

## **The Capital Aid Fund for Employment of the Poor (CEP)**

---

In this document:

- Brief History
- Methodology
- Area of Operations
- Clients
- Poverty Focus
- Distinctive Features
- Innovations
- Financial Results
- Challenges & Development Plans
- Inclusion in Financial Sector

### **Brief History**

---

The Capital Aid Fund for Employment of the Poor (CEP) was set up in June 1991 by the Labor Confederation of Ho Chi Minh City (HCMC). CEP's methodology is modelled on the Grameen Bank, with modifications made to suit the local social and cultural context. In 1993, CEP expanded its microfinance services and implemented the Grameen Bank model in all of its branches in order to serve poor labourers. The organisation assists the poor in developing their businesses and meeting their basic needs, reducing unemployment in the province, and supporting a spirit of mutual assistance in work and the social environment. CEP received a substantial financial assistance from AusAID to carry out its expansion and institutionalisation strategy.

### **Methodology**

---

Following the Grameen Bank approach, CEP provides both financial and non financial services. In terms of financial services, it provides access to credit and savings products.

To be a CEP member, a client must be willing to attend group training and weekly meetings. A number of clients will form a group, and several groups will form a centre. Several centres will be serviced by a credit officer through the CEP Branch Network. The CEP Credit Officers deliver all products directly to clients through the Centre and Group system.

There are various type of loans available. It includes three basic income generating loan products: a daily loan targeted at petty traders (repayment period of 60 to 90 days, at a rate of 24-30% p.a.); a weekly loan targeted at labourers (40, 60 or 80 weeks, at a flat rate of 13%); a monthly loan product targeted at workers (10 to 15 months, at a flat rate of 8.4%). Each of these loan products is intended to be used primarily for income generation.

Housing improvement loans are also offered to clients with a strong repayment record over three loan cycles. These loans are intended to be used to improve the condition of a client's housing. Supplementary loans can also be accessed by clients experiencing difficulties. In addition, environmental improvement loans are accessed by clients or group of clients for the purpose of installation of individual and collective sanitation systems.

CEP provides 2 types of savings products, compulsory and voluntary. Monthly loan clients are required to save 1% of the amount of their loan every month, and weekly loan clients are required to save 1.2% of their loan every month. CEP pays a monthly interest rate of 0.4% on savings balances.

A health insurance product is provided to facilitate access to health care for clients unable to access the public health care system.

### **Area of Operations**

---

CEP operates from 15 branches, located in urban, semi-urban, and rural districts of HCMC. These locations include: District 2, 4, 8, 9, 10, 12, Binh Chanh, Go Vap, Thu Duc, Central, Hoc Mon, Can Gio, Cu Chi, Nha Be, and Tan Binh.

## Clients

CEP's clients include the poor and poorest, with a special emphasis on female heads of household and migrant labourers. Clients must not have access to other formal credit services, and be capable of using the credit provided.

Active clients	Active savers	Active borrowers	Gender
53,181	51,000	45,809	-

As of June 2004.

## Poverty Focus

CEP's vision and mission express a strong commitment to serve the poor and the poorest "to get out of poverty" through economic development and support from financial services.

CEP sets a target that at least 25% of its clients are classified as poorest upon entry into the program, and less than 15% are the moderately poor. The income definition used by CEP to define the terms poorest, poor, and moderately poor is consistent with the definition of poverty of the HCMC Statistical Office. This definition classifies both the poor and poorest well below US\$ 1 per day.

Average loan outstanding	Average outstanding loan size / GNP per capita	Average deposit size
US\$28	n/a	n/a

As of June 2004

## Distinctive Features

CEP offers non-financial services to its clients. These services include: dissemination of education materials on individual and community health and sanitation, social intermediation and dispute resolution and enterprise development and diversification workshops. CEP has developed its own training center, supported by CGAP, which is open to other MFIs.

## Innovations

CEP has a health insurance product provided to facilitate access to health care for clients unable to access the public health care system.

## Financial results

The loan portfolio outstanding stands at US\$5,757,319. In July 2001, AusAID funded a five year expansion and institutionalisation phase of CEP, providing a A\$5.5 million grant, with the aim of expanding the geographical coverage of CEP to reach 39,000 clients. CEP has also received funding and technical assistance from Grameen Trust, CASHPOR, and SIDI. It was rated in July 2003 by Planet Finance and received a B grade, meaning CEP has good and effective procedures, and incorporate a long-term perspective.

Loan Portfolio	Portfolio at risk (%)	Savings Deposits	OSS / FSS (%)	RoE / RoA
5,757,319	1.96	1,402,944	143.73/ 103.76	n/a

As of June 2004

## Challenges and development plans

The challenge for CEP is to secure funds to support its ambitious growth, as well as upgrading its systems and branch infrastructure to meet the increasing demand. So far, CEP is restricted to operate outside Ho Chi Minh City, and has therefore supported the replication of its model in other provinces.

## Inclusion in financial Sector

n/a

## Sources

- CEP's website (available at [www.cep.org.vn](http://www.cep.org.vn))
- The MIX Market Profile for CEP (available at [www.mixmarket.org](http://www.mixmarket.org))