



Evaluating IFAD's country programme, Viet Nam

## Banking on the poor?

**IFAD aims to work with the poorest people in Viet Nam: ethnic minorities, small farmers, and women-headed households. Strategies to alleviate poverty and improve living conditions include building partnerships, strengthening local managerial and institutional capacity and enhancing participation.**

Key policy issues arising from the Country Programme Review and Evaluation (CPRE) include:

- **Subsidised interest rates** need to be abolished. Cheap credit is costly, does not reach the poorest and is unsustainable. Strengthening local banking capacity and giving financial autonomy to micro-finance organisations are key to broad-based poverty reduction.
- **Decentralisation and participation** have been important ways to develop local ownership and capacity. In the future, appropriate training in legal and financial matters are essential prerequisites for sustaining the devolution of greater financial responsibility to provincial, district and commune levels.
- **Prioritising gender** Issuing land and housing titles jointly in men's and women's names and increasing the representation of women at all levels of rural development institutions will help achieve gender equity.

### Viet Nam at a glance

Population	77.5 million
	77% rural
Population growth	1.6%
GNP per capita	USD 370
Agriculture	27.1% of GDP
Inflation	5.6%
Life expectancy	68
Poverty (% of population)	37%
Human Development Index	101/162

Source: World Development Indicators Database, World Bank 2001; Human Development Report, UNDP 2001

**Total IFAD lending 1990-2000 USD 60.7 million**

### Rural poor people are bankable

IFAD projects in Viet Nam (Tuyen Quang, Ha Giang, Quang Binh, Ha Tinh) show that rural credit is a powerful tool for poverty reduction. In every province where IFAD is involved, a co-management delivery framework has been promoted with major partners such as the Viet Nam Bank for Agriculture and Rural Development (VBARD). Yet the credit programme faced serious structural and

### Main achievements

In Tuyen Quang, the number of better off households has increased by 10.5% and the numbers of poor and very poor households have decreased by 12%. Better access to natural resources has led to product diversification and increased sales: for example, rice regeneration in Quang Binh led to a 10% decline in poverty over 2 years and in Tuyen Quang the pig breeding programme has provided 1,264 families with breeding animals and a wider coverage of veterinary vaccinations. Protection contracts for 11,000 hectares of land have been issued and 200 hectares of new forest have been planted. Farmers have planted 2,700 hectares of casuarina, 70% of whom have benefited from employment opportunities which in turn has helped them increase their livestock base, meet their credit requirements and repair their houses. Numbers of very poor households are falling yet micro-level analysis indicates that the very poor have derived fewer benefits from IFAD projects than the poor: targeting the poorest communes needs improving. Sustaining success depends on enhancing provision of financial services, developing social support in times of crisis, and devising institutional channels whereby the poor can assert themselves, defend their interests, and organise access to resources.

procedural problems that curtailed impact. The high cost of lending small amounts to poor people in distant rural areas and restrictive collateral requirements kept commercial or state banks from lending to poor farmers on a large scale. Even in Tuyen Quang where the flow of credit from the VBARD to the rural poor has been good, group capital was insufficient to meet the credit needs of all members on a sustainable basis.

Even the most marginalised Vietnamese, experience has again confirmed, value financial services and are capable of using them. Recovery rates are high and people have no qualms about working in groups. Subsidised interest rates imply, however, that the government sees credit as a social safety net rather than a tool to promote sustainable economic growth. Subsidised credit is costly, often rationed, and only accessible by better off and more influential people. Moreover, many (especially women) do not have the necessary collateral (usually land or housing) to take out a loan, leaving the poorest to borrow from informal sources at higher interest rates on usurious terms.

## Deciding the future

IFAD has successfully promoted Participatory Rural Appraisals (PRA) as a planning tool in all its projects, for example in classifying households by wealth and deciding research and extension priorities. Self-help groups

enable the rural poor to get involved in planning and managing irrigation or sand dune fixation, for example. IFAD-initiated Community Development Funds (CDF) also aim to enhance participation and empowerment and meet the evolving needs of communities during implementation. Yet such mechanisms need to be in place early on in the design stage, or they will be seen as a token gesture. So too the government should begin institutionalising the adoption of PRA principles.

Poor people in rural areas cannot express their views or get involved in decision-making processes. Real decentralisation cannot be achieved without participation from the bottom up. Self-management boards, set up in communes to promote sustainable conservation of forests, are ways to institutionalise bottom-up participation. Yet, forests are state-owned: how can farmers be motivated to carry this work forward unless ownership is shared with local people?

## Achieving gender equity

IFAD projects in Viet Nam fully recognise the key role that women play in agriculture, livestock, and rural marketing. Indeed, IFAD has addressed gender-specific causes of poverty in a variety of ways. Inequality in the distribution of power, still exists however, in terms of decision-making, workload, access to land, financial services and education. Further support for women is crucial and gender issues (such as equal participation and representation) need to be woven into all aspects of IFAD strategy.

Where credit and savings programmes have enhanced the status of a few women, the benefits are clear. Loans have helped build up assets (livestock), increased income-generating opportunities, and strengthened women's overall ability to cope with poverty, as the Tuyen Quang project shows. Secure land and housing tenure for women is particularly important in achieving gender equity and needs to be addressed at central government level. Land ownership is a source of status and independence, of collateral, and food productivity.

Women's representation ranges from a mere 18% in Ha Giang to 26% in Quang Binh. Women must be represented at all levels in decision-making positions in rural development public institutions. Giving women a voice at village level, for example in Participatory Rural Appraisals, savings and credit groups, and Village Development Boards, has proven an important first step. Further strategies to encourage women to be more vocal might include positive discrimination in community-based organisations and women-only self-help groups.



IFAD photo by Louis Dematteis



IFAD photo by Louis Dematteis

Villagers sell pigs (top) and tobacco, fish, vegetables and meat at Trung Hoa market in Minh Hoa district. The market is held once every five days or once a week according to the lunar calendar that the locals use.