

Evaluation Summary

*Ho Chi Minh city Finance and Investment
State-owned Company credit line (HFIC)*

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 1126

Amount: €20 million credit line, sovereign loan

Disbursement rate: 90%

Signature of financing agreement: May 2011

Completion date: June 2015

Total duration: 4 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.

HCMC was then confronted with **infrastructure constraints and challenges in social services** (social housing, hospital, education...) and the **environment**.

Actors and operating method

The **financial intermediary** was HFIC.

The **intended beneficiaries** were the investors (public institutions).

Objectives

- To accompany municipalities' efforts in urban restructuring and social housing while anticipating water level rise.**
- To accompany municipalities in their responses to environmental challenges.**
- To reinforce the reception and care facilities of the main hospitals in the city and to encourage them to adopt an environmental approach.**
- To help the City face the challenge of higher education by contributing to the financing of energy efficient infrastructures**

Expected outputs

An increase in HFIC commitments to social and environmental infrastructures in the following sectors: education, health care, social housing and transportation.

Performance assessment

Relevance

The project's purposes and objectives were **strongly relevant** to the national strategy, as well as to the strategy of Ho Chi Minh City and of the AFD. They were strongly relevant to the City's needs in identified areas.

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

Effectiveness

The project **achieved specific objectives** regarding urban reorganization, social housing, health care and education.

All sub-projects are well implemented with good quality and operational results, except for two social housing buildings of lesser quality:

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

Efficiency

The project implementation structure and process are assessed as **simple, flexible and effective**.

The fund was allocated for $\frac{3}{4}$ objectives.

Sub-projects were implemented with a 3% cost saving.

However, three sub-projects were late on schedule, ranging from 280 to 720 days.

Impact

Most of the financed sub-projects have created **positive impacts**, such as the improvement of social services, including social housing and health care, as well as the improvement of education and transportation services.

However, two social houses have brought **less benefits than expected**.

Sustainability

The project's outputs and impacts are assessed as **sustainable**.

The company faces **moderate legal risk**.

Most sub-projects were assessed as sustainable, except for one social housing building which is degrading quickly.

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 quality of the project sheet played an important role in **speeding up the AFD's appraisal process**.
- The involvement of HFIC's **personnel** in designing the project sheet template helped the company understand its requirement, then improve the quality of the project sheets submitted to the AFD.
- The project objective on supporting the City's efforts in facing environment challenges is **slightly ambitious** with a capital preservation orientation entity like HFIC.
- Issues regarding sub-project location and supporting infrastructure for social housing **should be highlighted at the appraisal stage**.
- The legal base for the Local Development Investment Fund's operations shall continue to change in the near future. All the while its impacts are difficult to predict, causing a **moderate legal risk** for the company.
- HFIC's implementation of the AFD's recommendations **should be properly documented for monitoring and tracking purposes**.