

QUANG NGAI RURAL DEVELOPMENT
PROGRAM (RUDEP) - PHASE 2

Evaluation Report - Low Loan Disbursement in
VSCFs 2004



VIETNAM-AUSTRALIA

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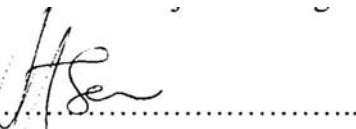
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CONTENTS

Acronyms	ii
1 Introduction on RUDEP	1
2 Overview of Village Savings & Credit Fund (VSCFs)	1
2.1 Identify the Financial Demands	1
2.2 Some Main Objectives of VSCFs	2
2.3 Background of VSCFs	2
3 Method of Evaluation	3
3.1 Rationale for Doing Evaluation	3
3.2 How to Select VSCFs for Evaluation	3
3.3 Main Tools Used in the Collection of Data	6
3.2.1 Focus Group Discussion Method.....	6
3.4 Time of Implementing the Evaluation *	7
3.5 Participants at Evaluation	7
4 Main Finding	7
4.1 Causes of Not Borrowing Money from VSCFs	8
4.1.1 Not Having Alternative Sources of Income for Payment.....	8
4.1.2 Loan Term, Payment Term and Interest Rate	8
4.1.3 Risk of failure.....	9
4.1.4 Other Causes	9
5 Lessons Learnt	11
5.1 Discrepancy between VSCF's Designed Term and People's Demands	11
5.2 Training Needs	11
5.3 Underlying Need for Sub-activities	11

TABLES

Table 1: Summary the evaluation results of all VSCFs	7
Table 2: Summary ranks and votes for each cause	8

Acronyms

AEZs	Agro-Ecological Zones
<u>AG</u>	Activity Group
AMEGO	Monitoring and Evaluation Assistant
AP	Activity Profile
CCG	Commune Contact Group
DDO	District Development Officer
GAD	Gender and Development
HH	Household
<u>RUDEP</u>	Quang Ngai Rural Development Program
VSCFs	Village Savings and Credit Funds
VBARD	Vietnam Bank for Agricultural and Rural Development

1 Introduction on RUDEP

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 poor communes in QN Province. At present, there are seven (or should it be nine) communes belonging to seven 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; Pho Chau, Duc Pho District, Binh Minh Binh Son District. The Program purpose is to empower poor households (HHs) in selected communes in QN Province to improve livelihoods sustainability 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 QNRDP 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 Village Savings & Credit Fund (VSCFs)

2.1 Identify the Financial Demands

Problem Census-Problem Analysis-Problem Solving (PC/PA/PS) meetings are components of the broader Participatory Planning Process used by RUDEP to allow households in the program communes to identify, prioritise and propose options to solve their priority households and community problems. The PC/PA/PS meetings provide a baseline for the implementation of activities, which are designed according to the needs, and desires of households as expressed in the PC/PA/PS meetings.

According to the PC/PA/PS meetings (now called Planning Meetings) held every year in all RUDEP communes, there are high demands of fund for activities. Moreover, the Survey of Scoping Study on Social and Gender Development of the Program (2001) indicates that lack of capital is one of causes of poverty in Quang Ngai. Most of the poor need credit. However, not all people, especially the poor people, are able to access formal financial services such as VBARD, Bank for the Poor etc. Therefore, many of them have to borrow money from private moneylenders at very high interest rate. In many cases, net profit earned from activities is only sufficient to pay interest.

RUDEP established Village Savings and Credit Funds (VSCFs) to meet the financial demands of poor households in selected communes.

2.2 Some Main Objectives of VSCFs

- Help poor households improve their income via savings or loan to invest on small business or production.
- Provide VSCFs members with techniques on production activities (*activities were requested by them*).
- Improve the economic conditions of communes.
- Contribute to the objectives of program-hunger eradication and poverty alleviation.

2.3 Background of VSCFs

VSCFs activities started in 5/2003 with five pilot VSCFs in 2 communes. VSCF “Lam Ha 1” & “Thach Thang 1” in Duc Phong commune. “Tho Dong 1” & “Tho Tay 1” and “Tho Trung 1” in Tinh Tho Communes. Later on, many VSCFs were established in other communes. So far RUDEP has a total of 44 VSCFs operating in all communes.



Opening Ceremony of a New VSCF

List of 44 VSCFs

RUDEP Commune	Name of VSCFs	RUDEP Commune	Name of VSCFs	
Tinh Tho	Tho Dong 1	Son Hai	Lang Ren 1	
	Tho Tay 1		Ta Pia 1	
	Tho Trung 1		Ta Mat 1	
	Tho Trung 2		Ka Ranh 1	
	Tho Trung 3		Lang Trang 1	
	Tho Trung 4		Lang Ra 1	
	Total VSCFs	10	Total VSCFs	6
	Duc Phong	Lam Ha 1	Hanh Phuoc	De An 1
		Thach Thang 1		Thuan Hoa 1
		Lam Ha 2		Hoa Son 1
Lam thuong 1		Vinh Tho 1		
Lam thuong 2		Vinh Tho 2		
Chau Me 1		Hoa Tho 1		
Van Ha 1		Hoa Vinh 1		
Lam thuong 3		An Chi Dong 1		
Van Ha 2		An Chi Tay 1		
Chau Me 2		Total VSCFs	9	
Total VSCFs	10	Pho Chau	Vinh Tuy 1	
Nghia Tho	Thon 1A		Hung Long 1	
	Thon 2A		Tan Loc 1	
Total VSCFs	2		Hung Long 2	
		Chau Me 1		
		Vinh Tuy 2		
		Tan Loc 2		
		Total VSCFs	7	

VSCF Loan Used to Fatten Cattle



3 Method of Evaluation

3.1 Rationale for Doing Evaluation

As mentioned in Item 2.2-Objective of VSCFs, one of the objectives of VSCF was to provide people with loans. In fact, the loan rate in some VSCFs was low.

The evaluation aims at seeking the reason why the loan rates were low in some VSCFs.

3.2 How to Select VSCFs for Evaluation

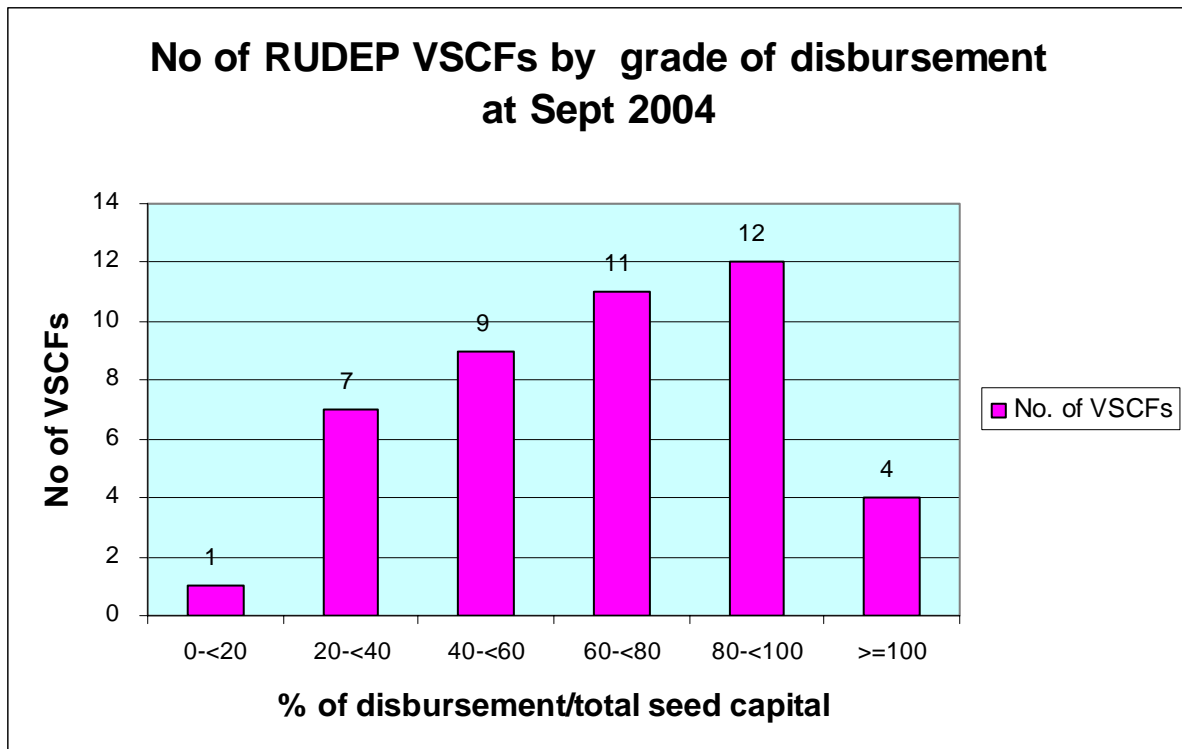
We used the Purposive Sampling Method to select the VSCFs for evaluation. In each commune, we selected the VSCFs with lowest percentage of disbursement at Sept 2004 excluding some VSCFs were just established in July 2004. There were seven VSCFs selected from 6 communes. Two VSCFs were in Son Hai commune.

The data on percentage of disbursement and total seed capital RUDEP transferred to the VSCFs was transferred into graphs.

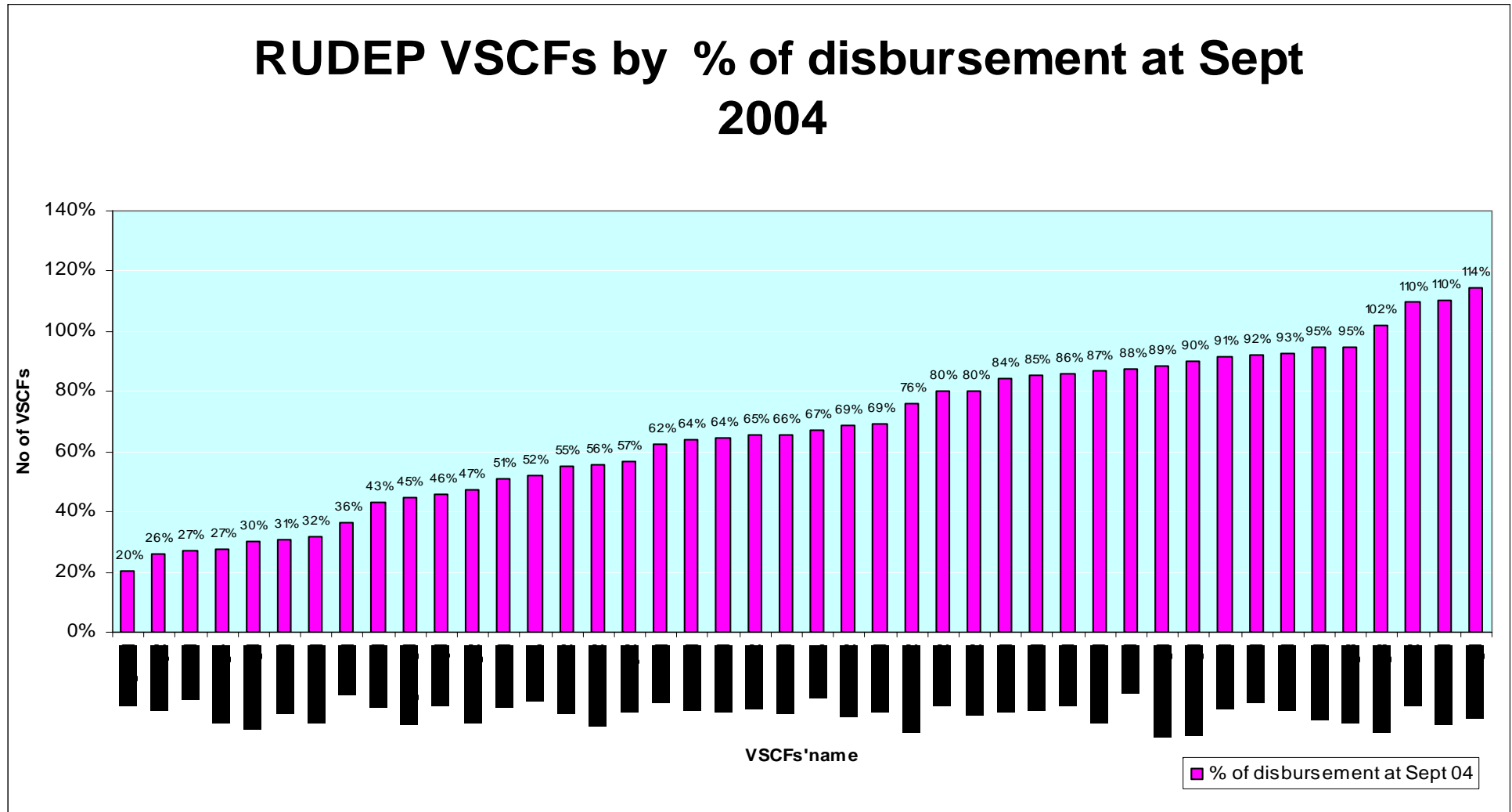
The first graph provides a general view on disbursement situation of all RUDEP VSCFs. In this graph, X Axis shows percentage of disbursement grade ranked by six categories. The number of each VSCFs in each category is showed on Y Axis.

The second graph shows detailed information on percentage of disbursement of each VSCF. The X Axis indicates name of VSCFs and Y Axis indicates percentage of disbursement and total capital of each VSCF.

Graph 1: Number of VSCFs by Grade of % Disbursement and total Seed Capital at Sept 2004



Graph 2: RUDEP VSCFs by Percentage of Disbursement and total Seed Capital at Sept 2004



3.3 Main Tools Used in the Collection of Data

The main tool used in the process of collecting data is Focus Group Discussions.

3.2.1 Focus Group Discussion Method

3.2.1.1 Theory on Focus Group Discussion

Concept of the method:

A structured group discussion process was used to obtain detailed information about a particular topic. The method enables respondents to show their attitudes and feelings and to draw out precise issues that may be unknown to the researcher.

Size of a group:

Ideally, a group should consist from 6-9 participants who are homogenous people.

Time for discussion:

In theory, it should last about 1-2 hours. Two hours is the maximum number.

Apply Focus Group Discussion on the Evaluation

The main content of question raised by facilitator in the discussion was that “why didn’t the members of your VSCF borrow money from VSCF fund?”

The focus group discussion

A set of possible answers (causes of not borrowing money from VSC fund) was prepared before hand. These causes were written on colourful cards. One cause was on one card. The cards were designed to make sure people could see the content clearly and to avoid repeating one issue many times.

The facilitator asked group to nominate one “group facilitator”. His or her duty was to guide group discussion on the questions and to present the discussion result of group.

After respondents gave the causes of not borrowing money from VSCF fund, the facilitator confirmed with the group to make sure information showed the idea of all members. Then cards were stuck on a wall or board. The process was repeated until group finished their discussion on final cause of issue.

All members checked the causes against and then they ranked the causes by level of importance.

3.4 Time of Implementing the Evaluation *

Time of implementing the evaluation is described as in table below

Commune	Date of evaluation
Pho Chau	20/11/2004
Hanh Phuoc	22/11/2004
Tinh Tho	
Nghia Tho	23/11/2004
Son Hai (two VSCFs)	
Duc Phong	26/11/2004

At each site, members of the chosen AG are invited to the meeting place or the meeting was combined with the VSCF monthly meeting to do evaluation in order to save people's time. The discussion was done with a facilitator's help. The facilitator raised the questions and allows the group time for discussion.

3.5 Participants at Evaluation

Focus Group Discussion

The main participants at the evaluation include the AMEGO and VSCFs members. The AMEGO works as a facilitator and the members are respondents of group discussion.

4 Main Finding

The evaluation results were summarized in Table 1.

Table 1: Summary the evaluation results of all VSCFs

Causes	Pho Chau Commune	Nghia Hanh Commune	Nghia Tho Commune	Duc Phong	Tinh Tho	Son Hai Commune
Weather					2	
Technology					1	
Interest rate	1	3	3	3		1
Loan term	2	1	1	4		
Loan amount				2		
Payment term		2	1	1	4	
Loan application process			2			
Risk of failure	2	5	3	5	3	2
Alternative course of income for repayment	1	1	1	1	3	
Other Sources of funds (VBARD, PSB, ect)		4				
Literacy			2			
Low number of member		2				
No activities to generate income			1		1	

In Table1, the numbers in each column indicate the causes and their ranks of importance or level of impact to loan amount of VSCFs. Level of importance is ranged decreasingly from the most to the least level. Number 1 stands for the most important impact.

Table 2: Summary ranks and votes for each cause

RANK	Rank 1st	Rank 2nd	Rank 3rd	Rank 4th	Rank 5th	Total selection for each cause
Causes	Number of selection for each cause					
Weather		1				1
Technology	1					1
Interest rate	2		3			5
Loan term	2	1		1		4
Loan amount		1				1
Payment term	2	2		1		5
Loan application process		1				1
Risk of failure		2	2		2	6
Alternative course of income for repayment	4		1			5
Other Sources of funds (VBARD, PSB, etc)				1		1
Literacy		1				1
Low number of member		1				1
No activities to generate income	2					2

Table 2 shows the total votes for each cause by rank.

4.1 Causes of Not Borrowing Money from VSCFs

4.1.1 Not Having Alternative Sources of Income for Payment

Alternative sources of income for payment was selected by majority of VSCFs and considered as the most important cause of not borrowing money from all VSCFs.

Discussion with people shows that the households participating VSCFs mainly cultivate rice/cassava and raise cattle or pigs. It takes them a long time (more than three months) to get return because they are following traditional methods. Besides, they do not have much or just have few sub-activities to generate sub-income but the amount of income is not significant enough to cover the quarterly payment for VSCFs.

4.1.2 Loan Term, Payment Term and Interest Rate

As mentioned in 4.1.1, people do not have enough sub-income for quarterly payments. They think that quarterly payments burden them more because in three months they cannot find enough money for payment. So that to them, three months term is too short term and six months term is quite short and the interest rate at 1% per month is also high.

People want to borrow money to raise cattle or pigs. But they are following traditional methods. Thus these methods make activities really time consuming. They want the loan term to be extended to 2 or 3 years. It means that 2 or 3 years is their production cycle. A cycle of production starts when people buy cattle and end when selling them. They want to pay money to VSCFs after selling production and getting return.

To RUDEP, this is impossible because the VSCF funds are for the poor and the term can not be long. If 50% of members borrow money from one VSCF, concurrently 50% of others have to wait to borrow money. Waiting for a long time to borrow money is not a good condition for hunger eradication and poverty alleviation. Moreover, the quarterly term is a way to remind borrowers about their duties of paying debt. Otherwise, it is easy

for them to forget or not be ready to return money. All these reasons were explained to people when evaluating.

The interest rate is one of concerns of people in VSCFs. Although people know the reason why RUDEP VSCF rate is set at 1% per month, the majority of them still think that this interest rate is high in comparison with the rate of WU or other funds. The under-lying cause of this thought is that people do not have enough sub-income for payment.

- Especially, in Son Hai-H're ethnic minority community, the interest rate is seen as the most important obstacle of people on the way to access VSCF fund.
- In Son Hai, VSCF members borrow money to grow cassava. They mainly earn their living from cassava. Duration of a cassava crop is a year. People are able to pay debt only when they harvest cassava - one year after borrowing money from VSCFs. During the crop, they do not have any other income to pay monthly interest. If they have some, it is only enough to cover daily food. Thus, they don't want to borrow money from VSCFs. Only households, who have enough money to pay interest monthly, borrow money from VSCFs. The other households borrow money from the Kinh people - private lenders whom borrowers must sell their cassava to at the end of crop. The Kinh do not require monthly interest rate, they deduce the loan based on the total value of cassava. In some cases, borrowers at VSCF have to borrow money of the Kinh to pay VSCF interest.

4.1.3 Risk of Failure

Table 2 indicates that all VSCFs have the same fear of risk of failure. Impact of risk of failure on borrowing money in VSCFs has a wide range from 2nd to 5th rank. Besides main crops, people want to borrow money for animal husbandry but they are afraid of incurring loss due to unstable market and disease.

- The density of veterinarians per commune is low. The average number is 1-3 persons/per communes. Distance is also an obstacle to accessing local veterinarians. Service of local veterinarians cannot meet the demand of people.
- For some special diseases, people are unable to treat the disease themselves. They are only able to deal with some normal diseases. They depend on veterinarians. The training for AGs only convey to people information on vaccination and some normal diseases. People want RUDEP to help them with training on disease control for animal (mainly cattle and pigs).

4.1.4 Other Causes

The causes mentioned above are common for all communes. Otherwise, each commune has different causes depending on the local conditions.

4.1.4.1 Weather Conditions

Tho Trung hamlet in Tinh Tho commune is a low-lying land in comparison with the other areas in the commune. During the last four months (Sept-Dec) of the lunar year, rainfall was higher than other months.

- The land is muddy and impossible to grow any grass and vegetables. So it is difficult for people to raise cattle and pig because in these months, animal will lack of grass or vegetable. If people follow the new techniques to fatten animals, animal will not increase weight due to lack of food.
- Wet air is favourable for the development of animal diseases especially chickens. It is easy to incur loss when raising animal in these months.

For the above reasons, in these months people dare not to borrow money for investment on production.

4.1.4.2 Lack of technologies and information

People know that the new methods will help them save time and get return quicker than traditional one. But some groups lack of techniques to fatten cattle or pigs by new methods. Consequently, they dare not to borrow money to invest on animal production.

- For example, VSCF Tho Trung 4 was developed from Tho Trung 2 VSCF after the number of members in Tho Trung 2 became too large. Communication between the two VSCFs is not well done, so that when the training on cattle in Tho Trung 2 was held, members in Tho Trung 4 did not know the existing of that event. They missed opportunities to attend the training, leading to lack of knowledge.
- They want to be supported with training on raising cattle and pigs.

4.1.4.3 Illiteracy

To borrow money from VSCFs, members have to complete some forms such as Business Plan, Loan Application and Agreement. In Nghia Tho commune-H're ethnic minority community, this is really difficult for them because majority of women are illiterate. They cannot complete the forms themselves. They have to ask for other people's help. In cases the helpers are not enthusiastic or busy, forms are not completed, thus the members who want to borrow money will become unwilling or not ready or lazy to borrow money.

4.1.4.4 Low Number of Members, Saving and other Sources of Funds

In some VSCFs the quantities of members decrease but the total seed capital transferred to VSCFs do not change. The total loan of these VSCFs will be lower than other VSCFs, where the numbers of member do not decrease.

In some VSCFs, people did not have enough compulsory saving to borrow money. Thus, they are not allowed to borrow money from VSCF. This number is not high.

Other sources of funds are one of the reasons that make the loan in VSCF low. People prefer to access other fund than VSCFs because the interest rate of these funds is often lower than 1%. These funds are also available in local area such as WU, Farmer Association. However, the number of people who are able to access these funds is limited because the funds are not open to every household.

5 Lessons Learnt

5.1 Discrepancy between VSCF's Designed Term and People's Demands

Terms of loans and payment in VSCFS are designed for short-term activities. But people are following traditional methods for production. They want the term to be longer to enable them to pay at the end of production cycle other wise, VSCF members cannot afford for payment.

5.2 Training Needs

In some places, people have opportunities to learn new techniques provided by RUDEP. In some other places, due to different reasons (for example, lack of information on the existence of the training) people did not attend the training. Thus, they are still following traditional methods. In these places, people really want to receive RUDEP's help in term of technical transfer.

The communication regarding training event must be sure that all people are involved in the training course know the existing of the event and the time allocated for it.

5.3 Underlying Need for Sub-activities

The main activities for income generation in all communes are rice production and livestock production. In area of livestock, if people adopt new techniques, the whole production cycle will be reduced. In fact they are following traditional methods. It means that people only repay loan at the end of cycle. Meanwhile, if they have some other sub-activities to generate income, they may be able to pay the VSCF loan in time. The sub-activities help diversify income and facilitate the payment.

If possible, people should be reminded to think about best suitable sub-activities they want. And then RUDEP can help them with technical issues.

Limitations

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