

Memorandum of Understanding (MOU)

Entrepreneurs du Monde

Dien Bien Provincial People's Committee
Microfinance business development (Project Chi Em)
2007-2010

I. Background of partners

1) Entrepreneurs du Monde (EDM) is a non-governmental organization based in Poitiers, France, that supports and develops microfinance institutions in developing countries. EDM currently has over 15,000 clients in 5 countries (the Philippines, India, Cambodia, Ghana, and Haiti). Founded in 1998, EDM is an experienced microfinance operator that works in urban and rural communities where there are limited practitioners and limited access to capital and business training.

2) Dien Bien Provincial People's Committee (DBPPC)

II. Project description

1. The location of the project

The project will be implemented in Dien Bien District, Dien Bien Province, starting from the two communes of Noong Het and Thanh An, then expanding to other communes: Núa Ngam, Thanh Chăn, Sam Mứn, Mùòng Phăng.

2. Principal actions

- To create loan products (such as rice loans) for income-generating activities for very low-income remote communities, targeting poor women with little or no access to loan capital other than money and rice lenders in Dien Bien province;
- To create loan products for income-generating activities for communities in Dien Bien Province targeting poor women who have access to state bank loans but are in need of capital;
- To provide village-specific business ideas, agricultural consultation and community development initiatives to these target communities;
- To encourage Vietnamese students' involvement in applied development work by creating a summer fellowship program in Dien Bien.

3. Project aim

- To expand the local economy to communities of poor women who have limited or no access to capital;
- To promote sustainable community development;
- To reduce poor households' dependency on usurious lending schemes and to encourage and support usurious lenders to partake in less exploitative activities;
- To involve young Vietnamese students in development work;
- To administer a transparent project regarding all partner individuals and entities.

4. Expected results

- Financial results:
 - Outreach: To provide financial services (loans, access to savings) to approximately 2,000 clients in three years, and if successful, to replicate within Dien Bien Province;
 - High repayment: To maintain 95 percent repayment rates of loan portfolio throughout the term of the project;
 - Sustainability: To achieve project financial sustainability within 3-5 years.
- Social results:
 - Target population: To ensure that EDM provides tailored solutions to all remote communities in Dien Bien District, especially focusing on poor women who have no or little access to the official sources of loans except from rice or money lenders;
 - Debt alleviation: To eliminate chronic debt to money lenders, particularly during annual hunger season within one year of loan disbursement;
 - Local administration: To hand over the project to the Women's Union after 3 years of implementing the project, if the project is successfully run. Otherwise to hand over to another local organization under the supervision of EDM;
 - Agriculture development: Higher agricultural yields per target household within 3 years;
 - Business development: New business activities and improved techniques within first year.

5. Target group

The target clients can be categorized as (i) women, (ii) remote communities, (iii) 99% sustenance farmers, and (iv) difficult living conditions in Dien Bien District.

6. Project schedule

The MOU is initially agreed for a three year period: August 2007– August 2010. If the project is administered effectively, EDM will sign a future partnership with DBDWU.

III. Cooperation and responsibilities

The players have discussed and signed the documents concerning the project so that they can conclude the criteria and principal formalities of the responsibilities of EDM, Dien Bien Provincial People's Committee in the *microfinance business development project* (named Chi Em) sponsored by EDM for 2007 – 2010. The responsibilities of each partner are:

1) Dien Bien Provincial People's Committee

- To accept that Dien Bien District Women's Union (DBDWU) can implement the project in Dien Bien and can have a representative, Ms. Nguyen Thi Yen, who will help DBPPC to have contact with and discuss the project with EDM and work with DBDWU. Prior to implementing the project, EDM needs to come to terms with Dien Bien District Women Union on the project's work plan, sites where the project is implemented, it's procedures and scale;

- To direct all the partners concerned in the project in the province in order to implement with EDM and DBDWU and the communes and villages. To accept that EDM can sign all the documents with DBDWU after having conversations with DBPPC in order to realize the project. In the particular case, DBPPC can control the activities of DBDWU in order to ensure that DBDWU abides by the law and achieves good results;
- To help and create conditions so that EDM can have good conditions to have good results for the project. To announce/promote to EDM the politics and definitions of the Province which can be influenced by activities of the program;
- To help the partners of this project with information, documents and technical aid if necessary;
- To accept that EDM can do research if necessary in the regions of the project and announce publicly the documents and results to the organizations, the officials and sponsors;
- To accept that EDM can take photos and use the photos for publicity out of the prohibited area to generate income according to the conceptions of the law of Socialist Republic of Vietnam;
- To direct the representatives of the Province to give the information to EDM for good procedures according to the documents between DBPPC and EDM;
- To ensure that its staff and others associated with the project refrain from offering or seeking, accepting or being promised from or by third-parties, for themselves or any other party, any gift, bribe, remuneration, compensation or benefit of any kind whatsoever which could be interpreted as an illegal or corrupt practice.

2) Entrepreneurs du Monde

- To finance the project operational expenses each year (approximately \$7,000 every year for 3 years). The details of the finances are made according to budget agreed upon and signed with District Dien Bien Women's Union. In addition to the project budget, EDM will finance certain trainings of the employees of the project so that they can have the capacity to implement the project. The DBDWU management team will be able to use the motorbike, computer and camera during the course of the project and in future years if they continue to run the project;
- To provide loan capital (approximately \$33,000 in the first year) and additional annual loan capital (approximately \$33,000) based on the demand and the project's loan performance (EDM criteria for sustainability). EDM is unable to provide all of the loan capital at the beginning of the project but will wire monthly installments to DBDWU. All of the loan capital must be reimbursed to EDM at 0% interest rate.
- EDM has raised loan capital from two sources: Kiva Organisation and French Foreign Ministry. The loan capital that is provided by Kiva Organisation must be reimbursed by DBDWU to EDM at monthly intervals according to Kiva's procedures. The loan capital provided by French Foreign Ministry must be reimbursed to EDM at the end of the project (August 2010). At the end of the project, EDM intends to continue to provide loan capital to the clients, however EDM requires that the initial loan capital be fully reimbursed at that time;
- According to the results, the quality of work of DBDWU and the resources of EDM, EDM might decide to grant a portion of the loan capital provided by EDM to DBDWU at the end of the project.

- To announce the details with the Provincial officials and the partners concerned in the Province, all the domains and the strategies for the relations and the contacts in all the documents concerned.

IV. Exit strategy

EDM intends to hand over the project to DBDWU if the project is effectively run. If the project is not effectively administered, EDM will hand over the project to a local Vietnamese organization under the supervision of EDM.

V. Settlement of conflicts

With regard to matters that this arrangement may appear not to cover sufficiently or which lead to differences of opinion or disputes, in the first instance the matter should be solved between the direct partners, DBPWU and EDM. Further consultation at a higher level in the People's Committee, the Women's Union and EDM can be attempted to resolve the dispute. If no settlement can be reached at that level, the Memorandum of Understanding may be terminated. This agreement could be fixed/ altered at any date if there are agreements. Each party must send demand to change the agreement and that takes 2 months to be official.

This MOU has 4 pages and is signed in three copies, one for DBPPC, one for DBDWU and one for EDM.

Signed in Dien Bien,

On behalf of the Dien Bien Province
People's Committee

On behalf of Entrepreneurs du Monde

Date:

Date: