



International
Labour
Organization

Microfinance Support Programme, Vietnam

Over the past decade, Vietnam has recorded impressive achievements in its socio-economic development. Gross National Income per capita has increased from USD 1,400 in 2000, to USD 3,060 in 2010. In tandem, between 2002 and 2008 the absolute number of persons living on less than USD 1.25 per day declined from 31.8 million (40.05%) to 14.3 million (16.85%).

Microfinance has played an important role in national, provincial and local efforts to reduce poverty over this period with over 300,000 regular clients to microfinance institutions. However, access to relevant and sustainable microfinance services (credit, savings, insurance, money transfers) remains a challenge. The microfinance industry in Vietnam still needs investments in all aspects for further development at all levels.

FACTS AND FIGURES

Partners:

Stichting CORDAID

Beneficiary Countries:

Vietnam

Timeframe:

January 2010 – December 2011

Budget:

USD 367,000

THE RESPONSE

The ILO and CORDAID previously partnered between 2006 and 2008 with the project “Reducing vulnerability of low-income households through sustainable microfinance services in Vietnam”. The Microfinance Support Programme, is thus, the second partnership which continued and built upon work around the same strategic objective.

More specifically, the Microfinance Support Programme:

- Worked to enhance the outreach of microfinance institutions and the impact of their services through professionalized governance, management, and operations in accordance with Government Decrees 28 and 165, legal documents concerning the fostering of microfinance services. This was achieved through the participation of microfinance institutions, trainers and practitioners in relevant training courses, such as: “Making Microfinance Work: Managing for Improved Performance”; and, “Making insurance work for microfinance institutions”.

- Improved the access of low-income households to both affordable insurance and savings products through the design, testing, and introduction of new innovative microfinance products.

RESULTS

Overall, in order to enhance the outreach of MFIs through professionalized governance, management, and operations, the project:

- Trained 1,147 participants in courses related to the management of microfinance institutions and to microinsurance (98.7% of participants were female). Encouragingly, MFIs covered approximately 40% of the training costs, which clearly demonstrates their perceived value in the training;
- Two training institutions were supported to expand their services to cover the microfinance sector;
- 20 sets of microfinance curricula were developed or revised (12 in collaboration with the Asian Development Bank) in Vietnamese language and are openly available.

Partnerships and Field Support Department (PARDEV)

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With regard to innovation, a workshop to raise policy maker and key actor awareness on the needs and opportunities of low-income household access to relevant products and a call for applications led to a number of proposals being submitted. Technical guidance on the development, implementation and measurement of product performance and improvement was given for three savings and two insurance products. As a result, approximately 146,000 low-income households (24,000 in Hai Phong; 10,500 in Thanh Hoa and 112,221 in 13 provinces under the cooperation with Manulife) benefited from subsequent product innovations, thus allowing low-income households to both accumulate assets and protect against financial risk. For example:

- One insurance company was able to offer life insurance to low-income women at a cost of USD 1.5 per month over 7 years. Another was able to offer health insurance with a premium of USD 0.3 per month with a maximum benefit package of USD 750;
- In collaboration with Manulife Insurance Co., the project supported the improvement and piloting of a new insurance product which now reaches 112,221 low-income households in Vietnam.

To disseminate results more widely, and expand impact, the project documented lessons learned on savings and insurance products for low-income households and organized two national workshops to share this knowledge. Over 70 participants attended each, including government agencies such as the Ministry of Labour, Invalids, and Social Affairs.

BENEFITS OF PARTNERING

Many microfinance institutions are offering financial services to low-income households. Through partnering with the ILO, these microfinance institutions were able to improve and diversify their product range on offer. For example, one institution, the MicroFinance Loan Fund, saw 100 per cent of their borrowers (3,671 poor women) join their microinsurance program.

Low-income households benefit through increased access to savings and insurance products, thus allowing them to accumulate assets and protect against financial risk.

Management training delivered to microfinance institution management, in particular at the middle management level, reduces MFI exposure to risk and promotes their growth.

CORDAID invests in lasting peace through supporting microfinance institutions, entrepreneurs and companies with expertise, advice and financial resources. By partnering with the ILO, CORDAID was connected to a pool of technical knowledge and expertise. For example, housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility pushes the frontier of microinsurance around the world and collects and shares emerging knowledge and good practices with the microinsurance industry.



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