

## THE MICROFINANCE SUPPORT PROGRAMME IN VIET NAM

Over the past decade, Viet Nam has recorded impressive achievements in its socio-economic development. By way of example, gross national income (GNI) per capita increased from USD 1,400 in 2000 to USD 3,060 in 2010. Furthermore, the absolute number of persons living on less than USD 1.25 per day declined from 31.8 million (40.05 per cent of the population) to 14.3 million (16.85 per cent) between 2002 and 2008.

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

### FACTS AND FIGURES

**Partners:**

The CORDAID  
Foundation

**Beneficiary country:**

Viet Nam

**Timeframe:**

January 2010 –  
December 2011

**Budget:**

USD 367,000

### THE RESPONSE

Between 2006 and 2008, the ILO and the Catholic Organisation of Relief and Development (CORDAID) worked together on the project: “Reducing vulnerability of low-income households through sustainable microfinance services in Viet Nam”. The Microfinance Support Programme was thus the second partnership to continue building on work around the same strategic objective.

More specifically, the Microfinance Support Programme:

- Worked to enhance the outreach of MFIs and the impact of their services through professionalized governance, management, and

operations, in accordance with Government Decrees 28 and 165 (legislation promoting microfinance services). This enhanced outreach was achieved as a result of MFIs, trainers and practitioners participating in relevant training courses, such as: “Making microfinance work: Managing for improved performance”; and, “Making insurance work for micro-finance 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

In order to achieve its goal of enhancing the outreach of MFIs, the project:

- Trained 1,147 participants in courses related to the management of MFIs and to microinsurance (98.7 per cent of participants were women). Encouragingly, MFIs covered approximately 40 per cent of the training costs, which clearly demonstrates their perception of the value of this 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. These curricula are easily available and accessible.





With regard to innovation, a workshop to raise the awareness of policy-makers and key actors of the need for low-income households to be able to access relevant products, as well as a call for applications, led to the submission of a number of proposals.

Technical guidance on the development, implementation and measurement of product performance and improvement was provided 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 with the cooperation of the Canadian insurance company, Manulife) benefited from subsequent product innovations, thus allowing low-income households to both accumulate assets and be protected 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 seven 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, the project supported the improvement and piloting of a new insurance product, which now reaches 112,221 low-income households in Viet Nam.

The project documented lessons learned on savings and insurance products for low-income households in order to disseminate results more widely and to increase impact. It organized two national workshops to share this knowledge, which were each attended by over 70 participants, including government agencies such as the Ministry of Labour, Invalids, and Social Affairs.



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### BENEFITS OF PARTNERING

Many MFIs offer financial services to low-income households. By partnering with the ILO, these institutions were able to improve and diversify their product range. For example, one institution, the Microfinance Loan Fund, saw 100 per cent of its borrowers (3,671 poor women) join their microinsurance programme.

Low-income households benefit through increased access to savings and insurance products, because it allows them to accumulate assets and be protected 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 by supporting MFIs, 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, the ILO's Microinsurance Innovation Facility, under the Organization's Social Finance Programme, pushes the frontiers of microinsurance and gathers knowledge from around the world, which it collects and shares – along with good practices – with the microinsurance industry as a whole.