

ANNUAL REPORT 2009



REVOLVING LOANS PROJECT

COMMUNITY & DEVELOPMENT PROGRAMME

**Christina Noble
Children's Foundation
Vietnam**



REPORTING PERIOD JANUARY –DECEMBER 2009

PROJECT DESCRIPTION

Established:	1997
Reporting Period:	January to December 2009
Location:	Kien Giang, Dong Nai and Ben Tre Provinces
Target Group:	Families living in poverty with focus on children
Local Partner:	DOLISA in Ben Tre Province DOLISA in Kien Giang Province WU in Long Thanh District, Dong Nai Province
CNCF Staff:	Mr. Nicolas Pistolas, Ms. Son Thu Trinh, Tran Van Lam
Monitoring visit:	Quarterly monitoring and evaluation
CNCF Involvement:	Continuous
Report Compiled By:	Tran Van Lam, Capital Projects Manager

Abbreviations:

AEC	Agricultural Extension Centre
DOLISA	Department of Labour, Invalids and Social Affairs
FU	Farmers' Union
NGO	Non-Governmental Organisation
PPC	Provincial People's Committee
PRSC	Poverty Reduction Steering Committee
SOLISA	Section of Labour, Invalids and Social Affairs
VBARD	Vietnam Bank for Agriculture and Rural Development
VBSP	Vietnam Bank for Social Policies
VND	Vietnam Dong
US\$	US Dollar
WU	Women's Union

PROJECT BACKGROUND

The Revolving Loan Projects first began in 1997 in Son Kien Commune (Kien Giang Province) and has been expanded in Can Gio District (HCMC), Long Thanh District (Dong Nai Province) and Tan Binh Commune (Ben Tre Province).

The overall objective is to provide loans with low-interest to help families living in poverty in selected areas find a sustainable livelihood to gradually escape poverty. Relatively small loans have been extended to low-income people who had no collateral and little access to formal banking sources. The major challenges have been high risks inherent in various crops and livestock, poor natural resources, low profitability of farming production, stagnant markets and lack of collateral given as reasons for the reluctance of commercial banks to lend. Barriers have also been due to distance, lack of information, low confidence, and economic conditions. In most cases the poor do not qualify for a standard bank loan because they have either other loans or no confidence to use a loan efficiently.

The Revolving Loan Projects not only helps women increase their incomes but contributes to the empowerment of women and securing their children's schooling by way of lessening the financial burden of school fees. As a result, women are important project targets in all ongoing CNCF-funded projects in an effort to facilitate access for women to loans as a means of starting or enhancing their own economic activities.

In the Revolving Loan Projects, loans were used to start up a micro-enterprise such as rice or cash crop farming, livestock farming and sole traders. The duration of a loan cycle varied from 1 year to 3 years and each family has been granted with anywhere between US\$65 and US\$440, depending on circumstances. A family is often involved in several loan cycles in order to gain sustainable development with the assumption that the family becomes self-reliant within several cycles. Thanks to these loans, people who had been struggling economically were able to set up small businesses. Poor families living in remote areas have no means to develop their activities and to improve their living conditions, which is why micro credit is an important strategic booster for economic development. CNCF granted micro credit to allow families to buy production tools and fund animal husbandry.

In principle, a CNCF-funded project is simple: identify the poor, extend capital loans with "soft" interest rates to raise their earnings, recover the loans, and recycle them progressively to help increasing members of poor communities. The interest rates are applicable at 0.5 – 0.6% per month. This simple method is also allows CNCF to meet immediate needs and opportunities. For the poor, the loans are more attainable and less confusing. The lending procedure is simple and straightforward.

PROJECT ACHIEVEMENTS

In 2009, the Revolving Loan (RL) Projects continued in Ben Tre and Dong Nai Provinces and was “delayed” in Kien Giang. The Revolving Loan Projects served 91 family clients in the working areas with total active loans disbursed of VND400 million. The other VND215 million was deposited in the bank account of Son Kien Commune WU.

In general, the projects supported the selected families in poverty to start micro business to gain a sustainable livelihood. They also helped to create job opportunities for those who were at working age in the target communities, particularly creating opportunities for loan recipients to pay more attention to their children. And finally, the projects brought about social and economic benefits to the communities living in poverty. During the reporting period, 91 families in Ben Tre and Dong Nai Provinces were supported to start small business to gain sustainable livelihood. In the micro enterprise families, the economic activities helped to improve entrepreneurial capacity and create job opportunities for the local people. In the livestock families, the economic activities made the best use of leftover food, vegetable and grass available around or combined with other activities such as spinning coconut fibres, seedling nursing or micro enterprise.



Rice husking service in Kien Giang Province

The RL projects helped to take care of 91 loan recipients’ children. The families who gained a sustainable livelihood could ensure schooling for their children. As a result, the children received better health care and a nutritious diet.

Table 1: Overview of Revolving Loans in 2009

Projects	Dong Nai Province	Ben Tre Province	Kien Giang Province
Established	1998	2007	1997
Partners	WU of Long Thanh District	DOLISA	DOLISA
Cycle	8 th (1/2009 – 12/2009)	1 st (1/2007 – 2010)	
No. Beneficiaries	58	33	0
Loan size (MVND)	VND1 – 5	VND 5 – 7	0
Budget (MVND)	200	200	0

Table 2: Revolving Loans by Sector

Projects	Dong Nai Province	Ben Tre Province	Kien Giang Province
Rice/ cash-crop cultivation	26	2	0
Livestock raising	26	25	0
Micro enterprise	6	3	0
Others	0	1	0
Total	58	33	0

In Ben Tre and Dong Nai Provinces, women constituted a significant proportion of the total project beneficiaries, and the actual number of women who have participated in project activities has been much greater than the directly targeted groups. The projects have generated benefits in capacity and institution-building by creating linkages among rural women, extension staff and implementing partners (among other linkages). They have also improved the access of rural communities to public health and nutrition services and increased public awareness of the benefits of women's self-reliance and self-esteem and their contributions to child development and education.

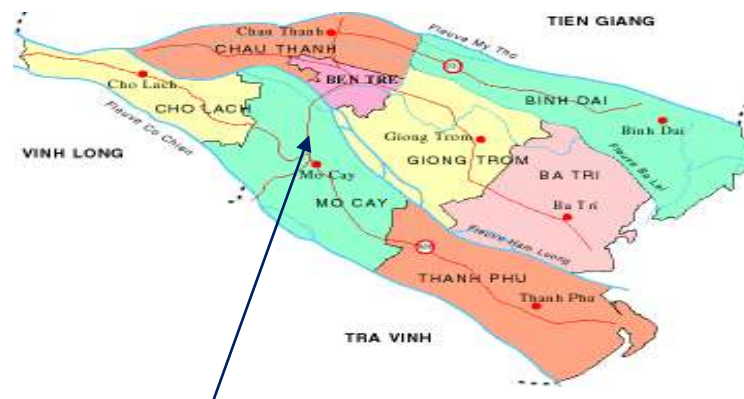
Social empowerment has increased among the women involved and they increasingly feel more confident. Regular savings and procedure techniques have been common reasons that they have been attracted to participate in the project, and the majority of women have complete freedom to utilize the income they generated, thereby obtaining a means to achieve economic sustainability.



Ben Tre Province

This year saw a continuation of the Revolving Loan Project in Ben Tre Province. The first loan cycle started in Tan Binh Commune in February 2007. This is one of the poorest communes in Ben Tre Province where the poverty rate was 23.17% (in 2007). The project has a fund of VND200 million. The families committed themselves with expected VND52,550,000 to cover the breeding facilities, foodstuff for livestock and other inputs.

The project focused on the target group of the families categorised as being poor in Tan Binh Commune. To qualify, families must 1) have low income, 2) have children at school age, 3) be eligible to work but have no or very meagre financial source, 4) be hard working and determined to escape poverty, and 5) be prepared to facilitate access to schooling for their children. Based on the fund scope and needs of rural loans, DOLISA selected 33 families categorised as being poor to benefit from the project. The economic activities included fruit sale (2 families), carpentry work (2 families), pig raising (1 family), vegetables sale (1 family), bonsai work (2 families) and cow/ beef cattle raising (25 families).



Tan Binh Commune, Mo Cay Bac District, Ben Tre Province

DOLISA followed the progress of these family businesses and provides regular advice and assistance. In this project, rural micro credit experience is much needed, DOLISA of Ben Tre Province cooperated with the Provincial Farmers' Union (FU), the Provincial Vietnam Bank for Social Policies (VBSP) and the Poverty Reduction Steering Committee (PRSC) of Mo Cay Bac District for joint implementation. The loans were disbursed by VBSP as this is a state bank with a high profile for the poor.

The families adopted few diversified economic activities (including agro-business, husbandry, handicraft or small ventures) due to natural or market factors. The project proved that cow/ beef cattle raising was very profitable, representing 76% of the families involved in the project. After almost three years, many families have attained economic independence, making profits between VND 1 and 17 million. Many income-generating activities and micro-enterprises established under this credit service were financially viable and provided income and employment opportunities to women beneficiaries.



Carpentry work in Tan Binh Commune

To ensure that breeding animals are of quality, DOLISA made surveys of cow/ beef cattle supply and provided advice to the families. This is done in cooperation with SOLISA, FU and PRSC in Mo Cay Bac District and Tan Binh Commune. Experience is that poor villagers had little access to market and/ or supply information and required advice in many cases.

In addition, DOLISA cooperated with the Agricultural Extension Centre (AEC) of Ben Tre Province to deliver two skill training courses and study tours to the best practices for the families.

Dong Nai Province

CNCF and the Women's Union (WU) of Long Thanh established the revolving loan project in 1998 to meet the need of rural savings and credit of the poor women in many communes of Long Thanh District. The project was implemented by WU of Long Thanh District and its WU line system at commune level.



Long Thanh District, Dong Nai Province

The 7th loan cycle started from January 2007 to December 2008 in 11 rural communes and one township area. These covered Bau Can, Binh Son, Cam Duong, Loc An, Long An, Phuoc Binh, Phuoc Tan, Phuoc Thai, Suoi Trau, Tam Phuoc, Tan Hiep Communes and Long Thanh Township (Market Area). 65 families were selected to have access to the loans.

In January 2009, WU of Long Thanh District continued the 8th loan cycle with 58 families in 9 communes. Long An, Tam Phuoc Commune and Long Thanh Township (Market Area) were excluded from the project because the families have attained economic independence during the last loan cycles. In the 8th loan cycle, there were 39 new family borrowers and the economic activities covered cash crop cultivation (26 families), livestock raising (26 families) and micro-enterprise (6 families) with a gradual increase in loan sizes. Each family was granted with anywhere between VND1 million and VND5 million, depending on production form of benefited areas. The selection of loan recipients complied with general procedures that the families must 1) have a low income, 2) have children at school age, 3) be eligible to work but have no or very meagre financial resources, 4) be hard working and determined to escape poverty, and 5) be prepared to facilitate access to schooling for their children.

The fund has remained at VND200 million as of the 8th loan cycle as WU of Long Thanh has successfully managed this fund since 1998. The interest rate is applicable at 0.5% per month and used to cover all management expenses and recovery of risks. The target groups were the women living in poverty in the communes, WU could easily combine their line system tasks with this loan project.



*Pig raising in
Long Thanh District*

The project has evolved for over 10 years and many families have been involved in several loan cycles to gain sustainable development. In the micro enterprise, the profit after input expenses averaged VND300 thousands per family per month. In the families with livestock farming, the income varied VND4 – 6 million per family per loan cycle. The farmers argued that more profit would be gained if the loan size increased. Many families have been able to continue paying their children's school fees.



Kien Giang Province

In Kien Giang Province, the project first started in Son Kien Commune in 1997. It has two funds – VND175 million and VND40 million – implemented to the 8th and 9th loan cycles respectively. These cycles commenced in October 2006 and ended in March 2008.



Like other projects, this revolving loan project evolved in Son Kien Commune for over 11 years, many families have been involved in several loan cycles to gain sustainable development. The Women's Union (WU) of Son Kien Commune was authorised by DOLISA of Kien Giang Province to manage the project. However, the project has remained idle following the closing of the 8th and 9th loan cycles in March 2008 due to various factors. It proved that the cooperation between DOLISA and WU of Son Kien Commune was limited to complete the last cycles and prepare for the new ones. In addition, DOLISA had very few staff involved in the project.

PROJECT PLAN FOR 2010

Given that the credit demand is still high in the target communities, the loan projects are expected to expand in these locations for further loan cycles, help escape poverty through investments that improve productivity and tap into economic opportunities. In line with the objective of the Capital Projects, the loans with low-interest will help families living in poverty in selected areas find a sustainable livelihood to gradually escape poverty. Relatively small loans have been extended to low-income people who had no collateral and little access to formal banking sources. Lack of collateral or being in debt are some of the reasons why commercial banks are reluctant to lend.

In Ben Tre Province, the first loan cycle ends in March 2010. CNCF and DOLISA of Ben Tre Province will consider a possible extension of the project in Tan Binh Commune in order to meet the demand for micro loans for poor families. The project will also reach more low-income clients and expand the scope of profitable economic activities.



In Dong Nai Province, the 8th loan cycle ends in January 2010. CNCF and WU of Long Thanh District will consider possible extension and a gradual increase in loan sizes in poor communes. The project will continue to cover the target groups of women in poverty, giving them economic opportunities to improve their living and enable schooling and healthcare of their children.

In Kien Giang Province, DOLISA has taken a long time to complete the paperwork to extend the project. It is expected that the project will resume in the first quarter of 2010 with a focus on ethnic groups and a gradual increase in loan sizes. The ethnic groups in Kien Giang have been excluded from the provision of social services due to cultural or knowledge factors.

PROJECT PARTNERSHIPS

In 2009 the CNCF Capital Projects Department maintained good partnerships with the Local Partners in Ben Tre, Dong Nai and Kien Giang Provinces. This has contributed to the success of the projects in the working areas.

In Ben Tre Province, DOLISA was a traditional Local Partner of CNCF in many community projects. This loan project was jointly implemented in a professional way in collaboration with other relevant departments. DOLISA had sufficient staff to be involved in the joint project management. A reporting system was well maintained by DOLISA to keep CNCF updated the activities. DOLISA was open to talks, discussions with the CNCF Capital Projects Department on the implementation.

In Dong Nai Province, WU of Long Thanh District has a network of the women members at commune and village levels to oversee the use of loans in an effective way. WU has competent, dedicated staff and is well experienced in micro credit for the poor, particularly to women in poverty. During the reporting period, WU was in close cooperation with the CNCF Capital Projects in terms of regular reporting and family visits. There were opportunities for constructive discussions between WU and the Capital Projects Department.

In Kien Giang Province, the cooperation is still challenging. There was little connection between DOLISA and WU of Son Kien Commune to complete the 8th and 9th loan cycles and prepare the new ones. Changes in project management structure affected the take-over and book keeping by the new staff in Son Kien Commune. In addition, DOLISA had very few staff to be involved in the project. This contributed to a long delay of the project in Kien Giang Province.

MONITORING

In 2009, the projects were regularly monitored by the Local Partners and by CNCF.

In Ben Tre Province, the Commune Farmers' Union (FU) members and the Project management Groups (PMG) established under the Poverty Reduction Steering Committee (PRSC) of the Commune monitored the activities including the use of loans, training and loan repayment and the selection of recipients. In addition to monitoring, FU members and PMGs also supported the activities of the families. They visited the families regularly, listened to their situations and reported to FU and PRSC. They also had monthly meetings to update the project progress and deal with difficulties. DOLISA staff paid regular inspection visits in collaboration with SOLISA of Mo Cay Bac District.

In Dong Nai Province, WU of Long Thanh District delegated the monitoring of the loans to WU of the Communes where the project was working. They usually combined their duty tasks with the monitoring of the loans among their members. WU staff had opportunities to meet their members, and they could monitor and support the activities as a result. In addition, they had monthly meetings for all women activities during the loan cycle.

CNCF sustained its obligation to monitor the loans and family visits. The objective was to ensure the borrowers' compliance to the loan rules. In other words, the family visits helped to gain a broader understanding of the need of rural savings and loans in the working provinces. The CNCF Capital Projects team also received quarterly updates from the Local Partners.

SUCCESS STORY

A success story from Mr. Nguyen Van Dinh– Tan My Village, Tan Binh Commune

Family status: Mr. Dinh, his wife and his daughter of school age. He worked as a part-time hired construction worker and earned approximately VND70,000 per day. His income was dependent on the construction season and very meagre. Mrs Dinh weaved coco threads and weaved footballs that she could earn approximately VND15,000 per day. Their daughter was attending a local secondary school.



Mr. Dinh, born in 1972, had a loan of VND7million and first bought two cows. This small amount of money is a big step in fulfilling his dream to send his child to school regularly and feed his family daily.



After three years, he sold his cows at VND14.8 million. The profit after input expenses was approximately VND8 million. He used this money and his earnings from construction work to build his own house.

Their daily income from construction, coco thread spinning and football weaving helped to cover interest payment and other living expenses. Mr. Dinh can pay his child's school fees and is free from worrying about their next meal.



"I'd say my philosophy isn't just about mending bodies. It's about restoring people's independence, giving them a life, not just an existence. It's about respect and love and dignity. Those are the things we owe our children. Children are the ones who need them most of all"

Christina Noble

Report prepared by: Tran Van Lam, Capital Projects Manager