

QUANG NGAI RURAL DEVELOPMENT PROGRAM (RUDEP) - PHASE 2

RUDEP Village Savings and Credit Facility: - Completion Report



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RUDEP is a Rural Development Program funded by the people of Australia and Viet Nam.

1. Introduction

This paper summarises the conclusion of the Quang Ngai Rural Development Program's (RUDEP) Village Savings and Credit Facility (VSCF). The RUDEP 2 Program Coordination Committee (PCC) agreed to graduate VSCFs that were performing well and to close down those that were not performing well. An evaluation procedure was developed based on existing systems and the completion activities were conducted during September and October 2007.

The basis for the VSCF relates to the following documents:

- Pursuant to the Subsidiary Agreement to RUDEP dated July 31, 2001 by and between Quang Ngai PPC and AusAID;
- Pursuant to Decision 899/QD-CT dated April 11, 2003 by PPC Chairman promulgating the Operational Procedures of VSCFs belonging to RUDEP; and Decision 877/QD-CT dated May 07, 2004 by PPC Chairman regarding modifications of and additions to the Operational Procedures of VSCFs belonging to RUDEP;
- On consideration of RUDEP-2 PMU's Proposal No. 424/BQL-TTr dated September 21, 2007 requesting approval of the graduation and closure of the VSCFs belonging to RUDEP 2 and DPI's Proposal No. 976/TTr-SKHDT-KTDN dated September 21, 2007 requesting approval of outcomes from the assessment of VSCFs; and Letter No. 1087/SKHDT-KTDN dated October 18, 2007 additionally explaining a number of issues related to the VSCF program belonging to RUDEP;
- Pursuant to Decision 2324/QD-UBND dated October 23, 2007 by PPC Chairman promulgating the approval of the outcome from the assessment of Village Savings and Credit Facilities (VSCFs) belonging to Quang Ngai Rural Development Program (RUDEP) – Phase 2.

2. RUDEP VSCFs

The status of the VSCFs at the end of August 2007 was as follows:

Number of VSCFs:	166
Number of members:	4,049
% of women members:	75%
Seed Capital:	VND 12.486 billion
Savings:	VND 1.244 billion
Number of members with a loan:	2,524
Outstanding Loan principal:	VND 9.824 billion
Number of members with overdue loans:	61
Amount of overdue loans:	VND 171 million
% of loan principal overdue (PAR):	1.74%
Cumulative Surplus (profit):	VND1.297 billion

Of the total 166 VSCFs, there were 64 VSCFs (39%) in upland communes and 102 VSCFs (61%) in lowland communes.

3. Assessment

Based on the PPC Decisions of 2003 and 2004, Article 16 of the approved Operational Procedures which refers to the “Management of VSCFs after RUDEP’s exit”, states in Clause 2: ‘After two years of operation, if a VSCF is assessed as effective and efficient then it will own all the funds in the group (including seed capital funded by RUDEP as well as its capitalized earnings)’.

RUDEP used three measures to assess the effectiveness and performance of VSCFs:

- Competence of Management Board;
- VSCF Performance;
- Overdue Loans.

By using the three assessment methods, 146 VSCFs met the three criteria and were able to graduate and three others met two criteria and were considered as having improved in their overall performance and therefore were also considered worthy of graduating. This gave a total of 149 VSCFs that graduated and 17 VSCFs that were considered as not operating effectively and were closed down. Table 1 gives the number of VSCFs that graduated and were closed down by commune.

Table 1: Number of Graduating and Closing VSCFs: by Commune.

District	Commune	VSCFs		
		Total	Graduating	Closing
Mo Duc	Duc Phong	23	23	0
Son Tinh	Tinh Tho	26	26	0
Nghai Hanh	Hanh Phuoc	21	21	0
Duc Pho	Pho Chau	18	18	0
Binh Son	Binh Minh	14	14	0
Tu Nghia	Nghia Tho	7	5	2
Tu Nghia	Nghia Son	3	3	0
Son Ha	Son Hai	13	8	5
Son Ha	Son Trung	8	8	0
Son Ha	Son Giang	5	4	1
Minh Long	Long Son	6	5	1
Ba To	Ba Le	3	0	3
Ba To	Ba Nam	2	2	0
Son Tay	Son Mua	3	3	0
Son Tay	Son Bua	3	3	0
Tra Bong	Tra Hiep	3	1	2
Tra Bong	Tra Lam	2	1	1
Tay Tra	Tra Lanh	3	1	2
Tay Tra	Tra Trung	3	3	0
Total		166	149	17

All 17 VSCFs that were closed down were in upland communes with one starting in 2003, three starting in 2005 and the remaining 13 starting in 2006.

4. Graduation and Closure

Meetings were conducted in each commune which were attended by DPC and CPC representatives and Management Boards of all VSCFs. In the meetings the RUDEP Finance and Credit Officer explained the assessment process, advised which VSCFs were to graduate and which were to close down, advised VSCFs of future activities and discussed the responsibilities of all stakeholders.

A summary of the final financial figures of the VSCFs is as follows:

- Graduated VSCFs: 149 VSCFs continue to operate in 18 communes with an initial seed capital of VND 11,382,000,000. A summary of graduated VSCFs by commune is given in Table 2 and details of each graduated VSCF by district and commune are given in Annex 1.

Table 2: Graduating VSCFs and Seed Capital: by Commune.

District	Commune	No of Graduated VSCFs	Total Seed Capital (VND m)	Outstanding Loans Left in Commune (VND m)	Total VSCF Funds (VND m)
Mo Duc	Duc Phong	23	2,007	0	2,007.0
Son Tinh	Tinh Tho	26	1,869	0	1,869.0
Nghai Hanh	Hanh Phuoc	21	1,794	0	1,794.0
Duc Pho	Pho Chau	18	1,506	0	1,506.0
Binh Son	Binh Minh	14	1,194	0	1,194.0
Tu Nghia	Nghia Tho	5	258	34.7	292.7
Tu Nghia	Nghia Son	3	198	0	198.0
Son Ha	Son Hai	8	411	41.3	452.3
Son Ha	Son Trung	8	480	0	480.0
Son Ha	Son Giang	4	273	0	273.0
Minh Long	Long Son	5	390	21.3	411.3
Ba To	Ba Le	0	0	0	0
Ba To	Ba Nam	2	135	0	135.0
Son Tay	Son Mua	3	198	0	198.0
Son Tay	Son Bua	3	225	0	225.0
Tra Bong	Tra Hiep	1	60	3.5	63.5
Tra Bong	Tra Lam	1	90	4.6	94.6
Tay Tra	Tra Lanh	1	69	0	69.0
Tay Tra	Tra Trung	3	225	0	225.0
Total		149	11,382	105.3	11,487.3

Note: Total Funds do not include member savings and profit that has accrued to the VSCFs.

- Closed VSCFs: 17 VSCFs in eight communes were closed down. At the time of closure, only one VSCF had overdue loans (Lang Roc 1 VSCF in Son Hai Commune, Son Ha District with VND 14,000,000 overdue). Of an initial seed capital of VND 1,104,000,000 for these 17 VSCFs, VND 1,002,083,000 was returned to RUDEP. A total amount of VND 105,338,000 remained with VSCF members (10 VSCFs in five communes) who had outstanding loans and

these loans will be repaid to the CPC as per the original loan schedule and the CPC will then add the repaid loan amounts plus interest payments to the seed capital of existing VSCFs in the commune (see Table 3). Details for each VSCF are provided in Annex 2.

Table 3: Outstanding Loan Funds Left in Communes.

District	Commune	Outstanding Loans Left in Commune (VND)
Tu Nghia	Nghia Tho	34,700,000
Son Ha	Son Hai	41,288,000
Minh Long	Long Son	21,300,000
Tra Bong	Tra Hiep	3,500,000
Tra Bong	Tra Lam	4,550,000
Total		105,338,000

RUDEP will prepare letters for each commune that has outstanding loan funds left in the commune and will advise the commune of the funds to be collected and how to add the funds to existing VSCF seed capital.

RUDEP will also prepare letters for each graduated VSCF advising the VSCF of its initial seed capital allocation from GOA funds and stating the responsibility of the VSCF members to maintain the funds and the operation of the VSCF.

5. Conclusion

RUDEP has successfully demonstrated a microfinance program operated and owned by members, with acceptable portfolio-at-risk rates (less than 5%), with very high female membership, high savings rates and increased incomes for members. It has also shown that credit alone is not sufficient and that credit plus agricultural technology is necessary to achieve the full benefits from credit.

The VSCFs have also shown that members have learnt how to effectively use savings and that once people gain experience with savings, they can mobilize large amounts of money as savings.

VSCFs have been part of the empowering process for people with people gaining the confidence to try different technologies, visit new places, experience new learning approaches and interact with service providers and officials. This experience has empowered people by showing them how to begin to change their lives and has given them the means to begin to do so, through access to credit.

ANNEX 1: Graduated VSCFs

District	Commune	VSCF	Seed Capital (VND m)	Start Date
Mo Duc	Duc Phong	Lam Ha 1	90	Jul-03
		Lam Ha 2	90	Mar-04
		Thach Thang 1	72	Jul-03
		Van Ha 1	90	Mar-04
		Chau Me 1	90	Mar-04
		Lam Thuong 1	75	Mar-04
		Lam Thuong 2	81	Mar-04
		Lam Thuong 3	90	Jul-04
		Chau Me 2	90	Jul-04
		Van Ha 2	90	Jul-04
		Chau Mu 3	90	May-05
		Van Ha 3	87	May-05
		Thach Thang 2	87	May-05
		Thach Thang 3	90	May-05
		Thach Thang 4	90	May-05
		Lam Ha 3	90	May-05
		Van Ha 4	81	Mar-06
		Thach Thang 5	84	Mar-06
		Lam Thuong 4	90	Mar-06
		Chau Me 4	90	Mar-06
		Lam Ha 4	90	Mar-06
		Van Ha 5	90	Jun-06
		Thach Thang 6	90	Jun-06
		Subtotal	23	2,007
Son Tinh	Tinh Tho	Tho Dong 1	90	Jul-03
		Tho Trung 1	84	Jul-03
		Tho Tay 1	75	Jul-03
		Tho Trung 2	69	Mar-04
		Tho Trung 3	66	Mar-04
		Tho Trung 4	57	Mar-04
		Tho Nam 1	75	Mar-04
		Tho Nam 2	60	Mar-04
		Tho Bac 1	78	Mar-04
		Tho Tay 2	90	Jul-04
		Tho Dong 2	63	Jun-05
		Tho Bac 2	60	Jun-05
		Tho Tay 3	57	Jun-05
		Tho Tay 4	66	Jun-05
		Tho Nam 3	60	Jun-05
		Tho Bac 3	69	Jun-05
		Tho Nam 4	72	Feb-06
		Tho Tay 5	69	Feb-06

District	Commune	VSCF	Seed Capital (VND m)	Start Date
		Tho Bac 4	63	Feb-06
		Tho Dong 3	63	Feb-06
		Tho Trung 5	66	Feb-06
		Tho Tay 6	57	Feb-06
		Tho Trung 6	90	Jun-06
		Tho Trung 7	90	Jun-06
		Tho Trung 8	90	Jun-06
		Tho Bac 5	90	Jun-06
		Subtotal	26	1,869
Nghia Hanh	Hanh Phuoc	De An 1	90	Dec-03
		Hoa Son 1	72	Dec-03
		Vinh Tho 1	54	Mar-04
		Vinh Tho 2	60	Mar-04
		Hoa Tho 1	90	Mar-04
		An Chi Dong 1	90	Jul-04
		An Chi Tay 1	90	Jul-04
		Hoa Vinh 1	84	Jul-04
		Hoa Son 2	90	Apr-05
		ACD 2	90	Apr-05
		Hoa Tho 2	90	Apr-05
		Hoa My 1	90	Apr-05
		ACT 2	90	Apr-05
		De An 2	90	Apr-05
		De An 3	90	Feb-06
		An Chi Dong 3	90	Feb-06
		Hoa My 2	90	Feb-06
		Hoa Vinh 2	90	Feb-06
		De An 4	90	Feb-06
		An Chi Tay 3	87	Jun-06
		Thuan Hoa 2	87	Jun-06
Subtotal	21	1,794		
Duc Pho	Pho Chau	Vinh Tuy 1	81	Dec-03
		Hung Long 1	63	Dec-03
		Tan Loc 1	72	Dec-03
		Hung Long 2	90	Jun-04
		Chau Me 1	75	Jun-04
		Vinh Tuy 2	84	Jul-04
		Tan Loc 2	84	Jul-04
		Chau Me 2	90	Apr-05
		Chau Me 3	90	Apr-05
		Hung Long 3	90	Apr-05
		Tan Loc 3	90	Apr-05
		Vinh Tuy 3	90	Apr-05
		Tan Loc 4	90	Apr-05
		Chau Me 4	90	Mar-06

District	Commune	VSCF	Seed Capital (VND m)	Start Date
		Hung Long 4	72	Mar-06
		Tan Loc 5	75	Mar-06
		Vinh Tuy 4	90	Apr-06
		Vinh Tuy 5	90	Apr-06
		Subtotal	18	1,506
Binh Son	Binh Minh	Tan Phuoc 1	78	Feb-05
		Loc Thanh 1	90	Feb-05
		Duc An1	90	Feb-05
		My Long 1	78	Feb-05
		Tan Phuoc 2	90	Feb-05
		My Long 2	75	Feb-05
		Tan Phuoc 3	90	Mar-06
		Tha Phuoc 4	90	Mar-06
		My Long 3	87	Mar-06
		My Long 4	75	Mar-06
		Loc Thanh 2	90	Mar-06
		Duc An 2	90	Mar-06
		Loc Thanh 3	90	Jun-06
		Tan Phuoc 5	81	Jun-06
		Subtotal	14	1,194
Tu Nghia	Nghia Tho	Village 1B	60	Apr-05
		Village 1C	57	Apr-05
		Village 2B	48	Apr-05
		Village 2C	48	Apr-05
		Village 2D	45	Apr-05
	Subtotal	5	258	
	Nghia Son	Thon IA	81	May-06
		Thon IIA	60	May-06
		Thon IIB	57	May-06
	Subtotal	3	198	
Son Ha	Son Hai	Lang Ren 1	54	Dec-03
		Ta Pia 1	51	Dec-03
		Ka Ranh 1	45	Dec-03
		Lang Trang 1	57	Dec-03
		Lang Ra 1	66	Dec-03
		Hu Ua 1	45	Jun-05
		B'Dao 1	48	Jun-05
		B'Reo 1	45	Jun-05
	Subtotal	8	411	
	Son Giang	Lang Lung 1	51	Feb-05
		Lang Ri 1	90	Feb-05
		Go Ngoai 1	84	Feb-05

District	Commune	VSCF	Seed Capital (VND m)	Start Date
		Dong Giang 2	48	Jun-06
	Subtotal	4	273	
	Son Trung	Gia Ry 1	75	Feb-05
		Lang Deo 1	60	Feb-05
		Lang Rin 1	63	Feb-05
		Lang Na 1	51	Feb-05
		Ta Mau 1	45	Feb-05
		Go Roc 1	60	Jun-05
		Gia Ry 2	69	Jun-06
		Ta Mau 2	57	Jun-06
Subtotal	8	480		
Minh Long	Long Son	Dien Son I	90	May-06
		Lac Ha I	69	May-06
		Lac Son I	66	May-06
		Bieu Qua I	75	May-06
		Xa Ton I	90	May-06
	Subtotal	5	390	
Ba To	Ba Nam	Vo Village	60	May-06
		Xa Rau 1	75	May-06
	Subtotal	2	135	
	Ba Le			
Subtotal	0	-		
Son Tay	Son Mua	Tu La 1	57	Jun-06
		Tong Tang 1	81	Jun-06
		Nuoc Vuong 1	60	Jun-06
	Subtotal	3	198	
	Son Bua	Mang He 1	63	Jun-06
		Mang He 2	81	Jun-06
		Mang Ta Be 1	81	Jun-06
	Subtotal	3	225	
Tra Bong	Tra Lam	Tra Xanh 1	90	May-06
		Subtotal	1	90
	Tra Hiep	Ca Village	60	May-06
		Subtotal	1	60
Tay Tra	Tra Trung	Thon Vang 1	75	Jun-06
		Thon Dam 1	75	Jun-06
		Thon Xanh 1	75	Jun-06
	Subtotal	3	225	

District	Commune	VSCF	Seed Capital (VND m)	Start Date
	Tra Lanh	Tra Dinh 1	69	Jun-06
	Subtotal	1	69	
	TOTAL	149	11,382	

Annex 2: Closed Down VSCFs

No	District	Commune	VSCF	Start Date	Seed Capital (VND)	Outstanding Loans Left in VSCFs (VND)	Seed capital Returned to RUDEP (VND)
1	Tu Nghia	Nghia Tho	Village 2A	Nov-03	75,000,000	33,700,000	41,300,000
2			Village 2E	Mar-06	57,000,000	1,000,000	56,000,000
3	Son Ha	Son Hai	Lang Roc 1	Jun-05	45,000,000	16,269,000	32,152,000
4			Lang He 1	Jun-05	45,000,000	3,000,000	42,000,000
5			Ta Mat 2	May-06	63,000,000	4,211,000	58,789,000
6			Lang Lanh 1	May-06	54,000,000	5,508,000	48,492,000
7			Pa Ra 1	May-06	63,000,000	12,300,000	50,700,000
8			Son Giang	Lang Re	Mar-05	90,000,000	-
9		Minh Long	Long Son	Son Chau 1	May-06	90,000,000	21,300,000
10	Ba To	Ba Le	Dong Lau 1	May-06	51,000,000	-	51,000,000
11			Va Tia 1	May-06	54,000,000	-	54,000,000
12			Goi Le 1	May-06	42,000,000	-	42,000,000
13	Tra Bong	Tra Lam	Tra Lac 1	May-06	90,000,000	4,550,000	85,450,000
14		Tra Hiep	Nguyen Village	May-06	75,000,000	3,500,000	71,500,000
15			Cua Village	May-06	57,000,000	-	57,000,000
16	Tay Tra	Tra Lanh	Tra Luong 1	Jun-06	90,000,000	-	90,000,000
17			Tra Linh 1	Jun-06	63,000,000	-	63,000,000
	TOTAL				1,104,000,000	105,338,000	1,002,083,000

Note: In Lang Roc 1 VSCF in Son Hai Commune, there were still outstanding overdue loans of VND 14,000,000 and so the seed capital returned to RUDEP included VND 3,421,000 of VSCF profit. All other VSCFs did not have any overdue loans at the time of closure.