

Ten years of experience and reflection in Vietnam.
International Women's Development Agency –
Vietnam Women's Union microfinance research project.

Funded by AusAID



empowering poor women

micro-finance - what works?

A photograph of a woman wearing a traditional conical hat, carrying a basket of plants on her back, walking through a field. The background shows a line of trees under a clear sky.

iwoda

International Women's Development Agency

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micro-finance – what works?

'I, and all women in our commune, thank the Women's Union staff at central level and IWDA's project very much for providing us with loans and access to knowledge.'

Paula Frances Kelly, Team Leader

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foreword

The potential of micro-finance to contribute very significantly to the well being of poor women and their families has been recognised for some time. But there is also clear evidence that even very small amounts of credit can work against the interests of very poor women, adding debt to their existing burdens, or additional work to already long days.

International Women's Development Agency (IWDA) has been involved in micro-finance activities in Vietnam (and elsewhere) since the late 1980s. With funding from the Australian Agency for International Development (AusAID), IWDA and the Vietnam Women's Union (VWU) embarked on a collaborative journey to examine the legacy and learnings from a decade of designing, managing and implementing micro-finance projects.

The micro-finance projects IWDA has undertaken in partnership with the VWU have always been a vehicle for more than the provision of savings and credit services. They have been a way of providing women with life skills, solidarity, technical knowledge, social networks and opportunities for decision making. But does this make a difference to the outcomes achieved? What do the women involved value most? What works for them? What have been the impacts of the projects over time? These are some of the issues the partners explored together, in a year-long series of workshops, interviews and focus group discussions.

IWDA welcomed the opportunity provided by AusAID's special micro-finance fund to look closely at learnings from its collaboration with the VWU. It is now keen to share the results of the research with partner organisations, beneficiaries and the wider development community.

This report is only one outcome of the project. More important long term is the increased capacity within the VWU for undertaking rigorous, systematic research and analysis. The collaborative approach to the project and the use of feminist research and action research methods provided a supportive space for revealing, learning and reflection. The quality of the research owes much to this, and to the engagement of the VWU project team and the leadership of Paula Kelly.

Micro-finance is a valuable tool for facilitating the economic and wider empowerment of women in contexts where there are barriers to accessing financial services. But the way in which it is provided, and the nature and scope of the support, assistance and learning available to borrowers, is critical to overall impact. This research allows us to hear first hand from poor women about what works and how micro-finance makes a difference. Their voices are a powerful reminder of why micro-finance is important in a world of imperfect markets and systemic barriers to women's participation. I hope that the insights and challenges presented here are useful to other organisations in reviewing and refining their micro-finance activities.

Thanks are owed to many people.

Dr Kieran Donaghue, AusAID, for his skilled, informed and persistent advocacy for resources to strengthen the quality and range of micro-finance activities in Australia's aid program.

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And most importantly, the women who participated in the research, for their generosity and insight, and for offering us a window into their lives. It is a privilege, from which there is much to learn.

Joanne Crawford
Executive Director

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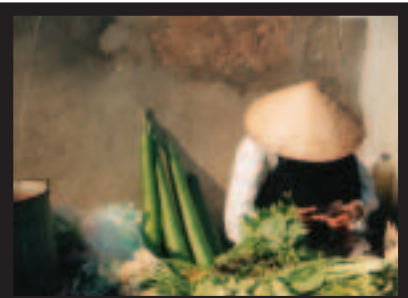
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Abbreviations

| | |
|----------|--|
| ACCION | A US International NGO providing technical assistance to MFIs in Latin America |
| ACLEDA | Association of Cambodian Local Economic Development Agencies |
| ADB | Asian Development Bank |
| AIDAB | Australian International Development Assistance Bureau (AusAID from 1995) |
| AusAID | Australian Agency for International Development (previously AIDAB) |
| CARE | CARE International |
| CRS | Catholic Relief Services |
| CWU | Commune Women's Union |
| DWU | District Women's Union |
| FAO | Food and Agriculture Organisation |
| IDI | In-depth Interview |
| ILO | International Labour Organisation |
| INGO | International Non-Governmental Organisation |
| IWDA | International Women's Development Agency |
| MFI | Micro-Finance Institution |
| MRSC | Mobility Research and Support Center |
| NGO | Non-Governmental Organisation |
| NOVIB | Oxfam Netherlands |
| PACCOM | People's Aid Coordinating Committee |
| PPA | Participatory Poverty Assessment |
| PWU | Provincial Women's Union |
| RoSCA | Rotating Savings and Credit Association |
| SCF(US) | Save the Children Fund United States (in Vietnam) |
| SPSS | Statistical Package for Social Science |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| VUFO-NGO | Vietnam Union of Friendship and Non-Government Organisation Resource Centre |
| VWU | Vietnam Women's Union |
| WU | Women's Union |
| YWCA | Young Women's Christian Association |

summary



The input of capital had a positive effect on the clients. However, significantly, the innovative training process played the key role and had the most profound effect on the economic and social advancement of the women involved.

Do micro-finance projects alleviate poverty, especially for poor women? International Women's Development Agency (IWDA) and the Vietnam Women's Union (VWU) examined this question in relation to their ten years of experience in developing and managing micro-finance projects in Vietnam. AusAID funded the research and was also the donor for the projects.

On one level, this research provides valuable insights into understanding the effectiveness of micro-finance projects for poor women in Vietnam and how this can be improved. And, on the other, it provides an important contribution to the on-going debate on poverty-alleviation in developing countries. This is particularly pertinent in relation to empowering women, who are in the poorest category.

Consistent with the central focus of women's empowerment, this research project was more than a description and analysis of micro-finance projects. It was also a training project for Vietnamese women. The results of this training provide the substance of this report. It is also an examination of the partnership itself, which has proved to be a crucial element in its success.

The IWDA-VWU partnership projects have evolved over time, and have sought to use lessons learned, internationally and locally, in their action-research model of project implementation.

Three micro-finance projects were researched – an early project, an on-going one and a recently completed one, to cover the ten-year period of IWDA-VWU project activities. A team leader and a research assistant were employed to assist with the literature search and with the training of both the research team (drawn from the VWU), and of the field managers and project participants.

The VWU project team developed the data collection tools and, in the seven selected communes of the three projects, collected the research data. These data were analysed and written up by the VWU research team, with inputs from the team leader and the research assistant.

Internationally, while micro-finance projects are progressively using more sophisticated models, they sometimes leave out the originally targeted absolutely poor women clients.

This research questions the direction of recent micro-finance projects as described in the international literature, and pursued within the partnership itself. The international research shows that micro-finance alone is not the poverty-alleviation or empowerment tool it was believed to be in the early 1990s. Instead, it is only one of a range of tools that, together, can address dire poverty and result in levels of empowerment.

An analysis of the project model developed by IWDA-VWU micro-finance shows that it can, to an extent, reduce poverty for some women, but not necessarily those in absolute poverty. However, significantly, it has also shown that the additional services given in terms of training to all levels of poor clients of the IWDA-VWU projects have been of paramount benefit to women, regardless of their poverty status.

The breadth of IWDA-VWU training has been a real asset. In fact, it has promoted and sustained empowerment, a major emphasis of the IWDA-VWU partnership activities. This has been evident at the economic, personal, and family levels, and can be clearly seen by the voices of Vietnamese women themselves, whose personal stories and comments from focus group sessions bring out the real, human situation as experienced daily by the project's participants.

The IWDA-VWU team initially posed four questions for the purposes of analysis. These focused on how gender analysis and training impacted on levels of empowerment for women, and how the projects impacted on reducing poverty for families and communities. Questions then sought to ascertain specific reasons for results achieved, and reflect on strategies needed for future program development.

In the area of gender, results of the research study showed a clear need to find an agreed definition of empowerment that is culturally interchangeable. For example, the VWU believes that the effects of the projects on poor women's empowerment were unequivocally positive, whereas when assessed by using international criteria, the results are less impressive.

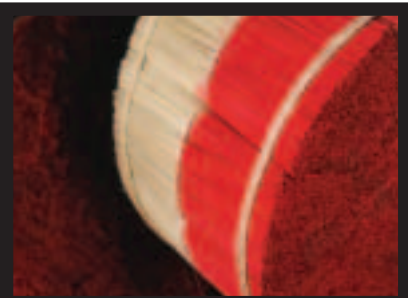
Effects of the projects on families and community did show a reduction in poverty and increased economic development, as well as a concomitant improvement in their health and lifestyle.

The input of capital had a positive effect on the clients. However, significantly, the innovative training process played the key role and had the most profound effect on the economic and social advancement of the women involved.

The research has demonstrated that micro-finance is a multi-faceted option that should be part of a total package for poverty alleviation, but does not offer a way out of poverty for those women who do not have 'entrepreneurial' attributes or who are already doing business. To reach these women, smaller loans and an emphasis on savings as the first community activity is the way to go. The very poorest women, are better off in the long term by being assisted with daily expenses, providing them with micro-grants or payment for work, rather than poverty lending which places them in debt.

empowering women

the partnership



Since we received profit from this loan I have dreamt of how to create the best conditions for my children to study. I had a dream to be a teacher, but because my parents were so poor and we were in a big family, they could not afford to pay for my schooling. I could not get higher education, so I want my children to have higher education so that they will have a good profession.

This chapter describes the nature and history of a unique long-term partnership between the International Women's Development Agency (IWDA) and the Vietnam Women's Union (VWU). The partnership was formed to undertake joint projects that aimed to alleviate poverty and raise the confidence and skills of poor women in Vietnam.

1.1 International Women's Development Agency (IWDA)

Established in 1985 and based in Melbourne, Australia, IWDA is an organisation working for women's rights and advancement. Its funding largely depends on public donations and fundraising activities, and on proposals to bilateral and multilateral donors. Currently, the Australian Agency for International Development (AusAID) is IWDA's major single funding source for its projects in developing countries.

IWDA was among the first Australian non-government organisations (NGOs) to cooperate with the Vietnam Women's Union (VWU). Since the end of the 1980s, this cooperation has involved working with the VWU on projects for poor women in the northern provinces of Vietnam. These projects are varied – they include pig raising in Lang Son, reforestation in Ha Bac, credit in Ha Noi and Nghe An, and food production in Hai Duong and Ha Tay – and they have all aimed to build integrated models of income-generation and other development activities.

IWDA and VWU also cooperated in organising a regional workshop on employment opportunities for women in 1989, with many local and international delegates participating.

In 1994, IWDA assisted the VWU to implement the strategic project, 'Beijing and Beyond', supporting their participation in the UN Commission on the Status of Women in March 1995 in New York, and the NGO Forum and Fourth UN Conference on Women in Beijing in September 1995. Through this project, the VWU was able to train key staff to advocate for the advancement of women in Vietnam in these and other national, regional and international forums.

- 1.1 International Women's Development Agency (IWDA)
- 1.2 Vietnam Women's Union (VWU)
- 1.3 The IWDA-VWU partnership
- 1.4 Reflection
- 1.5 Micro-finance projects to 2002

chapter one

1

IWDA's current work with the VWU includes the following AusAID-funded projects – the Safer Farming Project in Bac Ninh province (2000-2003), the Credit, Savings, and Enterprise Development Project in Nghia Dan district, Nghe An province (2000-2002), and 'Rural Development for a Future without Poverty', in Tuyen Quang province (2002-2005).

The cooperation between IWDA and the VWU, with financial support from AusAID and public donations, has brought encouraging results. Activities have built up effective models for poor women in the project sites to enable them to access credit and learn appropriate technologies for their economic empowerment.

Additionally, these projects, particularly 'Beijing and Beyond', have enabled VWU staff to improve their knowledge and skills in planning, management, lobbying and negotiation.

1.2 Vietnam Women's Union (VWU)

Founded on 20 October 1930, the VWU has made significant contributions to the national defence, construction and development of Vietnam. It is a unique mass organisation, representing women of all strata throughout the country, with a mission to strengthen the legitimate and legal rights and interests of women, and to promote gender equality.

With a total membership of approximately 11 million, the VWU has an elaborate network stretching across national, provincial, district and commune levels. With this extensive network, it can reach women in all parts of Vietnam.

Its standing ensures representation on the National Assembly and People's Councils at all levels, and its presence at government meetings when policy and legal issues relating to women are to be discussed.

At the Ninth National Vietnamese Women's Congress, held on 22-23 February 2002, it was agreed that the goals and tasks of the women's movement for the five-year period 2002-2007 were to:

- raise women's capacity and knowledge
- improve their material and spiritual livelihood
- promote gender equality, and
- cultivate women to be patriotic, knowledgeable, healthy, dynamic, innovative, well cultured, kind-hearted and attentive to social and community interests.

Tasks identified towards these ends were to:

- unite women of all strata
- promote their indigenous energy and fine traditions and continue the movement
- study actively, work creatively, nurture happy families, join hands in the acceleration of national industrialisation and modernisation, and contribute to national construction and defence
- take part in formulating laws and policies on gender equality and oversee their implementation
- care for and protect the legitimate rights and interests of women and children
- create families that are plentiful, equal, progressive and happy
- build up and develop the institutional strength of the VWU
- build up and develop female cadres in all fields, and
- enhance and broaden the friendship and cooperation with international and regional women for the objectives of equality, development and peace.

To fulfil these goals and tasks in the coming years, the VWU identified six key action programs. These were to:

- raise the capacity of women through education about moral values and gaining qualifications
- assist women in economic development
- build plentiful, equal, progressive and happy families
- institutionally strengthen the VWU
- formulate and supervise the implementation of laws and policies from a gender perspective, and
- develop international relationships and partnerships.

1.3 The IWDA-VWU partnership

The partnership between IWDA-VWU began in 1988 and has been one of the longest international NGO-mass organisation partnerships in the post-1975 period. It is perhaps best described in a statement developed by the partners themselves at their April 2001 workshop (Extract 1) in Hanoi.

Extract 1: Statement of Partnership

Statement of Partnership

Across the divide of culture, we share a strong common goal – to work towards the empowerment of women and gender equality. Pursuing these goals right from the outset, we have jointly worked in a wide range of projects designed for women, particularly rural and poor women in many parts across Vietnam.

The South East Asia Regional Seminars on 'Employment Opportunities and Income Generation Activities,' jointly organised in Hanoi in 1989, laid the first milestone in our partnership. Since then many projects on food production, micro-finance, rural development and capacity building have been accomplished in Lang Son, Hanoi, Ha Bac, Ha Tay, Hung Yen, Nghe An and Bac Ninh.

Our 'sustainable sisterhood' has blossomed, not merely through the implementation of gender-specific projects, but also by openly sharing our philosophies, ideas and approaches.

The partnership workshop...was a valuable opportunity for a frank exchange of ideas and experiences. It has enabled us to gain better insights on the progress recorded so far and the learning outcomes in delivery of services for women, as well as to define future partnership directions in the new millennium. Best practices in the management of the projects have been outlined and examined. The workshop gave a sense of us moving together in new directions, of opening new doors and windows.

We aspire towards continuous and sustainable partnership and stronger commitments from the VWU and IWDA. We are committed to work with our hearts and minds towards the empowerment of women and gender equality.

Principles in our Partnership

The IWDA-VWU partnership is based on a strong commitment to the empowerment of women and integration of gender issues in all aspects of projects.

The partnership is based upon the principle of equality in decision-making. We acknowledge that IWDA has control of funds and responsibility for meeting obligations to its donors. Partnership and project decisions should be made through participatory processes and in the best interests of meeting our shared objectives. We are accountable to each other, to our donors, and to our beneficiaries.

IWDA and the VWU acknowledge that participatory decision-making is time-intensive but cost-effective in the long term, and are committed to this approach.

IWDA and the VWU acknowledge and understand that both organisations work within external limitations beyond our control. Both organisations must comply with external and internal regulations. We accept that we have to work within rules that we do not set. These include donors' regulations, and national policy of the Women's Union and the Government of Vietnam.

The VWU and IWDA agreed to be frank and honest in airing any disagreements. IWDA expects the VWU staff to be more proactive and to contribute their own ideas and feedback to IWDA at all times, and not to accept IWDA suggestions uncritically. We value constructive criticism, new ideas and dissent.

We are constantly learning from our experiments and mistakes. We aim for openness in sharing of views and philosophy and to immediately improve our practices if necessary. It is all right to make mistakes and to tell others when you think they are wrong. We are willing to forgive others' mistakes.

Information sharing is important – between IWDA and the VWU, between different levels of the VWU, and between the VWU and other organisations. The VWU wants to be more involved in information sharing and networking with NGOs.

IWDA expects the VWU to provide competent staff with enough time available to fulfill project duties. IWDA is willing to support the professional development of the VWU project staff through performance review, training and mentoring.

The partnership is built on a commitment to capacity building including gradually increasing the focus on capacity building at grassroots level.

IWDA is committed within its means to assisting the VWU to move towards realising opportunities offered by new technology to improve program delivery.

IWDA and the VWU want to maximize the benefits of lessons learned in their practical work by documenting their experience and increasing advocacy on empowerment of women. We aim to advocate for change to achieve our goals.

Such a process as at this workshop is very unusual in Vietnam, because generally there is a donor-recipient and an implementing local "partner" relationship between management stakeholders. Here it is clear that the partnership, although diverse in their constitutions, has its strength in the honesty and the mutual striving for equality between IWDA and the VWU.

1.4 Reflection

Reflection on the history of the IWDA-VWU partnership for this research project uncovered a document from a training conducted in April 1991, sponsored by AIDAB, the Australian Embassy in Hanoi, the VWU and the IWDA. Conducted in the early days of the partnership, this workshop was one of the first attempts to use the *Doi Moi* (renovation) climate to introduce concepts of commercialism to women. The training, based on *Management of the Revolving Fund* by R Podestico, P Saremas, Shin M.Sun and M Bywater, shows how IWDA and the VWU, with private and AusAID funding, put micro-finance on the mainstream agenda.

An extract from a report of this workshop provides useful background to reflections about the current IWDA-VWU relationship. In particular, it shows how an understanding of gender sensitivity and analysis was perceived to be integral to the aim of alleviating poverty for women in Vietnam.

Extract 2: Gender sensitivity and analysis

Gender sensitivity and analysis are relatively new concepts to the Vietnam Women's Union so these had to be explained clearly.

Gender sensitivity is a state of consciousness which is acutely aware of the inequalities between men and women, begins to see [these inequalities] in all aspects of life at home and in the community, and starts to act in ways that can improve the situation.

Gender analysis is a tool for determining these inequalities by determining the activity profiles of men and women in the production and reproduction sectors, the access and control of resources and benefits, the analysis of these conditions, and the incorporation of women's participation in all aspects of any project.

Gender sensitivity and analysis were done simultaneously by first giving a situational analysis of women, both around the world and in Vietnam, by conducting the gender analysis, and by deepening the value of womanhood among the participants through reflections and role plays.

Through all these activities, the participants were shown the inequalities that women suffer, and what could be or had been done about them. This led women to discover their true status in society and emerge strengthened with the resolve to do something to raise not only their own status, but that of women in general.

The productive activities included were pig raising, rice growing, and rattan work and, for reproduction work, chores such as fuel collection, food preparation, water fetching, house cleaning, childcare, [and] care for the sick and cooking. The resources mentioned were land, equipment, labour, capital, education, and training, and benefits were outside income ownership, in-kind goods, political power and prestige.

The gender analysis of the situation of women in the northern part of Vietnam showed clearly that men and women work together to raise income, but only the women work much at home. Women in general have access to resources and benefits, but it is always the men who have control over these factors. This confirms the multiple burden of women/men's access and control of large resources and benefits, and women's control over non-important items. Men do the heavy work and women do the light [work], [which] is why men have more access to equipment than women.

The reasons for this situation as identified by the participants were: patriarchy in Vietnamese society, social customs and cultural characteristics, the feudalistic condition perpetuated by the French, and the social and

economic condition of the country, which gives preference to men. Women were also imprisoned in housework and do not have spare time to seize opportunities. This situation is also in many respects a result of the long war suffered by the Vietnamese.

The gender analysis also shows that women are active economically and still have to do the housework, which breeds an inequality that is perpetuated by the social, political, and patriarchal society. It is still a long way from a partnership between women and men in the effort to bring about development, peace, and justice in the country. But as long as this inequality exists, Vietnam stands to lose the opportunity of harnessing 51% of its human resources.

Another activity introduced to make the participants more gender-sensitive was a meta-plan exercise that asked each participant to write on different coloured cards what she considered the negative aspects of being women were, what she considered the positive aspects of being a women were, and what she could do to improve her situation. It was given as an assignment, so that the women could have more time to reflect.

The negative aspects identified were those that mostly make women less effective in their housework, and their lack of self-esteem and self-confidence. These are shown in such tendencies as trying too hard to please friends, or giving less attention to their husbands when the women have to work outside. Most of the woman's work is unrecognised, and she always feels inadequate for her work. Her poverty also makes her unhappy and negative about herself because she feels helpless about improving the condition of her family.

On the positive side, however, they mentioned that women are very proud of the happy family that they are able to create. They seem to be able also to balance their work at home and for society. They are also very happy with their position as women cadres and with being able to contribute towards the emancipation of women in Vietnam. They are most proud when they have a son, or when their children succeed or are doing well in school.

Asked what they could do to improve the condition of women, they responded that they needed education so that they could contribute more to their work, such as management skills both for the home and for work, to raise their level of knowledge, and improve their health and the well-being of the family. They also felt that they needed the sympathy and support of the family as well as society.

From these insights. and from the results of the gender analysis, it was realised that there is a need to empower

women through education, organisation and partnership with other women, and to raise the income and improve the health of women. This suggests that a triple educational, organisational and economic program for women is the most effective way of empowering them. It was also mentioned that for the women's program to succeed, it must pursue simultaneously consciousness-raising, organising, and socio-economic projects for women. The program must also affect all aspects of the women's life economically, politically, socio-culturally and personally. The program must also take a definite stand on development issues that will lead to the transformation of society, and that will give more open opportunities for women.

1.5 Micro-finance projects to 2002

Five of the projects in which IWDA has cooperated with the VWU have specialised in what is now termed micro-finance (see *Table 1*). Other projects have included training for enterprise development, such as 'strengthening the capacity of the VWU at provincial and district levels to deliver business development assistance to micro-enterprises conducted by its members' in 1999. This project trained 29 VWU staff to the level of an Australian standards framework level 4 in small business management. It also developed a set of resource and training materials in Vietnamese for graduates to use.

All of these projects are based on a system of businesses, loans and some savings. They are all group lending projects that, by 1993, increasingly became known as growth-oriented enterprise lending projects (see *Table 4, section 3.4*). The only major differences between them were the gradual tightening of regulations as projects were monitored and evaluated (using lessons learned from previous projects), and an increase in loan sizes, even at the 'first loan' stage.

Table 1: Overview of IWDA-VWU credit projects 1988-2002

| Name of project | Venue | | | Dates | Budget in AUD* |
|---|-----------------|---|--|---------------|----------------|
| | Province | District/ Town | Commune/Precinct | | |
| Sow breeding development project | Ha Tay | Huu Lung Dinh Lap Binh Gia | Ho Son Cuong Loi Mong An | 5/88 - 5/90 | 10,100 |
| Vietnam - Australia food producing program | Ha Tay | Trang Dinh Loc Binh Lang Son Dong Da Tu Liem Gia Lam My Van | Dai Dong, Quan Ban, Dong Kinh, Trung Tu Dich, Vong Duong, Quang Tan, Quang | 12/91 - 11/93 | 144,199 |
| Women's food production program | Ha Tay | Hoai Duc Thach That | Cat Que Van, Con Lien Quan, Tan, Xa Tan Quang | 4/93 - 5/96 | 129,608 |
| Credit and micro-enterprise for the poorest women | Nghe An | Vinh City Nam Dan | Hung Dong, Hung Hoa, Cua Nam, Trung Do Nam, Anh Hong Long, Xuan Lam | 4/97 - 5/01 | 232,510 |
| Rural women's credit, saving and enterprise development | Nghe An ongoing | Nghia Dan | Nghia Hoi, Nghia Tho | 01/00 - 12/02 | 206,209 |
| Total in-Vietnam budget for these five projects | | | | | 713,626 |

* Budget in AUD in Vietnam

research project

rationale & methodology



I borrowed money from the IWDA project. The project procedure is to attend monthly group meetings to share and learn from each other about production and how to use the loan effectively. And we also practice savings every month to form a savings fund to help each other. I see the solidarity among women in the group strengthened.

I didn't know how to sing a song before, but since joining the women's savings group, I sing. This has made me feel happier. [And], if one family has old people die, or any sad news, we come to share with them. We now have the IWDA group to share and help each other. We are closer to each other.

This chapter details the basis for and objectives of this IWDA-VWU research project. It explains the methodology used to document and assess practices and impacts of microfinance projects on poor women, their families and communities.

The IWDA-VWU research project arose from the desire to document and assess their micro-finance projects with a view to strive for excellence in the practices of working with poor women in Vietnam.

A description of the research project published in the IWDA newsletter, in September 2000, summarises the project's context, rationale and objectives:

Poor people have complex strategies for dealing with the day-to-day struggle to provide for their families, and to obtain capital for farming or small business enterprises.

Production, consumption, trade and exchange, saving, borrowing and income-earning occur in very small amounts among the poor. 'Micro-finance' is a popular term in development circles nowadays, referring to financial services for poor people (savings, credit, and insurance).

Since 1990, IWDA has worked in partnership with the Vietnam Women's Union (VWU) on projects addressing the needs of poor rural women. Through these projects, the VWU and IWDA have developed a model based on the development of women's credit and enterprise abilities, which also builds women's confidence and leadership skills. Poor women are encouraged to form groups, and to participate in training in credit and enterprise management. Women are able to access small loans, save, and obtain knowledge and skills to improve the quality of production from their home gardens and animals.

Building on this solid project work, IWDA and VWU are...beginning a year-long research project to investigate the factors involved in successful poverty-reduction in micro-finance projects in rural Vietnam. The research aims to strengthen the VWU and IWDA's capacity to critically assess the impact of micro-finance projects through the use of participatory and gender sensitive skills and tools, and with an 'action research' approach. The results of the research will provide a basis for improving ongoing projects and policies, and shaping planning for future activities. Both IWDA and VWU want to look at how they can better help poor women, to overcome their problems and to seize any opportunities that they identify.

- 2.1 Workshops and meetings
- 2.2 Research focus
- 2.3 Research questions
- 2.4 Research methodology

chapter two **2**

The research examines three IWDA-VWU projects:

- Rural Women's Credit, Savings and Enterprise Development Project, Nghia Dan District, Nghe An Province (a three-year project that commenced in January 2000).
- Credit and Micro-enterprise for the Poorest Women Project, Nghe An Province (a four-year project that commenced in June 1997).
- Women's Food Production Project in Ha Tay Province (a three-year project that was completed in April 1996).
Poor rural women in the VWU-IWDA project areas are involved in fruit tree growing, breeding cows, keeping silk worms, fishing, raising livestock (pigs, chickens, ducks), mat weaving, food processing, trading, and providing services such as tailoring. An important strategy for poor women is expanding the number of enterprises or activities undertaken, as this helps reduce their vulnerability to the unexpected loss of a main source of income (crop failure, death of animals, or changes in markets).

Having two or more sources of income often means that women earn a regular income to meet daily needs, while other activities are longer-term investments and provide large lump sum income (used for life cycle needs, savings or further enterprise development).

2.1 Workshops and meetings

Three workshops were held. These had a dual purpose – training in research skills and the collection of additional data to obtain a deeper understanding of the micro-finance project processes. This included attitudes and knowledge of Women's Union (WU) cadres working on the micro-finance projects about gender implications and empowerment in practice.

Before the team leader commenced her role, a three-day issues meeting was held in Melbourne. Attending were the IWDA Vietnam Program Officer, the IWDA Executive Director, the consultant who had monitored and evaluated most of the IWDA micro-finance projects in Vietnam, an independent consultant expert in micro-finance in developing countries (who had just completed a similar project in Cambodia), and the team leader.

At this meeting, ideas were presented on a wide range of micro-finance issues, and decisions made about which issues, research and documents that the IWDA considered important to generate future guidance for the project. Participants at a subsequent VWU issues meeting also saw their meeting as a tool for directing the research.

The results of the progress and planning meetings between IWDA and the VWU were always positive, with progress mapped and reported on and further plans proposed, debated and implemented. The development of the research questions was an outcome of the second IWDA-VWU meeting.

2.2 Research focus

The research project was not viewed as a simple evaluation of three individual projects. Two documents gave direction to the boundaries and the content of data to be collected: The approved project proposal; and the IWDA-VWU categorisation of data needs, decided at the initial working

meeting in Hanoi in April 2001 (see section 2.3 and Appendices 1A and 1B).

The focus of the research was on two major areas:

- the impact and relevance of the range of project inputs (financial and non-financial) to the expressed needs of different vulnerable groups (through working with women participants, those who had not participated or dropped out, family members and partners/husbands, and group and community leaders), and
- the sustainability and impact of project interventions over time, and how to better ensure ongoing impact (through comparison of lessons learned, impact of completed projects and approaches taken in current work).

2.3 Research questions

The IWDA-VWU partnership developed the following research questions in four areas – gender, family and community, reasons, and future:

Gender

What are the results of the micro-finance projects on:

- the empowerment of women and women's status (including education of girls), and
- the status and capacity of the VWU?

Family and community

What has been the impact of micro-finance projects on:

- poverty reduction and economic development of families including health
- community cohesion, and
- community capacity?

Reasons

To what extent are the results due to:

- inputs
- processes, and/or
- partnerships?

Future

How should the VWU and IWDA position themselves strategically in their future engagement in micro-finance?

2.4 Research methodology

The methodology was eclectic. Various data sources and collection methods were used to develop a broad bank of both qualitative and quantitative data to ensure rigor in analysis, using triangulation within and across data sets (see Appendix 2).

The IWDA and the VWU have a firm agenda of the empowerment of women in all their projects. Consequently, this issue was central to the research methodology. How specific research methods would affect women, and the degree to which they would empower women, were deciding factors in relation to issues of methodology.

Feminist research is sometimes termed 'emancipation research' and descriptions of both are very similar. For Zuber-Skerrit (1996), emancipatory research 'aims at the participants' empowerment and self confidence and their ability to create... theory grounded in experience and practice' and for Webb (1996) 'feminism has used this

strategy (ie, active voices of women) as a means for allowing women to formulate language and concepts in terms of their own understanding or self-definitions and oppositional to the construction of others'.

A participatory process (action research) was also a major element in both the research and publishing frameworks. This process accorded with the spirit and essence of the partnership exercise and relationship and of feminist methodology.

Women at all levels of project involvement were involved. Training included issues of qualitative and quantitative research, and an emphasis on the need to rigorously analyse texts, photographs and visual presentations. The sequence of events related to both content research and its publication is outlined in Table 2 below.

Table 2: Activities of the research project

| Activity | Women involved | Outputs |
|---|--|--|
| Issues think tank in Melbourne | IWDA project manager for Vietnam, IWDA Melbourne-based staff member, team leader, consultants (two experts in micro-finance) | <ul style="list-style-type: none"> Issues, areas of concern, literature available, current international knowledge, methodology agreed to |
| Three-day meeting in Hanoi | IWDA, team leader, four-member VWU research team | <ul style="list-style-type: none"> Plan of action based on funding and costs |
| Literature review commenced and continued until December 2001 | Team leader | <ul style="list-style-type: none"> Review of literature documented and discussed at each workshop Understanding of the international scene |
| Issues meeting in Hanoi | VWU members working on projects of micro-finance (IWDA and others) | As for Melbourne think tank above |
| First workshop | VWU research team members, team leader, Commune Women's Union (CWU) members selected to manage quantitative data collection | <ul style="list-style-type: none"> Development of data collection tool Training of women in data collection Training program for the local interviewers on how to use the developed data tool Data management system developed |
| Think tank in Hanoi | IWDA-VWU and invited International NGOs (INGOs) | <ul style="list-style-type: none"> Ideas from INGOs on direction of research |
| Training in the field | Women's Union (WU) members of the communes who attended the first workshop | <ul style="list-style-type: none"> Quantitative data |
| Data collection | CWU data collection and management, checked by the VWU and sent to research assistant and team leader | <ul style="list-style-type: none"> Raw qualitative data available |
| Mid-term review of Nghia Dan | Long-term consultant, VWU | <ul style="list-style-type: none"> Project process data for use in research |
| Final evaluation of Nghe An | Long-term consultant, VWU | <ul style="list-style-type: none"> Data for research |
| Analysis of quantitative data | Hire local NGO, Mobility Research and Support Centre (MRSC) | <ul style="list-style-type: none"> Statistical Package for Social Science (SPSS) analysis completed and sent to team leader who conducts further analysis against literature |
| Second workshop | VWU, CWU, research assistant, team leader and spouses of borrowers | <ul style="list-style-type: none"> Development of qualitative data collection and transcription carried out in the communes |
| Tapes of all qualitative data transcribed into English, and selected photos developed and sent to team leader with text of data in Vietnamese and English | VWU, research assistant | <ul style="list-style-type: none"> All qualitative and quantitative data collected, translated and ready for analysis |
| Third workshop | Team leader and VWU four-member team | <ul style="list-style-type: none"> First of the qualitative data analysed Development of framework for analysis |
| Analysis | VWU four-member team | <ul style="list-style-type: none"> Qualitative data analysed and, using the framework, written up and sent to the team leader |
| Two-way discussion | All stakeholders | <ul style="list-style-type: none"> Analysis completed, research questions posed and answered, and sent to IWDA |
| Three-way discussion, Hanoi, 23 May 2002 | IWDA, VWU and team leader | <ul style="list-style-type: none"> Finalising document for review and editing |

2.4.1 Feminist principles

The research and recording of the IWDA-VWU experiences in micro-finance in Vietnam was based on the following feminist principles:

- Humanistic:** commitment to the dignity and worth of all of women
- Scientific:** assumptions explicated and tested against systematically collected and public evidence
- Democratic:** individuals and groups are entitled to have input into decisions that affect them.

2.4.2 Participatory process (action research)

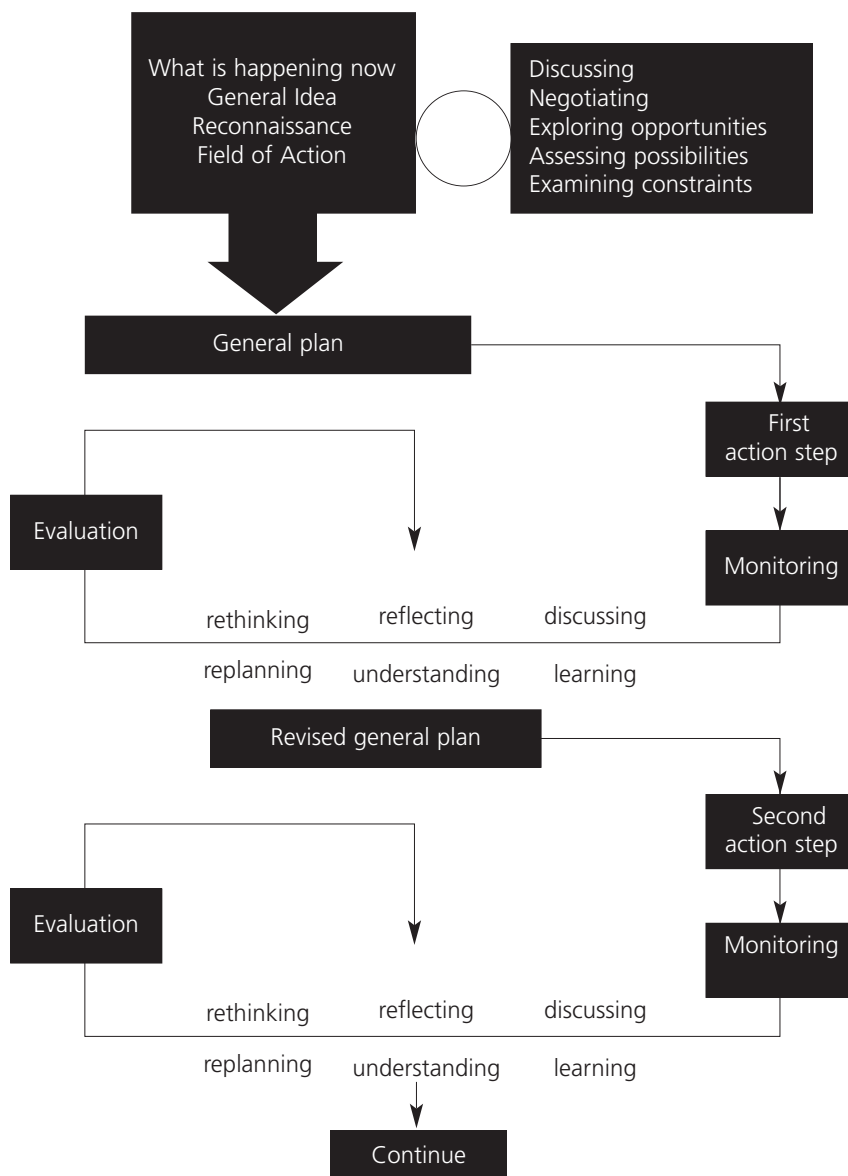
The overall framework used for this project was action research, described by Brown (1981) as:

A process of open-ended inquiry and growth development alongside a continuous process of monitoring and evaluation. It has been geared to meet specific needs of participants and is action-oriented, in that it necessarily embodies change as an aspect of inquiry. It seeks to actively modify the situation studied, rather than provide unassailable transferable generalisation.

Since its introduction in the early 1990s, action research has been a successful participatory tool in Vietnam. It suits the Vietnamese political and administrative structures, and can gradually introduce new ideas and methods of working to many groups, institutions and government within an open inquiry that remains transparent at all times. It assists in cutting through the top-down methods of communication, without any person on any level losing face at being 'left behind' and, for 'grass roots' local people, it reinforces the belief that their opinions are respected by all.

Action research uses a spiral, rather than a linear form, and provides the opportunity to make changes in the light of new information *en route*. As its name implies, it is action-oriented. Hence, the research itself is part of the action. Intrinsicly part of existing processes, it does not seek to be outside them. Figure 1, an adaptation by S Kemmis for P Kelly (1985), provides a graphic illustration of how this works.

Figure 1: Action research spiral



2.4.3 Data content and collection

Quantitative data was drawn from documents, photographs and statistics. The qualitative data, elicited from borrowers, non-borrowers and borrower partners, was analysed by the VWU project management team in Hanoi. With the team leader, they first developed a framework for analysis (see *Table 3*) after discussion of the raw qualitative data. Where appropriate, quantitative results and qualitative data, from interviews and group meetings with informants (outside the borrower groups) and from the workshop outputs and project documents, have been incorporated in the research results (see *Chapter 6*).

Data collected used the methods shown below.

These collection methods mainly drew on qualitative data, describing and explaining how, why and what the project was like from different perspectives. Some quantitative data was also obtained, providing objective factual and numerical material.

Reliability and validity were the key guiding concepts for the design of research on the impact of the micro-economic projects. The validity of data centred on whether it accurately reflected the underlying phenomena being measured, and its reliability was based on the fact that, whatever method was employed, the same results occurred consistently. This rigor was essential to take account of factors affecting reliability of data, such as inevitable differences in interview situations, variations between interviewers, and respondents' moods and attitudes towards the interviewer and the review.

The variety of data collection tools identified earlier had specific qualities and aims and varying degrees of potential empowerment for the women involved. The extent to which these were realised was largely dependent on the skills of the data collectors, who were all trained at workshops (see *Appendix 3A,C*).

| | |
|--|--|
| Document analysis | Carried out in Australia and Vietnam |
| Literature search | The team leader, who had already completed a literature search of available hard copies through the internet, shared this information. (Only certain aspects relevant to the IWDA-VWU partnership have been included in the bibliography.) |
| Closed questionnaires via short interviews (175) | The participatory development of this method took place initially during a workshop, with pre-testing in the field and the development of a training schedule for field interviewers in quantitative data collection. A random sample of borrowers in the seven selected communes was obtained |
| In-depth interviews (27), key informant interviews (12), oral histories (6), focus groups (12) | These four qualitative data collection tools required interview schedules. They covered borrowers, non-borrowers, and spouses of borrowers, and were all taped |
| Camera studies (6) | These studies were taken as photographs with written texts attached |
| Workshops (3) | The workshops provided training for the project team in research writing skills, ie data collection and analysis. Qualitative data was also collected |
| Issues meetings (3) | One in Hanoi for the VWU and in Melbourne for IWDA, and a think tank for IWDA-VWU and INGOs in Hanoi |
| Drawing of personal impact diagrams (24) | These were collected through exercises in the workshops |
| Reviews and evaluation | A final evaluation of one project and a mid-term review of the on-going project produced data for this research |

2.4.4 Data analysis

A data collection, display and analysis framework was developed by the team leader in consultation with the VWU project committee, and approved by both partners before research commenced. This framework places the research project into the whole partnership program as the data collected was to inform how the micro-finance projects impacted on women's lives and their levels of poverty. Women spoke of their current and past situations and attributed relevant aspects as being direct results of the IWDA-VWU projects. These aspects, and the approach taken in the projects, were then assessed to determine their degrees of influence on these impacts.

The following description of the framework for data collection and analysis developed for this research project shows the process and components of the research.

The quantitative data was analysed by the MRSC, a local NGO in Vietnam, using the SPSS computer analysis tool. At the time analysis was needed, the VWU had too many other commitments to learn this skill and carry out this task itself.

The qualitative data was analysed by the four-member VWU research project team after an analysis workshop that established the following method:

- identify and code topics
- identify and code sub-topics
- extract quotations that depict the general results
- ensure that data were combined and triangulated so that the threads, topics and quotations could be verified across the different techniques used for data collection, and
- develop a display framework and place data in matrix to use as a basis for presentation analysis (see Table 3)
- test propositions against the cells of this framework and include quantitative data, and
- use data in the cells to address the evaluation questions asked.

Figure 2: Framework for data collection, display and analysis

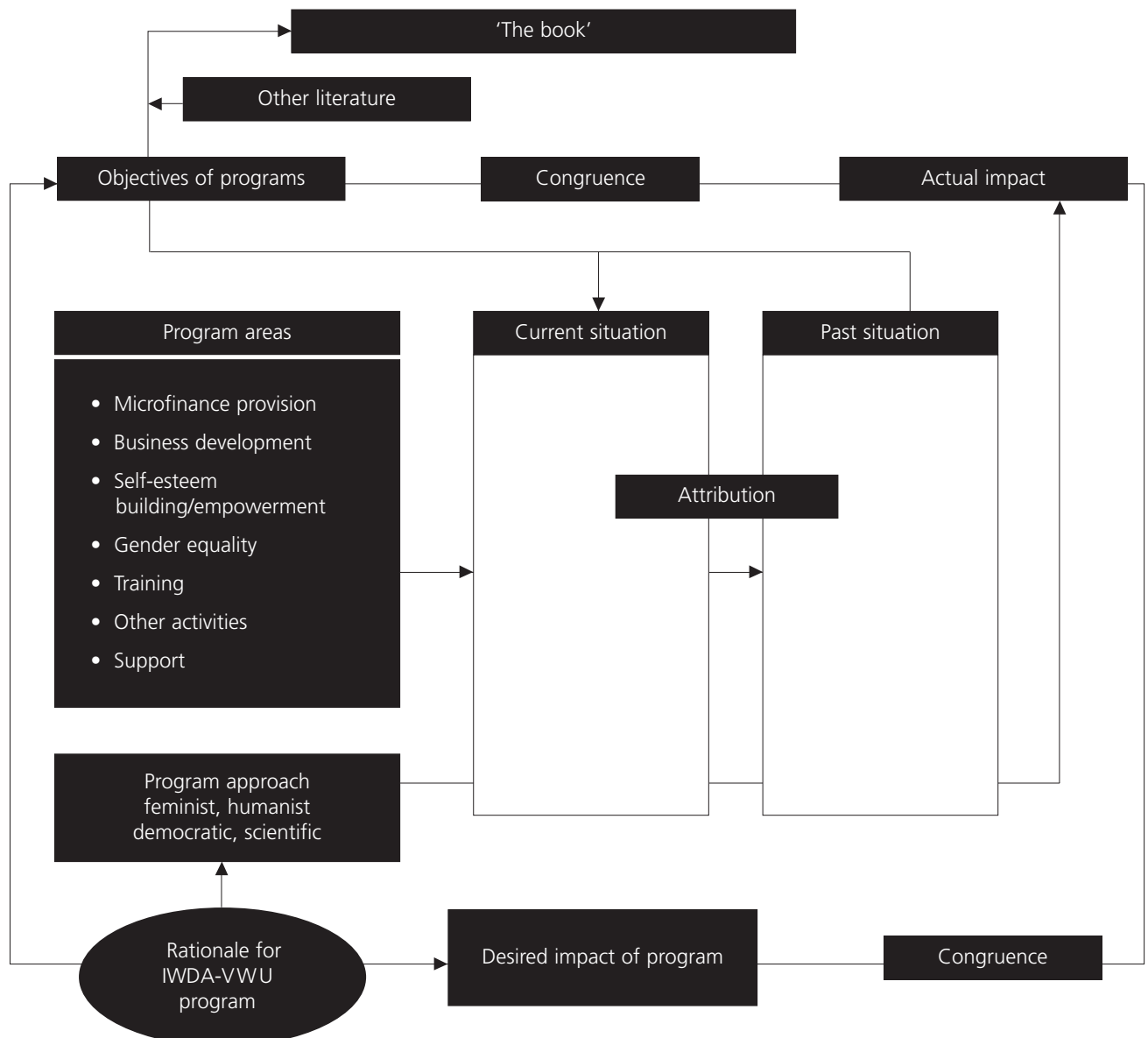


Table 3: Data display framework

| Area of result | Influences and program results | | | |
|--------------------|--------------------------------|--------------|-------------------|---------------|
| | For individuals | For families | For the community | For VWU- IWDA |
| Benefits/impact | | | | |
| Empowerment | | | | |
| Regulations | | | | |
| Gender | | | | |
| Quality of life | | | | |
| Challenges | | | | |
| Education/training | | | | |

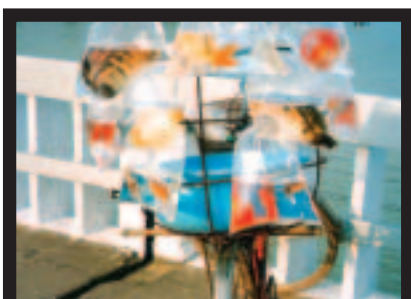
The team leader and the VWU research team carried out these tasks independently, then the two analyses were compared. Where interpretation differed it was noted in the text.

Marshalling the data for analysis, the literature search results, and the data samples to be used, were all tasks undertaken by the team leader. At all times, conclusions were verified and agreement reached by constant email, phone and, finally, personal contact between the research team, the research assistant and the team leader. Decisions relating to format, order of contents, and the data display were made by the team leader.

In summary, the methodology used to assess the impact of IWDA-VWU micro-economic projects was based on the training and high degree of participation of those Vietnamese women and their families who were involved in the micro-economic projects at all levels. A framework of action research and feminist principles of empowerment underpinned the research project, managed jointly by the IWDA and VWU.

micro-finance

international literature



The economic situation of my family has developed sharply. In the past, we didn't have a bicycle. Now my family has four bicycles – for my children to go to school and for me to carry goods to market... This year, I was able to purchase one motorbike, valued at 18 million VND.

My family is running our business successfully since we got loans in 1994. Not only my family, but also other families who receive loans are in the same situation.

This chapter outlines the international discourse on micro-finance, describing types of micro-economic projects, the various methods and forms of implementation, and a critique of its effectiveness in relation to assisting the very poor. Its purpose is to provide a wider context for subsequent analysis of IWDA-VWU projects.

3.1 Micro-finance

A relatively new term in international discourse, 'micro-finance' has replaced other phrases and words about increasing incomes, such as 'income generation' or 'credit'. It is also divided into sub-categories, such as 'micro-credit', 'micro-enterprise', and 'financial' and 'non-financial products', such as insurance and training for business, for example.

In essence, micro-finance means the provision of a range of services, subsuming credit and savings and including training, counselling, transfer payment services, insurance services, leasing services, guaranteed loans, and other related products. It is now used to cover the various components of income generation of the 1970s and 80s.

Micro-finance is that section of the finance industry that services the low-income end of the market (ie, the market serviced by credit and savings and/or micro-enterprise development projects). It is a 'payment-for-services' industry, where income generation comes from interest rate payments on money borrowed, either on a profit or cost-recovery basis.

3.2 Micro-credit summit

The micro-credit summit held in 1997 in Washington DC, USA, acted as a stimulus in attracting donor money to the micro-finance movement over the next ten years. The funds generated for micro-finance projects aimed to provide 100 million of the world's poor, especially women of the poorest families, with credit for self-employment. The summit also presented a more streamlined approach to poverty-alleviation, and used modern marketing

- 3.1 Micro-finance
- 3.2 Micro-credit summit
- 3.3 Micro-finance institutions (MFIs)
- 3.4 Micro-finance program types
- 3.5 Micro-finance project methodologies
- 3.6 Critiques

chapter three **3**

techniques to ‘spread the word’ throughout the development industry.

The summit’s declaration of results, defined the poorest as ‘the bottom 50% of the group of people living below a country’s nationally defined poverty line’, and clearly indicated the central role of women in alleviating poverty:

Empirical evidence has shown that women, as a group, are consistently better in promptness and reliability of repayment. Targeting women as clients of micro-credit programs has also been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family, and particularly the children. At the same time, women themselves benefit from the higher status they achieve when they are able to provide new income.

Although some voices of dissent were noted that included questioning of the capacity of micro-finance to reach the destitute poor, there was general agreement that the way forward for poverty-alleviation lies in self-employment through opportunities for credit, together with savings and training.

3.3 Micro-finance institutions (MFIs)

MFIs are government banks, commercial banks, non-government organisations (NGOs), non-bank financial institutions, savings and loan cooperatives, and credit unions. Fruman and Goldberg (1997) make the distinction between MFIs and micro-finance providers, which are the

informal lenders, pawn brokers, and rotating savings and credit associations (RoSCAs). IWDA-VWU projects are all in the second non-institutional NGO micro-finance providers category.

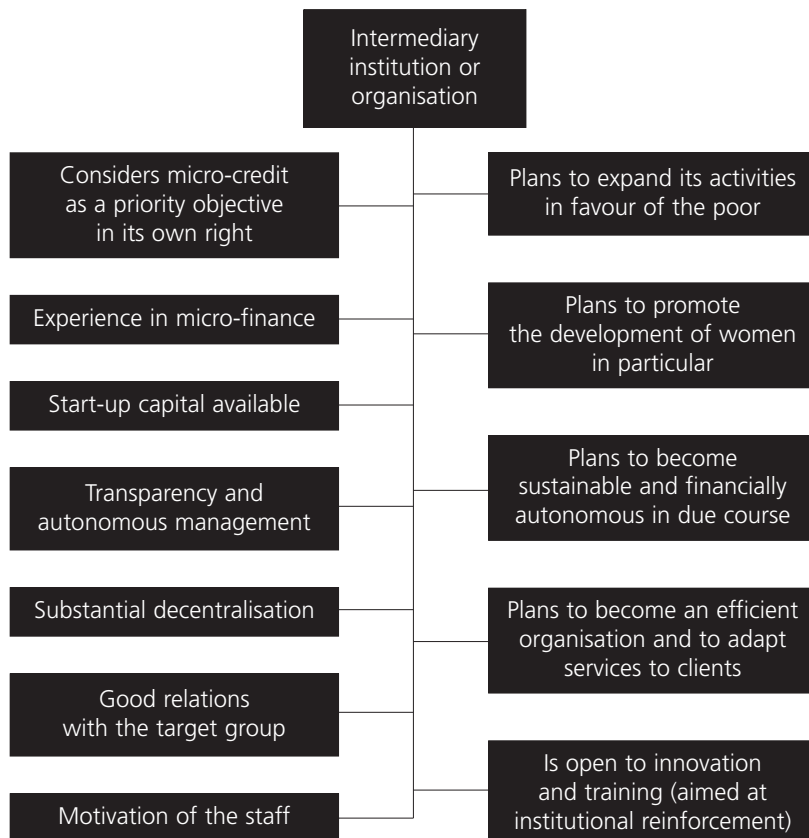
Micro-finance institutions require the existence of a legal framework (such as in Bangladesh, and Cambodia) in which certain groups can apply for registration as a means of servicing the financial and auxiliary needs of the poor. These are mostly NGOs, for example, Grameen in Bangladesh and the Association of Cambodian Legal Economic Development Agencies (ACLEDA) in Cambodia.

However, in Vietnam there are no formal, recognised MFIs and no legal framework in which to develop them. This has consequently hampered the progress of micro-finance projects because the legal environment needed to provide institutional sustainability does not exist.

In Vietnam, the Bank for the Poor (an arm of the Bank of Agriculture), which is not an MFI, has a mandate to give credit to the poor. If some of the larger credit NGOs (such as the legal MFIs Save the Children Fund (SCF US) and Action Aid) could also be involved in provision of credit, smaller schemes could use their targeted services. This is the case for small NGOs and community groups in most other aid-recipient countries (such as the Philippines, Cambodia, Indonesia, and Bangladesh, for example).

The literature provides many lists of assessment criteria to check against when making decisions about whether or not to partner with or use an MFI. One of these was

Figure 3: Assessment criteria of a financial institution as a partner for NGOs



presented by Dullieu (1998) at a workshop in Hanoi, as outlined in Figure 3.

The need to use MFIs or other intermediary financial institutions depends on the program's stage of development. Rosenberg (1994) below, reiterates the general consensus that there are four stages in the development of a micro-credit program within a micro-finance project.

EXTRACT 3: The four stages of development of a micro-credit program

Level one:

The micro-credit scheme does not break even. More cash is spent on expenditure than flows in as revenue. The majority of micro-finance programs fall into this category. Grants are required to support programs at this level.

Level two:

The program achieves break-even. Income covers all expenses, including non-cash expenses such as depreciation, inflation and opportunity costs of funds. However, a program at this level still finances most of its micro-loan portfolio with money borrowed from donors.

Level three:

The program reaches break-even and has substantial equity funding which a donor has granted it. The program can start using its equity to leverage funds from commercial sources such as a bank. It may still continue to access donor lines of credit.

Level four:

The program obtains a licence as a bank or some type of formal financial institution. Outside parties are more willing to loan or deposit money in the institution. The institution can obtain interbank loans or central bank credit facilities. It no longer relies on donor funding.

The advice among the few institutions worldwide that have converted from micro-finance NGOs into for-profit equity structures is that there is a pattern of early and sometimes continued reliance on donors, INGOs, foreign social investment banks and donor-financed funds as the dominant sources of equity capital.

A concern expressed in much of the recent literature, including that of Women's World Banking, is that the dominance of 'outside owners' may not always lead to the necessary accountability, and that this may affect the success of the MFI's integration into the local financial systems over time. As MFIs often grow from local and international NGOs, the adequacy of accountability and business approach are major concerns in the literature.

3.4 Micro-finance program types

There are currently two main streams of lending programs at the lower end of micro-finance. Both promote enterprise development. The first is livelihood enterprise lending (also called poverty lending) and the second, growth-oriented enterprise lending.

3.4.1 Livelihood enterprise lending (poverty lending)

Livelihood enterprise lending is sometimes referred to as lending for survival enterprises, income generation, self-employment, non-collateralised loans, or micro-enterprises. People, usually women, borrow money with no collateral because they are in the 'poor' or 'very poor' target groups. While definitions of the poor vary, as a group they have no common access to formal lending institutions or systems and no secure place to save money.

For this group, a system of peer pressure through solidarity groups replaces collateral. Extra services are also often included, but these are generally subsidised by the implementing agency or the donor. Some credit is sometimes also subsidised by the donor (ADB (1997a)).

This type of lending is generally referred to as 'poverty lending' in the literature, because much of the money may be used for the survival of the borrower and family, rather than specifically for enterprise set-up and development. Dichter (1999), for example, has concluded that, because the target group for this type of lending is the very poor, it should be termed 'poverty lending' and not 'enterprise development'.

3.4.2 Growth-oriented enterprise lending

Growth-oriented enterprise lending is sometimes categorised as lending for viable enterprises, micro-enterprises (ADB (1997)), and small enterprises (CARE, in Waterfield and Duval (1996)). In fact, these enterprises can follow on from either survival or poverty lending, although this is infrequent and depends on the context of the project or system. The borrowers tend to be the 'entrepreneurial poor', defined as those who have some money, labour and the ability to 'do business' (ADB (1997a)).

This type of lending allows for the costs of extra services, such as education and technical assistance for example, to be covered by the interest collected, leading to financial sustainability and operational sustainability. Where institutional sustainability is achieved, it is usually through this type of system delivery.

Table 4 shows an adaptation of the Asian Development Bank (ADB) classification of these two categories of lending programs, indicating thirteen major specific differences between them.

Table 4: Major differences between livelihood enterprises and growth-oriented micro-enterprises

| Livelihood enterprises – survival | | Growth-oriented enterprises | |
|-----------------------------------|----------------------------------|--|---|
| 1 | Capitalisation | Relatively low | Higher, initial capitalisation similar |
| 2 | Education | Little formal education | Usually at least some secondary schooling |
| 3 | Skills and experience | Relatively low, except skills acquired traditionally, as in handicrafts; trading is often a fertile training ground for later manufacturing of same product | Higher, more often acquired through vocational training and/or previous wage employment |
| 4 | Gender | High (often majority) participation of women | Lower participation of women, but still high in many cultures |
| 5 | Sector | Higher proportion of livestock, backyard poultry, food processing (service), and petty trading | Higher proportion in manufacturing and services requiring skills |
| 6 | Competition | Usually function in perfectly competitive markets with low barriers to entry and little scope for cutting costs by intensive use of family labour and even by offering credit | Often occupy 'niche' markets with more scope for specialisation and product differentiation |
| 7 | Seasonality | Often seasonal, tied to crop cycle, school year, major festivals | Less affected by seasonality and function throughout year, even if at varying levels |
| 8 | Contribution to household income | Usually a secondary source (although vital) | Often primary |
| 9 | Whether only enterprise | Usually one of several multiple enterprises (to compensate for seasonality and low returns) | Usually the only enterprise |
| 10 | Use of hired labour | Infrequent, mostly use family labour | More common, often relatives and children |
| 11 | Surpluses and reinvestment | Surpluses limited and often ploughed back into household expenditure | Reinvestment of surpluses the norm |
| 12 | Use of credit | Trading activities often started on a consignment basis, livestock acquired on a profit-sharing basis, boats and rickshaws on lease; however, in order to compete, often become net lenders, especially in trading and restaurants | Credit available from a wider range (informal and semi-formal) of sources and a greater two-way flow of credit so that micro-enterprises are more often net lenders than livelihood enterprises |
| 13 | Potential for growth | Limited new employment generation, but scope for increases in sales, productivity, profitability and income; growth often blocked by demand constraints, resource constraints (artisanal fishing), and physical constraints (space home/ yard) | Have growth potential; number of workers higher, with more paid employees; employment is usually of higher quality |

In a discussion of types of micro-finance programs, it is important to record that, in 2001, when poor women in five countries (including Vietnam) were asked: 'What do you really want to do?' every single one said that they wanted to 'have a real job' or 'not need to borrow'. In Vietnam, the answer to this question also included the wish to 'have a job with government'. Thus, even 'poverty lending' is not a preferred option to holding down jobs.

In reality, there is much merging between the two enterprise types, as the boundaries are not as distinct as those presented above. But there is considerable evidence that one does not necessarily lead to the other. In other words, micro-finance development is not a continuum.

3.5 Micro-finance project methodologies

3.5.1 Overview

Financial systems methodologies for poor people change over time, but it can be said confidently that there is no one 'correct' method for the delivery of micro-finance. What is important is that programs reflect the developed indicators of success that show current best practice in the light of 30 years of experience.

Delivery methods usually do need to be modified, as experience with the Grameen Bank model indicates. Many

groups say that they use this model, but in fact they use a modified, tailored version to suit a specific environment.

For example, the Toi Yeu My project in Vietnam was an internationally funded project originally developed as a Grameen Bank model, but changed substantially when it was realised that it contained many inappropriate elements. One of these was the reciting of standard pledges before each meeting. However, as long as the criteria of best practice are present within a coherent philosophical package, the program will be a success.

An overview of the most popular project methodologies employed in the South East Asian region is presented in Table 5.

Table 5: Characteristics of different methodologies

| | Individual lending | Solidarity groups | Village banks | Revolving loan funds | Associations/ Cooperatives |
|----------------------------------|---|--|---|---|--|
| Client/ members | Generally limited to individuals with existing businesses or demonstrated entrepreneurial capacity | Self-selected groups of 3-5 members (typically 5) | Self-selected groups of 20-50 members in small borrower groups | Large variations depending on the purpose and structure of the fund | Self-selected groups, ideally of 14-20 members – group formation process encourages participation of more vulnerable in community |
| Use of loans | Working capital and fixed assets for small/medium enterprise | Working capital for IGA/micro-business | Primarily linked to livelihood activities and consumption; emergency loans may be made from internal account | Wide variations; separate funds may be set up for a specific type of loan | Loans made for a wide range of productive, consumption and emergency purposes |
| Size of loans | Medium to large | Small, increasing each cycle, often in pre-determined amounts | Small, increasing each cycle | Small | Small, determined by group |
| Terms and conditions | Business plan required; medium to long-term loans; repayment schedule tailored to nature of loan; collateral required; interest at 2-4% monthly | Short-term (generally 6-8 month cycles); group guarantees; interest at 3-5% monthly (except Vietnam which is usually at a flat rate) | Short-term (generally 6-8 month cycles); group guarantees; interest 2-4% monthly, flat rate | Short-term; interest at 3-5% monthly, flat rate | Short-term, individual; loan terms determined by group; interest at group start-up 5-10% monthly and reduced to 3% once groups are more established for associations |
| Savings | Optional | Generally linked to loans; some offer voluntary savings | Mandatory restricted access held/re-lent through internal account | Often required | Mandatory; primary source of funds for lending; restricted access |
| Management/ control of resources | MFI. All interest reverts to MFI | MFI. Part of interest paid to group leader for collecting payments, balance to MFI | Internal account, village bank committee; external account, NGO (1-1.5% interest to facilitating NGO, 1% to umbrella NGO) | Village/project committees (may or may not be supervised by facilitating organisation); often co-opted by leaders | Individual group/association cooperative |
| Access to services | At MFI office | Through credit agent visits | Community meetings | Community meetings | Community meetings |

Source: Investigated by Alice Walters, consultant, and adapted from A Walter (2001), *Learning from Integrated Savings and Credit Programs in Cambodia*, ACR, WCS, Oxfam GB, Phnom Penh.

3.5.2 Individual and group lending systems.

Individual lending tends to be available to those people who are not usually at the 'poorest' levels of a group. They borrow individually on the basis of a viable business plan and require collateral terms. The loans are long-term and the interest is sometimes lower than for short-term loans. They also use the MFIs exactly like commercial banks.

Lending through groups began with Grameen Bank in Bangladesh in the 1970s. The group requires its members to make some commitment of support to the other members to help pay back the individual loans on time. The most common type is the 'solidarity group' system.

Because the poor are excluded from individual lending as they have too few or no assets for collateral, peer pressure in the form of solidarity groups (borrower groups) has become fairly standard in developing countries as an alternative to collateral in lending to the poor. The group guarantees its members so that all are liable to redress any defaults of individual members.

Solidarity in these groups can be so strong that members can make compulsory monthly payments for each other without informing about some members' difficulties. This can create problems for the Credit Officer/NGO outside the group who is not made aware of delinquencies.

Context (geography, history, culture) plays a major role in the group model success. Some groups do not trust people outside the family and some only trust (or mistrust) leaders. However, since the success rate of group lending is very high (95-100% repayment), they are commonly used as the answer to lack of collateral.

The most important aspect of successful group lending is trust. People must know each other, rather than just being 'put together' for geographical or other convenience. In the Philippines, where groups are the strongest and most successful, they take one year to form and consolidate. Savings are introduced in this first year.

In Vietnam, most groups are convenience groups, although they usually have membership of the local Women's Union in common with its monthly meeting structure. The lending system then becomes an extension of this.

An analysis by Berenbach and Guzman (1992), below, for ACCION, a US INGO that provides technical assistance to MFIs in Latin America, shows the characteristics that need to be in place for successful peer pressure lending programs. This analysis has been used to gauge the degree of success for IWDA-VWU group lending programs against international indicators.

EXTRACT4: Keys to successful peer group lending programs

Client population

- Must have ongoing business or prior experience
- Majority women in most settings
- Mix of manufacturing, service, and trade

Group self-formation

- Groups select their own members
- Three to ten members – one member per family
- Group leader selected by group

Decentralised operations

- Extension staff work in communities
- Overcome cultural barriers to formal institutions
- Staff become knowledgeable about client's business environment

Appropriate loan sizes and terms

- Loan amount and terms appropriate to client needs
- Loan size increases as business and client experience grows
- Terms range from quarterly to annual

Simple loan application and rapid review

- Application limited to basic information
- Standard project credit analysis not required
- Applications turned around in 3-7 days

Interest rates and service fees

- Interest charges supplemented with other fees
- Borrowing charges often exceed commercial rates
- Total charges cover real lending costs

On-time repayment requirements

- Incentives and sanctions for on-time repayment
- Future loans pegged to group's repayment
- Up-to-date information systems alert staff to delinquencies

Credit is linked to savings and other financial services

- Savings facilities are valued by group members
- Intragroup emergency funds serve as safety net
- Savings included within funds management strategy

Cost effective training and organisation building

- Training builds on existing client skills
- Cost-effective and responsive training methods developed
- Self-help organisations address social and economic needs

Borrower-lender accountability and mutual respect

- Lender demonstrates borrower trust through solidarity group operations
- Lender obliged to provide a service of value to borrowers
- Borrower loyalty and mutual accountability generated

3.5.3 Village banks

In Asian rural areas, village banking systems are the most popular in countries other than Vietnam and China. Run by the people, for the people, without the involvement of authorities, they consist of many small groups (units) with 50-60 of them joining together to form a village bank. Cambodia is an outstanding example of how well this can work.

In Vietnam, an activity of SCF(US) in Thanh Hoa, along the lines of the village banking model (though adapted), can be seen as an example of a successful project, particularly given the lack of a legal framework or an enabling environment.

SCF(US) has a business unit in Hanoi headed by a Vietnamese with qualifications and experience in financial services and micro-enterprise – an uncommon situation among the INGOs in Vietnam. In the interests of cost-effectiveness and sustainability, SCF(US) has adopted a new approach that involves the employment of trained and accredited credit agents for outreach and associated administration, as well as increasing the borrower-credit agent ratio. Financial management at the district level also eliminated the need for more technical responsibility at lower levels. It also provided loans that were small enough to deter richer people from wanting to access them.

In summary, this approach involved a model that was developed by and for rural women, provided micro-loans between 20-70 USD, enabled groups to guarantee (lending and savings) as collateral, and was sustainable in that it had district-based strategic cost centres with franchising potential to reach 100,000 active clients.

A comparison of this approach, which is focused on sustainability, with SCF(US)'s previous service delivery approach (still used by most other INGOs in Vietnam and mainly managed by the Women's Unions at different levels), is shown in Table 6. (The IWDA-VWU micro-finance projects incorporate elements of the service delivery approach, but have a much broader training element for clients.)

3.5.4 Revolving funds

Revolving funds are like traditional RoSCAs (see section 3.3), called 'Hui' in Vietnam. The capital is held within a group, and members take turns to borrow part or the entire amount. The IWDA started out with a revolving fund in its earlier projects but, like most international groups, it moved into more sophisticated and business-like micro-credit systems.

3.5.5 Associations and cooperatives

Community groups can form associations or legal cooperatives and borrow money for a joint business. In Vietnam this is difficult, since cooperatives are usually large and state-run. Although they are not a popular scheme for very poor people in Vietnam, there is one excellent example – KhmerSilk, in the Mekong Delta. This is a community enterprise for poor Khmer women, developed by CARE International with the assistance of AusAID and Oxfam Netherlands (NOVIB).

3.5.6 Interest rates

International literature is now almost unanimous in asserting that subsidised interest rates have negative consequences for a program. The clients, as well as the community, can be adversely affected.

The analysis (*overleaf*) from the NGO, Cambodia Poverty Lending Group (1998), highlights the negative effects of subsidised interest rates for poor Khmer women, whether projects are simple or sophisticated. This analysis also appears to be supported by the literature. (The Vietnamese context is different because the banking system itself is subsidised.)

Table 6: SCF(US) changes for sustainability

| Features | Approach 1 – service delivery focus | Approach 2 – sustainability focus |
|---|---|--|
| Credit agent-client ratio | 1:75 | 1:700-900 |
| Salary as percentage of gross income | 40% | 18% |
| Time needed for Women's Union to master accounting and finance management | 12 months | 3 months |
| Accounting and finance management responsibilities | District, commune, and hamlet – financial management non-existent | District only – financial management at district level |
| Accounting and finance system format | Simplified (to suit staff capacity) | Based on international standard (CGAP format) |
| Internal control | Almost non-existent | Yes |

Extract 5: Negatives of subsidised interest rate

- It reinforces the 'dole-out mentality' among borrowers which affects loan repayment and raises expectations from participants about the continuous supply of cheap credit, which makes it more difficult to develop sound (but usually unpopular) higher interest rate measures in the future.
- It discourages formal institutions from lending to the poor, ...already deemed high risk, due to the inability to cover their costs and earn a profit.
- This eventually results in credit contraction and rationing, due to the unsustainability of credit programs to the poor, since lending margins do not allow for cost recovery and the dole-out mindset results in poor repayments. Loan losses due to default reduce the size of the loan portfolio over time, further aggravating the problem of credit accessibility and reliability, factors which have been found to be of more importance and of more crucial concern to poor borrowers than the cost of credit.
- It creates a high demand for cheap credit that results in the diversion of funds to better-off borrowers who possess influence and have better connections to fund providers.
- It encourages the formation of groups which mainly act as a conduit for concessional loans and/or as beneficiaries of cheap credit.
- It creates distortions in estimating potential incomes from livelihood/income generating activities, often resulting in non-viable projects being justified for loan support. When the supply of cheap credit is withdrawn, these projects are unable to cope with the real market situation and fail to be sustainable.

3.5.7 Savings

The literature emphasises that savings are an essential component of any lending program (including Counts (1996), Bhatt (1998), ADB (1997b), Mukherjee and Wisniwski (1998), Dichtner (1999)). Savings are seen to benefit the whole economy, because they result in increased resources for productive investment. Savings are also just as important for the very poor villagers, since the increased resources can eventually make even a small credit project at least operationally sustainable. Also, even with small savings, the project has the potential to grow, benefiting all.

The literature rejects the view that poor people are too poor to save, although this concept still lingers on. Projects like the original Grameen Bank in Bangladesh had a component of forced savings. This is still quite common. But the shift is away from compulsory to voluntary savings, enabling projects to evolve from notions of a charity to a level of economic awareness.

Mukherjee and Wisniwski (1998) make three points about savings mobilisation which are reiterated through most of the literature. These are that savings:

- help to extend and deepen the outreach
- lead to project self-sustainability, and
- increase public confidence, thus drawing to it long-term clients (who will both borrow and save).

3.6 Critiques

The most recent literature features some critics of the new emphasis on sustainability. One of these, Akhter (2001), makes some sobering observations after following the progress of the 'new' micro-finance systems internationally:

It is now well-documented by the mainstream organisations such as the World Bank that the hard-core poor, the approximately 30 million people who account for about 50% of the poor population, are not reached in substantial numbers by micro-credit schemes. That is, if we talk about poverty alleviation, micro-credit schemes are not even addressing the hard-core poor in the first place. While micro-financiers talk about no collateral, they are definitely concerned about credit-worthiness in terms of repayment capability. The poor must repay, otherwise they are no good.

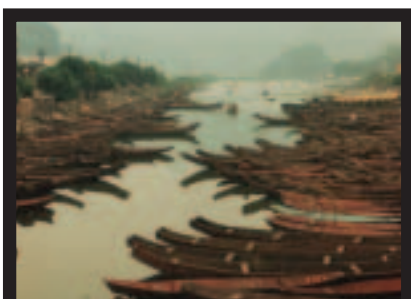
Further, he notes a significant paradigm shift:

The micro-credit programs have entirely shifted the priorities of development activities. It is no longer based on building support systems for the economic activities of the poor. Rather, the development worker who was committed to reach the poor is now asked to do only one thing, that is, lending out credit and ensuring repayment. In the early development paradigm, the poor were the receivers of resources, now they are means to realise the interest of money capital that is circulating globally in the era of financial liberalisation. The field workers have to earn their own salaries. Financial sustainability of the lending NGOs has become a priority agenda.

These comments are particularly interesting to IWDA and VWU because their projects have always strived for outreach to the very poorest, with empowerment for women as well as educational opportunities for girls as a priority. They are also interesting from the point of view of the donor whose contribution is based on sustainability, but who at the same time questions the cost that this involves to the very people that the project seeks to assist.

micro-finance

issues and key debates



Thanks to the assistance from my family and women members in our group, our economic status has improved remarkably. From training, I now have knowledge about balancing loss and profit and finding more feasible businesses to set up. I keep all records on what I have earned, even if it is from corn or beans, and what I have spent after one day, even if it is money to pay study fees for my children as well as all other family expenses.

Now I am able to set up a more feasible business plan and have learnt the lesson that you cannot have success without a good and detailed business plan.

This chapter outlines the current issues, debates and best practices from international literature and projects in Vietnam. Firstly, it presents some definitions of poverty, and outlines some of the current explanations of its cause and how it can be best alleviated. Secondly, current views on empowerment, training and management are described as well as those of sustainability.

The chapter then concludes with using these approaches to determine the nature of IWDA-VWU micro-finance programs, and the degree to which sustainability, as currently perceived in the literature, is possible for these and other projects in Vietnam.

4.1 Perspectives of poverty

4.1.1 Definitions

Poverty is difficult to define, but it is certainly more than an income-based yardstick, although many wealth-ranking systems in Vietnam and elsewhere use this measure exclusively.

In the UNDP, UNFPA and UNICEF publication, *Poverty-elimination in Vietnam* (1995), poverty is defined more widely as 'a lack of ability to participate in national life, most especially in the economic sphere'.

Remenyi (1991) divides the poor into a pyramid of five layers. The largest layer is that of the vulnerable/ultra poor. After that he places the labouring poor who sell their labour seasonally, then the self-employed poor who almost survive with their own home-based work. The next level is the entrepreneurial poor, the group that will take calculated financial risks and continue to be the main recipient of credit. The smallest group is the near poor.

Remenyi's pyramid depicts the economic aspects of poverty while also incorporating some elements of power. This approach was quite new in the early 1990s, and has had a significant impact on the level of understanding of the poor and on the potential areas for project targeting.

- 4.1 Perspectives of poverty
- 4.2 Empowerment, micro-finance and gender
- 4.3 Management
- 4.4 Targeting the poorest women
- 4.5 Sustainability of micro-finance projects in Vietnam
- 4.6 Summary

chapter four **4**

During a Participatory Poverty Assessment (PPA) in 1999, the SCF(UK) team found that communities classed as poor by others in the same community used a range of criteria to define poverty other than 'wealth ranking'. For these communities, poverty was seen as the presence of some or all of the following contributing factors:

- a legacy of poverty, ie, being born poor
- a low level of education/early dropping-out of school (both adults and children)
- a lack of marketable skills or business know-how
- unskilled and unstable jobs, with low and irregular pay
- large families, having many children and few breadwinners
- being a migrant and/or lacking permanent resident status
- chronic illness of main breadwinner(s), or a serious illness of any family member
- indebtedness to private moneylenders
- heavy drinking, gambling and/or drug use
- social isolation, lack of supportive contacts, friends or relatives, and
- low energy levels and passive or defeatist attitudes.

The collective effect of many of these attributes is an inability to fully participate in community activities, including decision-making.

There is continual debate in the literature about the causes of poverty. Recent attention has focused on the role of governance, locating poverty within a broader context. Lingle (2001), for example, argues that bad governance underlines the importance of country-specific analyses of poverty:

The most compelling reason behind extensive and continued poverty is bad governance that is accompanied by weaknesses in legal and judicial institutions.

4.1.2 Defining the poor

As noted above, there are many general definitions describing the nature of what it is to be poor and, within these, come further sub-groups such as the abject poor, the very, very poor; the vulnerable poor, and the poorest, to name a few.

While acknowledging that it is only one measure of poverty, Figure 4 has been developed by P Kelly (2002) to offer some standard based on economic viability. This is useful in that it enables the poor to be categorised across a continuum, even though people labelled A-, A, and B will also have other attributes that can put them lower or higher on the continuum. Women are certainly poorer in each of these sub-groups than men, and this is consistent across the literature.

The concept of a continuum appears to be more appropriate than a set of finite labels. It could be described as follows – if circumstances permit, poor people move along a continuum from A- (absolute poverty), until they reach A (economic viability, enough for food etc.) and begin to buy deferred consumption products which could be pigs for example. If things go well (no disasters, illnesses or deaths in the family), they can move to B (economic security), and not be as vulnerable to slipping back into poverty. They can protect household assets and income from natural or man-made disasters and can move on to C (a situation of long-term economic security and a higher standard of living which can be sustained to the next generation). At this stage, they accumulate more assets, invest for higher returns and need not take great risks.

The poorest people are those who have not reached A (ie, A-) and whose immediate needs are not met. It is difficult for them to do more than is required to merely survive. Working for others often requires migration in the short or longer term. And, if this occurs and there are no employers or if they are a long distance away, perhaps in a big city, there is additional vulnerability, especially if those migrating are women and children.

People do not move in one direction along the continuum. They can slip back and then move forward over time. Health issues are a major cause of slipping back, as are natural disasters or conflicts. And individual families can fall back quickly through the death of a working parent.

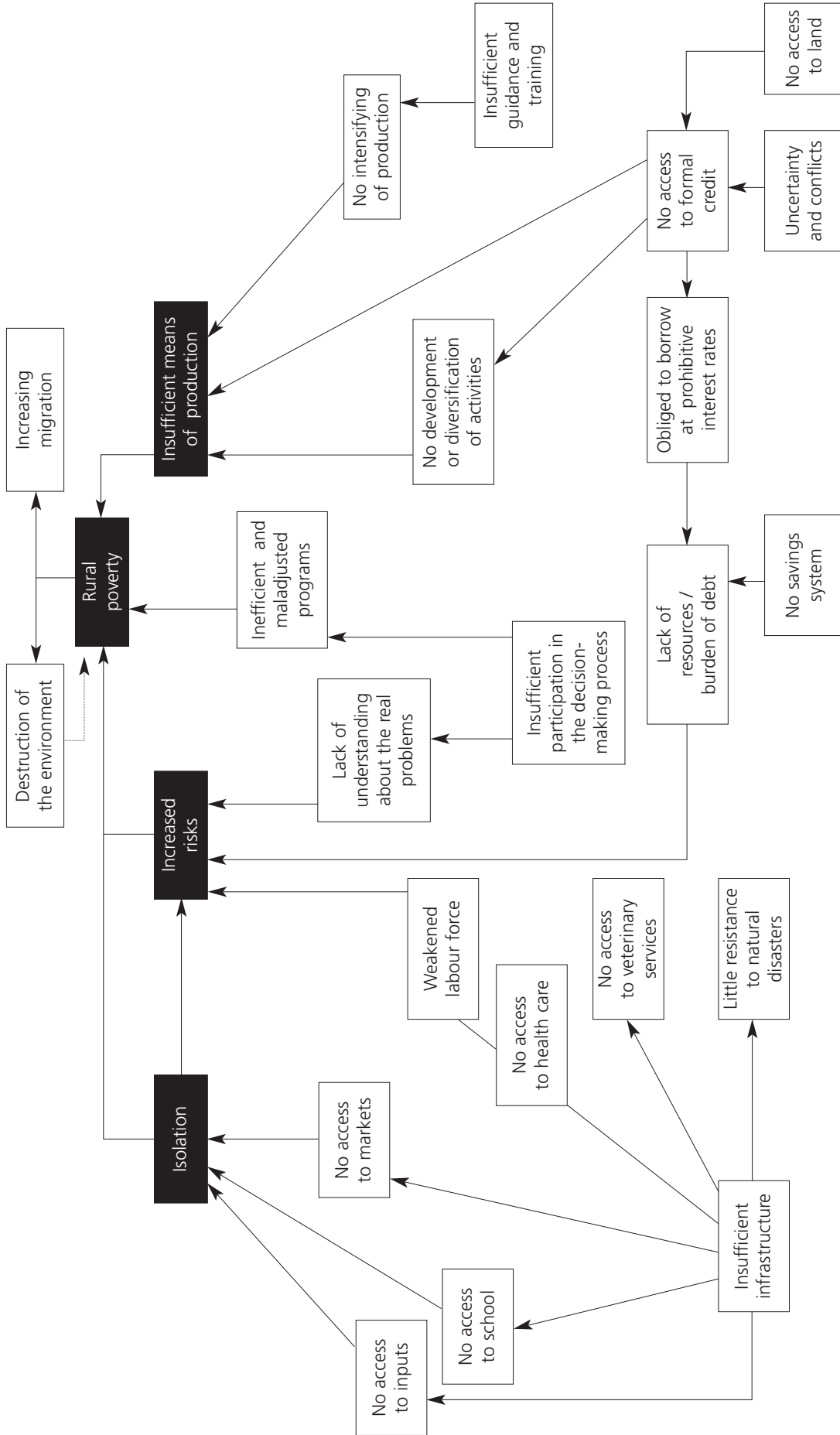
At a workshop in Vietnam with the VWU on credit projects as a means of poverty alleviation, funded by the Belgian Government in 1998, Pierre Dulieu presented a simplified causal diagram for rural poverty (see Figure 5). It is not gender specific, but the evidence in the literature clearly shows that, for all the causes of poverty, women are far more vulnerable than are men.

Figure 4: Continuum of economic status in households

| A- Absolute poverty | A Economic viability | B Economic security | C Longer-term economic security & higher standard of living |
|--|--|---|--|
| Periods of no food, no access to job, need family members to migrate for seasonal work | Have food, shelter, and clothing for the period of immediate needs. Have deferred consumption (eg, pigs) | Can protect household assets and income from the unpredictable (eg, floods) | Situation sustained to the next generation – accumulation of assets – investment for higher returns and less risk needed |

Source: Kelly, P. (2002) *Income generation interventions to counteract the worst forms of child labour trafficking including ILO*. Developed from Oxfam Hong Kong Report, Vietnam, P. Kelly (2000).

Figure 5: Simplified diagram of the causes of poverty in rural areas



Source: Dilleu, P., Paper presented to Workshop on Strategy of Belgium Development Cooperation for Projects with a Credit Component in South East Asian, Hanoi, June 1998.

4.1.3 Alleviation of poverty

If governments wish to alleviate poverty, they must decide what needs to be done within their own contexts. A developing county like Vietnam faces the challenge of dealing with sheer numbers of poor people, but unlike many other governments it has less of a problem in terms of the gap between rich and poor.

The decision-making tree (Figure 6), presented in a draft paper by Yaron, et al, 'Rural Finance: Issues, Design and Best Practices' at a workshop in Urashima in 2000, shows two types of potential government action to reduce poverty, focusing on the effectiveness of micro-economic measures.

The alleviation of poverty is generally associated with the use of micro-economic tools to provide credit to the poor so that they can generate their own income. However, a broader view of poverty sees income levels as fluctuating below and above the poverty line, influenced by other factors affecting the potential for self-employment. From this perspective, strategies to address poverty also seek to reduce dramatic decreases in income, and see this as part of the role of financial services. The continuum outlined in Figure 4 accommodates this wider perspective.

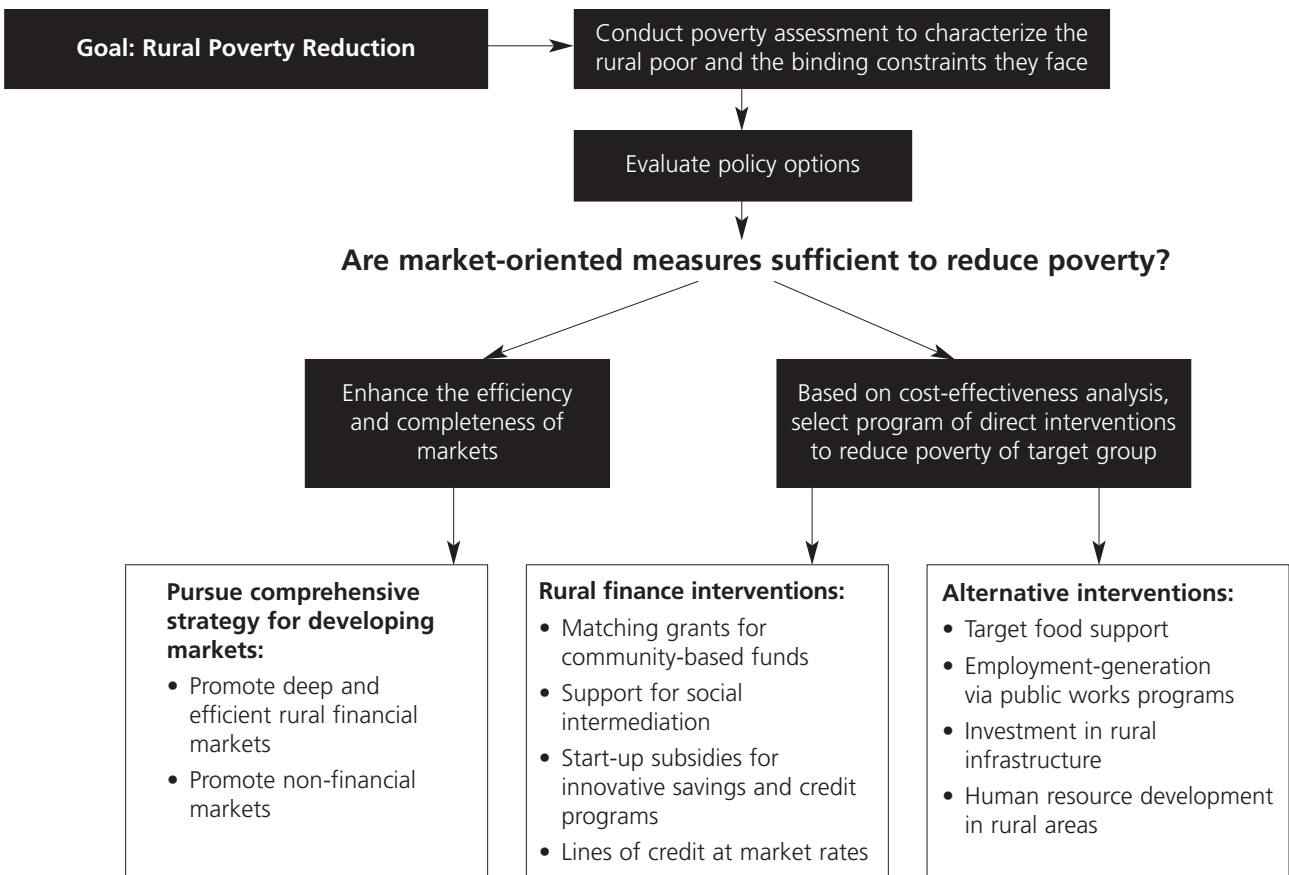
4.1.4 Poverty-alleviation programs in Vietnam

Since *Doi Moi* (Renovation) in 1986, Vietnam has reduced poverty from 70% to half that figure. This is a major achievement, although poverty programs in Vietnam are still criticised as lacking clarity of focus. There is still no common definition of the poor or an agreed methodology for assessing poverty among government departments. Targeting does not allow for the variety of levels of poverty, or its causes. Also, gender analyses have generally not been included in the government's official poverty documentation. The UN *Common Country Assessment of Vietnam* (1999) more or less recommends an overhaul of the existing system for poverty-alleviation, while at the same time applauding the initiatives being taken.

Levels of poverty (even without a standard definition) are generally not consistent in developing countries. This is true for Vietnam although the gap between levels of poverty is not as large, but increasingly seen as significant. According to the Common Country Assessment:

Poverty remains a predominantly rural phenomenon (45% of the rural population are poor). Isolation, from markets, health and education facilities and sources of information, is a major factor accounting for the high incidence of poverty in rural areas.

Figure 6: Decision-making tree for poverty reduction



Source: Yaron, et. al., *Rural Finance: Issues, Design and Best Practices* (Draft), in Urashima, 2000.

Poverty in rural areas is now four times that of urban areas, and seven times higher in the northern uplands than in the south-eastern region. The northern uplands, central highlands and north central coast regions are home to a high proportion of ethnic minorities. 15% of the total population are ethnic minority people, of whom 75% are poor and many living in the remote areas of these regions. And, significantly (as in other developing countries), women in Vietnam are assessed as being more likely to be poor than men.

Vietnam has a government that actively seeks equality and economic security for all its citizens. The Ninth Congress of the Communes (2000) made the following statement about the directions for the broad policy from 2000-2010 in the area of hunger-eradication and poverty-alleviation, with a commitment to:

- mobilise resources from the state and the whole society
- increase investments in building infrastructure, providing loans; financing vocational training; supplying information; transferring technology and helping the marketing of products, etc. for poor areas, communes and population groups
- take proactive measures to reallocate a segment of population, who are without arable land and productive conditions, to resettle in areas with more potential
- create an enabling environment for all people to strive for legitimate wealth and help to provide social benefits to people under special circumstances, unable to work by themselves and without any support
- strive, so that by 2010 there will not be any fundamentally poor households, and
- constantly consolidate the gains in hunger-eradication and poverty-alleviation.

The government has put in place a number of poverty-alleviation programs to achieve these goals (see Appendix 7).

A report in the *Vietnam Investment Review* of September 2000 indicates the very high level of need that exists:

Intolerable levels of hunger and poverty [are] still in afflicted areas hit by natural disasters, large swathes of unemployed and under-employed, poor women and ethnic minorities... Gains remain fragile. Many people have only just made it over the poverty line and could easily slip back under... 90% of this group were listed as in danger of relapsing into poverty and hunger.

4.1.5 Credit as a poverty-alleviation strategy

Credit is promoted internationally, via a huge network of supporters, as an essential tool for poverty-alleviation. Some believe credit is the major tool, while others say it is merely one of many. As stated by Robinson (1996):

Poverty-alleviation requires a toolbox. Credit is an essential tool, but it cannot be the only one. Micro-credit as a tool is used correctly when:

- (a) provided to the creditworthy among the working poor at interest rates that cover all program costs and permit institutional viability; and
- (b) loans are allocated on the basis of the creditworthiness of an existing enterprise and of its entrepreneur, not on the basis of poverty.

It should be remembered that credit implies debt. Placing in debt those who cannot repay their loans hinders, rather than helps, poverty-alleviation, and it also results in preventing the development of the sustainable micro-finance programs that could help millions of the working poor.

A range of development tools is used for the very poor, such as programs for food, health, employment and asset-creation, funded by governments and donors through grants and concessional loans. Thus, the very poor and the destitute (those who have no employment and no income-generating assets) are provided with grants and employment rather than credit. Once they have an income-generating asset, loans may be provided to them for working capital.

Wright (1999) is one of many who insist that there is a difference between alleviating or reducing poverty and increasing income:

When examining the income impacts of micro-finance programs, it is important to recognise that there is a significant difference between 'increasing income' and 'reducing poverty'. Despite the prevailing emphasis on raising incomes as the central objective of development programs, the two are not synonymous.

The Vietnamese Government and the VWU are committed to the wide use of credit as one of the main tools of poverty-alleviation, as shown by the development of the Bank for the Poor within the Bank of Agriculture. As reported in the *Vietnam News* of 24 August 2001:

Extract 6: Poor households get access to more credit

Poor residents will get improved access to much-needed funds under a plan to build the loan book of the Viet Nam Bank for the Poor. The bank wants to build its loan funds by 30%, and the government has consented to a cut in interest rates to serve that end.

It launched the scheme in June 2001, offering loans at interest rates of 0.5% and 0.45% per month for poor households in lowland and mountainous areas. These rates compare to the previous offerings of 0.7 and 0.6 per month. Loan amounts have been raised from VND3 million to VND5 million per household, as long as the funds are invested in livestock breeding, cash crops, fruit trees or offshore fishing. The length of a medium-term loan has increased from 36 months to 60 months, an official from the bank said.

It also received prime ministerial approval for its continued work to reschedule and corner debts for poor households who borrowed funds in 1996 and 1997. These households can now prolong their repayments for a further three years, taking them up to 2004. The bank has also earmarked loans for agricultural and forestry promotion projects, and education to teach farmers how to structure contracts and use their capital effectively. It will coordinate with other organisations for farmers and women to manage and monitor the loans used by poor farmers.

Not content with those changes, the bank has its sights set on new markets, including issuing bonds and using long-term state funds for loans. Currently, about 70% of its loans are stretching out from one to five years. It has also introduced a method to loan funds to groups rather than just individuals. A group of individuals can cooperate to manage bank loans and help the poor develop their production. This structure ensures the loan funds are targeted towards the right borrowers and helps them use the funds effectively and make timely repayments. More than 200,000 groups have accessed loans over the past six years, helping more than half a million households escape from poverty.

The bank's head of office for professional planning, Tran Huu Y, said its outstanding credit loan is expected to be at VND 6,100 billion by the end of this year.

The article above reflects the government's positive view of subsidised interest rates. Loans of three million dong are not viewed in the literature as being appropriately targeted to the very, very poor. Moreover, with such low interest rates, they are very attractive to the not-so-poor and richer farmers. The literature indicates that very small or tiny loans are needed first as wealthier people do not bother to access them. Larger loans are needed for poor people only when they move out of absolute poverty.

4.2 Empowerment, micro-finance and gender

For IWDA and the VWU, empowerment starts with providing opportunities to women. When women have an enabling environment, they can take control of their future by participating in the decision-making structures

at family, community and political levels. Economic power is an especially important condition for empowerment in Vietnam.

The literature offers a variety of definitions of empowerment. The concept varies somewhat by culture, but shares a focus on the need to have and use power. The term is generally used when discussing gender issues and mainly in the context of inequalities between men and women.

Mayoux's (1997) framework for considering empowerment has been adapted and inserted as a means of distinguishing levels of power, gender, equality and actual empowerment (see *below*). The framework has been used to analyse IWDA-VWU projects and the results are presented in chapter 6. It has proven to be an adequate tool, and has clearly shown the strengths and weaknesses of IWDA-VWU and other projects where empowerment of women has been an objective.

EXTRACT 7: A framework for analysing women's empowerment

Power within or increased will for change for individual women

- Increase in confidence and assertiveness
- Changes in aspirations and consciousness to challenge gender subordination
- Increased autonomy and willingness to take decisions about self and others

Power to or increased capacity for change for individual women

- Increased access to income
- Increased access to productive assets and household property
- Increase in skills including literacy
- Increase in mobility and access to markets
- Reduction in burden of domestic work including childcare
- Improved health and nutrition

Power over or reduction in obstacles to change at household and community level

- Control over loan use
- Control over income from loans and other household production activities
- Control over productive assets and household property
- Increased ability to determine parameters of household consumption and other valued areas of household decision-making in favour of self
- Ability to defend self against violence in the household and community
- Enhanced perception of women's capacities and rights at household and community levels

Power with or increased solidarity with other women for change at household, community and macro-levels

- Increase in networks for support in times of crisis or for chosen strategies to challenge gender inequality
- Participation in actions to defend other women against abuse in the household and community
- Participation in movements to challenge gender subordination at the community and macro-level
- Ability and willingness to act as role models for other women entrepreneurs, particularly in lucrative and non-traditional occupations
- Increased expenditure on girl children and other female family members
- Higher valuation of girl children and other female family members
- Prioritisation of provision of wage employment for other women at good wages

In Vietnam, 'gender' is a word known by people familiar with sociological concepts, but not by rural farming workers like clients of IWDA-VWU credit projects. Gender roles and responsibilities are however, well known to everyone in Vietnam, and those that keep women in the traditional female roles are not 'empowering'. Consequently, IWDA and VWU have expended much time and effort in training and role modelling for their projects. Research results indicate the success and limits of this work.

If it discusses empowerment at all, the literature on micro-finance does so in relation to the empowerment of women. When discussed in this framework, it tends towards the idea that women cannot be empowered simply by gaining access to debt, although in some credit and savings projects in developing countries, differing levels of empowerment can certainly be noted.

Mayoux's framework provides indicators of comprehensive or overall empowerment. Nowhere in the micro-finance literature is there any example of 'total empowerment' in her terms being attained simply by a micro-finance project. This is not surprising given the focus of micro-finance projects and the circumstances of those targeted. But it is worth keeping this in mind when assessing empowerment resulting from successful micro-finance projects, including those outlined in this research.

Empowerment was a goal of all three IWDA-VWU projects examined in this research, but it was not explicitly built into the objectives, and project designs had rather vague indicators of success for empowerment attributed to objectives. This lack of clarity became an issue when empowerment outcomes were assessed using the Mayoux framework. As the VWU team members stated when providing their feedback:

When we formulated the projects, our perspectives on 'empowerment of poor women' were simple – focusing on providing women with:

- access to productive resources (credit and knowledge)
- access to control of money, and
- the ability to make decisions on investment and expenditure from profits obtained.

These are the initial steps in a long process of empowerment of women. We are wondering [if] it is appropriate [to] start the projects from one perspective and evaluate from others' [international] perspectives/indicators.

In its feedback on the Mayoux framework, the VWU emphasised a salient issue in the international literature by posing the question: Can micro-finance projects be all-empowering for women participants? The answer to this question in the literature is generally negative, although some levels of empowerment have been indicated in some micro-finance projects. And, as the data presented in Chapter 5 shows, IWDA-VWU micro-finance projects are certainly responsible for some levels of empowerment.

With this in mind, the Mayoux framework can be used to assess how, and in which areas, IWDA-VWU projects have been able to facilitate increased empowerment for women.

Kenny (1999) lists some manifestations of an empowered community (ie, one in which all people are empowered) indicating the normative content of the concept and its link to development. This list is also used as a tool to investigate community empowerment in this analysis (see Chapter 6).

For Kenny, in an empowered community, people are able to:

- have access to open and democratic community structures
- have optimum and meaningful participation
- make a real choice in lifestyles
- have the physical health and energy to participate
- be accepted for what they are
- have a real voice of their own, with the right to speak in their own words and be listened to
- have access to reliable information
- have access to resources that positively affect their well-being
- have self-esteem and be treated with dignity and respect
- believe in the right to control their own destiny
- have reason to believe that participation in decision-making processes is meaningful and productive
- work and live in a non-authoritarian environment with egalitarian structures
- individually and collectively decide on and prioritise their own needs, issues and problems
- individually and collectively decide how to resolve needs, issues and problems, and develop their own strategies
- individually and collectively decide on future directions for their community's development, and
- have the right not to participate in community decisions and processes.

Empowerment is also part of the political context. In Vietnam's post-war period, changes in government have occurred with progressive unification and philosophical consolidation. The social-democratisation of the country, along the lines promoted by Ho Chi Minh, has been set in place by the politburo. For example, Decree No.29 (the Grassroots Democracy Decree, May 1998) aimed to legalise people's participation in decision-making at their local government level. The intent was to empower communities, provide local transparency and increase information flow about local government activities and finances.

At the local level, women continue to take a strong role in families, raising children and caring for the adult men and relatives, although this is not matched by comparable leadership or partnership roles. Most rural women are also heavily involved in income generation for the family, although the man is still considered to be the head of the family. This has changed little from the situation described in 1991 at an early IWDA training workshop (see Chapter 1). According to *Attacking Poverty: Vietnam Development Report 2000*, presented at the Donor-NGO Poverty Working Group Consultative Meeting for Vietnam in December 1999:

Gender analyses show inequality in the distribution of power within the household and highlight many problems that are specific to women. These problems include limited decision-making power within the household, extremely heavy work burdens, domestic violence, health problems, limited representation in institutions, limited access to education for some ethnic minority women and unequal access to productive assets, such as land and credit.

Oxfam Hong Kong's summary strategic plan (1998-2001) reflected the same assessment, noting that, throughout Vietnam, 'men tend to monopolise decision-making power, and women lack control and access to essential resources such as land, which is usually registered in the male's name. Without any land to offer as collateral, it makes it more difficult for women to access credit'.

Both the VWU and the National Committee for the Advancement of Women have the responsibility to facilitate change in line with the Constitution and other laws. However, it is difficult for them to internalise and operationalise concepts of equality and equity when tradition is so strongly against both. However, as Barte (1999) notes:

We should also underline two essential factors. On the one hand, peasants are above all female, as agriculture absorbs more women than men. They take up a greater part of the process of agricultural production. Men are more likely to engage in non-agricultural activities, chiefly in cities, in the wake of the exoduses from rural areas. On the other hand, nearly one quarter of the families are managed by women.

Poverty is obviously a gender issue when women across the aid-recipient world are poorer than men. Hence, if poverty is to be seriously addressed, then gender imbalance and inequality must also be addressed. In Vietnam, some projects like those of IWDA-VWU have made some progress, although it is difficult to measure (see *Chapters 5 and 6*). However, it is clear from the literature that women in aid-recipient countries are targeted as the main recipients for micro-credit because they are often unable to access other forms of credit and are now known to be better clients (and hence creditworthy).

Akhter (2001) questions this kind of targeting as a mechanism for addressing inequality:

Micro-credit can be seen as the latest development disaster through feminisation of indebtedness. Patriarchy has always taken advantage of women's acceptance of oppression. So does the micro-credit program. This is a women's-indebtedness program with a high success rate of repayment. Women have had to undergo group pressure and coercion, and they are often forced to make sure that they pay the loan regularly, with high interest rates.

4.3 Management

Examining the range of micro-finance/credit and savings projects in Vietnam conducted by INGOs through the Women's Unions at various levels, it would seem that many have taken an approach that is not effective in the Vietnamese context.

Foreign staff involved in decision-making have often never conducted business themselves, do not understand micro-finance or marketing, and some do not have qualifications in any relevant discipline. Consequently, they tend to stick rigidly to a set formula.

The Women's Union central level staff, some of whom are partner managers in the IWDA-VWU projects, have had considerable training by a variety of trainers from many backgrounds. They can now see the difference between groups and the actual knowledge that they have. But, as the recipients of donors' money, the VWU has had

limited influence on the design of projects. In attempts to raise these issues, it has often been confronted with 'the rules' and a 'take it or leave it' approach. The terms are then accepted because it is believed that this is necessary to support the poor women they serve.

All of the micro-finance projects in Vietnam conducted by INGOs as at 2001 (16% of all projects) had the following four similarities:

Loans for the poor

Many INGOs appear to have targeted average groups rather than the poor and the poorest. If loans are beyond the reach of the poor, then it could be argued that INGO projects and programs are less likely to achieve their stated objectives.

Loan programs

Many INGOs have integrated a number of objectives within the loan process, such as empowerment, income generation, and reduction of the gap between the rich and the poor. These larger goals will require time. Small loans and credit programs do not achieve ambitious goals.

The Women's Union

At present, the VWU is the most common INGO partner in credit programs. However, some Women's Union staff members have not had sufficient training and do not have sufficient interest. Staff members also rotate, limiting project sustainability.

Training

Inadequate training has caused many INGO credit programs to fail. Because they have not become specialised in credit, personnel in the partner organisations have not had sufficient credit training to run viable programs. This has actually increased debt. In addition, in some programs, a framework of mutual understanding has not been established resulting in funds being moved elsewhere.

According to the VUFO-NGO resource centre study, *Lessons learned from a decade of experience* (Ha, 2001), learning by Vietnamese partners and NGOs over a decade of operations in Vietnam provide valuable advice and guidance for the future in micro-credit. Their list of 'should' based on this experience is set out below, followed by comments on IWDA-VWU micro-finance projects.

- INGOs should develop relationships with local partners, setting up a temporary legal framework of mutual understanding. Then, the program can extend, creating greater cooperation with managers and policy makers at higher levels.

(IWDA-VWU has developed a unique and strong partnership, but it has not sought to influence government policy on interest rates as this is not their focus.)

- INGOs should maintain the commitment with local partners by starting with a small model before expanding. Without careful planning, the number of people who participate and then withdraw is fairly high, creating additional per capita costs, wasting training resources, and reducing program impact.

(IWDA-VWU started small and has developed a model that has expanded without wasting resources or minimising impact (see Appendix 4).)

- INGOs using the Women's Union as a partner should emphasise local training. Although the VWU has a commitment to credit and savings work from the national level down, and a concomitant awareness of the program, Women's Union staff are not financial managers. INGOs working with local Women's Union partners in credit and training must make a substantial investment in training to ensure project success.

(The IWDA-VWU partnership has made an ongoing investment in training for the WU at all levels.)

- INGOs should be clear what they want to be – a financial service organisation or a financial support organisation.

(This is difficult. IWDA wants both a financial service and support organisation and the VWU says they want a more welfare-oriented model. Together they have done both over the past 12 years.)

4.4 Targeting the poorest women

According to the literature, the general conclusion is that very few organisations and groups working internationally in the area of lending money have been able to include the poorest people in substantial numbers among their clients for sustainable micro-finance projects, even when attempts have been made to target them. The really poorest cannot accept debt, or are too afraid of it. Most writers see them as being too involved in their immediate survival problems to want to take on debt.

In the past, in Vietnam, the poorest people have not been included in many micro-economic projects for fear of project failure in the form of insufficient repayment rates. Many developing countries have also reported this rationale, although there is ample evidence on the ground that, if the really poor (especially women) want to accept

credit on their own terms, then they are excellent clients and will have the highest rates of repayment. Many object, however, choose not to accept credit.

It is the system of micro-finance itself then that precludes the poorest in many cases. Often, extremely poor people are offered debt as the only way out of their poverty. They are not offered a choice.

4.5 Sustainability of micro-finance projects in Vietnam

Because there is no specific legal framework for micro-finance in Vietnam, these programs cannot currently reach what the international literature terms to be 'institutional sustainability'. However, when the legal framework is set in place, organisations implementing micro-finance programs can reach operational and financial sustainability over time, and can then work in conjunction with an MFI, rather than a subsidised wing of a bank like the Bank of the Poor as is the case at present. Service providers including banks and MFIs must themselves be charging an interest rate that covers their costs for long-term sustainability.

The formula for sustainability presented by Hout Leng Tong (2001) below sets out the parameters, based on the following three core assumptions:

- a legal framework provides an enabling environment in which sustainability can occur
- the personnel managing and developing the schemes have the necessary knowledge, skills and personal experience, and
- the organisation supporting the activity (eg, the NGO) has sustainability as an objective.

EXTRACT 8: Formula for sustainability

Institutional sustainability

- Develop good governance – recruit capable board members with expertise, experience and commitment to the organisation
- Build a strong management team (not a one-person show) and competent staff
- Build strong institutional systems – policy and operations manuals
- Develop mechanisms for staff appraisal
- Ensure a plan and allocate a budget for first-time orientation, and
- Train staff periodically.

Operational sustainability

- Increase the scale of operations – number of clients and volume of lending – without affecting the quality of the portfolio
- Manage transaction costs without affecting the overall quality of services and responsiveness to clients, and
- Increase the spread on earnings from the loan portfolio by ensuring on-time repayment and increasing the loan portfolio.

Financial sustainability

- Develop a realistic plan to increase self-sufficiency with a focus on profitability of the micro-finance
- Pay attention to operations
- Develop a long-term plan to reduce dependence on donors, and
- Move gradually towards soft loans and commercial financing as a source of funds.

4.6 Summary

In an essay on NGOs in micro-finance in 1999, Dichtner provides a useful summary of the challenges facing a small organisation like IWDA. Much of what he writes about was observed in this research exercise, and it differs somewhat from the positive picture presented by the bulk of international literature on micro-finance.

EXTRACT 9: The NGO record – a summary

There is little evidence of poverty reduction (enough of an increase in net wealth accumulation at the household level to move across the poverty line) as the result of NGO efforts in micro-finance. There is evidence of an easing of poverty's effects through consumption smoothing and of real changes within households in terms of women's empowerment, and a redirection of income towards family welfare. But even these latter changes have tended to make the tough balance between sustainability and outreach more difficult.

In the end, however, we come back to what today's micro-finance scorecard values most – the two axes of sustainability and outreach (access). In that regard, what we see are a number of trade-offs which amount to Hobson's choices:

- Sustainability is possible with high-tech management information systems, positive real interest rates, and tight, cost-conscious management that focuses on high repayment and volume growth. But it may be at the expense of taking on high-risk clients. In many urban contexts, high sustainability with low outreach to the poor amounts to going where the micro-finance institution is needed least, and is perceived as a good deal (if not in terms of interest rates, then in terms of ease of transaction).
- One can be on a sustainability trajectory by maintaining a shoestring budget, keeping such an eye on low costs that longer-term results are starved to death (inadequate management information systems, management, and follow up, trends towards lowering repayments and growing arrears), and the institution falls back into subsidy dependence.
- When micro-credit is really targeted for deep outreach to the poor, it is all the more difficult to become sustainable, even when focusing on high density areas and on high cash flow sectors where high repayment will be more likely. Client drop-out, and flat portfolio growth without geographic expansion are signs that debt capacity ceilings are reached quickly in the sectors most sought after for high repayments. In the big banking world, loan size covers costs. In the little banking world, loan volume covers costs, and where debt capacity ceilings are low, high volume growth can only go on for so long.
- The further down the poverty scale micro-credit (especially short-term) is provided, the less likely are we to see enterprise growth and transformation. Likewise, the more there is the potential for enterprise growth and transformation, the less the borrower can make efficient use of small amounts of credit (especially short-term credit).
- In the early stages of a program, a financial intermediary can lend on a widespread basis, and appear to be on a sustainability trajectory. The greater the demand for micro-credit, the more we see borrower activities at the least sophisticated, most primitive levels of the economy. In such cases it is least likely that credit will be used for increases in productivity or business transformation, and the more likely that it will be used for other purposes such as consumption smoothing. Also, because the poorest clients are resourceful, they do find other means of repaying, up to a point, and therefore their inability to use credit productively will be masked from those whose main interest is in sustainability and access.
- The more we see micro-credit operations focused at higher, more sophisticated levels of the economy among more genuine business enterprises, the less useful are the small size loans which most NGO micro-credit programs restrict themselves to in the name of outreach.

research project

results



Since receiving the loan from the project funded by IWDA, there have been many changes in my family. I was provided with a loan and the opportunity to participate in the training and panel discussions by the project, and I gained useful scientific and technical knowledge and applied it in effectively producing crops and breeding livestock.

Now, we have built two new tiled-roof houses and the health of members in the family is good because they are motivated and we have improved everyday meals.

This chapter presents the results of the research into all aspects of the IWDA-VWU micro-finance projects, including the benefits and impacts of training. Changes in relationships, empowerment and economic advancement are highlighted in the analysis as can be clearly seen in descriptions of the impact of the project at individual, family, community and IWDA-VWU levels.

The impact of the three IWDA-VWU micro-economic projects is best described by the people themselves. The six oral histories taken from the communes, together with excerpts from other histories, give a human face to the research. And, with focus group discussions held with borrowers, non-borrowers and spouses of borrowers who answered questions or volunteered information or comments based on their experiences with the IWDA-VWU projects, they provide invaluable insights into the effects of these projects on people's lives (*full transcripts are presented in Appendix 6*).

5.1 Benefits and impacts of research training

Research methodology workshops and issues meetings were invaluable forums for comment on training, project processes and other issues.

The three workshops on research methodology (*see Appendix 5*) were very positive, as reflected in the quality of the data collected. Training was clearly sufficient, with cross-checking indicating reliable and valid data for 175 cases (100%), and the quality of the in-depth interviews, camera studies, focus groups and oral histories very high.

The participants demonstrated an excellent understanding of the quantitative research results and could discuss these, coming up with valid conclusions. They also showed excellent skills in interview schedule development, focus group discussions and one-to-one exploratory interviewing. The participants said that these skills were not part of their prior knowledge, as previous training had been 'too narrow' and 'very shallow'. Skills in organisation and management planning were well advanced at both commune and VWU level. This indicated that the organisation and management training given in the projects over the year had been solid and effective.

- 5.1 Benefits and impacts of research training
- 5.2 Benefits and impacts of projects
- 5.3 Other aspects

chapter five

5

The third workshop, with the core analysis team of six women, used the transcribed and translated tapes from the various interviews and focus groups as the basis for 'learning-by-doing'. Working with the raw data, theory was outlined and appropriate steps demonstrated to marshal the data into analytical units (topics and sub-topics), using different levels of coding. A framework for analysis was developed together, and the actual analysis began on the second day. By the end of that day, topics were divided between participants, to be completed within two weeks.

The participants had never before been presented with a scientific method of text analysis and found it a 'rewarding challenge'. The quality of the texts produced was excellent, indicating that the workshop had achieved its aim of passing on a method of rigorous qualitative analysis that would do more than describe (a common trait of poor quality analysis).

The workshop data highlighted the current capacity of commune women to develop rigorous training for their members independently. There was little or no understanding of the process of sequential learning, so important for adult education, nor of participatory methods suitable for the trainees. There was also limited understanding of how to recognise prior learning.

From comments made by borrowers, it would appear that past trainers were not sufficiently educated in all aspects of training methodology, particularly knowledge of the ways adults learn and the importance of participation. And, given traditional education approaches in Vietnam, many best practice training methods are likely to be unfamiliar to most participants.

This workshop also provided information on attitudes of cadres at commune levels towards village women's ability to grasp basic but new concepts. The prevalent idea was that the lower the social strata and the poorer the education, the less people are able to understand. The same attitude was expressed in interviews with Women's Union cadres at district and provincial levels, as well as with provincial authorities. It is commonly held in Vietnam that a lack of education correlates with lower intellectual capacity.

However, the VWU management team involved in this project insisted that women at village and commune levels are mentally able, and have learnt from their wide life experiences. The VWU encouraged IWDA to work with women at the grass-roots level, as they are convinced that these women can fully understand anything presented to them in an appropriate way. This research has supported the VWU's claims.

The second six-day workshop, held in Nghe An (Vinh City) was for those women (and three men) who were to carry out the qualitative data collection. It was well attended and a vast amount of data was collected. While the emphasis was on training, information on attitudes towards domestic violence, gender relationships, and the projects themselves emerged. Domestic violence in one commune was not being addressed in a sensitive way, with women being blamed for their spouses' violent actions.

Issues around savings were also aired. Discussions revealed that for the project leaders at commune level, savings were not understood as a means to increase wealth for individuals and the community, but as deferred payment and a means to increase the capital lent out.

Savings were viewed as an essential component only because 'that is the project design,' and it was thought that only wealthier borrowers should be required to make savings. These opinions were confirmed in the other data collected, suggesting that such attitudes may be passed down from the VWU to the village women.

At the VWU issues meeting, critical comments concerning the IWDA interest rate provided an insight into the VWU's opposition to becoming 'a bank' for international donors (given its wider view on poverty alleviation). Similarly, on the issue of sustainable interest rates, comment from provincial officials that they 'would not allow the Union at the local level to provide loans to women' if a sustainable interest rate were applied, clearly established the boundary lines for future directions.

Comment also suggested that achieving sustainability by raising interest rates to around 2% per month for example would effectively mean that women would not borrow. This indicated that women had credit alternatives and, in turn, raised questions of the need for IWDA-VWU to work in these communes.

Discussion at the workshop indicated that, if all options could be offered, the overwhelming wish of the women was to have jobs, including government employment. Their view was that a steady income is more appropriate than micro-business, a view consistent with that of vulnerable people in other transitional countries.

Lifelines and personal history presentations in flow-chart form showed that, in all cases, lives and lifestyles had improved over the past few years (see *Appendix 6*). The main reason was 'simple life stages' – as children got older, situations improved. However, the participants could locate points where the project had helped the line to move upwards in some years. Droughts, floods and typhoons, along with deaths and serious illnesses, were responsible for downturns in lifelines, sometimes to lifestyles of only five years before. But situations had improved very quickly since then, showing a higher level of satisfaction in 2001.

Personal history presentations all showed improvement in quality of life over time. Some of the older women started from a very low base (during the war years). There was a significant improvement at the end of the 1980s, then again at the end of the 1990s. All lives were shared in a practice interview exercise. Women, as well as the three male participants, found this experience to be very rewarding in terms of bonding with their peers. None had ever felt able to probe into others' revealed lives and feelings as much. One woman stated 'I felt honoured to be the one who listened to her'.

5.2 Benefits and impacts of projects

This section presents results from the qualitative data generation and also the quantitative survey of a random sample of 175 women. These are a representative sample of the 4,923 individual women who have received loans from the IWDA-VWU credit capital in all the credit projects, and the 3,984 women who have received loans from the savings of the women since 1998.

5.2.1 Individual women

Usually, poor people lack not just capital but also knowledge of life, production techniques and health care information etc. Involvement in the IWDA-VWU project meant being provided with this kind of knowledge. Many women appreciated the skills training provided because they saw it as crucial and practical and applied their new knowledge to their lives and economic activities. The benefits were many, as typified by the following statements:

'I grow organic vegetables in our garden. The best thing is that my children and other family members do not have to eat vegetables that are sprayed by pesticide. I also applied knowledge that I gained from the project...I used some chicken eggs for raising chickens and the rest I used for my children to eat.'

Some women were very courageous in that they became pioneers in applying advanced scientific techniques into their production:

'I am always the first. For example, in my village, there was no one growing pure rice varieties. I grew them first. So village women saw my rice fields and they asked me what kind of rice I was growing and then they changed to grow new rice varieties as I was doing.'

Some women could not hide their pride about the positive changes in their status in the family and in the society:

'My status is now much better than before...if you visit my house you could not guess how poor we were...my status in the family is also improved...when I go out people look at me differently...'

'In addition, now I am the head of two women's savings groups. Previously, I hadn't been capable of bookkeeping. Now I skillfully manage the funds of two women's savings groups and I am trusted by group members.'

Sharing and discussions between husband and wife are important indicators of women's status and gender equality in the family. Many women borrowers now say they are very confident in such situations:

'I decided to discuss with my husband that, firstly, my family will grow some sa of beans and tomatoes, and we will borrow more money to raise pigs and cows.'

However, while women received benefits from being provided with loans, these loans in some cases increased workloads, reflecting in part the industriousness typical of Vietnamese women. Once women borrow something from someone, they have to think about how they can repay it. Although only a few people discussed this issue, the research showed that not all women are better off overall, because of their increased workload. However, many remarked that the problem was at least partially resolved by the training in time-management given to clients.

'When we just borrowed money, my family work increased to some extent.'

'Since I became involved, I am able to learn more and I have more work to do. For example, I get up in the morning, I spend time preparing breakfast and weeding in the garden and, at noon, I also spend time weeding in my garden...I spend more hours working every day...'

'I do work longer hours, but I am now smarter. I know how to pace myself and get all family members to share the duties. I learned this in time management workshops. Before the project, in general I worked eight hours per day. But when involved in the project, sometimes I worked more than that.'

Women did not complain about the extra workload. In fact, they embraced it with enthusiasm, reflecting the commitment to the projects and expected benefits as well as the value placed on stoicism.

5.2.2. Families of borrowers

A clear indicator of project success at an economic level is that fewer families suffered from food shortages after they had some project involvement. All had access to food security after at least two years of IWDA-VWU assistance, and sometimes in even less time.

'Previously, we suffered food shortages between three and four months in a year...Now, we have adequate food and surplus money, which is partly spent on purchasing tools for the family.'

'Before, my family had between one and five months of food shortage, but now we have enough rice.'

Many informants specified that the improvement in their daily diet resulted from a combination of loans for household economic development and their knowledge of nutrition that came from training.

'Our diets have been improved with vegetables from our kitchen garden and meat and fish sometimes... All the vegetables for eating are grown here. We don't need to buy them.'

'My family has sales from fruit growing such as litchi and citrus... we have a good harvest every year.'

Therefore, my family now has a better quality of life.'

The concept of a 'living standard' was unknown to the women before the IWDA-VWU projects. They were more likely to refer to 'adequate food'. Vegetables and fruit are the main farm products grown with the help of the loans, but before project involvement the producers either did not know their nutritional value or had to sell them in return for buying what they believed to be staple food during the food shortage periods. This is no longer the case with most women. Women value nutritious food, and the whole family benefits from being able to eat enough nutritious food and have food security. The project helped to change women's awareness of the importance of nutrition and good eating habits.

For Vietnamese, especially those living in the north, housing is a special concern, because they believe that when people have a good/solid house they will concentrate on their jobs. For farmers, building a tiled house or upgrading a house is one of the highest priorities when their incomes increase. IWDA project borrowers are happy because they have sufficient capital to invest for profit, and to upgrade their houses.

'In comparison to the time before we borrowed, my family is now much better off, because we have capital to invest in effective production and animal husbandry, so our life is good, our children have better conditions to study. We can buy more production equipment/tools. Our house is upgraded.'

Some women spoke of the specific changes they made to their houses. Although these changes were simple and small, they were very significant for them.

'From a two-roomed thatched house with bamboo walls, we upgraded to a tiled house with two rooms.'

Table 7 (over) presents the data on spending priorities drawn from the sample of 175 women.

Table 7: Expenditure on specific items

| Category | | Item | Number N = 175 | % of sample |
|-----------------|---|--------------------------|----------------|-------------|
| Housing | A | Buying household items | 39 | 22 |
| | B | Improving house | 86 | 49 |
| | C | Water supply/sanitation | 30 | 17 |
| Business | D | Investing in business | 139 | 79 |
| | E | New business materials | 76 | 43 |
| | F | Transport/travel | 37 | 21 |
| Family expenses | G | Children's education | 120 | 69 |
| | H | Food for family | 114 | 65 |
| | I | Medical health | 51 | 29 |
| | J | Help to others in family | 35 | 20 |
| Cultural | K | Festivals (eg, marriage) | 19 | 11 |

Most respondents commented that project training sessions and group meetings had influenced family relations and changed them in a positive way. They were not as poor, their economic conditions were now better, they cared more about their children's study, and they provided better care and attention to elderly parents.

The stories told by some husbands give a clear picture of the importance of the projects to women and their family members:

'Through the training provided to my wife through the IWDA project, she shares information and knowledge with me. I think this project is very practical.'

'My wife's knowledge is richer. She has different ways of teaching and taking care of the children. She shares with me scientific techniques that she learned from the training.'

'I see that since the poor women have access to the loans, in general, many changes have been made in their family life and in the community. As husbands, we really acknowledge the benefits brought by the project to women.'

Many husbands commented that since their wives became involved in the projects, their ways of talking and their behaviour had changed. They take more care of their children and husbands. They spend money with careful calculation and in cost-effective ways, and they are direct in discussing production matters and economic development with their husbands.

'After borrowing money from the project and being provided with knowledge, my wife has changed a lot. Her attitude and flexibility to family on both sides has improved. She pays more attention to our children's study. She knows how to enrich the family's diet, and she actively participates in meetings. Our family's relationship is closer.'

'Previously, my wife rarely discussed anything with me. If I wanted to do something, my wife agreed with me and sometimes I failed. Since she has been involved in the project and able to access the training and meetings, my wife's knowledge has improved and she is more confident. She now discusses family issues with me...'

Women also learned better communication skills:

In terms of emotion, the relationship between daughter in-law and mother in-law is stronger, because I know how to talk in a more suitable way. My family is happier than before. All these changes have been made thanks to the project.

Perceived equality between men and women by men and women was a stated result of the project.

Comments indicate that there is no longer a strong son-preference as before. Boys and girls are equally provided with good care and education. Girls' values are acknowledged and promoted. While upbringing is certainly different for boys and girls, education is equal at school level.

'Before, our old generation used to respect men, but for me there are no differences between boys and girls. They are equal...'

'Girls are far away from gambling, alcoholism or wrongdoing compared to boys. Now, many women get as high positions as men in our society, so men and women have no differences, we shouldn't look down on men as before, both boys and girls need equal care and education.'

'I have four children, two sons and two daughters. I treat them equally, providing them with good care, clothing and education. Now my eldest daughter is at twelfth grade, the second boy is at eleventh grade, the third girl is at ninth grade and the youngest is at seventh.'

5.2.3 Education/training

The combination of education and training is one of the most important strategies in implementing the VWU-IWDA credit projects for women. It is an effective measure to help Vietnamese women promote, in the words of the WVU, equality, progress and happiness.

Credit project beneficiaries are poor women in rural areas. Their schooling level is low and it was believed that their knowledge levels were also low. They had limited knowledge of production and business. Two main concerns of women in deciding to join in the project were the loans and the training. Loans enabled women to invest in their production and business. In order to use

loans effectively, women needed training, and their training demands were high.

'At present I don't borrow money from the bank. I still borrow money from the project of VND 500,000 because, in borrowing money from the project, I can attend yearly or monthly training to improve my knowledge.'

Another respondent said: **'Whether my family economy is improved or not depends a lot on the training'**.

Through the panel discussions, women reported that they were able to widen their vision, improve their knowledge on production/business and apply this in practice.

Almost 100% of members attended panel discussions except when there were some special reasons like getting sick, or their families having urgent work to do.

The women reported that their training was comprehensive and diverse. It ranged across new techniques and knowledge on planting, animal raising, small business development, health care, division of labour among the family, childcare, time management, nutrition, environmental issues and gender. Some women said that the training on gender, nutrition, time management and environmental protection had particularly helped them in their lives. They also indicated that the most important training was time management.

The methodology was seen to be very flexible – lectures, experience sharing or panel discussions, club meetings, and study tours. In some places, those women who received training shared the information and knowledge they had gained with other women.

'They will disseminate the information to other women, therefore I want to borrow money from the project so that I will be close to other women ... to help poorer women.' [Non-borrower]

'Every month, I attended training/panel discussions. I told those who did not join the training what I have learnt. For example, today I provided information on vegetable growing...If I am given materials, I will share with other women.'

'We invited those who are good at production to share their experiences with other women. We invited good women producers to the training to share their experience and skills with those who are not so skilled.'

'I recommended to other women that we should grow this kind of bean that we can harvest after two months... while working in the field, we talk about growing rice, how to fertilise in a timely way, what kind of domestic animals we should raise, how to select good piglets...'

Knowledge, skills and information were also shared within families and used effectively.

'Not just me, but my family also applied scientific techniques in planting and animal husbandry, therefore we got higher productivity for all kinds of planting and our incomes increased.'

The training also changed the range of choices and the methods of conducting 'business'.

'Previously, we were just doing business without record keeping. Sometimes we didn't know whether our profit was high or low, we didn't know exactly how much profit we got. After being provided with training, we knew exactly how much we spent and how much we received every month and every year...'

if I calculate profit and loss for one kind of business and it shows that it is effective, then I will invest in this kind of business.'

'Through this project, we were provided with scientific knowledge. I understood clearly about this technique and applied it by fertilising properly for different periods for sugar cane, peanuts. And I know how to prevent insects, and properly use pesticide.'

In addition to the knowledge of production and business, through training, women were able to broaden their knowledge on social issues such as environmental protection, health care, and family planning. One woman said:

'Through attending training and panel discussions I know the importance of having health check-ups regularly, using medicine under the instructions of doctors or health workers, how to prevent diseases, how to prepare good meals for the family. Our health is much better, our children eat more nutritious foods and their health is better.'

'The environment is clean because we now know how to take care of it.'

However, there were some limitations in the project training. A small number of women felt that the trainers at the village level had insufficient knowledge on the topics and rather poor training skills. In fact some 'training' was merely 'a test of knowledge', verified at the end of the session. Some planned training did not happen because of other time commitments of the selected trainers.

Training did not go into sufficient depth for all participants because of the varying levels of prior knowledge they brought to the training. As noted by a Women's Union cadre:

'After receiving a loan and two to three days' training on credit and saving management and VAC knowledge, many respondents requested that the project should provide them with more knowledge and techniques in agriculture and husbandry.'

However, despite these criticisms, the data indicated that within the framework and scope of the VWU-IWDA micro-finance projects, the training/education component has achieved encouraging results and is the most positive element of the micro-finance projects.

5.2.4 Community

Positive social impacts in the communities are also noteworthy. Women said that they had more opportunities to be involved in family and social activities. Since working within the projects, women helped each other more in the general community. They shared their joys and sadness and, if someone faced difficulties, they provided assistance and encouragement to them.

They reported that they were closer to their family members and also to the villagers. And their partners agreed with this. Key informants agreed that the women in the project were also more likely than previously to accept positions in village social affairs.

'I wanted to borrow loans from this project and this gave me a chance to be closer to other women. This project has provided chances for women to be closer to each other and the project also helped women still having difficulties.'

'Community relations are better, neighbour relations are closer, women love each other more and we provide assistance when someone has difficulties.'

'If someone's parent passes away, as poor people, we don't have much to offer to them...we just buy a pack of incense to pay our respects to them. We consolidate our solidarity and share with those women who are sick or whose family members are sick, though our gift is just one kilo of sugar.'

Quarrels and disagreements in the family have been reduced, leading to a happier community.

Before, some women sometimes had disagreements with parents-in-law or siblings-in-law, but now their awareness of behaviour has changed. They now behave in a proper way and are trusted by other people. Their relations with families-in-law are getting much better and more harmonious.

Women saw the positive impacts of the project on the community in various ways. They more consciously follow women's groups' regulations and village customs and fulfil their responsibilities to society. They follow government policies and laws, and pay tax in cash or in kind, because they now understand the links between changes in their circumstances and broader social obligations.

'I have a loan to invest in production. My family's economic situation is better, so I have to fulfil social duties such as paying tax.'

Projects have resulted in flow-on changes to the community through demonstration, role modelling and changes in the women's awareness of the links between actions and consequences:

'My family is a cell of society. Once my family has made changes, other families in the village will follow our example, therefore the changes happen from the family to the society/community, and then to other villagers.'

Women who did not borrow within the projects also recognised that both individuals and the community had been assisted, and saw the changes made by women borrowers:

'Women borrowers are provided with training, and while working in the fields, we often talk to each other about [topics covered in the training].'

'Since the project came, women borrowers are doing good business. In addition, if any woman is in difficulty, she is provided with assistance. When women get sick, but have not got enough money for treatment, other women will lend money to them. If women want to buy a piglet, but have not got the money, they will receive assistance from other women. When economic conditions are better, women can provide assistance to other women, which is totally different from previous times when they wanted to help each other, but due to their own poor economic conditions, they could not.'

'They make recommendations to Women's Unions at different levels to pay more attention to training, so that every month women upgrade/update their knowledge. This enables poor women to be close to the group/collective so that they can improve their knowledge to bring about good health and happiness of the family.'

While initially women joined the project to borrow money (65% for business, 30% because of poverty and 5% for social reasons), the group meetings gradually brought

practical benefits to them. Some respondents said that they were motivated to attend group meetings for the benefits they got from them.

In summary, the benefits at community level are clear:

- credit projects have enabled women to move closer to each other and help each other to become actively and consciously involved in community activities
- the women share information, and provide encouragement and mutual assistance.
- solidarity and sharing among women has been a strong influence on the community
- economic conditions are better, and
- neighbourhood relations are friendlier.

Through these means, the projects have contributed significantly to the sustainability of the community as a whole.

5.3 Other aspects

5.3.1 Solidarity groups

In common with most international micro-finance projects, groups were an essential part of the IWDA-VWU approach. The literature emphasises the importance of solid group formation processes for effective group-based credit and savings activities. They require trust between members and more than the desire to obtain a loan and save as the common thread between members.

The project philosophy identified the following four functions, as defined by Kilsby (1998), in all the micro-finance projects:

First, they are **learning groups**, through which women gain the skill and information they need to manage loans and achieve personal financial goals. They give women the chance to meet together regularly, to share their experiences, learn from one another, and raise issues of concern in their lives.

Second, they are **savings groups** providing a financial service for their members. They motivate women to accumulate savings through peer pressure, and provide a local facility to deposit these savings. Savings become a source of credit additional to that provided by the loan fund.

Third, they are **motivating groups** that encourage effective loan use and timely repayment. Group solidarity is both a spur to success and a source of support and assistance in times of difficulty.

The fourth function of these groups is to provide a **bridge** for women to access formal credit sources. A history of regular savings, however small, provides members with the opportunity to show they can manage their finances.

Ten features of successful group lending programs are reiterated throughout the literature (see page 24). Groups select their own members (three to ten), with one member per family and elect their group leader. These minimum requirements were not always adhered to in the IWDA-VWU projects. Most women said that they voluntarily joined the solidarity group and attended group meetings regularly to pay their money and to meet other women. Women's Union cadres supported this information. Women tended to dislike the monthly group meetings for money collection only, but felt the training meetings were worthwhile. The data collected in this research confirmed

general support for group meetings, but not all women held such views. A number of members felt that the solidarity groups were too big. 'More village women come – first 17 women, and then 25. In 1996 our group had 30 women and then 50 women'.

At one workshop, some women criticised the group meeting system, explaining that the different levels of education made group cohesion difficult. Group leaders sometimes explained that they were insufficiently remunerated for their time. The meetings were reported by some to be actually part of the Women's Union's normal procedural practices, so they were not an added burden on these women, as all the 175 randomly selected borrowers were Union members anyway. 15% of respondents said that they still did not understand the concept of these groups after participating.

When asked about methods of developing group solidarity, Women's Union cadres said that there was no need for a specific approach to developing group solidarity because they are all women. The project management assumed that, because the groups were instigated by the Women's Union, solidarity and cohesion would be a strong immediate element. But this was not necessarily the case:

The loans were pushed out pretty fast and this kind of model often means that group solidarity and allegiance are not developed. [Monitoring Report]

This lack of specific group formation process was a negative aspect of the projects. The general feeling at one of the workshops was that groups were not really effective, and the interviews with key informants showed that there was very little understanding of the concept of group building. 'We are all women. We understand each other very quickly.' The positive aspect is that the groups are drawn from Women's Union memberships, so they do have generally more than their need for loans as a common thread.

The data showed that for those women who only wanted project loans, and were not interested in other aspects

such as education, solidarity, health or business advice, the meetings were a time-consuming burden. They took time away from work on their business.

However, even with these difficulties, almost three quarters of the women (71%) said that they first learned about how to 'function' in a group through the IWDA-VWU project, indicating that the project has enhanced the Women's Union's group performance in general and particularly in their meetings, even without group cohesion exercises. However, poor or limited group cohesion is probable until changes are made to the group development aspects.

The IWDA-VWU clearly used the groups extremely well for the purposes of training that accompanied group meetings. This is a key strength of the project model, as it is the training that has been of greatest assistance in the empowerment of women and in their reported business successes.

5.3.2. Length of participation

Life improvements outlined in 5.2 above, which are attributed by participants to the IWDA-VWU loan opportunities, are presented in quantitative form in Table 8 based on the survey results. One of the communes, in an on-going project, scored much lower than others on perceived improvements, which is consistent with other data showing that the longer a project has been implemented, the greater the range of improvements the women experienced.

For women who were in the project long enough to take more than the initial loan, the economic situation improved:

'I was provided with a loan amount valued at VND 500,000 for two female pigs and breeding hens, and then sold them to purchase four other female pigs to breed, therefore the profit I get has gradually increased. I invested the profit in planting fruit trees and breeding more pigs and hens and got more profit for everyday expenses.'

Table 8: Life improvements cited by clients

| Category | Item | Number N = 175 | % of sample | |
|---------------|------|----------------------------|-------------|----|
| Health | A | Personal health | 133 | 76 |
| | B | Family health | 152 | 87 |
| Status | C | Status in the community | 72 | 41 |
| | D | Status in the family | 116 | 66 |
| Relationships | E | Relationship with partner | 98 | 56 |
| | F | Relationship with children | 109 | 62 |
| | G | Relationship with in-laws | 101 | 58 |
| Social | H | Increased social activity | 117 | 67 |
| Education | I | Increased knowledge | 140 | 80 |
| | J | Education for girls | 131 | 75 |
| | K | Mutual assistance | 87 | 50 |
| General | L | Wellbeing | 143 | 82 |

Most women receiving two or three loans have more stable and improved lives and better nutrition, stating that before their involvement in the project they suffered from food shortages at least three to six months in a year. After two or three years' participation in the project, they have enough food to eat and a surplus which is used in part to purchase goods such as bicycles, beds, wardrobes, tables and chairs:

'Since receiving the loan from the project funded by IWDA, there have been many changes in my family. I was provided by the project with a loan and the opportunity to participate in the training and panel discussions, and I gained useful scientific and technical knowledge and applied it in effectively producing and breeding. Now, we have built two new tiled-roof houses and the health of members in the family is good because they are motivated and have improved everyday meals.'

Many women agreed with the following statement by one participant:

'I was changed by participating in the project, building a cistern and a well equipped with a pump, selecting new and effective seeds to plant. Instead of suffering from food shortages, so far our life is more stable. I feel touched, and would like to thank IWDA and VWU at all levels for their assistance.'

Other women who had never accessed loan resources remarked on the benefits of using loans effectively:

Compared with before, there are positive changes in their lives. Before participating in the project, their lives were difficult. But now, although there are still difficulties, we noticed that they have improvements in their lives, which is the target for other women who never receive a loan. These changes are good signs for their family, as well as the community.'

5.3.3 Use of loans

Women in general knew how to use the loan effectively and invest for potential profit from production, but often they spent part of it on daily meals and their children's study:

'Yes, I know how to effectively use the loan. We get more profit which is used to reinvest in production and for household expenses such as purchasing food, clothes, and study materials for the children.'

Other aims, such as food security and environmental hygiene in the family and community, were also mainstreamed in the project, and picked up by the majority of women. This helped to improve the quality of life, health, and nutrition of beneficiaries and their families. As women learned how to use the loans to improve land and to plant more profitable fruit trees and grow vegetables, their incomes increased and their families ate better. This relates also to the stronger results for those who were in the project the longest.

'I decided to improve unprofitable land by planting trees to grow fruit for both eating and selling. We get higher income and have more money to upgrade our house with facilities. But another important thing is that the health of people in our family is improved – particularly that of old people.'

All respondents used their loans, at least to a major extent, on 'businesses'. Most women have more than one business – only seven women had just one business, 142 women had two, and 22 had three different businesses simultaneously, including animal husbandry, petty trading, craft and crops (see Table 9 above).

Table 9: Types of businesses

| Type of business | 175 women | % of sample |
|------------------|-----------|-------------|
| Animal husbandry | 171 | 98 |
| Petty trading | 19 | 11 |
| Craft | 14 | 8 |
| Crops | 161 | 95 |
| Other | 1 | 0.5 |

And many of them excelled at integrating multiple business activities – combining pig, chicken, duck and fish raising with gardening of vegetables and fruits, or poultry trading and small food processing:

'Mat weaving gives an income of about 10,000-20,000 VND per day. This is a good income business, while petty trading gives quicker returns, particularly in summer. If I am able to get loans as before, I will shift the investment type by combining mat-trading with animal breeding and cultivation, using my savings and loans.'

Access to appropriate technologies for business development is crucial to rural women's economic advancement. This, together with wider policy changes and product-specific reforms in agriculture in Vietnam have enabled households in rural areas to become autonomous production units. The projects have helped rural women to diversify their businesses, and thus earn more with less risk. Before the IWDA-VWU project, lack of capital and knowledge meant that many families were only familiar with rice-monoculture.

'My plans are to reclaim the rush fields, and raise pigs and chickens. These businesses give me very good returns. Rush production gives high incomes, with good pig raising and high-yield rice production also. Therefore, my family is able to develop economically.'

'Once I received the loan from the project, I spent some for improvement of the animal shed. The remainder was spent to purchase a sow for breeding.'

'With such a loan amount, I spent some on seeds and breeding animals and some for their feed.'

A number of women reported that they had tried to adjust their cultivation methods and diversify their investments:

'I improved my unplanned gardens, with higher cash fruit growing with good sales.'

'With 500,000 VND as a loan, my family is spending on some saos of legumes and tomatoes. I need another loan for breeding a pig and a cow.'

The issue of which investments give the highest profits is important for any lender. But the projects reviewed did not provide guidance on the use of loans or undertake detailed market research and marketing.

'Dependency on sugarcane is an issue, as many women have put 100% of their loans into one crop. According to discussions with FAO and other development practitioners, the sugarcane industry is subsidised by the government and the situation may not remain at its present level. If this is so, the VWU has to be flexible, because women will not receive the profit they have hoped for.' [Monitoring Report]

'Market understanding, research and marketing by women are all weak and the projects have not fully addressed these so far.' [VWU analysis]

One consequence of this was that the current situation and the experience of others were primary influences on business decisions. There is no evidence that women involved in the projects ever moved outside current boundaries of business thinking within the commune to create ideas, research them and set up a 'new' business for their specific location. An example of the limited access to market information is the growing of sugar, which women simply copied from each other. It has become a major activity, despite the fact that sugarcane is known as a risky crop.

To an extent, on some projects and for some time at least, the Women's Union workers in the field were not able to assist project clients. According to the VWU analysis:

Project management staff do not have any experience in this field and no skills in managing credit and saving. These factors restricted their capacity to manage projects, assist beneficiaries, and in assessing risks and relieving difficulties involved in savings activities and timely repayments of principal and interest....

The VWU believes now that knowledge on business development, particularly micro-enterprise development, should be provided to women, rather than only focusing on credit management. This will enable women to make viable business plans.

5.3.4 Profit

Objective and subjective challenges, customs and habits, and economic difficulties exercised a great influence over project implementation. Lack of technical knowledge can have devastating effects:

'We borrowed money for the purchase of coal and wood to bake more than 10,000 bricks. Unfortunately, due to the lack of knowledge about brick-making techniques, the quality of our product was not good and we could not sell it. We were very sad, and cried for a week. Besides collecting firewood to sell, we did not know how to earn a livelihood. Although we tried our best, the volume of firewood collected was low because my husband and I do not have good health. He is even weaker than I am... We didn't know how to make our lives better and we thought that it was our destiny.'

As Vietnam is located in a tropical zone where people often deal with rainstorms, floods, pests and diseases, Vietnamese farmers face various risks over time. Together with insufficient product knowledge, the advent of natural and physical risk is of great concern to the borrowers, particularly poor women who do not have access to any other financial resources apart from the project loan. In the sample of 175 women, 50% were in this category, and it has been hard for them to repay the interest and principal. In these cases, the repayment ratio meant that the loan became a burden.

Unmarried women and women with big families to support may face difficulties in repaying their loans because they do not have others to assist them in production, or they have to take care of a family member who suffers from an unusual accident, or a serious or long-term illness. They may not spend the whole loan on production development, but part of it for household expenses or for the purchase of medicine:

'My husband died four months before my son was born. Every night, I felt much self-pity to see next to me my son who resembles his father. I have to try my best to get over the difficulties, and rear my son. When my son was three months old, we had nothing to eat, and I had to ask my mother to take care of him so I could have time to make a living. Our palm-roofed house was leaking and dilapidated. I had to do different kinds of odd jobs for subsistence – collecting scrap-iron, nylon bag off-cuts, working as a mason, engaging in very small business. It was very hard, but I felt more confident. When my child was six years old and in the first term of the school year, I got a serious disease and had to stay fifteen days in a clinic for treatment. Therefore, we were in very straitened circumstances.'

Profit was certainly made by women who had been in the project for longer periods, and who, more importantly, had some experience in micro-enterprise. When the loans were growth-oriented (see *Table 4*), profit was the result. These women belong to the B (economic security) group on the poverty continuum (*Figure 5, section 4.1.2*).

While baseline data for earlier projects were not found in the IWDA or VWU files, women described their earlier experiences with IWDA-VWU projects and their situations at this time (see *Appendix 6*). The smaller, more hands-on approach of earlier IWDA-VWU projects may have taken women from A- (Absolute Poverty) to B over the decade of involvement. The women interviewed strongly believe this, and the lifeline drawings (see *Appendix 6*) support their oral histories.

More recent and current projects use new policy and procedures (*Appendix 4*) jointly developed by IWDA and VWU, which are more in line with current micro-finance developments internationally. The poorest women are not as likely to be involved.

IWDA reports express a concern that the target moved over the years away from the abject poor women to those who have some economic security. This issue is not resolved in the research. Half of the sample had loans from other sources in the past. Numerically, seven (who are likely to be very poor) had loans from moneylenders, while 48 (who are certainly in the B and C levels on the poverty continuum) had loans from banks. There were 38 women who had already received WU loans, which in fact confirmed that they had already had an opportunity to begin business.

On self-assessed poverty in this research, 21% classed themselves as very poor, 77% as poor, and the remaining few as comfortable. The Women's Union says that they are all poor. However, none of the project communes were included in the government's list as among the 1,715 poorest in the country (see *Section 4.1.4*).

The research showed that about ten per cent of women were so poor that the loans were more in the poverty loan category than growth-oriented. Such loans only assisted with cash flow and were not profitable. Women showed a lack of understanding of the essence of profit, thinking it was the availability of cash when needed. This is a common finding of research with the 'very poor'. However, most of the women did make a profit because most were not in abject poverty and could take advantage of the IWDA-VWU loans at low interest rates. Their poverty was alleviated to a degree over the twelve years. The extent of change was greater when the women had already started on the path out of poverty.

However, according to the VWU analysis, high-profitability businesses developed by women are still very limited, because small loans and short duration terms have constrained the long-term investment plans of many women; their creativeness in business is untapped, and markets for their farm products unexplored.

International literature supports this view when noting that small loans for survival are needed for those women who are really poor (A-), and better off (but still poor) women require growth-oriented loans. The dilemma is that micro-finance works well with women above the A-level. Earlier IWDA-VWU projects addressed this issue more than the most recent ones.

5.3.5 Selection of clients

The criteria for selecting clients (*Appendix 4*) have changed over time because it became clear in monitoring and evaluation that the very poorest women were not predominant. IWDA reports show that the changes then aimed to redress the balance of clients' economic/social status towards those deemed the absolutely poorest.

In 1998, it was believed that the projects targeted the 'poorest of the poor' women, as noted by Kilsby (1998):

IWDA-VWU credit and savings projects have developed a way to clearly and explicitly target the poorest of poor farming women. They respond to the development needs of poor communities, providing credit to those who find it difficult to access credit from other sources. Although average income and education levels of project participants are below the level that many would consider 'viable', with the assistance of strong training and monitoring support, loan-holders have achieved good results.

The ability to evaluate and make changes in subsequent projects shows the responsiveness and flexibility of decision-makers in the IWDA-VWU partnership.

In the later projects, however, membership of the Women's Union, although not a criteria, appears to have influenced selection. In the random sample of 175 borrowers in this research, all (100%) were members of the Women's Union and all but eight heard about the project originally from the Women's Union. Half of the sample had already received other loans from a bank or from another Women's Union borrowing scheme.

There was a general understanding and approval of the selection criteria, with 98% of respondents reporting a knowledge of the requirements. However, it appears that

identification of clients does not lie with women themselves at the village or commune level, but with the Women's Union cadre at commune level (stated by 36%) and at village level (stated by 61%).

There were no real problems with repayments from the clients selected. Most women (71%) had no difficulty paying back the loans. Women sourced funds in a number of ways when cash flow was not sufficient and payment was due. Ten borrowed from another source, while 63 sold something they owned in order to pay. This reflects the type of woman accepted – responsible, confident of their ability to pay (find another source of money when necessary), and having things they can sell (a form of savings). In other words, these are women who are similar to the entrepreneurial poor of many countries – successful in micro-enterprise and able to take small risks. The system appeared accessible, as 91% said that they found it 'easy to get a loan'.

However, notwithstanding the above, many poorer women who had embarked on ventures with inadequate technical knowledge, or who had been affected by family or other economic difficulties, did find that the loan had become an added burden (see 5.3.4).

The selection criteria adopted, despite adjustments, limited the reach to the poorest of the poor. However, the clients more often than not required fairly basic training in business processes so, although not predominantly from the abject poor group, their selection suited the projects, which emphasised training as a tool for empowerment.

Table 10 shows the results of business processes training. The large numbers of the sample who first learned about essential topics while project participants suggests that they perceived the need for training for their business needs, and that the training focus was relevant to those needs.

Two major areas in enterprise development, marketing and costing, were clearly not very well covered in the training. Costing and marketing are generally not understood in Vietnam, and finding trainers with this knowledge is difficult, especially in the northern rural provinces where free markets are only one generation old and not ubiquitous.

One official representative felt that the women do not need marketing skills, because they are only 'making small businesses in their spare time'. This suggests the persistence of traditional attitudes in some influential quarters.

However, significantly, most of the women (89%) felt that their businesses had changed for the better because of the knowledge gained and the loans obtained.

Table 10: Learning from training

| Topic | They first learned | They already knew | Still do not know | Selected % |
|-----------------------|--------------------|-------------------|-------------------|------------|
| Savings | 140 | 34 | - | |
| Marketing | 101 | 24 | 42 | 24 |
| Cash flow | 142 | 30 | 3 | |
| Profit and loss | 144 | 27 | 3 | |
| Business planning | 135 | 29 | 9 | |
| Costing | 65 | 59 | 49 | 28 |
| Calculating interest | 131 | 35 | 9 | |
| Working in groups | 127 | 21 | 26 | 15 |
| Technical information | 155 | 17 | 3 | |

research questions

responses



I think that previously our older generation was more concerned about sons. They respected men and disregarded women. But, at our age, like all of us sitting in this room, we see sons and daughters as the same. We don't discriminate against daughters, because they are our children. We gave birth to them. We don't have any discrimination in the family. We don't have discrimination against a child of any sex.

This chapter addresses the four questions posed by IWDA-VWU for this research. The questions were devised jointly by a meeting between IWDA and the VWU from all relevant documents and the qualitative and quantitative data collected. They were formulated to cover perceived impacts of the micro-finance projects on gender, family and community relations, and the underlying reasons for the results obtained. These, in turn, generated the information needed to assess future directions for IWDA and VWU in their mutual aim to progress the alleviation of poverty and advancement of poor women in Vietnam.

Where appropriate, these responses have been linked to the international literature, to help standardise analyses and enable comparisons to be made with other projects and approaches.

6.1 Gender

What is the impact of the micro-finance projects on empowerment of women, and women's status (including education of girls), and the status and capacity of the VWU?

Using the Mayoux (1999) framework's four areas of power as indicators of empowerment (see *Chapter 4*), it is clear that some level of empowerment has been achieved for women involved in the projects. This varies greatly between women, but is predominantly found at the family level.

6.1.1 Individual's increased will for change

The three criteria to assess the power within, or increased will for change among, individual women are:

(a) Increase in women's confidence and assertiveness

Women stated that they had increased confidence within the family and community and had become more assertive in decision-making in the family, at meetings, in the community and in developing small businesses. Although this increase was not actually measured because there was no pre-activity test with which to compare it, it was consistently reported. Partners/spouses agreed with women's assessments of these two indicators and the Women's Union project managers in the field felt that they were accurate.

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(b) Changes in women's aspirations and consciousness to challenge gender subordination

While changes were noted in aspirations, consciousness and the ability to challenge at the central VWU level (from the inputs of this and many other project opportunities), it was not noted in any project site for either the Women's Union members or the clients. Gender was not predominant as an issue to the extent that women in the project sites internalised it or acted on it.

Attitudes towards domestic violence expressed during the research illustrate the point. A case that came to light during a workshop, and was followed up, showed that women's subordination was very poorly understood as a gender power issue. Instead, the domestic violence was explained as the 'fault' of the 'inappropriate' behaviour of the woman. This view transformed her from being a victim of male violence to her being a perpetrator of ill will in the family for complaining to people, including the Women's Union cadres, about the violence.

(c) Increased autonomy and willingness to take decisions about self and others

As for (a) above, this was strongly supported to be the case in almost all the information gathered. Women showed initiative in making decisions for themselves and their families and showed equality with partners on joint decisions.

It should be noted that for the Women's Union in the provinces (at all levels), the top-down decision-making system of the VWU structure was not conducive to women's autonomy or their willingness to take decisions for project matters themselves without referring to those at higher levels.

It could also be said that IWDA, by working in partnership exclusively with the national level of the VWU, gave credibility to this structure. IWDA's move to increase its linkages with lower levels of the VWU may help reinforce opportunities for increased autonomy at the provincial, district and commune levels.

6.1.2 Individual's increased capacity for change

The six criteria for assessing power or increased capacity for change for individual women are:

(a) Increased access to income

The projects increased the capacity for change by increasing women's access to income, and thus families', in each of the projects researched. This was a very positive result, but it did not necessarily translate into wider changes. Changes occurred in the areas of individual and collective skills and individual self-esteem leading to self-confidence.

(b) Increased access to productive assets and household property

This aspect of women's empowerment was highlighted throughout. The projects gave women access (through loans and training) to productive assets and the means to take advantage of them. Also, a main use of the client's profits or the increased cash flow was to enhance household property.

(c) Increase in skills, including literacy

While literacy was not an issue because of the educational levels of the women, the increase in skills was reported by all of those interviewed (women, spouses, key informants and WU personnel) as being the most successful area of empowerment for individual women.

Increased skills included technical, self-developmental, nutritional and health management (including family and time). These skills were certainly the most highly regarded output of the IWDA-VWU micro-finance projects.

(d) Increased mobility and access to markets

While mobility did increase for many women, it was usually only within the communes. Women reported that they were permitted and eventually encouraged by families to attend meetings and training.

Entrepreneurial women need increased access to markets, but the data cannot substantiate that participation in the project increased this access for the majority of women. Some women reported that market access remained difficult, particularly in the very few cases of new business ventures. Middle persons were very often used for product sale at the point of production at a set price, rather than producers finding their own markets and negotiating the process.

(e) Reduction in burden of domestic work, including child care

While a small number of borrowers reported increased workloads, these were related to business tasks. The vast majority, including those who found they were working for longer hours in business, reported that domestic work, including childcare, had taken the same or fewer hours.

This resulted from increased time-management skills and a fairer sharing of tasks among family members. A significant number reported that the men in the families had taken a share of domestic and child-minding duties, something that had never happened before. Women maintained that this was due directly to the project.

(f) Improved health and nutrition

Respondents unanimously reported better individual and family health because of increased attention to nutrition and the ability to produce or pay for better quality and more nutritious food. This was reported as a direct result of the project.

6.1.3 Household and community power to reduce obstacles to change

The six indicators to assess power over or reduction in obstacles to change at household and community level are:

(a) Control over loan use

Both women and men reported that women had control over their loan usage. More than half chose to discuss this with their partners and either come to joint decisions or made the decisions alone. It was repeatedly stated that women felt more empowered to do this because of the training and peer support that they had received in the projects. Also often mentioned was the sheer fact that, as the projects were for women only, respect and control followed.

(b) Control over income for loans and other household production activities

See (a) above.

(c) Control over productive assets and household property

Women jointly made decisions with husbands on these issues in most cases, but felt that they were in control of assets and property.

(d) Increased ability to determine parameters of household consumption and other valued areas of household decision-making in favour of self

Reports showed that women's abilities to determine household consumption parameters had definitely increased because of the project. This was also true for other household decision-making areas. However, 'in favour of self' is not considered a feature of empowerment for women of Vietnam. The selfless, hard working maintainer of family unity was still seen as the model for wife, mother and older sister. No matter how long the project had been implemented in the project sites, women remained proud of these attributes and did not see that their first priority of working for the family was in any way non-empowering.

(e) Ability to defend self against violence in the household and community

The project recorded no advances in this aspect of empowerment (see 6.1.1(b)). The Women's Union's understanding of all levels of power, and gender as an issue, were not noted as being advanced because of the project.

(f) Enhanced perception of women's capacities and rights at household and community levels

At household level, the reports show that the women in the families were perceived as having enhanced capacities for home-making, child-care, children's education, business and self-direction in all aspects of family life. In the community, women reported (and men agreed) that women were far more respected as intelligent and knowledgeable people because of the project experiences.

6.1.4 Increased solidarity with other women for change

In assessing power or increased solidarity with other women for change at household, community and macro levels, Mayoux identified seven indicators of empowerment:

(a) Increase in networks for support in times of crisis or for chosen strategies to challenge gender inequality

The VWU is renowned for its network of members and its influence – from the central level of government through to the family level in tiny villages in remote areas. This network is the major reason why INGOs and bilateral organisations partner the VWU (at different levels) in micro-finance projects.

For individual clients in IWDA-VWU projects, an increased solidarity with other women was demonstrated. Reports were clear on the importance of the IWDA-VWU

micro-finance model in its ability to increase access to VWU networks that effectively increased solidarity among women at the grass roots level.

As groups of women joined together, rhetoric at the grass roots level was about general inequality and how to challenge this. Although it was challenged at family level in the majority of cases, this was not the case at higher levels in the provinces, where authorities still saw women as 'filling in free time', rather than as entrepreneurs, when they embraced business ventures.

At the central level, the VWU had many opportunities to support women and challenge inequalities – and they did. The degree to which this can be attributed to the partnership with IWDA is not known, but the individual women who formed the IWDA-VWU team strongly believed that their increased awareness of gender equality, and their increased involvement at the grass roots levels in local networks, were due mainly to the partnership over such a long period.

(b) Participation in actions to defend other women against abuse in the household and community

While the VWU at national level is very strong in its campaign to defend women against abuse in households and the community, this IWDA-VWU project highlighted inaction. It appears that the system of local defence can only be as good as the attitudes and awareness of the VWU women at village and commune levels. The domestic violence case cited in 6.1.1(b) showed that if the lowest level of VWU members do not see this issue as important, women in this situation couldn't appeal directly to higher levels of the organisation.

(c) Participation in movements to challenge gender subordination at the community and macro-level

The VWU participates in challenges to gender subordination through its membership of government committees where political and legal decisions are made on policy and law impacting on gender equality. Hence, at the macro-level, challenges occur. Also, at the provincial decision-making level, membership in communities renders VWU members the ability to challenge and suggest new directions and change at the micro-level. And, over time, this has been achieved in the project provinces.

At community level, pro-women days and events are held to promote issues impacting on women, and to highlight gender inequalities. But it cannot be concluded that there is any autonomous, independent movement challenging gender subordination at the lower levels simply because women are able to access all project activities.

(d) Ability and willingness to act as role models for other women entrepreneurs, particularly in lucrative and non-traditional occupations

The projects gave ample opportunity for women to share information on business, and for individuals to act as role models for other women. The informants all related examples of this and praised this aspect of the project. The role models were pleased to act as mentors for women developing their entrepreneurial skills and did it very well, adding to women's solidarity and an increase in networking.

Non-traditional occupations were not evident in the projects, although there were a small number of businesses that had never been tried in some communes before the project began.

(e) Increased expenditure on girl children and other female family members

It was important for IWDA that the project should actively promote girls' education. In the research results, women maintained (and men agreed), that girls should have equal opportunities with boys for education. This was not generally seen as part of the project impact. However, a small number of women said that they believed that girls were looked on by family members as being more worthy of education than before, because the raised status of the mother (her enhanced skills, knowledge and business abilities) led family members to re-think the educational potential of girls.

Girls' education was promoted through the VWU at all levels during the project, as part of their mass organisation mandate. As most (if not all) women who were selected as clients were members of the union, they were exposed to this promotion. Thus, the projects supported equality of education between boys and girls, complementing and reinforcing this promotion.

Increased expenditure on children and adults was a feature of the project. There is no evidence that girls and women were treated any differently in relation to expenditure than men and boys.

(f) Higher valuation of girl children and other female family members

The reports showed that women were more highly valued as a direct result of participation in the projects.

(g) Prioritisation of provision of wage employment for other women at good wages

Although the research showed that women would choose wage employment over self-employment if it were available, this was not addressed in the projects where self-employment was the aim. However, women involved as managers and as mentors in the field were paid for these services. This was usually in addition to their small wages from the Women's Union. There was a great deal of debate about these payments, as they were generally seen as inadequate.

Payments were also made to the VWU women who worked on the IWDA-VWU team: these payments were for attendance at training, giving training, management, coordination and liaison. These too were 'top-ups' rather than 'wages', and were also seen as inadequate. But the VWU at national level insisted for a long time on tailoring all their activities to fit available remuneration. This meant that often they worked for little or no remuneration and consequently, at times, the IWDA-VWU project could not be the priority activity.

This research project initiated a new payment scheme for all workers involved through a change of contract. The contract was based on outputs – VWU members and researchers in the field were paid on planned output completion. The consultant also had an output contract. Whether this was believed to deliver a 'good' wage could not be ascertained until after the project's completion.

6.1.5 VWU's view of empowerment results for women in projects

There is no one universal understanding of 'empowerment', particularly as it is commonly understood in the west. In Vietnam, the IWDA-VWU project and the partnership arrangement was perceived as very empowering. For many women participants, without these projects nothing would have changed in relation to their ability to better control their own futures.

From the VWU perspective, the IWDA-VWU projects over the years have made significant contributions to the empowerment of rural women: economically, socially, politically and through institutional strengthening of the VWU at all levels.

They see the partnership as unique and the projects as very beneficial, since they have provided loans to poor women without collateral. With capital on hand, women make their decisions on household economic development and are able to manage the funds. As the VWU rightly point out, this is very different from the past, when only men could access loans and women depended on male breadwinners.

All women need a happy and sharing atmosphere in the home, but according to the VWU, this need cannot be addressed while husbands believe that their wife's knowledge is limited. Hence, improving women's knowledge enables them to share in decisions with their husbands. The projects have provided this opportunity.

The sharing within the family is also evident insofar as husbands are now willing to do household work to encourage and enable their wives to attend the training or group meetings. They were pleased to see their wives having access to information and improved knowledge.

Data gathered for the research project has shown that many women clients are now capably making decisions in business planning and everyday living, and expressing their opinions at public meetings. They are generally much more self-confident.

6.1.6 Result – gender

There is a need to find an agreed definition of empowerment that is culturally interchangeable. Otherwise, responses to questions about assessing empowerment will always remain diverse and dependent on the definition used. For example, the VWU believes that the effects of the partnership's micro-economic projects have been unequivocally positive in relation to empowerment. Women have been empowered by being part of the project, and their status has been raised. However, when assessed using international criteria of empowerment in micro-finance projects (Mayoux), the results are more qualified. They show women have certainly been empowered at some levels and in some areas of their lives, but the impact of the project on total empowerment is less profound.

In summary, poor Vietnamese women have achieved some level of empowerment due to the micro-economic projects, but there are other areas which now need to be addressed to give women all-round empowerment at political and community levels as well as in family and economic areas.

6.2 Family and community

What has been the impact of the micro-finance projects on poverty-reduction and economic development of families, including health and community capacity?

6.2.1 Poverty reduction and economic development of families

Women's involvement in the IWDA-VWU micro-finance projects has achieved economic development for their families in most cases. The focus groups and the oral histories all show a long-term pattern of improvement in the clients' economic status. Although there were fewer extremely poor clients than the projects aimed for, those who had been involved for longer periods, and who were very poor at the beginning, did gradually achieve levels of economic development for their families. Those who were already involved in business did exceptionally well economically.

Poverty reduction does not necessarily follow increased incomes. It requires prudent use of income and raised savings levels. In the IWDA-VWU project, spending appeared to be prudent and quality of life improved. Families in large numbers moved out of their level of poverty along a continuum to a more economically secure future, all reporting improvements of differing levels. This is a significant achievement.

Health improvements were reported by all women (although no base-line data can verify this). Social status increased for the women and families felt 'happier', possibly mainly due to diminished worries about livelihood.

While a model that is developed over the years is not unusual for Vietnam, the breadth, type and content of the training incorporated into the micro-finance models employed in the IWDA-VWU projects is most unusual.

A check of project results against Vietnamese-defined characteristics of the poor (see 4.1.1) supports evidence that it has had a strong positive impact on the lives of poor women clients. The following summarises the results of IWDA-VWU micro-finance projects in changing the situation of poor people:

- **A legacy of poverty:** Clients in the extremely poor category who told their stories reported that their legacy of poverty was generally completely overcome, and that their children will not be born with this legacy.
- **Low level of education:** A large number of clients lacked some basic education. Where necessary, this was overcome by the type of training provided.
- **Lack of marketable skills and business know-how:** Some clients had a limited range of skills and business know-how, but all clients improved their skills.
- **Unskilled and unstable jobs, with low and irregular pay:** More consistent incomes, albeit with some risk attached, helped to minimise the problem of low and irregular pay. However, women still may have preferred steady employment over self-employment.
- **Large families, with many children and few breadwinners:** This was not addressed in the projects. However, women with large families reported improved prospects, with higher numbers of older children able to share the workloads in the businesses.

- **Being a migrant and/or lacking permanent resident status:** People without resident papers were not included in the project, although the VWU addressed these issues separately as is their mandate.
- **Chronic illness:** The VWU provides excellent cover through their system of support to family members with chronic illness. This is a strength of the organisation and would happen regardless of the IWDA-VWU projects.
- **Indebtedness to private money-lenders:** Initially some women were in severe debt. But the project gave them alternative capital sources so that they no longer needed to use money lenders at high interest rates.
- **Heavy drinking, gambling and/or drug use:** This was not addressed in the projects. In early IWDA-VWU projects, such families were excluded from being clients, which is common practice in many other lending schemes in Vietnam. However, the VWU assured IWDA that women are no longer excluded if they or others in their family have these problems.
- **Social isolation from support contacts, friends or relatives:** One of the most commonly described outcomes was that women clients were able to make friends with, and find support from, other women.
- **Low energy levels, and passive or defeatist attitudes:** The data strongly suggests that, with better nutrition and hope for a better future, energy levels increased. Attitudes (passive and defeatist) often attributed to poor people were certainly not found in anyone who had been involved in the project for at least one cycle of loans and training. In Ha Tay Province it was reported that positive attitudes among clients (and ex-clients) that were developed over the life of each project remained, even after IWDA-VWU direct involvement ceased.

6.2.2 Community capacity and cohesion

Using Kenny's (1999) manifestations of an empowered community (see section 4.2), it can be seen that, in Vietnamese communities, not all attributes of the western concept of empowerment are seen as important or essential. Some of the manifestations that were alluded to in the research results are discussed here in the context of community cohesion and capacity.

In the project communes, it was reported that women in the IWDA-VWU projects had improved access to community structures because of their raised status and self-esteem following the project training. Generally, with their families, they had higher levels of social and decision-making participation in community affairs. However, their lifestyle choices remained limited due to their geographical location. The women and their families had improved health and increased energy because of better nutrition, and had more available income for individual health treatment. These were attributable to their involvement in the projects.

Kenny emphasises the rights of community members to be accepted for what they are, to speak and be listened to, and to be treated with dignity and respect. These are existing rights under Vietnamese law. The women who told their stories in this research project now definitely enjoy these rights. It is believed that the projects, to some degree, assisted them in claiming these rights. However, it is important to note that these rights were not automatically 'given' to them by the community. They had

to be won. This indicates that, although these rights are prescribed in formal law, in practice, there is still the need for the community to accept all people as equal, irrespective of their education levels, levels of poverty, ethnicity, and other attributes.

Members of a community should have access to reliable information and sources that positively affect their wellbeing. To a large extent, the project provided women and their families access to information that clearly improved their lives as well as the skills to enable them to access available opportunities. Hence, the projects, as resources in themselves, positively affected their wellbeing. The knowledge and skills transferred to the VWU members enhanced their ability to carry out tasks. They reported that they were more able to assist others to live better lives and to take more control of their own destiny.

The indicators of collectivism cited by Kenny require a level of community cohesion. The results of this research do not provide evidence that community cohesion occurred because of the projects, and Vietnamese people believe that there already is cohesion in communes. However, some women and men reported better relations across the community, mainly with other women or within extended families.

It would be difficult to conclude that the IWDA-VWU projects encouraged collective decision-making, prioritisation of needs, development of strategies to resolve needs and establish future directions of the community. But they may have contributed to some degree. Because collectivism is not an aspect of the hierarchical social and political structures of Vietnamese commune life, and the development of more egalitarian structures is not evident, this aspect may not have been discussed in those terms. Consequently, no data was elicited.

In this respect, it is interesting to note that the Grass-roots Democracy Decree (see *Chapter 4*) has recently been implemented precisely because the government sees the need for greater community participation in decision-making. It is apparent that more than a project on micro-finance is needed to change this aspect of community life.

None of the IWDA-VWU micro-finance projects had a community development component. To an extent, the results reflect this, as there was no strong impact on community cohesion, although IWDA believed it would be an outcome.

Nevertheless it can be said that community capacity has certainly been increased due to the project's influence on women's capacity. However, the extent to which this has flowed through to the community level is unknown.

6.2.3 Result – family and community

The impact of the IWDA-VWU micro-finance projects on the women and their families has reduced poverty and increased economic development of individual clients and their families. Families' health and general lifestyle improved in ways that genuinely excited the clients. The projects may have had little if any impact on community cohesion, but this is partly due to the fact that a comprehensive community development component was not included as part of the project design.

6.3 Reasons

To what extent are the results due to inputs, processes and partnerships?

It is not possible nor is it realistic to deduce that all the positive impacts on lives of individuals, families and communities are the direct result of the IWDA-VWU projects. The Government of Vietnam, through its economic and social programs for rural areas and the Women's Unions at different levels, has made a huge impact on poverty reduction and economic growth.

All of the lifelines drawn as data for this research showed improvements over time, particularly since the economic changes instigated in the late 1980s. The photographs support this. However, it can be confidently said that the IWDA-VWU projects have assisted in the total improvements at community level, and more particularly have made vast improvements, at individual and family levels, for the women involved. Movement has been made along the continuum of poverty to better economic status. And, it is also clear that the longer the projects ran, the bigger the social and economic impact they had.

6.3.1 Inputs

Project inputs have included the availability of capital for the clients, management training for the VWU and local Women's Unions in micro-finance project management, and training of the clients in business concepts. This training also assists personal development, money management (including savings), and skills related to agricultural production and agri-business.

Capital

Over the ten-year period, the capital provided appears to have been sufficient, both for the size of the projects and for the development of growth-oriented businesses for the borrowers.

The capital was lent at interest rates that decreased over time and as new aspects of the projects were introduced. The latest rate is said to be 1% per month, although 22 women (88% of the sample) in one commune reported the rate to be 0.8% (the nominal interest rate). This is very cheap money and unsustainable, although the VWU believes that this is not an issue, because their terms of sustainability lie in the positive changes in the women, their families and the community. On the other hand, the clients believed that it is too high because the Bank for the Poor has a rate of 0.6 per cent, which is subsidised by the government.

However, not all of the women who received loans at this rate were the poorest in the communes. As international experience indicates, low interest rates are very attractive to the more financially viable people in rural communes and, as these borrowers are sure to pay back, they are often favoured over others.

A survey of 175 people in a random sample of seven communes indicated that, although self-evaluation of poverty levels is difficult, 21% felt that when they joined the project they were 'very poor'. In Vietnam very poor is considered to be average for the poorer rural areas where the projects were located. All villagers are likely to call their village 'poor', but there is no yardstick for this. Rural poverty is widespread.

In each of the communes the perception of their levels of poverty changed. Most people (between 88% and 98% across the communes) felt that they had improved their income status since joining the IWDA-VWU projects. They certainly increased their incomes directly because of the project, as demonstrated by house improvements and business investments. Hence, the input of capital has had a positive impact on the clients.

Training

The training of the VWU has been intensive. Each of the monitoring visits had a training component. The VWU had access to training at the provincial, district and commune levels, and members were trained in all activities of micro-finance program management and in the evaluation of micro-finance projects. Further, the VWU had access to other international training outside IWDA or co-funded by IWDA. It is reported that this training impacted positively on overall project management.

It could be argued that, at the rate of training by foreign groups of the VWU, it was not necessary for IWDA to duplicate this. However, it is clear that the type of training used, ie, tied to practice ('learning-by-doing') that is a key element in IWDA's approach, is not often found in other training.

Discussions held on this research with VWU team managers showed that their team members had a deep understanding of the issues in micro-finance, but that their strongly held beliefs (eg, about the capacity of poor women to save) did not shift. The suggested change to international best practice advocated by IWDA was strongly resisted.

The VWU team's deep understanding of the issues has left its members in a strong position when arguing from their philosophical beliefs (those of the Vietnamese Communist Party). Their arguments are well thought through and presented, both to foreigners and fellow Vietnamese. This is one reason why IWDA's work within the VWU's philosophy has shown positive results.

The vast majority of women involved in the projects have attained a higher level of economic improvement – an outcome not always seen in micro-finance projects, even for not-so-poor groups. Undoubtedly, the client training is the key component that has had the most profound impact within the total IWDA-VWU program.

6.3.2 Processes

The system employed allowed for savings to be lent to the very poor and to accumulate interest. This aspect of poverty lending was a secondary impact of the project. Sometimes these loans were interest free, as the Women's Union believes that the poor cannot pay high (or any) interest on credit. This is not consistent with current international best practice.

Overall, savings were very low compared with those in similar countries. The lowest amount was only 50.000 dong and the highest 1.8000.000 dong, with an average of 1,100,000 dong in the random sample. Savings in the projects have been compulsory, but if there are financial problems, this is waived. Again, this is a manifestation of the VWU belief that the poor have difficulty in putting money aside.

The process of credit administration was not unusual, but it was clearly defined and implemented. Training processes were innovative and certainly a major part of project successes (see 6.3.1). The roles of mentors added to this success, although not necessarily in a cost-effective way.

A real weakness in the training process is the payment to attend for clients and Women's Union managers at each level. Called a 'stipend'/'per diem' etc., it is actually an incentive to encourage people to come. Even at the VWU level, each time a member attends training, she receives a fee. While trainers (who may also be from the VWU) should be paid for work completed (as per an output contract), payment to attend training undermines the idea that training is of value in itself and can be counterproductive (eg, attendance stops when the expected payment is not there). It is a matter of regular discussion within the donor community but one that is difficult to address in the absence of wider salary reform.

Across Vietnam, people are paid to attend training and meetings. A recent study by the ILO (Hans Haan (2002)) outlined the problems associated with this practice and recommended that it should stop because of costs and its negative influences on quality, both of training and trainees.

The IWDA-VWU micro-finance projects have used exclusively a solidarity group process for clients. Using ACCION criteria (see page 24), and matching the data collected against these criteria, it is clear that the IWDA-VWU scheme compares fairly well with international criteria (*overleaf*). Weaknesses are found in areas that use the group system for project sustainability, reflecting the prevailing policy and regulatory environment in Vietnam. Also, the expectation that clients already have a business, which is generally the case within the IWDA-VWU projects, contributed to their success, but the very poorest women are not universally targeted.

This reflects the dilemma for all micro-finance projects internationally – success is more likely when clients are already in business (growth-oriented lending) not in dire poverty (livelihood lending).

Table 11 (*overleaf*) shows that the procedures of IWDA-VWU are of international standard, but cost-effectiveness of training, interest rates, group formation, schemes for repayment and terms of loans do not always match best practice. As measured against international criteria, this analysis points more to the limitations of the current Vietnamese monetary system than to anything inherent in the IWDA-VWU project design and implementation.

The VWU must work with the Vietnamese system and within its own philosophy, and these are compatible. IWDA and donors may find this is not always appropriate, and debate about levels of achievement measured against international best practice may help to change the situation.

Table 11: Success indicators matched against IWD-VWU projects

| Category | Indicators | Yes | Some | Nil/ no |
|-------------------------|---|--------|--------|---------|
| Clients | Must have ongoing business or prior experience Majority women in most settings Mix of manufacturing, service, and trade. | x x | | x |
| Group self-formation | Groups select their own members (3-10) with one member per family Group leader selected by group | | x | x x |
| Operations | Extension staff work in communities Overcome cultural barriers to formal institutions Staff knowledgeable about business environment | x | x | x |
| Loan Sizes/terms | Loan amount and terms appropriate to client needs Loan size increases as business and client experience grows Terms range from quarterly to annual | | x x | x |
| Simple Procedures | Application limited to basic information Standard project credit analysis not required Applications turned around in 3-7 days | | | |
| Interest rates | Interest charges supplemented with other fees Borrowing charges often exceed commercial rates Total charges cover real lending costs | x x | x | |
| Repayments* | Incentives and sanctions for on-time repayment Future loans pegged to group's repayment Up-to-date information systems for delinquencies | | x | x x |
| Savings | Savings facilities are valued by group members Intragroup emergency funds serve as safety net Savings included within funds management strategy | x | x | x |
| Cost effective training | Training builds on existing client skills Cost-effective and responsive training methods developed Self-help organisation address social and economic needs | | x | x x |
| Accountability | Lender demonstrates trust via solidarity group operations Lender obliged to provide a service of value Borrower loyalty and mutual accountability generated | x | x | x |

* Note that repayment in the IWDA-VWU projects is over 98%.

6.3.3 Partnership

Partnership was initially felt to have had a degree of impact on the results. But it was the length of the IWDA-VWU partnerships that was significant rather than its level of intensity, which appeared to have had little impact. As time went on, the intensity of early days was not as necessary because both partners grew to trust each other, and a degree of independence (as an equal partner) for VWU was more encouraged.

Once the projects were set in place, it was the management training that had the impact and, with or without the national partnership with IWDA, if one partner withdrew, the results would in all probability be the same. However, from the IWDA perspective, the projects were easier to implement within a strong VWU partnership arrangement.

The research found that the IWDA-VWU partnership was not well understood at commune levels or outside the Women's Union, at provincial levels. In fact, not all clients saw the loans as being other than the general Women's Union loans through the Bank for the Poor which are part of the general assistance provided to poor women by the Women's Union at each level. All people call IWDA 'Youda', almost a nickname for a credit program.

While the VWU was very well known and respected in the field, IWDA was not really known for its work. In one province, even Provincial PACCOM did not know that IWDA had been working in that province for a number of years. IWDA seems not to have been skilled at implementing 'brand recognition' in Vietnam (although this has occurred in other countries). This may be the result of the partnership being at national level rather than at province, district or commune levels. It may also simply be the result of having a partnership with a strongly recognised agency, the VWU, rather than the usual donor-recipient partnership.

However, the partnership did assist with facilitating IWDA's monitoring visits, coordinating project reporting to the funding agency, AusAID, and with sending money to the districts. And it was clear that the national level of the VWU benefited from IWDA's direct training over the 12 years. There is no doubt that this has also assisted the VWU to develop better programming for all their projects, not only those it has in partnership with IWDA.

6.3.4 Result – reasons

Reasons for the success of the projects, and its limits, can be seen in all three areas: inputs, processes and partnership arrangements. There is no doubt that the input of capital has had a positive impact on the clients, and that innovative training processes played the key role and had the most profound impact on the economic and social advancement of the women involved.

It was found that the length of the IWDA-VWU partnerships was significant, rather than its level of intensity. However, it was reported that a major reason for the success of the projects was the VWU and IWDA's belief in women's abilities and understanding of their situation.

As an illustration of how this commitment was expressed in practice, the Women's Union workload for the projects at all levels went far beyond what should be expected of people who already hold responsible jobs. The VWU team was not able to cost their time because they just 'do what needs to be done', regardless of their personal situations, thus ensuring the likelihood of success.

6.4 Future

How should the VWU and IWDA position themselves strategically in their future engagement in micro-finance?

A range of creative and effective micro-finance programming options emerge from the research findings and the review of international literature.

Micro-finance is a multi-faceted tool that should be part of a total package for poverty alleviation. As currently promoted internationally and in Vietnam, it is heavily debt-based. To varying degrees, it assists women who are entrepreneurial, are already doing business (no matter how small), have some assets to fall back on when cash flow is thwarted, and have generally good health in the family. In other words, micro-finance does not offer a way out of poverty for those women who do not have these attributes or circumstances (the absolutely poor).

Savings – an important facet of micro-finance – is a suitable tool to begin to accumulate 'wealth' among all levels of poverty, starting with very tiny amounts. Thus, if IWDA and VWU have among their aims the alleviation of poverty for absolutely poor women and their families, the evidence points to the need to remain in savings services. Credit is not the first need for this target group.

Credit (ie, debt) in very small amounts (say 50,000 dong-100,000 dong), matching savings for very short loan periods (one day, one week, one month), is a far better way for the target group to enter into debt contracts than credit in larger amounts to be repaid over longer periods. The size of the debt can be increased very slowly as success in small trading is achieved on an individual or group basis.

This was the essence of the very first IWDA-VWU revolving fund projects. In light of this research, if VWU and IWDA want to reach the poorest women, they need to re-orient some activities towards the original method of smaller loans to individuals and groups, but with savings as the first activity.

If the absolutely poor individual women fear debt, or do not initially have the attributes to 'do petty-business', they are better off in the long term being assisted with daily expenses (school, health, food, etc), scholarships for their children, health vouchers and the like, and micro-grants

rather than poverty lending, which places them in debt. They can also be 'paid' to work in a project, rather than payments being made to those women who are well on their way out of absolute poverty. Training would be needed, but there is no reason to believe that absolutely poor women have no skills at all, because they have, and they can be paid to share them with others, giving them their first 'leg up' out of dire poverty.

Further, poor people prefer employment rather than debt. Micro-finance projects could finance somewhat larger businesses for more economically established women in poor villages and by these means develop employment opportunities for the absolutely poorest women and their family members of working age (producing raw materials, researching, transporting, child care provision, etc).

Larger enterprise development in villages appears to have the potential for far greater impact on the economic potential of absolutely poor women. This should be researched within any new IWDA-VWU project. It can be combined with more direct assistance initially to those women and families in dire need, and an appropriate savings scheme and well-developed training and support mechanisms in all villages at the grass roots level. Outreach service to clients should be extensive, initially within extremely poor villages, and a culture of 'services provision' to clients should replace any welfare elements currently present in the IWDA-VWU projects.

Sustainability of micro-finance provision is not possible in the current IWDA-VWU projects (and in almost all micro-finance systems in Vietnam), because of the practice of obtaining insufficient income from interest and services to cover costs. In the case of IWDA-VWU activities, the current practice of payments to trainees and auxiliary workers from one-off donor grants precludes project sustainability, although some expenses related to capacity building of management are essential. Future projects should move towards sustainability by developing a system of service fees at appropriate levels to cover all costs of micro-finance provision.

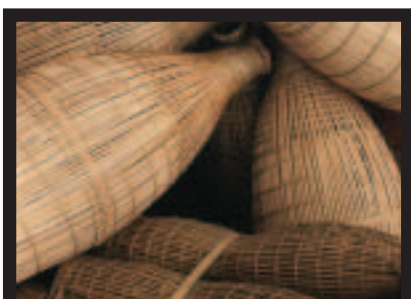
As empowerment of women is the overall goal of IWDA-VWU projects, this should be specifically clarified and documented during project development and in future submissions to donors. The goal also needs to be accompanied by indicators of success against which it may be judged.

The positioning of IWDA-VWU in micro-finance service to abject poor women in the very poorest villages, but with a broader empowerment goal, would place the partnership in a unique position among the development donors. Donors now know that micro-finance alone, as usually implemented, does not address abject poverty, even while the alleviation of such poverty is usually their overriding goal. Donors need to be presented with opportunities to fund successful auxiliary activities.

The expertise developed by the IWDA-VWU in the partnership has been in capacity building and in the training of women clients in the field in areas of personal development, including gender relationships, financial recording, health and technical matters. These provide a solid basis for future projects.

future directions

reflections & learning



I would like to tell you that we are poor women, therefore our life is very hard. But after attending the training provided by IWDA, we got a profit from our production. Gradually my children are growing up and, thanks to the loans provided by the project, we have chances to share and learn from other women. Our knowledge has improved and life is better in many respects.

As joint implementers, IWDA and the VWU have achieved significant outcomes although not beyond the norm in Vietnam in areas such as micro-business diversification, group dynamics, market research and marketing, savings systems, or targeting the poorest group, including women, outside the Women's Union membership. However, the system developed by IWDA-VWU certainly assists poor women (but not the absolutely poor) women to reach economic security and economic empowerment.

The IWDA-VWU partnership has the knowledge to excel and to be creative. There is the opportunity to build on strengths and move beyond the current conservative micro-finance programs in order to better promote empowerment and alleviate absolute poverty in Vietnam. IWDA-VWU is well positioned to take a leadership role in addressing poverty and empowerment for the women of Vietnam.

The international literature now contains some voices suggesting that a re-assessment of micro-finance as a poverty alleviation tool is needed. Strategically, IWDA-VWU would be in a good position, given this research, to encourage development donors and organisations towards better practice by increasing awareness of its learnings.

Although many of the learnings from this research project reaffirm and confirm those in the international literature, some lessons are specific to the IWDA-VWU projects. These are presented here, together with some suggestions for the future.

7.1 Partnerships

7.1.1 Longer-term partnerships result in more dynamic debate and better program implementation. But there are challenges in maintaining an Australia-Vietnam partnership without both partners having some continuing local representation. Periodic meetings for all current IWDA-VWU projects in one time block (ie, during a monitoring visit by IWDA) have proven to be difficult to arrange on both sides. This difficulty may be lessened if IWDA's partnerships were with more than one group for future projects, or a number of groups were involved in a project management committee, so that a greater number of possible representatives would be available to participate in meetings.

- 7.1 Partnerships
- 7.2 Micro-finance projects
- 7.3 Training within micro-finance projects
- 7.4 Research methodology

chapter seven



7.1.2 While partnerships in development are at the organisational level, they are underpinned by personal links. Changes in IWDA and VWU project staff have impacted on the projects over the decade. This has been evaluated, and future projects will be based on a stronger professional partnership relationship between organisations rather than being dependent on key personnel, so that personnel changes will not be perceived as negative. To be resilient and sustainable, partnerships need to be grounded in agreed principles, approaches and interests at the organisational level, rather than relying on personal ties. Over time, organisational linkages are more important than personal ones.

7.1.3 Partnership requires an equal relationship. But, as is commonly noted in the development literature, this is difficult to achieve when one partner is accountable to a donor and the other is accountable to a national political structure. Areas of inequality in both domains can be managed if there is open discussion, and with joint experiences over the long term, professional equality can be achieved, based on a clear understanding of what each partner brings.

7.1.4 Improved service to clients depends less on partner management of projects at national level than on resourcing local people as partners, supporting them by extending their experiences beyond their own communes and training them to national standards, using appropriate education methodology. Consistent use of this approach over time could lead to more direct grass-roots service provision by NGOs and donor agencies, resulting in higher project outputs. Staff changes at local Women's Union levels have been identified as an issue in this context. Continuity of project management could be assisted by forming project committees in communes or districts that include representatives from a range of relevant groups in addition to the WU, individuals with particular expertise, and members of formal structures (eg, government departments).

7.2 Micro-finance projects

7.2.1 The longer a micro-finance project has been operating, the greater its success.

7.2.2 Empowerment and self-confidence of micro-finance clients appears to be linked more to the training within a micro-finance project than the actual credit facilities.

7.2.3 At this point, it is not possible to achieve institutional sustainability for micro-finance projects in Vietnam given the absence of a legal framework and government subsidised interest rates at the banks. Working within a Women's Union partnership, it is not possible at this stage to have a financially or operationally sustainable micro-finance project, because of views about the ability of poor women to pay commercial interest rates and use of a welfare model.

7.2.4 In general there is still very limited information on market research and on marketing at government, institution and organisation levels. This makes local training in these concepts difficult. It constrains innovation, product differentiation, and thus, project outcomes.

7.2.5 Micro-finance is known to be more successful if the clients have already worked in businesses and are not absolutely poor. This project indicated that this is not necessarily so. Although only some 10% of clients were classed as very, very poor, this group achieved some movement out of poverty in the economic sense, and much more in the social sense. There is the opportunity for the partnership to explore this further when targeting future clients in absolute poverty.

7.2.6 The experience of SCF(US) in Vietnam suggests that a system of credit agents, fully trained and paid on a per client basis to carry out micro-finance services, is more cost-effective and efficient than the IWDA-VWU system of service delivery to clients. Further, there is a need to address the concept of 'service', as opposed to 'welfare', within IWDA-VWU micro-finance projects. Training in such concepts would improve current activities, contributing to enhanced business development, better service provision and empowerment of clients and providers.

7.2.7 If micro-finance provision is to have poverty alleviation of the very poorest people as a major goal, its limitations as a poverty-alleviation tool need to be understood and addressed before implementation. In implementation, micro-finance should be conceived broadly as providing a range of financial services, not simply as credit for micro-businesses. At the village level, there needs to be an element of choice for potential clients. Debt must not be the first and only option for very poor people. Clients must be dealt with as individuals with individual needs in the first instance, and alternatives to credit for initial generation of income must be offered. Over time, such clients can be brought into a more mainstream system of micro-finance. This concept is not well developed in Vietnam and is rarely incorporated in Vietnamese micro-finance projects.

7.2.8 Employment opportunities are lacking in very poor villages and consideration of ways to create employment opportunities is rare in income generation discourse in Vietnamese micro-finance projects. A key learning from this project is that most women would prefer paid employment over debt. This is a common finding throughout South East Asia. There is a need to investigate potential in every project to develop one (or more) larger enterprise(s), including types of cooperatives, which can employ very poor women directly or assist poor women to produce raw materials for the enterprise(s). This requires initial economic assessments, skills inventories, possibly training and detailed market research.

7.3 Training within micro-finance projects

7.3.1 In general, training methods used to 'train the trainer' in Vietnam have not had the expected impact. IWDA-VWU training has not been the exception. The

following issues appear to contribute to this situation and need to be addressed if the train the trainer approach is to be effective:

- trainers train potential trainers in content without, or with limited attention to, teaching them training principles and methods
- trainers see ‘participation’ as a way of making training enjoyable, rather than a key requirement for adult learners. They also have limited or no understanding of the process of sequential learning and reinforcement, so ‘games’ and ‘activities’ often have no educational outcomes
- trained trainers water down content for the next level of trainees in the belief that those requiring the training (poor women) would not be able to understand the concepts. They equate lack of formal education with an inability to learn, and take no account of prior (informal) learning
- trainers do not always have sufficient knowledge of their topics, having been poorly trained themselves, and
- there is still a preference for the dominant ‘expert’ trainer/passive trainee style of training.

7.3.2 There appears to be great scope for the further development of ‘mentor’ systems in rural villages. The concept of ‘peer to peer’ informal education has not yet been fully explored and IWDA should consider formally documenting and evaluating the mentor systems that have been put in place.

7.3.3 There is a need to reassess the rationale for payment for attendance at training *per se*. Payment undermines the value of training *in itself*. Payment is a particular issue if the money comes from donor funding because it sets an unsustainable precedent. Training allowances, if implementers really believe in their need (eg, to recognise direct and/or indirect costs of participation), should come from project income generated through activities (eg, interest, services fees). Allowances to trainees do not enhance training outcomes and diminish chances of sustainability for projects that aim to become part of the continuing services in rural villages. But such payments are almost part of the culture in Vietnam, and need to be addressed collectively by the donor community, recognising that change will be difficult in the absence of wider salary reform.

7.3.4 Regardless of these criticisms, the training in aspects of technology, self-development, nutrition, health and environment have been reported to be enormously successful in IWDA-VWU projects. Although some critics argue that training (other than in finance and business) and micro-finance services should not go together as part of one project, IWDA-VWU projects show that this is not necessarily correct. The training provided in IWDA-VWU projects was the tool for increased personal and family empowerment, for better education for girls, and for the raised status of women in their villages. Consequently, consideration should be given to extending the training components of future projects, taking due account of the need for improved quality.

7.4 Research methodology

7.4.1 Action research as an approach was new to the VWU. It provided ample opportunities for IWDA and VWU dialogue. Changes were made to methods, contents and analysis to better reflect the different perspectives. Exploring this more formal approach to research could lead to better understanding of philosophies and constraints within partnerships.

7.4.2 At the end of the research project, when publication content was being finalised and formats discussed, it became clear that the research team, as a group, did not understand exactly what a standard research document traditionally contains. Nor did they understand the rationale for locating the project within the international context and discourse of micro-finance, the Vietnamese context and current programs of micro-finance.

This suggests that additional theory and examples of research should have been part of the training for the core research team at national level, prior to conducting the research.

In a participatory exercise such as this, it is also important for all team members to participate in all (or at least most) training sessions, so that there is a shared baseline of knowledge. This can be difficult when partners are very committed in time to other projects and activities, potentially limiting opportunities for deeper, sequential learning.

7.4.3 Although participatory research has been ongoing in all IWDA-VWU projects (via reviews and evaluations), carrying out jointly the entire process was a new experience. The VWU and the Women’s Unions at other levels found it very interesting, but could not relate the methods to what they had done before, so training in the field was very basic. There was no shared understanding of the rigor expected in the analysis. A long-term approach to sequential learning in all aspects of research and evaluation, involving every team member, should be part of any strategic plan developed for partnerships and projects.

7.4.4 The use of a consultant new to the IWDA-VWU projects contributed to broadening the understanding of research achieved through the project. Particularly when partnerships have been sustained over a long period, there is value in bringing fresh perspectives to partners’ collective vision. It can be valuable to draw on different consultants for project identification, project design, reviews and final evaluations, so that a range of expertise is contracted within individual projects.