potential project labor.
2. **Potentially adversely impacted communities include:** affected land owners/communities. When the stakeholder engagement with local individuals and communities depends substantially on community representatives (village heads, clan heads, community and religious leaders, local government representatives, civil society representatives), efforts to verify that such persons do, in fact, represent the views of such individuals and communities, and they are facilitating the communication process in an appropriate manner will be provided.
3. **Interested groups include:** (i) local government agencies, (ii) non-governmental organizations/NGOs, Civil Society Organizations/CSOs and other development institutions working on VRE, (iii) indigenous people representative organizations, and (iv) private company. Engagement will require information about project activities and implementation to be publicly accessible and understandable, and their feedback and concern can be accommodated as part of the overall transaction process.
4. **Implementing agencies and agencies with authorities for the management of environmental and social risks (when the TA is implemented for future investment) include institutions and agencies that influence and make decisions on the project implementation.** This groups includes: (i) central government agencies such as: (i) national government agencies including, MOIT, EVN etc… (ii) sub-national government agencies, including the Provincial Governments, as well as respective sectoral agencies at the Provincial and District levels. The level of engagement will be contingent upon their respective roles and authorities in the management of environmental and social risks.

Following types of stakeholders who may have an impact or interest in the project (“other interested parties”) are summarized in the following table.

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| --- | --- |
| **Category** | **Specific Types** |
| **Affected Parties** | MOIT, PPCs, EVN and Power CompaniesIPPsTransaction Advisory ConsultantLocal communities in Project Areas |
| **Other Interested Parties** | Other Central Government AgenciesUniversity/Research Institute working in Solar PowerNGOs working in Solar Power/Green EnergyCommunities Living in Surrounding Areas of Solar ParksCommercial BanksOther Private Investors in the Solar Power Sector |
| **Disadvantaged/Vulnerable Groups** | This group includes people living below poverty line, women headed households, ethnic minority people, disabled persons etc. They will generally benefit from this TA as it will help them to get better and greener electricity services. |

* 1. **Stakeholders Engagement Program**

The main objectives of the stakeholder engagement are (i) ensure that all parties agree on the legal path under which the competitive bidding is being developed; (ii) all stakeholders are aware and understand their roles and responsibility under this new activity; and (iii) ensure that the proposed contractual arrangements are aligned with what the private sector will want. The engagement is ongoing and will be conducted throughout the grant implementation. Tentative stakeholder engagement plan is presented in below table.

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| **Stakeholder** | **Mode of Engagement** | **Project Personnel Involved** |
| Governmental Officials | Workshops, in-person meetings;phone calls; email correspondence; communication materialsFrequency: FrequentCost: Low | MOIT/PMU |
| IPPs | Workshops, in-person meetings;phone calls; email correspondence; communication materialsFrequency: Frequent after launch of tendersCost: Integrated as part of the transaction advisors’ contract | MOIT/PMU |
| Local Communities | Disclosure of project related information Mass media communicationProject related meetings organized by local authorities as appropriateFrequency: Ad hocCost: Moderate | MOIT/PMU |
| Relevant NGOs | Disclosure of project related information Mass media communicationFrequency: Ad hocCost: Low | MOIT/PMU |
| Other stakeholders | Disclosure of project related information Mass media communication | MOIT/PMU |

The project team will engage with stakeholders of various types throughout the project, as needed and dictated by the project activities. SEP will be regularly reviewed and updated (as needed) to reflect the TA implementation. Revised/Updated SEP will be re-disclosed per ESF requirements.

1. **Resources and Responsibilities**

The TA under the transaction advisory contract has a budget of around USD 100,000 dedicated for stakeholder engagement to ensure full buy-in by all parties. The main actor leading the project is MOIT who will be assisted directly by the transaction advisors. MOIT/PMU is responsible to arrange adequate staffing and resource for the TA, and especially SEP implementation.

1. **Grievance Redress Mechanisms**

As part of the SEP, a Feedback and Grievance Redress Mechanism (FGRM) will be prepared and implemented by MOIT to receive and facilitate resolution of concern and grievances of project-affected parties, target communities as well as broader stakeholders who may be affected or have interest in the project, related to the TA activities.

The aim of FGRM is generally (a) to strengthening accountability to the beneficiaries, and (b) to provide a way for project stakeholders to provide feedback and/or express complaints related to project activities. FGRM serves as a mechanism to be accessible and reliable, systematic issues can be identified and addressed in a coordinated and timely fashion and will utilize existing formal or informal grievance mechanisms. The mechanism is not only to receive and record complaints but also solve and communicate the status of resolution back to the complainants to ensure transparency and accountability. Although feedback must be handled at the level that is closest to the complaint, all complaint must be recorded. The Grievance mechanism may include the following:

1. Different ways in which users can submit their grievances, which may include submission in person, by phone, text massage, mail, e-mail or via a web site, etc.;
2. A log where grievances are registered in writing and maintained as a database;
3. Publicly advertised procedures, setting out the length of time users can expect to wait for acknowledgment, response and resolution of their grievances;
4. Transparency about the grievance procedure, governing structure and decision makers;
5. An appeal process to which unsatisfied grievances may be referred when resolution of grievance has not been achieved.
6. A mediation will be provided as an option where users are not satisfied with the proposed resolution.

The draft FGRM will build on the existing complaints handling systems and will be included in the ESMPs for further development.

1. **Monitoring and Reporting**

SEP monitoring will focus on the overall implementation quality of the stakeholder engagement. Set of indicators to assess the quality of the SEP implementation will be developed and this task will be included in the Component 2 of VISTA.

1. Market sounding conducted with 50 IPPs/lenders working in developing countries, followed with one-to-one interviews [↑](#footnote-ref-1)