

I-Vietnam's Socio-Economic Performance

Since the adoption of the *Doi Moi* market-based economic reforms in 1986, Vietnam has achieved remarkable economic growth as well as vast improvements in its social indicators. In the Vietnam Development Report 2004, the World Bank estimates Vietnam's economic growth for 2003 to be around 7 percent, making it the world's fastest growing economy after China. Vietnam's real Gross Domestic Product (GDP) per capita has more than doubled over the past decade.

Table 1: Macro Data—Vietnam

	Data	Year/Period	Source
GDP (\$Billions)	35.1	2002	World Bank
Population (millions)	80.4	2002	WB
Population density per km ²	243.6	2003	UNDP
Percentage urban / rural population	24%/76%	1999	UNDP
GDP/Capita (\$)	485	2003	UNDP
GDP Growth Rate	7%	2002	WB
Inflation	3%	(end 2003; year-on-year)	UNDP
Exchange Rate (current, X Currency per \$1) ¹	\$1 = Dong 15,472	2003	Viet Nam State Bank Interbank rate
PPP GDP per Capita	2070	2001	UNDP
Infant Mortality (per 1000 live births)	20.0	2002	WB
Under Five Mortality (per thousand)	40	2002	UNDP
Maternal Mortality (per 100,000 live births)	165	2002	UNDP
Access to safe water (% of population)	65%-70%	2000	UNDP
Health Expenditure as % of GDP (public/private/total)	Public: 1.4 Private: 3.9 Total: 5.3	2000	UNDP
Health Expenditure per capita (PPP \$)	130	2000	UNDP
Doctors per 100,000 people	50	1999	UNDP
Hospital beds per thousand people (urban/rural)	2.5 (urban: n.a; rural: n.a)	2000	UNDP

¹ This exchange rate will be used in all calculations of current figures in this paper.

Vietnam has also done well in terms of how much poverty was reduced with each point of economic growth. From 1993 to 1998, GDP per capita increase by 6.9 percent and the poverty rate declined by 9.0 percent per year. Similarly, between 1998 and 2002, GDP per capita grew by 4.9 percent and the poverty rate fell by 6.1 percent per year.

In addition, economic growth has not reduced the vulnerability of poor households to external shocks or strengthened their ability to deal with different types of risks. Among the most common shocks that the poor confront are episodes of ill health, failure of a crop or investment (such as death of livestock), adverse movements in the prices of key agricultural commodities, unstable employment opportunities, and the occurrence of natural disasters. It is estimated that between 5 and 10 percent of the population of Vietnam is still vulnerable to fall back into poverty.

II- TYM' ACTIVITIES

The TYM Fund (TYM stands for *Tau Yeu May* which literally translates to “I love you”) is a Grameen replication project that was formally launched in 1992. The project’s principal mission is “to develop a sustainable and financially viable institution committed to creating opportunities for poor women to access continuously the credit and saving services to improve their total well being...

based on the spirit of discipline, hard work, savings and mutual respect.”

TYM follows closely the Grameen Bank philosophy and credit delivery system with some adjustments to reflect the Vietnam context. The organisation employs a targeting tool based on housing condition, family income and asset holding to ensure that clients are poor when they join the programme. TYM’s services are focused exclusively on poor women, giving priority to poor districts and communes. Clients are asked to form groups of five, which in turn are clustered into a “centre”, with the basic organisational unit comprised of six to eight groups (30 to 40 clients).

The centre meets every week in the presence of a TYM technical officer who chairs the meeting to discuss loan proposals, collect weekly repayments and savings, and discuss social development and technical issues of common interest to the members (such as agricultural extension, health care, family planning and other gender issues). Loans require no collateral and are used primarily for income-generation, though a multi-purpose loan product is available for such needs as education, medical care and emergencies. The groups and the centre assume responsibility for their individual loans, as well as responsibility for the loans of others within their respective groups and the centres.

◆ **Loan products**

Loan Type	Loan Amount (VND)	Interest Rate	Loan purpose	Loan Term
General Loan Cycle 1 Cycle 2 Cycle 3 Cycle 4 Cycle 5	300.000-2.000.000 (\$20-130) Max: 2.500.000 (\$160) Max: 3.000.000 (\$195) Max: 3.500.000 (\$225) Max: 4.000.000 (\$260)	12%/year	Production, business, trading, and other types of microenterprises	50 weeks
Special Loan	Min: 6.000.000 (\$390) Max: 15.000.000 (\$970)	12%/year	Larger-scale production and enterprises	50 weeks
Mid-Term Loan Cycle 1 Cycle 2 Cycle 3	2.000.000-3.000.000 (\$130-195) Max: 4.000.000 (\$260) Max: 5.000.000 (\$325)	0.2%/week	Income-generating project, purchase of assets/equipment	70 weeks
Multipurpose Loan	Min: 100.000 (\$6) Max: 1.000.000 (\$65)	0.2%/week	Consumption	10,15,20, 25,30 weeks

Savings :

- ***Obligatory savings.*** Clients are required to save VND 3,000 (\$0.20) every week; the amount is collected at the centre meetings. Members receive interest on these savings at the level determined by TYM for that period. These savings can be withdrawn after the member has been with TYM for five years or when she decides to leave the programme. Members must give a one-week notice for withdrawals.
- ***Voluntary savings.*** Under this product, clients have the flexibility to decide on the amount and the frequency in which they would like to contribute. Interest rates are accrued at the same level as obligatory savings. Withdrawals can be made at any time though a one-week notice is still necessary.

insurance product:

In 1996, TYM launched the Mutual Assistance Fund, where each member contributed a fixed amount every week in return for a specified benefit in case of death or illness. The primary objective for the MAF was to help TYM members with a small level of protection in the case of premature death or sickness. With a weekly contribution of VND 200 (\$1 cent), upon the client's death, her outstanding loan balance would be written off and her family would receive a small sum

to cover funeral expenses. Likewise, a member would receive a payout upon the death of her spouse or child less than 18 years of age.

The MAF was introduced to TYM members as an additional benefit or service provided by the institution at a minimal cost. Premiums are collected at weekly meetings along with loan repayments and savings collection so there was no additional work involved either on the part of the members or the technical officers. As Table 3 indicates, the target market for the MAF is the same as that for TYM's loan products, but the potential impact on the household is far greater since the MAF enables the client's family to better cope with additional expenses incurred from the member's death and also relieves the family from the burden of repaying her outstanding debt. At the institutional level, the MAF enables TYM to have an additional level of reserve for its loan portfolio without having to increase its provision expenses and reduce its net profit.

Customer satisfaction and impact on community. TYM members consider the MAF as good value for the money. The MAF also helps to support group and community solidarity since members can rely on the Fund to help defray costs related to death and illness rather than use their loan capital. Participation in the MAF seems to have sensitised members as to the

importance of “saving for a rainy day.” This is evidenced by the fact that several TYM members expressed their willingness to continue to save and contribute to the MAF even when they have stopped taking out loans.

Customer service. The MAF is highly appreciated by TYM members primarily because of the personalised service by TYM staff. Members do not have to travel far to make their contribution, the technical officers come to them. Likewise, the delivery of claims by the branch head and technical officer adds a personal touch and generates good word-of-mouth publicity and awareness. The staff also make frequent house visits to members, which strengthen client relations and help to prevent fraudulent claims.