

# QUANG NGAI RURAL DEVELOPMENT PROGRAM (RUDEP) - PHASE 2

## Evaluation Report - Impact of VSCF



**VIETNAM-AUSTRALIA**

*Prepared for*

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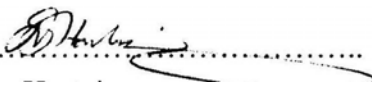
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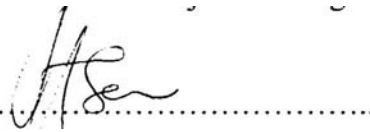
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## Acronyms

AusAID	Australian Agency for International Development
CCG	Commune Contact Group
CPC	Commune People's Committee
CWU	Commune Women's Unions
DCG	District Contact Group
DDO	District Development Officer
DOSTE	Department of Science, Technology and Environment
DPC	District People's Committee
DPI	Department of Planning and Investment
DWU	District Women's Union
FA	Farmers' Association
FCO	Finance and Credit Officer.
GOA	Government of Australia
GOV	Government of (the Socialist Republic of) Vietnam
HH	Household
LA	Loan Applications
M&E	Monitoring and Evaluation
MEGO	Monitoring and Evaluation Officer
MF	Microfinance
MD	Monitoring Form
MFI	Microfinance Institution
MS	Accounting Form
NGO	Non Government Organisation
PAR	Portfolio at Risk over 30 days
PC/PA/PS	Problem Census/Problem Analysis/Problem Solving
PCF	People's Credit Funds
PDA	Participatory Development Adviser. Prefix 'V' Vietnamese
PDD	Program Design Document
PFI	Participating Financial Institution
PMB	Project Management Board
PMU	Project Management Unit
PO	Project Officer
PPC	Provincial People's Committee
PPO	Participatory Planning Officer
PPP	Participatory Planning Process
PWU	Provincial Women's Unions
QN	Quang Ngai
QNRDP	Quang Ngai Rural Development Program
RUDEP	Quang Ngai Rural Development Program
SBV	State Bank of Vietnam

SEL	Small Enterprise Loans
TAG	Technical Advisory Group
TL	Australian Team Leader
TOT	Training Of Trainers
ToR	Terms of Reference
URS	URS Sustainable Development (incorporating AACM International)
VSCF	Village Savings and Credit Facility
VND	Viet Nam Dong (VND10,900 = AUD1 approx)
VBARD	Vietnam Bank for Agriculture and Rural Development
WUs	Women's Unions

# 1 Introduction

The Quang Ngai Rural Development Program (RUDEP) is being implemented within Quang Ngai (QN) Province in the central region of Vietnam and its goal is to contribute to rural development, governance and poverty reduction in selected communes in QN Province. At present there are six communes belonging to six Program districts. Son Hai, Son Ha District; Tinh Tho, Son Tinh District; Duc Phong, Mo Duc District; Nghia Tho, Tu Nghia District; Hanh Phuoc, Nghia Hanh District; and Pho Chau, Duc Pho District. The Program's purpose is to empower poor households (HHs) in selected communes in QN Province to improve livelihoods sustainably through increased incomes within the risk framework of poor people. The primary beneficiaries from the RUDEP will be the poor households and poor household groups in each selected commune. The Program is based on three key elements: Participation, Focused Capacity Building, and Savings and Credit facilities.

The RUDEP has been planned in three phases:

Phase 1 - Program design and initial capacity building (1 year completed October 2002)

Phase 2 - Program implementation in target communes (5 years, starting in October 2002)

Phase 3 - Expansion of successful activities (4 years)

## 2 Overview of VSCFs

### 2.1 Main Activities

44 VSCFs are established by RUDEP in the following communes:

- **2000-2003:**
  - Tinh Tho commune: 03 VSCFs
  - Duc Phong commune: 02 VSCFs
  
- **2003-2004:**
  - Duc Phong commune: 08 VSCFs
  - Tinh Tho commune: 07 VSCFs
  - Son Hai commune: 06 VSCFs
  - Nghia Tho commune: 02 VSCFs
  - Hanh Phuoc commune: 09 VSCFs
  - Pho Chau commune: 07 VSCFs

Total of funds of these groups: **3,192,000,000 VND**

## 3 Method of Evaluation

### 3.1 Date of Evaluation

Evaluation was conducted from 20<sup>th</sup> to 25<sup>th</sup> of November 2004, 07<sup>th</sup> and 21<sup>st</sup> of September 2004.

### 3.2 Evaluation Method

**Place:** The evaluation was done in 6 communes: Duc Phong, Tinh Tho, Nghia Tho, Hanh Phuoc, and Pho Chau.

#### **Participants of discussion:**

- Participants: total of 130 people, include 79 woman and 51 men. They are members of 6 VSCFs in 6 above-mentioned communes.
- Facilitator: MEGO (Quang).

#### **Method applied to select VSCFs:**

- Population: 19 established VSCFs were selected from 6 communes (where seed capital had been transferred to) from Jul to Dec of 2003. We got a list of these VSCFs from FCO (Duc Phong, Son Hai, Nghia Hanh, Nghia Tho, Pho Chau). Therefore, we had a total of 441 members and 142 borrowers.
- Sample number of VSCFs to be discussed: We decided to select 6 VSCFs in 6 communes.
- Sample technique:
  - Sample VSCFs: RAND function in Excel was used to select them.
- Focus group discussion method.

#### **Main content:**

Evaluation on impact of VSCFs in RUDEP communes focuses on the following main points:

1. Impact on HH income.
2. Saving activities.
3. Impact on beneficiaries, particularly poor HHs.
4. Impact on investment and production of VSCFs' members.

## 4 Results from the Evaluation

### 4.1 Impact on Household Income

95% interviewees thought that it's very difficult for them to access loans from banks due to their complicated procedures and compulsory collaterals, in addition, the received loans were not in full amount as borrowers had to pay tax and do other payments for CPCs that borrowers really did not understand. Hence, they depended on usurers. Up to now, VSCFs have created conditions for HHs to access loans. Nearly 100% of loans had been invested in income generation activities, such as livestock raising, cropping, small business, etc. Borrowers' income had been improved remarkably.

Increased income meant improvement in living. Income generated by VSCF loans was mainly spent on essential demands, for example: purchase of foods, investment in children's schooling, and expansion of livestock/poultry raising activities. Moreover, several assets such as televisions, furniture, bikes, equipments necessary for production, etc... were bought thanks to income generated from the loans borrowed.

Case1: Loans from VSCFs helped living conditions of HHs to be improved.

At the group discussion, Ms. Võ Thị SỰ - a wounded soldier with one leg lost – cheerfully told me how the VSCF Vinh Tho I at Hoa Tho Village in Hanh Phuoc commune had affected to her life.

11 months ago, she involved in the VSCF and with agreement of other members, a loan of VND 3,000,000 was provided to her. VND 2,000,000 from the loan was used to buy a cattle and the amount remaining was invested in raising pigs. After 6 months of raising, the cattle was sold at the cost of VND 2,800,000, so she got a profit of VND 800,000 from raising cattle. With the amount got from selling the cattle in addition with a small amount of the family, she was able to repay the loan. Currently, she still had 8 pigs in her sties. Next to the first loan, she continued borrowing VND 6,000,000 and the loan was spent on purchasing 10 pigs and 1 cattle. Now she has a herd of pigs and a pregnant cattle with a total value estimated of more than VND 10,000,000.

Ms. SỰ said that loans from the VSCF had changed her family life. Within 1 year, thanks to her family efforts and the loans, income of her family had increased considerably.

## 4.2 Savings

After one year of implementation, VSCF members considered saving to be a totally suitable activity. They thought that the main objective of this form of saving is to create a habit of saving for VSCF members. Around 95% in the total number of members appreciated this activity and considered it an attractive point of VSCFs (particularly members who had not borrowed loans yet). Simultaneously, every month members could have additional interest from savings to modify into family income. Most of members used money from savings to invest more into livestock raising, the money was also spent on unexpected events. Besides, there are a number of ideas that savings contributed to reduction of principal repaid.

## 4.3 Impact on Poor Households

### 1. Expansion of accessing to the poor

In the discussion results, the members said that in the past it was not easy for the poor to access credit sources as they did not have assets for collateral, therefore if there's any need for money, they would get loans from usurers or borrowed money from their neighbours and friends. Formation of VSCFs has brought back happiness to the poor as it's unnecessary for them to have collateral to get loans apart from their prestige<sup>1</sup>. In other words, even if they stayed at home, they were also able to borrow loans when necessary. Besides loans provided, VSCFs contributed to improve rights of poor HHs in the community and raise mutual affection spirit<sup>2</sup> in the society.

### 2. Diversification of works

Most VSCF members considered animal husbandry to be the work that generated their main income. Through survey and analysis, it showed that 95% interviewees considered animal husbandry their main work and only 5% appreciated trading.

Around 95% stated that their families had to do sidelines. Sidelines played an important role in income generation to pay for daily costs of living of their families. Different communes had different types of sidelines, for example. type of sideline at Tho Trung village in Tinh Tho commune was planting melon. This information showed that poor HHs in local areas involving into VSCFs had strived for work diversification to generate income for their families.

### 3. Job creation

As results of the discussion, VSCF members said that duration of working time of family members increased after borrowing loans from VSCFs. However, no one said that the increasing in working duration was beyond one's capacity. On the contrary, VSCF members felt pleased as having more work for their families and themselves as well to do. This meant that family income may go up and their free time may go down.

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<sup>1</sup> Trust of VSCF members

<sup>2</sup> Helping each other when facing difficulties

#### 4. Raising women's power in the family

Female members said VSCFs did not only help poor women to access credit sources but also build their capacity through training courses, and women could manage their family credit by themselves. In addition, women's position was also showed through rights of making decision on getting and using loans. 90% of the total number of women stated that they and their husbands discussed together to come to a decision on borrowing loans and spending money.

#### 4.4 Impact on Investment and Production of VSCF Members

VSCF members said that thanks to study tours hold by RUDEP and farmer field days on animal health training and animal husbandry provided by service providers contracted with RUDEP at VSCF locations, they acquired technologies applied in livestock raising and disease prevention and treatment as well. Till now, about 50% of members had gained confidence to invest in livestock raising (i.e. only 1 – 2 pigs had been raised in the past but now the number of pigs raised was from 5 – 10). However, this figure was still limited.

### 5 Findings from VSCF Evaluation

- VSCFs have contributed to members' improvement on gender awareness and knowledge, created conditions for members to exchange experience on production/business and other experience in life as well.
- VSCFs have been a tool to enhance power of poor women through provision of opportunities for them to be involved in making decision on getting/using loans and on family income, expanding their initiative in production.
- VSCF members have accessed new technologies on livestock raising and cropping as well through training activities at VSCFs.
- VSCFs have gradually formed habit of saving in their members.

### 6 Lessons Learnt

- It is necessary to have further improvement on VSCF monitoring activities. Presently, there are standby members in each VSCF management board; these members should be appointed to monitor VSCF activities.
- Training courses on production and business should be provided to borrowers. Simple documents and forms used in several types of production and business should be designed.
- Study tours on livestock raising and cropping for VSCF members should be increased. These study tours will help them to form ideas on using loans.
- It is necessary to have plans for creating conditions for members who meet requirements and have need of getting loans higher than the ones possibly provided by RUDEP to access institution credit (VIBARD, etc...).
- For members with overdue debts, RUDEP needs to have discussions with CCGs to have more assistance to management boards, have flexible methods, and encourage the members to repay loans.

### **Limitations**

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