Ministry of Industry and Trade
Department of Energy Efficiency and Sustainable Development

Vietnam

Risk Sharing Facility for Vietnam Scaling Up Energy Efficiency (VSUEE) Project (P164938)

Operations Manual

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ACRONYMS AND ABBREVIATIONS

AMA	Accreditation Master Agreement
DA	Designated Account
DP	Displaced Person
EIA	Environmental Impact Assessment
EE	Energy Efficiency
EM	Ethnic Minority
EMP	Environment Management Plan
EMDP	Ethnic Minority Development Plans
EMPF	Ethnic Minority Planning Framework
ERMF	Environmental Risk Management Framework
EP	Ethnic Minority Plan
ER	Emission Reduction
EPC	Environmental Protection Commitment
ESCO	Energy Service Company
ESF	Environment Safeguards Framework
ESPC	Energy Savings Performance Contract
FAA	Funded Activity Agreement
GWh	Giga Watt Hour
GCF	Green Climate Fund
ICB	International Competitive Bidding
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDA	International Development Association
IDC	Interest During Construction
IDP	Institutional Development Plan
IE	Industrial Enterprise
IRR	Internal Rate of Return
kWh	Kilo Watt Hour
LoA	Letter of Approval
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MONRE	Ministry of Natural Resources and Environment
MOU	Memorandum of Understanding
MTR	Mid Term Review
MW	Mega Watt
MWh	Mega Watt Hour
NCB	National Competitive Bidding
NOL	No Objection Letter
NPV	Net Present Value
NPA	Non Performance Assets
OM	Operations Manual
OP	Operational Policy
PFI	Participating Financial Institution (participating bank)
PIE	Program Implementing Entity
PMB	Project Management Board
PPC	Provincial People's Committee
RSF	Risk Sharing Facility
RMF	Risk Management Framework
VEEIE	Energy Efficiency for Industrial Enterprises Project
RFP	Request for Proposals
RP	Resettlement Plan
RPF	Resettlement Policy Framework
SA	Social Assessment
SBV	State Bank of Vietnam
TA	Technical Assistance
VEEIE	Vietnam Energy Efficiency for Industrial Enterprises Project
VSUEE	Vietnam Scaling Up Energy Efficiency Project
WB	World Bank

1. INTRODUCTION

The Operations Manual ("**OM**")for the Green Climate Fund ("**GCF**") Risk Sharing Facility ("**RSF**") under the Vietnam Scaling Up Energy Efficiency Project ("**VSUEE Project**" or "**Project**") describes the use of the RSF and will serve as guidelines for the Program Implementing Entity ("**PIE**")to process RSF Guarantees in support of energy efficiency ("**EE**")investments including eligible Sub-Project screening, RSF Guarantee application review/approval processes, and monitoring and reporting obligations of the concerned parties. The OM also specifies processes and procedures for financial management, procurement, and safeguards policies which are applicable to the VSUEE Project.

The OM's contents include: (i) the eligibility criteria for partial credit risk guarantees("**RSF Guarantees**")from the RSF for energy efficiency Sub-Project loans financed by Participating Financial Institutions (PFIs); (ii) the procedures to apply and process such RSF Guarantees from the RSF for energy efficiency Sub-Project loans financed by PFIs ("**PFI Loans**"); (iii) the forms and templates that need to be used in the application, review, approval, monitoring and reporting process for RSF Guarantees; (iv) the roles and responsibilities of each VSUEE Project participant; (v) technical, economic and financial as well as safeguard assessment criteria for EE sub-projects; and (v) case studies for conducting financial and economic analysis.

This OM may be proposed to be amended by the PIE during implementation to allow the RSF to better respond to market needs, subject to Ministry of Industry and Trade ("**MoIT**"), World Bank ("**WB**") approval and, with respect to Restricted Provisions GCF consent (see Annex 15).

2. PROJECT BACKGROUND

The World Bank has agreed with the Government of Vietnam to adopt a holistic approach to scaling up energy efficiency in the high-energy intensive industrial sector aiming to unlock the huge potential for energy savings and greenhouse gas ("**GHG**") emission reductions. The VSUEE Project will play an important role in achieving Vietnam's Nationally Determined Contribution ("**NDC**"); i.e. 15.8% and 43.5% GHG emission reduction by 2030 compared to the Business-As-Usual scenario with international support, under the Paris Agreement.

Overall, the Project comprises an integrated package of credit risk mitigation, technical assistance and capacity building activities to various stakeholders from public entities to local financial institutions and industrial enterprises. The Project has been designed to reduce energy efficiency investment market barriers, such as lack of access to finance for Industrial Enterprises ("**IEs**") and limited stakeholder capacity, high project risk perception by local financial institutions, and an inadequate policy and regulatory framework for industrial sector energy efficiency.

The VSUEE Project will be established by Vietnam, through MoIT, with funding support from the GCF through:(i) a grant to provide technical assistance, (ii) a grant to provide seed funding for the establishment of a risk sharing facility(the grant components being called "**Non-Reimbursable Funds**"), and (ii) capital for the purpose of creating the RSF to provide RSF Guarantees in support of commercial loans provided by PFIs to IEs/ESCOs as borrowers, for the financing of energy efficiency investments ("**Reimbursable Funds**"[1]).

The Project is expected to mobilize approximately US$250 million of EE investments,

[1]It should be noted that the GCF Guarantee, while considered as "Reimbursable Funds", would only be reimbursed to GCF to the extent the funds are not used for RSF Guarantee payouts, or to the extent any payout funds are otherwise recovered, as further described in this OM.

supporting over 50 IEs to reduce energy consumption and generate about 6.9 million tons of GHG emission reductions over the lifetime of the investments. The results indicators and annual target values of the RSF are presented in Annex 17

2.1. Project Development Objective

The Project development objective is to improve energy efficiency in Vietnam's industrial sector. The objective is accomplished through (a) encouraging private sector investment in energy efficiency projects, and (b) providing complementary technical assistance and capacity building to stakeholders in energy efficiency market.

Ultimately, the Project will seek to contribute to a paradigm shift in the nascent energy efficiency market, by providing know-how and experience, by strengthening capacity and by creating an enabling environment for local financial institutions and industrial enterprises to scale up investments in energy efficiency.

The Project will also contribute to achieving the government's energy saving and greenhouse gas emission reduction objectives.

2.2. Project Components

GCF will provide a total of US$86,300,000 in support of VSUEE, of which US$75,000,000 will consist of Reimbursable Funds for the RSF, and the Non-Reimbursable Funds consisting of a grant in the amount of US$11,300,000.

The VSUEE Project comprises two interrelated and closely coordinated components:

- **Component 1**: The GCF Risk Sharing Facility consists of a US$75,000,000GCF Guarantee provided through the World Bank to capitalize the RSF and a GCF Grant of US$3,000,000to be used by MOIT as seed funding for the RSF (the "**GCF Seed Capital Grant**"). The RSF is a government program created for the purpose of the Project, documented by relevant implementation and guarantee agreements, capitalized by the World Bank as Accredited Entity and administrator of GCF Proceeds, under the oversight of MoIT and the Accredited Entity, and managed by a professional Program Implementing Entity. The PIE will be a bank or existing guarantee agency, to be appointed by the MoIT. Under the RSF, the PIE will issue partial credit RSF Guarantees to PFIs to backstop loans provided by PFIs to IEs and ESCOs to finance eligible EE Sub-Projects. The PIE will pay out under the RSF Guarantees in the event that IE or ESCO borrowers default on loans provided to them by PFIs and covered under a RSF Guarantee. The World Bank will in turn provide a partial risk guarantee, backed by the GCF Reimbursable Funds (the "**GCF Guarantee**"), to the PIE, which covers the risk of a capital shortfall in the RSF, which could arise if payouts under RSF Guarantees exceed the capital available under the RSF. The implementing entities for this Component 1 will be the Government of Vietnam, acting through MoIT (in respect only of the seed funding for the RSF, which will be provided in the form of a grant as part of the GCF Non-Reimbursable Funds) and the PIE (in respect of the RSF itself, which will be backed by the GCF Reimbursable Funds).
- **Component 2**: US$8,300,000 (eight million three hundred thousand United States dollars)GCF grant for Technical Assistance ("**GCF-TA**").Component 2 will provide technical assistance for (i) MoIT and relevant government agencies, which are responsible for energy efficiency policies and targets, to implement voluntary agreements with relevant industries, improve incentives for industry to carry out EE

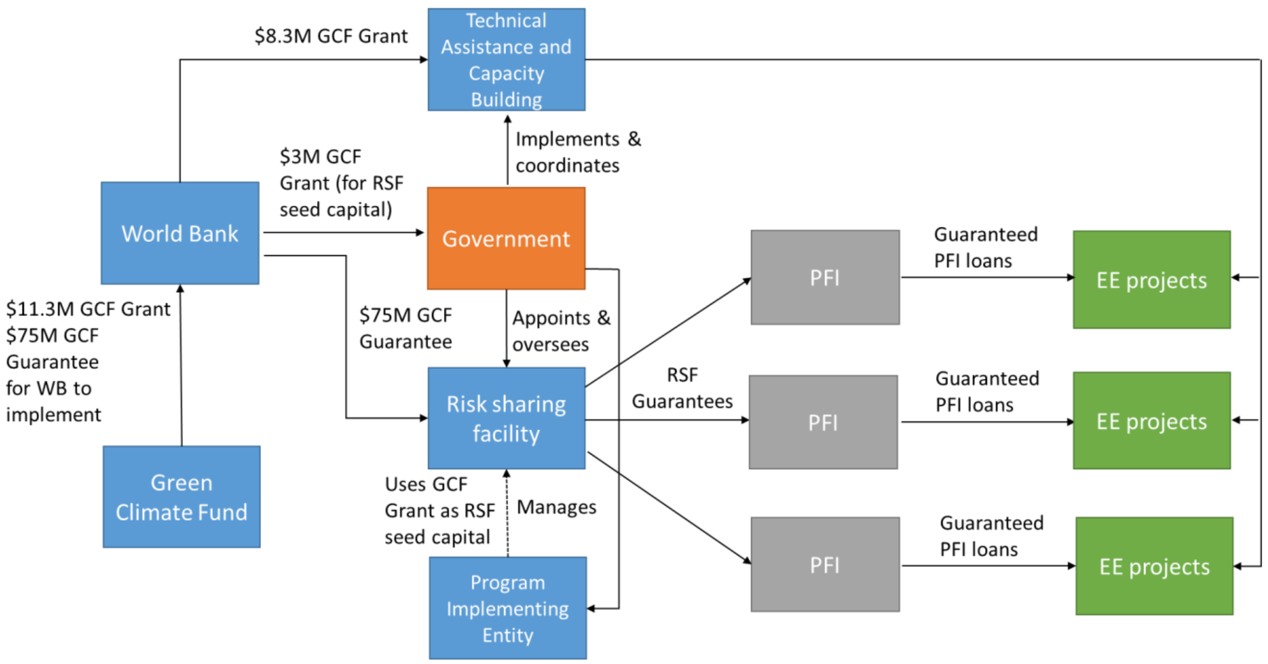
investments, and develop mandatory EE standards and benchmarks in the energy-intensive industries; (ii) PFIs to improve their knowledge, experience, and expertise in identifying, appraising, and implementing EE lending projects in the industrial sector and business development to generate deal flows; (iii) IEs and EE service providers (such as ESCOs) to develop bankable projects and (iv) MoIT to prepare and implement an action plan for NDCs for energy and industrial sectors. The implementing entity for this Component 2 will be MoIT.

2.3. Implementation Arrangements

Figure 1 provides an overview of the project implementation arrangements, including basic flow of funds, and shows some of the arrangements of the project. As Figure 1 shows, banks which have been approved as PFIs can support eligible energy efficiency Sub-Projects by providing only RSF-guaranteed PFI Loans for eligible Sub-Projects. This type of financing combination would require IEs to contribute at least 20 percent of the total investment cost. Those banks which have been accepted as PFIs only for VSUEE can provide guaranteed PFI Loans. The Government will play a central role in implementing and supervising project's operation. TA and capacity building support will be provided for the benefit of the Government, PIE, PFIs and IEs/ESCOs.

RSF Guarantees can only be used in support loans made with PFIs' own funds (i.e. and not those made from VEEIE on-lending). For Group 2 loans, RSF Guarantees can be issued in support of the tranche of the PFI Loan that is made with PFIs' own funds, ensuring the same risk sharing for such tranche as for all other RSF Guarantees.

Figure1. Overview of the Implementation Arrangements of VSUEE Project



2.4. Implementing Parties

2.4.1. Ministry of Industry and Trade (MoIT)

The Ministry of Industry and Trade is responsible for the implementation of the Project. The Project will be implemented by a Project Management Board ("**PMB**") established within the

Department of Energy Efficiency and Sustainable Development under MoIT. The PMB has the following functions: (i) to coordinate with SBV to select the PIE and PFIs; (ii) to cooperate with PIE to select additional PFIs, if needed; (iii) to coordinate and supervise overall project implementation activities, including performance of PIE, PFIs and IEs/ESCOs, and (iv) to manage all TA activities.

MoIT (with support from the World Bank) will supervise the PIE, and the Implementation Agreement between MoIT and the PIE will provide the contractual framework for the roles and responsibilities of the PIE and MoIT in respect of the RSF, including the requirement that the PIE comply with this OM. [PIE will be responsible for opening, maintaining and managing accounts required for the management of the RSF in accordance with this OM.

2.4.2. State Bank of Vietnam (SBV)

The State Bank of Vietnam will sign the GCF Financing Agreement (GCF FA) with the World Bank on behalf of the Socialist Republic of Vietnam.SBV will support MoIT in the monitoring and management of RSF and PFIs as appropriate, in accordance with the applicable banking regulations.

2.4.3. World Bank (WB)

The World Bank will administer GCF funds as an Accredited Entity of the GCF and provide overall implementation support to MoIT, PIE and other stakeholders, as necessary.

2.4.4. Program Implementing Entity (PIE)

The PIE will be responsible for day-to-day Risk Sharing Facility implementation. Its tasks include pipeline development and Sub-Project identification, RSF Guarantee issuance based on RSF Guarantee applications, eligibility confirmation, portfolio risk monitoring and mitigation, and cash management. As noted above, the PIE will be engaged and supervised by MoIT, pursuant to the Implementation Agreement. MoIT will provide the PIE and PFIs with TA for pipeline development. In addition, the PIE will enter into the GCF Guarantee Agreement (GA) with the World Bank, which sets forth the terms and conditions of the GCF Guarantee and certain undertakings by the PIE in connection with the management of the RSF. The PIE will recommend potential entities as PFIs based on their interest to become PFI, their potential pipeline and selection criteria, for approval by MoIT and the World Bank.

2.4.5. Participating Financial Institutions (PFIs)

Financial institutions that meet the PFI selection criteria (see Annex 1) will be accredited as PFIs for the RSF. The PFIs have the primary responsibility for Sub-Project identification and PFI Loan origination. They will also prepare RSF Guarantee applications for the PIE's review and approval. During the life of the PFI Loans, the PFIs will supervise and monitor IE/ESCO borrowers and Sub-Project performance to ensure timely debt service and compliance with all other agreed terms. PFIs, based on practical demand, are expected to contract technical, social and environmental experts to conduct due diligence of Sub-Projects. The PFIs and IEs have to comply with World Bank environmental and social safeguard policies and national environmental protection regulations.

The PFIs will also have full responsibility for the energy efficiency lending process and approvals, and are expected to comply with requirements in this OM. The PFIs decide the interest rate to the borrowing IEs/ESCOs based on Sub-Project risk and IE/ESCO creditworthiness, taking into account credit enhancement provided by the RSF. The loan tenor is agreed between the PFI and the IE/ESCO based on the risk and return profile of the energy efficiency investment to be financed, and should not exceed 10 years.

2.4.6. Borrowers

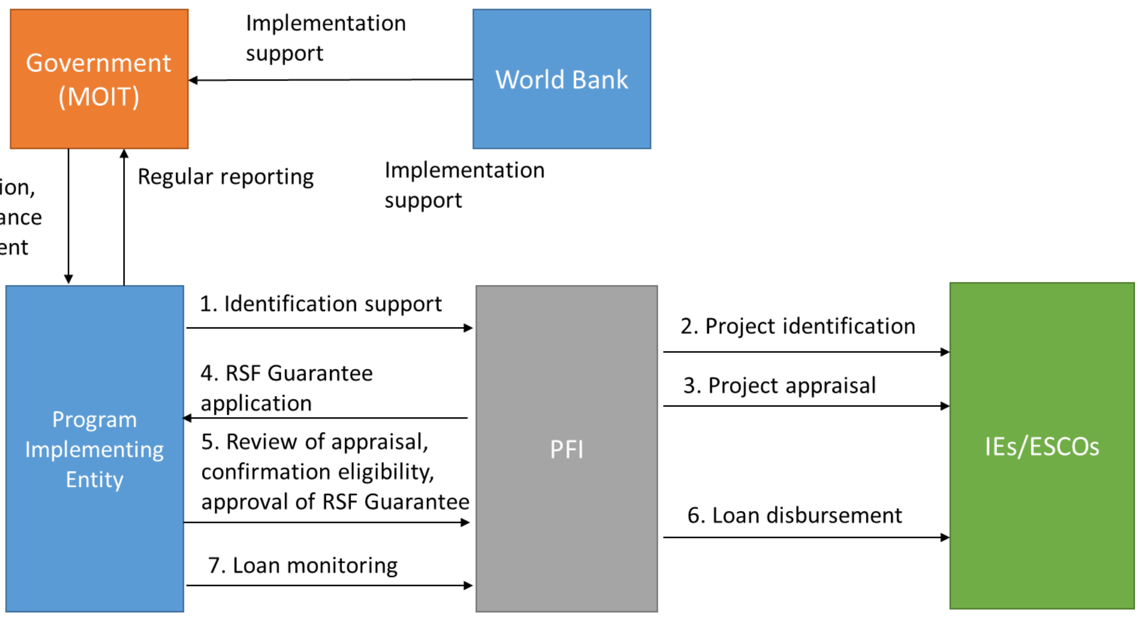
Industrial Enterprises (IEs): Eligible IEs may borrow from PFIs under the Project to finance eligible Sub-Projects. Due to the risk mitigation provided through RSF Guarantees, the IEs would be expected to gain access to finance at more competitive terms (longer term and lower cost) and at lower collateral requirements than would be available to them on a stand-alone basis.

Energy Service Companies (ESCOs):

Eligible ESCOs could borrow from PFIs under the Project through two main models for energy performance contracting: the "shared savings" model and the "guaranteed savings" model[2].

Figure 2 below summarizes the roles of responsibilities of the key stakeholders under the Project.

Figure 2. Roles and Responsibilities under the Project



2.5. Contractual Arrangements

The following agreements will be required for the Project:

i. The **Funded Activity Agreement** ("**FAA**") between GCF and the World Bank, through which GCF will provide US$75 million for the GCF guarantee, a US$3 million grant for the start-up costs for the RSF; and a US$8.3 million grant for TA, and all in accordance with the Accreditation Master Agreement ("**AMA**"), the umbrella agreement governing the relationship between GCF and the World Bank as an Accredited Entity of GCF.

ii. The **GCF Financing Agreement (GCF-FA)** between the World Bank (acting as an Accredited Entity of GCF) and Vietnam, pursuant to which the US$3 million GCF grant for the start-up costs for the RSF and the US$8.3 million GCF grant for TA will be channeled to the Government of Vietnam. The GCF Financing Agreement will detail the implementation arrangements for VSUEE including the role of MoIT as the

[2]For more information, see Annex 4. Energy Efficiency Projects with Energy Service Companies

entity responsible for overall Project implementation, and other provisions relating to cooperation, reporting, and funds flow.

iii. The **GCF Guarantee Agreement (GCF-GA)** between the World Bank (acting as an Accredited Entity of GCF) and the PIE, through which the World Bank will provide a guarantee of up to US$75 million to be funded by GCF. The GCF Guarantee Agreement sets out the terms and conditions of the GCF Guarantee, including covered risks, guarantee amount and term, payout procedures, and other undertakings by the PIE in connection with the RSF. The GCF Guarantee will remain committed but undisbursed as stand-by capital, to be disbursed only if RSF Guarantee payouts exceed the losses that have been provisioned for, such that there is a shortfall in the capital available in the RSF.

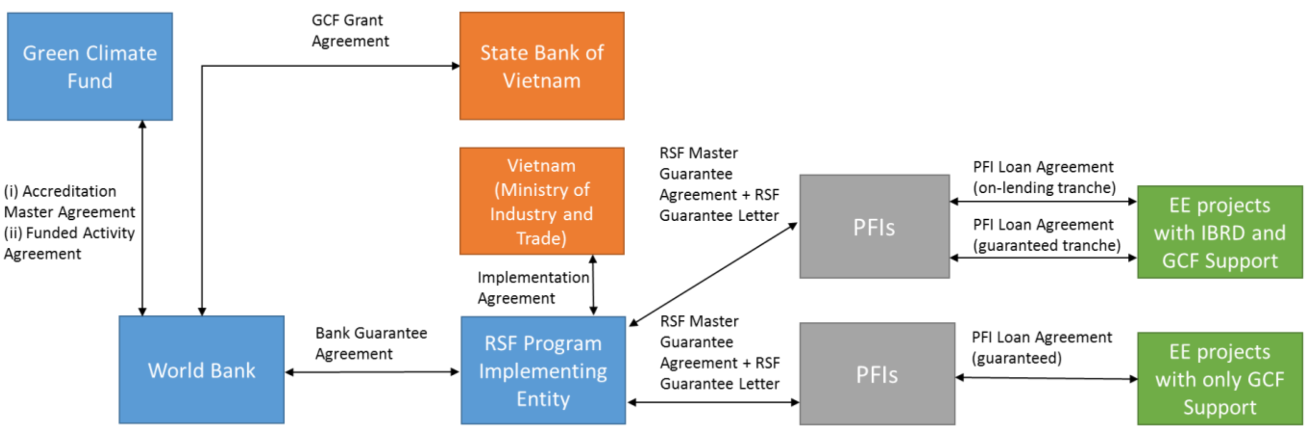
iv. The **Implementation Agreement (IA)** between MOIT and PIE, sets out the responsibilities and obligations of MOIT and PIE, in respect of the RSF.

v. **Master Guarantee Agreements and RSF Guarantee Letters** between the PIE, as RSF Guarantor and manager of the RSF, and PFIs, as RSF Guarantee beneficiaries. The Master Guarantee Agreements and RSF Guarantee Letters will define the terms and conditions of the RSF Guarantees offered, including covered risks, RSF Guarantee amount and term, as well as payout procedures. The Master Guarantee Agreements will serve as umbrella agreements between the PIE and each PFI. RSF Guarantee Letters will be issued for each specific RSF Guarantee provided by the PIE in respect of each individual PFI Loan.

vi. **PFI Loan Agreements** between PFIs and IEs/ESCOs, which will define the terms and conditions of the loans to be made from PFIs to IEs/ESCOs, which will be backed by the relevant RSF Guarantees. PFIs shall apply at least the same care and due diligence on RSF guaranteed loans as they would on their own loans.

Figure 3 below sets out the key contractual arrangements for the RSF.

Figure 3: Indicative Contractual Arrangements



3. STRUCTURE OF GUARANTEE FACILITY

3.1. Risk Sharing Facility

The RSF provides guarantees to PFIs for the Energy Efficiency loans extended by them directly to IEs or through ESCOs. For eligible Sub-Projects, the RSF may issue a RSF Guarantee to the PFI, covering up to 50 percent of the loan amount. The total loan provided by a PFI to an

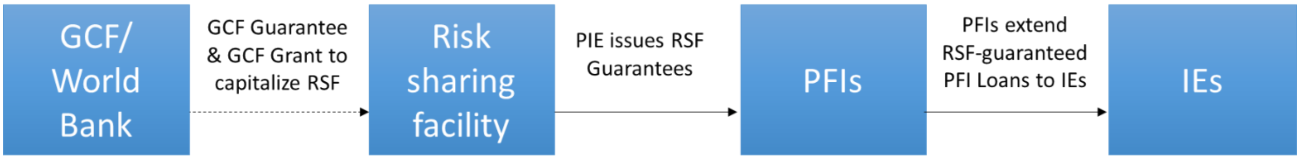
IE/ESCO will finance up to 80 percent of the total investment cost of each Sub-Project. IEs/ESCOs will be required to contribute at least 20 percent of the investment cost. The use of PFI loan proceeds may include expenditures related to the purchase, erection and commissioning, installation or retrofitting/modification of equipment, contributing to energy savings. It is expected that these loans would be funded from PFI's own local or foreign currency financing resources. The RSF will only be available to loans or tranches of loans made to IEs/ESCOs by PFIs using their own resources.

3.2. GCF Seed Capital Grant

The GCF seed capital grant will cover fixed fees for the PIE (payable by MoIT to the PIE) and provide initial seed capital for possible RSF Guarantee payouts during the early stages of the operation. After an initial ramp-up period, RSF is designed to operate on a cost recovery basis so that RSF Guarantee fees collected from PFIs would be sufficient to cover RSF operating expenses, GCF Guarantee fees (payable by the PIE to the World Bank), and RSF Guarantee payouts for expected losses from the covered loan portfolio. The GCF Guarantee in turn is not issued directly to the PFIs but to the RSF as a whole as reserve capital to be used in downside scenarios.

Figure 4 illustrates the capitalization of the RSF with the GCF Grant and GCF Guarantee, providing capital for the PIE to issue RSF Guarantees.

Figure 4. RSF Guarantee issuance



3.3. RSF Accounts

The PIE will open, maintain and manage all the project accounts in accordance with the Operations Manual and relevant VSUEE legal agreements. Note that MOIT and WB no-objection would be required for the first three RSF Guarantee payouts.

3.3.1. Seed Capital Grant Account

The PIE will open and manage an USD denominated account, to be used to deposit the Seed Capital Grant and (i) hold such portion thereof to be periodically transferred to Implementation Account for payment of the Fixed Fees and (ii) transfer such portion thereof to the Loss Reserve Term Account for the initial capitalization of the RSF.

The total US$ 3 million Seed Capital Grant will be transferred to this account from the World Bank on behalf of GCF on request from MoIT in two installments. The first tranche of two million United States Dollars ($2,000,000) will be transferred at the start of the project, the second tranche of one million United States Dollars ($1,000,000) will be transferred after the mid-term review.

Upon receiving US$2 million of the first tranche, PIE will take the following actions:

a) An amount equivalent to the first installment, as presented the financial plan that PIE has submitted to the MOIT, of the Fixed Fees will be converted into Viet Nam Dongs at the Telegraphic Transfer buying rate quoted by the commercial bank where the RSF Accounts are on the day that the transfer is made to the Implementation Account
b) One million United States Dollars ($1,000,000) will be transferred to the Loss Reserve Term Account
c) The balance will be held in the Seed Capital Grant Account and will be converted into Viet Nam Dongs at the Telegraphic Transfer buying rate quoted by the commercial bank where the RSF Accounts are on the day that the six-monthly transfer is made to the Implementation Account for payment of fixed fees.

The remaining US$1 million of the second tranche which PIE will receive after the project's mid-term review will be deposited in this account for periodical (six-monthly) transfer to Implementation Account for payment of the Fixed Fees.

PIE will make a fixed fees scheduled spending for the whole 15 years and review the spending plan of the next year at the end of previous year. The spending plan of each year must be approved by MoIT 15 days before the start of next year.

According to MoIT's approved plan, PIE will semi-annually transfer the scheduled Fixed Fee for the next 6 months from this account to the Implementation Account no later than 5 business days before the start of each semi-annual period.

- In case the actual expense incurred in one semi-annual period is less than the planned budget for that period, the difference will remain in the PIE's Implementation Account and be deducted from the advance amount for the next semi-annual period;

- In case the actual expense incurred in one semi-annual exceeds the planned expense, the PIE is required to produce an explanation, justification and evidence for the additional costs and send an additional payment request to MoIT provided that at any time. Upon receipt of the PIE's additional payment request, MoIT shall approve and authorize PIE to transfer the requested amount from the Seed Capital Grant Account to the Implementation Account within 10working days. After receiving the MOIT approval, PIE will transfer the requested amount within 1 working day.

3.3.2. Implementation Account

The Implementation Account will be set up as a VND-denominated current account, to be used to deposit and make payments of the PIE Fees transferred from the Seed Capital Grant Account and the Loss Reserve Current Account.

3.3.3. Loss Reserve Term Account

- The PIE shall open and manage a USD denominated Loss Reserve Term Account, to be used to hold a part of the Seed Capital Grant and provide additional funds for the Loss Reserve Current Account. The initial term for this account is one year and will be automatically rolled after the due date if there is no call from this account. Any changes about the term of this account must be approved by MOIT and the WB.

- The PIE shall transfer funds from the Loss Reserve Term Account into the Loss Reserve Current Account if funds in that account are insufficient to meet RSF Guarantee payouts.

3.3.4. Loss Reserve Current Account

The PIE will open a VND denominated account, to be used to deposit and hold the proceeds of: (i) recurring and front-end RSF Guarantee fees; (ii) any revenues from recoveries related to payouts under RSF Guarantee Claims; (iii) any interest earned in the RSF Accounts including Seed Capital Grant Account, Implementation Account, Loss Reserve Current Account and Loss Reverse Term Account (if any) and (iv) any payouts to be made under the GCF Guarantee. This account will be managed by the PIE. The funds in this account will be used for the payment of (i) the GCF Guarantee Fee, (ii) eligible RSF Guarantee Payouts, (iii) eligible Remittance fees including domestic VND wire transfer services and transaction fees may be deducted by the intermediary banks when PIE receives the Seed Capital Grant from the World Bank; (iv) the reimbursement of PIE for previous GCF Guarantee Fees paid out of pocket from its own funds (if any); and (v) for the transfer of Variable Fees into the Implementation Account.

At the end of every year, if the balance in the Loss Reserve Term Account has fallen below US$1 million, the PIE will transfer the amount of such shortfall from this account to the Loss Reserve Term Account.

If RSF Guarantee claims exceed the cash available in the Loss Reserve Current Account and the Loss Reserve Term Account, the PIE can send a demand notice to the World Bank, requesting a payout from the GCF Guarantee, only up to the amount of RSF Guarantee payouts exceeding the combined cash balance in the two Loss Reserve Accounts. MOIT will review and provide opinions to any calls on the GCF Guarantee.

The PIE is not responsible for any delays in eligible RSF payouts to PFI resulting from the delay in transferring money from GCF/WB to the Loss Reserve Term Account.

3.4. PIE Compensation

The PIE will receive a fee for operating the RSF, consisting of fixed fee and variable fee as per Annex 2 and 18.

3.5. GCF Guarantee Terms

The following are the key terms and conditions of the GCF Guarantee to be provided by the World Bank (acting as an Accredited Entity of GCF) to the Project Implementing Entity (PIE).

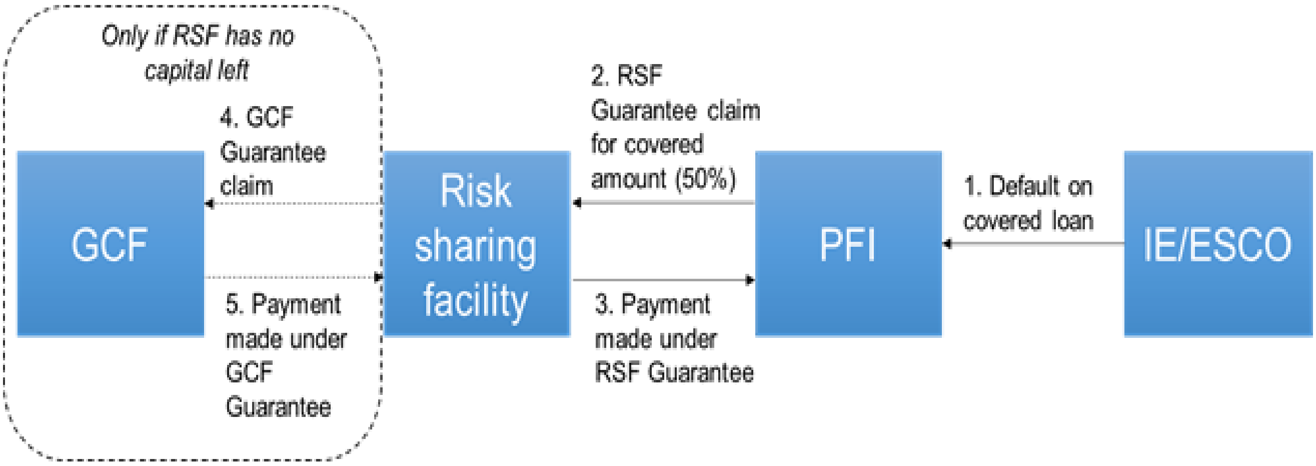
3.5.1. Form of GCF Guarantee

The GCF Guarantee provided by the World Bank to the PIE for the implementation of the RSF is a partial risk guarantee, which covers the risk of a capital shortfall in the RSF. Such capital shortfall could result if RSF Guarantee payouts by the RSF exceed the capital available. The RSF would be required to make RSF Guarantee payouts to PFIs if IE/ESCO borrowers default on loans, which are covered by partial credit guarantees issued by the RSF.

3.5.2. Covered Events by GCF Guarantee

The PIE may submit a demand notice to the World Bank for payment in the event the balance in the RSF Loss Reserve Accounts is not sufficient to meet any eligible claim submitted by an eligible PFI under a RSF Guarantee in respect of principal and/or interest payment defaults by IE/ESCO borrowers (a "Covered Event") (see RSF Guarantee payout sequence in Figure 5 below)

Figure 5. RSF Guarantee Claim and Payout Sequence



3.5.3. GCF Guarantee Amount

The GCF Guarantee is made available for commitment in an aggregate amount of up toUS$75 million, with tranches to be disbursed by the GCF and committed by the World Bank at the request of PIE after seventy percent (70%) of the funds previously disbursed by GCF have been cumulatively (i) disbursed by the World Bank under the GCF Guarantee; (ii) legally committed in the form of the issuance of an equivalent amount of RSF Guarantees by the PIE; and/or (iii) recorded as a Proposed Issuance of an equivalent amount of RSF Guarantee by the PIE.

The PIE may also request (with prior written consent of MoIT) a reduction of the GCF Guarantee Amount by notice to the World Bank pursuant to the terms of the GCF Guarantee Agreement.

If there are no calls on the GCF Guarantee, the GCF Guarantee Amount will reduce as exposure under the RSF Guarantees reduces after the end of the Guarantee Availability Period, as guaranteed loans issued by PFIs are amortized.

If any payouts have been made under the GCF Guarantee to the PIE, the PIE will be required to transfer any unused funds remaining in the Loss Reserve Account after all RSF Guarantees have fully amortized to WB (for on-sending to GCF), up to the total amount of any payouts made from the GCF Guarantee.

3.5.4. GCF Guarantee Availability Period

The GCF Guarantee is made available for commitment in an aggregate amount of up to USD 75,000,000 (seventy-five million US Dollars) during a period starting on the Effective Date of the GCF Guarantee Agreement and ending on the fifth (5th) anniversary of the Effective date of the GCF Guarantee. The PIE is authorized to issue RSF Guarantees only during the GCF Guarantee Availability Period, up to the committed GCF Guarantee Amount at a given time.

The GCF Guarantee Availability Period, could be extended by another five (5) years depending on market demand for the RSF and as agreed between the World Bank and the Government of Vietnam. Such proposed extension shall be communicated in writing to the GCF for approval.

3.5.5. GCF Guarantee Amortization Period

The GCF Guarantee Amortization Period refers to a period of up to ten years[3] commencing after the end of the GCF Guarantee Availability Period. No new RSF Guarantees can be issued during this period, but the already committed RSF Guarantees remain effective and available to be called by the PFIs.

3.5.6. GCF Guarantee Term

The GCF Guarantee Term is maximum15 years, consisting of the GCF Guarantee Availability Period and the GCF Guarantee Amortization Period.

The GCF Guarantee is available for payment where a demand notice is submitted to the Bank no later than the fifteenth (15^{th}) anniversary of the effective date.[4]

3.5.7. GCF Guarantee Pricing

The GCF Guarantee Fee is zero point one per cent (0.10%) per annum on the committed and undisbursed balance of the GCF Guarantee Amount, payable semi-annually in advance other than the first two installments of the GCF Guarantee Fee, which will be payable in arrears twelve (12) months after the Effective Date of the GCF Guarantee Agreement. All installments of the GCF Guarantee Fee will be payable by the PIE to the GCF through the World Bank. The payment of the GCF Guarantee Fee will be a priority in the waterfall of payments from the Loss Reserve Current Account.

3.5.8. GCF Grant and Guarantee Currency

Both the GCF Grant and GCF Guarantee will be provided in US dollars. The PIE will convert the seed funding portion of the GCF Grant (US$3 million) into Vietnamese dong at each period of payment.

3.6. RSF Guarantee Terms

3.6.1. RSF Guarantee Currency

The PIE can issue RSF Guarantees either in US dollars or Vietnamese dong to match the currency of the PFI Loan to be guaranteed. Any fees or expenses related to currency conversion for RSF Guarantee payouts to be made in US dollar shall be covered by the funds in the RSF Accounts.

3.6.2. RSF Guarantee Coverage

Any default on loan repayment to PFIs will be covered by the RSF, up to 50 percent of the defaulted principal and accrued interest of the covered loan but in any case, not exceeding 50% of the original amount (as set forth in the Loan Agreement between the PFI and the Borrower) of the corresponding PFI Loan. The RSF Guarantee will not cover penalty interest charged by the PFI.. The remaining RSF Guarantee amount will be reduced by any payout made by the PIE on the partial claim. No amount of the RSF Guarantee for an individual transaction can be reinstated following a partial or full payout amount for that individual RSF Guarantee in case of recoveries.

[3] The expected Amortization Period is ten years, but the actual period may be shorter depending on the final maturity of the underlying RSF Guarantees.

[4] The Guarantee Period may be potentially extended by another 5 years if the Availability Period is similarly extended: this would require a formal decision from the GCF Secretariat and/or the GCF Board.

3.6.3. RSF Guarantee for Multiple Lenders

PFIs can apply for the RSF Guarantee if they participate in a lending consortium or syndicate for a single Sub-Project. In such cases, each PFI is required to submit a separate RSF Guarantee application for their respective financing share. The PIE will consider each such application separately and provide coverage for each PFI Loan up to a maximum of 50 percent principal and accrued interest coverage.

3.6.4. RSF Guarantee Pricing

The fee payable by PFIs to the PIE will be split in two: a front-end fee of 0.25% on the initial RSF Guaranteed amount and a recurring annual RSF Guarantee fee of up to 0.70% on the Total Guaranteed Principal (as defined in Article VI – Guarantee Fees of the MGA) (less any amortization or payouts made). The front-end fee and the first installment of the RSF Guarantee fee will be paid up-front as a condition for RSF Guarantee effectiveness. The RSF Guarantee fee will be paid in advance of each RSF Guaranteed period, or invoicing period,(as agreed between the PIE and PFI) on the maximum RSF Guaranteed amount in that period. The fees received will be credited to the Loss Reserve Accounts. Depending on RSF performance, the PIE may propose an increase of the fees to MoIT and WB for their approval. The PIE may also propose a reduction of the fees, which would similarly need to be approved by MoIT and WB, and additionally by GCF. The RSF Guarantee for an individual transaction will be cancelled if the RSF Guarantees are not paid as invoiced.

It is expected that the PFI will pay the front-end fee and the first installment of the RSF Guarantee fee within 90 calendar days from the PIE’s approval of the application. The RSF Guarantee approval will expire if the PFI fails to pay within that period, unless the PIE decides to extend the validity of the approval based on a justification provided by the PFI.

3.6.5. RSF Guarantee Tenor

The tenors of RSF Guarantees are expected, but not required, to correspond to those of the guaranteed loans and are specified in the respective RSF guarantee letter. The PFI is free to determine the grace period, disbursement period and repayment profile of the covered PFI Loan in agreement with the IE/ESCO borrower.

3.6.6. RSF Guarantee Validity

The RSF Guarantee remains valid for the guaranteed PFI Loan as long as (i) the applicable RSF Guarantee fees are paid on time and (ii) the PFI complies with its obligations, including environmental and social safeguards requirements, anti-corruption and integrity standards and other requirements, all as described in the Master Guarantee Agreement.

3.6.7. Recoveries

If any amount is recovered by the PIE from the PFIs or IEs/ESCOs or any third parties on their behalf, in respect of any payouts made for eligible claims under the RSF Guarantees, such amount (net of eligible recovery costs incurred by PIE or PFIs) will be remitted first to the Loss Reserve Accounts. Unless otherwise requested by the World Bank to return such funds to the World Bank in respect of any payments made under the GCF Guarantee (in which case such funds would be reflowed by the World Bank to GCF), any such remitted amount will be deposited in the Loss Reserve Accounts and used to meet any further eligible claims under the RSF.

Eligible recovery costs include legal, administrative, financial and other directly related additional costs that the PIE or PFI may incur when pursuing recoveries on PFI Loans for which RSF Guarantee payouts have been made. Both the PIE and PFI should use prudent and cost-effective recovery methods proportional to the expected recovery amounts. Under no circumstances can the eligible recovery costs include compensation for staff time at either the PIE or PFI, nor can the eligible costs exceed the recoveries to be made.

3.6.8. Temporary Cessation of RSF Guarantee Issuance

During years 1-5 of the Project, the PIE will provide semi-annual progress reports on the performance of the RSF to the MOIT, World Bank and GCF, which will *inter alia*, contain information on any calls and payouts under RSF Guarantees. If RSF Guarantees have been paid out in an aggregate amount of up to US$1 (one) million, GCF may request a consultation among the World Bank and the PIE.

GCF may, through the World Bank, also request that the PIE cease issuing further RSF Guarantees.

if:

a) the aggregate amount of RSF Guarantee Claims received by the PIE exceeds US$1 (one) million and;
b) the aggregate amount of RSF Guarantee Claims received by the PIE exceeds US$3 (three) million in respect of the first temporary cessation (and for subsequent temporary cessations, after each additional incremental US$5 million of RSF Guarantee calls).

The cessation may be lifted and the PIE may resume issuing RSF Guarantees upon notification by the World Bank, when the PIE has taken corrective measures satisfactory to the World Bank and GCF.

4. CASH MANAGEMENT

4.1. Overview

The RSF facility life is up to 15 years comprising of a 5-year RSF Availability Period during which the PIE can issue RSF Guarantees that will fully amortize during the expected 10-year RSF Amortization Period. RSF Guarantee issuance corresponds with the tranching and amortization timeline of the GCF Guarantee. During the RSF Availability Period, as underlying loans amortize together with the associated guarantees, the exposure that is released from the guarantee portfolio can be reissued in the form of new guarantees.

4.2. Flow of Funds from GCF to WB

GCF funding for the GCF Guarantee will be provided in tranches up to an aggregate amount of US$75 million. The tranches are expected to be in the amount of US$5 million, US$15 million, US$35 million and US$20 million (depending on the demand for the RSF), with tranches to be disbursed by the GCF and committed to the World Bank at the request of PIE after seventy per cent (70%) of the funds previously disbursed by GCF have been cumulatively committed in the form of an equivalent amount of RSF Guarantees. The committed amount of the GCF Guarantee will in turn be reduced as the underlying guaranteed loans amortize. GCF's transfer of the initial tranche of Reimbursable Funds to the World Bank would be made before the GCF Guarantee Agreement with the PIE becomes effective. For subsequent tranches, GCF would similarly need to transfer the Reimbursable Funds to the World Bank, before the World Bank can commit to making the increased guarantee coverage available to the PIE. Therefore, the amount of the GCF Guarantee at any given time will not exceed the amount of the funds actually transferred by GCF to the World Bank. As subsequent tranches are transferred by GCF to the World Bank, the World Bank will notify the PIE and increase the amount of the GCF Guarantee in accordance with the terms of the GCF Guarantee Agreement.

4.3. Flow of Funds from WB to RSF

Funds flow between the World Bank and the PIE will be handled by the World Bank, which will issue the GCF Guarantee for the RSF, pursuant to the GCF Guarantee Agreement between the World Bank and the PIE. The RSF can issue retail RSF Guarantees only to the extent that the aggregate amount of the outstanding RSF Guarantee portfolio does not exceed the amount of the Reimbursable Funds transferred by GCF to the Bank.

Calls under the GCF Guarantee are made directly by the PIE to the World Bank, which will pay out on eligible calls (and as a result will transfer funds to the PIE) using the Reimbursable Funds already transferred from GCF.

4.4. Flow of Funds from RSF to WB/GCF

4.4.1. Reflows from the RSF to World Bank

[After the Availability Period, should the PIE be able to recover all or a portion of the losses for which a payout under the GCF Guarantee has been made (using Reimbursable Funds), GCF shall have the option of clawing back (through the World Bank) from the RSF the amount corresponding to the losses that have been recovered by the PIE (net of eligible recovery and operating costs).

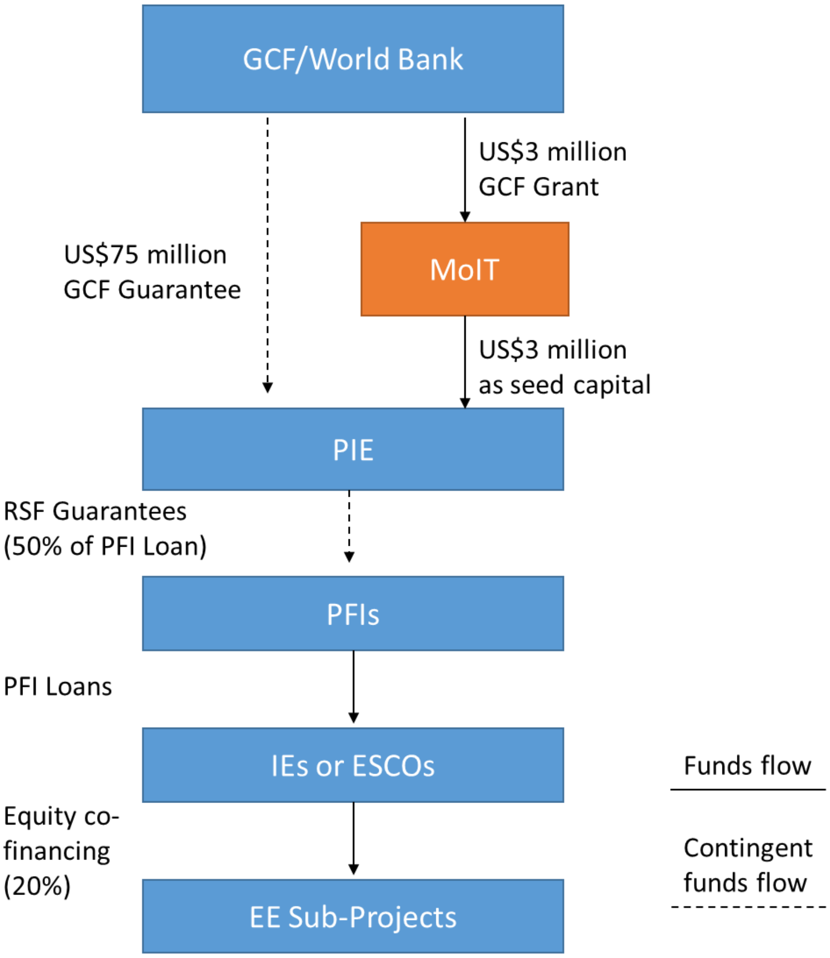
At the maturity of all RSF Guarantees, any unused funds remaining in the Loss Reserve Accounts will be reflowed to GCF through the World Bank, up to an amount equivalent to the aggregate amount of any payouts under the GCF Guarantee and net of any recoveries reflowed to GCF.

4.4.2. Reflows from WB to GCF

The World Bank shall periodically reflow Reimbursable Funds to GCF following the Availability Period as the committed amount of the GCF Guarantee decreases as the underlying loans amortize. Specifically, periodic reflows shall be made annually to the GCF after the Availability Period of the RSF as the overall exposure of the retail RSF Guarantee portfolio decreases through the repayment of underlying energy efficiency loans.

Figure 6 below provides an overview of the funds flow arrangements. It is important to emphasize that no funds flow from either the World Bank to the PIE or from the PIE to PFIs, if no calls occur under the RSF Guarantees. If calls do occur, the PIE is required to make guarantee payments to PFIs in the first instance from the existing funds in the RSF, consisting of the seed capital and guarantee fee payments deposited into the Loss Reserve Accounts. Only if those funds are insufficient to meet calls on the RSF will the PIE make a call on the GCF Guarantee, at which point the World Bank will pay out under the GCF Guarantee by transferring the relevant amount of the Reimbursable Funds to the PIE.

Figure 6. Overview of RSF funds flow arrangements



5. ROLES AND ELIGIBILITY OF KEY PARTIES

5.1. MoIT's Main Duties

The Project Management Board ("PMB") of MoIT is the day-to-day entity which oversees PIE's management of the RSF. The PMB's duties include the following:

i. Supervise VSUEE Project implementation activities, including PIE, PFIs' and IEs'/ESCOs' performance;

ii. Coordinate Project activities;

iii. Provide support to MoIT for the selection of the PIE and PFIs in consultation with SBV and the World Bank;

iv. Support MoIT in the negotiation and execution of the Implementation Agreement with the PIE;

v. Supervise the PIE's activities and performance;

vi. Review changes to the OM and provide consent as needed, in conjunction with the World Bank;

vii. Implement the technical assistance and capacity building activities under the Project for MoIT, the PIE, PFIs and IEs/ESCOs;

viii. Assist the PIE/PFI/IE/ESCO, upon written request or email from these units to PMB (Ministry of Industry and Trade), in: identifying and selecting qualified technical consultants in the field of energy saving as well as related technical fields; assist the IE/ESCO in preparing Subproject technical documents; Support PIEs/PFIs in technical appraisal, monitoring and evaluation (M&V) activities for ESCOs; and other activities according to the actual requirements of each party for each subproject.;

ix. Review reports submitted by the PIE/PFIs;

x. Ensure proper tracking and documentation of public consultation, participation and disclosure activities in accordance with national regulations and World Bank environmental and social safeguard requirements;

xi. Report to MoIT and the World Bank on Project implementation progress;

xii. Inform and coordinate with line ministries/entities (Ministry of Finance, SBV, Ministry of Planning and Infrastructure, other relevant Government agencies) regarding possible issues during Project implementation.

5.2. PIE's Main Duties

The PIE plays a central role in implementing the Risk Sharing Facility under the overall supervision of MoIT/SBV. The PIE's key responsibilities are provided below:

i. Finalization of Project Documentation

   a. Negotiate and execute the Implementation Agreement with MoIT, the GCF Guarantee Agreement with the World Bank, and RSF Guarantee agreements with PFIs;

   b. Comply with/satisfy the terms of the Implementation Agreement and the GCF Guarantee Agreement, as well as the rules and guidelines of this OM and the Risk Management Framework (see RMF in Annex 9).

   c. Propose revisions to the OM, subject to the approval of MoIT and the World Bank, and GCF with respect to the Restricted Provisions.

ii. Support PFIs in Sub-Project Identification and Pipeline Development

   a. Provide guidance and advice on the implementation of VSUEE Project to PFIs and IEs/ESCOs;

   b. Participate in marketing efforts and sub-project identification for the RSF, supporting PFIs in their pipeline development activities as needed;

   c. Facilitate and organize technical assistance and capacity building activities, as required.

iii. RSF Guarantee Issuance

   a. Confirm borrower eligibility and ensure compliance of the underlying investments with the criteria described in the Operating Manual;

   b. Provide Sub-Project identification support to PFIs;

   c. Review RSF Guarantee applications from PFIs in accordance with eligibility and other criteria set forth in this OM; and if approved, issue RSF Guarantees to PFIs;

   d. The PIE, before issuing RSF Guarantee approval shall check if the PFI's Guarantee application include sufficient safeguard documents (EIA/EPP/EMP) of the Sub-Projects: (i) have been approved by relevant local authorities; (ii) cleared by the

Bank (for category A and some selected category B projects subject to the WB's prior reviewing); and (iii) acceptable to the Bank's standards (for category B Sub-Projects that are reviewed and appraised by PFIs)and during the project implementation the PIE shall periodically monitor and confirm that the IEs/ESCOs comply with the safeguard requirements as described in the Operations Manual and GCF Guarantee Agreement;

e. Review loan appraisal performed by the PFI. While the PFIs are expected to conduct full due diligence on the borrower, the PIE's review of RSF Guarantee applications is intended to identify any material risk factors that may justify additional credit risk assessment before RSF Guarantee can be approved;

f. Approve or reject RSF Guarantee application based on the PIE's review of RSF Guarantee applications; in case of rejection, the PIE should explain the reasons for that to the PFI;

g. Determine RSF Guarantee terms (e.g. coverage ratio, tenor, guarantee structure) based on the risk profile of loan to be guaranteed, within pre-approved limits;

h. Develop the form of and enter into Master Guarantee Agreements and RSF Guarantee Letters with PFIs.

iv. Portfolio and Loan Monitoring

a. Track performance of the RSF Guarantee portfolio and underlying loans during the RSF Availability Period and RSF Amortization Period;

b. Manage risk exposure and capital adequacy of the RSF Guarantee portfolio (e.g. suspend new RSF Guarantee issuance in case of high guarantee payouts);

c. Monitor Sub-Projects for which RSF Guarantees have been issued for compliance with environmental and social requirements and procedures (as set out in the ESMF/RPF/EMPF);

d. Monitor loan disbursements by PFIs to IE/ESCO borrowers for approved Sub-Projects;

e. Monitor principal and interest payments by IE/ESCO borrowers to PFIs;

f. Receive claims under RSF Guarantees from PFIs, and verify the reasons for RSF Guarantee calls, all in accordance with the terms of the relevant Master Guarantee Agreements and RSF Guarantee Letters;

g. Where claims have been verified, pay out RSF Guarantee claims, in accordance with the terms of the applicable Master Guarantee Agreements and RSF Guarantee Letters;

h. Notify MoIT and the World Bank of RSF Guarantee claims and payouts, in accordance with the reporting requirements under the Implementation Agreement and GCF Guarantee Agreements, respectively;

i. Coordinate with PFIs and relevant government agencies on loss recovery efforts; ensure that the efforts continue even after the relevant RSF Guarantee claim has been paid;

j. Monitor the RSF Guarantee portfolio and loans for ten years following the RSF Availability Period; and

k. Monitor the compliance of PFIs against the PFI eligibility criteria on an annual basis.

v. Cash Management

a. Maintain relevant RSF Accounts;

b. Ensure that the RSF has sufficient cash flow to operate and cover any RSF Guarantee claims;

c. Invoice and collect front-end and annual RSF Guarantee fees from PFIs;

d. Make regular GCF Guarantee fee payments to the World Bank,

e. Make RSF Guarantee payouts, in accordance with the terms of the applicable Master Guarantee Agreements and RSF Guarantee Letters;

f. Collect recovery proceeds related to RSF Guarantee payouts;

g. Submit demands to the World Bank under the GCF Guarantee, in accordance with the terms of the GCF Guarantee Agreement, in case of a capital shortfall in the Facility.

vi. Reporting

a. The PIE will be required to report periodically to MoIT and the World Bank, covering, *inter alia*: (i) the number of RSF Guarantees issued; (ii) list of covered projects with PFI lending terms (including estimated interest rate reduction and tenor improvement as a result of the RSF Guarantee); (iii) materialized losses (i.e. RSF Guarantee payouts); (iv) realized energy efficiency savings; (v) portfolio amortization profile; (vi) RSF Guarantee fee and interest revenue, and incurred expenses; (vii) status of recovery efforts and amounts recovered PFIs and IEs/ESCOs; (viii) the compliance of safeguard requirements and if applicable, on a semi-annual basis, the performance of PFIs under their IDPs (as defined below under section 5.3.1 (Eligibility of PFIs)) (See Section 8 (Monitoring and Reporting) for further details on reporting).

vii. Other

a. For Sub-Projects implemented as a "Guaranteed Savings" arrangement by ESCOs, the PIE may be required to sign the Escrow Agreement / Trust and Retention Account as a Trustee Bank, along with the IE, ESCO and PFI.

5.3. Eligibility and Main Duties of PFIs

5.3.1. Eligibility and Accreditation of PFIs

MoIT with support from SBV and the World Bank will select PFIs for participation in the RSF based on the eligibility criteria described in Annex 1. Commercial banks which meet the PFI eligibility criteria will be issued a PFI Accreditation Letter. Following accreditation as PFIs, the commercial banks are required to perform certain preparatory activities before they can enter into a Master Guarantee Agreement with the PIE. Such activities include identification of a preliminary Sub-Project pipeline, designation of PFI staff responsible for RSF project coordination and participation in required capacity building and training workshops organized by the PIE or MoIT.

Additional PFIs may be added during the life of the Project. The PIE will recommend suitable entities as PFIs based on the PFI selection criteria described in Annex 1, for approval by MoIT and the World Bank. To become a PFI, interested commercial banks are required to submit their expression of interest in writing to the PIE and MOIT, together with their latest audited financial statements. The PIE and MOIT will review and assess the financial information against the PFI eligibility criteria, and upon confirming eligibility and receiving approval from WB, MOIT will issue a PFI Accreditation Letter to the interested commercial bank.

The PIE will monitor the compliance of the PFIs against the PFI eligibility criteria on an annual basis during project implementation, and require each PFI to submit a certification confirming its continuing compliance with the PFI eligibility criteria on an annual basis. The PIE will report on such compliance as part of its annual reporting on the performance of the RSF.

If, during project implementation, a PFI no longer meets the PFI eligibility criteria, it will no longer be eligible to apply for RSF Guarantees. Any RSF Guarantees that have already been issued in support of Sub-Projects funded by such a PFI will remain in effect (subject to the terms of the relevant Master Guarantee Agreement and RSF Guarantee Letter), but the PFI may not apply for new RSF Guarantees until an institutional development plan with the objective of fulfilling all PFI eligibility criteria has been submitted by the PFI to the Ministry of Industry and Trade, the World Bank and PIE, and approved by these agencies.

If, during project implementation, a PFI no longer meets the PFI eligibility criteria, it can still participate in the TA component of the Project if it agrees to a time-bound action plan, or Institutional Development Plan (IDP), to bring it back into compliance with the PFI eligibility criteria. The IDP would be specific to each PFI given that each will have unique strategies, strengths and weaknesses. The IDP will be developed by the PFI in consultation with the PIE. The PIE will be responsible for reviewing and evaluating the IDP before submitting it to MoIT and the World Bank for approval. The IDP will be conducted under the supervision of the PIE, and to the satisfaction of and subject to approval by the SBV, MoIT and the World Bank. The PIE will provide reports on the PFI’s performance under its IDP to SBV, MoIT, and the World Bank. If PFI does not satisfy the PFI eligibility criteria within the applicable implementation period specified in the relevant IDP (typically expected to be a one-year implementation period), the PFI will be excluded from further participation in the Project.

5.3.2. Main Duties of PFIs

PFIs’ main duties include:

i. PFI Eligibility Confirmation
   a. Provide annual certification (with supporting information/documentation) confirming continuing compliance with the PFI eligibility criteria;
   b. Provide reporting on performance under an IDP;
   c. Sign Master Guarantee Agreement with the PIE.

ii. Determination of Sub-Project Eligibility
   a. Appraise energy efficiency Sub-Projects proposed by IEs/ESCOs to ensure technical, economic and financial viability;
   b. Determine Sub-Projects meet World Bank environmental and social safeguard policies; and national environmental protection regulations;
   c. Determine eligibility of Sub-Project loans for RSF coverage;
   d. Ensure that borrowers provide at least 20% of total investment cost.

iii. PFI Loan Terms and RSF Guarantee
   a. Determine PFI Loan terms based on Sub-Project characteristics;
   b. Consider the value of RSF Guarantee in determining PFI Loan margin;
   c. Apply for RSF Guarantee;
   d. Bear credit risk for the loan amount not covered by the RSF Guarantee,

e. Sign the RSF Guarantee Letter;

f. Pay required RSF Guarantee fees as invoiced.

iv. PFI Loan Processing

a. Sign Loan Agreements with IEs/ESCOs borrowers;

b. Disburse loans to IEs/ESCOs in accordance with the terms of the relevant Loan Agreements.

v. PFI Loan Monitoring and Reporting

a. Monitor implementation of Sub-Projects;

b. Submit periodic reports to the PIE (attached as Annex 14);

c. Inform the PIE immediately if any RSF Guaranteed loans are experiencing delays, or partial or missing debt service payments;

d. In case of loan defaults for ESCO Sub-Projects, conduct M&V through a third-party agency to verify the claims made by PFIs.

vi. PFI Loan Collection and Recovery

a. Intensify loan collection efforts for PFI Loans that are experiencing delayed, partial or missing debt service payments (and hence become bad debts);

b. Consider restructuring or rescheduling of debt service payments for bad debts;

c. Call the RSF Guarantee for eligible defaulted PFI Loan amounts;

d. Undertake recovery efforts for PFI Loans for which an RSF Guarantee was called and paid;

e. Report to the PIE on the status of recovery efforts.

vii. Other

a. Participate in trainings, workshops, conferences, etc. offered under the Project;

b. Provide information to the PIE on potential Sub-Project pipeline;

c. Provide information to the PIE on an annual basis demonstrating continued eligibility under the PFI Eligibility Criteria;

d. For Sub-Projects implemented as a "Guaranteed Savings" arrangement by ESCOs, PFIs may be required to sign as a Trustee Bank the Escrow Agreement /Trust and Retention Account along with the IE and ESCO.

5.4. Eligibility and Main Duties of Industrial Enterprises/Energy Service Companies

5.4.1. Overview of Eligibility of Industrial Enterprises and Energy Service Companies

RSF Guarantees can only be provided for PFI loans made to eligible IEs/ESCOs.

State-owned and private IEs are eligible to receive RSF Guaranteed loans as long as the IEs in questions have no cross-ownership with the PFI providing financing. The Project aims to support energy intensive industrial sectors with large energy saving potential. All IEs can participate, regardless the size, if they fulfill minimum demonstrated energy savings under Sub-Project eligibility criteria (see section 5.5).

ESCOs (including leasing companies), that provide a wide range of services to implement EE projects under performance-based agreements under which end users pay for services from demonstrated energy savings, are also eligible to participate the financing facility.

5.4.2. Eligibility criteria for IEs and ESCOs

The PFI will assess the eligibility of each IE/ESCO as part of its review of the PFI Loan application and the PIE will confirm such eligibility as part of its review of the RSF Guarantee applications based on the information and supporting documents submitted by the PFI. To be eligible, an IE/ESCO needs to meet the following criteria:

The IE/ESCO:

i. Is registered and operates in accordance with relevant Vietnam regulations and laws;
ii. Provides satisfactory security for the loan as determined by the PFI;
iii. Has a satisfactory business plan and purpose for the proposed loan;
iv. Has demonstrated financial ability to service the loan during its life;
v. Has no non-performing loan at any credit institution presented in CIC report at the time of RSF Guarantee application;
vi. Has not committed any Sanctionable Practices, as described in Annex 11;
vii. Has no cross-ownership with the PFI providing the financing; and
viii. Fulfills the minimum demonstrated energy savings requirements (see Section 5.5).

5.4.3. Main Duties of IEs/ESCOs

i. Feasibility Study Preparation and Provision of Information
   a. Prepare Sub-Project documents including: Feasibility Study (FS) and, if required, an Environment Management Plan (EMP), a Resettlement Action Plan (RAP), and /or an Ethnic Minority Development Plan (EMDP) for submission to the PFI and other documents in accordance with regulations;
   b. Ensure that Sub-Project documents include all information and documentation required for the PFI and PIE to verify that all RSF Guarantee and financing requirements have been met.
ii. Adherence to PFI Loan Requirements
   a. Provide at least 20% of the total Sub-Project investment cost;
   b. Provide loan collateral to the PFI using the assets being created under the Sub-Project, if required by the PFI.
iii. PFI Loan Processing
   a. Submit loan application to PFI with all required documents;
   b. Sign Loan Agreement with the PFI.
iv. Implementation of Social and Environment Safeguards
   a. Prepare and implement the site-specific EMP, the RAP, and the EMDP in a consistent manner with the project's ESMF, RPF and EMDF (if applicable).
v. Other
   a. Participate in workshops, trainings offered under the Project;
   b. Provide Sub-Project related information to the PIE as requested.
vi. For Sub-Projects implemented by ESCOs, the IE's are additionally required to carry out the following activities:

a. In case of "Guaranteed Savings" arrangement with ESCO: Sign the Escrow Agreement /Trust and Retention Account along with the PFI and ESCO and the PIE as a Trustee Bank; and

b. Deposit monetized value of energy savings achieved from implementation of energy savings project to the Escrow Account /Trust and Retention Account as per contracted schedule;

c. Support ESCO in resolving the technical underperformance of the implemented energy savings project, if required

d. Support the ESCO / M&V Consultant / any third party agency as appointed by PIE to assess the actual energy savings of the implemented energy savings project.

5.4.4. Main Duties of ESCOs

Two main models exist for energy performance contracting in EE investments: the "shared savings" model and the "guaranteed savings" model (for further details, see Annex 3). ESCOs' responsibilities under the Project include:

i. Sub-Project preparation

   a. Conduct detailed energy audit in the IE's facility to prepare a consumption baseline, if necessary;

   b. Prepare Sub-Project documents including: Feasibility Study (FS)

   c. Conduct environmental and social safeguards due diligence as per ERMF guidelines, and, if required, prepare a site-specific Environment Management Plan (EMP), a Resettlement Action Plan (RAP), and /or an Ethnic Minority Development Plan (EMDP) for submission to the PFI;

   d. Prepare a detailed Energy Saving Performance Contract in consultation with the IE;

   e. Develop an M&V methodology and plan in consultation with the IE;

ii. PFI Loan Processing for Shared Savings

   a. Submit loan application to PFI with all requisite documents;

   b. Sign Loan Agreement with the PFI and apply the proceeds of the loan and repay the same in accordance with the Loan Agreement;

   c. Procure goods, works and services for the Sub-Project in accordance with economy and efficiency, such that the procured items are of satisfactory quality, delivered or completed in a timely fashion, and are priced so as not to affect adversely the economic and financial viability of the Sub-Project.

iii. PFI Loan Processing for Guaranteed Savings

   a. Sign the Energy Savings Performance Contract;

   b. Sign the Escrow Account / Trust and Retention Account agreement with the PFI, the IE and the Trustee Bank;

   c. Define asset ownership during and after PFI Loan repayment in the Energy Saving Performance Contract.

iv. Sub-Project Implementation and Monitoring

   a. Perform installation, commissioning, operation, maintenance of the Sub-Project;

b. Train staff of the IE, as necessary, on Sub-Project implementation;

c. Measure and verify energy savings using the M&V plan and submit the M&V report to the PFIs.

d. Resolve the technical underperformance of the implemented energy savings project, if required, in consultation with the IE.

5.5. Eligibility of Sub-Projects

The IE/ESCO and the PFI are required to ensure that any proposed Sub-Project for which a RSF Guarantee is requested meets the technical, environmental and social safeguards, energy saving, and economic criteria set forth below (see Annex 5 for further details and examples):

i. Sub-Project Technical Eligibility

The major types of Sub-Project eligible for financing under the VSUEE Project are investments into renovation and rehabilitation (adjustment, replacement) of existing physical components and systems to achieve energy efficiencies..Sample investments include:

a. Replacement of inefficient industrial technologies with energy saving technologies such as more efficient industrial boilers, kilns, and heat exchange systems;

b. Recovery and utilization of by-product gas, waste heat and pressure;

c. Installation of highly efficient mechanical and electrical equipment, including lighting motors, pumps, heating and ventilation equipment;

d. Industrial system optimization to reduce energy use;

e. Other sub-projects related to energy efficiency approved by the World Bank.

ii. Sub-Project Economic Eligibility

A spreadsheet and guidelines for economic analysis can be downloaded from the PMB's website http://tietkiemnangluong.com.vnor requested directly from the PMB. The IE/ESCO should also complete a financial analysis spreadsheet provided by the PMB http://tietkiemnangluong.com.vn. Note that both the economic and financial analyses should be completed *in addition* to whatever is required by the PFI as part of its standard commercial due diligence procedures.

All eligible Sub-Projects must meet the following economic criteria:

a. demonstrate a minimum energy saving requirement of ten percent (10%), (lower energy saving maybe acceptable for specific sectors with advanced energy technologies) by the applying the following formula;

b. **Es=(Eb – Ea)/Eb * 100%**

Es – energy saving, %

Eb – energy consumption before sub-project implementation, (kWh, kJ, TOE)

Ea - energy consumption after sub-project implementation, (kWh, kJ, TOE)

Sub-projects on gas and heat recovery are considered eligible without proof of minimum energy saving rate.

Examples of Sub-Projects are provided in Annex 5.

c. have payback period project within a period of ten (10) years;

d. have an IRR higher than ten percent (10%)

iii. Sub-Project Social and Environmental Eligibility

a. The IE shall have obtained all required environmental approvals from appropriate local, provincial or state environmental authorities and shall make available to PFIs copies of all necessary approval documents. Sub-projects are subject to safeguard screening and compliance with the World Bank environment and social requirements and national environmental and social laws and regulations.

b. The Sub-Project eligibility screening form is attached in Annex 4 and further details on Sub-Project eligibility assessment is provided in Annex 5.

6. LOAN AND GUARANTEE PROCESSING

6.1. PFI Loan Application

The RSF Guarantee issuance process starts with PFI Loan processing. The first step in the process is for the IE/ESCO to submit a loan application to the PFI with the standard information required by the PFI, as well as the following information:

i. General description of Sub-Project scope and borrower
ii. Objective and justification for the Sub-Project
iii. Summary of Sub-Project technical assessment
iv. Baseline energy consumption data and projected Sub-Project energy savings
v. Environmental and social impact assessment, and status of required government approvals(according to Environmental Protection Law)

vi. Draft Sub-Project investment cost and financing plan

The IE/ESCO should also submit final copies of the following:

i. Sub-Project feasibility study or investment proposal
ii. A baseline energy audit report
iii. Project financial analysis
iv. The borrower's audited/un-audited financial statements for the last three years (as per applicable regulations)
v. Environmental and social documents
vi. Government environmental approvals (if required)
vii. Government approvals for Sub-Project implementation (if required)
viii. Copy of certificate of registration/incorporation of IE/ESCO
ix. For ESCOs: Copy of signed ESPC in case of Guaranteed Savings Model
x. Other relevant documents

If the Sub-Project feasibility study or investment proposal is not fully completed, the IE/ESCO may submit an advanced draft at the time of loan application. The final version of the feasibility study or investment proposal should be submitted prior to the start of preliminary appraisal.

6.2. Review of PFI Loan Application

The PFI will review the loan application based on the submitted information. The PFI review team may include an energy efficiency technical expert, an environmental and social safeguards specialist or an energy savings measurement and verification specialist or the PFI may engage consultants to perform these functions as needed.

The PFI can request clarifications from the IE/ESCO regarding its compliance with Sub-Project eligibility criteria or the PFI's own credit review policies

6.3. Sub-Project Technical and Economic Appraisal

The PFI shall conduct a thorough technical and economic appraisal of the Sub-Project based on the Sub-Project feasibility study or investment proposal prepared by the IE/ESCO borrower (see Annex 5 for details). The technical and economic appraisal shall consider the following aspects:

i. Sub-Project technical rationale and benefits

The proposed technical renovation or rehabilitation including evaluation and comparison of system design alternatives, key technology and process options and equipment choices; reliability, efficiency and compatibility of the new system design, technology, process, equipment and products with existing systems; and expected changes to technical specifications and indicators (of technology, process, equipment, system, product, production capacity) before and after the Sub-Project.

ii. Sub-Project implementation plan

Schedule for Sub-Project implementation and various parties who are expected to be involved in Sub-Project implementation; analysis of constraints and challenges to implementation and recommended mitigation measures.

iii. Sub-Project investment cost

Analysis of various equipment, civil works and consultancy costs associated with Sub-Project, and basis for the cost estimates; evaluation of total investment cost, including interest during construction and contingency costs.

iv. Baseline energy audit and energy savings

Study and analysis of energy use by the beneficiary enterprise or by the relevant unit, plant or area of the beneficiary enterprise where the Sub-Project is to be implemented to establish the baseline energy consumption data. The baseline should include data on all forms of energy consumed over an annual period, preferably for the last two years. In addition to the quantities of energy consumed, the average expenditure during the period on each form of energy should be numerated. Details should be provided on the expected energy consumption following Sub-Project implementation and the assumptions used.

v. Economic and financial appraisal

Confirmation of economic and financial eligibility based on the criteria provided in Section 5.5.

vi. Measurement and verification

Assessment of the measurement and verification plan to ensure consistency with the generally accepted M&V approach.

6.4. Environmental and Social Appraisal

The PFI should review all environment and social documents provided by the IE/ESCO and determine compliance with all national and World Bank environmental and social requirements. Details are in Section 9 on Environmental and Social Safeguard Requirements.

6.5. Determination of PFI Loan Terms

The PFI should initially determine the standard loan terms (amount, tenor, principal, interest rate, grace period, collateral requirements) based on its normal commercial practice. Following that the PFI should factor in the credit enhancement benefit on the loan terms from the AAA-rated RSF Guarantee. It is expected that especially the loan interest rate would be priced based on 50% PFI risk and 50% World Bank risk.

PFI Loans to be considered for RSF Guarantee coverage need to meet the following limits:

i. Currency either USD or VND (in compliance with government regulations);

ii. Loan amount not to exceed US$15 million (out of which 50% is guaranteed);

iii. Loan amount not to be below US$250,000;

iv. Single lender limit: A single PFI may not have more than US$50 million of loans guaranteed (i.e. no more than US$25 million of RSF Guarantees outstanding);

v. Single borrower limit: A single IE/ESCO may not have more than US$50 million of loans guaranteed (i.e. no more than US$25 million of RSF Guarantees outstanding).

vi. The amount of aggregate RSF Guarantees outstanding at any time in respect of a particular industrial sub-sector (as defined by MoIT) shall not exceed US$25 million.

vii. The PFI Loan Agreement must require the relevant IE or ESCO to provide the PFI with detailed financial information including income statement, balance sheet and cash flow on a six-month basis, as well as annual audited/ un-audited financial statement as per applicable regulations, and a provision allowing the PFI to share all such information with the PIE, MoIT, the World Bank and GCF.

viii. The PFI Loan Agreement must require the IE or ESCO to provide the PFI with semi-annual progress reports on the implementation progress of the Sub-Project, including the progress of installation, verified energy savings and GHG emissions reduced, and a provision allowing the PFI to share all such reports with the PIE, MOIT, the World Bank and GCF.

ix. The obligation of the IE/ESCO to implement the Sub-Project in accordance with the applicable national and WB environmental and social safeguards frameworks.

x. The obligation of the PFI to comply with the World Bank’s anti-corruption and integrity provisions, including provisions regarding Sanctionable Practices.

xi. The right of the PFI to inspect by itself or with PIE, MoIT, World Bank and/or GCF any goods purchased with the proceeds of the loan, the Sub-Project site and any relevant supporting records and information relating to the Sub-Project.

xii. The obligation of the IE/ESCO to take out appropriate insurance cover in relation to all the risks associated with the Sub-Project.

xiii. The right of the PFI to suspend or terminate the loan upon failure of IE/ESCO to comply with its obligations under the loan agreement.

All PFI Loan documentation should additionally include clauses provided in Annex 6.

6.6. Loan Approval

Following determination of PFI Loan terms, the PFI obtains an internal interim approval of the proposed loan.

6.7. RSF Guarantee Application

Upon satisfactory internal review and interim approval of the PFI Loan, the PFI submits an RSF Guarantee application to the PIE (see Annex 7). The RSF Guarantee application must be in the format provided to the PFI in the Master Guarantee Agreement (see Annex 8) and must include the following items:

i. Copy of all information provided by the IE to the PFI for the PFI Loan application

ii. Evidence of compliance with key eligibility criteria

iii. Other documents indicated in the Master Guarantee Agreement

6.8. RSF Guarantee Approval and Issuance

The PIE will review the application submitted by the PFI within 15 business days, requesting additional information, if needed. For the avoidance of doubt, the PIE is generally expected to rely on the information provided by the PFI, unless the PIE determines that certain aspects of the provided information need to be confirmed directly with the borrower. In such cases the PIE will have 20 business days to review the information. In addition, for the first three RSF Guarantee applications, the PIE is required to verify the information provided by the PFI by visiting the borrower and the proposed investment site. For such initial applications, the PIE will have 20 business days to review the information provided and ensure that the PFI has prepared its investment appraisal according to good banking standards. The PIE may also conduct such on-site verification after the first three RSF Guarantee applications for a PFI or proposed Sub-Project that the PIE considers especially risky or requiring additional review. In all such cases it will have 20 business days for the review.

The PIE is expected to review any additional information it requests within 5business days from receipt of such information. After the application review has been completed, the PIE will within 5 business days approve applications which meet all the required eligibility criteria, and reject those that do not. Upon approval of an RSF Guarantee application, the PIE shall promptly issue an RSF Guarantee Letter to the PFI for the PFI Loan to be guaranteed. Note that the PIE should seek a no-objection from the World Bank for approval of the first three RSF Guarantee applications. The World Bank will respond to such no-objection request within 5 business days.

There is a risk that the PFIs will not share with the IEs pricing benefits derived from the credit enhancement provided by the RSF Guarantee. The PIE should confirm based on information provided by PFIs that the RSF Guarantee is valued in the pricing of the loan so that some of the credit enhancement benefits from the guarantee are passed on to the IEs through lower loan margins. If there is no clear added value of the RSF Guarantee and no clear benefit to the end borrower, the PIE could discuss with PFIs on how the RSF Guarantee could be valued or exercise the right to reject the application.

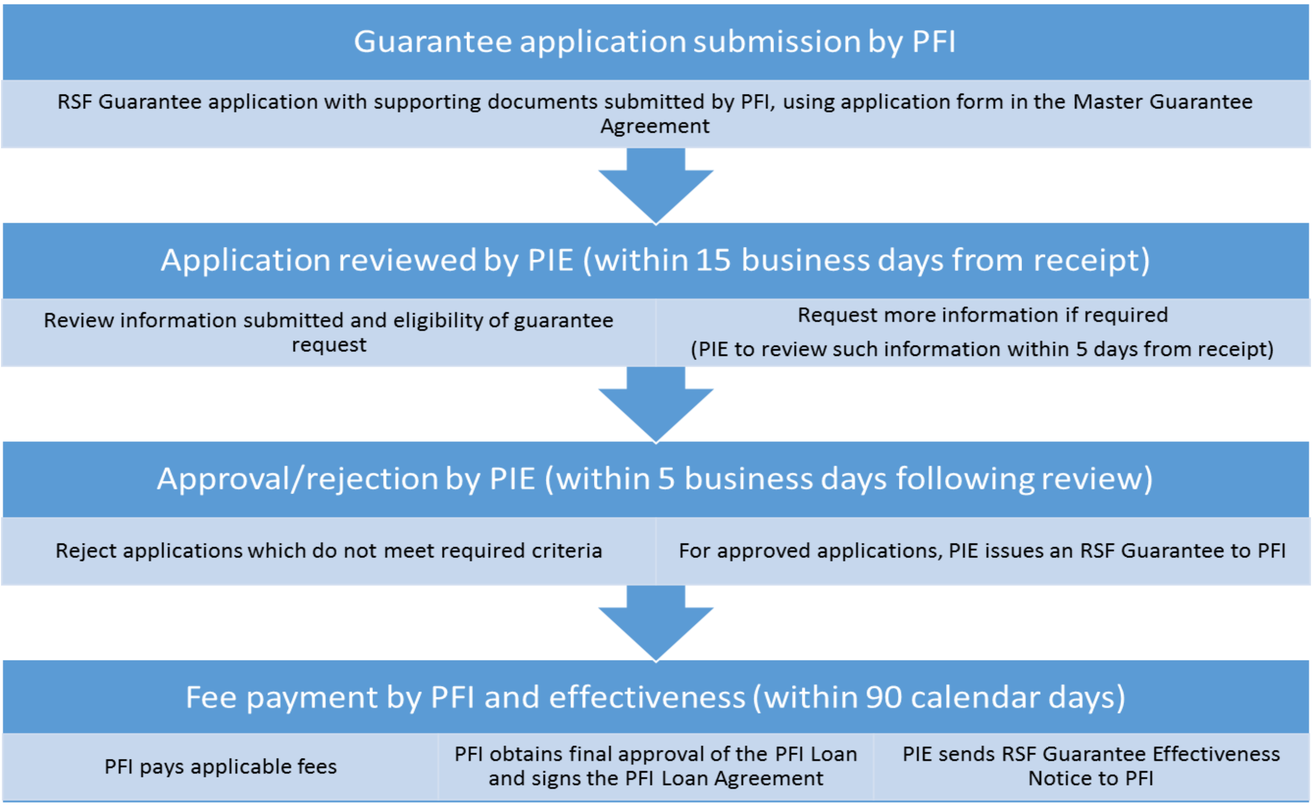
Assuming the RSF Guarantee is approved, the PIE will send an RSF Guarantee fee invoice to the PFI. The RSF Guarantee will become effective after the PFI pays the up-front fee and the first installment of annual fee and the PIE sends an RSF Guarantee Effectiveness Notice to the PFI.

Upon rejection of an RSF Guarantee application, the PIE shall promptly issue a rejection notice to the PFI, stating the reasons for the rejection.

6.9. PFI Loan Signing and Effectiveness

Upon receipt of RSF Guarantee Letter from the PIE, the PFI issues final approval of the PFI Loan. The PFI and IE/ESCO sign the PFI Loan Agreement. Upon payment of the RSF Guarantee fees, the RSF Guarantee becomes effective. An overview of the RSF Guarantee application, approval and issuance process with the accompanying timeline is provided in Figure 7.

Figure 7. Overview of RSF Guarantee Application Process



6.10. Disbursement Process

i. The IE/ESCO submits a disbursement request to the PFI for the disbursement of loan proceeds, to pay for Sub-Project cost.

ii. The PFI approves the disbursement request and pays the disbursement amount either to the IE/ESCO, to the supplier of works, goods or services, or to both, as applicable, in accordance with the terms of the applicable loan agreement.

6.11. Guarantee Claim Procedure

6.11.1. Non-payment under PFI Loan

If the IE/ESCO borrower fails to meet a scheduled debt service payment, the PFI is expected to follow SBV guidelines for classification and provisioning for non-performing loans. Following the non-payment, the PFI is expected to intensify its debt collection efforts and initiate other relevant restructuring or recovery procedures (e.g. court proceedings or seizure of collateral).

6.11.2. Pre-conditions for RSF Guarantee claim

The PFI can submit a RSF Guarantee claim after the following pre-conditions have been met:

(i) The guaranteed PFI Loan has been overdue for a period of more than 360 days; and

(ii) The guaranteed PFI Loan has been classified as Group 5 (subject to 100% provisioning), as provided by the relevant SBV regulations.

6.11.3. Claim amount in case of write-off

In case of write-off of the PFI Loan, the PFI can only submit an RSF Guarantee claim for the defaulted amount (may be a partial amount of the outstanding loan), subject to meeting the pre-conditions. The RSF Guarantee claim can be submitted for up to 50 percent of the defaulted amount and 50 percent of the accrued but unpaid interest until then (excluding any penalty interest), subject to the coverage ratio and the maximum guaranteed amount specified in the applicable RSF Guarantee Letter.

6.11.4. Claim amount in case of loan restructuring

In case of a loan restructuring, the PFI can submit an RSF Guarantee claim for up to 50 percent of the agreed reduction in the principal amount, subject to meeting the pre-conditions.

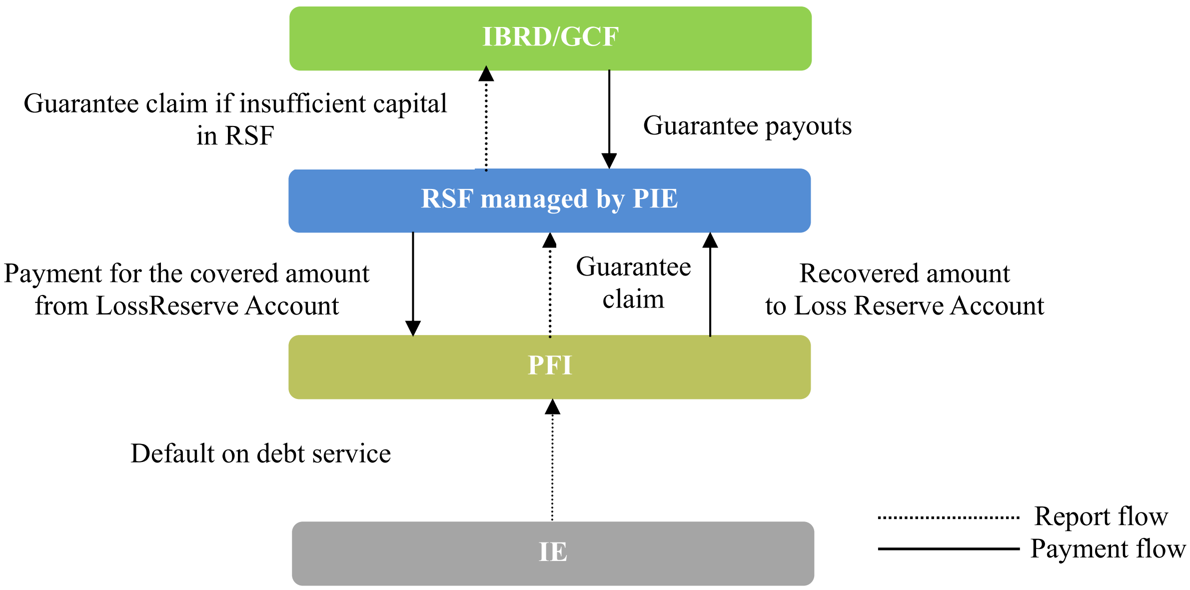
6.11.5. Claim amount in case of loan sale

In case of sale of the loan, the PFI can submit an RSF Guarantee Claim for up to 50 percent of the amount of the principal discount, subject to meeting the pre-conditions.

6.11.6. Overview of guarantee claims in different borrower scenarios

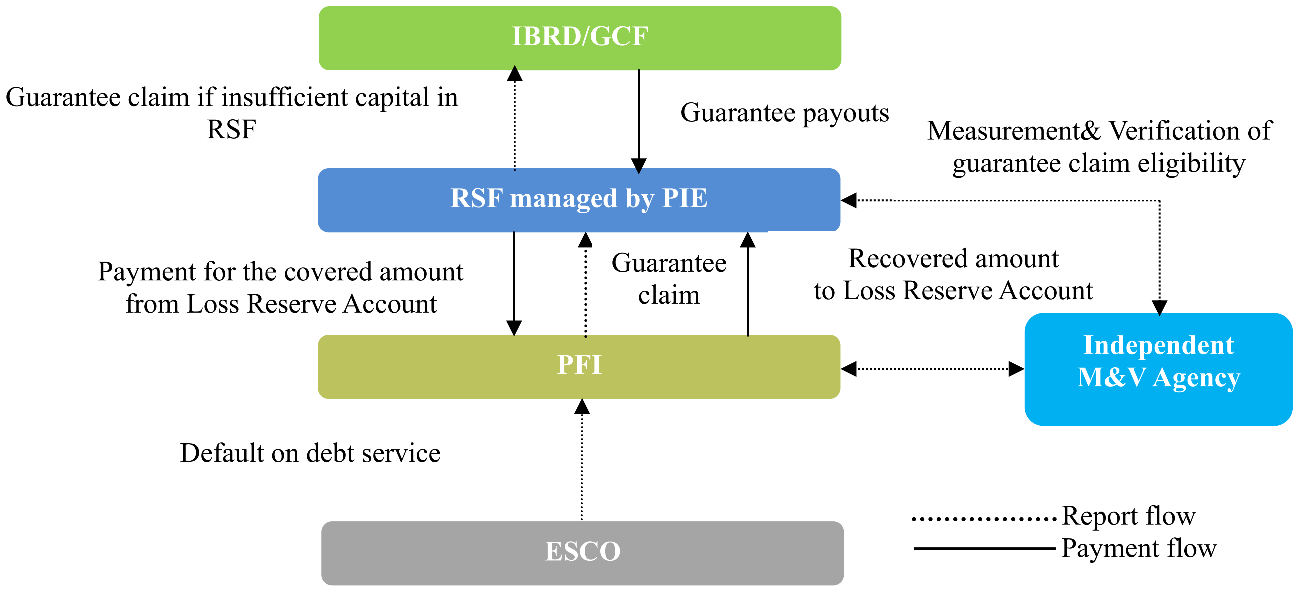
An overview of the RSF Guarantee claim procedure if an IE is the borrower is provided in Figure 8.

Figure 8. RSF guarantee claim procedure in case of IE as a Borrower



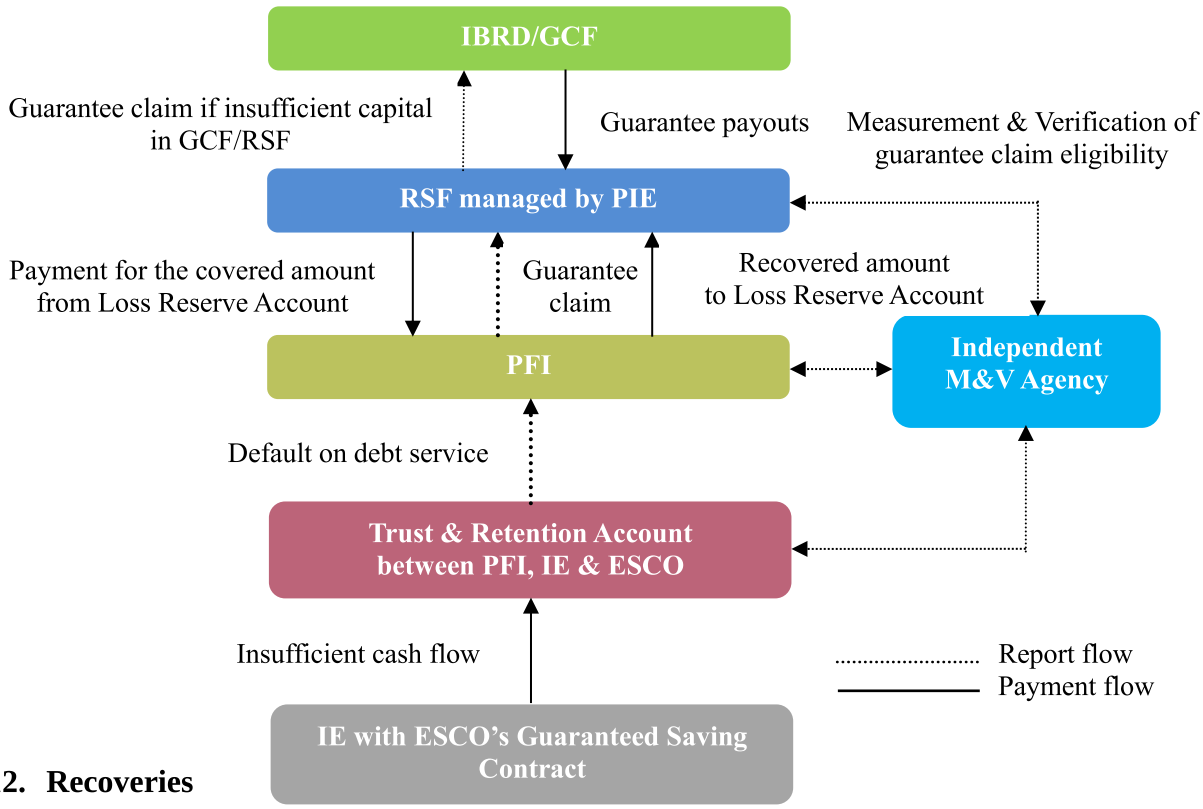
If an ESCO is the borrower under a Shared Savings model, the RSF claim procedures follows the description in Figure 9. Note that an independent Monitoring and Verification (M&V) Agency or individual expert, to be hired by the PIE, is required to verify that the underlying energy efficiency investment is underperforming such that the ESCO is unable to generate sufficient cash flow to make the scheduled loan payment. The PFI can only make a guarantee claim up to an amount that the M&V Agency has confirmed to be the cash flow shortfall from the investment.

Figure 9. RSF guarantee claim procedure in case of ESCO as a borrower in Shared Savings model



In case of default by ESCO in Guaranteed Savings model with IE as a borrower, insufficient cash to service the debt will lead to a default, which allows the PFI to make a guarantee claim to RSF, up to the 50% amount of debt covered and provided that the M&V Agency has verified the eligibility of the claim (in the same way as with the Shared Savings model), the GuaranteeClaim procedure is shown in the following Figure 10.

Figure 10. RSF guarantee claim procedure in case of IE as a Borrower in Guaranteed Saving contract with ESCO



6.12. Recoveries

6.12.1. Recovery process before RSF Guarantee claim is made

After a borrower falls behind on its PFI Loan debt service obligations, the PFI is expected to undertake its standard collection and recovery efforts to either:

(i) Restore the PFI Loan to current status;

(ii) Recover part of the defaulted amount for a PFI Loan that remains overdue.

For the avoidance of doubt, the PFI should undertake these efforts during the 360 days before an RSF Guarantee claim can be submitted.

6.12.2. Recovery process after RSF Guarantee claim is made

After the PIE makes a payment under the RSF Guarantee, the PFI is obliged to continue recovery efforts as long as the RSF Program is operating, reporting quarterly to the PIE on the progress of its recovery efforts during the first two years and annually after that. If the PFI manages to make any recoveries following the RSF Guarantee claim payment, it is required to return a share of that to the RSF, in proportion to the RSF Guarantee amount paid (less legal and other recovery costs). For example, if the PIE paid US$50,000 to the PFI on a defaulted loan amount of US$100,000, and the PFI was able to recover US$30,000 at a cost of $10,000, the PFI would need to return half of the net recovered amount to the PIE, i.e. US$10,000. After the RSF Program finishing its operation, the PFI still has the obligation to return the corresponding share of any recoveries following the RSF Guarantee claim payment directly to the World Bank.

6.13. Treatment of serious lapses, irregularities, fraud

PFIs shall at all time comply with the World Bank's Anti-Corruption and Sanctionable Practices Guidelines as referred to in the Master Guarantee Agreement (and included as Annex 8). Failure to do so may lead to a termination of such PFI's RSF Guarantee(s).

6.14. Dispute Resolution

In the event that a dispute arises out of or in connection withRSF Guarantee Agreements or any other aspect of the Project (e.g. regarding validity or interpretation of applicable implementation clauses or performance of parties), the PIE and the PFI (the Parties) shall attempt in the first instance to resolve such dispute through consultations. If the dispute is not resolved in this manner within thirty (30) days after the commencement of discussions by notice from one Party to the other, or such longer period as the Parties agree to in writing at that time, then either Party may submit the dispute for final resolution by arbitrationat the Vietnam International Arbitration Centre at the Vietnam Chamber of Commerce and Industry (VIAC)in accordance with its Rules of Arbitration. Any costs related to the dispute resolution shall be borne by the respective parties e.g. each entity pays its own legal fees if required.

6.15. Amendments

The OM is a legally binding document and may be amended by the PIE subject to the approval of MoIT, WB and, with respect to Restricted Provisions GCF consent (see Annex 15).

The PIE may recommend amendments to the OM from time to time to improve operation of the facility. Upon approval by MoIT and the World Bank (and GCF if applicable) of any such recommended amendments, the PIE will revise and date the OM accordingly.

7. RISK MANAGEMENT

7.1. PIE's Risk Management Framework

The Risk Management Framework (RMF) included in this OM provides the PIE with detailed rules and guidelines on day-to-day operations and risk management practices for the RSF (see Annex 9). During RSF implementation, beside the PIE's roles and responsibilities specified in Section 5.2, the PIE must comply with the applicable Vietnamese laws and regulations and the Risk Management Framework described in Annex 9.

8. MONITORING AND REPORTING

8.1. RSF Guarantee Pipeline

Each PFI will prepare an annual plan for expected Sub-Projects and submit them to the PIE, MoIT and the World Bank before the start of each year of the Availability Period. For the first year of the Availability Period, they will have 60 days from the start of the year to provide the annual plan. A template of PFI's Annual RSF Guarantee Pipeline is attached in Annex 10.

8.2. RSF Guarantee Issuance Plan

Before the start of each year of the Availability Period, the PIE will agree with MoIT an annual business plan for RSF Guarantee issuance.

8.3. Financial Reporting

8.3.1. Biannual Interim Financial Reports

PMB and PIE will be responsible for preparing an interim financial report on all expenditures incurred under the Component 1 and Component 2 of GCF Financing Agreement, including expenditures incurred and reported by PIE, and submitting it to the Bank every 6 months, within 45 days after end of the semester.

PIE will be responsible for biannually reporting to the Bank the activities under the Guarantee Agreement.

8.3.2. Annual Project Audited Financial Statements

The PMB will appoint independent auditors acceptable to the Bank. The project consolidated financial statements will be audited annually in accordance with international auditing standards and acceptable terms of reference. The auditors' reports will be made available to the Bank within six months of the close of the fiscal year. The auditor will also provide a management letter addressing possible internal control weaknesses of the PMB, PIE and PFIs incurred when implementing the Grant and Guarantee activities

8.3.3. PFI and PIE Audited Entity Financial Statements

All PFIs and PIE will be required to submit audited entity financial statements annually to the Bank within six months of close of fiscal year. The financial statements will be prepared in accordance with Vietnamese accounting standards. Annual financial statements and audit reports will be made available to the public through websites of the PMB and PFIs/ PIE.

8.4. Progress Reports and Reporting Timeline

IEs/ESCOs must prepare semi-annual progress reports. Each IE/ESCO Progress Report must be submitted to the PFI that provided the loan for the relevant Sub-Project. The PFI must carefully review the IE/ESCO Progress Report and obtain additional inputs or clarifications from IEs/ESCOs where needed.

Based on the IE/ESCO Progress Reports, the PFI will prepare a semi-annual PFI Progress Report. This should include a brief introduction/summary for all Sub-Projects for which the PFI has obtained RSF Guarantees, with copies of all the corresponding IE/ESCO Progress Reports attached. The PFI must submit the PFI Progress Report to the PIE, in accordance with the timelines described below.

The PIE will review the PFI Progress Reports and obtain additional inputs or clarifications from the PFIs if needed. Based on the PFI Progress Reports, PIE will prepare an overall semi-annual RSF Progress Report and submit it to the PMB and the World Bank. It should include brief introduction/summary, summary of the RSF Guarantee portfolio, information on the status of each loan guaranteed by the RSF (including disbursement, repayments overdue if any, and loan classification), a section on issues and remedial measures, a section on the compliance of safeguards implementation and contain the corresponding PFI Progress Reports.

The PMB will submit to the World Bank a semi-annual consolidated VSUEE Progress Report, consisting of the PIE's RSF Progress Report and a progress report on the implementation of the TA component of VSUEE.

The reporting timelines are as follows:

i. IEs/ESCOs must submit their semi-annual IE/ESCO Progress Reports to the relevant PFIs no later than: January 10; and July 10each year.

ii. PFIs must submit their semi-annual PFI Progress Report to the PIE no later than January 20andJuly 20each year. The PFIs must also submit their audited Financial Statements no later than June 30 each year.

iii. The PIE must submit the RSF Progress Report to the World Bank and MoIT no later than: February 5 and August 5 each year.

iv. The PMB must submit the VSUEE Progress Report to the World Bank no later than: February 15and August 15each year.

Upon request from the World Bank, GCF or the PMB, the PIE will provide any additional information and be available to discuss RSF or Sub-Project performance as needed. An overview of the reporting requirements is provided in Table 2.

Table 2. Overview of Reporting Requirements

Party	Required reports	Reporting due	
IEs/ESCOs	Semi-annual Progress Report	Jan 10	Jul 10
PFIs	Semi-annual Progress Report Audited PFI entity Financial Statements	Jan 20 Jun 30	Jul 20

PIE	Semi-annual Progress Report Biannual Interim Unaudited Financial Reports on RSF accounts Audited PIE entity financial statements	Feb 5 Feb 15 Jun 30	Aug 5 Aug 15
PMB/MoIT	Semi-annual Progress Report Biannual Interim Unaudited Financial Reports on Grant activities Audited RSF Program Financial Statements	Feb 15 Feb 15 Jun 30	Aug 15 Aug 15

8.5. Monitoring Compliance with Safeguard Policies

The nature of EE sub-project investment is the same in both the VSUEE Project and the VEEIE Project. The safeguard policies triggered by the two Projects are:

i. Environmental Assessment (OP/BP 4.01)
ii. Physical Cultural Resources (OP/BP 4.11)
iii. Involuntary Resettlement (OP/BP 4.12)
iv. Indigenous Peoples (OP/BP 4.10)

A safeguards assessment was conducted under VSUEE and all necessary frameworks were prepared, approved and disclosed. The safeguard frameworks prepared under VSUEE are an Environment and Social Management Framework (ESMF), a Resettlement Policy Framework (RPF), and an Ethnic Minority Planning Framework (EMPF).

8.6. Safeguard Reports

As part of the IE/ESCO Progress Report and PFI Progress Report, IE/ESCOs and PFIs will include a section on safeguard monitoring. Further details on contents and checklists, are provided in the respective safeguard frameworks.

8.7. External Monitoring and Verification

The PMB will each year contract an Independent Monitoring Consultant(s) (IMC) which will undertake overall assessment of compliance with the safeguard plans. The IMC visits will occur bi-annually in both during the early start-up period and the project implementation.

8.8. Non-Compliance

Non-compliance with the safeguard frameworks is taken very seriously. Non-compliance must be reported by PFIs to the PIE and by the PIE to the PMB/World Bank immediately. The PMB and the PIE, in consultation with the World Bank, will take required action on a case by case basis.

8.9. World Bank Implementation Support

The World Bank will monitor implementation progress and discuss with the PIE and PMB actions needed in case progress is slower than expected.

Twice a year the World Bank will conduct a formal supervision mission. Approximately 30 months after effectiveness of the GCF Guarantee, the World Bank will undertake a Mid Term Review. The PIE is expected to be available to meet with the World Bank to discuss Project performance and provide information related to the Project.

9. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

9.1. Environmental and Social Management Framework

To be eligible for RSF Guarantees under the VSUEE Project, Sub-Projects must meet the national environmental and social regulations and the World Bank's safeguard policies. All Sub-Projects' safeguard instruments are also required to follow the World Bank's policy on access to information with regard to public consultation and disclosure of information.

Copies of the Environment and Social Management Framework (ESMF), a Resettlement Policy Framework (RPF), and an Ethnics and Minority Development Policy Framework (EMDPF) for the Project can be accessed through the following links:

- RPF:https://documents1.worldbank.org/curated/en/470441528445004940/pdf/Resettlement-Policy-Framework.pdf
- EMPF:https://documents1.worldbank.org/curated/en/775751528443650107/pdf/Ethnic-Minority-Planning-Framework.pdf
- ESMF:https://documents1.worldbank.org/curated/en/487091528452637075/pdf/Environmental-and-Social-Management-Framework.pdf

The Sub-Projects must comply with the Environmental and Social Management Framework (ESMF), that was approved by MOIT[5]to ensure compliance with the national environmental regulations and the World Bank's safeguard policies. Also, with the project's RPF when land acquisition and involuntary resettlement is required by a sub-project, and with the project's EMPF when there are presence of ethnic minority groups in the sub-project area.

The ESMF lays out procedures which include:

(i) Screening mechanism to exclude ineligible Sub-Projects;

(ii) Identification of environmental and social impacts associated with Sub-Projects and the mitigation measures;

(iii) Procedures for preparation and approval/clearance of environmental assessment (EA) documents per Government's regulations and World Bank safeguard policies, which include an environment and social due diligence of existing facilities/IEs as part of the ESMF;

(iv) Monitoring, institutional arrangements and financial resources for ESMF implementation; and

[5] Decision No. 2842/QD-BCT dated November 06, 2020 of MoIT on the approval of EMPF of VSUEE and Decision No. 2828/QD-BCT dated November 04, 2020 of MoIT on the approval of ESMF of VSUEE

(v) Public consultation, information disclosure and grievance management requirements in accordance with the World Bank's safeguard policies.

The ESMF includes a detailed protocol for conducting environment and social due diligence of existing facilities that will be supported by the Project.

The ESMF also refers to the Interim Guidelines on the Application of Safeguards Policies for TA activities in Bank-financed Projects. The TA activities will be screened against the Interim Guidelines.

The ESMF is a living document and may be updated during project implementation with the World Bank's clearance. The ESMF shall be followed during Project implementation.

The PIE is required to ensure that the RSF Guarantees can only be made to Subprojects that meet the environmental and social requirements set forth in the ESMF.

9.2. Resettlement Policy Framework

Most Sub-Projects are expected to be located within the existing premises of industrial facilities and will not require additional land acquisition. However, for those Sub-projects where land acquisition and resettlement is needed, the Resettlement Policy Framework (RPF) approved by the Government Office for the VEEIE Project will apply to ensure that the process follows relevant national laws and regulations and comply with the World Bank's safeguard policies.

The RPF establishes policies, principles and procedures to be followed by potential energy efficiency Sub-Projects. It will be applied to relevant energy efficiency Sub-Projects and activities if subsequent stages of Sub-Project design or implementation are to cause involuntary land acquisition, leading to relocation of loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood or other involuntary restrictions on access to land or other resources which could adversely affect income, living standards, etc. and social safety of affected people. In addition, all non-World Bank funded activities that in the judgment of the World Bank are (i) directly and significantly related to the World Bank-assisted project; (ii) necessary to achieve its objectives as set forth in the Project documents; and (iii) carried out, or planned to be carried out, contemporaneously with the Project, are subject to the applicability of this RPF.

During Sub-Project preparation, IEs and ESCOs, will carry out preliminary screening to identify the types and extent of impacts on land acquisition and resettlement (Annex 12). When required, the scope and level of detail of the site-specific resettlement plan (RP) will vary with the magnitude and complexity of the proposed resettlement. Draft version of RPs will be prepared by IEs or ESCOs and reviewed by PFIs and PMBs and be submitted to the World Bank for review and clearance before Sub-Project approval.

In case a Sub-Project is part of existing facilities that may already have involved land acquisition or resettlement, and relevant documentation on these issues is available, the Sub-Project can be assessed based on the existing documentation. Subsequently, due diligence review/audit of existing facilities for any social legacy issues are only required to identify the additional actions to ensure conformity with national regulations and the World Bank's safeguard policies.

The project's the RPF shall be followed during Project implementation for those sub-projects requiring land acquisition and resettlement. Detailed guidance on how to apply the project's RPF is presented in Annex 12.

9.3. Ethnic Minority Planning Framework

The EMPF was approved by MoIT (see Annex 13). It establishes the policies, principles and procedures to be followed by potential energy efficiency Sub-Projects, and provides a framework for the required information dissemination and consultation process and formulation of Ethnic Minority Development Plans (EMDPs) for Sub-Projects to ensure cultural, economic and social benefits of affected people. This EMPF will be applied to all relevant energy efficiency Sub-Projects and activities if subsequent stages of Sub-Project design or implementation are to presence of ethnic minorities (EMs)or their collective attachment to land/natural resources in the Sub-Project areas.

Meaningful consultation will be conducted (and properly documented) through open public consultation to achieve the following objectives: (i) involvement of EMs and stakeholders in resettlement planning and enable them to participate in the assessment of impacts and risks; (ii) participation in making decision that affects their lives; (iii) transparency in information of benefits and entitlements and (iv) understanding the role of stakeholders and EMs in the application of World Bank policy OP 4.10. The consultation methods will be tailored to each targeted group, including (but not limited to) participatory rapid appraisal, stakeholder consultations through site and household visits, public meetings, focus group discussions and the household socioeconomic survey.

The main objective of the EMPF is to ensure that the development process fosters full respect for the dignity, human rights and cultural uniqueness of ethnic minorities and that they do not suffer adverse impacts during the development process and that they will receive culturally-compatible social and economic benefits. The EMPF provides a framework not only for mitigating adverse impacts, but also to ensure benefits among the impacted EMs and based on the free, prior and informed consultations with the affected ethnic minority people. The EMPF addresses: (a) how to avoid potential adverse impacts on ethnic minority communities; (b) when potentially adverse impacts on ethnic minority peoples are unavoidable, how to minimize, mitigate, or compensate such impacts; and (c) how to ensure that EMs receive social and economic benefits in a culturally appropriate manner and inclusive in both gender and intergenerational terms, and obtain broad community support for the proposed Sub-Projects.

The project's the EMPF shall be followed during Project implementation for those Sub-projects where are presence of ethnic minorities (EMs) or their collective attachment to land/natural resources in the Sub-Project areas. Detailed guidance on how to apply the project's EMPF is presented in Annex 13.

ANNEXES

ANNEX 1. PFI ELIGIBILITY CRITERIA AND SELECTION PROCESS

1. Eligibility Criteria

1	**EE Financing Strategy and Pipeline** The PFI strategy, as approved by the Board of Directors, should preferably include EE financing. The bank would preferably have at least 3 EE subprojects in pipeline.
2	**National Accounts** The bank must have unqualified audited accounts which are audited by one of the major international firms for the past three years. These accounts can be audited using Vietnamese national accounting standards. All PFIs should commit to submit financial statements at the point of loan effectiveness and signing the RSF Master Guarantee Agreement (or another related agreement). If it is not possible for a PFI to submit their financial statements immediately after joining the project, they would need to submit the financial statements - acceptable to the Bank - before benefiting from an RSF Guarantee.
3	**Compliance with all SBV Regulations** The PFI must be in compliance with all the SBV regulations, banking law on Credit Institution (and any other subsequent revised documents)
4	**Corporate Governance** The PFI must have in place a management structure with clear segregation of duties between the Supervisory Board and the Management Board as well as a good corporate governance process in full compliance with the requirements of Law No 47/2010/QH12 and No 17/2017/QH14 on Credit Institutions (and any subsequent revised documents of this regulation)
5	**Loan Classification and Provisioning** The bank must be in compliance with Circular 11/2021/TT-NHNN of the SBV in relation to the classification and provisioning of its loan portfolio (and any subsequent revised versions of this regulation).
6	**Maximum Level of Non-Performing Loans** Total non-performing loans defined as all loans in excess of 90 days overdue must be less than 7% of the total loan portfolio according to SBV regulations.
7	**Capital Adequacy Ratio (CAR)** CAR must be not less than 8% as per the requirements of SBV Circular No. 41/2016/TT-NHNN dated December 30, 2016 and any subsequent revisions.
8	**Liquid Assets** The bank must have liquid assets not less than10% of total liabilities as defined in SBV Circular No. 22/2019/TT-NHNN dated November 15, 2019 and any subsequent revisions.
9	**Liquidity** Total loans should not be in excess of 90% for state-owned banks (and 80% for other banks) of all mobilized funds.
10	**Efficiency** The cost-to-income ratio should be below 85% and cost-to-assets below 5%.

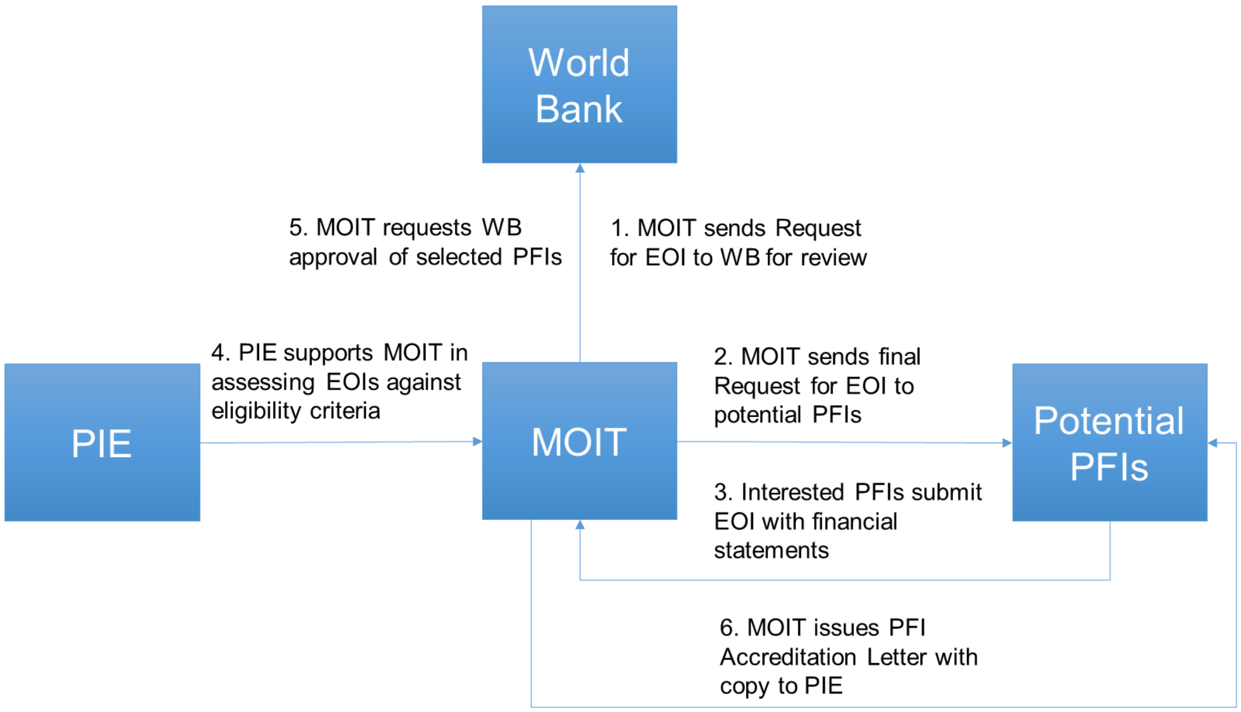
In case the PFI fails to meet any required criteria above at the time of selection, that bank should still be selected in case it submitted an institutional development plan (IDP) for overcoming such criteria in one year. Such IDP or action plan must be approved by the WB and MOIT.

2. Selection Process

MOIT with support from SBV and the World Bank will select PFIs for participation in the RSF based on the eligibility criteria following the below process (Figure 1):

- MOIT will draft the Request for Expression of Interest (EOI) and send the WB for review and comments.
- MOIT will send requests for Expression of interest to potential PFI.
- Interested PFIs will submit their expression of interest together with their latest audited financial statements to MOIT.
- MOIT, with support from PIE, will review and assess the financial information against the PFIs eligibility criteria. In case PFIs meet all the eligibility criteria, MOIT will send World Bank the list of selected PFIs for approval before issuing a PFI Accreditation Letter to the PFIs with a copy to PIE.

Figure 1. PFI Selection Process



ANNEX 2. PIE COMPENSATION SCHEDULE

No.	Cost	**Total**	**Availability period**						**Supervision period**										
			Total year 1-5	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total year 6-15**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**
1	**1. Fixed cost**	**2,000,000**	**1,183,034**	**237,826**	**225,874**	**229,917**	**242,520**	**246,897**	**816,966**	**83,210**	**78,150**	**79,507**	**78,507**	**79,890**	**86,288**	**82,134**	**82,134**	**83,573**	**83,573**
	1.1. Salary	***1,445,076***	***914,472***	*180,000*	*180,000*	*183,600*	*183,600*	*187,272*	***530,604***	*50,980*	*50,980*	*52,000*	*52,000*	*53,040*	*53,040*	*54,100*	*54,100*	*55,182*	*55,182*
	Project manager			50,000	50,000	51,000	51,000	52,020	*379,000*	36,414	36,414	37,142	37,142	37,885	37,885	38,643	38,643	39,416	39,416
	Portfolio manager			40,000	40,000	40,800	40,800	41,616		-	-		-	-	-		-	-	-
	Technical expert			45,000	45,000	45,900	45,900	46,818		-	-		-	-	-		-	-	-
	Financial Analyst			25,000	25,000	25,500	25,500	26,010		-	-		-	-	-		-	-	-
	Assistant			20,000	20,000	20,400	20,400	20,808	*151,604*	14,566	14,566	14,857	14,857	15,154	15,154	15,458	15,458	15,767	15,767
2	*2.2. Management Cost*	***554,924***	***268,562***	*57,826*	*45,874*	*46,317*	*58,920*	*59,625*	***286,362***	*32,230*	*27,170*	*27,507*	*26,507*	*26,851*	*33,249*	*28,033*	*28,033*	*28,391*	*28,391*

ANNEX 3. ENERGY EFFICIENCY PROJECTS WITH ENERGY SERVICE COMPANIES

ESCOs typically have the following capabilities and skills: (i) consulting services: project development, engineering and design, feasibility analysis, energy analysis, general contracting; (ii) performance contracting: ability to finance directly or arrange third-party financing; (iii) non-performance-based contracting: such as design/build and “engineering, procurement and construction services” (EPCs) projects, project and construction management, purchase and installation of equipment, risk management, monitoring and verification of savings, training, operations and maintenance services for the installed equipment, and administrative services.

A typical ESCO’s project includes the following elements:

- Investment energy audit;
- Identification of possible energy saving and efficiency improving actions;
- Comprehensive engineering and project design and specifications;
- Guarantee of the results by proper contract clauses
- Code compliance verification and guarantee;
- Procurement and installation of equipment;
- Project management and commissioning;
- Facility and equipment operation & maintenance for the contract period;
- Measurement and verifications of the savings results; and
- Project financing.

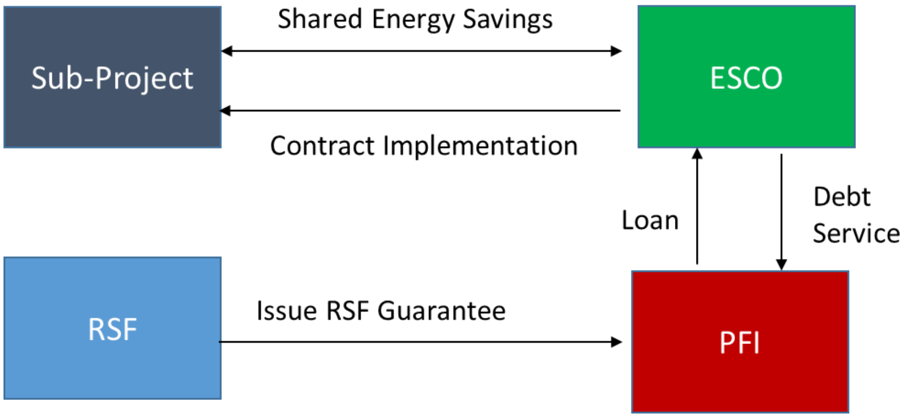
ESCOs offer energy efficiency improvement services which may also include guarantee of the savings. The remuneration of ESCO is linked to the projects' performance which means that the ESCO's payment is directly linked to the amount of energy saved.

Financing for the investment can either be provided by the ESCO from its internal funds or by the customer (IEs), or by a third party funding (such as PFIs), in which a financial institution allows a credit either to the ESCO or directly to IEs where the energy savings project is being implemented; the loan may or may not be backed by guarantee for the projected energy or cost savings given by the ESCO. There are two main models for energy performance contracting: the “shared savings” model and the “guaranteed savings” model.

“Shared Savings” model:

Under a shared savings structure the ESCO finances the EE project, usually by borrowing money from one or more third parties. In the case of shared savings, the ESCO assumes not only the performance risk, but also financial risk (including the underlying customer credit risk). The IE assumes no financial obligation other than to pay a percentage of the actual savings to the ESCO over a specified period of time. This obligation is not considered debt and does not appear on the customer’s balance sheet. The portion of savings paid to the ESCO is always higher for shared savings than the guaranteed savings projects, reflecting the ESCO’s significantly greater risk and expense for borrowing money. An overview of the Shared Savings model is provided in the figure below.

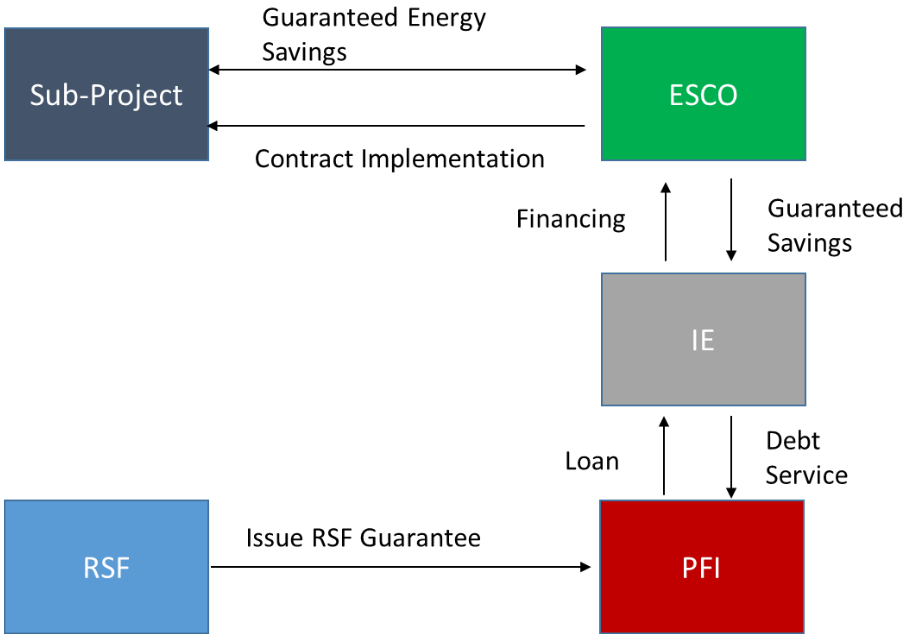
Figure 1. Overview of Shared Savings Model



Guaranteed Savings model:

Under a guaranteed savings structure, the IE finances the project in return for a guarantee from the ESCO that the project's energy savings will cover the IE's debt service. Thus, the IE assumes the obligation to repay the debt to a third party financier, which is often a commercial bank or a leasing company. If the project savings fall short of the amount needed for debt service, the ESCO pays the difference. If the savings exceed the guarantee amount, the IE and the ESCO usually share the excess savings. The size of the share and the method of calculation vary widely, depending on the degree of risk assumed and the extent of services provided by the ESCO. An overview of the Guaranteed Savings model is provided in the figure below.

Figure 2. Overview of Guaranteed Savings Model



The ESCO business model and contracting arrangement will follow commercial practices and guidelines provided by MOIT and in accordance with existing related regulations.

ANNEX 4.SCREENING FORM FOR ELIGIBLE ENERGY EFFICIENCYSUB-PROJECTS

Eligibility Criteria	Yes/No	Comments
1. Borrower is an industrial enterprise, or ESCO, and meets all VSUEE eligibility criteria?		
2. Borrower has cross-ownership with PFI?		
3. Sub-Project is financed by the World Bank's parallel VEEIE project? If YES, the RSF Guarantee can only be provided for a debt tranche that is not financed by VEEIE.		
4. Sub-Project is a retrofit, renovation/rehabilitation project (not a green field project)?		
5. Sub-Project demonstrates minimum 10% energy saving?		
6. Sub-Project energy savings investment payback period is less than 10 years?		
7. Sub-Project meets RSF limits for single borrower, lender and loan?		
8. Sub-Project has received required government environmental approvals		
9. Sub-Project has an environmental category rating of A, B or C		Indicate categorization:
10. If Sub-Project is category A, Sub-Project has completed a full Environmental Assessment which has been approved by the environmental authorities		
11. If Sub-Project is category B, Sub-Project has completed an EA, EMP or ESMF which have been approved by the environmental authorities		
12. If Sub-Project is category C, Sub-Project does not need an EA		
13. HasSub-Project plant recently acquired any land areas for its current operation? If YES, adue diligence review needs to be prepared in accordance with Resettlement Policy Framework		
14. DoesSub-Project implementation involve any potential land acquisition and resettlement outside the existing premises of the plant? If YES, A Resettlement Action Plan needs to be prepared in accordance with the		

Resettlement Policy Framework.		
15. DoesSub-Project implementation involve any potential ethnic and minorities communities? If YES, an Ethnic Minority Development Plan needs to be prepared.		
16. Does the Sub-Project cause temporary or permanent relocation or any other type of impact on physical cultural resources known to be of local, regional or national significance based on national or provincial lists, proposed national or provincial lists and/or identified during public consultation with local affected groups. If YES, Sub-Project is not considered eligible		
17. Are any physical cultural resources considered especially important or sensitive particularly to local groups (e.g. gravesites). If YES, Sub-Project is not considered eligible		
18. Sub-Project will not directly result in involuntary workforce dismissal		

ANNEX 5.TECHNICAL EVALUATION FRAMEWORK FOR ENERGY EFFICIENCY SUB-PROJECTS

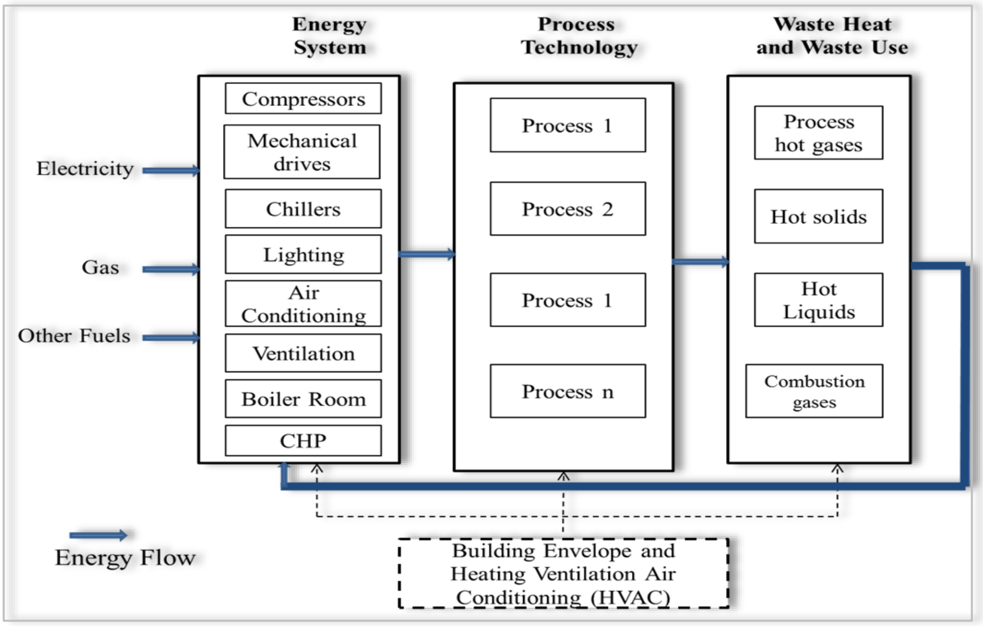
This technical framework aims to assist PFIs and IEs in identifying EE sub-projects, evaluating and appraisal of EE investment. The framework consists of the following topics:

- Energy efficiency Sub-projects;
- Sub-project Screening;
- Scope of Sub-project Evaluation;
- Energy Saving Calculation and Verification;
- Economic and Financial Analysis;
- Sub-project Feasibility Study.

1. Energy Efficiency Sub-Projects

EE and energy-saving technologies vary by industrial subsectors but potential energy-saving measures include (a) energy systems: upgrading boilers and switching fuels, using cogeneration facilities and electric-driven systems, including compressed air systems, electric chillers, machinery, and lighting; (b) process technology: upgrading and replacing equipment, machinery, and facilities; (c) waste heat and waste use: use of waste heat (of hot/warm gases, liquids and solids) and burning combustible waste (gases, liquids, solids); and (d) other sub-projects related to energy efficiency approved by the World Bank. Use of RE sources to decrease fuel and/or electricity consumption in IEs may also be considered. Investments may include (a) cogeneration facilities or process furnaces and stoves; (b) solar water heaters for sanitary hot/warm preparation and (c) other technologies accepted by the World Bank. Figure 1 depicts the energy flows and investment in typical IEs

Figure 1. Potential EE Measures



Types of EE Investments in IEs as seen in the about figure includes three major categories: (i) energy systems; (ii) process technology; and (iii) waste heat and waste use.

- *Investments in energy systems* related to boiler upgrading and fuel switching, use of co-generation facilities, electric driven systems including compressed air systems, electric chillers, machinery and lighting; heat piping (steam, water) and associated equipment;

- *Investments in process technology* related to upgrading and replacement of equipment, machinery and facilities; and/or
- *Investments in waste heat and waste use* related to the utilization of waste heat (of hot/warm gases, liquids and solids) and burning of combustible waste (gases, liquids, solids) when harmful pollution can be effectively controlled.

Table 1. Typical Energy Efficiency Investments in Energy Systems

	BOILER ROOM with associated pipe system (steam, water, condensate)	**Please Select**
A.1	Switching fuels from those that are expensive to ones that are less costly (including combustible waste and biomass)	
A.2	Replacing or adjusting fuel burners	
A.3	Improving the control & instrument system (C&I), particularly flue-gas, oxygen-based combustion control	
A.4	Thermal insulation of boiler shells, distribution piping, fittings and connecting parts, tanks, heat exchangers and other equipment	
A.5	Replacing poorly or non-functioning steam headers	
A.6	Replacing or repairing regulating and stop valves (eg. in case of leaks)	
A.7	Redesigning and removing needless pipes in the distribution system (to simplify system)	
A.8	Salvaging boiler flue gases heat	
A.9	Installing condensate return system	
A.10	Automatic blow down (fully automatic, timer based, etc.)	
A.11	Salvaging waste heat from boiler blow down	
A.12	Feed water and return condensate pre-heating before entering the boiler	
A.13	Chemical treatment of feed water and condensate before entering the boiler	
A.14	Distributed boilers instead of one centralized boiler (within distributed production facilities)	
A.15	Installing heat (hot water) accumulators to run boilers at nominal capacity as long as possible	
A.16	Installing steam accumulators where there is a substantial change in steam demand in short time periods (to equalize steam boiler operations regardless of demand and achieve maximum possible efficiency)	
A.17	Replacing oversized (compared to actual demand) or warn out, outdated and non-reliable boilers	
A.18	Replacing oversized steam piping where there is significantly reduced steam demand (consumption),to reduce heat losses in steam distribution	
A.19	Replacing existing with new condensing boilers (reducing heat losses with flue gases due to lower flue gas temperature at the stack), particularly when natural gas is the fuel	
	ELECTRIC ENERGY SYSTEMS – COMPRESSED AIR SYSTEM	
A.20	Reducing forced pressure to the minimum required	
A.21	Larger pre-cooling on inlet air	
A.22	Replacing inlet and outlet air filters	
A.23	Reducing air leaks in compressed air distribution systems	
A.24	Salvaging air heat and using it for space heating or pre-drying process, etc.	
A.25	Separating the part of compressed air piping not in use	
A.26	Cleaning inlet air to meet required (design) cleanness and installing high performance treatments for specific applications	
A.27	Installing separate compressors in parts of the system with very different compressed air demand (than in major part of the system)	
A.28	Using blowers instead of compressors for providing low pressure air	
A.29	Completely replacing warn out, outdated air compressed systems, particularly air compressors, controls and instruments	

	COMBINED HEAT AND POWER PRODUCTION (CHP) - COGENERATION	Please Select
A.30	Co-generation of heat and power based on different technologies firing natural gas	
A.31	Co-generation of heat and power based on synthetic gases like biogas (digesters), agricultural and industrial waste, biomass, etc.	
A.32	Tri-generation when heat and cooling demand exists (eg. the beverage industry: heating demand for pasteurization, cooling/chilling of water for CO2 better absorption; electric chillers replaced with absorption chillers run by heat from co-generation facility)	

Table 2. Energy Efficiency Investments in Process Technology

	DRYING FACILITIES	Please Select
B.1	Improving controls and instruments	
B.2	Improving thermal insulation of shell	
B.3	Installing synchronous burners	
B.4	Fuel switching	
B.5	Salvaging waste heat	
B.6	Refurbishing and upgrading facilities	
B.7	Improving fuel supply installations	
B.8	Installing equipment for moisture separation	
B.9	Improving air (flue gases) recirculation	
B.10	Replacing inefficient, warn out drying facilities	
	ELECTRICITY-SAVING MEASURES	
B.11	Switching to night tariffs for some parts of production facilities	
B.12	Correcting the power factor	
B.13	Reorganizing the production process to avoid peak capacity overflow	
B.14	Upgrading/replacing electricity metering devices	
B.15	Replacing electric drives with new variable speed drives (frequency regulation) or installing variable speed drives at existing rotation equipment (fans, pumps, compressors, etc) operating with variable regimes (fluid flows)	
B.16	Replacing inefficient electric drives with modern energy-efficient electric drives	
	MAIN PROCESS TECHNOLOGY	
B.17	Improving controls and instruments (C & I)	
B.18	Replacing inefficient equipment of the process technology	
B.19	Salvaging waste heat (gains from the process) to use for space heating, process heating etc.	
B.20	Switching fuels (energy) (eg. coal replaced by gas in brick factories)	
B.21	Replacing main process technology	
	BUILDINGS -Envelope Improved Heating, Ventilation, Air Conditioning (HVAC), and Lighting	
	(1) SPACE HEATING	
B.22	Installing thermal insulation of equipment, distribution piping, fittings and valves located outdoors	
B.23	Improving temperature controls (three-way valves, regulators, temperature sensors, thermostat, electric drives) and heating in accordance with sliding heating curves	
B.24	Applying zone temperature regulations	
B.25	Installing thermostat-based temperature regulations in separate zones	
B.26	Installing local temperature controls at radiators (thermostatic valves)	
B.27	Improving heating system (heat substations, redesigning piping, replacing risers and other valves, etc).	
B.28	Installing heat pumps	
B.29	Switching fuels form more to less expensive, particularly electricity in space-heating	

	with other sources	
B.30	Using renewable energy sources for space-heating (geothermal energy, solar thermal, biomass, etc)	
B.31	Switching from steam to hot water space-heating	
	(2) MECHANICAL VENTILATION AND AIR CONDITIONING	
B.32	Zone temperature regulations	
B.33	Waste heat recuperation systems	
B.34	Installing roof fans	
B.35	Using natural ventilation when possible	
B.36	Ventilating during the night	
B.37	Installing demand side systems in HVACs	
B.38	Applying absorption cooling methods	
B.39	Using renewable energy sources	
	(3) LIGHTING	
B.40	Installing automatic lighting system (timer operated or other)	
B.41	Installing natural light sensors for on/off switches	
B.42	Removing unnecessary lights	
B.43	Replacing incandescent bulbs with more efficient ones (flu pipes, high pressure sodium bulbs, metal halogen bulbs)	
B.44	Moving sensors for on/off switches (empty room, no moving, and vice versa)	

Table 3. Energy Efficiency Investments in Waste Heat and Waste Use

	WASTE HEAT AND WASTE USE	Please Select
C.1	Burning combustible waste (gases, liquids, solids) without harmful pollutants or where pollution can be effectively controlled (boilers, furnaces, stoves – in boilers and co-generation facilities and/or furnaces and stoves in process technology)	
C.2	Salvaging waste heat using regular heat exchangers when waste gases or liquids are not abrasive or corrosive (pre-heating of condensate, feed water, combustion air, use in HVAC systems or main process technology)	
C.3	Salvaging waste heat of abrasive or corrosive fluids (gases, liquids) using ceramic or other special heat exchangers and using heat as set out in C.2	
C.4	Using latent steam heat to change pressure (in condensate return system).	
C.5	Collecting, separating, cleaning (if needed) condensate from steam systems and returning it to boilers or a co-generating energy system (reducing condensate losses)	

Other Energy Efficiency Investments

D1	To be specified by borrower	

2. Sub-Project Eligibility Criteria

Sub-Project investment shall be limited to renovation and rehabilitation (adjustment, replacement) of existing physical components and systems with the objective of achieving higher energy efficiency. To be eligible, a Sub-Project must demonstrate the minimum energy saving requirement of ten percent (10%). Lower energy saving maybe acceptable for specific sectors with advanced energy technologies. Sub-projects on gas and heat are considered eligible without proof of minimum energy saving rate.

The cash flow benefit arising from energy savings associated with the Sub-Project, as estimated using the Sub-Project financial projections prepared by the borrower and reviewed by PFIs, shall be adequate to repay the total investment cost of the sub-project within a period of ten (10) years (**Energy savings payback period = Total Sub-Project Investment Cost /Average annual cash flow from energy savings**). The Sub-Project's economic internal rate of return must be higher than ten percent (10%).

The sub-borrower shall have obtained all required environmental approvals from the appropriate local, provincial or state environmental authorities and shall make available to PFIs copies of all necessary approval documents.

In addition, Sub-Projects are subject to safeguard screening and compliance with environment and social requirements. The processes and procedures for safeguard screening and safeguard implementation is in accordance with safeguard frameworks set out in the relevant annexes.

3. Sub-Project Screening

Sub-Project screening is the responsibility of IEs/ESCOs and the PFIs.

The prospective borrower seeking financing for an EE Sub-Project shall submit the application to the PFI. Besides the normal PFI information requirements in the loan application, the energy efficiency Sub-Project loan application will include the following information: (1) general description of the Sub-Project scope and borrower (2) objective and justification for the sub-project, (3) summary of Sub-Project technical assessment, (4) baseline energy consumption data and projected Sub-Project energy savings, (5) environmental impact assessment, and status of required government approvals, and (6) estimated Sub-Project investment cost and financing plan.

The PFI will conduct the initial loan review. For the purposes of energy efficiency loan application review, PFI may include, among others, an energy efficiency expert responsible for technical due diligence and energy savings measurement and verification (M&V), and an environmental specialist.

Along with other documents that PFI would require that the borrower submit at the time of the loan application, it is recommended that the borrower submit final copies of the:

- Sub-Project feasibility study,
- government approvals for sub-project implementation,
- government environmental approvals, and
- other relevant documents such as a baseline energy audit report.

If the Sub-Project feasibility study is not available in final form, the borrower may submit it in a reasonably developed draft form at the time of the loan application. However, the borrower should provide the final version of the feasibility study prior to the start of appraisal. The PFI will conduct an initial review of the loan application and hold discussions with the prospective borrower to assess whether the Sub-Project complies with the eligibility criteria, and meets the credit policies and requirements of PFI. The PFI will complete an Introductory Review Report based on its initial review and will include a section in the Report with respect to compliance with the eligibility criteria.

4. Scope of Technical Evaluation

During appraisal, the PFI will conduct technical evaluation of Sub-Project. Once relevant documents are received from the borrower, PFI will perform Sub-Project technical evaluation with the assistance (if any) of a technical expert, an energy auditor, and an environmental specialist.

Industrial Sub-Projects – For industrial projects, the technical expert should have engineering and systems knowledge regarding the industry which will be implemented under the Sub-Project. The energy auditing expert should have experience in conducting project baseline development and assessment of energy efficiency measures. The environmental specialist should possess expertise in assessing environmental impact of projects, and have knowledge of government requlations for environmental approvals.

ESCO Sub-Projects – For ESCO projects, the technical expert should have satisfactory engineering regarding the type of customer of the ESCO and the energy efficiency technology or system which will be implemented under the Sub-Project. The energy auditing expert should have experience in conducting energy efficiency project baseline development and assessment of energy efficiency measures in the market sector represented by the customer. The environmental specialist should possess expertise in assessing environmental impact of projects in the end-user's market sector, and have knowledge of government rules, requirements and processes for environmental approvals.

If any of the required expertise is not available within the PFI, the PFI can hire external experts (individual consultants or firms) with relevant technical experience and knowledge to conduct the technical evaluation. The technical experts will participate and contribute in the financial analysis process as well as the sub-project supervision and reporting practices.

During the technical evaluation, the technical experts will evaluate the following:

a) Sub-Project meets the existing regulations on industrial production.
b) Eligibility criteria for the Sub-project
c) Technical competency of designer, constructor, installer, equipment manufacturer, etc. as appropriate;
d) Evaluate and compare the alternatives presented in the feasibility study report; evaluate the technological compatibility with existing systems; before and after the Sub-Project;
e) Review and verify the baseline (before the Sub-Project) energy efficiency and consumption scenario (see Section 4);
f) Review and verify the feasibility of technical implementation plan;
g) Review and verify estimated Sub-Project investment cost (incl. analysis of cost components)

The technical evaluation will be exercised through reviewing the feasibility study report, energy auditing report, other relevant documents, as well as field visits and interviews. The findings of the technical evaluation will be included in the Appraisal Report.

Table 4. Energy Saving Calculation and Verification

Energy Consumption of Borrower PRIOR TO energy efficiency investment				
1. Annual Electricity Consumption				
Electricity Consumption	MWh/year			
2. Annual Fuel Consumption		**Total Consumption**	**kWh Conversion Factor**	**Consumption in MWh**
Natural Gas	Thousand cubic meter/year			
Heavy Fuel Oil	Ton/year			
Light Fuel Oil	Thousand liters/year			
Liquefied Petroleum Gas	Kg/year			
Diesel	Thousand liters/year			
Gasoline	Thousand liters/year			

Coke	Ton/year			
Hard and Brown Coal	Ton/year			
Lignite	Ton/year			
Other fuels: [Specify]	*[enter unit]*			
Total Energy Consumption in MWh/year				

Energy Consumption of Borrower AFTER energy efficiency investment				
1. Annual Electricity Consumption				
Electricity Consumption	MWh/year			
2. Annual Fuel Consumption		**Total Consumption**	**kWh Conversion Factor**	**Consumption in MWh**
Natural Gas	Thousand cubic meter/year			
Heavy Fuel Oil	Ton/year			
Light Fuel Oil	Thousand liters/year			
Liquefied Petroleum Gas	Kg/year			
Diesel	Thousand liters/year			
Gasoline	Thousand liters/year			
Coke	Ton/year			
Hard and Brown Coal	Ton/year			
Lignite	Ton/year			
Other fuels: [Specify]	*[enter unit]*			
Total Energy Consumption in MWh/year				

ANNUAL ENERGY SAVINGS				
1. Annual Electricity Consumption				
Electricity Consumption	MWh/year			
2. Annual Fuel Consumption		**Total Savings**	**kWh Conversion Factor**	**Savings in MWh**
Natural Gas	Thousand cubic meter/year			
Heavy Fuel Oil	Ton/year			

Light Fuel Oil	Thousand liters/year			
Liquefied Petroleum Gas	Kg/year			
Diesel	Thousand liters/year			
Gasoline	Thousand liters/year			
Coke	Ton/year			
Hard and Brown Coal	Ton/year			
Lignite	Ton/year			
Other fuels: [Specify]	*[enter unit]*			
Total Energy Savings in MWh/year				
Total Annual Energy Savings in percentages				
Annual CO2 reductions in tons				

5. Economic and Financial Analysis

Borrowers should complete the financial analysis spreadsheet provided by the PMB for review by the PIE. This should be completed *in addition* to whatever is required by the PFI as part of the PFI's normal commercial due diligence procedures. The financial and economic analysis template is available at www.tietkiemnangluong.com.vn.

6. Energy Efficiency Sub-Project Feasibility Study

The borrower is responsible for preparing the sub-project feasibility report package which it will submit to PFI. The borrower will submit either a draft or final version of the feasibility report along with the loan application. The borrower must submit the final version of the feasibility report to PFI before or during the Appraisal stage.

The sub-project feasibility study package should consist of (a) sub-project technical feasibility assessment, (b) the technical implementation plan, (c) estimated investment costs and its breakdown, (d) pre-sub-project baseline energy audit study and expected sub-project energy savings, and (e) environmental impact assessment of the sub-project and remedial measures (if needed). These various components of the feasibility study may be in the form of one report or several reports; conducted by one party or several parties.

Sub-Project technical assessment – analysis of Sub-Project rationale and benefits; assessment of proposed technical renovation or rehabilitation including evaluation and comparison of the system design alternatives, key technology and process options and equipment choices; reliability, efficiency and compatibility of the new system design, technology, process, equipment and products with existing systems; and expected changes to technical specifications and indicators (of technology, process, equipment, system, product, production capacity) before and after the project.

Sub-Project implementation plan – schedule for Sub-Project implementation and the various parties who are expected to be involved in Sub-Project implementation; and analysis of constraints and challenges to implementation and recommended mitigation measures.

Sub-Project investment cost – analysis of various equipment, civil works and consultancy costs associated with the sub-project, and basis for the cost estimates; evaluation of total investment cost, including interest during construction and contingency costs.

Baseline energy audit and energy savings, if necessary

Study and analysis of energy use by the beneficiary enterprise or by the relevant unit, plant or area of the beneficiary enterprise where the Sub-Project is to be implemented to establish the baseline energy consumption data. Baseline should include data on all forms of energy consumed over an annual period, preferably for the last two years. In addition to the quantities of energy consumed, the average expenditure during the period on each form of energy should be numerated. The expected energy consumption for all forms of energy post Sub-Project implementation and the assumptions which drive these estimates should be detailed.

Measurement and verification approach - assessment of the measurement and verification plan to assure that it is consistent with generally accepted M&V approach.

Attachment: Appraisal Report Guideline

The following guideline has been prepared to assist the Appraisal Team with the preparation of the Appraisal Report.

(i) Borrower Description

- Type of borrower (such as industrial enterprises, ESCOs, building owners and municipal government end users)
- Industrial enterprises:
  - Comprehensive introduction of the borrower: years of operation, registered capital, operational scale, industry position, etc.
  - Organizational structure and management of the borrower: organizational structure, list of Board of Directors and senior management committee, financial and information management, etc.
  - Relationship between the borrower and PFI: past loan issuance, repayments, existing credit line; relationship with other financial institutions.
- ESCOs
  - Introduction to the borrower: years in operation, registered capital, operational scale, position among the ESCO industry, etc.
  - Organizational structure and management of the borrower: organizational structure, list of Board of Directors and senior management committee, financial and information management, etc.
  - Relationship between the borrower and PFI: past loan issuance, repayments, existing credit line; relationship with other financial institutions.
  - Description of Industrial Enterprises: type of business, years of operation, registered capital, and organizational structure and management.

(ii) Borrower Business and Financial Evaluation

A. For industry borrowers (IE)

- Evaluation of borrower's major industry indicators, trends, prospects and market position; evaluation of IE management strength and corporate governance structure; analysis of key business risks
- Analysis of state guidance and policy for the industry; the guidance and policy of PFI for the industry
- Financial status of the IE: review based on comprehensive analysis of IE financial statements – capital structure, operating margins, sales growth, debt service coverage, liquidity analysis, etc.

B. For ESCO borrowers

- Evaluation of the borrower's market position, customer base, prior experience, prior performance in executing ESCO projects, management strength and corporate governance structure; analysis of key business risks
- Review of state guidance and policy for the ESCO industry; the guidance and policy of PFI for the industry
- Financial review of the borrower: based on comprehensive analysis of borrower financial statements – capital structure, operating margins, sales growth, debt service coverage, liquidity analysis, etc.
- Audited financial statements for the past 3 years
- Prior Project Experience of ESCO (in a tabular format as shown in Table below)
    - Experience doing similar projects
    - Performance of those projects
    - References for those projects

ESCO PRIOR PERFORMANCE INFORMATION

End-user Name	
End-user Contact Info.	
Type of Facility	
Year of Installation	
Brief Description of Project	
Technologies Installed	
Total Implementation Cost	
Total Loan Amount	
Name of Lender	
Term of Loan	
Estimated Energy Savings/Yr.	
Actual Energy Savings/Yr.	
How Measured	
Energy Cost Savings/Yr.	
Other Cost Savings/Yr.	
Total Cost Savings/Yr.	
% of Savings to ESCO	
Estimated Cash Flow to ESCO/Yr.	
Actual Cash Flow to ESCO/Yr.	
Loan Repayment/Yr.	
Ratio of Cash Flow/Loan Pmt.	
Length of Performance Contract	

(iii) Sub-Project Description

A. For All Borrowers

- Description of proposed Sub-Project,
- Summary of Sub-Project investment cost, financing plan and proposed loan amount
- Listing of Sub-Project energy efficiency measures (EEMs) – using the format in Table below

SUB-PROJECT ENERGY EFFICIENCY MEASURES

Serial No.	Description	Technologies Used	Investment Cost	% Savings	Energy Savings	Cost Savings	Simple Payback
1							
2							
3							
4							
5							
Total	-	-		-			

- Copy of Feasibility Study report, and Statement of qualifications of the organization who did Feasibility Study; and
- If necessary, Baseline Energy Audit, Statement of qualifications and credential of the energy auditor, and Statement of the auditing standards used by the energy auditor in conducting the Baseline Energy Audit.

B. Additional Information Required for ESCO borrowers

- Copy of signed Energy Performance Contract between ESCO and end user;
- Descriptions of key provisions of contract;
  - Description of any performance/savings guarantees provided;
  - Description of any share of savings provisions;
  - Description of method for measuring and verifying performance and savings;
- Identification of Subcontractors, including Engineering-Procurement- Construction partner and brief write up of their capabilities and experience on similar projects;
- Description of method used to select subcontractors.
- Information on end user
  - Type of business
  - Years in business
  - 3 years of audited financials
  - Description of due diligence performed by ESCO
  - Statement of why the ESCO believes the end user will continue in business during the term of the loan.

(iv) Sub-project Technical Assessment

- Based on the Sub-Project feasibility report prepared by the IE;
- Review of the Sub-Project, including details on the renovation and rehabilitation being undertaken, technologies to be used, capacity for implementation, Sub-Project location, description of Sub-Project facility, projected outputs and Sub-Project timeline;
- Evaluation of the rationale for the selected technical design/approach; confirmation of the reliability and efficiency of the technology, and its performance in other projects;
- Evaluation on the projected technical and energy efficiency performances, and analysis of energy savings expected from the Sub-Project;

- Confirmation of compliance with technical eligibility criteria.

(v) Sub-Project Financial Evaluation

A. For All Borrowers

- Analysis of financial viability of the Sub-Project - calculation of internal rate of return (IRR) on the investment;
- Analysis of impact on the borrower's profitability, cash flows and balance sheet.

B. Additional Evaluation for ESCO Borrowers

- Analysis of the impact on the net cash flows and profitability of the end-user over the life of the loan;
- Total Cost including interest during construction;
- Performance contract terms: debt service payment, energy saving split between ESCO and end user; ESCO cash flow;
- Level of any energy savings guarantees and how the security backing such guarantees;
- Estimated Energy Savings and Energy Cost Savings – year-by-year;
- Estimated Other Cost Savings – year-by-year;
- Estimated Total Cost Savings – year-by-year;
- Share of Savings to ESCO - year-by-year;
- Share of Savings to End User - year-by-year;
- Amount of Debt;
- Debt Service Cost - year-by-year;
- M & V cost - year-by-year;
- Ratio of Total Cost Saving to Debt Service - year-by-year;
- Ratio of ESCO Total Cost Savings to Debt Service - year-by-year;
- Proposed Measurement and Verification (M&V) Methodology.

(vi) Sub-project Costs, Financing Plan and Repayment

- Details of sub-project costs by component, with breakdown of foreign and VND costs with appropriate price and physical contingencies, incremental working capital requirements, and interest cost during construction;
- Inclusion of the bases and assumptions for cost estimates (feasibility studies, budget/supplier quotations, date of base estimates, etc.);
- Analysis of financing sources for the sub-project, including amount of funding and reliability of funding from each source;
- PFI contribution to the total loan amount requested for the Sub-Project;
- Analysis of the authenticity of the borrowing purposes and its background, including the authenticity of loan category, purpose and compliance situation and its background; and
- Analysis of repayment plan, sources and risks;
  - Monthly expected savings;
  - Monthly expected debt service payment and term of loan;

- Percent of debt service by month compared to savings by month;
- IEs sustainability: whether stay in business.

(vii) Analysis of collateral and guarantee

- Analysis of the guarantor, including its operation and financial and credit situation;
- Analysis of the collateral/pledge, including the basic profile, legality, validity, assessed value, and calculation of the collateral/pledge;
- For ESCO projects, analysis of the energy performance contract between the ESCO and the IE, the savings being projected, and the related measurement and verification (M&V) to be used to confirm the performance and assure sustainability.

(viii) Environmental Impact Assessment and Resettlement Policy Assessment

- Description of any environmental and social impacts of the Sub-Project and remedial measures required or envisaged.
- Confirmation of required government approvals, environment category ratings, EIA Table (if required)
- Confirmation of compliance with environmental eligibility criteria.
- Confirmation whether the Resettlement Policy Framework will be triggered for the proposed Sub-Project;
- Confirmation the types of resettlement instruments will be required to prepare following the RPF for the proposed Sub-Project;
- Confirmation of compliance with required government approvals for recent land acquisition and satisfactory RAP by following RPF for the proposed land acquisition activities under the Sub-Project.

(ix) Procurement

- Description of the main packages of goods to be procured, with assessment of contracting arrangements, methods of, and likely sources of supply;
- Description of imported equipment: rationale of imported equipment, performance characteristics of imported equipment;
- Commercial contracts: suppliers, commercial value, terms of the contract, payment means and conditions;
- Confirmation that IE will comply with the procurement framework.

(x) Conclusion

- Proposed IE credit rating;
- Suggested terms of the loan: loan amount, maturity, interest rate;
- Issues for internal discussion.

ANNEX 6. REQUIRED CLAUSES FOR PFI'S LOAN AGREEMENT WITH BORROWER [SCHEDULE REMAINS UNDER REVIEW – TO BE FINALIZED WITH MGA]

The following provisions should be included by the PFI (Lender) in the facility agreement/loan document executed by it with an IE/ESCO (Borrower) (as the case may be):

1. Change in Management of the Borrower

The Borrower shall not be permitted to make any change in control of the Borrower during the tenure of the facility without prior written the consent of the Lender. Any change in control of the Borrower's operations may be permitted by the Lender at its sole discretion only if the new management or controllers (as the case may be) meet/satisfy the norms of the eligible IE or ESCO (as the case maybe) as per the conditions set out in this OM and the Borrower undertakes to continue to perform its existing activities and carry out the Sub-Project in accordance with the terms of the loan agreement and the OM.

2. Joint Venture (JV) or Consortium

If the IE/ESCO is an unincorporated JV or consortium, the Borrower must be the majority stakeholder in the JV or consortium and must agree and undertake that its share in equity or contract value, as applicable, must be maintained at above 50% (fifty percent) of the JV or consortium.

3. Sanctionable Practices

The Borrower represents, warrants and covenants to the Lender that neither it, nor any of its shareholders, contractors, affiliates, nor any person acting on its or their behalf, has engaged in any Sanctionable Practice in connection with the energy efficiency project or any transaction contemplated by the loan agreement. Sanctionable Practice shall have the meaning set out in Annex 11.

4. Environmental and Social Matters

The Borrower covenants to the Lender that it shall ensure:

(a) all necessary actions are taken to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently;

(b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, compensation is made available to such people and, as applicable, the Displaced Persons are relocated and rehabilitated in accordance with the Resettlement Policy Framework and the Resettlement Action Plans, and in a manner satisfactory to the World Bank; and

(c) whenever required in terms of the ESMF, the RPF or the EMPF, ESMPs/ECOPs, RAPs or EMDPs, respectively: (i) are prepared in form and substance satisfactory to the World Bank; (ii) except as otherwise agreed with the World Bank, are furnished to the World Bank for review and approval; (iii) thereafter, are adopted and publicly disclosed; and (iv) thereafter, such plans are caused to be implemented, in accordance with their terms and in a manner acceptable to the World Bank.

The Borrower further covenants to the Lender that it shall:

(i) promptly as needed, provide the resources needed for the purposes of implementing the Safeguards Instruments, including: (A) all land acquisition required for the purposes of carrying out its Subproject; (B) resettlement and rehabilitation payments to Displaced Persons; and (C) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments;

(ii) ensure that that each contract for works under the Subproject includes the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the ESMF and the ESMPs/ECOPs, as the case may be;

(iii) not amend, revise or waive, nor allow to be amended, revised or waived, any provision of any Safeguard Instrument without the prior written agreement of the World Bank;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the Safeguard Instruments; and

(v) take all measures necessary on its part to regularly collect, compile, and furnish to the World Bank (or to the Lender to furnish to the World Bank), information on the status of compliance with applicable Safeguards Instruments, giving details of (1) measures taken in furtherance of the Safeguards Instruments as and when needed; (2) conditions, if any, which interfere or threaten to interfere with the smooth implementation of applicable Safeguards Instruments; and (3) remedial measures taken or required to be taken to address such conditions.

5. Access to EE Sub-Project, records and provision of information

The Borrower shall, at the request of the Lender, upon reasonable notice and at no charge for access, provide the Lender or its nominees, or the PIE, MoIT or the World Bank access, during normal business hours, to:

(a) Examine and visit all or any part of any facilities or premises under the ownership or control of the Borrower used for the energy efficiency Sub-Project; and

(b) the managers and senior staff of the Borrower, and such other staff as are designated by Borrower as having knowledge of matters with respect to which the Lender or its nominee , or the PIE, MoIT or the World Bank seek information, and to the extent the Borrower is reasonably able to procure such access, the managers and senior staff of the contractors, of the Borrower; provided that the representatives of the Lender or its nominees, and the PIE, MoIT or the World Bank, as applicable, comply with all applicable safety regulations and do not interfere with normal operations of the Sub-Project.

The Borrower shall permit, at the request of the Lender or its nominees, or the PIE, MoIT or the World Bank, representatives of the Lender or its nominees, or the PIE, MoIT or the World Bank, to examine and make copies of the operating records, books of account, and other records or documents relating to the Sub-Project maintained by or in the possession of the Borrower, at reasonable times and frequency and upon reasonable notice, and shall provide, or procure to be provided, promptly upon written request by the Lenders or its nominees, all financial, technical, environmental, social, and other information related to the Sub-Project, as the Lender or its nominees, or the PIE, MoIT or the World Bank, may from time to time reasonably request.

6. Confidentiality

The Borrower waives any right it may have to prevent or restrict the Lender from disclosing (and hereby expressly agrees and confirms that the Lender has the right to disclose) to any person including but not limited to MoIT, SBV the World Bank and GCF:

(i) The PFI Loan Agreement and the transactions contemplated under this Agreement; and

(ii) such information on the nature of the Sub-Project (other than confidential financial or other proprietary information), reports furnished to the Lender and all other relevant documents in connection with monitoring of compliances with all the applicable laws that in accordance with the policies and practices on information disclosure is required to be disclosed by the Lender (whether or not in response to a request therefore), to MoIT and the World Bank, in its capacities as an implementing entity of the GCF.

ANNEX 7. RSF GUARANTEE APPLICATION FORM

RSF Guarantee Application Form

(To be filled by respective PFI Branch for individual guarantee application)

<table>
<tr><th>NO</th><th>PARAMETERS</th><th>INPUTS</th></tr>
<tr><td colspan="3">SECTION I: PARTICIPATING FINANCIAL INSTITUTION (PFI) DETAILS</td></tr>
<tr><td>1.</td><td>Nameof Participating Financial Institution (PFI)</td><td></td></tr>
<tr><td>2.</td><td>PFI reference ID (To be filled in by PIE)</td><td></td></tr>
<tr><td>3.</td><td colspan="2">PFI Branch</td></tr>
<tr><td>3.1</td><td>Branch name and address</td><td></td></tr>
<tr><td>3.2</td><td>Branch code (If any)</td><td></td></tr>
<tr><td>3.3</td><td>Name of contact person</td><td></td></tr>
<tr><td>3.4</td><td>Telephone</td><td></td></tr>
<tr><td>3.5</td><td>E-mail (should be the official email of the contact person and should not be the common email of the branch)</td><td></td></tr>
<tr><td colspan="3">SECTION II: BORROWER DETAILS</td></tr>
<tr><td>4.</td><td colspan="2">Borrower Details</td></tr>
<tr><td>4.1</td><td>Borrower Type – IE or ESCO</td><td></td></tr>
<tr><td>4.2</td><td>Name of Borrower</td><td></td></tr>
<tr><td>4.3</td><td>Address</td><td></td></tr>
<tr><td>4.4</td><td>Telephone no.</td><td></td></tr>
<tr><td>4.5</td><td>Email</td><td></td></tr>
<tr><td>4.6</td><td>Borrower Constitution
Proprietary / Individual
Partnership
Joint venture / Consortium</td><td></td></tr>
<tr><td>4.7</td><td>Whether borrower covered under RSF Guarantee previously YES / NO</td><td>If yes please indicate the following:
<table>
<tr><th>Project Name</th><th>Lender</th><th>Loan amount approved (VND)</th><th>Guarantee amount (VND)</th></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
</table></td></tr>
<tr><td colspan="3">SECTION III: ESCO DETAILS</td></tr>
<tr><td>5.</td><td colspan="2">ESCO Details (in case ESCO is not the Borrower)</td></tr>
<tr><td>5.1</td><td>Name of the ESCO</td><td></td></tr>
<tr><td>5.2</td><td>Name of the Contact Person</td><td></td></tr>
<tr><td>5.3</td><td>Address</td><td></td></tr>
<tr><td>5.4</td><td>Telephone no.</td><td></td></tr>
<tr><td>5.5</td><td>Email ID</td><td></td></tr>
</table>

<table>
<tr><th>No</th><th>PARAMETERS</th><th>INPUTS</th></tr>
<tr><td colspan="3">SECTION IV: IE DETAILS</td></tr>
<tr><td>7.</td><td colspan="2">IE Details (in case IE is not the Borrower)</td></tr>
<tr><td>7.1</td><td>Name of the IE</td><td></td></tr>
<tr><td>7.2</td><td>Name of the Contact Person</td><td></td></tr>
<tr><td>7.3</td><td>Address</td><td></td></tr>
<tr><td>7.4</td><td>Telephone no.</td><td></td></tr>
<tr><td>7.5</td><td>Email ID</td><td></td></tr>
<tr><td>7.6</td><td>IE Sector</td><td></td></tr>
<tr><td colspan="3">SECTION V: PROJECT DETAILS</td></tr>
<tr><td>8.</td><td colspan="2">Project Details</td></tr>
<tr><td>8.1</td><td>Project Brief (not more than 100 words)
(Attach copies of all information provided with loan application)</td><td></td></tr>
<tr><td>8.2</td><td>Total Project Cost (VND)</td><td></td></tr>
<tr><td>8.3</td><td>Promoter’s contribution</td><td></td></tr>
<tr><td>8.4</td><td>Subsidy / Equity Support, if any</td><td></td></tr>
<tr><td>8.5</td><td>Total Loan amount (VND/US$)
(Loan amount approved by all the lenders including the applicant PFI)
(Indicate loan tranching if Project obtains financing through the IBRD credit line under the VEEIE project)</td><td></td></tr>
<tr><td>8.6</td><td>Whether Single / Multiple (Consortium) Lenders</td><td></td></tr>
<tr><td>8.7</td><td>If multiple lenders are involved -</td><td><table>
<tr><th>Lender Bank & Branch</th><th>Amount of loan approved</th></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
</table></td></tr>
<tr><td>8.8</td><td>Loan amount approved on an interim basis by the applicant PFI (Please attach Interim Loan Approval Letter /Loan Agreement)</td><td></td></tr>
<tr><td>8.8.1</td><td>Loan approval date</td><td></td></tr>
<tr><td>8.8.2</td><td>Repayment (principal and interest) Schedule (to be attached separately)</td><td></td></tr>
<tr><td></td><td>Moratorium period</td><td></td></tr>
<tr><td></td><td>First Installment Due Date</td><td></td></tr>
<tr><td></td><td>Periodicity</td><td></td></tr>
<tr><td></td><td>No. of installments</td><td></td></tr>
<tr><td></td><td>Loan Termination Date</td><td></td></tr>
<tr><td>8.8.3</td><td>Payback period in months</td><td></td></tr>
<tr><td>8.8.6</td><td>Loan amount proposed to be covered under VSUEE Project by the applicant PFI (VND)</td><td></td></tr>
</table>

<table>
<tr><th>NO</th><th>PARAMETERS</th><th>INPUTS</th></tr>
<tr><td>8.8.7</td><td>Present Outstanding Amount (VND) (if applicable)</td><td></td></tr>
<tr><td>9.</td><td colspan="2">Security received from the Borrower</td></tr>
<tr><td>9.1</td><td>Primary Security Taken: Yes / N
If yes, then provide details in the adjacent table</td><td><table>
<tr><td>Type</td><td>Tick</td><td>Value (VND)</td></tr>
<tr><td>Immovable property</td><td></td><td></td></tr>
<tr><td>Movable property</td><td></td><td></td></tr>
<tr><td>Fixed Deposit</td><td></td><td></td></tr>
<tr><td>Others – please specify</td><td></td><td></td></tr>
<tr><td></td><td>Total</td><td></td></tr>
</table></td></tr>
<tr><td>9.2</td><td>Collateral Security Taken: Yes / No
If yes, then provide details in the adjacent table</td><td><table>
<tr><td>Type</td><td>Tick</td><td>Value (VND)</td></tr>
<tr><td>Immovable property</td><td></td><td></td></tr>
<tr><td>Movable property</td><td></td><td></td></tr>
<tr><td>Fixed Deposit</td><td></td><td></td></tr>
<tr><td>Others – please specify</td><td></td><td></td></tr>
<tr><td></td><td>Total</td><td></td></tr>
</table></td></tr>
<tr><td>10.</td><td colspan="2">Technical Details of the Project</td></tr>
<tr><td>10.1</td><td>ESCO Model – Shared Savings / Guaranteed Savings
(ESPC agreement to be attached)</td><td></td></tr>
<tr><td>10.2</td><td>EE Measures to be implemented
(not more than 100 words)</td><td></td></tr>
<tr><td>10.3</td><td>Annual energy savings in MWh</td><td></td></tr>
<tr><td>10.4</td><td>Annual emission reduction expected in t CO2</td><td></td></tr>
<tr><td>10.5</td><td>Lifetime of the project (Years)</td><td></td></tr>
<tr><td>11.</td><td>Whether Escrow / TRA has been opened
If yes, whether Escrow / TRA</td><td>Yes/No
Escrow / TRA</td></tr>
<tr><td>11.1</td><td>If yes, provide details the Escrow agent / TRA bank
(kindly attach the applicable agreement)</td><td></td></tr>
<tr><td colspan="3">SECTION VI: DECLARATIONS/CERTIFICATIONS</td></tr>
<tr><td>12.1</td><td>PFI has carried out due diligence</td><td>Yes/No</td></tr>
<tr><td>12.2</td><td>ESCO is either deemed eligible with PMB, PIE</td><td>Yes/No</td></tr>
<tr><td>12.3</td><td>In case of JV / Consortium, IEs / ESCOs hold more than 50% share in equity</td><td>Yes/No</td></tr>
<tr><td>12.5</td><td>80% of the total loan amount is towards the cost of the investments required for implementation of the Sub-Project including expenditure on purchase, erection & commissioning, installation or retrofit / modification of the equipment, etc. contributing to energy savings</td><td>Yes/No</td></tr>
<tr><td>12.6</td><td>Compliance with Environmental and Social Management Framework, Resettlement Policy Framework and Ethnic Minority Planning Framework guidelines, mitigation arrangements and other safeguards requirements described in this OM</td><td>Yes/No</td></tr>
</table>

NO	PARAMETERS	INPUTS
12.7	Whether any Environmental impact assessment (EIA) / Environmental Management Plan (EMP), Resettlement Plans (RPs), Ethnic Minority Development Plans(EMDPs) or other relevant environmental and social plans as identified in the relevant frameworks are required for the proposed project.	Yes/No If yes, please attach a copy of the plans
12.8	PFI agrees and accepts that RSF Guarantee will be terminated in case the PFI has made an untrue statement in, or omits material information or evidence from this application	Yes/No
12.9	PFI agrees and accepts that if PFI fails to pay the RSF Guarantee fee in accordance with the terms of its MGA and the applicable RSF Guarantee Letter, the obligations of PIE in relation to such RSF Guarantee shall be immediately terminated	Yes/No
12.10	PFI agrees and accepts that the key loan agreement clauses specified in the RSF Operations Manual have been / shall be incorporated in loan agreement with the Borrower	Yes/No

We hereby certify that all statements made in this application are true, complete and correct to the best of our knowledge and belief. We also certify that sub-project loan comply with all the provisions of Master Guarantee Agreement (MGA) and Operations Manual issued by PMB/MOIT and as modified / amended from time to time. We understand that if at any time during the tenor of the guarantee under the VSUEE Project, it is found that any information / statement / data given in this application is false / incorrect / any material fact suppressed or we do not satisfy the minimum eligibility criteria as stipulated in the MGA/Operational Guideline, the issued guarantee is liable to be cancelled / terminated forthwith without giving any notice or reasons thereof.

DATE: __________________ SIGNATURE OF AUTHORIZED

OFFICIAL: _____________ FULL NAME:
____

PLACE: __________________ DESIGNATION:
____

ANNEX 8. KEY TERMS AND CONDITIONS FOR MASTER GUARANTEE AGREEMENT KEY RSF GUARANTEE LETTER

The PIE will enter into a Master Guarantee Agreement with each PFI, setting forth the terms and conditions of RSF Guarantees to be provided by the PIE. For each specific RSF Guarantee, the PIE will issue a RSF Guarantee Letter, setting forth the amount, tenor and other specific terms for such RSF Guarantee. The key terms and conditions included the Master Guarantee Agreement and confirmed by the RSF Guarantee Letter are provided below.

Form of RSF Guarantee	The RSF Guarantees issued by the RSF will partially cover credit losses incurred by PFIs on loans extended to IEs and ESCOs.
Guarantor	PIE
Beneficiary	PFIs
RSF Limits	The minimum amount of a single RSF Guaranteed PFI Loan shall be US$250,000 (or VND equivalent at the time of RSF Guarantee application). The maximum amount of a single RSF Guarantee shall not exceed US$7.5 million (or VND equivalent at the time of RSF Guarantee application). Single lender limit: A single PFI may not have more than US$50 million of loans guaranteed (i.e. no more than US$25 million of RSF Guarantees outstanding); Single borrower limit: A single IE/ESCO may not have more than US$50 million of loans guaranteed (i.e. no more than US$25 million of RSF Guarantees outstanding).
Coverage Ratio	RSF Guarantee coverage will be determined by the PIE based on its assessment of risk and market demand, but shall not exceed 50% of defaulted amounts (the "**Coverage Ratio**").[6]
Maximum Guaranteed Amount	For each RSF Guarantee, at any given time, an amount equivalent to , fifty percent (50%) of the original principal amount of the corresponding PFI Loan, as set forth in the applicable PFI Loan Documents.
Available Guaranteed Amount	For each RSF Guarantee, at any given time, an amount equivalent to *, the sum of (i) the Available Guaranteed Principal and (ii) Covered Interest at such time*
Available Guaranteed Principal	With respect to any RSF Guarantee at any time during the Guarantee Period, an amount equal to (i) the Coverage Ratio multiplied by the then outstanding principal amount due and owing under the PFI Loan corresponding to the

[6] The 50% threshold may be increased, with the prior consent of the World Bank and GCF.

	RSF Guarantee at such time; less (ii) the aggregate amount of any RSF Guarantee Payouts already made by the PIE, to the extent corresponding to principal amounts on such PFI Loan.
Covered Interest	In respect of any RSF Guarantee Claim, an amount equal to the Coverage Ratio multiplied by the amount of unpaid interest accrued at the original interest rate on such PFI Loan (including any missed interest payments and interest accrued at such original rate on the overdue loan amount), but excluding any penalty or default interest, or any other surcharges (such as commitment charges, service charge, fees for late payment, breakage fees, or any other levies or expenses)
Total Guaranteed Principal	At any time, equals to the Coverage Ratio multiplied by the sum of (x) any committed but undisbursed principal amounts and (y) any outstanding principal amounts, in each case, under the relevant PFI Loan at such time.
RSF Guarantee pricing[7]	For each RSF Guarantee, the fee payable by PFIs to the PIE will be split in two: a one-time front-end fee of 0.25% on the initial Maximum Guaranteed Amount and a recurring annual RSF Guarantee fee of up to 0.70% on the then-applicable Total Guaranteed Principal(See Section 3.6.4. of the OM).
Tenor	The tenors of RSF Guarantees will correspond to those of the guaranteed loans, but cannot exceed 10 years.
RSF Guarantee Currency	US Dollar or Vietnamese Dong, based on the currency of the RSF Guaranteed loan
Covered Loss	The PFI will be entitled to claim under a RSF Guarantee when the covered loan meets all of the following condition: (a) the covered loan has been classified as a Group 5 NPL under the SBV's regulations; and (b) the guaranteed PFI loan has been overdue for more than 360 days; and (c) either *(i) the PFI has, is able to demonstrate initiation of, collection and/or recovery efforts in respect of the PFI Loan that are, at a minimum, in line with the PFI's standard policies, practices and procedures regarding NPLs; or (ii) following the 360-day period set forth in clause (a) above, the PFI has sold the PFI Loan to a third party.* The PFI will be entitled to claim an amount equivalent to (a) the sum of (i) the Coverage Ratio multiplied by the defaulted portion of the outstanding principal on the NPL PFI Loan; plus (ii) Covered Interest; less (b) any amounts that the PFI has recovered or received from any source or in any manner in respect of any amount set forth

[7] The PIE can recommend changes to the fee levels or structure for approval by MoIT, World Bank and GCF.

	in clause (a) above, including, without limitation, from the exercise of its rights against collateral securing the NPL PFI Loan. Penalty or default interest, commitment charges, service charges or any other levies/expenses shall not be eligible for coverage under a RSF Guarantee.
Procedures for making a claim under a RSF Guarantee	The PFI may submit a demand notice for the Claim Amount to the PIE following the occurrence of a Covered Loss, certifying, together with relevant documentary evidence in support of such loss, that a Covered Loss has occurred and that an eligible claim by the PFI under the RSF Guarantee is made in compliance with all relevant conditions under the Master Guarantee Agreement and the relevant RSF Guarantee Letter.
Representations, Covenants and Suspension/Termination Events	The PFI will be required, *inter alia*, to comply withthe Operations Manual of the RSF and all applicable environmental, social, anti-corruption, fiduciary and reporting requirements, and to ensure such compliance by its Borrowers.
Conditions Precedent for Effectiveness of Master Guarantee Agreement	The Master Guarantee Agreement's effectiveness conditions would include *inter alia* the following: - Delivery of a legal opinion of counsel to the PFI
Conditions Precedent for Effectiveness of RSF Guarantee Letter	The RSF Guarantee Letter effectiveness conditions would include *inter alia* the following: - Payment of the RSF Front-End Fee and the first installment of the RSF Guarantee Fee.

ANNEX 9. RISK MANAGEMENT FRAMEWORK

The risk management framework (RMF) is designed to provide the PIE guidance on how to operate the RSF to ensure the overall portfolio risk is sustainable and complies with the limits and covenants set by GCF and the World Bank and stipulated in project-related agreements. In addition to reaching targets related to RSF Guarantee issuance, PIE performance will be assessed in terms of its ability to manage risks, with part of its compensation tied to meeting specific performance objectives on risk management. The PIE is expected to apply standard banking practice in issuing RSF Guarantees and building up the pipeline. It is ultimately the PIE's responsibility to ensure the smooth and successful operation of the RSF with the World Bank and MoIT as supervisory bodies.

Scope of the Risk Management Framework

Purpose of RMF

i. Determine a process for determining fee levels and RSF Guarantee coverage based on risk assessment.

ii. Ensure that the financial and operational risk assumed by the RSF is in accordance with levels acceptable to the World Bank and GCF.

iii.Provide an analytical framework for portfolio monitoring and management, and determine a mechanism by which the RSF will monitor and report any anomalies to MoIT and the World Bank.

iv. Define the roles and responsibilities of the different entities involved in the RSF risk management and provide guidance on when to involve MoIT and World Bank.

Operational Risks present in the RSF

The RSF is exposed to operational risks associated with the selection of PFIs, IEs and EE projects, the quality of loans made, the ability to recover any losses and the risk of RSF Guarantee calls.

a. <u>PIE Financial Sustainability Risk:</u>

The RSF is expected to generate its own cash flow and be financially sustainable through the seed grant, revenues from RSF Guarantee fees, and recoveries related to loan defaults and subsequent guarantee payouts. Expenses include administrative costs of the PIE, guarantee fees paid to GCF, and coverage of RSF Guarantee payouts. The PIE is required take the following actions to minimize the risk of a negative cash balance:

i. Set the RSF Guarantee fee level to be adequate to cover the operational costs of the PIE and ensure that the RSF is financially self-sustaining without triggering a call on the GCF Guarantee. The PIE is expected to balance competitive pricing levels for the PFIs (and indirectly for the IEs) with price adjustment for risks associated with the underlying guaranteed loans (see "Revenue Risks" below). Any changes in fees will require the PIE to provide a justification to the World Bank, MoIT and GCF and wait for approval prior to charging the new fee.

ii. Ensure that PFIs follow diligent loss recovery procedures prior to a call on the RSF

Guarantee to minimize the amount of the guarantee being called (See "Loss Recovery Risk" below).

iii. Ensure that that capital base of the RSF is greater than or equal to the RSF Guarantee exposure. The PIE should not provide RSF Guarantees without having sufficient GCF Guarantee capital to support them. For the avoidance of doubt, the RSF needs to ensure that the outstanding RSF Guarantees do not exceed the amount of the GCF Guarantee available.

Risk Mitigation Measure: If the PIE has made more than US$1 million of RSF Guarantee payouts, GCF may request consultations or, in case of over US$3 million of payouts, suspension of further guarantee issuance, subject to the terms for "temporary cessation of RSF Guarantee issuance" described in Section 3.6.8.

b. <u>Pipeline Development Risk</u>

Pipeline development risk is defined as the PIE's inability to meet or exceed the targeted ramp-up schedule for the issuance of RSF Guarantees. Such slower than expected issuance would result in slower revenue intake by the PIE and limits its ability to cover operating costs.

The PIE is expected to issue RSF Guarantees based on the target ramp-up schedule. The PIE can, and would be encouraged to, issue more RSF Guarantees than expected, provided that the pipeline adheres to the limits and covenants specified in Section 6.5. MoIT and the World Bank should be informed if issuance is slower than expected to identify corrective actions as needed.

Risk Mitigation Measure: If no guarantees are issued in the first three years, MoIT can replace the PIE.

c. <u>PFI Risks</u>

The financial position of accredited PFIs could deteriorate during the RSF Availability Period. This could result from portfolio mismanagement, an increasing level of non-performing loans, or poor business practices. These issues increase the risk that the PFI experience higher defaults on guaranteed loans, resulting in a higher likelihood for an RSF Guarantee claim.

The PFIs are accredited to participate in the RSF based on predetermined minimum criteria that includes financial sustainability indicators. The criteria are detailed in Annex 1. Section 5.3.1of the OM refers to the process which PFIs must follow if a PFI no longer meets the eligibility criteria.

Risk Mitigation Measure: If at any time the PFI does not satisfy the PFI eligibility criteria, it can agree to an Institutional Development Plan to restore compliance (see Section 5.3.1). Failing that, the PFI will be excluded from further participation in the Project.

d. <u>Environmental and Social Safeguard Compliance Risk</u>

IEs/ESCOs need to comply with predefined Environmental and Social Safeguards, procurement standards, integrity checks, and other covenants. PFIs are expected to certify to the PIE that their borrowers (IEs and ESCOs) accept and meet the requirements. These covenants are indicated in Annexes 12-15.

Risk Mitigation Measure: If a PFI determines that their borrowers are not compliant with these covenants, the PFI must report this to the PIE immediately who will be required to take remedial actions as per the RSF Guarantee Agreements. The PIE must inform MoIT and the

WB in the event of breaches by the IEs/ESCOs/PFIs (see section 8.9 in the OM).

Financial Risks present in the RSF

Financial risks for the RSF include a) PIE cost recovery risks b) macroeconomic risks; and c) challenges related to the guarantee portfolio credit profile.

a. <u>Cost Recovery Risk:</u>

The PIE is expected to set RSF Guarantee fee levels to a level that can sustain the operations of the RSF, while being attractive to PFIs and adding value to IEs/ESCOs. Fee levels that are high could in theory provide additional financial cushion for the PIE, but in practice may result in lower demand for RSF Guarantees, resulting in diminished cash inflows and limiting Project outcomes. Meanwhile fee levels that are low will be attractive to PFIs and help develop a robust project pipeline, but may generate insufficient revenues to support the RSF.

Risk Mitigation Measure: The PIE has the flexibility to request a change to the fee level to suit specific PFI or IE/ESCO needs, subject to the requisite MoIT, World Bank and GCF approvals.

b. <u>Macroeconomic Risks:</u>

i. *Interest Rate Risk:* An increase in interest rates would increase the funding cost for PFIs and therefore the interest rates charged to IEs. Given that the RSF Guarantee is expected to cover both principal and interest of guaranteed PFI Loans, higher interest rates would also mean higher guarantee exposure for the RSF.

ii. *Foreign Exchange Risk:* The RSF structure has an inherent currency mismatch since the GCF Guarantee and possible some part of the GCF grant which provides the seed capital for the RSF are in US Dollar, while it is expected that most Sub-Project loans and RSF Guarantees will be in Vietnamese Dong (VND). If the USD depreciates with respect to the VND, the guarantee exposure could be greater than the USD capital base. As a result, the capital base could be insufficient to cover potential calls on the RSF Guarantee.

iii. Inflation Risk: Inflation in Vietnam has fluctuated between 0.63% and 9.1% between 2012 and 2017. Such high inflation volatility could suddenly increase the cost of the Sub-Projects and increase the base interest rate.

Risk Mitigation Measure: The PIE is expected to monitor macroeconomic risks that could negatively impact the portfolio and, if it deems necessary, recommend an increase in the RSF Guarantee fee levels to build a greater loss reserve or decide to stop further RSF Guarantee issuance of the capital base is insufficient to support the outstanding RSF Guarantees due to foreign exchange movements. The PIE should also report to MoIT and the World Bank any macroeconomic developments that could materially increase the likelihood of RSF Guarantee calls. The PIE is further advised to convert some of the seed capital from USD into VND if feasible.

c. <u>Credit Risk</u>

i. *Portfolio Concentration Risks:* Portfolio concentration risks could include portfolio overexposure to a technology that fails or an industry subsector that faces financial difficulties. The portfolio could also have overexposure to a single IE/ESCO borrower. To mitigate these risks, the PIE is expected to balance the portfolio across sectors by introducing single borrower limits (SBLs) for borrowers and PFIs, and loan size ceilings to minimize the impact of a default of a single guaranteed loan. These limits are identified in section 6.5 of the OM.

ii. *PFI Risks*: The risk that a single PFI has a large portion of the guarantee portfolio and has material changes in its structure and financial position that negatively impact the loan portfolio. The PIE is expected to set strict single borrower limits for PFIs so the mismanagement of a single PFI does not result in excessive guarantee calls and have a detrimental impact on the RSF.

Risk Mitigation Measure: The PIE must adhere to the limits set in section 6.5 of the OM. If an IE/ESCO or PFI reaches these limits, then they are no longer eligible to apply for more RSF Guarantees.

ANNEX10. PFI'S ANNUAL RSF GUARANTEE PIPELINE

Vietnam Scaling Up Energy Efficiency Project - RSF

Indicative RSF Guarantee Pipeline for Year…

Name of Bank:

Unit: VND

No	Sub-project name	Total investment cost	Expected loan amount	Guaranteed amount	Notes
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
	Total				

ANNEX 11. SANCTIONABLE PRACTICES

ANTI-CORRUPTION GUIDELINES
FOR
WORLD BANK GUARANTEE AND CARBON FINANCE TRANSACTIONS

The purpose of these Guidelines is to clarify the meaning of the terms “Corrupt Practice”, “Fraudulent Practice”, “Coercive Practice”, “Collusive Practice”, and “Obstructive Practice” in the context of World Bank guarantee (partial risk guarantee and partial credit guarantee) projects; and carbon finance transactions, where the World Bank, as trustee of a carbon fund, purchases emission reductions under an emission reductions purchase agreement.

1. CORRUPT PRACTICES

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

A. Corrupt Practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of Corrupt Practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for *bona fide* social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to *bona fide* local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for Corrupt Practices or Fraudulent Practices committed by entities that administer *bona fide* social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute Corrupt Practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. FRAUDULENT PRACTICES

A “Fraudulent Practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

INTERPRETATION

A. An act, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a “Fraudulent Practice” for purposes of World Bank Group sanctions.

B. Fraudulent Practices are intended to cover acts or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in World Bank guarantee projects or carbon finance operations. Similarly, other illegal behavior is not condoned, but will not be sanctioned as a Fraudulent Practice under the World Bank sanctions program as applicable to World Bank guarantee projects or carbon finance operations.

3. COERCIVE PRACTICES

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An “Obstructive Practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) an act intended to materially impede the exercise of the World Bank's access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.

ANNEX 12. GUIDELINES ON HOW TO IMPLEMENT THE RESETTLEMENT POLICY FRAMEWORK (RFP)

If the Sub-Project results in Involuntary Resettlement, the VSUEE Project Resettlement Policy Framework requirements must be met. To assess whether the project results in involuntary resettlement and, a site-specific Resettlement Plan is needed, the Checklist in Table below can be used.

Screening Matrix to Check whether OP/BP 4.12 Involuntary Resettlement Applies

ENVIRONMENTAL SAFEGUARD SCREENING CRITERIA	APPLIES, YES OR NO (tick ✓)	
OP/BP 4.12 Involuntary Resettlement *The Involuntary Resettlement safeguard will apply in those situations involving involuntary taking of land and involuntary restrictions of access to legally designated parks and protected areas. The policy aims to avoid involuntary resettlement to the extent feasible, or to minimize and mitigate its adverse social and economic impacts.*		
1. Is any land used by people/organizations likely to be acquired as a result of the sub-project?	YES □	NO □
2. Will any sub-project activity involve restrictions of use on adjoining land?	YES □	NO □
3. Is land ownership affected by the sub-project?	YES □	NO □
4. Will there be a loss of housing or assets or incomes of local people/organizations?	YES □	NO □
5. Will any social or economic activities be affected by land use related changes?	YES □	NO □
If the answer to any of the above questions is YES, OP/BP 4.12 Apply and a Resettlement Plan in accordance with Resettlement Policy Framework is required.		

Only Sub-Projects that meet the Resettlement Policy Framework (RPF) requirements as documented in the VSUEE Project *Policy Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons, May 2019*, can be guaranteed under VSUEE Project. The VSUEE Project Resettlement Framework combines the WB requirements (OP 4.12 Involuntary Resettlement)[8] and the national requirements so that a project which complies with the VSUEE Project Resettlement Framework complies both with WB OP 4.12 and Vietnamese requirements.

The RPF calls for the preparation of a RP.

The RP should be approved by the Provincial People Committee (PPC) and requires a WB No Objection.

The RP specifies all mitigation measures related to the involuntary resettlement, and includes details compensation payments. According to the RPF, the compensation for all losses as the result of involuntary resettlement for the sub-project will be at replacement level.

[8]The key principle of OP 4.12 is to avoid or minimize involuntary resettlement where it is possible. Where it is unavoidable, the RP must mitigate the adverse impact.

The VSUEE Project's RPF only includes general guidelines for determine the compensation rates, but does not give actual figures as these vary from location to location. The WB can review the RP and issue a No Objection before the PPC approved the RP, but cannot issue a No Objection to the guarantee of the loan, unless the PPC approved the RP. Because of this, VSUEE Project allows submitting the RP to the WB for review and approval separate from the RSF Guarantee Application Package

The steps involved in the preparation and approval of the RP are as follows:

1. IE prepares a Draft RP (the IE can do this itself, or contract a consultant to do this). The preparation should be done in close consultation with relevant provincial institutions (District People's Committee (DPC), Department of Natural Resource and Environment (DONRE), etc.)
2. The IE submits the Draft RP separate from the RSF Guarantee Application Package to the PMB (with a copy to the PFI) for WB No Objection. The PMB will involve the PIE for review.
3. The PMB will submit the Draft RP (possible with comments/suggested changes from the PMB/PIE) to the WB for No Objection.
4. The WB will review the Draft RP and: (i) issue a No Objection; (ii) issue a conditional no objection; or (iii) does not provide a No Objection but provides comments on modifications required and requests resubmission.
5. If the WB has issued the No Objection, the IE will address any of the conditions (if any) and submit the (revised) RP to the PPC for approval. (This is required if major changes have been made.)

In the RSF Guarantee Application Package, the following RP related documents or information needs to be included:

- The name of the person who prepared the RP
- The name of the person who reviewed the RP on behalf of the PFI
- RP
- WB No Objection to RP
- Approval of RP by PPC
- Description of public disclosure (where and when).

Survey and Documentation Requirements

During the preparation phase of the projects the main focus will be to carry out the screening to determine types, scale and degree of potential impacts; establish the institutional framework, and to inform and sensitize all stakeholders in general and the affected populations in particular. The scope and level of detail of the field surveys; data collection; and resettlement plan vary with the magnitude and complexity of resettlement. Following steps would be followed for carrying out field studies and preparation of necessary resettlement plans by IEs.

Screening

During project preparation, the IEs would, based on the land acquisition requirements, carry out preliminary Screening to identify the types and scale of impacts. The findings of the screening will determine the details to which further field investigations and surveys would be necessary for preparation of the Resettlement Plan.

Surveys for Preparation of Resettlement Plan

Following the screening to determine types and scale of impacts, necessary detailed census, inventory of losses and socioeconomic baseline surveys will be carried out for preparation of the RP. In general, the information would, among other, include the following:

- Number of persons and names;
- Number, type, category and area of the land (agricultural and residential) lost;
- Number, area and type of structures (houses) lost;
- Quantity and types of crops and trees lost;
- Loss of businesses and incomes;
- Loss of productive assets as a percentage of total productive assets;
- Any potential temporary damage to assets;
- Households size
- Information on socioeconomic characteristics of displaced persons (DPs)

Resettlement Site selection, Design and Relocation

In Sub-Projects requiring relocation of affected DPs, IEs will, in consultation with affected communities, carry out detailed investigations for selection of appropriate relocation sites, site design, planning and development. Details of relocation requirements would be provided in the RP, as necessary.

Resettlement Plan

Based on the census, inventory of affected assets and socioeconomic data, the IE will prepare a RP in accordance with the VSUEE Project RPF.

Each RP will include, but not necessarily be limited to:

- Table of Content
- Acronyms and Abbreviations
- Description of the Project
- Scope of Land Acquisition and Resettlement
- Census and Baseline Socioeconomic Characteristics of Displaced People (DPs)
- Details of Impacts on Assets
- Livelihood and Incomes
- Eligibility and Entitlements
- Valuation and Compensation for Losses
- Suggested Mitigation Measures
- Site Selection
- Site Preparation and Relocation of Housing and Settlements (if any)
- Income Restoration Strategy
- Consultation and Grievance Redress Participation
- Implementation Schedule
- Estimated Resettlement Cost (budget and financing)
- Monitoring and Evaluation

Disclosure

The RP once approved by the provincial authorities (after obtaining the WB No Objection), must be disclosed to the affected communities and other key stakeholders to ensure that they are fully aware of the impacts and the mitigation measures proposed in the RP. To ensure transparency, each affected household would be provided with a copy of the 'summary of impacts and entitlements' summarizing his/her assets lost and their entitlements for compensation and other assistance.

Resettlement implementation activities will only commence after necessary approvals from the provincial authorities and the PFIs are obtained. Rehabilitation and assistance activities will be completed before awarding contracts of civil works under each Sub-Project.

To assist IEs and PFIs, alist of consultants trained and qualified to prepare RP's (updated at regular intervals) will be available from the PMB internet site (http://www.tietkiemnangluong.com.vn/)before effectiveness.

ANNEX 13. GUIDELINES ON HOW TO IMPLEMENT THE ETHNIC MINORITY PLANNING FRAMEWORK (EMPF)

If ethnic minorities (EMs) are present or their collective attachment to land/natural resources in the Sub-Project area, the VSUEE Project Ethnic Minority Planning Framework (EMPF) requirements must be met.

Screening Matrix OP/BP 4.10: Ethnic Minorities

Environmental and Social Safeguard Screening Criteria OP/BP 4.10: Indigenous Peoples	**YES/NO**
The WB policy on indigenous peoples, underscores the need that project IEs identify indigenous peoples, consult with them, ensure that they participate in, and benefit from Bank-funded operations in a culturally appropriate way - and that adverse impacts on them are avoided, or where not feasible, minimized or mitigated. In case of Vietnam and the VSUEE Project, this policy has been modified to consider ethnic minorities, rather than indigenous peoples. *If ethnic minorities are to be affected by an VSUEE Project sub-project and Ethnic Minority Plan must be prepared*	
1. Are ethnic minority people present in the project areas?	…
If the answer is YES, OP/BP 4.10 Apply and an Ethnic Minority Plan in accordance with Ethnic Minority Planning Framework is required. …	

If ethnic minority people live in the project area, the project must meet the Ethnic Minority Planning Framework (EMPF) requirements. The VSUEE Project Ethnic Minority Planning Framework complies with the WB requirements with respect to Ethnic Minorities (OP 4.10 Indigenous Peoples) and Vietnam's relevant laws and regulations.

The EMPF will provide a framework on the process to be followed, field investigations to be carried out, and documentations to be prepared depending upon the types and scale of the impacts and applicability of the EMPF. Training and capacity building programs, to ensure adherence to the EMPF, will be carried out as part of VSUEE Project capacity building and institutional strengthening efforts for all involved, i.e. provincial authorities, PFIs, IEs, and the PIE, responsible for reviewing project proposals against the eligibility criteria.

If ethnic minority people reside within the project area, the EMPF requires the IE to prepare and implement an Ethnic Minority Development Plan (EMDP) in compliance with the *VSUEE Project Ethnic Minority Planning Framework, May 2019.*

In addition to the EMDP, the refinancing package must include:

- The name of the person who prepared the EMDP;
- The name of the person who reviewed the EMDP on behalf of the PFI; and
- Information on disclosure of EMDP.

During the preparation phase of the projects the main focus will be to carry out the screening, social assessments and option assessment, establish the institutional framework, inform and sensitize all the affected ethnic minority communities, conduct a free, prior, and informed consultation with the communities, and assess whether the communities are providing their broad support for the project.

Survey and Documentation Requirements

Screening

As a first step Screening will be carried out to identify presence of ethnic minority communities and anticipated opportunities and risks that are related to the implementation of the project. Screening will also identify the environmentally sensitive and socially critical areas including special use forests that would be excluded from any proposed project activities.

If the result of the screening shows that there are ethnic minority groups in the project area, a social assessment will be carried out and ethnic minority activities will be planned for those areas.

Social Assessment

The second step will consist of a social assessment undertaken for the potentially affected ethnic minority community/communities. The social assessment needs to address project-specific issues. As background, the assessment will gather relevant information on demographic data, socio-economic and cultural situation, and the anticipated socio-economic and cultural impacts – both positive and negative, of the project. The social assessment will focus on potential impacts and recommendations for project design or existing complementary activities that the project could support and facilitate. The social assessment includes consultation with ethnic minority populations and their leaders to identify issues that may affect them and to discuss satisfactory solutions and methods to deal with such issues.

Free, Prior and Informed Consultation

The consultation during the social assessment, supported by mapping of the areas, will simultaneously assist the ethnic minority peoples to establish claims in the project area through a transparent and inclusive consultation exercise. To implement this, all ethnic minority villages will be informed in appropriate ways about the project, and regular village meetings will be conducted to ensure that sufficient awareness exists about the sub-project for the affected ethnic minority to voice their concerns and opinions. The project IEs will work with formal and informal community leaders (village heads, traditional leaders, and commune representatives, and any existing community based organizations) to maintain a dialogue with the communities (villages) throughout the life of the sub-project, so that all concerns, conflicts, and grievances can be expressed and addressed. A Consultative Committee, with representation of all villages will be established, and officials of the Committee on Ethnic Minority Affairs (CEMA) from the provincial government may be invited to assist the dialogue. The Consultative Committee will be responsible for:

a) Mapping and endorsement of claims over the community land and resources use;

b) Documentation of the free, prior and informed consultations, and the various viewpoints expressed (negative and positive) on the project by ethnic minority groups on all issues which might impinge upon their land and resource use. This will be included in the Social Assessment, which will also include an assessment of whether broad community support for the project has been obtained;

c) Facilitate the ongoing dialogue between communities and the sub-project IEs during implementation, and participate in any grievance redress and conflict resolution.

The Consultative Committee will search for mutually acceptable solutions for projects that do not in the first instance gain broad support from the affected ethnic minorities. If the screening suggests that rights, livelihoods, and culture of the indigenous peoples might be affected by the project, an EMDP will be prepared to develop support and assistance to the ethnic minority communities. The EMDP will be based on transparent decision-making process and the ongoing dialogue described above. The EMDP will also include a plan for regular village and commune meetings, where grievances can be raised, recorded, and addressed if disputes arise during sub-project implementation. Taken together, the measures described above would ensure that negative impacts are avoided, minimized, or compensated.

The VSUEE Project will provide Sub-Project guarantee only where free, prior and informed consultation results in broad community support for the project. A report is needed, as part of the EMDP, describing the consultation process followed with full documentation (minutes of meetings held, etc.) certifying support by the community/communities.

Planning for Culturally Appropriate Benefits

The projects will apply five mechanisms to ensure that ethnic minority peoples receive culturally appropriate benefits: (a) support will be provided to EM communities through the consultative committee to assist community planning and applications for resources as needed; (b) local EM communities will be given preferential and feasible employment in the projects, if they so desire; (c) EM communities will be allowed the option of making any required contribution in kind for identified community development activities (through labor or the supply of local materials); (d) the consultative committee will actively participate in all decisions with regard to the ethnic minority community issues related to the project; and (e) appropriate participatory tools will be used to support EM capacity needs.

Content of the Ethnic Minority Development Plan

The EMDP should have, but not necessarily be limited to, the following content, as appropriate:

- Table of Content
- Acronyms and Abbreviations
- A brief description of the project and its likely impact on EM communities (e.g. requirements for land, influx of labor, possibilities for employment, etc)
- Legal Framework
- Baseline Data including a description of the communities in the area, their demographic and other characteristics, with mapping of villages and potentially affected communities
- A summary of the free, prior, and informed consultations carried out and the results of those consultations leading to broad community support
- A summary of the social assessment findings
- Land Tenure
- Local Participation including a description of the mechanism for ongoing dialogue with EM communities during implementation
- Potentially Adverse Impact and Mitigation Measures
- Development Assistance including a description of the planned activities to support EM development that ensures that EM communities receive appropriate benefits, and that adverse impacts are avoided or mitigated
- Mechanism for grievances redress and conflict resolution
- Institutional Arrangement
- Implementation Schedule
- Cost and Financing Plan

- Monitoring, reporting, and evaluation procedures, including few key indicators

Disclosure

The IE is responsible to disclose EMDP to the affected ethnic minority communities in suitable form and at places that are identified as appropriate through careful consultation with the local communities' members. A participatory process will be prepared in which various ways to allow participation of communities' members, including women and young members will be carried out. The expertise of locally active NGOs and other civil society groups can be useful in all these activities. To facilitate information dissemination and understanding, the contents of these documents will also be communicated verbally.

A list of consultants trained and qualified to prepare EMDP (updated at regular intervals) will be available from the PMB internet site (http://tietkiemnangluong.com.vn/) before effectiveness.

ANNEX 14. PORTFOLIO AND LOAN MONITORING TEMPLATE

RSF Guarantee Portfolio Monitoring Report Template:

	Implementation Year			**1**				**2**				**3**			
		Quarter		1	2	3	4	1	2	3	4	1	2	3	4
1	*Guarantee Issuance*														
	a	Guarantees Issued	VND												
	b	Guarantees Issued	Number												
2	*Guarantee Exposure*														
	a	Guarantee Exposure Outstanding	VND												
3	*Guarantee Payouts*														
	a	Guarantee Payouts	VND												
	b	Guarantee Payouts	% of outstanding exposure												
4	*RSF Guarantee Cash flows*														
	a	Guarantee Fee Revenue	VND												
	b	Loss Reserve Account Cash Balance	VND												
	c	Implementation Account Cash Balance	VND												
5	*PFI Loan Disbursement*														
	a	PFI Loans Issued	VND												
	a	PFI Loans Disbursed	VND												
	b	Disbursement Rate	%												

PFI Lending Terms

The following table should be completed for every new loan:

Project Name	
Use of Proceeds	
Borrower	
Lender	
Loan Size	
Guarantee Amount	
Date Signed	
Drawdown Schedule	
Base Rate (if Variable)	
Margin	

Tenor (door-to-door)	
Grace Period	
Upfront Fees	
Single Entity Limits:	
(a) Single Borrower Limit (IE)	US$50 Million Loans (US$25 Million RSF Guarantee)
(b) Cumulative IE Borrowing to Date (excluding new loan)	
Percentage Exposure (%)	a / b
(c) Single Lender Limit (PFI)	US$50 Million Loans (US$25 Million RSF Guarantee)
(d) Cumulative PFI Borrowing to Date (excluding new loan)	
Percentage Exposure (%)	c / d

ANNEX 15. RESTRICTED PROVISION

Provision	**Change requiring GCF approval**
3.5.4. GCF Guarantee Availability Period	Extending the Availability Period beyond 5 years after the effectiveness of the GCF Guarantee
3.6.4. RSF Guarantee Pricing	Lowering of RSF front-end fee below 0.25% or RSF Guarantee fee below 0.70%
3.6.8. Temporary Cessation of RSF Guarantee Issuance	Any changes to the temporary cessation mechanics
3.6.9. Maximum RSF Guarantee Issuance and Possible Scaling-up	Increase of Leverage Ratio above 1.0

ANNEX 16. REPORTINGTEMPLATE

RSF/PIE/PFI Progress Report Template
[Report number] [Reporting period]
[Report date]

1. Summary of progress made during the reporting period (including description of PIE/PFI activities and the Table 1)

2. Brief description of each new guarantee issued during the reporting period (see Table 2 for further details)

3. RSF Guarantee portfolio highlights (see Table 3 for further details)

4. Portfolio risk assessment (in terms of risk concentration, loan quality, likelihood of RSF Guarantee payouts) (see Table 4.1 and Table 4.2 for further details)

5. Environmental and social monitoring summary

6. Other issues for PIE's attention

7. PIE/PFI plan for activities in the next six-month period

8. Attachments (most recent PIE/PFI Progress Reports)

Table 1. RSF Guarantee Issuance Progress during reporting period

PFI	Beginning guarantee balance	Incurred number of guarantees issued	Incurred amount of guarantee issuance	Incurred amount of guarantee amortization	Accumulated amount of guarantee issuance	Accumulated amount of guarantee amortization	Ending guarantee balance	Remarks
	(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)-(6)	
[Bank name]	[VND billion]	[1/2/3]	[VND billion]	[VND billion]	[VND billion]	[VND billion]	[VND billion]	

Table 2. Details of new RSF Guarantees issued during reporting period

RSF Guarantee number	Name and location of IE/ESCO	RSF Guarantee issuance date	RSF Guarantee effective date	Sub-project details							Remarks
				Sub-project location and industry	Total investment	Guarantee Amount	Loan Amount	RSF Guarantee tenor/PFI Loan tenor	Type and value of collateral (if any)	Energy saving percentage[9]	
[RSF-01]	[Company name, location]	[Date]	[Date]	[Location]/[Industry name]	[VND billion]	[VND billion]	[VND billion]	[VND billion]	[Immovable property/Movable property/Fixed Deposit,etc.]/[VND billion]	[%]	
TOTAL											

[9] Calculated by applying the formula in section 5.5 of the OM

Table 3. RSF Guarantee Portfolio Summary at [date]

RSF Guarantee number	Name and location of IE/ESCO	RSF Guarantee issuance date	Outstanding RSF Guarantee amount/	Outstanding PFI Loan amount	Original RSF Guarantee amount	Original PFI Loan amount	RSF Guarantee tenor/PFI Loan tenor	Remaining loan life/Average loan life	Interest rate	Updated category of Loans	Remarks
[RSF-01]	[Company name, location]	[Date]	[VND billion]	[VND billion]	[VND billion]		10/10 years	3/5 years	5.0%+2.0%	[1/2/3/4/NPL]	
[RSF-02]	[Company name, location]	[Date]	[VND billion]	[VND billion]	[VND billion]		12/12 years	4/7 years	5.0%+1.5%	[1/2/3/4/NPL]	
TOTAL											

Table 4.1. Guarantee Claims and Payouts Summary at [date]

1. Guarantee Issuance		
a. Accumulated number of guarantees issued	(1)	[VND billion]
b. Accumulated value of guarantees issued	(2)	[VND billion]
2. Guarantee claims	(3)	
a. Accumulated number of guarantee claims		[VND billion]
b. Accumulated value of guarantee claims	(4)	[VND billion]
c. Claim ratio (%)	(5)=(4)/(2)	[%]
3. Guarantee Payouts	(6)	
a. Accumulated number of Guarantee payouts	(7)	[VND billion]
b. Accumulated value of Guarantee payouts	(8)	[VND billion]
c. Payout ratio (%)	(9)=(8)/(4)	[%]
4. Unpaid guarantee claims	(10)=(4)-(8)	[VND billion]

Table 4.2. List of Pending RSF Guarantee Claims[10] at [date]

RSF guarantee number	RSF guarantee remaining tenor (months)	Claim date	Claim amount	Payout amount	Collateral (if any)		Recovered amount (if any)	Status of recovery efforts (if any)	Follow-up actions	Remarks (to note new claims during reporting period)
					Type	Value				

[10] Pending RSF Guarantee Claims refer to the existing claims whose recovery efforts (if any) are still under process and the new claims submitted by the PFIs during the reporting period

ANNEX 17: PIE PERFORMANCE INDICATORS, PIE REPLACEMENT AND HANDOVER RESPONSIBILTIES

1. PIE performance Indicators

(thousand USD)	Year 1	Year 2	Year 3	Year 4	Year 5
The cumulative guarantee issuance amount	5,000.00	20,833.33	58,833.33	86,111.13	100,416.67
The quality of the portfolio (GCF Guarantee Payouts)	0	0	0	0	0
PIE compliance responsibility (to be considered)					

- Unsatisfactory: No guarantee issuance or the call on GCF Guarantee is 1 million USD or more during the RSF Availability period;
- Moderately unsatisfactory: Guarantee issuance amount less than 50% of the cumulative guarantee issuance amount and the call on GCF Guarantee is below 1 million USD during the RSF Availability period;
- Moderately satisfactory: Guarantee issuance amount 50- 70% of the cumulative guarantee issuance amount and the call on GCF Guarantee is below 1 million USD during the RSF Availability period;
- Satisfactory: Guarantee issuance amount over 70% of the cumulative guarantee issuance amount and no calls on GCF Guarantee during the RSF Availability period;

In assessing PIE performance in line with Early Termination in the Implementation Agreement, MOIT shall consider market conditions prevailing during the RSF Availability period.

2. PIE replacement and employment procedure

- MOIT/ current PIE will issue a Termination Notice as per the provision of Early Termination in the Implementation Agreement;
- After receiving/issuing a Termination Notice, MOIT will carry out the procedures to select a replacement PIE as follows:

  + MOIT will send official letter to SBV informing about the termination of the Implementation Agreement with the current PIE and requesting SBV to recommend a potential candidate for PIE.

  + After receiving feedback from SBV, MOIT will send a Request for Expression of Interest and Term of Reference to the PIE candidate.

+ MOIT, with support from the WB, will review and assess the proposals submitted by the PIE candidates. If the potential PIE meets all the eligibility criteria set out in the Annex 1 of the GCF Financing Agreement, MOIT will request the World Bank's approval of the selected PIE.

+ After receiving the World Bank's approval, MOIT will issue a PIE appointment letter to the selected PIE, with a copy to the current PIE.

3. Handover responsibilities

- After receiving or issuing the Termination Notice, the current PIE will prepare and submit to MOIT the project implementation results such as completed work volume, disbursement rate, etc.
- MOIT will have a meeting with the existing PIE and replacement PIE to define and agree on the way of handing over in consultation with the WB;
- The current PIE will have to handle all outstanding works before handing them over to the new PIE within 30 days since receiving/ sending the termination notice.
- The current PIE will prepare a handover record that details the documents (both soft and hard documents) need to be handed over such as records, accounts, guarantee letters, etc.
- The current PIE will facilitate the transfer of all project funds from the RSF accounts to the new RSF accounts to be established by the replacement PIE;
- The current PIE has to support the new PIE when the new PIE is in the process of becoming acquainted with the new tasks if requested by MOIT within 30days after completion of the handing over process;
- PFIs, old PIE and new PIE will all sign the handover agreement relating to the Master Guarantee Agreement and the Guarantee Letters;
- MOIT, old PIE and new PIE will all sign the handover agreement relating to RSF Accounts, records, project documents, and other relevant information regarding the RSF.

ANNEX 18: FEE SCHEDULE AND RSF GUARANTEE ISSUANCE PLAN

1. Fee Plan

PIE Fees consist of Fixed Fee and Variable Fee, the Fixed Fee is used to pay for staff salaries and the project management cost in RSF Operating Period; the Variable fee is the fee which PIE will be received related directly to the results of the guarantee issuance, specifically as below:

1.1 Fixed Fee

The Seed Capital Grantof$3,000,000, of which $1,000,000 will be escrowed to the Loss Reserve Term Account as set out in Article 4.1.1 above. The remaining $2,000,000 will be used to pay the 15-year Fixed Fee within RSF Operating Period in accordance with the annual budget proposal (which will be revised according to the annual approved budget and actual implementation Practice) as follows:

No.	Cost	Total	Availability period						Supervision period											
			Total year 1-5	Year 1	Year 2	Year 3	Year 4	Year 5	Total year 6-15	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
1	**1. Fixed cost**	**2,000,000**	**1,183,034**	**237,826**	**225,874**	**229,917**	**242,520**	**246,897**	**816,966**	**83,210**	**78,150**	**79,507**	**78,507**	**79,890**	**86,288**	**82,134**	**82,134**	**83,573**	**83,573**
	1.1. Salary	***1,445,076***	***914,472***	*180,000*	*180,000*	*183,600*	*183,600*	*187,272*	***530,604***	*50,980*	*50,980*	*52,000*	*52,000*	*53,040*	*53,040*	*54,100*	*54,100*	*55,182*	*55,182*
	Project manager			50,000	50,000	51,000	51,000	52,020	*379,000*	36,414	36,414	37,142	37,142	37,885	37,885	38,643	38,643	39,416	39,416
	Portfolio manager			40,000	40,000	40,800	40,800	41,616		-	-		-	-	-		-	-	-
	Technical expert			45,000	45,000	45,900	45,900	46,818		-	-		-	-	-		-	-	-
	Financial Analyst			25,000	25,000	25,500	25,500	26,010		-	-		-	-	-		-	-	-
	Assistant			20,000	20,000	20,400	20,400	20,808	*151,604*	14,566	14,566	14,857	14,857	15,154	15,154	15,458	15,458	15,767	15,767
2	*2.2. Management Cost*	***554,924***	***268,562***	*57,826*	*45,874*	*46,317*	*58,920*	*59,625*	***286,362***	*32,230*	*27,170*	*27,507*	*26,507*	*26,851*	*33,249*	*28,033*	*28,033*	*28,391*	*28,391*

In which:

- The salary is gross salary (social charges and unemployment insurance included)

- Management cost includes some kinds of costs: office renting, machinery and equipment, travel expenses for RSF staffs and other eligible costs.

1.2 Variable Fee

The Variable Fee payable to the PIE consists of two components:

(1**) Up-front fe**e (one-time payment from the PFI to the PIE when the RSF Guarantee is issued), equivalent to 0.25% of the RSF Guarantee Amount and;

(2) **Half of the annual RSF Guarantee fee** (annual fee to be paid by the PFI to the PIE to maintain the validity of the RSF Guarantee), equivalent to 0.70% of the Total guaranteed principal at the time of fee calculation.

The up-front fee and annual RSF Guarantee fees collected from PFIs by PIE could be adjusted subject to the approval of MOIT and the World Bank.

2. Guarantee issuance plan

To maximize the number of RSF Guarantees issued, SHB plans to use any amortized amount of RSF Guarantees to issue new guaranteed loans, so that the actual cumulative guarantee issuance can be greater than the amount of the GCF Reimbursable Funds ($75 million)). The annual RSF Guarantee issue plan during the Availability Period is as follows:

Unit: thousand USD

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Annual guarantee issuance	5.000,00	15.833,33	38.000,00	27.277,80	14.305,54
Cumulative guarantee issuance	5.000,00	20.833,33	58.833,33	86.111,13	100.416,67