

Evaluation Summary

Da Nang Development Investment Fund (DDIF) & Can Tho Development Investment Fund (CADIF) credit line

Country: **Vietnam**

Sector: **Financial intermediaries
(formal sector)**

Evaluator: **Ernst & Young Vietnam**
Date of the evaluation: **August 2017**

Key data on AFD's support

Projet number: CVN 1125-01

Amount: €20 million in sovereign loan

Disbursement rate: 100%

Signature of financing agreement:
November 2011

Completion date: December 2018

Total duration: 7 years and 1 month



Context

After the 2008 crisis, the government encouraged the **decentralization of infrastructure investments** to the provincial level.

As commercial bank financing and bond issuance did not prove to be the appropriate solution for the Provincial People's Committees (PPC) during this period, the **Local Development Investment Fund (LIDF) model** was considered more appropriate in this context.

Da Nang and Can Tho are two cities facing infrastructure constraints and challenges in social services (social housing, health care, education...) and environment. These cities are also very vulnerable to climate change.

Actors and operating method

The financial intermediaries are the DDIF and the CADIF.

The intended beneficiaries are the investors (public institutions).

Objectives

- To support the territorial planning sub-projects of the two first tier cities of Vietnam.**
- To support the construction or the development of public services infrastructures** in order to improve the inhabitant's living conditions.
- To tackle the challenges of environmental protection**
 - To evaluate the impacts of natural risks,
 - To identify opportunities to mitigate these risks.

Expected outputs

An increase in HFIC commitments for social and environmental infrastructures.

Performance assessment

Relevance

The project's purposes and objectives were **relevant** to the national strategy, as well as to the strategy of the local administrations, of the AFD and of the two Local Development Investment Funds (LDIF).

The objectives toward supporting the City in facing environmental challenges appear to be **slightly ambitious** with a capital preservation entity like LDIF.

Effectiveness

The project **achieved specific objectives** in the sectors of urban reorganization, health care, education, environmental protection and climate change prevention.

The actual outputs were:

- Education: 5 buildings for 5 universities and colleges
- Health Care: 1 hospital
- Social housing: 2 dormitories for workers
- Transportation: 1 transportation infrastructure.

All sub-projects were well implemented, except for the Co Do residential area sub-project which struggled with land clearance matter.

Efficiency

The AFD's funding was allocated to achieve all of the project's specific objectives.

Sub-projects were implemented with a **cost saving** of more than 15%.

However, CADIF and DDIF should **officially establish a project management unit** to manage the credit line portion.

Impact

Most of the financed sub-projects have created **positive impacts** in the fight against climate change, in environmental preservation and in social services.

However, there are **minor social and environmental shortcomings** as regards land clearance planning in the Co Do commercial-residential area sub-project.

Sustainability

The LDIFs face a number of **risks**: legal, strategic, and relative to maintaining the impacts of recycled capital.

Most of the sub-projects are assessed **sustainable**.

Added value of AFD's contribution

Although the concessional level is lower than that of the World Bank, the AFD funding provided the Vietnamese government and the company with a **good funding source at a concessional interest rate**, that allowed the company to offer loans to investors at a favorable rate, 1-3% lower than the commercial value.

The AFD's intervention model is assessed **simple, flexible and supportive**.

Conclusions and lessons learnt

- The LDIFs should have **actively communicated with the AFD** in order to clarify the project objectives as well as the purpose of the project sheet. This would have helped raise the quality of the project sheet and shorten AFD's appraisal time.
- **Potential risks of land clearance fragments** should have been noted by CADIF during the appraisal process.
- The AFD's requirements on **periodical monitoring of the sub-projects' environments** as per their Environmental Management Plan should be clearer and stricter.