

Save the Children (US) in Vietnam

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Brief History

Save the Children/US (SC/US) has implemented in Vietnam a microfinance program targeting women since 1998. It started with a rural project in one district of the Thanh Hoa province, in collaboration with the VWU. The project expanded to three additional districts in the same province in 2004, and now reaches 9,000 clients. SC/US launched a urban project in late 2003 in the outskirts of Hanoi, also in collaboration with VWU, benefiting 1,200 clients. This latter project involved an innovative collaboration between SC/US, a service company and a commercial bank. The main goal of SC/US's microfinance program in Vietnam is to build sustainable institutions that provide on-going access to financial services for poor women micro-entrepreneurs.

Methodology

In addition, the program encourages borrowers to open small savings accounts, enabling them to begin mobilizing savings for their future.

The rural program is active in four districts, uses solidarity groups (5-7 members), and is implemented with VWU.

In its urban program, SC/US decided to use a service delivery partnership model, where roles are shared between a commercial bank, a service company, and an NGO (SC/US):

- SC/US, provides technical assistance and institutional development support, in setting up and subsidizing in the first phase a service company, negotiating with a commercial bank, and advocating for a supporting environment
- The commercial bank, performing the lending function on a legal basis, with available lending funds, has an entrustment role
- The service company, provides consulting services to the bank in implementing a microfinance model (promotion of loan products, clients assessment and training; facilitate loan processing, financial reporting)

Area of Operations

Rural project: three districts of Thanh Hoa Province.

Urban project: outskirts of Hanoi.

Clients

The program targets poor women micro-entrepreneurs, and reports a 99% repayment rate.

Active clients	Active savers	Active borrowers	Gender
10,800*	2,700	10,800	99.5%

**including Rural program 9,500 clients, urban program 1,300 clients*

As of November 2004

Poverty Focus

In 2003, an impact assessment, which included household surveys and interviews with clients, reported:

- Diversification of clients income sources (decreased dependency on agriculture)
- Increase in clients' income and improvement of living conditions.
- Improvement of women's social status and financial management
- Improved Access to Credit by Targeted Clienteles
- Positive contribution to malnutrition reduction and school drop-out rate.
- Diversification of WU activities and enhanced prestige of WU in the community.

Average loan Outstanding	Average outstanding loan size / GNP per capita*	Average deposit size (voluntary savings)
US\$35	7%	US\$2

*US\$480 in 2003

As of September 2004

Distinctive Features

SC/US has invested heavily in capacity building and technical assistance for its microfinance program, to train its staff and counterparts. SC/US has always aimed at creating sustainable microfinance institutions, despite the constraints faced in the Vietnamese context.

Innovations

The urban project is seen as very innovative in the Vietnam context, as it involves the establishment of a private service company, set up by an international NGO, to acts as an MFI without managing the lending operations directly. Working with the VWU, the project intends to partner with a commercial bank, which would manage the lending operations.

Financial results

The urban program was able to cover 35% of its operating costs by generated interest income after only one year in operations.

Loan Portfolio	Portfolio at risk (%)	Savings Deposits	OSS / FSS (%)	RoE / RoA
US\$383,000	n/a	US\$10,000	n/a	n/a

As of September 2004.

Challenges and development plans

SC/US aims to transform the two projects into separate institutions once the legal framework is established. In the urban program, negotiations with a commercial bank are in the final stage. In the future, SC/US could become an investor in the to-be established MFI. There are also plans to invite the commercial bank to be an investor or a wholesale-loan provider to the MFI to be created in Hanoi.

Inclusion in financial Sector

SC/US is in the last stage of negotiation with a commercial bank in Hanoi to become a partner to its microfinance project, taking a lending/entrusting role in the collaboration.

Sources

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- Impact evaluation and operational review of the microfinance program in Nong Cong district, Thanh Hoa. December 2003. Mekong Economics Ltd.