



VIE 06 001 01

TECHNICAL AND FINANCIAL FILE

"ACCESS TO COORDINATED CREDIT AND ENTERPRISE
SUPPORT SERVICES"

71

AS



**THE KINGDOM OF BELGIUM
&
THE SOCIALIST REPUBLIC OF VIETNAM**

TECHNICAL AND FINANCIAL FILE

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

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| Partner Country | Vietnam | | |
| Intervention Number DGDC | | | |
| Navision Code BTC | VIE 06 001 01 | | |
| Sector | Social Economy | Subsector | Micro-credit |
| Partner Institution | Vietnam Womens Union | | |
| Contribution of Partner Country | | | 670.866 EUR |
| Belgian Contribution (formulation included) | | | 3.000.000 EUR |
| Counter Value Fund | | | 230.864 EUR |
| Total Project Cost | | | 3.901.730 EUR |
| Estimated Starting Date | January 2007 | | |
| Total Duration | 42 Months | | |

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GLOSSARY

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| ADB | Asian Development Bank |
| ACCESS | Access to Coordinated Credit and Enterprise Support Services |
| BDS | Business Development Services |
| BTC | Belgian Technical Cooperation |
| CEP | Capital Aid Fund for Employment of the Poor |
| CGAP | Consultative Group for Assistance to the Poorest |
| CPRGS | Comprehensive Poverty Reduction and Growth Strategy |
| CVF | Counter Value Fund |
| DGDC | (Belgian) Directorate General for Development Cooperation |
| GDP | Gross Domestic Product |
| GoVN | Government of Vietnam |
| HEPR | Hunger Eradication and Poverty Reduction Plan |
| HR | Human Resources |
| HO | Head Office |
| ILO | International Labor Organization |
| LFA | Logical Framework Approach/Analysis |
| LPC | Local People's Committee |
| MFI | Microfinance Institution |
| MFO | Microfinance Organization |
| MFWG | Microfinance Working Group |
| MO | Mass Organisations (Women's Union, Labourers Union, etc) |
| MPI | Ministry of Planning and Investment |
| MPMU | Microfinance Performance Monitoring Unit |
| NGO | Non-Government Organization |
| ODA | Overseas Development Assistance |
| PCF | People's Credit Fund |
| PIP | Project Implementation Plan |
| PMU | Project Management Unit |
| PMT | Performance Monitoring Tool |
| SBV | State Bank of Vietnam |
| SMEs | Small and Medium Enterprises |
| SOEs | State Owned Enterprises |
| TA | Technical Assistance |
| TOR | Terms of Reference |
| TWG | Technical Working Group |
| TYM | Tau Yeu May Fund |
| UNDP | United Nations Development Programme |
| VBARD | Vietnam Bank for Agriculture and Rural Development |
| VBCP | Vietnam-Belgian Credit Project |
| VBSP | Vietnam Bank for Social Policy |
| VND | Vietnamese Dong (Vietnam Currency) |
| VWU | Vietnam Women's Union |
| WB | World Bank |

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PREFACE

Belgium and Vietnam have cooperated in the field of microfinance for 8 years. The project “Strengthening of the Institutional Capacity of the Vietnam Women’s Union to Manage Savings and Credit Programs for Rural Poor Women”, known as the “Vietnam-Belgium Credit Project” (VBCP), was started in December 1997 as a 3-year pilot intervention to support the provision of credit and savings services to rural poor women in one commune of each of 57 widely dispersed, rural and under-served districts in seven provinces of Vietnam. The project was implemented by the Vietnam Women’s Union (VWU).

The second phase was initially scheduled to run from December 2000 to December 2004. While the focus on institutional capacity building remained during Phase II, specific objectives on effectiveness and sustainability were added, plus a significant expansion of activities: 100 new communes in 30 districts of 10 new rural and urban provinces adjacent to the pilot provinces were selected in addition to the more organic expansion into 50 new communes in the 7 pilot provinces.

Following a Mid-Term Review in November 2003, the Joint Commission on Development Cooperation between Vietnam and Belgium, held in Hanoi in December 2003, agreed to extend its cooperation in the area of microfinance through a third and last phase of the VBCP of 3-4 years duration starting in January 2007. It was agreed that the third phase will have a somewhat different focus from the first and second phases and have the four following - and interrelated - objectives:

- Assure the transition from basic poverty reduction to the creation of economic power for rural women, by helping them to set up and run their own micro-enterprises. This requires an enhanced and diversified micro-savings and credit system as well as the provision of elementary know-how and skills.
- Strengthen and consolidate the institutional capacity of the VWU at all levels, in the field of rural micro-savings and credit and particularly in areas as management and accounting, monitoring and policy design.
- Contribute to the integration of the different micro-credit management and accounting systems that currently exist within the VWU, thus facilitating the establishment of one consolidated and highly professional entity specialized in micro-savings and credit.
- Contribute to the elaboration and implementation of a legal framework and a prudential regulation for micro-savings and credit in Vietnam.

An Identification Mission was fielded in October/November 2004 to analyze and verify the feasibility of these objectives, and to develop a project description and an outline of the Project Implementation Plan in accordance with the Logical Framework Approach (LFA).

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 WWU 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 WWU, 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.

ACCESS, expected to commence in January 2007 and end in June 2010 will contribute to the general aim of poverty reduction through a decentralized and performance-based results framework including:

- Access to sustainable financial services for poor women through linkages to banks;
- Access to demand-driven business development services for poor women through strategic alliances with service providers;
- Coordinating VWU-wide microfinance programs through the introduction of standardized, comparable and reliable performance monitoring; and,
- Efficient project management through performance-based planning cycles.

This Technical and Financial File for ACCESS validates the findings of the Identification Report of April 2005 and updates the design and assumptions formulated by the Identification Mission.



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

Reduction Plan (HEPR), which was formally established in 1998 as a nationwide framework for integrating poverty reduction efforts targeted at poor households and poor communes.

Central components of the CPRGS address the need to develop credit as a means to finance production and technological change; and to promote deposits to better enable poor to accumulate savings for investment and provide a cushion against seasonal shortfalls and unforeseen crisis. An important focus of the HEPR was on improving poor people's access to financial services, especially in rural regions.

Unfortunately the dominant perception amongst policy makers in Vietnam is to see micro-credit as a social tool to combat poverty, and micro-finance as a policy lending instrument that needs to be fed by subsidies. This social approach is clearly translated in Government policies to the sector and reflects the believe that microfinance is different from the normal workings of the financial sector.

2.3. The Vietnamese Financial System and Banking Sector

The banking sector is dominated by four main State-Owned Commercial Banks (SOCBs) that account for about 70% of total assets. In addition, the formal financial sector comprises 37 Joint Stock Banks (JSBs), 4 Joint Venture Banks (JVBs), 27 representative offices of foreign banks, close to 900 regulated credit cooperatives, 5 financing companies, and 8 leasing companies .

Unlike most other countries, the market penetration of formal financial services providers in Viet Nam reaches deep into the rural areas. Formal sector bank credit has increased as a proportion of GDP from 27% in 1995 to 44% in 2000 and of this, credit to the private sector has increased from 18 percent in 1992 to about 60 percent in September 2000. Indeed, most low-income households have access to some form of credit, and the formal banking system seems to reach a substantial number of them, with the Viet Nam Bank for Agriculture & Rural Development (VBARD) and Viet Nam Bank for Social Policies (VBSP) together estimated to serve approximately 9.8 million clients at the end of 2003.

The State Bank of Viet Nam supervises the regulated financial institutions through its branch network. On and off-site inspection takes place, and even the small credit cooperatives are relatively effectively supervised and rated. In 2003, more than 90% of the People's Credit Funds were rated, and several licenses were revoked as a response to non-performance.

2.4. The Microfinance Sector In Vietnam

2.4.1. Regulatory Framework for Microfinance Institutions and Decree 28

In Vietnam there are several laws with direct impact on microfinance. These are the "Law on Credit Institutions" and the "Law on the State Bank" from 1997, which regulate formal banking institutions. In addition, the "Law on Cooperatives" from 1996 regulates credit cooperatives. The Decree "On credit for the poor and other policy

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 9th 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.

2.4.2. Formal Financial Institutions providing micro-finance

The Vietnamese microfinance market is characterized by the dominance in scale and depth of formal sector providers, namely the Vietnam Bank for Agriculture and Rural Development (VBARD), the Vietnam Bank for Social Policy (VBSP) and a plethora of People's Credit Funds (PCF) having re-emerged as regulated savings and credit cooperatives all over the country after the collapse of the old cooperative system in the 1980's. Consequently the GoV is by far the main funder of microfinance. The number of clients reached by the semi-formal sector pale in significance when compared to the 2.5 million borrowers being served by VBARD and VBSP (ILO, 2005).

Mandated to serve the rural financial market, VBARD is a state-owned commercial bank and the largest bank in Viet Nam. It has a nationwide network of 1,800 branches covering 563 districts in all of the 64 provinces. In some areas, VBARD also operates mobile banks. VBARD is the largest provider of the full range of microfinance services (savings, credit, money transfer etc.) in the country, with an estimated VND 70,320 bn (USD 4.6 bn) outstanding to about 7 million borrowers as at the end of 2003, 70% of whom are rural. 80% of its portfolio are deposits mobilized from the public. VBARD's lending conditions have become more flexible and do target low income households, if not the poorest segment. Their average loan size is around VND 6.45 million. Loan terms are typically 6 months and renewable for another 6 months, which is not well suited to the typical petty trade enterprises of many microfinance clients, but may well suit seasonal crop producers. Loans below VND 10 million are formally collateral-free, but in practice borrowers must often leave their Land Use Certificate (LUC) with the bank until the loan is repaid. The basic interest rate of VBARD appears to be nudging upwards, and is now 0.9-1.1% per month for short-term loans. VBARD refers the poorest of their clients to the VBSP.

VBSP, initially called the Vietnam Bank for the Poor, used to operate through VBARD facilities, but was reconstituted in 2003 with its own branch network of Local PC-subsidized offices in 587 districts of the country. The VBSP is the prime vehicle for GoV to channel subsidized credit for policy purposes, is fully guaranteed by the Government, is exempt from taxes, receives state budget remittances and the deposit insurance scheme. It has taken over preferential lending schemes from MPI, MOLISA, People's Committees at all levels, and from the SOCBs. VBSP mobilizes an increasing amount of capital for lending, including deposits from the public, donor funds (IFAD, OPEC) and a mandatory contribution of 2% of the deposits of the State Owned Commercial Banks. At December 2004, the VBSP had a total capital of VND 15.4 billion (USD 994 million). VBSP concentrates its subsidized lending to households identified as poor by the local People's Committees (using criteria developed by MOLISA). By the end of 2004, VBSP had VND 11.3 billion in loans outstanding, 80% of which were provided to some 2.8 million poor households at an average loan size of VND 3.6 million. It charges 0.5% interest rate on loans up to a maximum of VND 7 million. Loans are without collateral, but borrowers are normally asked to form groups. VBSP is not covering its operational costs and relies heavily on the Government for covering losses.

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.

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There are two major government-related microfinance organizations: (i) the Tao Yeu May/Compassionate Fund (TYM) established by the VWU in 1992 and (ii) the Capital Aid Fund for Employment of the Poor (CEP) established by the Labour Confederation in Ho Chi Minh City in 1992.

The VWU has been the chosen collaborator for many INGOs as well as donors due to its effective outreach at the grassroots level. It is currently implementing some 40 savings and credit schemes. Of these, the VBCP project with 51,300 active borrowers and the TYM Fund with 19,462 borrowers and a combined outstanding loan balance of VND 75.1 billion (Sept. 2004) are the largest. The VWU has no specific financial implementation units, but has integrated the savings and credit operations with other (primarily social) activities, employing its existing staff and organizational structure in a flexible manner. Besides directly managing funds from members' savings and grants from International Donors and INGOs, the VWU also links its members to the Bank of Agriculture and Rural Development (VBARD) and the Vietnam Bank of Social Policies (VBSP). By the year 2003, the total capital mobilized by the VWU from different sources was VND 1,753,002 million. It lends to 1,345,571 members found in 8,900 communes and 50,000 villages nationwide.

Currently, some 55-60 (I)NGOs implement microfinance programs in Vietnam, most in collaboration with the VWU. Programs are generally small and geographically scattered; many operate in a few communes within a single district. The Vietnam Microfinance Bulletin published by the Microfinance Working Group counts 351,298 borrowing clients as at the end of 2004, with a total outstanding loan balance of VND 369.3 billion (USD 23.8 million), and VND 120 billion (USD 7.8 million) in mobilized (and typically intermediated) savings .

The semi-formal market offer small loans and savings services well adapted to the poor, but less suitable for entrepreneurial clients needing larger loans. While the delivery mechanisms are clearly geared to reach the poorer clients, there are few products in the semi-formal market that depart markedly from what is already available through the formal financial channels.

There is a certain degree of systemic risk in the semi-formal market, as a substantial amount of deposits mobilized from the poor are intermediated as loans. However repayment rates of all microfinance providers – formal and semi-formal alike - appear excellent (94-99%).

2.4.4. The Current Market Characteristics and Demand for micro-credit

The population of Viet Nam is approximately 82 million, increasing at 1.2% per year. While the pace of urbanization in the main city centers of Ho Chi Minh City, Da Nang and Ha Noi is fast, urban areas account for only 24% of the total workforce. Some 12 million of the estimated 15 million households in Vietnam reside in rural areas, 9.6 million of them on farms. They make up 76% of the Vietnamese work force. About 7.8% of these rural households are landless.

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.

2.5.3. VWU in Poverty Alleviation

The Vietnam Women's Union (VWU) has made significant contributions to the national hunger eradication and poverty alleviation program. One of the key focuses of the VWU is to help poor women generate employment and income to help them emerge from poverty. One of the key strategies of the VWU is the mobilization and provision of micro-credits through flexible lending methodologies combined with capacity building activities. On average, credits from various sources channeled through the VWU amount to over 1,900 billion VND/year. More than 2 million women, 62% of whom are very poor, have enjoyed help from the VWU in terms of capital and know-how in income generating activities.

The VWU puts great emphasis on employment generation in the rural areas. In the framework of a National Employment Program implemented by the VWU, credits were released for the purpose of purchasing animals & vegetal varieties of high economic value, restoring and developing traditional crafts, developing services and household businesses.

Under the umbrella of the VWU vocational training and job centers have been established in 45 provinces. A national Targeted Program on "Capacity Development for Vocational Training" has in the period 2001-2005, invested about 5 billion VND in 11 Vocational Training Center of the Vietnam Women's Union with the objective to equip those centers with better training facilities. These centers offer training on industrial sewing, informatics, foreign languages, tailoring, rural electricity, family electricity, skills for accountants, family helpers, agricultural process, weaving, embroidery... From 2001 to June 2005, these 11 Vocational Training Centers have trained 43,552 persons and generated 24,231 new jobs.

In support of the Prime Minister's "Supporting program on human resources training for small and medium businesses, period 2004-2008", the Central Women's Union trained master trainers (ToT) at different VWU levels on business and production planning, general business management, personnel management, finance/accounting, technology and product quality control; market promotion, gender in business, procedures for banks loans, business-related laws and policies, teaching skills and methodology. The pilot program in 2005 covered 10 cities/provinces.

While the VWU considers credit provision as an important activity in addition to its other social and political tasks, it has no dedicated financial implementation units. Instead the VWU has integrated its savings and credit operations in the various departments at the head office. The credit schemes themselves tend to be well adjusted to the needs of the borrowers and are community-based. Under the schemes, women are encouraged to form savings groups, mostly with between 10 to 15 members who meet regularly to share information and exert peer pressure. Loans to women are small and are used for activities such as husbandry and petty trade. Interest rates on loans range from 0.5 percent to 1.5 percent per month. Savings collected from the members are used for on-lending to group members or blocked in saving accounts.

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 9th 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

and small enterprises management. This sub-faculty is very active in cooperating with other organizations and provincial women's unions in providing training.

Canadian organizations

Since 1990, VWU has developed various collaborative partnerships with Canadian organizations. The partnership has mainly focused on enterprise development.

Rosemont College in Quebec provided training to VWU on provision of support services and counseling for entrepreneurs.

The project "Women and Employment" (1995-1998), sponsored by "Canadian Community of Colleges Association", provided training on management and operation of Vocational Training Centers of the VWU. The CCA continued with a second project "Women and Rural Development" (1999-2003), covering 15 provinces in the North and Central areas of Vietnam, focusing on training in enterprise establishment and management. The project was highly appreciated for its effectiveness in training women.

In 1999, VWU established a new partnership with Quebec University in Montreal through the project "Assistance for Institutional and Regional Development on Management in Vietnam" (1999-2005). The partnership is funded by CIDA at around 4,7 million USD. VWU is one of the 8 Vietnamese partners in this program that at developing human resources in entrepreneurship management.

International Women's Development Agency (IWDA)

International Women's Development Agency (IWDA) founded in 1985 and based in Melbourne, Australia, is the first Australian women's NGO who established partnership with the Vietnam Women's Union. The Australia Agency for International Development (AusAid) is the key donor for IWDA projects in Vietnam.

IN 2001-2002, IWDA supported VWU in a research project to study the impacts of VWU-IWDA Micro-Credit and Enterprise Development projects. The project built capacity at the VWU in evaluation, analysis and planning for micro-finance projects.

In the period 2002-2005 IWDA supported the project "Rural Development For A Future Without Poverty". The project with a budget of 300,000 Australian dollars, aimed to economically empower women through development of micro-enterprises.

Marie Schlei Association (Germany)

Marie Schlei Association (MSA), is a NGO founded in memory the former German Minister for Development Policy. Today MSA sponsors 3 projects of the VWU in provinces of Lai Chau, Hai Phong and Hung Yen to develop flower growing and mushroom production. Apart from the provision of loans to poor women, these projects focus on provision of trainings, knowledge skills on business planning, production management, loss-profit calculation, etc.

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 12th 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%.

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| <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> |

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| | | intervention is especially critical in remote communes where the concentration of poor people is high. |
| 2. Project Coverage and Target Clients | Existing Project Areas | There will be no increase in the number of provinces and the project shall maintain its outreach to the existing 200 communes. However, since the Project will now be consciously targeting the poorest in the communes, appropriate reallocation of funds to communes with stronger needs, i.e. where there are greater number of poor people, needs to be done by the province PMUs. |
| 3. Transformation of Existing Microfinance Projects/Programs of VWU i.e. VBCP, TYM among others, in light of the passage of Decree 28 on the Organization and Operation of Microfinance Institutions. | VWU's position seems to be that it does not aim to become a specialized microfinance institution per se. This implies that its current microfinance projects will have to be constituted as one or several separate legal and financially sustainable entities or simply spun off. | With the passage of Decree 28, and as provided for in Phase 3 of VBCP, VWU needs to assess what to do with the accumulated funds at the existing project areas when Phase III ends. Consistent with the goal of achieving continuity, there are several options open such as: a) the VBCP fund is consolidated into a subsidiary microfinance institution as a legacy fund; and, b) institutionalize the existing fund at the provincial levels as fund for the poor. These options should be seriously considered by the Feasibility Study. |
| 4. Project Timeline | January 2007 to June 2010 | Important preparatory works and activities are still being carried out and still needs to be done for till December 2006. These preparatory activities are critical steps in |

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| | | 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. DESCRIPTION OF THE PROJECT

4.1. General Objective

The identified and agreed project objective is to contribute to “*the reduction of the incidence of poverty among households in Vietnam*”.

4.2. Specific Objective

The specific objective of the project has been defined and agreed as:

“By 2010, at least 100,000 economically active poor households in the target provinces of Vietnam have access to high quality and diversified financial and/or business development services provided by coordinated and market-responsive providers following good practices for sustainable service delivery”.

4.3. Beneficiaries

The beneficiaries for the Phase III project will be as follows:

Direct beneficiaries

The women from poor households belonging to the underserved population of the existing project areas (17 provinces) with an estimated of persons. Consistent with the proposed Strategy and the general mission of the VWU, particular emphasis will be given to poor women from the most remote and rural communities especially the ethnic minorities in the current project areas farthest from the formal bank outlets. This emphasis implies that a specific approach will be taken at the beginning of the execution of Phase III to focus on that specific group and collect data to be able to assume the monitoring and follow-up of the outreach of the project on that particular dimension (see Social Performances).

Indirect beneficiaries

The staff of the Vietnam Women’s Union at all levels from the Central to the outmost rural communes of all the provinces covered by Phase III. These are: Ha Nam, Nam Dinh, Hung Yen, Hai Phong, Tuyen Quang, Vinh Phuc, Phu Tho, Thua Thien Hue, Kontum, Quang Binh, Quang Tri, Quang Nam, Da Nang, Binh Thuan, Dong Nai, Dong Thap, and Tien Giang Provinces.

Financial and non financial Services providers who will be involved in the providing of services to the beneficiaries and will be able to develop and extend their offer according to new standards of demand-based access to services (in quality and quantity)

The project map coverage is attached as Annex 1.

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 VCBP 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

should propose ways of divesting their portfolio at the end of the Project, and present suggestions for usage of the credit fund.

Based on client demand, the solidarity groups will be the platform for access by all clients to training and business development services, and could serve also as the linkage point for access to social services offered by other projects.

4.4.3. Results-oriented and Performance-based Monitoring

The Project Design Document for Phase II defined the over-all Goal of the Project, supported by two Purposes or Specific Objectives. However, no verifiable indicators were developed and critical assumptions have not been monitored. In addition, the four Results were not formulated clearly and their indicators were basically not measurable. Consequently the annual project reports described progress against the activities under each Intermediate Result but scant information is given on the project's general progress towards institutional capacity, program development or difficulties encountered. This has given the impression of a project meeting its quantitative targets but not monitoring its relevance in the rapidly changing socio-economic environment. A project accurately accounting for the project funds spent but without it documenting its impact.

Considering that activities are only means to reach results and are generally mentioned in terms of mobilized resources, it is better, not to overload the execution team in a heavy exercise of collecting many indicators that contribute marginally to process monitoring. The Logical Framework for Phase III therefore addresses this concern by proposing SMART (Specific, Measurable, Appropriate, Realistic and Relevant) indicators that are time-bound for each Result and Objective. This must enable project management, implementers and supervisors at all levels to monitor progress, and address constraints on time. In addition, it is recommended that disbursement of funds during Phase III be linked to documented performance at all levels of project implementation.

4.4.4. Decentralization for Increased demand responsiveness

The Project Steering Committee (PSC) of the VBCP has been unusually directly involved in the operations of the project. Despite the broad supervisory mandate, the infrequent (annual) meetings, and the limited technical microfinance expertise of the PSC, several operational issues have awaited its approval. The operational character of decisions referred to the PSC suggests limitations in the decision-making powers of the Central PMU and dilution of its responsibilities. With the clear strategic managerial responsibility of the project co-directors, this is inappropriate.

The Province PMUs are the real 'implementation management hubs' for the VBCP activities. It is therefore imperative that for Phase III they should be the focal point for continued project support, and be given direct responsibility for implementation, accompanied by appropriate decision making powers and a performance-based monitoring mechanism, including annual Project Implementation Plans (PIPs),

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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



experts: the Chief Technical Adviser (CTA) who is envisioned to perform more the role of technical assistance to strategic thinking and operationalization of the project activities. This means that the CTA should have a very strong experience not only in the field of microfinance, business development services but also in capacity building in an emerging socialist market oriented economy. In addition, a full time microfinance specialist for 15 months will be hired to train and coordinate the various internal VWU-wide microfinance programs to use best practices and international standard reporting.

4.4.6. Microfinance Development Approach: Coordinating VWU-Wide Micro-finance Programs

A significant number (40 projects in 2000) of other savings and credit schemes sponsored primarily by international NGOs are executed in partnership with the VWU at Province, District and Commune levels all over Vietnam. VWU is thus collaborating – albeit in an uncoordinated manner - with almost all of the formal and semi-formal microfinance providers. But there is little contact, no agreed definitions of good practices and performance standards, and very little sector-wide information and performance monitoring available.

So far, the VBCP has also taken a classical, insular project approach in its service provision. While some coordination and linkages have been established at Province and Commune PMU level, the Central PMU has not focused on coordination, coherence and cross-project learning with other ongoing initiatives within VWU. While the VBCP permanent adviser has attended some meetings of the MFWG, and the VWU has organized a briefing on the Draft Microfinance Decree, the VBCP as a project has not engaged much in consultation of the sector on issues to be addressed by the circulars on Decree 28.

The introvert project approach is no longer appropriate. VBCP needs to reflect a more demand-oriented approach, which at least acknowledges the many other financial service providers in the environment. The obvious comparative advantages of VWU as a representative and influential national organization should be fully capitalized on during Phase III.

4.4.7. Shifting from Microfinance Provision to Facilitation

With the dispersed outreach, organizational structure, efficiency levels, and financial performance of the VBCP after 4-6 years of operations, even taking into consideration what can be hoped to be achieved during Phase III, there is little scope for transforming this project into a sustainable MFI. As a consequence, the need for financial sustainability of the savings and credit activities of VBCP during Phase III is less related to regulatory requirements than to the management of risk, given the intermediation of savings, and to design appropriate exit strategies at the end of Phase III.

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:

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- Access to Financial Services
- Access to Non- Financial Services
- VWU-Wide Coordination among its Microfinance Programs
- Efficient Project Management

This section discusses the activities the Phase III of the Project per Result.

4.5.1. Activities for Result 1: Access to Financial Services

Notwithstanding the fact that financial services will stay one of the core activities of the future Phase of the Project the focus, as compared with the ongoing phase, has to be adapted to the new legal framework of MF in the country. True to the social mission of the VWU and the priority of the Belgian Cooperation, financial resources of the project must be channeled in priority to the women of the most remote and rural communities of the project area. At the same time and from the very start of phase III, a continuous movement will be initiated by the project to reinforce and consolidate the role of the VWU as facilitator vis-à-vis formal financial institutions. In a first stage, this movement will benefit the most resourceful clients but will gradually be extended to all the clientele. In parallel, several efforts have to be put into practice to adapt e.g. the existing savings products to the clientele needs and to systematize the use of financial and social performances indicators as a day to day tool to improve institutional effectiveness and accountability.

4.5.1.1. Continue the Segmentation of the Current Clientele

In order to provide products and services that meet the needs and preferences of its target clients, the Project should continue the profiling and segmentation of its existing and incoming clients. This can be done through the use of the forms and procedures that have been tested by the Central PMU.

4.5.1.2. Update the Savings Products and Procedures

The savings products within VBCP are not fully in tune with clients' demand and will be reviewed and revised. The following issues in the enhancement and standardization of the savings products and procedure will be addressed: issuance of credit and savings passbook to promote transparency, internal control, and ownership; and alignment of product features, both for savings and mutual fund, to the needs and preferences of clients.

4.5.1.3. Continuously Link Resourceful Clients to Financial Institutions

The VBCP has been successful in linking experienced clients with larger financial requirements to the formal financial institutions. However, the Project should renegotiate the existing Framework Agreements with the banks in order to accommodate some of the clients' preferences such as monthly payments and provision for savings, among others.

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.

Social data

Parallel to the ongoing process of implementation of MB and PMT, Phase III of the VBCP will start a reflection on how to build-up and implement a SPMT as a complementary tool to assess social performances of the microfinance activities, of the VBCP. Since no single system can be proposed at present it is necessary to reflect on a realistic base for the SPMT taking into account the specific staff capacity at all level of the VWU. Phase III should be considered for that particular aspect as a "pilot phase" to test the feasibility and institutional viability of such a tool and to assess in which way it can contribute to the broad social mission of the VWU in general and its microfinance activities in particular. Among the several possible dimensions that could be incorporated in the SPMT are i.e. outreach to the poor and exclusion, adaptation of products to the needs of target clients or beneficiaries, improvement of social capital of the clients or beneficiaries and social responsibility of the institution.

4.5.1.6. Compile and Report VWU Province Microfinance Data

Performance reporting for the VBCP will be accomplished monthly by the Province PMUs in the PMT format, and submitted monthly to the Central PMU for consolidation and monitoring.

The Central PMU will forward the consolidated data to the Microfinance Performance Monitoring Unit established within VWU. Non-VBCP PMUs will also be encouraged to use the PMT format, so that the VWU can gain an overview of the actual performance of all microfinance activities under its wing. Once consolidating and monitoring performance reporting within VWU has been perfected, VWU may shift the focus to the other sector players.

The resulting increased Province level coordination will contribute to cross-project learning so that less well functioning schemes can improve performance, and so that all providers may work towards compliance with general good microfinance practices. The financial and outreach reporting in the PMT software is recommended as the basis for enhancing this coordination of savings and credit activities at the provincial level.

4.5.1.7. Develop Exit Strategy for Use of Loan Fund

The aim of Result 1 is to mobilize and prepare as many poor women as possible for access to sustainable credit from regulated financial service providers within 36 months. This ensures the continuous access of VBCP clients even after the project phases out. The 17 Province PMUs will submit their proposals for divestiture and reinvestment of the VBCP credit fund to the central PMU on or before June 2010. The Central PMU will screen and consolidate these proposals into a coherent investment plan for approval by the Project Steering Committee.

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.

4.5.2.3. Compile and Distribute BDS Directory

Based on the finalized BDS and Training Needs Assessment and in consultation with current providers, NGOs, LPCs etc., BDS and CB providers in the Provinces will be identified and registered in a BDS directory. As coordinators of much of the existing extension services, the District VWU offices will be important sources of information in this process.

The Directory will be updated regularly (at least annually), and disseminated to all center leaders (and groups), and via the Central PMU to all VBCP and non-VBCP Provinces. Province PMUs could also consider selling the Assessment and Directories to other interested parties (NGOs, donor agencies/projects, LPCs etc.).

4.5.2.4. Develop Strategic Linkages with BDS providers

To promote better market, technology, and financial linkages, the Province PMUs will facilitate opportunities for demand (groups) and supply (service providers) to meet and align expectations. This can be arranged e.g. as informal visits of providers to center meetings; BDS Trade Fairs organized by providers to which groups are invited; or 'test trainings', where clients attend the initial part of a training or BDS event to determine if the training is relevant to their needs.

The purpose of the strategic alliances is to ensure not only better market linkages between demand and supply at the local level, but also to position the Province PMUs as an efficient coordinator of this linkage function.

4.5.2.5. Develop Cost-Sharing Models for BDS services

The success of the BDS services of the Project in Phase III hinges on the principle of cost-sharing, and demand driven. Therefore, the supply driven and fully subsidized BDS should be discontinued. The Central PMU should therefore develop a policy and implementing guidelines for a demand driven BDS. Sharing of experiences among and between Provincial PMUs should be facilitated as successful cost-sharing experiences emerge.

The Province PMUs should diversify in finding solutions, test and decide which models work best for them. They may also benefit from (demand-based) technical assistance to develop cost-sharing and cost-covering models for their training and BDS services. The models developed in this activity could serve as a basis for developing cost-covering systems for the VWU operations at Commune, District and Province level in general.

4.5.2.6. Monitor, Evaluate and Report Performance

All BDS service provided including the training should be evaluated by the participants and stakeholders. The results of the evaluations will be compiled at Province PMUs, and made available to new interested customers. It would be preferably if this feedback could be added to the Directory to serve as a guide to groups/centers in their

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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.

Once the microfinance performance reporting within VWU is working properly and effectively, the MPMU will be encouraged to promote the usage the PMT in all microfinance projects currently implemented by different organizations to include international NGOs. Therefore the Central PMU will engage actively in the MFWG to introduce the PMT.

4.5.3.3. Support Performance-based Dialogue with SBV and Donors

The VWU through its MPMU shall contribute to a more consultative dialogue with the State Bank of Vietnam and the Ministry of Finance who will jointly develop the implementing guidelines for the approved Microfinance Decree 28. The MPMU could play an important intermediating role in ensuring that practitioners are consulted, international experience is taken into account, and technical assistance is made available as needed in the development of the implementing guidelines of the Decree.

Promoting the PMT as the standard reporting tool by all providers in Vietnam can be done by the VWU once it has successfully effected the use of the PMT among its various microfinance programs. Through MPMU, it can facilitate a more coordinated approach by the microfinance practitioners in Vietnam, and promote the PMT as a joint reporting and monitoring tool for microfinance required by all donors. Lessons can be culled from its experiences in using the PMT within the VWU, and these in turn can be used in lobbying for its use among donor-funded microfinance programs in the country.

4.5.3.4. Conduct Feasibility Study on Future VWU Role in Microfinance

An in-depth Feasibility Study will be conducted at the beginning of Year 1 of Phase III to determine the mechanisms with which VBCP will divest any remaining microfinance portfolio and on the usage of the remaining credit fund at the end of ACCESS.

Consistent with the goal of achieving continuity, two options are presented: a) the VBCP fund is consolidated into a subsidiary microfinance institution as a legacy fund; or b) the existing fund is institutionalized at the provincial levels as separate funds for the poor. While these options should be seriously considered by the Feasibility Study, they should inform but not exclusively direct the subsequent process of Province-level divestiture and re-investment of the decentralized VBCP Revolving Loan Fund.

To secure the longer-term survival of the VWU as a vibrant mass organization, it is necessary that the VWU develops sustainable income-streams generated increasingly in the domestic, private market to replace project-based donor funds. The VBCP supports an institutional Strategic Business Planning Process to be initiated, managed and driven by the VWU leadership over the course of Phase III. Support under this activity could include action research, studies and TA.

4.5.4. Activities for Result 4: Efficient Project Management

A results-oriented project design is paramount to ensure effective management and dynamic implementation. When results cannot be measured, 'success' cannot be



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.

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5. PRECONDITIONS, ASSUMPTIONS, AND RISKS

5.1. Preconditions

For phase III, there are no preconditions for it to proceed. However, there are critical activities/steps that need to be accomplished during the extension of Phase II and for which budget has been allocated. These activities are important to insure that the Project III strategy and design will proceed as planned as per time frame and budget :

- Segment the current clients: this is now being done and addressed. However, efforts must be made to finalize the data by the end of the first quarter 2006;
- Training of Central PMU and national consultation on PMT: this has been addressed with the training conducted in July 2005. What remains to be done is the translation of PMT and user guide to Vietnamese and training of 17 province and commune PMUs in PMT. This must be done within the first quarter and disseminated by second quarter 2006 as per plan for Phase II Extension;
- Updating of the savings products to include the review and redesigning of manuals, systems on liquidity management, interest payments, compulsory and voluntary savings products among others – this needs to be done by the second quarter 2006;
- The design of the policies, procedures and formats for the BDS and TA Matching Grant Fund – this needs to be finalized by early second quarter 2006;
- Submission of the PIPs and Annual work plans of each province – this needs to be done soonest; and,
- Updating of overall policies, procedures, and manuals. Improvement of the manuals will be done in the extension period of Phase II and continuously updated in Phase III even as improvements in the PMT, internal audit and internal control are suggested by the consultants.

5.2. Assumptions and Risks

Overall, there are a number of risks that have been identified that may affect the Phase III Project. However, considering the experiences of the VWU and its track record of implementation and operation of many donor projects, and given the consistency and complementarity of the Project to the poverty alleviation program of the Vietnam Government, the level of identified risks are considered low. Table 2 presents the various risks for the Phase III Project and its mitigating measures.

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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| Item | Comments | Risk Level | Mitigating Measures |
|--|--|------------|--|
| Organization structure for the implementation and operation stage inadequacy | VWU is always able to deliver what it committed to accomplish | Low | With the harmonization, the Project will be weaved in the regular structure of the VWU. Moreover, additional staff and local consultants will be hired by the Project to insure smooth implementation. |
| Personnel Incentives | Budget allocation for honorarium may be removed in the light of Hanoi Core Statement | Low | The project needs to work out a mechanism for a performance-based allowance and salary for staff, which is funded by the Counter Value Fund |
| Management Deficiencies | Capacities to implement BDS and Microfinance Coordination | Low | This can be addressed by the newly recruited CTA and Microfinance Expert to beef up the capacities of VWU and PMU |
| Technical Risks | Project component and design | Low | Provision of Technical Assistance is well provided in the Project |

5.3. Sustainability

To insure the sustainability of the Project, the project management arrangements utilize the existing structure of the VWU at all levels. Specifically, the project utilizes existing staff of VWU at all levels therefore there is definitely a clear capacity building and transfer of technology. This implementation arrangement is very consistent with the Hanoi Core Statement.

In as far as the microfinance operations is concerned, the project's role clearly states that the VWU act as a facilitator and link the client to the bank which VWU is already doing. Further, for the BDS role of VWU, the Project enhances and improves the existing capacities of VWU in BDS; and, for the institutionalization of the VBCP Revolving Loan Fund of the Project, options are available to consolidate the Fund into a structure which VWU will register under Decree 28 and allow the structure to continue its microfinance operations in the project areas.

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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.

At the operational level, the Central VWU is also using its existing structures such that the VBCP is under the Family and Social Welfare Department which reinforces the existing program of the department in income generation, linking its membership to resources like banks and other social and economic services providers among others. No less than the Chief of the Department of Family and Social Welfare will continue to serve as the Project Director in the Central PMU of VBCP, having obtained valuable experiences during her management of the initial two phases of the Project. Moreover, three (3) regular staff of the department have been working full time for the Project. Likewise, the recommended new unit that will be formed under the Project, MPMU, will also utilize the existing structure of VWU at a later time. It is recommended that the unit be initially established as an independent structure but will later on be assimilated into the Department of Central Information and Data Consolidation.

At the provincial level, no less than the President and the Vice President of the province VWU serve as the manager and deputy manager of the Provincial PMU of the VBCP, respectively. All the existing staff of the Project are regular staff of the provincial women's union though most of them work part time in the Project. Likewise, the operationalization of the project at the province level is lodged under the various departments of the VWU like the Family and Social Welfare, Personnel and Administration departments. Key persons/staff are assigned.

To reinforce the system, the district is also involved in the Project as part of the monitoring structure. The District PMU is set up such that the district women's union president acts as the manager and a district women's union staff is designated by the Provincial PMUs to do back up support in monitoring and follow-up of activities of the Project especially in remote and far away areas.

At the commune level, the Project utilizes the existing structure of the commune women's union where the commune women's union president acts as the PMU's manager. In addition, two of her regular staff serve as cashier and accountant of the microfinance project.

The overall management structure of the Project reinforces and insures the alignment of the VBCP into the institutional structure of the Vietnam Women's Union at all levels. The Project utilizes the existing staff and internal departments/units of the VWU where appropriate.

6.3. Project Management Structure

The Project Steering Committee (PSC) represents the highest management level of the project. It is responsible for providing the necessary strategic guidance to all project implementers and assures that project objectives are attained on time. The PSC is the organizational, technical and financial auditor of the project. Representatives of the major stakeholders participate in the PSC. The PSC has the additional important function of maintaining linkages between the many government departments at different levels that have inputs into the project.

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;

- Review and approve the Fund “Manual of Management and Operation” (including standards for reporting and accountability);
- Approve summarised quarterly Fund implementation reports and justification of expenditure;
- Approve grant agreements and supply and works contracts if and when the total value of the Fund engagement with a single recipient exceeds 22,000 Euros as presented by the PPMU.

The composition of the PSC will include the following:

- A Representative of the State Bank of Vietnam;
- A Representative of Ministry of Planning and Investment;
- A Representative of Ministry of Finance;
- A Representative of the Government Office;
- The Vietnam Women’s Union leadership;
- The Counselor for Development Cooperation at the Belgian Embassy or his delegate;
- The Resident Representative of the Belgian Technical Cooperation (BTC) or his delegate

The PMU will provide the secretariat of the PSC. The Project Director will propose the agenda of the PSC and present the reports and budgeted work plans for approval. The financial report will provide a detailed overview of the overall state of utilization of project funds regardless of their source. As required, the PSC should convene at least every six months or as the need arises.

Other staff of the VBCP, including the Fund Manager may attend PSC meetings ex-officio as appropriate. Any member of the PSC may invite to discuss a specific issue on the agenda any one representative of any relevant institution not represented in the PSC. Decisions in the PSC are made by consensus to the extent possible. Should consensus be unreachable on a specific issue, the final decision will be taken by the Chairperson and the Resident Representative of BTC in consultation.

6.3.2. Central Project Management Unit

The Central Project Management Unit (PMU) is responsible for the day-to-day management of the VBCP as approved by the PSC, for the preparation and implementation of annual Work Plans and PIPs, and for the monitoring of progress. The PMU consolidates progress in six-monthly narrative and financial Progress Reports to be presented to the PSC.

The Central PMU should take on a back-stopping function, facilitating implementation, coordination and linkages among the 17 VBCP Province PMUs. This will allow for a

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,

donors, BDS/training providers, and other relevant international microfinance organizations.

The key functions of the MPMU shall include:

- Establish database and communications systems to process data;
- Train and support all VWU microfinance management units in PMT reporting;
- Train and support VBCP staff and other VWU microfinance program staff at Province level in PMT reporting;
- Compile and consolidate quarterly PMT reports from VWU management units (including VBCP Central PMU and TYM), as well as other VWU microfinance programs supported by other NGOs;
- Present and discuss consolidated data and VWU outreach mapping with MFWG members, donors, SBV.
- Conduct periodic socioeconomic impact evaluation of VWU microfinance projects/programs.
- Initiate the reflexion on SPM and pilot the construction of the system in a complementary way to the financial tools; and

Once the MPMU has effected the successful use of the PMT and is able to draw lessons from the SPM within the VWU microfinance programs, it will cull lessons learned and may engage in the widespread dissemination of both tools among the other microfinance players outside the VWU.

As this Unit will be funded from ACCESS, it will report to the ACCESS Project Steering Committee through the Central PMU Project Director and the CTA, but it will implement its activities independently of the central PMU, assisted by an externally recruited, technically competent consultant.

6.3.4. Provincial Project Management Unit

The Provincial PMUs shall become the key implementing entities for the project activities. They have the experience, and seem generally well-positioned to manage the results-based project execution, the linkages and the coordination functions with Communes and ACCESS groups as well as with other VWU wide microfinance projects, financial and non-financial service providers within their geographical areas. Guided by annual work plans and budgets with clear performance targets and measurable indicators, and a coherent performance reporting tool, Province PMUs should be able to assume full, decentralized implementation responsibility delegated from the Central PMU.

It is recommended that the Province PMUs organize or formalize regular (e.g. quarterly) 'Project Implementation Review Meetings' with Commune PMU managers to discuss progress based on each Quarterly Progress Report submitted. Minutes of these meetings should be documented, and a copy of the minutes sent to the Central PMU. To encourage further provincial coordination, representatives from District

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.

6.4. Financial Mechanism

Regardless of the source of funds, all financial resources of the project will be managed transparently and reported on in accordance with the fundamentals of joint partnership. The disbursement and utilization of project funds is approved by the PSC based on six-monthly budgeted Project Implementation Plans submitted by the Central PMU.

6.4.1. The Vietnamese Government Contribution.

The Vietnamese Government will bear the salaries of the regular Vietnamese personnel involved in the Project, will provide appropriate infrastructure and cover the cost of operation and maintenance of the office infrastructure and equipment. As part of its contribution the Vietnamese Government will exempt all goods, equipment and services purchased for the project from all custom duties and taxation.

6.4.2. The Belgian Contribution.

With the exception of the remuneration of the International Chief Technical Advisor and Microfinance Expert and the costs for the formulation, the procurement of works, goods and services using the Belgian contribution will be governed by the Vietnamese Law on Public Procurement. The responsibility to assign contracts will be the joint responsibility of the central PMU and BTC.

The budget for the two international experts will be managed directly by the BTC in line with standard BTC's human resources policies.

Two bank accounts shall be opened for the Belgian contribution at a Vietnamese commercial bank: One is for the operating costs and the other one for the "Business Development Services and Capacity Building Matching Grant Fund". These accounts will be replenished by BTC Brussels in quarterly installments based on the provisions made in the approved PIPs. The accounts shall operate by dual signature of both the Vietnamese Project Director and the BTC Resident Representative or his delegate. Detailed management modalities of the Fund are provided in the attachment to this document. The legibility criteria for subsidies, application & disbursement procedures, accounting and performance monitoring policies of the fund will be further developed at the beginning of the project.

At the beginning of the project the Central PMU will draft a manual on the financial regulations for use of operational funds. The manual of operation will be submitted for approval of the PSC. The Central PMU shall monitor and supervise all the payments at Province, District and Commune PMUs. All contracts, invoices and payments must be endorsed in writing by the Vietnamese Project Director and the International Chief Technical Advisor. Any single expenditure above 12,500 Euro must have a prior approval by the BTC Resident Representative. The cost norms used by the project must at all times conform with the EU Guidelines for financing of local costs in developing cooperation with Vietnam.

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

proposals from the Review Workshops to revise and update the overall project Logical Framework; and,

- This Quarterly Report should also include a request for disbursement of funding for the subsequent year for approval by the PSC, pending satisfactory progress.

By the third quarter of Year II of Phase III at the latest, an external Mid-term Review shall assess the project progress against the targets set, and recommend on any adjustments of the project structure, systems and implementation necessary to facilitate the attainment of the targets as set for the Project. With its mission to contribute to the poverty alleviation efforts in Vietnam, the project monitoring and evaluation, shall not be limited to financial performance only but also assess social performance.

At the end of Phase III, a final, external Project Evaluation shall assess the overall achievements and impact of the Project, focusing on the degree to which the Purpose has been achieved, and the contribution made to the overall Goal of poverty reduction. In the Provinces, the Evaluation should assess the extent to which the clients have been linked to sustainable financial service providers and are accessing non financial services and in particular BDS as per their demand. At the Central level, the Evaluation shall assess the level of coordination and institutionalization of best practices within the VWU microfinance programs/projects and the sustainability of the business plan for the Vietnamese Women's Unions future operations.

6.5.2. Reporting

The Central PMU will ensure that the reports, plans and documents indicated below are produced in accordance with applicable requirements and formats. The reports, plans and documents will be submitted to the PSC for approval.

Progress Reports will be prepared by the Central PMU every six months. The reports must contain at least the following chapters:

- Progress review of the achievement of the outputs and activities monitored against the technical and financial file and the work plans approved at the previous PSC meeting. Constraints and delays will be analyzed and proposals given for solving the problems identified;
- Presentation of financial reports on the use of Belgian, Vietnamese and Counter-Value Fund contributions during the reporting period;
- Presentation of work plan for the next reporting period and corresponding financial allocations; and,
- Any important issue that the PSC needs to resolve.

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.

7. RESOURCES

7.1. Human Resources

The human resources which shall be employed in the Project will be as follows:

Project management and administration during the implementation phase will be done by the staff of the existing Central, Provincial, District and Commune PMUs who are regular staff and officials of the VWU. They have the experience and capabilities to handle the Phase III of the Project.

Consultants, both local and international, will be recruited to provide the technical assistance and expertise to the Project in order to build the capacities of the VWU at all levels.

The Central PMU will be headed by the Vietnamese Project Director from the VWU. A full time international CTA will be recruited to support the Central PMU in management, financial, and technical aspects of the Project. The CTA, to be based in Vietnam, shall have extensive experience in ODA within the field of microfinance, business development services and rural development. The CTA will be assisted by local national experts and a full time international microfinance expert for a period of 15 months for setting up the MPMU, a new unit envisioned to coordinate all the microfinance programs of VWU. Details of the TOR for the CTA, the Microfinance Expert, and the Vietnamese Project Director are attached as Annex 4.

7.2. Material Resources

All materials and services required for the implementation of the Project will be procured in accordance with the Vietnamese Regulations on Public Procurement.

7.3. Financial Resources

Project ACCESS will commence in January 2007 and end in June 2010. The total budget is 3,901,730 Euro, of which Belgian Government funds will be 3,000,000 Euro.

The VWU will contribute 670,866 Euro. The remaining 230,864 Euro will be from the Counter Value Fund.

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 | |
| Total Project Cost | 783,141 | 2,216,859 | 230,864 | 670,866 | 3,901,730 |
| Result 1 | 0 | 270,730 | 60,480 | 0 | 331,210 |
| 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 |
| Result 2 | 0 | 642,080 | 19,440 | 0 | 661,520 |
| 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 |
| Result 3 | 0 | 247,250 | 0 | 0 | 247,250 |
| 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 |
| Result 4 | 0 | 51,400 | 0 | 0 | 51,400 |
| 4.1 Annual Work Plan | | 30,400 | | | 30,400 |
| 4.2 Update Procedures & Manuals | | 21,000 | | | 21,000 |
| General Means | 783,141 | 1,005,399 | 150,944 | 670,866 | 2,610,350 |

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

8. LOGICAL FRAMEWORK OF THE PROJECT

| Narrative Summary | | Verifiable Indicators | Means of Verification | Assumptions |
|--|--|--|--|-------------|
| <p>Goal: To contribute to the reduction of the incidence of poverty in Vietnam</p> <p>Purpose: By 2010, at least 100,000 economically active poor households in the target provinces of Vietnam have access to high-quality and diversified financial and business development services, provided by coordinated and market-responsive providers following good practices for sustainable service delivery.</p> <p>Result 1: By 2010, 50,000 of poor women in the targeted Provinces have access to diversified financial services provided by regulated financial institutions.</p> <p>Result 2: By 2010, 50,000 of poor women in the targeted Provinces have access to demand-driven training and business development services provided by public and private suppliers.</p> <p>Result 3: By 2010, VWU has a consolidated Good Practice-based VWU-wide microfinance reports reliable performance data, and VWU has determined its future role in microfinance.</p> | <p>The percentage of Incidence of Poverty is reduced</p> <ul style="list-style-type: none"> Outreach to poor clients by VBCP reporting reliable data increased. BDS providers meet min. 80% of the documented demand of solidarity groups of poor clients. <p>No. women accessing services from regulated financial institutions in the targeted provinces increased by minimum of 25% per annum.</p> <p>No. women accessing training and BDS services in the targeted Provinces increased by min. 30% p.a.</p> <ul style="list-style-type: none"> VWU wide microfinance projects have adopted and use a standardized performance reporting format by end of project A 3-5 year Strategic Business Plan for the VWU is adopted by VWU leadership by end of project | <p>Mapping by Interministerial Task Force</p> <p>VBCP Progress microfinance reports</p> <p>Annual reports from VWU various Microfinance Projects</p> <p>VBCP Progress reports, Needs assessments & Directorates</p> <p>Consolidated Province PMT reports</p> <p>Annual reports from banks</p> <p>VBCP Progress Reports</p> <p>Reports available from MFMU</p> <p>Strategic Business Plan</p> | <p>Continued high and equitable economic growth, supported by a stable and conducive economic and political environment</p> <p>Legal framework for MFIs in place. Distortions in the MF market reduced. Free BDS market allowed to develop.</p> <p>VWU will not be made a new political lending vehicle.</p> <p>New regulations are conducive to MF growth.</p> <p>Banks continue to expand outreach based on the Framework Agreements with the MOs in targeted provinces</p> <p>BDS markets expand and develop in the targeted provinces, with support of GovN and other donors.</p> <p>MF stakeholders implementing microfinance within VWU agree on coordinating activities, and accept common format.</p> <p>Decision-making and authority is delegated to technically competent management units in VWU</p> | |

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

| Narrative Summary | Verifiable Indicators | Means of Verification | Assumptions |
|---|---|---|--|
| <p>Result 4: 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"> ▪ Targets set in Annual Plans are met. ▪ Progress reports and financial accountabilities are accurate and on time. ▪ Appropriate exit strategies are developed, adopted and executed before the end of Phase III. | <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 |
|---|--|--|---|-------------|
| 1.1 Continue Segmenting the Current Clientele | Total number of VBCP groups Total number of members in VBCP groups # VBCP group members with Poor Household Certificate # VBCP group members with priority Residency Certificates Number of groups formed in ethnic minority communities Annually revised client segmentation available | Baseline Segmentation Report | TA support already provided before Phase III | |
| 1.2 Update the Savings Product | Number of VBCP group members with passbooks # VBCP members with voluntary savings Interest rate and interest paid to clients on savings Value and usage of Members Mutual Fund | Revised Segmentation Reports Passbooks, Progress Reports PMT portfolio Report, MB | TA support already given before Project Phase III | |
| 1.3 Continuously Link Resourceful clients to Banks | # clients by category taking first and subsequent bank loans # clients with external loans withdrawing savings from VBCP as % of total drop-out % total savings mobilized in VBCP and bank custody Deposit reserve ratio | VBCP Progress Reports PMT Reports | Timely TA support | |
| 1.4 Provide 'Incubation Loans' to Poor clients | Value and number of VBCP loans disbursed # clients by category taking first and subsequent VBCP loans Number clients and value of outstanding VBCP loans | PMT Reports | Timely Audits are contracted Banks accept new clients from VBCP. | |
| 1.5 Compile and Report VBCP Performance Data | % portfolio financed by compulsory and voluntary savings Average loan term (in months) Drop-out rate by category | PMT User Guide, Training Reports PMT/MB Reports regularly Consolidated PMT report regularly Quarterly PMT Reports; Narrative Progress reports ; Progress Reports | | |
| 1.6 Compile and Report VWU Province Microfinance Data | PMT monthly reports tally with MB in all Province PMUs Quarterly Prov. PMT reports consolidated at Central PMU Timely quarterly reporting by all VBCP in the PMT; Narrative quarterly reports analyze results % microfinance projects by Province using PMT format; # Prov. VWUs reporting performance in PMT format. | Progress Reports TA reports by July 2009 17 proposals received by August 2009 PCS meeting minutes by September 2009 VBCP progress Report, Fourth quarter 2009. VBCP Phase III Evaluation Report | Timely TA is contracted. | |

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 Prov. PMUs submit proposals for investment of Loan Fund Proposals approval by Project Steering Committee # Prov. PMUs divesting portfolio to sustainable MF providers # Prov. PMUs investing VBOP Revolving Loan Fund | | |

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

| Main Activities for Result 2. | | Verifiable Indicators | Means of Verification | Assumptions |
|---|--|---|--|-------------|
| 2.1 Conduct Needs Assessments to Determine Demand | <ul style="list-style-type: none"> # VBCP staff consulted on design of the Assessment format # clients responding to the Needs Assessment by year Draft baseline assessment circulated within 17 Provinces Consolidated Assessment disseminated by HO Annually updated Assessments done | <ul style="list-style-type: none"> TA/PMU Progress Reports Assessment Report Prov. PMU Progress Reports All Prov. VWU have Assessment Updated Assessments | <ul style="list-style-type: none"> Good cooperation with local government officials and extension agencies continues. | |
| 2.2 Compile and Distribute Training and BDS Directory | <ul style="list-style-type: none"> Standardized registration format for Service Providers # Prov. PMUs publishing Directory per year # BDS service providers in Province Directories per year # Directories produced and sold # Non-VBCP Prov. VWUs replicating & producing Directories | <ul style="list-style-type: none"> Registration Format Directories Prov. PMU Progress Reports Central PMU Progress Reports | <ul style="list-style-type: none"> Timely TA is contracted | |
| 2.3 Develop Strategic Linkages with BDS providers | <ul style="list-style-type: none"> # groups/centers/members trained/receiving BDS per year # providers in Directory contracted by VBCP per year; # Agreements signed by PMUs with providers per year; # trainings/BDS events evaluated by number of participants; Average participant evaluation score of contracted providers; | <ul style="list-style-type: none"> Prov. PMU Progress Reports Agreements for service provision | <ul style="list-style-type: none"> Timely and sufficient TA is contracted | |
| 2.4 Monitor, Evaluate and Report Performance | <ul style="list-style-type: none"> % demand per Assessment which can be met by supply (as per Directory) per year % demand actually met per year # Prov. PMUs/stakeholders receiving quarterly reports Timely response by HO to requests for assistance | <ul style="list-style-type: none"> Prov. PMU Progress Reports Participant Evaluation Forms/Directories | <ul style="list-style-type: none"> Timely and sufficient TA is contracted | |

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

| 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 per year % 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> | |

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

| Main Activities for Result 3: | Verifiable Indicators | Means of Verification | Assumptions |
|--|--|---|---|
| 3.1 Consolidate VBCP Performance Reporting | Quarterly PMT reports consolidated by HO during Phase III Quarterly PMT reports submitted to PSC starting third quarter Reports include VBCP Outreach Map starting third quarter | Quarterly consolidated reports PSC in receipt of Quarterly Reports Map included in Quarterly Reports | Timely TA is contracted. |
| 3.2 Establish MPMU to Consolidate and Support Reporting with Microfinance Project Performance | VWU MF Performance Monitoring Unit (MPMU) established All VWU HO microfinance managers trained in PMT (Adjusted) PMT format adopted for all VWU HO Central level MF units records accounts monthly in the PMT VWU MPMU submits quarterly consolidated PMT reports to VWU leadership, donors, and Project Steering Committees MPMU Quarterly MF Outreach and Performance Report disseminated | MPMUnit established at VWU Training reports PMT reports available TYM, VBCP etc. report in PMT Overall MF performance reports available MPMU quarterly Progress Report MPMU quarterly PMT report MPMU Progress Reports | VWU leadership ensures full cooperation from all VWU units, departments and projects. VWU at all levels commit to PMT format adapted to Vietnam. |
| 3.4 Support Performance-based Dialogue for Enabling Environment | # consultations with SBV and GoVN on the Decree and Regulations called or attended by the MPMU List of issues presented by microfinance projects to SBV # consultations with MF donors called/attended by the MPMU # donors adopting the PMT as required Reporting Format | Agendas and minutes of meetings Minutes of meetings, Draft Regs. MPMU Progress Reports Logos on PMT for Vietnam | Main industry stakeholders agree on a suitable forum for dialogue. |
| 3.5 Conduct Feasibility Study for Future VWU Role in Microfinance and support Strategic Business Planning Process in VWU | TOR for MF Feasibility Study consulted and agreed Feasibility Study conducted and conclusions approved Feasibility Study disseminated to all VBCP Province PMUs (and other Province VWUs) | Final TOR by 09/2007 Approved Study by 12/2007 Feasibility Study received by Prov. PMUs Action Plan adopted by VWU leadership PSC agenda/minutes | Timely and well qualified TA contracted. VWU leadership committed to Business Planning Process and takes the lead. |

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

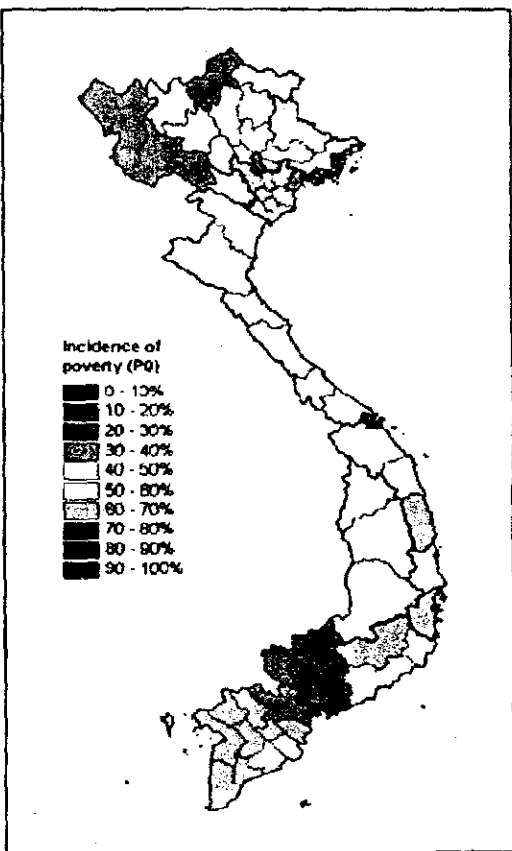
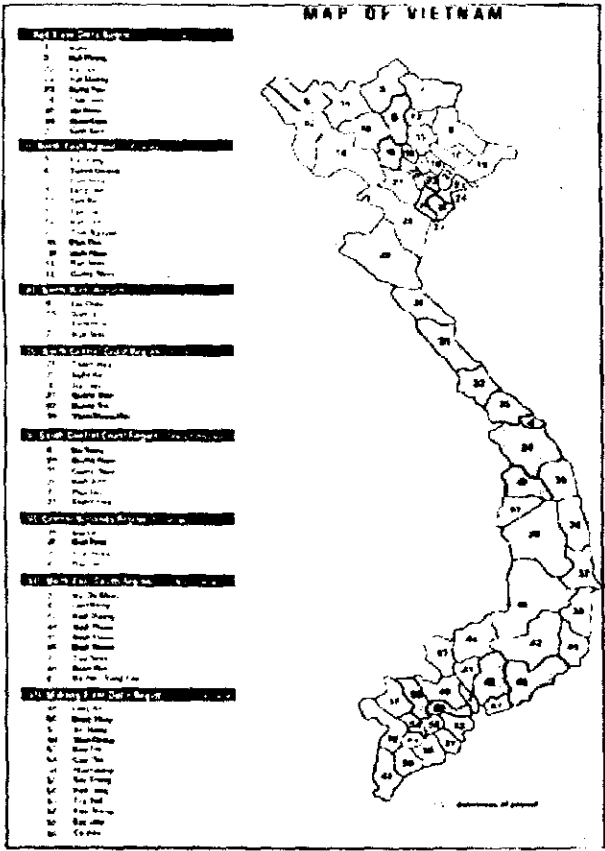
| Main Activities for Result 4: | | Verifiable Indicators | Means of Verification | Assumptions |
|---|--|---|--|-------------|
| 4.1 Produce Annual Work Plans w/ franchised budgets to be released based on performance | Annual Project Work Plans w/ targets and budget submitted for PSC approval each December Annual Implementation Plans with budgets and targets submitted by 17 Prov. PMUs to Central PMU | Minutes of PSC meetings approving release of annual disbursements Province PIPs | Timely and sufficient TA is contracted | |
| 4.2 Update Policies, Procedures, Manuals | Central PMU accounts recorded in MB general ledger VBCP Phase II audited before June 2006 Revised Management and Operational Manuals include financial management policies and procedures, and 05 Central and Prov. PMUs accounts in PMT (and MB) financial statements by second quarter, 2006 | MB print-outs Audit report Manuals available in provinces by second quarter, 2006 Reports include HO accounts by quarter 2, 2006 Narrative/Financial (PMT) reports Central PMU Financial progress report | Timely and sufficient TA is contracted | |
| 4.3 Implement and Monitor Project Progress | All Prov. PMUs report quarterly against targets end of third quarter, 2006 Central PMU releases annual budgets based on performance PSC receives consolidated quarterly reports from HO PSC approves release of annual budget to Central PMU Regular ACCESS TWG meeting Annual VBCP workshops held to review/revise LFA Mid-term Review and Final Evaluation contracted on time Annual project and Credit Fund audits conducted Expenses diverge max. 10% from budget lines | Minutes of PSC meetings Reports from workshops Minutes of TWG meetings Contracts and reports Audit reports Financial Progress Report | | |

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Annex 1. Project coverage

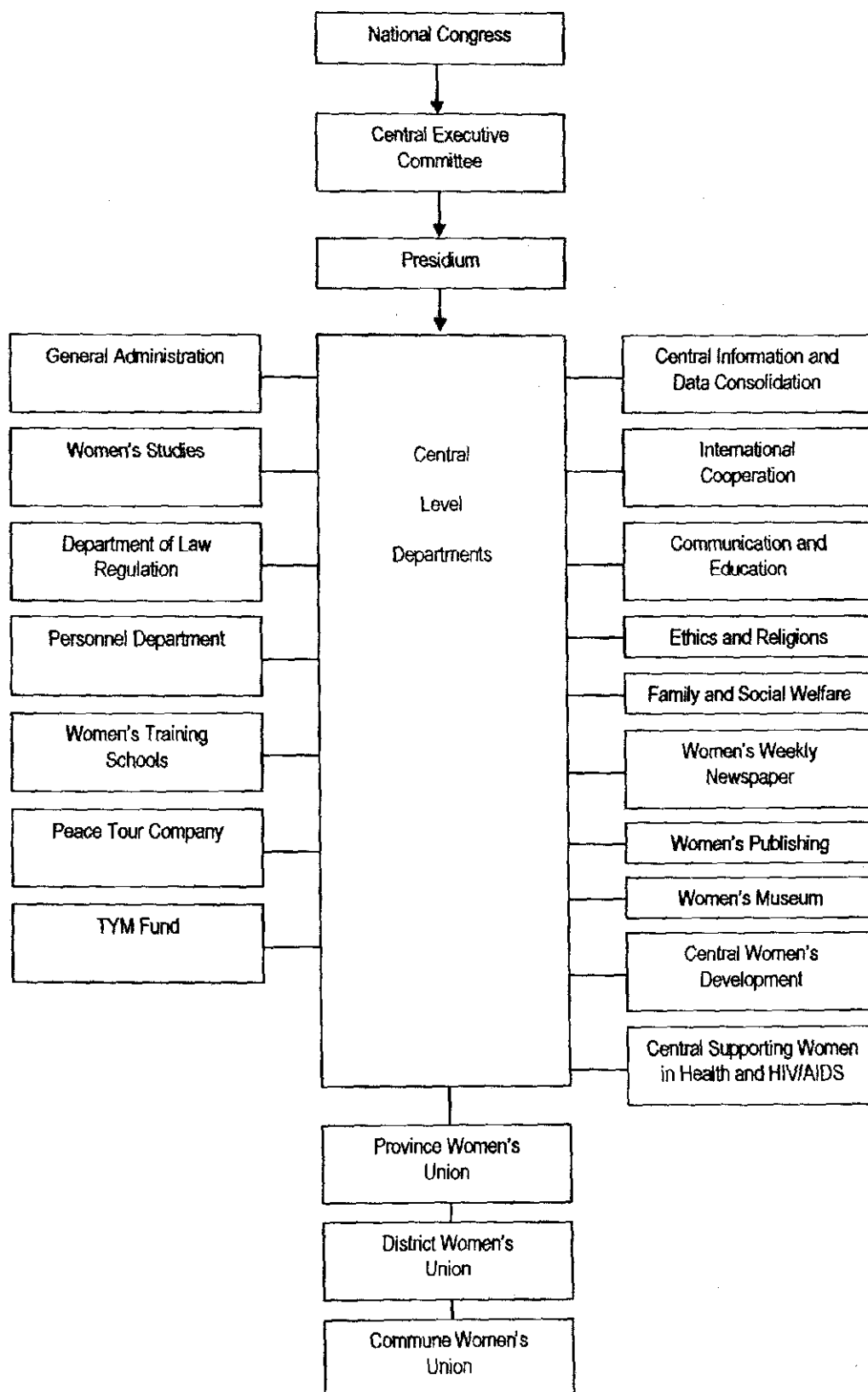
PROJECT COVERAGE



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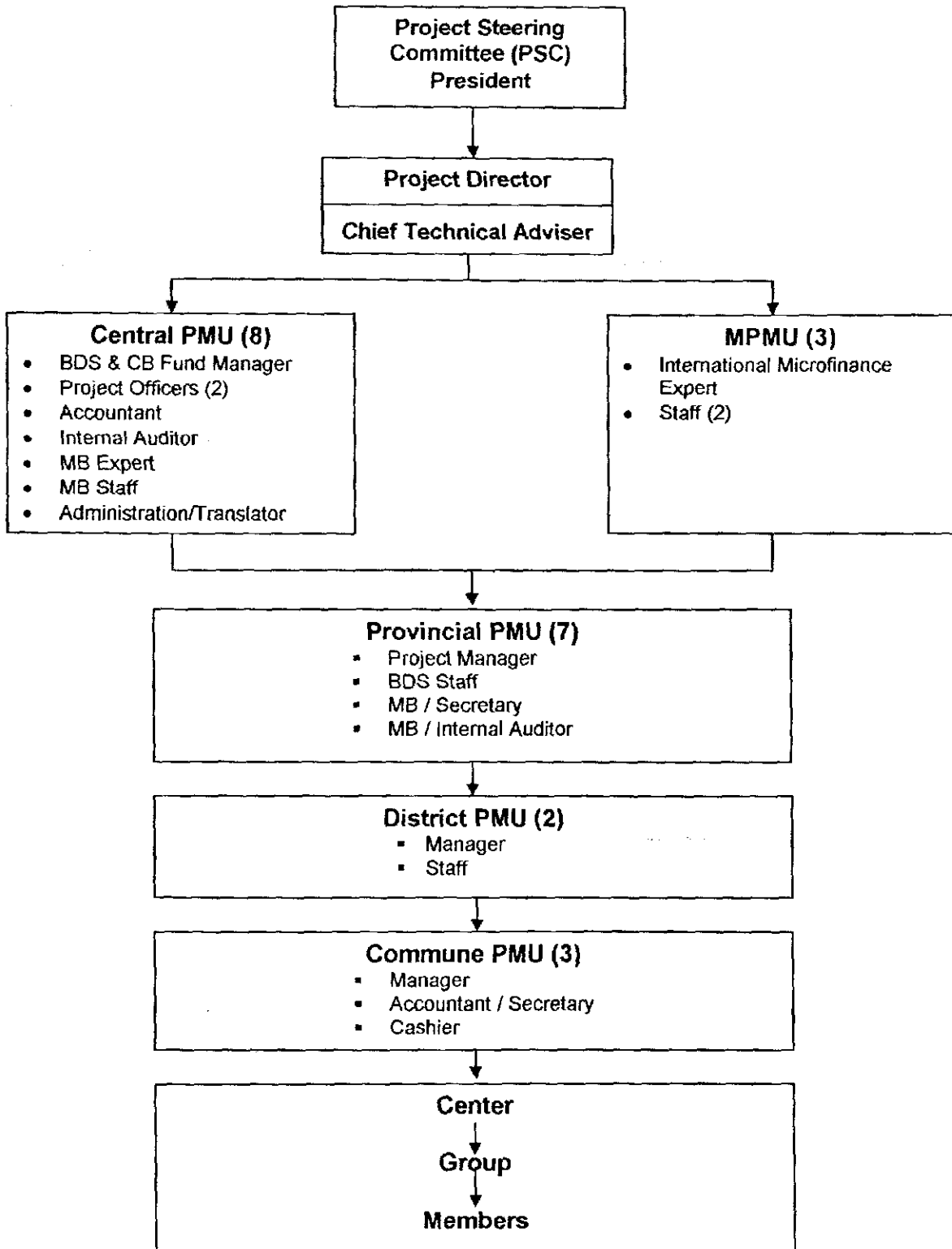
Annex 2. VWU Organigram



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Annex 3. Project ACCESS Organigram



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Annex 4. Terms of References for Key positions

International Chief Technical Adviser (42 person-months)

The International Chief Adviser (CTA) will be engaged for a period of 42 months. The CTA should be a rural development practitioner for at least 15 years with experiences in microfinance, business development services (BDS), project management, ODA, and with very strong interpersonal and communication skills, both in written and spoken English. Further, the CTA should have at least 5 years international experience in residence in an emerging socialist market-oriented country in Asia preferably in Vietnam. The CTA has the ability to interact positively with governments and international organizations and will work very closely with the leadership of VWU and with members of the PMU, particularly the Vietnamese Project Director. For the BTC, the CTA will be ultimately responsible for the monitoring and implementation of the project activities.

In close collaboration with the Vietnamese Project Director, the International Chief Technical Adviser will:

- Provide technical advise and support to the PMU for the smooth implementation of the Project;
- Provide strategic direction and advise to the Project;
- Support the planning activities of the Project and the Provincial PIPs: workplans, reports and follow-up of the recommendations of the Steering Committee;
- Support the judicious management of the resources of the Project;
- Support the monitoring of the project implementation focusing on the results-based and performance monitoring indicators;
- Prepare detailed plans for supervision and monitoring of project activities during the project implementation;
- Identify bottlenecks, problem areas, and policy issues relating to project implementation and take remedial action;
- Provide technical advise on Business Development Service
- Develop TORs of international and local TA required by the Project;
- Provide direction and technical advise to the MPMU in the field of microfinance and bank linkage facilitation;
- Support the organization of the training of the local VWU staff at all levels consistent to the design and strategy of the Project in the areas of microfinance, linking bank, business development services, PMT, and MB, among others;
- Ensure the inter-institutional agreements regarding the ACCESS Project are executed on time;
- Provide technical advise for the project activities of assessments and costing, framework design and elaboration of operational strategies;
- Attend and participate in the PSC, TWG, and PMU meetings, workshop and consultations;
- Control the funds of the Belgian Government Contribution; and,
- Prepare the final report of the Project.

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.

Vietnamese Project Director (42 person-months part-time)

The Central Project Management Unit will be headed by a Vietnamese Project Director (VPD) assisted by an International Chief Technical Adviser and an International Microfinance Expert.

The Chief of the Family and Social Welfare Department of WWU will serve as the Vietnamese Project Director. As per Project design and strategy, she will work with multiple levels within and outside the Project, including top management (Central WWU/PMU), Provincial, District and Commune PMUs, CTA, MPMU, BTC, MFWG and other relevant government, international and local organizations. She will have full responsibility for planning, directing, executing, controlling and managing the project, ensuring that that project activities are completed according to plans and within budgetary constraints.

Specifically, he/she will:

- Ensure the smooth implementation of the Project activities to include the microfinance program, Business Development Service, and linking clients to banks;
- Supervise administration of the Project;
- Coordinate and supervise Central PPMU staff activities at all levels;
- Manage the budget and ensure internal controls are in place;
- Develop TOR for international and national experts.
- Ensure inter-institutional agreements are executed on time;
- Evaluate periodically with the CTA and the Microfinance Expert the Project's progress towards its goals and objectives, identify bottlenecks and implement remedial action;
- Evaluate periodically the financial performance of the Project vis-à-vis planned activities; Represent the Project legally in all institutional actions, in Hanoi and in the provinces, ie contracting services, purchases, among others;
- Ensures the timely and complete submission of Provincial PIPs, PMTs, and other reports regularly to the Central PMU;
- Participate with donors and WWU in decisionmaking that will affect the organizational structure of ACCESS and the growth of the microfinance program;
- Coordinate with external TAs in designing evaluation systems to measure progress and impact; and
- Prepare reports to the Steering Committee and head its Secretariat.

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

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providers in a timely manner, and will budget, monitor, evaluate and account for these Contracts to the Fund.

- **Monitoring impact on Grantees and overall trends:** The Fund manager will monitor the Grantees to ensure that they use the grants for the rightful purpose, and to continually assess the impact of the grants on the recipient customers/clients in close coordination with the Province PMUs through a system of customer evaluations, client needs assessments and supplier registration as outlined in the VCBP Project Document, Result 2.
- **Accounting and Financial Reporting:** The Fund manager will implement a suitable accounting and reporting system in line with the overall reporting system for the VBCP that will at all times give true and accurate real time information. All fund receipts, disbursements, petty and other office expenses and other transactions will be promptly and fully accounted for. In addition, the Fund Manager will produce quarterly financial reports and accounts in an efficient, timely and accurate way. Such reports will be submitted to the VBCP Director, the PSC, and to all persons and institutions that the PSC directs the Fund Manager to.
- **Fund Operational reporting:** In addition to the financial reporting, the Fund Manager will submit true and accurate quarterly reports in the VBCP format on the operations, achievements, progress, challenges and all the other related aspects of the Fund. The Fund manager will be fully responsible for the production and distribution of these reports, and for accuracy of all the contents thereof.
- **Strategic liaisons:** The Fund Manager will liaise with stakeholders, in relevant aspects, on behalf of the VBCP, in particular with Province PMUs, providers and suppliers of BDS and capacity building services, clients and the VWU in order to ensure that the goal, objectives and facilities of the Fund are well understood and easily accessible.
- **Input during the exit or transitional stage:** During Year 3 of operation, the Fund Manager will develop an exit or transition strategy, and provide all the documentation (information, assets, analyses etc.) necessary for facilitating a smooth execution of the closure of the Fund or its transition to separate management.

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;

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- Apply the accounting procedures and policies set down by some Government organizations involved in the Project;
- Define the Project's own 'Accounting policies';
- In charge of receipts and handle cash and ensure that all payments are supported by payment vouchers;
- Ensure that Payment vouchers are properly supported by adequate documentation and/or explanations. This documentation may include: local purchase orders, quotations, invoices, receipts, etc.;
- Ensure that all payments are properly allocated to the correct account;
- Ensure that payments are only authorized if they fall within the guidelines set by the budget;
- Prepare all bank transactions and bank reconciliations including the financial management of the Credit Revolving Fund and BDF TA Fund;
- Control all transfers between accounts and General Ledger;
- Keep all cash books for bank and cash transactions;
- Keep up to date all postings of amounts from the cash books to the provinces (Branches);
- Control the Trial Balance and the Balance Sheet generated by the MicroBanker system;
- Present regular financial reports to the senior management;
- Keep security copies of accounting files in a safe place;
- Maintain a Fixed assets register and calculate their depreciation;
- Prepare summarized annual accounts for interested parties;
- Apply the accounting requirements for all kinds expenditures;
- Provide training on accounting to the provincial PMU staff and guidelines for the commune PMU staff in order to improve financial management and enable them to keep records as required;
- Control that any advances to the provinces (eg. transport costs) are only granted after old ones have been settled; and,
- Control the rates of exchange used by the Project are in accordance with prevailing market rates and properly calculated.

Internal Auditor

- General function of reviewing the accounting and financial operations of the Project to verify the authenticity, precision, and agreement with established policies and procedures;
- Perform detailed auditing of revenues and expenditures in the branches;
- Confirm by a report the accounting records for loans made, verify authorization of transactions;
- Visit branch and commune offices to detect fraud and inconsistencies, and the use of adequate documents;
- Verify implementation and effectiveness of the policies and procedures for making loans
- Review bank reconciliations;
- Oversee compliance with the Vietnamese laws and regulations;

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- 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.

Microfinance Staff

- The general function is to assist the Microfinance International Expert in the implementation of his/her major activities;
- Assist the expert in coordinating VWU's microfinance program in terms of consolidating and standardizing the PMT reports and other reportorial requirements of the Project;
- Assist in the training of Local PMUs in PMT;
- In charge of translating documents/manuals of the MPMU;
- Assist in the Project in the negotiation of the Framework Agreement between VWU and banks to support Project goals and objectives;
- Participate in the regular evaluation, review meeting, and quarterly assessment of the Project and to make necessary recommendations;
- Conduct regular field visit to the local PMUs and follow-up agreed upon activities in line with Project Activities; and,
- Assist expert in technical report and training for VW

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Annex 6. Financial Contributions from VWU and Counter Value Fund

| Vietnam's Contribution in Euro | | Year 1 2007 | Year 2 2008 | Year 3 2009 | Year 4 2010 | Total | By Resources VWU | CVF |
|---|--|----------------|----------------|----------------|----------------|---------------|---------------------|---------------|
| Result 1 | | | | | | | | |
| Access to Financial Services | | | | | | | | |
| <i>Training Sessions for Center Groups</i> | | | | | | | | |
| <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 | | | |
| | | | | | | 13,680 | | |
| <i>Training of Center/Group Staff in Management Skills</i> | | | | | | | | |
| <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 | | | |
| | | | | | | 13,680 | | |
| <i>Training for Incubation Loan</i> | | | | | | | | |
| <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 | | | |
| | | | | | | 16,560 | | |
| <i>Training for Bank Facilitation</i> | | | | | | | | |
| <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 | | | |
| | | | | | | 16,560 | | |
| Total Intermediate Result 1 | | 15,120 | 15,120 | 15,120 | 15,120 | 60,480 | 0 | 60,480 |

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

| Vietnam Contribution in Euro | Year 1 2007 | Year 2 2008 | Year 3 2009 | Year 4 2010 | Total | By Resource |
|------------------------------|----------------|----------------|----------------|----------------|-------|-------------|
| | | | | | | 1110 017 |

RESULT 2

Access to Non-Financial Services

Training for BDS/Microenterprises

Training in BDS/Microenterprises: 90 courses x 3 days/course; 200 com, X 7 centers x 2 pers/center; 30 pers/course

| | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|---------------|
| | 2,700 | 2,700 | 2,700 | 2,700 | 19,440 | 19,440 |
| - Organizational cost: 30 Euro/course | 2,160 | 2,160 | 2,160 | 2,160 | | |
| - Fee for 2 lecturers x 4 Euro x 270 days | | | | | | |
| Total Intermediate Result 2 | 4,860 | 4,860 | 4,860 | 4,860 | 19,440 | 19,440 |

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

| | | | | | |
|-------------------------------------|-------|-------|-------|-----|--|
| - Specialized Publication, Document | 1,000 | 1,000 | 1,000 | 500 | |
| - Tea-Break for Meeting | 500 | 500 | 500 | 300 | |
| - Office Equipment Maintenance | 1,000 | 1,000 | 1,000 | 500 | |

| | | | | | |
|--|-------|-------|-------|-------|--------|
| <i>Operating costs vehicles</i> | | | | | 28,500 |
| - Vehicles and Motorbikes Maintenance | 2,000 | 2,000 | 2,000 | 1,000 | |
| - Insurance Costs for Motorbikes, Vehicles, Tax Fees | 3,000 | 500 | 500 | 500 | |
| - Petrol Costs for Motorbikes and Vehicles | 5,000 | 5,000 | 5,000 | 2,000 | |

| | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Sub-Total for Head Office | 27,100 | 24,600 | 24,600 | 12,400 | 16,800 | 71,900 |
| Total Intermediate for Result 4 | 236,560 | 234,060 | 234,060 | 117,130 | 670,866 | 150,944 |
| TOTAL CONTRIBUTIONS FROM WU & CVF | 256,540 | 254,040 | 254,040 | 137,110 | 670,866 | 230,864 |

Annex 7. Financial Contributions from Belgian Government

| Belgian Contribution in Euro | | Year 1 | Year 2 | Year 3 | Year 4 | TOTAL |
|--------------------------------------|---|---------------|---------------|---------------|---------------|----------------|
| | | 2007 | 2008 | 2009 | 2010 | |
| RESULT 1 | | | | | | |
| Access to Financial Services | | | | | | |
| 1.1 | Segment the Current Clientele | 2,500 | 4,500 | 4,500 | 2,000 | 13,500 |
| | 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 |
| 1.2 | Update Savings Products | 30,555 | 11,000 | 11,000 | 500 | 63,055 |
| | 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 |
| 1.3 | Continuously Link Resourceful Clients to Banks | 5,200 | 2,000 | 750 | - | 7,950 |
| | 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 |
| 1.4 | Provide 'Incubation Loans' to Poor Clients | 26,555 | 24,305 | 3,500 | - | 54,360 |
| | 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 |
| 1.5 | Compile and Report VBCP Performance Data | 13,090 | 13,090 | | | 26,180 |
| | Refresher Training in PMT | 13,090 | 13,090 | | | 26,180 |
| 1.6 | Compile and Report VWU Microfinance Data | 21,165 | 23,665 | 30,665 | 12,000 | 87,495 |
| | 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 |
| 1.7 | Develop Existing Strategy for Use of Loan Fund | - | - | 28,190 | - | 28,190 |
| | 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 |
| Total Intermediate Result 1 : | | 99,065 | 78,560 | 78,605 | 14,500 | 270,730 |

| Belgian Contribution in Euro | Year 1 | Year 2 | Year 3 | Year 4 | TOTAL |
|------------------------------|--------|--------|--------|--------|-------|
| | 2007 | 2008 | 2009 | 2010 | |

| RESULT 2 | | | | | | |
|---|--|----------------|----------------|----------------|----------------|----------------|
| Access to Non-Financial Services | | | | | | |
| 2.1 | Training and BDS Service Need Assessment | 4,500 | 6,000 | 6,000 | 1,500 | 18,000 |
| | Update assessment annually | 2,000 | 3,500 | 3,500 | 1,500 | 10,500 |
| | Reproduce and disseminate updated assessment | 2,500 | 2,500 | 2,500 | | 7,500 |
| 2.2 | Compile and Distribute Training and BDS Directory | 5,500 | 3,500 | 3,500 | - | 12,500 |
| | Disseminate of format and assessment to providers by Province PMU | 500 | 500 | 500 | | 1,500 |
| | TA to develop registration format for BDS | 2,000 | | | | 2,000 |
| | Compilation reproduction and dissemination of BDS directories by 17 provinces | 1,000 | | | | 1,000 |
| | Compilation reproduction and dissemination of BDS directories by central PMU | 2,000 | | | | 2,000 |
| | Update reproduction and dissemination of annual BDS directories | | 3,000 | 3,000 | | 6,000 |
| 2.3 | Develop Strategic Linkages with BDS Providers | 10,000 | 16,000 | 8,500 | 5,500 | 40,000 |
| | Demand-supply linkage activities in provinces | 5,000 | 8,500 | 4,500 | 3,000 | 21,000 |
| | Contracting local BDS service providers | 5,000 | 7,500 | 4,000 | 2,500 | 19,000 |
| 2.4 | Monitor, Evaluate, and Report performance | 15,755 | 10,255 | 0,500 | - | 26,510 |
| | Design reproduce and disseminate guideline and format for participants evaluation (TA/Central PMU) and entry into Directory (web-base directories) | 4,500 | | | | 4,500 |
| | Disseminate evaluation to groups and service providers | 500 | 500 | 500 | | 1,500 |
| | Design reproduce and disseminate BDS | 1,000 | | | | 1,000 |
| | Training PMUs in monitoring/computerization BDS | 9,755 | 9,755 | - | - | 19,510 |
| 2.5 | Develop Cost Sharing Models for BDS Services | 11,655 | 10,415 | 1,000 | 500 | 23,570 |
| | Training in BDS cost sharing policies | 11,155 | - | - | - | 11,155 |
| | Training of PMUs in costing, budgeting BDS | - | 9,415 | - | - | 9,415 |
| | Documentation, dissemination of cost-sharing models | 500 | 1,000 | 1,000 | 500 | 3,000 |
| 2.6 | Establish BDS and TA Matching Grant Fund | 54,000 | 162,000 | 150,500 | 155,000 | 521,500 |
| | Training of Central PMU in Managing Fund Finances/Application | 3,000 | 1,500 | | | 4,500 |
| | Reproduction and dissemination of fund policies/procedures/formats to provinces/communes | 1,000 | 500 | 500 | | 2,000 |
| | Fund for BDS gap funding and TA to provide PMUs | 50,000 | 150,000 | 150,000 | 150,000 | 500,000 |
| | External TA to review and adjust fund operations after 1 year | | 10,000 | | | 10,000 |
| | Develop and implement fund exist strategy (hand-over) | | | | 5,000 | 5,000 |
| Total Intermediate Result 2 : | | 101,410 | 208,170 | 170,000 | 162,500 | 642,080 |

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| Belgian Contribution in Euro | | Year 1 2007 | Year 2 2008 | Year 3 2009 | Year 4 2010 | TOTAL |
|---|--|----------------|----------------|----------------|----------------|----------------|
| RESULT 3 | | | | | | |
| VWU Various Microfinance Wide Coordination | | | | | | |
| 3.1. | Consolidate VBCP Performance Reporting | 7,500 | 7,500 | 7,500 | 3,500 | 26,000 |
| | 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 |
| 3.2 | Establish MPMU to Consolidate Reporting in VWU | 1,500 | 1,500 | 1,500 | 10,000 | 14,500 |
| | Train staff of MPMU | 1,500 | 1,500 | 1,500 | | 4,500 |
| | Develop and implement exist strategy (hand-over MPMU) | | | | 10,000 | 10,000 |
| 3.3. | Support MPMU in VWU-wide Performance Reporting | 13,000 | 16,000 | 15,000 | 11,500 | 55,500 |
| | 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 |
| 3.4. | Support Performance-Based Dialogues w/SBV | 5,250 | 2,750 | 9,750 | 500 | 18,250 |
| | 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 |
| 3.5. | VWU MF Feasibility and Study and Strategic Planning | 46,500 | 25,500 | 25,500 | 35,500 | 133,000 |
| | 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 |
| Total Intermediate Result 3 : | | 73,760 | 63,250 | 69,260 | 61,000 | 247,250 |

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| Belgian Contribution in Euro | Year 1 | Year 2 | Year 3 | Year 4 | TOTAL |
|------------------------------|--------|--------|--------|--------|-------|
| | 2007 | 2008 | 2009 | 2010 | |

| RESULT 4 | | | | | |
|---|---------------|---------------|--------------|--------------|---------------|
| Efficient Project Management | | | | | |
| 4.1. Annual Work Plan with Tranche Budget | 5,350 | 8,350 | 8,350 | 8,350 | 30,400 |
| Annual VBCP Review Workshop | 3,000 | 6,000 | 6,000 | 6,000 | 21,000 |
| External facilitator/TA for review workshop | 1,000 | 1,000 | 1,000 | 1,000 | 4,000 |
| Reproduce and disseminate PIPs and annual work plan | 1,350 | 1,350 | 1,350 | 1,350 | 5,400 |
| 4.2. Update Policies, Procedures, Manuals | 16,000 | 5,000 | - | - | 21,000 |
| TA to review policies and procedures and draft revised policies and manual | 10,000 | | | | 10,000 |
| Training/TA to Central PMU to integrate and allocate costs to provinces in MB/PMT | 6,000 | 5,000 | | | 11,000 |
| Total Intermediate Result 4 : | 21,350 | 13,350 | 8,350 | 8,350 | 51,400 |

| GENERAL MEANS | | | | | |
|---|----------------|------------------|----------------|----------------|------------------|
| Personal | | | | | |
| International CTA (42 months) | 75,000 | 150,000 | 150,000 | 150,000 | 525,000 |
| International TA for MPMU (15 months) | 37,500 | 150,000 | | | 187,500 |
| TA to Central PMU, 2MB experts | 9,000 | 18,000 | 18,000 | 18,000 | 63,000 |
| Computer Maintenance & Support services | 3,000 | 6,000 | 6,000 | 6,000 | 21,000 |
| Bonus, 8 PMU Staff, 1 National Director, 1 National Coordinator x 250 Euro/month | 15,000 | 30,000 | 30,000 | 30,000 | 105,000 |
| Bonus 2 MPMU staffx250permonth/staff | 3,000 | 6,000 | 6,000 | 6,000 | 21,000 |
| Bonus, 2 Drivers x 100 Euro/month | 1,200 | 2,400 | 2,400 | 2,400 | 8,400 |
| Investments | | | | | |
| Fixed assets in Head Office (one 12-seat minibus, 8 PC's, aircon, training equipment) | 25,000 | 28,000 | - | - | 53,000 |
| Fixed assets for MPMU (2 PCs and 2 printers) | 3,000 | | | | 3,000 |
| Fixed assets for Provincial PMUs | | 85,000 | | | 85,000 |
| Operating Expenses | | | | | |
| Operating costs for Central PMU | 5,000 | 10,000 | 10,000 | 10,000 | 35,000 |
| Operational budget of MPMU | 17,500 | 35,000 | 35,000 | 30,000 | 117,500 |
| Operating costs for 17 provinces (250 EURO/month) | 25,500 | 51,000 | 51,000 | 51,000 | 178,500 |
| M&E | | | | | |
| Biannual implementation Review Workshops in provinces | 7,500 | 15,000 | 15,000 | 15,000 | 52,500 |
| Reproduce and disseminate reports/minutes | 750 | 750 | 750 | 350 | 2,600 |
| 6 monthly PSC meetings | 500 | 1,000 | 1,000 | 1,000 | 3,500 |
| Mid-Term Review | | 25,000 | | | 25,000 |
| Final Evaluation | | | | 35,000 | 35,000 |
| Field trips for Head Office and province | 15,000 | 30,000 | 30,000 | 30,000 | 105,000 |
| Audit | 55,000 | | | | 55,000 |
| Formulation | 10,641 | | | | 10,641 |
| Contingencies | 49,359 | 17,040 | 15,000 | 15,000 | 96,399 |
| Total General Means: | 358,450 | 650,190 | 370,150 | 399,750 | 1,788,540 |
| Total Results: | 654,025 | 1,013,620 | 636,355 | 646,100 | 3,000,000 |

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Annex 8. Timeframe for ACCESS Implementation

| Results & Activities | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Result 1: Access to Financial Services | | | | | | | | | | | | | | |
| Activities: | | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | | |
| Result 2: Access to Non-Financial Services | | | | | | | | | | | | | | |
| Activities: | | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | | |
| Result 3: Coordination among WWU-Wide Microfinance Programs | | | | | | | | | | | | | | |
| Activities: | | | | | | | | | | | | | | |
| 3.1. Establish MPMU to consolidate Reporting for WWU/Project Performance | | | | | | | | | | | | | | |
| 3.2. Support Performance-based Dialogue for Enabling Environment | | | | | | | | | | | | | | |
| 3.3. Consolidate VBCP Performance Reporting | | | | | | | | | | | | | | |
| 3.4. Conduct Feasibility Study for Future WWU Role in Microfinance and Support Strategic Business Planning Process in WWU | | | | | | | | | | | | | | |
| Result 4: Efficient Project Management | | | | | | | | | | | | | | |
| Activities: | | | | | | | | | | | | | | |
| 4.1. Produce Annual Work Plans w/ Tranched Budgets | | | | | | | | | | | | | | |
| 4.2. Update Policies, Procedures, Manuals | | | | | | | | | | | | | | |
| 4.3. Implement and Monitor Project Progress | | | | | | | | | | | | | | |

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