

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

**Report No.: ISDSC1075**

**Date ISDS Prepared/Updated:** 15-Jan-2015

**Date ISDS Approved/Disclosed:** 16-Jan-2015

### I. BASIC INFORMATION

#### A. Basic Project Data

Country:	Vietnam	Project ID:	P151086
Project Name:	Vietnam Industry Energy Efficiency Financing (VIEEF) (P151086)		
Task Team Leader(s):	Franz Gerner		
Estimated Appraisal Date:	16-Oct-2015	Estimated Board Date:	04-Mar-2016
Managing Unit:	GEEDR	Lending Instrument:	Investment Project Financing
Sector(s):	Energy efficiency in Heat and Power (90%), Banking (10%)		
Theme(s):	Climate change (100%)		
Financing (In USD Million)			
Total Project Cost:	335.00	Total Bank Financing:	200.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			130.00
International Bank for Reconstruction and Development			200.00
Bilateral Agencies (unidentified)			5.00
Total			335.00
Environmental Category:	F - Financial Intermediary Assessment		
Is this a Repeater project?	No		

#### B. Project Objectives

The Project Development Objective is to improve energy efficiency in the industrial sector, to contribute to achieving the government's energy efficiency objectives. There is no constraint on the type and size of industrial enterprises to participate in the project. The eligibility will be determined by setting a minimum energy savings requirements and demonstrating the financial performance of the enterprise.

The Project Development Objective will be achieved through (a) an IBRD Loan to support energy conservation investment lending to selected participating financial institutions (PFIs); and (b) a grant from donors to provide technical assistance and capacity building for improving energy efficiency to PFIs, IEs and ESCOS.

### **C. Project Description**

The proposed project is part of the World Bank's long term engagement to support Vietnam to increase energy savings and improve demand side energy efficiency. The CPEE project is assisting the government in developing voluntary agreements with energy-intensive industries. Such voluntary agreements will be more effective when combined with financial incentives and increased access to financing offered by this proposed project as rewards to incentivize the participating enterprises for improving energy efficiency. As a result, this proposed project will provide financing to strengthen the voluntary agreements, thus, help the government achieve its EE targets. In the meantime, international experience demonstrates that a key success ingredient to the dedicated credit line is to provide TA to support project pipeline development and capacity building of both participating financial institutions (PFIs) and local project developers. Therefore, this proposed project will also offer TA and capacity building to policy makers, PFIs, and industrial end-users and service providers, to go hand in hand with the credit line.

The project has two components: (a) energy efficiency investment lending, where a US\$200 million IBRD Loan supports energy conservation investments in industrial enterprises through the selected participating financial institutions (PFIs); and (b) technical assistance and capacity building, where a [US\$5] million grant from bilateral donors to provide technical assistance and capacity building to MOIT, PFIs, and selected energy users and service providers for improving energy efficiency.

Component 1 – Energy Efficiency Investment Lending (US\$330million, of which \$200 million from IBRD, \$66 million from PFIs, and \$60 million from industry enterprises):

This component consists of an energy conservation lending program of US\$330 million over five years: (a) US\$200 million in debt financing from IBRD; (b) PFIs will co-finance project activities under the VIEEF project, financing at least 20 percent of the total investment costs; and (c) sub-borrowers (i.e. industrial enterprises) will contribute 20 percent of investments as equity financing, which is common practice for loan applications in Vietnam.

A US\$200 million IBRD loan will be on-lent by the GOV to selected PFIs. The PFIs in turn will lend the funds to industrial enterprises and/or energy service companies for energy conservation investment subproject. Their lending rates will be determined based on market conditions and will adequately cover the financial and operating costs and provide for a reasonable profit margin for the PFIs.

The PFIs will be determined during project preparation. The criteria to select the PFIs would be: (a) senior management commitment to and interest in energy efficiency lending; (b) prior experience and track record in energy efficiency lending; (c) qualified staff and dedicated teams; (d) bank's internal organization conducive to generating deal flows and managing risks; (e) existing client base (whether there is a large industrial custom base)... The potential PFIs are BIDV and Vietcom Bank, who are the PFIs under the Vietnam Renewable Energy Development Project and have prior experience with EE lending under an EIB credit line. How to allocate the IBRD funds among the PFIs will also be determined during project preparation.

The PFIs will develop an Operational Manual, which outlines selection criteria for sub-borrowers

and sub-projects, appraisal procedure and guideline, roles and responsibilities of the PFIs and the government, PFIs' internal institutional arrangement for project implementation, technical evaluation framework, environmental and social management framework, and procurement and financial management frameworks that are consistent with the World Bank and Vietnamese government rules and procedures, subject to the World Bank approval. During project implementation, the PFIs will be responsible for identifying, appraising, and financing sub-projects that meet the criteria in the Operational Manual, and bear 100% default risks. The World Bank aims to support the PFIs to prepare for the first batch of sub-projects in the lending pipeline through the PPTAF facility.

Component 2 – Technical Assistance and Capacity Building for Improving Energy Efficiency (US \$5million – bilateral donors to be determined):

This technical assistance and capacity building component intends to assist: (a) MOIT, which is responsible for EE policies and targets, to implement voluntary agreements with relevant industries, further improve incentives for industry to carry out EE investments, and mandatory EE standards and benchmarks in the energy-intensive industries; (b) 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; and (c) industry enterprises and EE service providers such as ESCOs to develop bankable projects. This component will be closely linked with the ongoing CPEE on policies and voluntary agreements.

IBRD and IFC will work together to provide the TA and capacity building to the PFIs. The TA and capacity building will include support to: (a) capacity building and training, particularly to staff at both the HQ and branches as well as risk assessment staff, including support for the development of necessary procedures, and the creation of an adequate knowledge base to evaluate and extend energy efficiency loans; (b) marketing and business development to generate a robust EE lending pipeline; (c) support to due diligence of eligible energy efficiency sub-loans, including financial, technical, social and environmental assessments; and (d) development of energy conservation-related financing instruments and risk management tools.

The TA and capacity building to MOIT, which is responsible for EE in Vietnam, will include support to: (a) strengthen the policy and legal and regulatory framework for EE in industrial enterprises; and (b) conduct a communication campaign to raise awareness on EE for IEs.

The TA and capacity building for industrial enterprises will include support to: (a) identify EE projects and prepare relevant energy audits, technical design and EE project preparation; and b) raise awareness through a communication campaign organized jointly with relevant industry associations.

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will be implemented by the selected ESCOs and Industrial Enterprises located in the whole country. During project preparation, locations of the subprojects will be carefully considered in order to avoid potential significant environmental and social impact.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

The MOIT has the overall project coordination responsibility for the project and is responsible for the implementation of capacity building to MOIT under Component 2. MOIT has gained significant safeguards experiences in execution of a number of Bank-financed projects including Vietnam Demand-Side Management and Energy Efficiency Project (DSM-EE Project), Clean Production and

Energy Efficiency Project (CPEE), Renewable Energy Development Project (REDP), and Distribution Efficiency Project (DEP).

The PFIs will implement the credit line with eligible industrial enterprises and are responsible for Component 1. The PFIs have full responsibility for the EE lending process and approvals including oversight of safeguards compliance of the project. Each PFI will form a Project Implementation Unit (PIU) with dedicated teams, supported by technical, environmental and social safeguards, and procurement experts. Of the potential PFIs, Vietcombank, BIDV, and Techcombank have safeguards experience in implementing REDP. However, other PFIs may not have such a safeguard capacity. It is anticipated that most ESCOs and Industrial Enterprises, which will bear the primary responsibility for environmental management of the project, may not have previous experiences with the Bank's safeguards policies or lack capacity in this area. During project preparation the Bank will evaluate the institutional capacity of the selected PFIs, ESCOs, and Industrial Enterprises for environmental management and supervision. If this capacity is not adequate, technical assistance will be defined and incorporated into the project to strengthen this capacity accordingly.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Nghi Quy Nguyen (GSURR)

Thuy Cam Duong (GENDR)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	<p>The project is part of the Bank's long term engagement to support Vietnam to increase energy savings and improve demand side energy efficiency. Overall the project would bring benefits to the industries and the environment by contributing to reduction of GHGs and pollutants, energy savings, and promotion of the environmentally good industry practices.</p> <p>This policy is triggered because the project involves the small construction for installation or replacement of energy efficient technologies and equipment under Component 1 requiring the identification, mitigation and monitoring of potential adverse environmental and social impacts. The loans for energy efficiency improvements will target energy intensive industries such as cement, iron and steel, and pulp and paper, public and private. All the project works will be confined within the premises and facilities of the existing industries, and any new construction will be within the boundaries of these.</p> <p>As the investments are not yet fully determined by the current stage and also by the appraisal, the potential impacts could not be not entirely characterized. Possible environmental impacts associated with subprojects could be noise, dust and</p>

		<p>disposal of nonhazardous wastes common to the installation of new equipment; waste management for the energy inefficient equipment being removed from service; and safety issue during the operation of the new equipment and facilities. There may be some issues of combustion gas emissions associated with the installation of new boilers, kilns or other types of heat treating equipment. The magnitude of impacts could be varied and will be assessed case by case depending on nature and the scale of specific investments. Since not all investments will be identified during project preparation, an Environmental and Social Management Framework (ESMF) will be developed by the client to guide the environmental assessment process and ensure compliance with the government's environmental management regulation and the Bank's safeguards requirements and the WBG Environmental Health and Safety Guidelines (WBG EHS Guidelines).</p> <p>The ESMF will includes robust screening mechanisms, identification of specific mitigation measures, monitoring, assessment of institutional capacity, and the cost to implement the ESMF along with the need for consultation. The ESMF will include the procedures and parameters for conducting environment and social audit/due diligence of existing facilities that will be supported/retrofitted by the project. The ESMF will also cover TA under Component 2 particularly on supporting due diligence of eligible energy efficiency sub-loans. In addition, the ESMF will refer to the Interim Guidelines on the Application of safeguard Policies for TA activities in Bank-financed Projects and TA activities should be screened against the Interim Guidelines.</p> <p>TA activities under Component 2 will be screened during project preparation and implementation for their potential environmental and social implications, risk and impacts, environmental categorization, and the selection of relevant safeguard instruments. By the project appraisal stage, public consultation and disclosure of the ESMF and the safeguard instruments for the subprojects identified for the first phase of implementation will be completed.</p>
Natural Habitats OP/BP 4.04	TBD	The project would only finance the works of existing

		premises and facilities within the existing industries, which are not expected to be located within environmentally sensitive areas such as protected area, wetland, mangrove, estuarine, buffer zone of protected area, special area for protecting biodiversity. However, at the identification stage the project locations have not yet known. Therefore, this policy is triggered as TBD.
Forests OP/BP 4.36	No	The project would not anticipated to involve acquisition of forest land and have the potential to impact on the rights and welfare of local people and their level of dependence upon low quality natural forests and plantation forests.
Pest Management OP 4.09	No	The project will not involve any investment that would result in procurement of pesticides or any increase in the use of pesticides.
Physical Cultural Resources OP/BP 4.11	TBD	The project would not involve significant excavations, demolition, moving of earth, flooding, or other environmental changes. However, the project locations are yet to be known. Therefore, this policy is triggered as TBD. In any event, a chance finds procedure will be prepared and included in the ESMF, site-specific subproject safeguards instruments, bidding, and contractual documents
Indigenous Peoples OP/BP 4.10	TBD	The triggering of this policy remains to be determined at this concept stage. Although there is significant interest in the steel and cement industry, there is little understanding about the nature of EE projects. Therefore, it is difficult to understand the project affected area and potential impact over ethnic minority communities. The triggering of this policy will be visited and confirmed during the project preparation when the eligibility criteria for sub-projects are defined. Once triggered, by appraisal, relevant instruments (EMPF, EMDP) will be prepared in accordance to the requirements of OP 4.10 Indigenous People.
Involuntary Resettlement OP/BP 4.12	TBD	The triggering of this policy remains to be determined at this concept stage. At this stage, although there is significant interest in the steel and cement industry, there is little understanding about the nature of EE projects. Therefore, it is difficult to understand the project impact in terms of land acquisition and physical relocation of people. The triggering of this policy will be visited and confirmed during the project preparation when the eligibility



		criteria for sub-projects are defined. Once triggered, by appraisal, relevant instruments (RPF, RP) will be prepared in accordance to the requirements of OP 4.12 Involuntary Resettlement.
Safety of Dams OP/BP 4.37	No	The Project will not finance construction or rehabilitation of any dam. The project is also not dependent on any existing dam or dam under construction.
Projects on International Waterways OP/BP 7.50	No	The project is not implemented in areas of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project is not located in any known disputed areas as defined under the policy.

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 29-May-2015

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**

**The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

Will be determined during project preparation.

### IV. APPROVALS

Task Team Leader(s):	Name: Franz Gerner	
<b><i>Approved By:</i></b>		
Regional Safeguards Coordinator:	Name: Peter Leonard (RSA)	Date: 16-Jan-2015
Practice Manager/ Manager:	Name: Julia M. Fraser (PMGR)	Date: 16-Jan-2015

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.