



**VIE 06 001 01**

**TECHNICAL AND FINANCIAL FILE**

**"ACCESS TO COORDINATED CREDIT AND ENTERPRISE  
SUPPORT SERVICES"**

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## **1. EXECUTIVE SUMMARY**

The political and economic environment for the proposed third phase of the Vietnamese-Belgian Credit Project (VBCP) is assessed as stable and improving. The economic dynamism in Vietnam provides a solid foundation for the integration of sound microfinance into the overall financial system. In addition, the passage of Decree 28 on the Organization and Operation of Microfinance Institutions provides the legal framework for microfinance activities and opens a window of opportunity for the further development of the sector.

Microfinance in Vietnam is dominated by the formal sector, which is able to widen and deepen its outreach often by applying sound linkage methodologies like the Framework Agreements with Mass Organizations. Despite the increasing outreach of both the formal and semi-formal sectors, the existing poverty levels especially in rural, remote areas and the changing demand structures brought about by rapid economic development, make the provision of long-term access to financial services for the poor extremely necessary.

Long-term sustainability of microfinance providers in Vietnam is a major issue, with widespread use of subsidized interest rates, government subsidized rural banks (VBARD and VBSP) and the lack of specialization of mass organizations and NGO programs. Informal and political pressures however keep interest rates low, which limit the capacity of microfinance programs to reach sustainability, and create an uneven playing field amongst providers. Until microfinance is treated as a commercially viable market segment, it will be difficult to establish financially self-sustainable microfinance institutions.

Only a few among the semi-formal providers, are exclusively focused on microfinance, and the level of adherence to good practice knowledge is not high. Semi-formal service provision is fragmented and coordination among the many stakeholders is limited. The sector faces many challenges, among them staff capacity in business and financial management, and limited access to training and institutional capital. There is no formal network in microfinance, which could be used to provide capacity building assistance, information sharing and advocacy services.

Among the semi-formal providers, the Vietnam Women's Union is certainly the most important and possess significant comparative institutional strengths in promoting economic empowerment among rural poor women by facilitating their access to financial and non-financial services. In addition, the VWU is well placed to support the development of a more professional microfinance industry in Vietnam that complies with internationally accepted good practices.

Phase III of the Vietnam Belgian Credit Project, otherwise known for its acronym ACCESS (Access to Coordinated Credit and Enterprise Support Services) will benefit from the strengths of VWU, even if VBCP decides not to register as a regulated MFI per se. It will thus position itself as a facilitator of microfinance, rather than a provider in the longer term.

## **2. THE CONTEXT & BACKGROUND OF THE PROJECT**

### **2.1. The Socio- Economic Situation in Vietnam**

Vietnam is one of the fastest growing economies in the world (ADB 2005). It posted one of the highest sustained annual growth rates in the world in the last decade, with average real GDP per capita increasing by 5.9 percent per year since 1993.

For a population of about 82 million people, poverty was reduced by 60%, from 58.1% in 1993 to 24.1% in 2004 (UNDP 2005). Business development following the economic liberalization has been one of the main forces behind rapid poverty reduction in Vietnam (World Bank, 2005). The redistribution of agricultural land, coupled with the broad coverage of social services, allowed a large portion of the population to engage in more productive occupations and raise their standard of living. The reform process launched in the late 80s unleashed a massive entrepreneurial energy: rural households started commercializing their agricultural output, and running small business activities; foreign investors were attracted in large numbers, and state-owned enterprises (SOEs) initiated a long (albeit gradual) restructuring process. These paved the way to the development of a multi-sector economy. Private sector enterprises started formalizing and expanding, in a process that caught speed after 2000; they account now for 33 percent of the value of production in manufacturing. Together with thousands of foreign companies and several million household businesses, they provide wage employment to 21 percent of Vietnam's labor force. Massive job creation has allowed absorbing 1.4 to 1.5 million entrants to the labor market every year, and offered a way out of farming for the rural population, especially for young women. Over the last decade, the average wage has grown at around 10 percent per year in nominal terms, or roughly 7 percent in real terms.

While the proportion of poor households decreased in all regions, the slowest pace was observed in the Northwest Region, from 81% to 54.4%. Ethnic minorities, who live in the northern mountains, in the North Central and Central Highlands, achieved only 17.1 percentage points poverty reduction in contrast to the Kinh, the majority ethnic group, which posted 30.8 percentage points (UNDP 2005). It is estimated that 85% of the poor live in rural areas.

### **2.2. The Comprehensive Poverty Reduction & Growth Strategy**

Approved by the Prime Minister in May 2002, the CPRGS was accepted by the World Bank in July 2002 as the basis for a Poverty Reduction Strategy Credit. The targets of the CPRGS are congruent with Vietnam's Millennium Development Goals for 2010, which are i) to reduce by 40% the proportion of people living below the internationally accepted poverty line, and; ii) to reduce by 75% the proportion of people living below the food poverty line, as compared to 2000.

Building on the 10-Year Socio-Economic Development Plan for 2001-2010, the CPRGS complements and strengthens the national Hunger Eradication and Poverty

clients” from 2002 supported the foundation of the Vietnam Bank for Social Policy. VBSP is the government’s main vehicle for subsidized policy lending to the poor.

On March 9<sup>th</sup> 2005, the GoV enacted Decree 28 on the Organization and Operation of Microfinance Institutions. This decree created a legal framework for microfinance activities and opened a window for the further development of the sector. It includes most normally accepted provisions for microfinance legislation, especially with regard to safeguarding deposits received by intermediating MFIs. The degree gives all organizations that are implementing micro finance activities in Vietnam 24 months to be licensed by the State Bank of Vietnam or stop their activities.

The Decree leaves a number of issues to be determined in more detail through guidelines and follow up regulations to be developed by the Ministry of Finance and the State Bank of Vietnam. This includes for instance the required minimum accounting systems and reporting obligations. It is estimated that the guideline will be ready by mid-2006.

***The main features of the Decree 28 are:***

- Only Vietnamese MO’s and non-profit NGO’s can own licensed MFIs, which must be legal entities with a separate governance structure. Other Vietnamese and foreign organizations may only contribute capital.
- There will basically be two types of licenses namely MFI’s that cannot accept voluntary saving and a second category of MFI’s that can accept savings. The minimum legal capital for microfinance institutions that cannot accept voluntary savings is 500 million VND (about USD 30,000) while for microfinance institutions that can accept voluntary savings the legal capital is set at 5 billion VND (about USD 300,000);

***Decree 28 in its present form raises a number of concerns namely:***

- The Decree does not allow private entities to establish MFIs. While the reason for this fundamental limitation in the Decree is not clear, the limitation in ownership, will make it difficult for small schemes in resource poor areas to meet the capital requirements imposed on MFI’s;
- In the Decree, current activities are given 24 months to “process an application for license” and makes no allowances for the continuation of credit and savings at any scale unless the activity is licensed. How the VWU and other MO’s can transfer their savings and credit activities into one or more MFI’s in only two years is nearly impossible.
- Decree 28 makes no provision to correct the distortions caused by subsidized lending. The existence of the Vietnam Bank for Social Policy (VBSP) whose credit operations are guaranteed by the GoVN and charges marginal interest rates, will limit the possibility of MFI’s to determine interest rates that can cover costs and compete effectively.

Both VBARD and VBSP have successfully implemented Framework Agreements with MOs, including VWU. In many areas that has made it possible for many poor to access the bank. MOs organize their (poorer) members in groups, provide crucial legitimacy in the loan application process, and act as informal guarantors for the clients. The group leader assists in the loan transactions, for which the MO and the group leader receives a small commission. The loan documents are signed with the borrower as an individual. This linkage system has clear advantages for all parties. The banks gets easy access to mobilized borrowers that repay, the MOs retain their members, and the more enterprising MO members that want to expand and grow their businesses get access to the full range of banking services, including increasingly larger loans. At the national level, the VBSP has signed an agreement with the VWU to cooperate in delivering loans to poor households. According to the agreement, the VBSP will lend to VWU and VWU in turn will lend to the poor households through savings and credit groups.

People's Credit Funds are community-based financial cooperatives that are owned, operated and governed by shareholding members, modeled after Desjardins. PCFs are licensed under the Cooperative Law and are supervised by the SBV on their adherence to set standards. Currently, some 900 PCFs cover about 1,000 communes in 53 provinces. Total membership is over 911,000, out of which some 35% are women. Their total outstanding loan balance at the end of 2003 was VND 4,050 bn, to 663,753 individual members. Savings mobilized provide some 70% of loan funds. Average loan size is VND 6.1 million. Reportedly, the services of the PCFs are in high demand due to simple and quick loan and savings procedures and closeness to the clients.

Acting as an apex in the PCF network, the Central Credit Fund attracts and mobilizes capital from shareholders (the PCFs and the 4 SOCBs), donors and public deposits, serves commercial and urban customers from its 54 branches, and supervises and intermediates funds to the local PCFs. Like VBARD and BVSP, the CCF is regulated by the Credit Institution Law, and supervised by the State Bank of Viet Nam.

The Vietnam Postal Savings Service Company (VPSC) was established in 1999 and is operating under the authority of Vietnam Post and Telecom (VPT) Its main function is to provide savings products for the underserved (rural, women and poor) and to mobilize savings for government development investments. In 2001, the Company had 539 branches; 500,000 deposit accounts and VND 3.8 billion in outstanding savings, with an average saving amount of VND 7.6 million.

#### 2.4.3. Semi-Formal Providers of micro-financial services

Semi-formal microfinance is provided primarily through the Mass Organizations and NGOs, most supported by international NGOs. The Women's Union, the Farmers Union and the Youth Union with a combined membership of about 20 million all manage group credit and savings schemes, implement INGO-supported microfinance projects and link clients to VBARD and VBSP.



It is estimated that about 5.4 million rural households are low-income households with a per capita income of less than USD 128. Poverty is substantially higher in rural areas (35.6% below the poverty line) than in the urban centers (6.6%), and is increasingly concentrated in areas with large ethnic minority populations (poverty rates of up to 69.3%). Compounding the problem is that these areas tend to be under-developed in terms of infrastructure and links to local and national markets.

Because the vast majority of the poor population lives in rural areas, the microfinance market in Viet Nam has traditionally been interpreted as the market for financial services for rural households. CEP is the exception as their clients are primarily based in urban areas of Ho Chi Minh City.

The rapid expansion of the formal financial system deep into the rural areas, explains why for most microfinance clients, access to credit is no longer as much of an issue as is getting a loan that properly suits their needs. Reports from all projects in the field indicate an evolution of the demand towards higher and differently structured loans. Consequently rather than traditional outreach, the challenge for successful microfinance in Viet Nam is thus the provision of well adapted services to increasingly narrow niche markets of poor entrepreneurs in the more remote areas, and especially for ethnic minorities, as well as the retention of clients in more accessible areas in direct competition with increasingly commercial banks.

## **2.5. The Institutional Context - Vietnam Women's Union (VWU)**

### **2.5.1. Background**

Vietnam Women's Union (VWU) was established in 1930 as a social organization representing women of all social strata. The VWU aims to protect the legitimate and legal rights and interests of women and create conditions for women to participate in development. The VWU has approximately 11 million members of predominantly rural women between the ages of 30 and 50. Membership is on a voluntary base.

The VWU has a nation-wide network from the central level down to the grassroots that enables it to reach the poorest people in all areas of Vietnam. Like other social organizations, the VWU is an instrument of the Communist Party's and helps in the dissemination of government policies.

### **2.5.2. Organizational structure of VWU**

The VWU operates at four administrative levels: central, provincial, district and commune. A National Women's Congress meets once every five years and is composed of delegates elected on the basis of proportional representation. A 15-member Presidium oversees the day-to-day operations of VWU at the central level, where over 300 full-time staff work in 17 departments and department-level entities (see organigram in Annex 2). At province level, only some key departments are functionally represented. At commune level, VWU falls under the umbrella of the Commune People's Committee.

#### 2.5.4. VWU Cooperation with International Donors

The VWU has prolonged cooperation with different international organizations and bilateral donors in the battle against poverty and hunger in Viet Nam. Most of these development projects have a credit and savings component, which are reported very successful with high repayment rates, usually exceeding 90 percent. The following projects and programs have components that may be relevant to the proposed ACCESS project:

##### **United Nations Fund for Children**

UNICEF started its cooperation with VWU in the late 1980s. Up to date, UNICEF has supported 11 different projects of the VWU. The biggest project "Gender and Development" covered 230 poor communes in 28 provinces, providing 'facts for life' communication, credit for poor women for income generating activities, literacy and post-literacy education for women borrowers and public awareness on gender issue. The project's second phase (2000-2005), focused on enhancing capacity of VWU staff and poor women in management and operation of the integrated micro credit program in linkage with banking institutions.

The credit and savings scheme under this project was one of the biggest credit and savings schemes run by VWU until its dissolution & liquidation at the end of the second phase in 2005.

##### **Swedish International Development Agency (SIDA)**

Sida is among the earliest donors to support activities for women in development in Vietnam through the VWU. In 1987 Sida was the first donor to support credit schemes to poor rural women and equip vocational training centers of VWU. Sida has a lasting collaboration with the VWU on Business Development Services.

##### **The Maastricht School of Management (MSM)**

The project "Training For Women In Micro And Small Scale Enterprise" was operational from 1997 till 2007 and was the first internationally funded project of VWU with the Maastricht School of Management (MSM) of the Netherlands and the Dutch government. It contributed significantly to the realization of VWU Resolution on women entrepreneurship development mapped out at the 9<sup>th</sup> National Congress of VWU for tenure 2002-2007.

The project objectives focused on the improvement of training capacity of VWU in entrepreneurship development, ToT on women entrepreneurship, strengthening the capacity of VWU's coordinating Unit for Women Entrepreneurship Promotion, supporting micro and small enterprise development and thus creating employment opportunities.

A sub-faculty named " Women And Small Scale Enterprises" was established on the premises of the Women Cadres Training School, which was capacitated with teachers trained and retrained at MSM, and equipped with modern training materials on micro

**Tao Yeu May or Affection (TYM Fund)**

The “Affection Fund” (TYM Fund in short), was formed in 1992 by the VWU to support the poverty alleviation efforts of the Government. On January 12<sup>th</sup> 1998, after 6 years of operations, TYM was officially transformed to an independent department under the direct supervision of the Presidium of the Vietnam Women’s Union. TYM follows the model of the Grameen Bank and has received financial and technical support from a number of international organizations such as ACT, CARD, Grameen Trust, CASHPOR, OXFAM America and others. TYM provides loans and manages a mutual assistance fund. Today TYM has 21,303 women members in 7 North Vietnamese Provinces with an outstanding loan portfolio of 51 billion VND & a voluntary savings balance of 1.5 billion. Only women having an income below the poverty line (13 USD) and meeting certain criteria can become members of TYM. There is positive discrimination towards single women.

In 2005 TYM signed a trilateral cooperation agreement with the “Savings Banks Foundation for Int’ Cooperation/Sparkasse Essen” and the “CARD Bank” of the Philippines. German and Philippino experts provide TA for transforming TYM into a licensed MFI. As a first step in this transformation process the VWU transformed the TYM Fund into a separate legal entity governed by a Management Board. TYM Fund has a total of 138 staff working in the head office and 16 branches in 7 provinces. It claims to have achieved operational self-sufficiency in 2005 of 133% and financial self sufficiency of 107%.

Issue	Identification Report Outcome	Verification/Modification
<p>where appropriate.</p> <p>- Concentration of MPMU in VWU-wide microfinance coordination and not sector coordination</p>	<p>central level. A microfinance expatriate will be hired for a period of 15 months to build the capacity of MPMU which will be increasingly responsible for the national level coordination and linkages foreseen in Phase III. Moreover, the MPMU will also take the lead to coordinate existing microfinance programs in Vietnam using PMT and supporting the activities of the MFWG</p>	<p>Harmonization . The magnitude of the tasks would require external TA, thus an international microfinance expert will be hired. Initially, it would be best that MPMU concentrates only on the Central VWU microfinance programs and coordination work among Provincial WUs. Once this is done properly and efficiently, then the national coordination outside of VWU microfinance programs may be done. Consideration is also given to the capacity of the provincial women's union to coordinate other microfinance program outside of provincial VWU as verbalized during the field visit and consultation meeting.</p>
<p>- Role of PMUs at all levels to include District PMUs</p>	<p>The structure of Commune PMUs and Provincial PMUs will be maintained during Phase III, while the District PMUs will be phased out except in remote project communes or in instances when the strategic alliances with BDS providers may require continued involvement of District PMUs</p>	<p>Cognizant of its being the real implementation management hubs for VBCP activities, the PMUs must be given attendant decision making powers and a performance-based monitoring mechanism that include annual implementation plans, budgets and performance targets. While effective project implementation at the field level is achieved through Commune PMUs, the involvement of the District PMUs is also critical in providing support in more intensive monitoring of the project. Hence they must also be maintained as an essential component of the management structure. Their</p>

Issue	Identification Report Outcome	Verification/Modification
		order to ensure the success of Phase III. Thus, the timeframe for Phase 3 to commence has been adjusted to January 2007 and will end in June 2010.
5. Total Budget	The total funds that have been estimated by the Identification Report is EURO 2,708,900	It is proposed that there will be an increase in the budget as indicated in the Identification Report because some budget items were not included, such as the costs of a full time CTA; Central PMU operating cost; additional funding for equipment replacement.

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#### **4.4. Project Strategies**

In accordance with the context of the project, the general and specific objectives of the project can be realized through the following strategy:

##### **4.4.1. Focused Targeting of the Poor**

For the Phase III Project, there will be a more focused targeting of the poor in the existing Project areas of the 17 provinces. In Phase II it was estimated by the VBCP project staff that only about 40-60% of all clients reached so far are in fact poor. With the self-selection mechanism embedded in small-sized loans, there should be little risk of mission drift (serving the non-poor), as long as selected communes are among the poorest.

In order for the project to meet its overall objective of poverty reduction during Phase III, the VBCP shall focus exclusively on reaching women from poor households as per the official Local People's Committee (LPC) lists – whether members of the VWU or not. Priority will be given to poor women from the most remote and rural communities in the current project areas, farthest from formal bank outlets. It would be commendable if the VBCP should endeavor some market penetration into communities of ethnic minorities, who are clearly the segment of the population most adversely affected by poverty.

##### **4.4.2. Demand-based Access to Financial and Non financial Services**

So far, the VBCP has been supply-driven in its approach rather than demand oriented towards the needs of the clients. The strategy should be changed now in order for the project to become more responsive to the needs of the target beneficiaries.

With the increased outreach of VBARD and VBSP, and based on the demand for larger loans, a significant number (estimated at 25-30%) of VBCP clients have already outgrown the financial products offered by the project and accessed loans from the banks, most under Framework Agreements between the banks and VWU. This is an excellent linkage function that shall be strengthened in Phase III. All experienced clients that demand larger loans will thus be linked to specialized credit and savings providers, including VBARD, VBSP, PCFs and any new MFIs emerging under the new Decree.

The existing VBCP credit funds will remain at Province and Commune levels and be reserved for on-lending to the poorest and least experienced of the current clients, as well as for new poor women mobilized in the current project area. As a consequence, no further funds should be provided for loan capital during Phase III.

During Phase III, the 'incubation' process for poor clients will be time-bound to a maximum of 36 months while lending will be done in cycles that will develop the confidence and ability of all clients to effectively access credit from specialized providers at the end of the project. During the last 6 months of the Project, Provinces

budgets and performance targets. At the beginning of this Phase, the specific responsibilities which have to be transferred will be clearly assessed and a proposal channeled to the PSC for approval.

The VWU organizational structure at District and Commune will be maintained. However, the district VWU PMUs' major function vis-a-vis the Project will be more on monitoring and follow-up of the Project activities delegated by the Province. The Commune VWU PMU is where the action is. Volunteers (group leaders, center leaders) and part-time VWU staff mobilize and train women, visit borrowers, appraise loans, collect savings, fill out the paperwork and report to the Province PMU. Often, they have also been instrumental in linking clients to banks in the area, and contacting business development service providers. They have been conducting these functions remarkably well during Phase II. By delegating the implementing responsibility to the Province PMUs, it is expected that the work at the Commune level will be better facilitated, through faster and more demand-responsive decision making and support.

#### 4.4.5. Enhanced Technical Assistance

The VBCP has had very limited interface with the dynamic national, regional and international microfinance industry, and thus limited exposure to international standards of performance in microfinance. Therefore the project has been sheltered from direct performance-based comparison with other providers, and consequently, the comparative technical quality of the VBCP is not well appreciated internally. From an external perspective however, given 8 years of operation, the level of capacity built is modest.

The Central PMU has ensured an excellent level of project fund management and good quality reporting against the existing project activities. But with the proposed Phase III – and the preparatory activities proposed in the Extension of Phase II - the goal post is raised. Whether due to insufficient technical capabilities, lack of independent space for decision-making of the PMU or other reasons, the current level of managerial strength and strategic overview will need significant improvement to ensure the success of Phase III.

For these reasons, the approach for capacity building needs to shift from embedded advice and generic classroom courses to flexible and needs-based, on-site technical assistance of a higher quality than hitherto experienced. Several resources for microfinance are available in the Asian region, which should be tapped into, including ARCM (Asia Resource Centre for Microfinance), EDAMCRIL for ratings, MicroSave India and the CGAP-supported Microfinance Hub for Asia. Closer coordination with other providers of microfinance could facilitate access by VBCP to improved technical assistance. For non financial services and BDS in particular, adequate national resources are available.

The proposed design of Phase III is budgeted to ensure that technically superior training and external technical assistance will be made available to the VWU, the Central PMU and the Province PMUs. Moreover, there will be two fulltime international

Moreover, during the discussions of the formulation of Phase III, the VWU confirmed that the organization will not embark on the arduous task of transforming VBCP into an MFI for the duration of ACCESS. VWU however has an excellent track-record facilitating the increased access by poor women to financial and non-financial services. Transforming VBCP into a regulated microfinance service provider is therefore not the most obvious choice for the Phase III.

However, at the end of Phase III, the VWU still may decide to consolidate the existing credit revolving funds into a legacy fund to continue serving the poorest in the VBCP project areas and eventually expand. Conform the provisions of Decree 28 such a legacy fund will have to be deposited in a regulated MFI's. One possible solution would be to deposit the legacy fund with TYM to continue the microfinance services of VBCP through their network since both have the same objective of reaching the poorest and are both owned by the VWU. This option should be considered seriously in the Feasibility Study since it has been decided that TYM be spun off and is now in the process of transforming itself into a regulated, financially self-sustaining microfinance institution in light of Decree 28.

#### 4.4.8. Financial and Social performances are complementary dimensions to ensure viability in the long run

Since its inception as a MO the highest priority of the VWU has been on its social mission. The VWU seeks to reduce poverty, to reach people excluded, to empower women, to build community solidarity and promote economic development. It is therefore of the utmost importance for the third phase of VBCP to be able to consider the social performance dimension in the same way the financial performance is appraised through a tool like the PMT. Social performance management (SPM) is therefore of the utmost importance for the success of the third phase of the VBCP. SPM refers to the systematic assessment of performance relative to these goals, and the use of such information to improve performance. Well designed and implemented in the every day work, it will allow the VWU to assess performance against its social objectives and should be seen as a core part of good and sound practices in its microfinance activities.

In the case of VBCP and VWU what can be gained by implementing a SPM ?

- Obtain a clear view on VWU performance with regard its social objectives
- Introduce a sound base for strategic decision making
- Improve social performances
- Be able to compare with others microfinance program or institutions

#### 4.5. Results & Activities

Given the strategy and context, the Phase III project is proposed to be structured around the following four key Results as follows:



With the clients linked to the financial institutions, they should be given the option to continue saving in their center or allow withdrawal of their savings from the VBCP. To avoid liquidity crisis, all Commune PMUs supported by Province PMUs, must ensure that by the end of each year, an amount equivalent to the total deposits of all clients no longer eligible for VBCP loans is available in liquid funds (cash in bank), and will thus not be on-lent.

#### 4.5.1.4. Provide 'Incubation Loans' to Poor Clients

The existing VBCP loan funds, inclusive of the interest and fee income accumulated since the start of the Project will be used to lend exclusively to existing and new poor clients mobilized into existing or new solidarity groups. The clients will be offered the current product range of general and seasonal loans for a maximum total loan term of 36 months. Based on demand, Province PMUs will be free to adjust the loan terms within this maximum duration. All clients will be issued with a savings and loan passbook. To ensure increased transparency, all loan disbursements, interest paid, principal repaid and outstanding balances will be recorded not only in the current system, but also in the members passbooks together with the compulsory and voluntary savings deposited and the interest on savings due.

In the final 6 months of the VBCP Phase III, all efforts must be made to ensure access by all clients with demands to specialized financial service providers, including VBARD, VBSP, PCFs and any regulated microfinance institutions registered under Decree 28.

#### 4.5.1.5. Compile and Report VBCP Performance Data

##### **Financial data**

The use of the improved MicroBanker (MB) loan tracking software will be continued, as well as the internally developed Commune Report Generating Software. In addition, Province PMUs will have to accurately record their portfolio performance, assets, actual income and expenses in an income (profit/loss) statement and a balance sheet encompassing all credit-related activities, so that the levels of cost coverage of the microfinance activity can be assessed.

It is recommended that the internationally recognized Performance Monitoring Tool (PMT) be introduced and adapted to the Vietnamese setting for the purpose of reporting portfolio and financial performance by all Province PMUs. The PMT should be improved to accept data inputs provided by different microfinance programs' software like MB. A series of Province-level trainings in financial and portfolio performance reporting format must be initiated as soon as possible at the beginning of Phase 3.

The Central PMU will receive, analyze and consolidate the 17 quarterly financial and portfolio performance reports as well as its own financial data into a quarterly overall performance report for the VBCP in the PMT format. The consolidated data will enable the mapping of VBCP microfinance activities across the 17 Provinces.

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#### 4.5.2. Activities for Result 2: Access to Non-Financial Services

VWU members – and the poor in general - demand access to both business development services and financial services. Access to these services through solidarity groups has proven an effective approach, which do also promote empowerment objectives. Group mobilization, basic training and some agricultural extension activities have been successful during the VBCP Phase II, and should be continued. Nonetheless the VBCP has until now been supply-driven in its approach rather than oriented towards the beneficiaries needs. The transition from supply-driven to demand-driven based services, will be reflected in the following activities oriented more specifically to business development services (BDS). BDS will attempts to help micro-entrepreneurs to startup and grow profitable businesses by providing them with access to a range of critical services from training to technology and market access.

##### 4.5.2.1. Conduct Needs Assessments to Determine Demand

In order to meet the specific training and BDS needs of the clients, it is recommended that a Training and Business Development Services (BDS) Needs Assessment in all 17 Provinces be carried out in preparation for Phase III. Efforts should be done by the Central PMU to accomplish this on or before June 2006. This assessment should then be updated annually at Province level. The Central PMU should consolidate the 17 provincial assessments and disseminated to all VWU provinces, MFWG, donor agencies and organizations involved in BDS programs.

##### 4.5.2.2. Establish BDS and TA Matching Grant Fund

For the duration of the Project, it is not realistic to assume that many groups and PMUs will be able to raise the funds necessary to procure training and BDS services at full market rates. To ensure access by the groups to the demanded services, it is therefore recommended that a BDS Matching Grant Fund is established and managed at the Central PMU, to which Province PMUs can apply for funds to close the funding gap. A draft has been formulated, and this should be refined to comprise a coherent and transparent set of criteria for the eligibility and access of grantees to subsidies, which specifies the level of subsidy to be given in support of BDS services to SMEs and PMUs at differing levels of maturity, thus encouraging eventual self-financing of demanded BDS.

It is recommended that "The Fund" includes a window for technical assistance and training for the Province and Commune PMUs themselves, based on the same principles as above, with the exception that Provinces could receive the TA in kind rather than the funds applied for. In this way, Province PMUs would have an opportunity to formulate their demands for training and technical assistance in accordance with specific operational constraints encountered, and the Central PMU would be able to better allocate internal resources to the demands they can meet immediately, while accessing external and/or international technical assistance for demands outside of their scope and areas of expertise.

selection of high-quality providers. As poorly performing providers should normally not be re-selected, transparent evaluation information will act as an incentive for quality assurance for the providers.

In addition to the event evaluation, the Commune, District and Province PMUs will monitor regularly the available BDS and training supply (as per the Directory) against the BDS and Training Needs Assessment. If gaps are identified between demand and supply, the Directories received via the Central PMU from adjacent Provinces shall be consulted, and PMUs shall be encouraged to develop lateral linkages to refer high-quality service providers to each other.

Regular reports from the Province PMUs to Central PMU should be developed for the BDS services progress and will be disseminated to provinces as reference and learning tools.

#### **4.5.3. Activities for Result 3: VWU-Wide Coordination Among its Microfinance Programs**

The need for increased coordination among the micro-credit and savings projects implemented by the VWU has been well recognized. For the Phase III, a major intermediate result is to institutionalize the coordination of the existing VWU wide microfinance programs it is currently implementing. Once the coordination among the different microfinance programs, being implemented by the VWU, has been achieved and standardized, then, the unit may start drawing lessons on good practice among the different microfinance programs and help to define local standards and benchmarks for the sector as a whole.

##### **4.5.3.1. Establish Microfinance Performance Monitoring Unit (MPMU)**

A separate unit – the Microfinance Performance Monitoring Unit (MPMU) – will be established at the Central VWU. The MPMU will be charged exclusively with the responsibility for collecting, compiling, consolidating and disseminating microfinance performance data on behalf of all projects supported by the VWU.

Being the biggest providers within the VWU, the VBCP and the TYM could contribute staff and equipment to this separate Unit. It is recommended that an interim, external microfinance advisor be recruited and placed in the MPMU.

##### **4.5.3.2. Consolidate and Support Microfinance Performance Reporting in VWU**

To address the lack of a joint financial and performance reporting system within VWU, it is recommended that the PMT format be adopted for use by all the microfinance providers currently managed by the VWU at central level. The PMT is designed to accommodate any method of microfinance provision.

This will involve possible adjustments of the generic PMT format; adjustments of currently used charts of accounts; installation of the PMT and training of staff at PMU, and all other management units for savings and credit activities at the central VWU.

defined, and 'progress' cannot be determined. The three following activities are aimed to challenge this new orientation that will be reinforced by the creation of the Technical Working Group aimed to follow-up critical activities (milestones of the Project); follow-through on important assignments from PSC to the PMUs, and discuss technical matters affecting the operations of the Project.

#### **4.5.4.1. Produce Work Plans and Budgets for Performance-based Disbursements**

The overall budget for the VBCP Phase III is defined by this Technical Financial File. However each Province PMU should develop annual Project Implementation Plans (PIPs) with a budget and targets for each indicator for approval by the Central PMU. Release of operational budgets from the Central PMU to Province PMUs shall be based on documented performance as per the targets set. Provinces may thus 'self-select' their involvement in the Project during Phase III: poor performance should trigger initial technical assistance, but a mechanism shall also be put in place to halt support if performance does not improve rapidly. It is recommended that the Province PMUs adopt the same performance-based system when allocating funds to Commune PMUs.

Based on the Province PIPs, the Central PMU shall prepare annual consolidated work plans with budgets and targets for endorsement of the PSC. The BTC, on instruction of the PSC, shall release the overall project budget in annual tranches based on documentation that the targets set for each preceding year have been sufficiently met.

#### **4.5.4.2. Update Policies, Procedures and Manuals**

With the delegation of implementation responsibility to the Province PMUs, the Operational Manuals and Procedures for the project need to be reviewed, revised and updated within the Extension of Phase II, i.e. before June 2006. It is important that the decision-making authority and responsibility of the Province PMUs is clearly stated.

It is recommended that short-term, qualified technical assistance be contracted to assist in this consultative 'review and renovation' process. Equally, external auditors should be contracted to verify the value of the Revolving Funds in all Communes/Provinces.

#### **4.5.4.3. Implement and Monitor Project Progress**

VBCP activities as approved in the annual Work plans and Budgets should be implemented according to plan. Annual targets should be carefully monitored to ensure achievement of the programmatic results.

Annual VBCP Review Workshops for all PMUs shall be organized to help finalize Province PIPs, review progress, and recommend on revisions of the overall project design for Amendments of the Technical and Financial File. These Review Workshops shall replace the Province PMU participation in the PSC.

**Table 2: Project Risks and Mitigating Measures**

Item	Comments	Risk Level	Mitigating Measures
Legal Risks	Decree 28	Low	<p>The Project highlights a facilitating role in linking clients with the banks; Decree 28 - guidelines are still being drafted and that there is a great chance that there will be delays in the implementation. By the time this is implemented, a feasibility study of the Project has been conducted and a decision on what to do with the VBCP revolving fund has been made. Moreover, the VBCP revolving funds are small if divided over the project areas. In the unlikely event the Decree 28 is imposed by March 2007, the VWU can get an exemption for the VBCP Project not to be covered by the decree.</p>
Goals, Objectives, Results	As identified in the Identification Report	Low	<p>Although most of the components, like bank linkage and BDS are new features of Phase III, VWU already has experiences on the above components especially as a client to bank facilitator. As for the national coordination of microfinance program within VWU the Project will focus intensively on VWU-wide coordination among its micro-finance programs. Coordination with other microfinance actors will only be done once VWU is able to coordinate its internal microfinance program properly. Likewise, the Project will provide adequate TA and personnel.</p>

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## **6. IMPLEMENTATION ARRANGEMENTS**

### **6.1. Implementing Authorities**

The Government of Vietnam has designated Vietnam Women's Union as the Project Owner.

To insure the whole VWU involvement at all levels, the Vice-President shall continue to take the lead role as the focal person for overall coordination and direction of the project especially in coordination and representation work outside of VWU. Likewise, the VWU Vice President insures the coordination and good working relationship with the project at the Provincial level down to its lowest structure at the commune level. For the Phase III, the VWU will continue to second the Chief of the "Family and Social Welfare Department" of VWU as the Project Director who will be supported by the Central Project Management Unit. In the past two phases of the Project, a co-director has been designated for the Belgian government, however, consistent to the Hanoi Core Statement, there will be no more co-director however, an International Chief Technical Adviser (CTA) will still be hired to support the Project Director and Central PMU in the management and implementation of the Project.

The Central PMU is mandated to verify whether the objectives and activities are properly implemented, mobilize, guide the project implementers, and coordinate with government institutions and relevant offices affecting the project. The PMU reports directly to the Project Steering Committee (PSC).

The Belgian Technical Cooperation (BTC) is charged with the timely mobilization of the Belgian contribution and inputs to the project. The BTC, represented in Vietnam by its Resident Representative in Hanoi, will facilitate and support the VWU in its role as implementing authority. The Resident Representative of BTC will be supported by the International Chief Technical Advisor, who will work on a full-time basis for the whole duration of the project.

### **6.2. Harmonization and Realignment of the Project within the Regular Structure of the VWU**

Consistent to the harmonization and realignment of the Project to the Hanoi Core Statement, the Project will continue to utilize the existing structure of the VWU and ensure that in Phase III this is more consciously adhered to. This will ensure the sustainability of the project components such as credit facilitation, business development services and microfinance operations among others.

At the VWU Management Level, the VBCP is currently being championed and coordinated by the Standing Vice President of the VWU who is also the presiding officer of the PSC. This brought the project more attention and consciousness not only from the VWU and its various levels but also from other government and organizations for its smooth implementation.

The second management level consists of the Project Management Unit (PMU) at the Central VWU level. The Central PMU facilitates and manages the daily implementation of the project. It is responsible for assuring the good governance of all project resources (human and material). It provides conceptual inputs with regard to project design and strategy and makes policy recommendations to the PSC.

The Central PMU has counterpart PMUs at the provincial, district and commune levels to insure smooth project implementation at the field level. For the Phase III of the Project, the district PMUs will be set up in selected project areas to attain greater management efficiencies both at the province and commune levels.

### 6.3.1. Project Steering Committee

The Project Steering Committee (PSC) is mandated to ensure the implementation of the Specific Agreement on a strategic level. It is not involved in the day-to-day management of the project.

The PSC responsibilities will include the following:

- Approve operational and financial management procedures for the project, including signing powers, flow of funds, funds disbursement, etc.
- Analyse the management of the resources (human, financial or material) and decide on modifications to these as proposed by the PMU, provided that such modifications do not alter the project's general and specific objectives and/or its overall budget;
- Appraise the state of progress of the project and the achievement of its general and specific objectives;
- Approve the budgeted work-plans proposed by the PMU and decide on the (re)scheduling of project activities;
- Order and appraise financial audits of the project;
- Approve modifications of Project Duration, Intermediate Results, Activities and budget realignments provided that such modifications do not alter the project's general and specific objectives nor its overall budget;
- Seek approval of both Governments for modifications to project duration, results and activities that do alter the project's general and specific objectives and/or its overall budget;
- Provide general guidance to the project implementation; and
- Approve TORs and reports of reviews, audit and evaluation missions.

The BDS and CB Matching Grant Fund is an integral part of the VBCP Phase III, and is thus subject to the general supervision of the PSC. Specifically in relation to the Fund, the PSC will:

- Review and approve the Fund strategy, annual work plans and budgets;

more decentralized decision making to provincial PMUs. The Central PMU should perform the following functions:

- Timely approval of Province PMU Annual Implementation Plans and Budgets;
- Timely provision of project inputs, including information, funds, internal training and support to the MicroBanker, PMT and SPM;
- Effective management of the BDS and TA Fund;
- Timely provision or contracting of demanded training, trouble-shooting and technical assistance;
- Monitoring of the performance of Province PMUs through careful analysis of the monthly reports received, and any constraints indicated by delayed reporting or below-target performance should be followed up, and discussed e.g. in the Quarterly Project Implementation Review meetings; and
- Suspend activities of provincial PMUs if they are underperforming or not delivering the desired results of the Project and inform the PSC of the decision. Investigative technical assistance or audits should be dispatched.

At the central level, the PMU should facilitate the establishment of the MPMU and the Strategic Business Planning Process for the VWU proposed for Phase III, including the management of contracts for the Microfinance Feasibility Study and action researches.

The Central PMU Management will designate a full-time Manager responsible for the day-to-day management and operation of the VBCP "Business Development Services and Capacity Building Matching Grant Fund" under its supervision. The Fund is an integral component of the VBCP, and the Fund Manager will report to the Project Steering Committee through the Director of the VBCP in all strategic and governance issues. In this respect, the PSC will be the supreme governance organ, while the VBCP Director supervises the Fund Manager. For its day-to-day operations, the VBCP Fund will be independently managed by the Fund Manager. The Fund Manager will be responsible for the achievement or non-achievement of the VBCP Fund goal, objectives and outputs as stipulated in Operations and Management Manual for the VBCP Fund.

### 6.3.3. Microfinance Performance Monitoring Unit

To assist in the internal coordination among microfinance projects managed by the VWU, it is recommended that a separate VWU Microfinance Performance Monitoring Unit (MPMU) be established at the central level.

Once established, the MPMU will be increasingly responsible for the national level coordination and linkages foreseen in VBCP Phase III, both regarding the horizontal linkages internally in the VWU (especially TYM and non-VBCP Provinces wishing to replicate or learn from the Project), as well as externally to the stakeholders in the environment, including the Microfinance Working Group, the State Bank of Vietnam,



VWUs, LPCs, and other microfinance projects in the Province (NGOs, banks etc.) should be invited to these meetings. Equally, the Central PMU, province PMU leaders from other Provinces, the VWU MPMU and representatives of the Project Steering Committee could be invited, pending the agenda.

In order to encourage horizontal linkages and learning among the Province PMUs, one annual review VBCP Workshop should be held facilitated by a project-external facilitator to:

- Review progress across Provinces against targets set for the year;
- Present, discuss and recommend solutions to constraints faced;
- Review the tasks and set the targets and budget for the coming year in Work Plans (PIP's);
- Recommend changes in activities, indicators and targets in the Project;
- Share experiences on linkages, cost-sharing models and successful coordination etc.

The first VBCP workshop should be held at the onset of the Project, the major output of which are finalized "Project Implementation Plans" with targets and budgets for Phase III, Year 1 by the 17 Provinces. To emphasize the decentralization and results-orientation recommended for Phase III, the workshop structure should replace the Province PMU representation in the Project Steering Committee.

The performance of Province PMUs should be monitored by careful analysis of the quarterly reports received, and any constraints indicated by delayed reporting or sub-target performance should be followed up, and discussed e.g. in the Quarterly Project Implementation Review meetings. If any Province PMU displays continued sub-target performance, the core funding to Project activities should be temporarily suspended, and investigative technical assistance or audits should be dispatched.

#### 6.3.5. District and Commune Project Management Unit

For the Phase III, it is recommended that the structure of Commune and Districts PMUs be maintained. However, the District PMUs will be responsible primarily in the follow-up of activities of the Project especially in the remote areas of the project like establishing strategic alliances with service providers. This ensures that the district participate in the Project so that there is full ownership of the Project at all levels of the VWU.

The organigram of the VWU and the Project Phase III is attached as Annex 2 & 3.

Every month, the Central PMU shall consolidate the report on expenses and related invoices from the 17 Province PMUs, based on which they will submit monthly financial reports in accordance with the BTC required formats.

#### **6.4.3. The Counter Value Fund.**

The contribution from the Counter Value Fund (CVF) will timely be made available by the Vietnamese Ministry of Finance. Every six months, a comprehensive financial report on the utilization and planned utilization of the CVF will be included in the PIP submitted by the Central PMU for acceptance by the PSC. All invoices and documents for payments will be co-signed by both the Vietnamese Project Director and the International Chief Technical Advisor. Upon approval of the PSC the report will be forwarded to the Ministry of Finance.

The Ministry of Finance will certify the total amount spent on the CVF in accordance with Vietnamese regulations, before the project ends. A comprehensive report on the utilization of the CVF will be included in the Final Report.

### **6.5. Reporting, Monitoring, and Evaluation**

#### **6.5.1. Monitoring and Evaluation**

The Logical Framework will be transformed into Annual Project Implementation Plans/Budgets for each of the 17 Province PMUs and the Central PMU, as finalized during VBCP Review Workshops.

The annual targets set in the PIPs should form the basis of the monthly monitoring of progress by the PMUs and the Quarterly Narrative and Financial Progress Reporting at all levels of the projects as follows:

- Commune PMUs providing a simple narrative report and data for monthly performance recording in the MicroBanker and in the PMT;
- Province PMUs recording VBCP data in MicroBanker and the PMT on a monthly basis for monitoring purposes;
- Province PMUs reporting VBCP data monthly in the PMT financial and narrative format to the Central PMU;
- Central PMU reporting VBCP consolidated data in the PMT financial and narrative format to the MPMU on a quarterly basis;
- All PMUs should meet annually to review progress, recommend adjustments in the Project Design, and finalize the Work plans for subsequent years;
- The fourth quarterly report from the Central PMU to the Project Steering Committee should include an overview of annual progress against targets, and

**Financial Reports** on the use of Belgian funds as per Belgian accounting procedures will be submitted to BTC on a monthly basis. An External Audit will be carried out as per request from the PSC. Every six months, a financial report on the utilization of the Counter Value Fund (CVF) will be submitted as part of the Progress Report for acceptance by the PSC. A comprehensive report on the utilization of the CVF will be included in the Final Report.

### 6.5.3. Ending the Project

Drafting the Final Report will be the responsibility of the Central PMU. The Final Report shall be submitted to the PSC members at the final PSC meeting for approval. Apart from the overview of the project implementation, the Final Report will also present conclusions for the VBCP Revolving Loan Fund.

The Central PMU is responsible for the wrap-up and final closure of the accounts. At the end of the Project all equipment will be transferred following the Vietnamese Government's rules on managing and using equipment procured by grants projects. The last PSC shall decide on the destination of all project equipment transferred.

**Table 3: Budget For Result per Major Activity**

	Total per Source of Funding (Euro)				Total Project Cost Euro
	GOB		GOV		
	Direct Management	Co-Management	CVF	VWU	
<b>Total Project Cost</b>	<b>783,141</b>	<b>2,216,859</b>	<b>230,864</b>	<b>670,866</b>	<b>3,901,730</b>
<b>Result 1</b>	<b>0</b>	<b>270,730</b>	<b>60,480</b>	<b>0</b>	<b>331,210</b>
1.1 Segment Clients		13,500	13,680		27,180
1.2 Update Saving Products		53,055	13,680		66,735
1.3 Link Clients to banks		7,950	16,560		24,510
1.4 Incubation Loans Provision		54,360	16,560		70,920
1.5 BVCP Data Performance		26,180			26,180
1.6 Microfinance Data		87,495			87,495
1.7 Exit Strategy Loan Fund		28,190			28,190
<b>Result 2</b>	<b>0</b>	<b>642,080</b>	<b>19,440</b>	<b>0</b>	<b>661,520</b>
2.1 BDS Needs Assessment		18,000	19,440		37,440
2.2 BDS Directory		12,500			12,500
2.3 Linkages BDS Providers		40,000			40,000
2.4 Evaluate Performance		26,510			26,510
2.5 Cost Sharing Models		23,570			23,570
2.6 BDS TA Matching		521,500			521,500
<b>Result 3</b>	<b>0</b>	<b>247,250</b>	<b>0</b>	<b>0</b>	<b>247,250</b>
3.1 VBCP Performance		26,000			26,000
3.2 MPMU Established		14,500			14,500
3.3 MF Performance Reporting		55,500			55,500
3.4 Dialogues Support with SBV		18,250			18,250
3.5 MF Feasibility		133,000			133,000
<b>Result 4</b>	<b>0</b>	<b>51,400</b>	<b>0</b>	<b>0</b>	<b>51,400</b>
4.1 Annual Work Plan		30,400			30,400
4.2 Update Procedures & Manuals		21,000			21,000
<b>General Means</b>	<b>783,141</b>	<b>1,005,399</b>	<b>150,944</b>	<b>670,866</b>	<b>2,610,350</b>

Annex 6 and 7 present details of financial contributions from Vietnamese and Belgian sides.

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Technical and Financial File – Access to coordinated Credit and Enterprise Services

Narrative Summary	Verifiable Indicators			Means of Verification	Assumptions
<p><b>Result 4:</b> An efficient management structure for the VBCP ensures results-oriented and performance-based progress and accurate expenditure controls.</p>	<ul style="list-style-type: none"> <li>▪ Targets set in Annual Plans are met.</li> <li>▪ Progress reports and financial accountabilities are accurate and on time.</li> <li>▪ Appropriate exit strategies are developed, adopted and executed before the end of Phase III.</li> </ul>			<p>VBCP Progress reports PSC approvals of disbursements  VBCP Progress reports</p>	<p>Funds and other inputs are disbursed timely to the Project. VWU leadership supports new roles of Project.</p>

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Technical and Financial File – Access to coordinated Credit and Enterprise Services

Main Activities for Result 1:	Verifiable Indicators	Means of Verification	Assumptions
1.7 Develop Exit Strategy for Use of Loan Fund	Workshops with TA held for all 17 Province PMUs Prov. PMUs submit proposals for divestiture of portfolio Proposals approval by Project Steering Committee # Prov. PMUs divesting portfolio to sustainable MF providers # Prov. PMUs investing VBCP Revolving Loan Fund		

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Main Activities for Result 2.	Verifiable Indicators	Means of Verification	Assumptions
<p>2.5 Develop Cost-Sharing Models for BDS services</p>	<p>Average cost of trainings/BDS events per year                      Average value of client contributions by event                      % of total cost per training/BDS event covered by clients                      % of total cost per training/BDS event covered by PMUs                      # cost-sharing models used by Province                      # PMUs per year                      # PMUs managing activity-based budgeting and accounting                      # VWUs adopting activity-based budgeting and accounting</p>	<p>Prov. PMU Progress Reports                      List of recipients of Prov. PMU reports</p>	
<p>2.6 Establish BDS and TA Matching Grant Fund</p>	<p>Procedures for the Fund consulted and finalized on or before second quarter of 2006,                      # and value of Fund applications received by date, by Province and by type of training/BDS/TA per year;                      Number and value of grant disbursements by date per year;                      # accounts and reports received and approved per year;                      % of TA applications approved using internal VBCP staff                      % of TA applications approved contracting external resources in Vietnam                      % of TA applications approved contracting international resources</p>	<p>Prov. and Central PMU Progress Reports                      Prov. PMU Financial Progress Reports                      Prov. PMU Progress Reports                      Central PMU Progress Reports                      Fund Procedures simple, transparent                      Central PMU Progress Reports                      Central PMU Progress Report</p>	

Technical and Financial File – Access to coordinated Credit and Entreprise Services

Main Activities for Result 3:	Verifiable Indicators	Means of Verification	Assumptions
	<p>Action Plan for VWU Strategic Business Planning adopted                      Plan submitted for funding to Project Steering Committee                      MoU on funding of Business Planning Process signed                      # studies, researches and TA provided under the MoU                      Strategic Business Plan with financial projections for the VWU adopted by VWU leadership by the end of Phase III.</p>	<p>MoU signed by 12/2006                      Central PMU Progress Reports                      Strategic Business Plan by end 2009</p>	

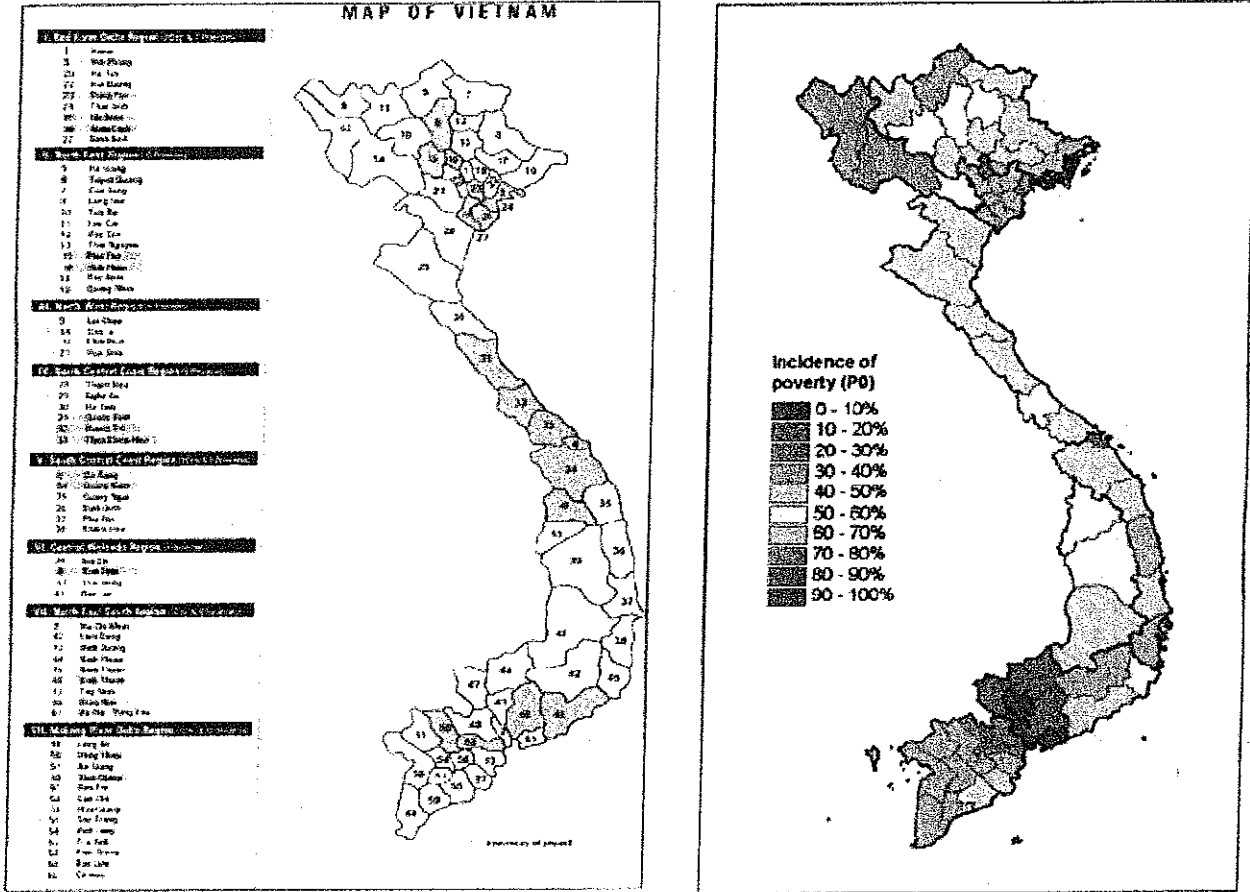
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Annex 1. Project coverage

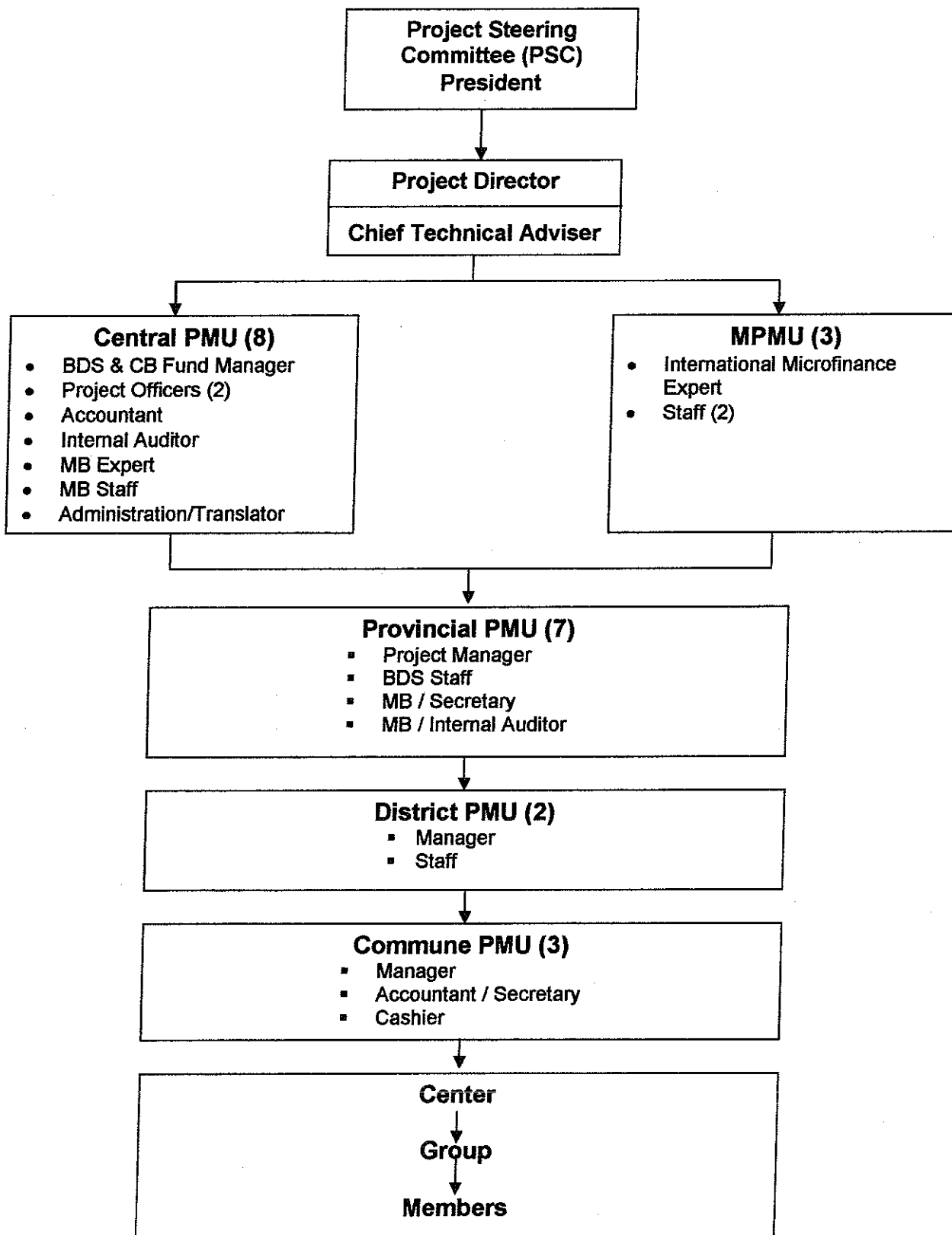
PROJECT COVERAGE



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### Annex 3. Project ACCESS Organigram



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**International Microfinance Expert (15 person-months)**

The International Microfinance Expert will be engaged for a period of 15 months. The expert should be a microfinance practitioner with at least 10 years of field experience in actual microfinance operations. The expert is very well versed in internationally-accepted best practices in microfinance proficient in the CGAP microfinance financial and operations standards. The expert has a good grasp of financial management and has excellent qualities in training and building capacities of staff. The expert has very good interpersonal skills and has at least 5 years of experience working in residence in an emerging socialist market-oriented economy in Asia, preferably Vietnam.

Under the supervision of the Vietnamese Project Director and the International Chief Technical Adviser, the International Microfinance Expert will:

- Establish the Microfinance Performance Monitoring Unit (MPMU) of the VWU at the central level;
- Through the MPMU, assist the VWU in the coordination of all its microfinance programs by setting up the system for coordination, standardizing reporting format using PMT, and consolidating all the microfinance projects directly being implemented by VWU or being supported by international and local organizations and financial institutions;
- Train the local VWU staff recruited and assigned by the VWU to the MPMU;
- Train the assigned local VWU staff at the provincial, district, and commune PMUs in PMT;
- Assist the Provincial WU in coordinating the various microfinance programs being implemented at the provincial, district and commune levels by institutionalizing the use of the PMT and performance monitoring vis-à-vis best practices and standards in microfinance;
- Assist the Project in standardizing the terms and conditions of the loan and savings products, as well as the implementing guidelines of the VBCP revolving fund for 17 provinces;
- Assist the Project in the negotiation of the Framework Agreements between VWU and Banks in support of the Project goals and objectives;
- Coordinate and work actively with Microfinance Working Group and State Bank of Vietnam and other international organizations involved in microfinance to promote standard reporting format using PMT vis-à-vis acceptable CGAP microfinance financial and operations standards);
- Provide technical advises to the local project staff in the implementation of their microfinance operations (VBCP Revolving Fund) and linking clients to the banks;
- Attend and participate in the PSC, TWG and PMU meetings, workshop and consultations; and,
- Prepare technical reports.

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The Vietnamese BDS/CB Fund Manager (42 person-months)

As an Activity under Result 2 of the Viet Nam-Belgium Credit Project Phase III, the VBCP Business Development Services and Capacity Building Matching Grant Fund ("The Fund") will be independently managed by an experienced and competent Fund Manager under the supervision of the Director of the Central PMU of the VBCP.

The duties of the Fund Manager include, but are not limited to:

- **Overall Fund Management:** The Fund Manager will appropriately manage the Fund in line with the guidelines and stipulations contained in the Manual, through the development, monitoring and quarterly reporting against the targets and indicators set in Annual Work Plans and budgets. In all operations and running of the Fund, the Fund Manager will ensure total conformity to the policies and procedures laid down in the Manual as revised from time to time and approved by the Project Steering Committee. To the extent necessary, the Fund Manager will request the VBCP Director to hire or allocate additional staff, and will deploy, task, supervise, control and oversee such staff in a way that enables the Fund to achieve its objectives.
- **Marketing The VBCP Fund:** The Fund Manager will ensure that an initial introduction of the Fund is done, which presents the Fund objectives, facilities, eligibility criteria and application process to as broad a stakeholder audience as possible. The Fund Manager will also ensure that during the life of the Fund, a suitable marketing strategy is put in place and operationalized, so as to ensure that the Fund gains visibility and recognition among stakeholders.
- **Annual work plans and budgets:** The Fund Manager will be directly responsible for developing annual work plans and budgets for the VBCP Fund within the overall budget for the VBCP Project, and for the day-to-day running of the Fund. Prior to each Fund year, the Fund Manager will thus prepare a work plan with a detailed budget, and present it to the VBCP Management and PSC for approval. During the year, work will be carried on according to the approved plan.
- **Fund allocation/ application:** In conformity with the Manual, the Fund Manager will allocate funds to the two different windows of the Fund in an annual budget to be revised as necessary. The Fund Manager will receive and disburse the approved annual budgets of the Fund as matching grants or in-kind TA contracts in line with the provisions of the Manual on behalf of the VBCP. All such receipts and disbursements will be duly receipted, documented and accounted for.
- **Screening, assessing applications and Grantee selection:** The Fund manager will ensure that each application is screened and, if found fitting, appraised and approved or rejected. In all cases, the Fund Manager will ensure there is an audit trail of documentation.
- **Contracting with Grantees and Service Providers:** The Fund Manager will draft, finalize and execute MOUs with grantees on behalf of the VBCP, and hold all such grantees responsible for achieving their agreed parts of the MOUs. For in-kind applications from Province PMUs for technical assistance for capacity building, the Fund Manager will draft, finalize and execute contracts with high-quality TA

## **Annex 5 : Duties and Responsibilities of Other Central PMU Staff**

### **Project Officer**

- The general function is to assist the senior management (VPD and CTA) in their above-mentioned activities;
- Program and plan the monthly activities and control periodically the Project's development towards attaining the pre-established goals and objectives;
- Participate in periodic evaluations of the contents of the Project activities to include microfinance program, Business Development Services, and bank linkages;
- Assist in the analysis of data generated by the Microfinance Program for evaluating fulfillment of its objectives;
- Participate with the senior management in decision-making that affects the Credit and Savings operations, BDS and bank linkages;
- In charge of the revision of the Project's Credit and Savings operation manuals (Vietnamese version) under the supervision of the VPD and CTA in coordination with the MB expert;
- In charge of implementing studies to determine new strategies and new areas of impact related to the Microfinance Program;
- Conduct field work and supervise the quality of field visits of the local PMU staffs;
- Analyze all kinds of short-term problems and present solutions to the senior management; and
- Provide assistance to the branches in the identification of PMU staff and borrowers' training needs.

### **Translator / Administrator**

- The general function is that of the Interpreter/Administrator at the head office;
- Conduct regular field visits and survey in the provinces;
- Translate project documents, correspondences and manuals for training courses;
- Assist the Headquarters with administrative and logistics matters;
- Prepare non financial reports and documents for all organizations involved in the project;
- Manage petty cash and all petty cash expenses are supported by adequate documentation;
- Serve as secretary in the Project's meetings and prepare the minutes;
- Prepare all kinds of legal documents; and
- Bring to the attention of senior management any practices or deals which do not conform to the high ethical standards of the Project.

### **Accountant**

- The general function is to manage the accounting information of the Project;
- Prepare cash flow projections;

- Verify the financial statements of the MicroBanker Management Information System (MMIS system) in terms of both contents and presentation of accounts;
- Oversee petty cash operations related to the Project;
- Examine the internal control system;
- Make analyzes and evaluations;
- Verify compliance with established payment procedures;
- Control the assets of the branches through the accounting records and physical possession;
- Periodically monitor the loan portfolios in the branches;
- Make analyzes and evaluations and recommend improvements in the Project's system;
- In some cases the Project may instruct the internal auditor to prepare the account and to take over the tasks of the accountant of the Project if necessary; and
- The auditor will not be involved directly in making correcting entries in the records, but may explain to the accountant and the MMIS expert where corrections may be necessary or practical steps that should be taken to correct mistakes or to implement.

#### **Database and MicroBanker Expert**

- Responsible for all the matters relating to database field;
- Absorb and transfer technology related to MB system;
- Keep contact with FAO experts to maintain and localize MB, MMIS system as well as to solve arising requirements or problems;
- Compile and improve training materials for MB and IT courses;
- Partly participate in compiling Operations Manual in terms of computerized activities;
- Train on MB and relevant IT technologies;
- Maintain provincial MB systems;
- Systematize experiences drawn from operating MB within provinces and exchange experiences with other MB staff;
- Grasp arising problems and new requirements to submit to Central PMU and FAO experts;
- Program to meet new requirements arising from the facts if possible;
- Develop the commune level report system;
- Train and supervise MIS operation;
- Study MB and MMIS system in a point of view of a system designer and exploit more sophisticated functions of MB to improve quality of MB and MIS utilization and maintenance;
- Collaborate with technical supporter(s) to ensure a smooth running of the IT system; and,
- Collaborate with Auditor, Accountant and other staff to monitor the Project activities in the field.

### Annex 6. Financial Contributions from VWU and Counter Value Fund

Vietnam's Contribution in Euro	Total				By Resources	
	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	VWU	CVE

<b>Result 1</b>							
<b>Access to Financial Services</b>							
<b>Training Sessions for Center Groups</b>							
<i>Training in saving products new procedure: 90 courses x 1 day/course; 200 com. X 7 centers x 2 pers./center; 30 pers./course</i>							
- Organizational cost: 30 Euro/course	2,700	2,700	2,700	2,700		13,680	
- Fee for 2 lecturers x 4 Euro x 90 days	720	720	720	720			
<b>Training of Center/Group Staff in Management Skills</b>							
<i>Training of Center/Group Staff in Management Skills: 90 courses x 1 day/course; 200 com, X 7 centers x 2 pers./center; 30 pers./course</i>							
- Organizational cost: 30 Euro/course	2,700	2,700	2,700	2,700		13,680	
- Fee for 2 lecturers x 4 Euro x 90 days	720	720	720	720			
<b>Training for Incubation Loan</b>							
<i>Training in Incubation Loan: 90 courses x 2 days/course; 200 com, X 7 centers x 2 pers./center; 30 pers./course</i>							
- Organizational cost: 30 Euro/course	2,700	2,700	2,700	2,700		16,560	
- Fee for 2 lecturers x 4 Euro x 180 days	1,440	1,440	1,440	1,440			
<b>Training for Bank Facilitation</b>							
<i>Training for Bank Facilitation: 90 courses x 2 days/course; 200 com, X 7 centers x 2 pers./center; 30 pers./course</i>							
- Organizational cost: 30 Euro/course	2,700	2,700	2,700	2,700		16,560	
- Fee for 2 lecturers x 4 Euro x 180 days	1,440	1,440	1,440	1,440			
<b>Total Intermediate Result 1</b>					<b>15,120</b>	<b>15,120</b>	<b>60,480</b>
					<b>0</b>	<b>0</b>	<b>0</b>

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Vietnam Contribution in Euro	Year 1	Year 2	Year 3	Year 4	Total	By Resource	
	2007	2008	2009	2010		PMU	CVF

**RESULT 4**  
**Efficient Project Implementation**  
**For Provinces**

**Human Resources**

- Salary Costs for 3.5 Vietnamese Staff in 17 Provinces (at 54 Euro/month)	38,556	38,556	38,556	19,278	654,066	654,066
- Salary Costs for 1 Vietnamese Staff in 87 Districts (at 35 Euro/month)	36,540	36,540	36,540	18,270		
- Salary Costs for 1.5 Vietnamese Staff in 207 Communes (at 30 Euro/month)	111,780	111,780	111,780	55,890		
<b>Operating Costs</b>					<b>64,764</b>	<b>64,764</b>
- Petrol costs for 17 Provinces x 60 Euro x 42 months	12,240	12,240	12,240	6,120		
- Petrol Costs for 87 Districts x 6 Euro x 42 months	6,264	6,264	6,264	3,132		

**Contribution to Monitoring and Valuation in Districts/Communes x 20 Euro/month**

	4,080	4,080	4,080	2,040	14,280	14,280
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**For Head office**

	209,460	209,460	209,460	104,730	733,110	654,066
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**Human Resources**

- Salary costs for Head Office Staff: 3 full-time staff x 80 Euro/month	4,800	4,800	4,800	2,400	33,600	16,800
- Bonus, 3 PMU staff x 80 Euro/month	4,800	4,800	4,800	2,400		
- Internal Meeting Between VWU/Ministries/Agencies	600	600	600	600	2,400	2,400

**Operating Costs Office**

- Electricity and Water	2,400	2,400	2,400	1,200	24,200	24,200
- Small Furniture	1,000	1,000	1,000	500		
- Stationary	1,000	1,000	1,000	500		



## Annex 7. Financial Contributions from Belgian Government

Belgian Contribution in Euro		Year 1	Year 2	Year 3	Year 4	TOTAL
		2007	2008	2009	2010	
<b>RESULT 1</b>						
<b>Access to Financial Services</b>						
<b>1.1</b>	<b>Segment the Current Clientele</b>	<b>2,500</b>	<b>4,500</b>	<b>4,500</b>	<b>2,000</b>	<b>13,500</b>
	Consolidate segmentation reports by Central PMU	500	1,000	1,000	500	3,000
	Update segmentation annually	2,000	3,500	3,500	1,500	10,500
<b>1.2</b>	<b>Update Savings Products</b>	<b>30,555</b>	<b>11,000</b>	<b>11,000</b>	<b>500</b>	<b>53,055</b>
	Production and dissemination of new manuals/procedures	500	1,000	1,000	500	3,000
	Design, production and distribution of passbooks	10,000	10,000	10,000		30,000
	Training of PMUs in new procedures	20,055				20,055
<b>1.3</b>	<b>Continuously Link Resourceful Clients to Banks</b>	<b>5,200</b>	<b>2,000</b>	<b>750</b>	<b>-</b>	<b>7,950</b>
	TA to price VWU services offered under framework agreement and develop negotiation platform for new agreement	4,000	1,400			5,400
	Reproduce and disseminate negotiation platform	1,200	600	750		2,550
<b>1.4</b>	<b>Provide 'Incubation Loans' to Poor Clients</b>	<b>26,555</b>	<b>24,305</b>	<b>3,500</b>	<b>-</b>	<b>54,360</b>
	Redesign loan approval formats to include simple amortization schedule (Central PMU/TA)	1,000				1,000
	Reproduce and disseminate new approval formats	1,000				1,000
	Mobilization and training of borrowers	4,500	4,250	3,500		12,250
	Refresher trainings for PMUs in new procedures	20,055	20,055			40,110
<b>1.5</b>	<b>Compile and Report VBCP Performance Data</b>	<b>13,090</b>	<b>13,090</b>			<b>26,180</b>
	Refresher Training in PMT	13,090	13,090			26,180
<b>1.6</b>	<b>Compile and Report VWU Microfinance Data</b>	<b>21,165</b>	<b>23,665</b>	<b>30,665</b>	<b>12,000</b>	<b>87,495</b>
	Budget for contacts (postage, meetings...)	1,000	1,000	1,000	1,000	4,000
	Quarterly Performance Review Meetings in 17 provinces (640 Euro/province)	8,000	10,500	10,500	4,000	33,000
	Provision for NGO/Banks Training on PMT			5,000	5,000	10,000
	Provision for dissemination of Vietnamese Guide on PMT			2,000	2,000	4,000
	Refresher Training for PMUs in PMT/Reporting/Ratio	12,165	12,165	12,165	-	36,495
<b>1.7</b>	<b>Develop Existing Strategy for Use of Loan Fund</b>	<b>-</b>	<b>-</b>	<b>28,190</b>	<b>-</b>	<b>28,190</b>
	3 Regional Workshop for Provincial PMUs	-	-	13,640	-	13,640
	Workshops on proposals in 17 provinces	-	-	7,550	-	7,550
	TA for proposals in 17 provinces	-	-	7,000	-	7,000
<b>Total Intermediate Result 1:</b>		<b>99,065</b>	<b>78,560</b>	<b>78,805</b>	<b>14,500</b>	<b>270,730</b>

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Belgian Contribution in Euro		Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	TOTAL
<b>RESULT 3</b>						
<b>VWU Various Microfinance Wide Coordination</b>						
<b>3.1. Consolidate VBCP Performance Reporting</b>		<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>3,500</b>	<b>26,000</b>
	TA from FAO to support MB and train national consultant and further develop national support structure	7500	7,500	7,500	3,500	26,000
<b>3.2 Establish MPMU to Consolidate Reporting in VWU</b>		<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>10,000</b>	<b>14,500</b>
	Train staff of MPMU	1,500	1,500	1,500		4,500
	Develop and implement exist strategy (hand-over MPMU)				10,000	10,000
<b>3.3. Support MPMU in VWU-wide Performance Reporting</b>		<b>13,000</b>	<b>16,000</b>	<b>15,000</b>	<b>11,500</b>	<b>55,500</b>
	Training of nonVBCP MF in PMT (by MPMU)	1,000	2,000	2,000	2,000	7,000
	MPMU support to PMUs on PMT Reports	1,000	2,000	2,000	2,000	7,000
	Maintain and disseminate VWU MF Program Registry/Database	2,000	2,000	2,000	2,000	8,000
	Benchmarking and mapping	1,000	1,000	1,000	1,000	4,000
	Workshops and meetings	1,000	2,000	2,000	2,000	7,000
	On-going production, adaptation, translation of CDROMs user guide	4,000	4,000	3,500		11,500
	Dissemination of information	3,000	3,000	2,500	2,500	11,000
<b>3.4. Support Performance-Based Dialogues w/SBV</b>		<b>5,250</b>	<b>2,750</b>	<b>9,750</b>	<b>500</b>	<b>18,250</b>
	National TA to review Decree/regulation w/MFWG	3,000				3,000
	Meetings/workshops with MFWG/MOs	1,000	1,500	1,500	500	4,500
	Compilation, dissemination of issues, draft regulations, etc	750	750	750		2,250
	Meetings/workshops, donors	500	500			1,000
	Publish PMT with donors' logos for Vietnam			7,500		7,500
<b>3.5. VWU MF Feasibility and Study and Strategic Planning</b>		<b>46,500</b>	<b>25,500</b>	<b>25,500</b>	<b>35,500</b>	<b>133,000</b>
	International TA for feasibility study	45,000				45,000
	Reproduction and dissemination of feasibility study to provinces	1,000				1,000
	VWU leadership meetings, etc	500	500	500	500	2,000
	Budget for action research/study		20,000	20,000	20,000	60,000
	TA for Strategic Business Plan for VWU		5,000	5,000	10,000	20,000
	Reproduction and dissemination of Strategic Business Plan				5,000	5,000
<b>Total Intermediate Result 3 :</b>		<b>73,750</b>	<b>53,250</b>	<b>59,250</b>	<b>61,000</b>	<b>247,250</b>

**Annex 8. Timeframe for ACCESS Implementation**

Results & Activities		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Result 1: Access to Financial Services</b>															
<b>Activities:</b>															
1.1.	Segment the current clientele														
1.2.	Update the Savings Product														
1.3.	Continuously Link Resourceful clients to Banks														
1.4.	Provide "Incubation Loans" to Poor clients														
1.5.	Compile and Report VBCP Performance Data														
1.6.	Compile and Report Province Microfinance Data														
1.7.	Develop exit strategy for Use of Loan Fund														
<b>Result 2: Access to Non-Financial Services</b>															
<b>Activities:</b>															
2.1.	Conduct Training and BDS service Needs Assessments to Determine Demand														
2.2.	Compile and Distribute Training and BDS Directory														
2.3.	Develop Strategic Linkages with BDS providers														
2.4.	Monitor, Evaluate and Report Performance														
2.5.	Develop Cost-Sharing Models for BDS services														
2.6.	Establish BDS and TA Matching Grant Fund														
<b>Result 3: Coordination among VWU-Wide Microfinance Programs</b>															
<b>Activities:</b>															
3.1.	Establish MPMU to consolidate Reporting for VWU/Project Performance														
3.2.	Support Performance-based Dialogue for Enabling Environment														
3.3.	Consolidate VBCP Performance Reporting														
3.4.	Conduct Feasibility Study for Future VWU Role in Microfinance and Support Strategic Business Planning Process in VWU														
<b>Result 4: Efficient Project Management</b>															
<b>Activities:</b>															
4.1.	Produce Annual Work Plans w/ Tranched Budgets														
4.2.	Update Policies, Procedures, Manuals														
4.3.	Implement and Monitor Project Progress														