

CASE STUDY OF A SUCCESSFUL AUSTRALIAN NATIONAL INDUSTRIAL DEVELOPMENT PROGRAMME/STRATEGY

CAPITAL AID FUND FOR EMPLOYMENT OF THE POOR

1. The problem or issue addressed:

Poverty reduction is a highly visible priority of the Government of Viet Nam, and the use of microfinance as an important tool for poverty reduction is mentioned in official policies at the highest level. There are many successful models for microfinance institutions in the world, such as the Grameen Bank, but these are not easily transferred into different country contexts. Therefore, the development of a sustainable Vietnamese model will assist in the process of developing financially sustainable microfinance institutions across Viet Nam.

The project aims to achieve the goal identified in the agreed Viet Nam Country Strategy, namely sustainable poverty alleviation, through the priority areas of improved Governance and Rural Development activities aimed at increasing opportunities for rural income generation.

2. Name of the programme:

Capital Aid Fund for Employment of the Poor (CEP)

3. **Timeframe:** 5 years Year started: June 2001

4. **Status:** Ongoing Completed in year: 2006

5. Main objectives: not focused on industrial development but poverty reduction:

The long term goal of the Project is to assist the Government of Viet Nam to reduce poverty through the expansion of the successful CEP program to a larger number of clients, and through this process develop a demonstration model for a financially sustainable Vietnamese microfinance institution that reaches and benefits the poor.

The immediate objective of the CEP Microfinance Expansion Project is to assist CEP to increase its financial services outreach from 23,500 existing clients to 39,000, by supporting an additional 15,500 clients from poor households. Furthermore, the project will assist CEP to increase the loan size of 5,000 of its existing clients. CEP will achieve this expansion through institutional capacity building activities to maintain both operational and financial self-sustainability. CEP will achieve its goal of becoming a demonstration model of a successful 'Vietnamese' microfinance institution, which can be replicated throughout Viet Nam.

The three primary objectives of the project are:

- *Institutional Capacity Building* - Build the capacity of CEP to enable them to successfully manage the expansion project;

- *Client Expansion* - Support CEP in its expansion plan to reach more of HCMC's urban and rural poor, and;
- *Demonstration Model* - Assist CEP achieve its goal of becoming a demonstration model of a successful and sustainable Vietnamese microfinance institution, and to encourage replication of this model.

6. Lead institution:

AusAID

7. Other implementation arrangements and stakeholders involved:

New approaches to aid delivery

CEP is an example of a national execution model for aid delivery where funds are provided directly to a local organisation for project planning and implementation. This minimises activity management costs and, in this case, has strengthened the institutional capacity of CEP. The Project will be managed by CEP through a management structure comprising of the Director, Deputy Director, 5 senior managers, the Internal Auditor and the Project secretariat. CEP's Director and Deputy Director have the ultimate responsibility for the progress of the expansion project and for the proper utilisation of AusAID funds. As there will be no Australian Managing Contractor for this project, CEP will be fully responsible for project implementation, achievement of agreed objectives, regular reporting and financial management of Australian Development Assistance funds.

Project Coordination Committee (PCC)

The PCC will consist of AusAID, HCMC Peoples Committee, National Labour Union, and CEP representatives. The PCC will meet every 6 months. Extraordinary meetings can be called by any party, as and when required. The PCC will have the authority to approve any changes to the Project Design, will approve reports and acquittals, and approve the annual plan.

8. The results achieved:

Achievement of CEP to date include:

- Expansion of CEP to poor people in semi-urban districts of Ho Chi Minh City to financial services, and in the process, helped it to establish a reputation as a leader in microfinance in Vietnam.
- Provide assistance to the poorest and those who are not reached by the Government's regular poverty reduction program.
- CEP has exceeded performance targets with a net increase of more than 17,000 clients half way through the five year \$5.5 million program.
 - The average loan size of US\$200 is commonly used to establish or expand microenterprise such as animal husbandry or waste recycling.
 - 34% of clients increased their income over the last 12 months - 76% of these commenced or expanded a business enterprise.

- Around half of CEP clients spend their increased income on food and other basic needs, or make additional expenditures on children's education.
- 80% of CEP clients are female.
- A recent review of CEP's performance concluded that it is best placed to become the first microfinance institution in Vietnam to access commercial finance. Assisting CEP to progress as far as possible towards this objective will be a key focus for the remainder of the Australian assistance.

Crucial to the success of CEP has been:

- Clearly defined organisational goals and successfully delivering services;
- Operationally transparent and capable of receiving and managing donor funds;
- Appropriate risk management framework that includes internal as well as independent external monitoring systems.

9. The relationship of the programme to internationally agreed goals and targets:

The programme is aiming at sustainable poverty alleviation. CEP has proved that the provision of financial services to the poor and poorest in the country is one of the significant tools that can have a direct impact on reducing poverty. This is to contribute to 2000 Millennium Development Goals to half extreme poverty by 2015.