



INTEGRATED MANAGEMENT OF LAGOON ACTIVITIES IMOLA PROJECT

REPORT OF INTERNATIONAL SPECIALIST ON CREDIT, SAVINGS AND INSURANCE

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PEOPLE'S COMMITTEE OF THUA THIEN HUE PROVINCE



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(IMOLA) – GCP/VIE/029/ITA

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1. Introduction

The following report of the International Project Consultant on Credit, Savings and Insurance was prepared during a mission to the IMOLA project from 30 October to 9 November 2006. The report is based on discussions with the IMOLA Chief Technical Advisor, the National Project Director, the Associate Professional Officer (Socio-Economist), the Project Assistant, the Aquaculture Consultant and Co-leader of the training unit of IMOLA, other project consultants and IMOLA staff, representatives of local governments, the Department of Fisheries, Agribank, the Vietnam Bank for Social Policy, rural development projects and NGOs operating in Thua Thien Hue Province, national financial institutions, fisheries associations, women's unions and other stakeholders and on the review of documents prepared by the project and relevant papers provided to the consultant. The terms of reference of the consultant are shown in Annex 1, Annex 2 shows the itinerary of the mission and Annex 3 the list of documents and papers reviewed.

The report identifies elements of a framework for future credit, microfinance and insurance programmes in support of the fisheries and aquaculture sector in Thua Thien Hue. This is followed by recommendations for the incorporation of credit and microfinance issues and concerns into the formulation of the second phase of the IMOLA project and for IMOLA follow-up to the recommendations contained in this report during the first phase of the project.

2. Framework for future credit, microfinance¹ and insurance programmes in support of the fisheries and aquaculture sector in Thua Thien Hue

2.1 Presently available credit, microfinance and insurance services, constraints and shortcomings

Sources and purpose of borrowing and interest rates

The socio-economic baseline survey carried out by the project found that 77 percent of the households covered by the survey had borrowed money. Some households had borrowed money from multiple sources. About two-third of the households, which had taken loans, were repaying their loans on time while in about one-third of the cases,

¹ The term microfinance encompasses savings as well as small-scale risk management and insurance services.

loan repayment was overdue. Of those households, which had not taken a loan, more than half stated that they did not need a loan while 43 percent replied that they were not able to get a loan for various reasons. This amounts to less than 10 percent of all households and might include cases of households, which had not repaid previous loans or were not eligible for taking a loan for various reasons. While the overall access to credit is high, there are considerable differences between communes. The socio-economic baseline study identified communes, which do not have good access to credit as Loc Tri, Vinh Xuan, Quang Loi, Quang Cong and Dien Hai.

As far as the sources of credit is concerned, financial institutions comprised by Agribank, Vietnam Bank for Social Policies (VBSP) and other banks are by far the most popular source of credit and cater to 60 percent of all households. The most popular source of credit in the formal sector is Agribank catering to 43 percent of all households, followed by VBSP catering to 15 percent of all households and other banks catering to 1 percent of all households.²

The formal financial sector is followed by the semi-formal sector, which caters to 37 percent of all households. The Vietnam Women's Unions are the most important source catering to 23 percent of all households followed by farmer associations, which cater to 13 percent of all households. In comparison development projects only reach 1 percent. The informal sector comprised of relatives and neighbours, caters to 13 percent of all households with relatives and neighbours being the most important source while private lenders and middlemen are used by only three percent of all households, respectively.

As far as the volume of credit is concerned, Agribank and other banks are providing the biggest loan amounts with a maximum individual loan amount disbursed of VND 400 million and an average amount of VND 22.6 million in the case of VBARD and a maximum individual loan amount of VND 80 million and an average amount of VND 29.2 million, respectively, in the case of other banks. The average loan amounts disbursed by all other formal, semi-formal and informal credit providers do not exceed VND 10.2 million even though individual loans can be as high as VND 60 million in the case of relatives and friends and VND 50 million in the case of VBSP.

² The leading role of the formal financial sector and of Agribank, previously the Vietnam Bank for Agriculture and Rural Development, in financing fisheries and aquaculture in Vietnam, was already shown by the study on fish marketing and credit in Vietnam, which was carried out with support from FAO during 2001 and 2002. The findings of this study are reported in FAO Fisheries Technical Paper 468.

As far as the purpose of taking a loan is concerned, this is about equally divided between agriculture, aquaculture and capture fisheries with 35, 33 and 31 percent of all households, respectively, borrowing for these activities. When considering the average amounts of loans borrowed for aquaculture, capture fisheries and agriculture though, aquaculture secures the highest credit input with an average loan amount of VND 26.4 million, followed by capture fisheries with an average loan amount of VND 14 million and agriculture with an average loan amount of VND 13 million.

In the case of aquaculture about four-fifth of all households, which are involved in this activity, are borrowing for low tide and high tide shrimp culture while one-fifth of all households borrow for fish culture. Mollusc culture is comparatively insignificant.

As far as fish culture is concerned, about two-third of all households are involved in pond culture while about one-third are involved in cage culture. Relatively few households are involved in operating shrimp nurseries, shrimp and fish hatcheries and in culture of snails and crabs and rice-cum-fish culture. In the case of capture fisheries, fixed fishing gears such as fish corrals, lift nets and bottom gillnets and mobile gears such as surface gillnets, trammel nets, hook and lines, rakes and push nets are the most common fishing gear used.

As far as interest rates are concerned, private lenders charge as much as 2.5 percent per month. Financial institutions in Vietnam except VBSP are free to set their own interest rates. Agribank and other financial institutions charge about 1 percent per month while VBSP only charges 0.65 percent. The informal sector such as relatives neighbours and middlemen charge from 1 to 1.5 percent per month. Interest rates in the semi-formal sector are about 0.5 percent per month.

Institutions, lending policies and procedures

As described in the socio-economic baseline survey of Hue Lagoon, carried out by the IMOLA project, micro-credit is generally available from financial institutions such as the Vietnam Bank for Social Policy and from the semi-formal sector, which comprises Peoples' Credit Funds (PCFs), credit cooperatives, the Vietnam Women's Union (VWU), NGOs, project driven and donor funded initiatives such as the TTHRDP (Thua Thien Hue Rural Development Project) and through mass organizations such as farmers and youth unions. Women's Unions and mass organizations also play a role in sponsoring and

identifying potential borrowers for VBSP and assisting in the recovery of loans. Rural credit for fisheries and aquaculture activities is available from Agribank and other financial institutions.

In terms of microfinance, which caters to poor households, the maximum loan amount available from VBSP is VND 7 million repayable in 2 to 3 years with a monthly interest of 0.65 %. Loan sanctioning is based on the assessment of the merits of the project applied for, on the credit worthiness of the borrower and on the recommendation of the Peoples' Committee of the commune, where the borrower resides and of the VWU or another mass organization, with which VBSP cooperates. No collateral in terms of security assets or landed property is needed. Semi-formal microfinance conduits such as the TTHRDP³ also provide credit without collateral. The maximum loan amount is much smaller than in the case of VBSP, i.e. VND2 million repayable in 2 years with a monthly interest rate of 0.5%.

Even though VWU does not disburse credit by itself and from its own financial resources, it assists VBSP and a large number of international NGOs and donors in providing micro-credit to the poor. The VWU in Phong Dien for example manages funds from the Nordic Assistance to Vietnam and the donor funded TTHRDP while the VWU in Quang Dien manages funds from the NGO Bread for the World and the Nordic Assistance to Vietnam. As far as the activities are concerned for which credit is being provided, fisheries and aquaculture is unfortunately not part of it. The raising of pigs and other livestock is funded by these micro-credit programmes instead.

As far as shrimp and fish farmers and fishers operating in and on the lagoons are concerned, Agribank is their major source of institutional credit. Agribank has provided substantial amounts of credit for fisheries and aquaculture in Thua Thien Hue Province. Loan recovery though has been much below average because of failure of aquaculture and (to a lesser extend) fisheries enterprises, mainly due to unsustainable aquaculture practices, resulting in water pollution and death of cultured shrimp. Thirty percent of all outstanding loan amounts are overdue. Aquaculture is responsible for three-fourth of the overdue loan repayments, while capture fishery accounts for one-fourth.

In recent years, Agribank has introduced many customer friendly innovations in its banking services, which helped the bank to reach people in the communes and at the

³ TTHRDP will discontinue its lending activities in the near future in the light of the new regulations for the microfinance sector in Vietnam, which are described further below.

grassroots level, where it has limited representation. One of these innovations are mobile banking services, which have improved the outreach of credit and deposit services. Agribank requires collateral in the case of loans to individuals exceeding VND 10 million. For loans to individual borrowers below VND 10 million, Agribank does not require collateral but uses group lending instead without necessarily imposing a joint liability guarantee as many NGOs and mass organizations do. In the case of groups of borrowers, Agribank can provide VND 30 million without collateral.

In the case, fixed assets such as landed property are accepted as collateral by Agribank, credit can be provided against 70 percent of the assessed value of the fixed asset. Fish and shrimp ponds can also serve as collateral and credit can be provided against 50 percent of the assessed value of shrimp and fish ponds. Agribank's lending procedures allow for rescheduling of loan repayment in the case of genuine default due to shrimp/fish diseases and natural calamities, which result in crop failures.

Apart from compulsory savings programmes in the context of microfinance programmes operated by the semi-formal sector, voluntary savings and deposit facilities are offered by financial institutions such as Agribank, VBSP and others and the interest rates, which are being offered, are quite attractive. VBSP for example offers a monthly interest on savings accounts of 0.7 percent, which exceeds the interest charged on loans. Attractive voluntary savings and deposit facilities can play an important role in the capital built-up within the fisheries and aquaculture sector and also have a direct impact on the livelihoods of fishers, fish farmers and their households and families by helping to accumulate funds, which can be used for education, health care, nutritional purposes and for improving housing conditions and for other purposes.

Constraints and shortcomings

While the large majority of households in Thua Thien Hue and in the project area of IMOLA have access to rural credit and microfinance from formal and semi-formal sources, there are still households, which do not have access to credit. This includes the poorest and most vulnerable households, i.e. the so called Sampan households, which live on boats. Some of these communities have recently been resettled and face difficulties to adjust to their new livelihoods. Limited access to credit prevails in the communes of Loc Tri, Vinh Xuan, Quang Loi, Quang Cong and Dien Hai.

In terms of the amounts of loans, which can be obtained by poor households without collateral, many households as well as representatives of VWUs and other organizations observe that these are insufficient in many cases. A lack of investment and working capital, however, usually results in a less profitable enterprise and is an issue to be urgently addressed in future lending activities. Should environmental and sustainability concerns be more seriously considered in future aquaculture and capture fisheries operations, this will probably increase capital and working capital requirements and increase the size of loans needed to undertake a viable and sustainable aquaculture activity.

As far as insurance cover is concerned, no insurance is presently available to shrimp and fish farmers, as part of microfinance programmes or otherwise, which could help them to better deal with crop failures due to natural calamities and diseases. A lack of insurance cover also is a constraint to banks to expand their financial exposure to the sector. Insurance, however, is only one element of risk management.

More important elements of risk management are production practices, which minimize the risk of production failures through minimizing risks and sources of pollution and of spreading diseases. Likewise, local communities and governments need to put measures in place, which protect against the impact of natural calamities and enable communities to manage the consequences of natural calamities. The adoption of responsible, risk reducing production practices, particularly in the case of aquaculture, and the introduction of disaster and natural calamities management programmes is a prerequisite and needs to go hand in hand with the introduction of insurance programmes covering crop failures due to environmental impact and natural calamities.

2.2 Recent changes in the microfinance scenario of Vietnam

Following the passing of Decree No. 28/2005/ND-CP of March 9, 2005 on Organization and Operation of Small-scale Financial Institutions in Vietnam, major changes will be occurring in the microfinance scenario of Vietnam. The decree, which is supported by the Asian Development Bank, attempts to create a comprehensive legal framework for microfinance operations in Vietnam. Prior to passing the decree, the semi-formal sector comprising international and domestic NGOs, social organizations, socio-professional organizations, charity and social funds was operating outside the existing law on credit institutions. Many microfinance programmes were initiated and implemented by

government agencies and mass organizations in cooperation with international NGOs and donors.

Because of the lack of a comprehensive legal framework, the transition of these project driven initiatives and programmes to the formal financial sector was constrained and so was the continuation and sustainability of these programmes. The lack of a comprehensive regulatory framework was further seen to be a major constraint to the growth of the microfinance sector in Vietnam with investors being reluctant to enter the microfinance sector.

The decree supports the development of a formal microfinance sector, which is market oriented and follows best financial and banking practices and principles such as sustainability of institutions, good governance, application of accounting principles and the setting and meeting of performance targets. It allows Vietnamese socio-political organizations, socio-professional and social organizations, charity and social funds as well as Vietnamese non-governmental organizations to set up small-sized financial institutions and invites other domestic and foreign individuals and organizations to contribute capital to the newly registered small-sized financial institutions. Capital requirements for MFIs providing credit and receiving voluntary savings are VND 5 billion and capital requirements for small-sized financial institutions not allowed to receive voluntary savings have been set at VND 500 million.

Licences for small-sized financial institutions are granted for an initial period of 50 years, which can be extended. The decree defines small-sized financial institutions as institutions providing small and simple banking services to low-income or poor households and individuals. These households and individuals are defined based on geographical regions and areas of Vietnam or on the standards set by small-sized financial institutions. The term small and simple banking services comprises the provision of small-sized credits, voluntary and compulsory savings deposits, money transfers and insurance services. Small-sized credits are defined as loans of small value, with or without security assets, provided for low income households or individuals to be used for income generation and improvement of living conditions.

In the context of the passing of the decree, presently on-going microfinance components of projects such as the Thua Thien Hue Rural Development Project will be discontinued and transferred to national financial institutions such as Vietnam Bank for Social Policy.

The passing of Decree No. 28/2005/ND-CP of March 9, 2005 on Organization and Operation of Small-scale Financial Institutions in Vietnam while transferring credit and microfinance programmes, which have so far been handled by projects and the semi-formal sector, to financial institutions, makes it necessary for financial institutions to undertake capacity building measures so that they can successfully incorporate new target groups and activities, which have so far been dealt with by others.

2.3 Context and focus of future credit, microfinance and insurance programmes

The FAO project Integrated Management of Lagoon Activities in Thua Thien Hue (IMOLA) aims to improve the livelihoods of people dependent on the lagoon system in Thua Thien Hue by promoting a participatory sustainable management of the hydro-biological resources in the lagoon system, including the fisheries resources, in accordance with the production systems requirements of the population and with particular emphasis on gender roles, the achievement of food security and the alleviation of poverty.

The overall goal of the project is to be achieved through the development and implementation of an integrated lagoon management plan to be developed in consultation and with participation of all stakeholders. The sustainable use of the lagoon systems' resources is seen as a pre-requisite for sustaining the livelihoods and meeting the needs of the users of the lagoons' resources.

Within this overall context, it is recommended that future credit, microfinance and insurance programmes play three major roles, i.e.:

- Firstly, the existing credit and microfinance programmes and services can probably enhance the income generating capacity of households, food security as well as overall social and economic security and risk management capacity by improving certain aspects of the services offered and by becoming more client oriented and need based and by reaching out to poor target groups and households, which have so far been neglected. In addition, services should also cover needs, which have not been met so far, such as the need for aquaculture insurance. Other insurance services such as health insurance should also be promoted among fishers and fish farmers to improve the management of risks.

- Secondly, in order to contribute to the goals of IMOLA and achieve a sustainable use and management of the lagoon systems' resources, credit and microfinance programmes should be reoriented to focus on such income generating activities, which make a sustainable use of the resources of the lagoon system and do not contribute to their overexploitation, to the degradation of the lagoon aquatic environment and eco-system. Credit programmes should further expand their scope and clientele to support investments for the rehabilitation and conservation of the ecology and aquatic resources of the lagoon system, which are undertaken by stakeholder associations and local governments including investments in infrastructure.
- Thirdly, there seem to be opportunities to expand the range of economic activities, which can be undertaken by women and supported by credit and microfinance. In the field of fisheries, post harvest activities including fish processing and marketing are presently carried out only on a marginal scale and there is scope to expand activities in many cases and develop income generating activities further and transform them into small and medium-scale enterprises.

Recommendations as to how these roles can be fulfilled are made chapter 2.3.1, 2.3.2 and 2.3.3 below.

2.3.1 Increasing coverage and efficiency of on-going credit and microfinance programmes and their focus on poverty alleviation

In order to expand the coverage of rural credit and microfinance programmes it is recommended that IMOLA, jointly with financial institutions such as VBSP, Agribank, the VWUs and other concerned partners carries out an assessment as to why communes such as Loc Tri, Vinh Xuan, Quang Loi, Quang Cong and Dien Hai do not have adequate access to credit and microfinance services. The assessment should identify present constraints and explore opportunities to improve the access of these and other communities to credit and microfinance. The Fisheries Associations of the concerned communes should actively participate in the process.

Increasing coverage and efficiency of on-going credit and microfinance programmes further involves the adjustment of loan ceilings to the actual requirements of borrowers

both in rural credit and microfinance programmes. This would increase the quality and economic impact of lending in the short-term while reducing the total number of loans.

In the medium- and long term, however, in the context of the opening-up and liberalization of financial and capital markets in Vietnam, also in the context of Vietnam's forthcoming membership in the WTO, financial institutions might be able to attract more capital and funds available for lending, so that they will be in a position to meet the market demand for credit both in terms of the size of individual loans as well as in terms of the number of loans to be disbursed. As far as microfinance is concerned, Decree No. 28/2005/ND-CP of March 9, 2005 on Organization and Operation of Small-scale Financial Institutions in Vietnam has opened the door to the development of a market oriented formal financial sector, consisting of regulated banks and Microfinance Institutions (MFIs) and supporting best principles such as sustainability of institutions, performance targets, good governance and application of accounting principles.

The decree allows NGOs and other social organizations, to establish independent microfinance institutions under a general operating licence from the State Bank of Vietnam. Licences are provided for operation at provincial levels and do not have national coverage. Existing credit and microfinance programmes could also improve their efficiency and impact by improving partnerships and linkages of financial institutions and NGOs with institutions and organizations that can provide technical training and marketing support and linkages.

It is recommended that the IMOLA project identifies the actually capital and working capital requirements of aquaculture and fisheries enterprises, which are considered environmentally friendly and sustainable, and conveys these to financial institutions through a seminar. The identification of capital and working capital requirements should be undertaken jointly with stakeholders in the context of the business and management training, which is to be undertaken by the project. The inputs of the Fisheries Associations and their suggestions should be invited.

2.3.2 Reorientation of credit and microfinance programmes in support to the introduction of responsible and environmentally friendly fishing, aquaculture and post-harvest practices

Financial institutions such as Agribank are already aware that aquaculture practices, which pollute the lagoon, result in fish diseases and the failure of aquaculture enterprises. As a result, Agribank is reluctant to entertain loan applications from residents of communes, where no regulations are in place, which support sustainable aquaculture practices. A reorientation of credit and microfinance programmes would have implications for lending procedures particularly for the appraisal of loan applications and for the monitoring of loans use to include environmental impact and sustainability assessments and monitoring. This again would be helped by partnerships and linkages with government, stakeholder and academic institutions and organizations, which play a role in the management and conservation of the lagoon systems resources.

It is recommended that once management decisions have been taken by Fisheries Associations and other concerned stakeholders at the commune level as to changes of fishing gear dimensions, specifications and areas and periods of operations; environmentally friendly aquaculture operations including pond designs, locations, sizes, use of water storage and waste treatment ponds etc., these decisions should be conveyed to local financial institutions so that they can be considered when approving or rejecting loan applications.

Based on the management decisions, a leaflet should be prepared, which can be used by bank officers to evaluate whether a project proposal and loan request complies with standards of responsible fisheries and aquaculture practices. A seminar should be organized during which the information should be disseminated to all concerned stakeholders including the representatives of FAs, financial institutions and local government.

2.3.3 Promoting the creditworthiness of vulnerable groups and enhancing the socio-economic role of women

One of the poorest segments of the population residing on the lagoons of Thua Thien Hue are the Sampan communities. Recently resettled Sampan communities do not have access to microfinance services provided by the Vietnam Bank for Social Policy. One of the reasons for this situation is probably the lack of familiarity of VBSP with the livelihoods and opportunities for income generation and improvement of the living conditions of these communities as well as the lack of funds for this purpose.

It is recommended that IMOLA implements a pilot project for recently resettled Sampan communities, which comprises a revolving loan fund in support of income generating activities to be operated through the Provincial VWU to be accompanied by training and technical assistance in support of the livelihood activities identified by the target group. The draft scheme, which has been developed by the IMOLA project, is attached as Annex 4. It should be reviewed by the Provincial Women's Union and revised according to the suggestions of the PWU.

In order to facilitate the continuation and sustainability of the livelihood and revolving fund support programme once IMOLA's pilot scheme has ended, it is recommended that the VBSP and other interested MFIs are closely associated with the implementation of the scheme so that they can continue the activities later on. The scheme involves the establishment of management units at the commune level and involves the commune's women's unions as well as the people's committee of the commune. The loan funds are to be provided by the IMOLA project through the Provincial Women's Unions as trust fund to the commune women's union management boards.

Administratively, the IMOLA project could prepare a Contractual Services Agreement(CSA) with the PWU and provide the funds under a Memorandum of Understanding (MOU), to be attached to the CSA, which specifies the roles and responsibilities of the IMOLA project, the PWU and the communes involved in the scheme.

As far as the MOU, the regulations and the documents to be used in the scheme are concerned, it is recommended to adapt and simplify the MOU, regulations and documents, which were used by the FAO/UNDP supported project VIE/98/009 'Aquaculture Development in the Northern Uplands of Vietnam'⁴.

The regulations and documents to be adapted in cooperation with the PWU include:

- regulations on the operation and administration of the microfinance programme with emphasis on the authority and responsibility of IMOLA, the provincial and commune's women's unions and the commune management units;
- regulations for loan applications, appraisal and sanctioning; loan ceilings, lending periods and loan repayment and savings mobilization;

⁴ Regulations and documents to be adapted are shown in FAO Fisheries Technical Paper 440 on microfinance and fisheries and aquaculture on pages 80 ff.

- loan documents such as loan application form, livelihood proposal, loan agreement, loan appraisal, credit and savings register of commune management unit, borrower's file, progress report and other documents.

As far as the size of loans is concerned, the amounts mentioned in Annex 4 should only be considered as loan ceilings. Actual loan amounts would depend on the proposed livelihood activities. It should also be clearly mentioned in the communes that the revolving fund is intended to support the improvement of livelihoods through the generation of income and savings and not through using loans for consumption and other purposes.

With the view to enhance the socio-economic role of women, it is recommended to actively identify income generating activities for women in the field of post-harvest activities such as fish processing and marketing, in ancillary activities such as net making, lime production and non-fisheries activities such as manufacture of handicraft items, eco-tourism and similar activities. It is recommended that the IMOLA projects seeks additional funding, which can be used to employ national consultants or staff capable to identify such activities and to provide training and support to the start-up of livelihood activities and micro-enterprises for women.

2.3.4 Target groups and their credit, microfinance and insurance needs

The following target groups for rural credit, microfinance and insurance services can be distinguished.

Microfinance programmes: poor and vulnerable groups such as the Sampan communities as well as women in the communities residing on the lagoons.

Rural credit: all members of communities residing in communities residing on the lagoons of Thua Thien Hue including the poor, who are involved in fishing, aquaculture, agriculture and other income generating activities as well as members of these communities, who want to engaged in these activities.

As far as insurance services are concerned, all members of the communities should be the target group of health and life insurance while those, who are involved in

aquaculture and agriculture should form the target group of crop or aquaculture insurance, which is, however, not available at present.

As far as savings needs are concerned, all members of the communities benefit from safe and reliable deposit and savings services such as regular savings accounts, fixed-term deposits and other forms of savings provided the terms and interest on savings are remunerative. Savings can help to meet consumption needs, help with the education of children, the purchase and construction of houses, to meet medical and other unforeseen expenses, to provide funds in times of need and many other purposes.

Microfinance needs are broad and related to the generation and protection of income, to stabilize consumption, develop micro-enterprises, to manage risks better and to ultimately increase the earnings capacity and reduce economic and social vulnerability. They cover both productive and non-productive purposes and needs.

Rural credit, on the other hand, is generally meant to meet productive needs but can also cover consumer needs, which need to be met, such as housing, education, health related needs, in order to carry out productive activities.

As credit funds are presently still limited, it is recommended that Agribank, VBSP and other financial institutions focus their activities on the poorer segments of the communities residing on the lagoons of Thua Thien Hue, to have a maximum impact on the improvement of livelihoods.

In the case of fish, shrimp, crab and molluscs farmers residing on the lagoons in Thua Thien Hue, the following credit needs should be considered as a matter of priority: capital investment and working capital requirements related to low tide rotating poly-culture of shrimp, crabs and fish; farming of freshwater fish in ponds; fish farming in cages, fattening of crabs and snails.

Shrimp farming in high tide ponds should be of lower priority as the investment cost involved is higher and those, who are presently involved in these activities, belong to the better-off segments of the communities and may want to use their own capital rather than taking a loan, the amount of which is anyhow too small to meet the investment capital cost. Prior to additional lending to this sub-sector, regulations should be introduced in all communes, which make it compulsory to use different channels for

water in- and outflow and to use holding ponds for treatment of water, before it enters ponds and before re-enters the lagoon.

When considering loan applications, financial institutions should take into consideration whether environmentally responsible regulations are in place in the commune and area, where the activity for which credit is requested is to be undertaken. This includes regulations regarding water in-and outflow of ponds and waste water treatment and holding ponds; regulations regarding the location and density of cages and pens; regulations regarding the monitoring of water quality and other regulations. Agribank has already some similar regulations in place.

The following of proper management regulations does not only contribute to the conservation and rehabilitation of the aquatic resources and environment but has also a direct impact on the economic success of fisheries or aquaculture enterprises as it reduces the risk of fish and shrimp diseases and failures of enterprises and improves the quality and value of the product as well as food safety.

It is further recommended that in case of shortage of funds and otherwise, loan applications from communes, which have environmentally responsible regulations in place, should have priority over loan applications from communes, which do not have such regulations in place.

In the case of credit for capture fisheries, it is recommended that priority should be given to providing credit to users of mobile fishing gear such as various types of gillnets and trammel nets, hook and lines including longlines, push nets and for boats and engines which are used to operate these gears. Credit should also be provided for fish finding, navigational and safety equipment.

In case of limitation of funds, lower priority should be given to capital investment and working capital needs of fixed fishing gear such as fish corrals, bottom set gillnets and lift nets as these types of gear are operated by households, which generally belong to the middle and upper income groups. Prior to continuing lending for fixed fishing gears, regulations should be put in place regarding the location and dimensions of these gears such as mesh sizes, length etc. to ensure that they do not contribute to the overexploitation of fisheries resources, do not pose obstacles to water circulation in the lagoon, to navigation and to the operation of mobile fishing gear.

As in the case of aquaculture activities, when considering loan applications, financial institutions should take into consideration whether environmentally responsible regulations are in place in the location, where the activity for which credit is requested, is to be undertaken. In addition to what is already mentioned above, this includes also regulations regarding the dimensions of mobile fishing gears such as mesh sizes, length and depth of nets, size of push nets, number of hooks and length of longlines etc. The existence of fishing gear regulations for mobile fishing gear ensures that the financing of fishing gear and craft does not contribute to overfishing and has a negative effect on the economic performance of capture fisheries in the lagoon and on aquatic resources and environment. Other regulations, which apply to both fixed and mobile fishing gear, concern the establishment of closed fishing seasons, protection of spawning grounds of fish and shrimp and similar measures.

Other important credit needs are related to the preservation, processing and marketing of the catch as well as to ancillary activities such as boat building and repair, net making. In the field of fish processing, loans for the production of raw and processed shrimp and fish sauce and for hygienic fish drying, packaging and marketing might be an opportunity to involve women and to improve their livelihoods and those of their families and households in Thua Thien Province.

There are also non-productive credit needs related to housing, education, health care and other purposes, which should be met by financial institutions.

In addition to credit needs of individuals and households there are also credit needs of fisheries associations and other organizations. In the case of FAs, credit might be needed for expenses related to the conservation and rehabilitation of fisheries resources in their jurisdiction and to their management.

2.3.5 Involvement of financial institutions, women's unions, NGOs, FAs, DOFI and local government

Fisheries associations (FAs)

Within the framework of their associations, according to Article 9 of the Regulations of the Management of Lagoon Fisheries in Thua Thien Hue, members of FAs can create

forms of voluntary fisheries economic cooperation including the operation of credit and savings programmes. Some of the FAs already have such programmes in place, which involve small amounts, which are made available to the neediest members at very flexible conditions.

It is recommended that Fisheries Associations should conduct their savings operations with the objective to build up financial capital, which makes it easier for them to access loans from financial institutions rather than using all deposits and savings of members to provide loans to members. It is further recommended that FAs use the deposits of their members primarily to assist members in cases of need such as accidents, illness, and failure of a fishing or fish farming season or similar events, which impair the income earning capacity of members through flexible loans or other financial assistance.

It is considered important that fisheries associations are being perceived by their members as tools to participate in the conservation, management and rehabilitation of aquatic and fisheries resources under their jurisdiction and not as conduits of easy financial benefits.

Following the training of members of FAs on financial record keeping and business plan development, each FA should prioritize the most important fisheries and aquaculture investment and credit needs of its members and prepare a simple financial analysis for each of the needs, which should be updated every six months. These records could then be conveyed to banks together with information on their capital built-up in order to inform financial institutions on their actual investment needs and to establish a good credit rating. Each FA should likewise maintain records of its operations including financial transactions, so that the financial and economic performance of the FA and its members can be verified and monitored by financial institutions, which are approached for credit.

Women's unions

The VWUs can play an important role in training FAs on financial matters including credit and saving, small-scale business development and management. They can also play a role in promoting borrowers to banks such as VBSP and appraising their loan applications and reminding them to repay their loans in a timely manner. VWUs can also be involved in the generation of savings, which are then deposited in a bank.

Furthermore, women's unions can be partners in the design implementation of pilot livelihood and microfinance schemes such as the one for resettled Sampan communities.

Department of fisheries (DOFI) and aquaculture extension centre

As far as credit and microfinance programmes are concerned, the DOFI and the aquaculture extension centre should provide technical and vocational training and help in monitoring of the proper use of loans as far as the carrying out of fish culture and capture fisheries operations are concerned. Together with FAs, DOFI should also ensure that fisheries and aquaculture regulations are strictly followed.

Local government

Local government can certify the credit worthiness of borrowers and their residence and poverty status and monitor that loan supported fishery and aquaculture assets are used in accordance with existing fisheries, aquaculture and environmental regulations. Very importantly, local government should ensure that in its area of jurisdiction, management and environmental regulations are in place and followed, which ensures that the ecological health and balance of the lagoon system is conserved and restored and that aquatic and fisheries resources are harvested and cultivated in a responsible and sustainable way.

2.3.6 Training and extension materials that suit training needs of fisheries associations

The terms of reference of the consultant mention the review of extension and training materials on fisheries credit, savings and insurance prepared by the national project consultant on rural credit and savings. By the time of the mission of the international consultant, the national consultant had not yet been recruited and no materials were available for review.

In meetings with representatives of the Provincial Women's Union, Agribank of the Vietnam Bank for Social Policy, the consultant was informed that the financial institutions, in cooperation with the aquaculture extension centres, are providing or capable to provide training for aquaculturists and fishers on small-scale business planning, maintaining of financial records, responsibilities and rights related to the

access and use of microfinance and rural credit. Similar training is provided by the provincial and district women's unions.

In addition to the training materials on business planning and management for sustainable small-scale aquaculture ventures, already prepared for the IMOLA project by the consultant Roberto F. Agbayani, it is recommended that the IMOLA project should use the existing training materials on maintaining financial records, responsibilities and rights related to the access and use of microfinance and rural credit as well as the trainers rather than develop own training materials to avoid a duplication and overlap of efforts.

3. Seminar on promotion of small-scale fishing communities among financial institutions in Asia and the Pacific

As part of the mission, a seminar was organized by the IMOLA project on 6. November 2006 in the meeting room of the IMOLA project. The seminar was attended by 30 representatives and members of fisheries associations, local governments, Agribank, VBSP, the department of fisheries, the provincial women's union, staff of the IMOLA project and other stakeholders. The list of participants in the seminar is attached as Annex 5. The purpose of the seminar was to familiarize stakeholders with credit and microfinance issues and to encourage their participation in future credit and microfinance activities related to the implementation of the IMOLA project.

During the seminar, the consultant presented a PowerPoint presentation on the promotion of small-scale fishing communities among financial institutions in Asia and the Pacific. The PowerPoint presentation is part of a training package, which is used by members of the Asia Pacific Rural and Agricultural Credit Association (APRACA) to familiarize rural financial institutions with the characteristics of small-scale fishing communities and their credit needs. The presentation also elaborated on lending policies and mechanics, which suit the need of small-scale fishing communities. In Vietnam, both Agribank and the Vietnam Bank for Social Policy (VBSP) are members of APRACA.

The presentation was followed by a presentation of Ms Nguyen Phuoc Lai, IMOLA Project Assistant, on the proposal of a pilot livelihood support and micro-credit scheme for recently resettled Sampan communities. The scheme is described further below in the report and attached as Annex 4.

The seminar helped to raise awareness of stakeholders of the importance of credit and microfinance programmes in support of livelihoods of the poor residing in lagoon-side communities and familiarized them with important features of credit delivery and recovery mechanisms. The presentations also highlighted that without securing and improving the livelihoods of people living on the lagoons their participation in efforts to conserve aquatic resources and the health and balance of the eco-system of the lagoons cannot be ensured.

Participants in the seminar stated their commitment to participate in the efforts of the IMOLA project and also made specific suggestion regarding the design and implementation of the pilot scheme for resettled Sampan communities. These suggestions have been incorporated in the scheme, which attached as Annex 4.

4. Backstopping of credit, savings and insurance activities by IMOLA staff

Regarding the backstopping of credit, savings and insurance activities by IMOLA staff, including the implementation of the pilot microfinance scheme for recently resettled Sampan communities, it is suggested that the project recruits and employs a full-time technical staff with experience in rural credit rather than using the services of a national consultant in the field of rural credit, savings and insurance as envisaged in the project document. The funds, allocated in the project budget for a four months national consultancy can be used more efficiently for the recruitment of a full-time technical staff. The staff should be supervised and backstopped by the project assistant, who has experience with rural credit programmes and who already formulated the pilot microfinance scheme for resettled Sampan communities.

5. IMOLA follow-up to report of international consultant on credit, savings and insurance and recommendations for the incorporation of credit, savings and insurance issues and concerns into the formulation of the second phase of the IMOLA project

5.1 Follow-up to mission of international specialist on credit, savings and insurance

Regarding the proposed follow-up, it is understood that some of the proposed activities might require additional funding. Additional funding requests could be addressed to FAO and donors during the forthcoming tri-partite review of the project.

With a view to facilitate the transformation of the microfinance sector in Thua Thien Hue following the passing of Decree No. 28/2005/ND-CP of March 9, 2005 on Organization and Operation of Small-scale Financial Institutions in Vietnam, it is recommended that the IMOLA familiarizes the formal rural credit and microfinance sector with the credit needs and requirements related to a sustainable management and resource use of the lagoon system of Thua Thien Hue and to the improvement of livelihoods.

This should include the familiarization and sensitization of VBSP, Agribank and other MFIs and rural credit institutions with the role and responsibilities of Fisheries Associations in the management and conservation of aquatic and fisheries resources and with investment, credit and savings needs of their members with particular focus on livelihood opportunities of poor households. It is recommended that the IMOLA project, in cooperation with DOFI, the Provincial WU and concerned local government units prepares and distributes an information brochure for financial institutions, including Agribank, VBSP and other financial institutions and organizes of a one-day seminar in early 2007.

With a view to facilitate aquaculture insurance services in the province, it is further recommended, that the IMOLA project, in cooperation with DOFI and the provincial Government, invites the aquaculture insurance company Groupama, which operates in the southern provinces of Vietnam, to observe the aquaculture industry in Thua Thien Hue, at their own expense, and to familiarize itself with the ongoing efforts to improve the sustainability of aquaculture in the lagoons of Thua Thien Hue. It is further recommended that the IMOLA project organizes a one-day seminar in 2007 on insurance for small-scale aquaculture enterprises to be attended by Groupama representatives, representatives of FAs, fish and shrimp farmers, DOFI, the VWUs, local government units and other stakeholders, where the introduction of aquaculture insurance services in the province can be discussed.

It is further recommended that IMOLA implements a pilot project for recently resettled Sampan communities, which comprises a revolving loan fund in support of income generating activities to be operated through the Provincial VWU and to be accompanied

by training and technical assistance in support of the livelihood activities identified by the target group. It is further recommended, that the IMOLA project organizes semi-annual review meetings to be attended by representatives of the PWU, the PPCs and FAs of the communes, where the pilot scheme will be implemented, and the Vietnam Bank for Social Policy, where the progress of the scheme will be reviewed and modifications of the scheme, as necessary, can be agreed upon by all parties concerned.

As far as income generating activities in the post-harvest field are concerned, which can be undertaken by women, it is recommended that the IMOLA project, in cooperation with local universities and DOFI, conducts a feasibility study on the production of raw and processed shrimp and fish sauce and on hygienic fish drying, packaging and marketing. This might provide opportunities to involve women and to improve their livelihoods and those of their families and households. Following the feasibility study, the IMOLA project should provide training to women, who are interested to get involved in post-harvest activities and also supply the necessary equipment or inform financial institutions of credit needs related to post-harvest activities.

The IMOLA project also might want to identify new partnerships, which could support the project in its efforts to facilitate a better access to credit and microfinance for fishers, fish farmers and other stakeholders in the management of the lagoon systems and the improvement of livelihoods through technical assistance, training and through funding. It is recommended that the IMOLA project informally approaches the Italian Federazione Giordano Dell'Amore, Milano, which also an active partner of the International Federation of Agricultural Credit. Initial informal contacts can be followed later on through formal communications through FAO HQ.

Considering the fact that the Fisheries Associations in Thua Thien Hue have only been established recently and do not yet play any economic role, it is recommended to organize a study tour for leaders of fisheries associations to Malaysia and Italy. Both countries have active and well functioning fisheries cooperatives and associations, which are involved both in the management of fisheries resources and in economic activities such as the supply of fishing inputs, fish processing and marketing, operation of credit and microfinance programmes for their members and other economic activities.

5.2 Issues to be incorporated into the formulation of second phase of the IMOLA project

The formulation of the second phase of the IMOLA project should include an activity for the expansion and adaptation of the microfinance scheme for resettled Sampan communities to other districts and communes and promotion of the continuation and sustainability of the scheme through the involvement of the VBSP in the scheme. During the second phase of the IMOLA project, credit funds should be sought from national financial institutions such as VBSP while the role of the IMOLA project should focus on capacity building and training in the field of fisheries and aquaculture related as well as alternative income generating activities for Sampan communities and on their empowerment to actively participate in the management and sustainable use of fisheries resources.

The formulation of the second phase of the IMOLA project should also include the design of sustainable and environmentally friendly aquaculture, capture fishery and post-harvest techno-economic and financial model packages and enterprises and capacity building of financial institutions for the financing of these enterprises through information dissemination and the organization of seminars and training courses. This should be accompanied by creating awareness among financial institutions such as Agribank, VBSP and other MFIs of credit and microfinance needs related to the introduction of sustainable aquaculture and fisheries practices through information dissemination and the organization of seminars and training courses.

It is further recommended that the formulation of the second phase of IMOLA should include the identification of micro-enterprise opportunities in post-harvest activities with a focus on value addition through processing and marketing of aquatic and fishery products. Training and micro-enterprise support should be provided with a special focus on women entrepreneurs. The investment and credit requirements of such enterprises should be identified and financial institutions should be familiarized with these requirements through the preparation and dissemination of information materials.

With a view to make a contribution to the empowerment of women and to enable them to successfully participate in the post-harvest enterprises, identified with the support of the project, it is recommended that during its second phase, the IMOLA project provides support to the establishment of women associations, with a focus on poor women, which would function as sub- or affiliated associations of existing fisheries associations. The role of these women associations would be to promote and support each other in the establishment and operation of income generating activities and micro-enterprises as

well as to promote and facilitate the participation of women in the management and conservation of aquatic and fisheries resources and environment and their access to microfinance and rural credit.

Another concern to be addressed during the second phase of the IMOLA project is the identification of investment and rural infrastructure credit needs for the rehabilitation and conservation of the hydro-biological balance and aquatic environment of the lagoons of Thua Thien Hue. This would include investment and credit needs related to the reduction of the inflow of domestic and industrial sewage and waste, pesticides and nutrients from the drainage basin; investment and credit needs related to the improvement of water circulation in the lagoon; the protection and restoration of naturally shallow habitats; lagoon bank protection and to similar issues. It is recommended that the IMOLA project assists the Government in the identification of these types of investment and credit needs and facilitates the process of cooperation of stakeholders through preparation and dissemination of information materials, organization of seminars and of exposure visits to other countries, including China, where similar issues are being successfully addressed.

Fisheries related livelihood activities and supporting credit programmes can only be successful and sustainable if the aquatic environment, in which they are conducted, is a healthy one and pollution is kept to the minimum. This is particularly important for aquaculture activities. For this reason, it is pertinent that water quality is regularly monitored by competent authorities and that certificates are available to producers, which are essential to enter new markets, including regional and global export markets. It is therefore recommended, to introduce a component in the second phase of the IMOLA project, which assists the provincial government to establish a water quality monitoring and certification scheme.

ANNEX 1: Terms of reference of International Fisheries Credit, Savings and Insurance Specialist (2 weeks)

Under the supervision of the National Project Manager, the National Project Director and the Chief Technical Advisor of the project and in cooperation with the APO - Socio-economist and the National Consultant – Rural Credit and Savings Specialist and other project staff as appropriate as well as in consultation with concerned national and local institutions and organizations, the International Fisheries Credit, Savings and Insurance Specialist will:

- Identify the needs and opportunities for fisheries and aquaculture related credit, savings, investment and insurance programmes and initiatives
- Review report/s of the national consultants and project staff in relation to credit, savings, investment and insurance issues
- Prepare a framework for a future credit, saving and insurance programme in assistance of the fisheries and aquaculture sector in Thua Thien Hue
- Provide guidance to the APO - Socio-economist and the National Consultant – rural credit and savings specialist for the development of training and extension materials that suit training needs of fisherfolk and fish farmer organizations on credit, savings and insurance issues.
- Provide advice for the incorporation of credit, savings and insurance issues and concerns into the formulation of the second phase of the project and other follow-up proposals.
- Prepare a comprehensive report containing the outcomes of the missions and work accomplished and submit these to the CTA and FAO/FIIT/FIPP in both hard copy and electronic formats (in Microsoft Word 6)

ANNEX 2: Itinerary of mission

Saturday, 28.10	- Departure from Olympia, WA, USA
Sunday, 29.10	- Arrival in Hanoi
Monday, 30.10	- Briefing at FAOR Hanoi by Mrs F. Zaengel, FAOR a.i. - Travel to Hue - Briefing at project with CTA and project staff
Tuesday, 31.10	- Review of project reports and documents
Wednesday, 1.11	- Meeting with Commune Peoples' Committee of Vinh Hien - Meeting with Fisheries Association of Loc Binh - Meeting with CTA, National Project Manager and APO
Thursday, 2.11	- Meeting with Country Representative of Gruppo di Volontariato Civile and project manager of project "Application of Information Technology in the Field of Health Management in Bac Giang Province - Travel to Huong Tra and meeting with Chair- and Vice-chairwomen of Huong Tra Women Union
Friday, 3.11	- Travel to Quang Thai and meeting with members of Commune Fisheries Association - Meeting with CTA of Thua Hue Rural Development Programme
Saturday, 4.11 and Sunday, 5.11	- Drafting of report
Monday, 6.11	- Seminar on credit and microfinance - Meeting with Consultant, Coastal Aquaculture and Co-leader of Training Unit and Training Course Planning
Tuesday, 7.11	- Meeting with Vice-chairman of Agribank of Thua Thien Province - Meeting with Vice-chairman of Provincial Fisheries Association
Wednesday, 8.11	- Drafting of report
Thursday, 9.11	- Presentation of mission report and debriefing with CTA, NPD and project staff
Friday, 10.11	- Departure for Olympia, WA. USA via Hanoi and Taipei
Friday, 10.11	- Arrival in Olympia

ANNEX 3: List of documents and papers reviewed

Project reports reviewed:

1. Report on the organization of fisheries associations
2. Socio-economic baseline survey report of Hue Lagoon. Part I. Survey report.
3. Socio-economic baseline survey of Hue Lagoon. Part II. Methodology and detailed survey results.
4. PRA and SLA Report: Assessment of socio-economic situation in Phu Xuan Commune, Phu Vang District, Thua Thien Hue Province
5. PRA and SLA Report: Assessment of socio-economic situation in Huong Phong Commune, Huong Tra District, Thua Thien Hue Province
6. PRA and SLA Report: Assessment of socio-economic situation in Loc Binh Commune Commune, Phu Loc District, Thua Thien Hue Province
7. PRA and SLA Report: Assessment of socio-economic situation in Vinh Hung Commune, Phu Loc District, Thua Thien Hue Province
8. PRA and SLA Report: Assessment of socio-economic situation in Quang Phuoc Commune, Quang Dien District, Thua Thien Hue Province
9. Report of 1st Training Needs Identification Workshop
10. On-site training needs assessment report
11. Dien Ha PRA report
12. National and provincial laws, regulations and plans that have influence on resource management of the lagoon system in Thua Thien Hue Province

Other papers reviewed:

13. Project Progress Report
14. Decree No. 28/2005/ND-CP of March 9, 2005 on organization and operation of small-sized financial institutions in Vietnam
15. Revised IMOLA project activities in support of the outputs
16. Asia Resource Center for Microfinance (ARCM) – Vietnam Country Profile
17. Outline of training module for high tide shrimp culture techniques and business planning and management
18. Record of interviews with WU's of Quang Dien District, Phong Dien District
19. Credit and savings scheme prepared by Nguyen Phuoc Lai, project assistant

ANNEX 4: IMOLA microfinance scheme in support of resettled Sampan communities⁵

I. GENERAL DESCRIPTION:

1. Objectives and beneficiaries:

1.1 Objectives: To establish a sustainable system of microfinance services at commune level (trust fund at commune level) with the assistance of the IMOLA project. The scheme aims to provide credit and savings services to poor recently re-settled sampan households of Tam Giang-Cau Hai so that they can themselves generate employment, increase their income and improve their standard of living. The scheme will contribute to the achievement of the project's objectives "poverty alleviation, livelihood improvement and local empowerment".

1.2 Beneficiaries: poor fishing households, i.e. resettled sampan households with available labour-force and ability to organize production but without production capital.

2. Principles of the credit and savings scheme

2.1 Compulsory savings play an important role in the scheme by helping to develop savings habits among the poor of the community. The savings are to be deposited in a bank, to be reported to all members at meetings and will be managed by the scheme management board. The obligatory monthly savings amount is VND 10,000, which is also one of the necessary conditions for households to get access to loans. The following considerations and conditions prevail:

- All savings amounts and its interest will be refunded to members in case of their leaving the group.
- Savings show the commitment of group members to adhere to the regulations of group and scheme.
- The ability to save is also an indicator that households are able to use loans effectively.

2.2 Loans will be provided directly to the poor without any requirement of collateral but will be followed up by close monitoring of loan use.

2.3 Loans will be associated with savings deposits.

2.4 Loans will be small and repaid gradually during a one-year period.

2.5 Borrowers have to self-select an appropriate type of investments and livelihoods and the IMOLA project will provide technical assistance and training so that borrowers can achieve good outputs and profits from their activities.

2.6 The interest rate applied should follow the rate of Vietnam Bank for Social Policy and loans will be continuously rotated among members in the group. The Management Board of the group will deposit loan repayments in a bank until they are used for loans to other group members.

2.7 Self management is a basic principle of the credit and savings scheme.

2.8 Monthly meetings will be organized with time and location identified where members contribute monthly savings and make interest and principle payments as stipulated.

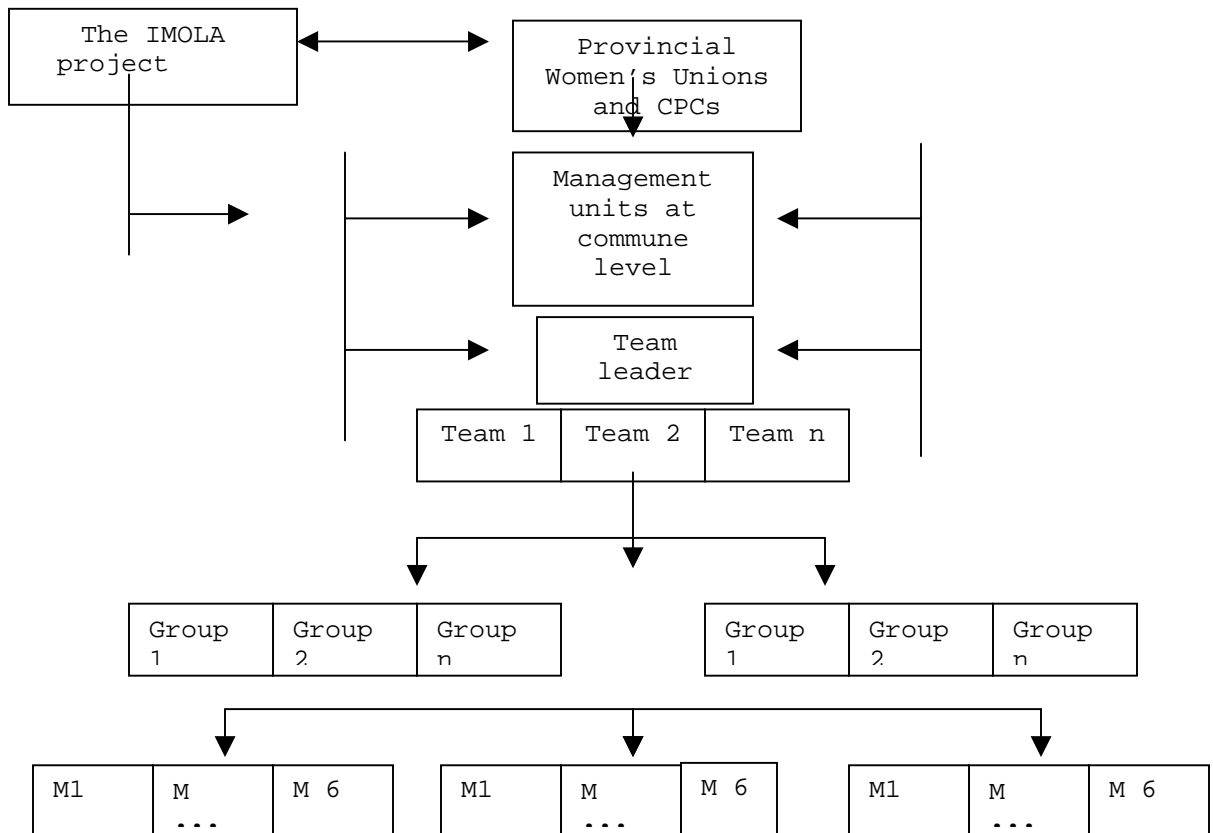
⁵ The scheme was prepared by Ms Nguyen Thi Phuoc Lai, IMOLA project assistant. The version shown in Annex 4 incorporates suggestions, which were made at the seminar organized on 6 November. The scheme is yet to be finalized in cooperation with the Provincial Women's Union and with members of the communes, who are going to participate in the scheme.

- 2.9 Members have to pay double the amount of interest if there is a delay in repaying loan principal.
- 2.10 Members have the opportunity to get access to several loans once they have repaid previous loans and once other members, who did not have the opportunity to take a loan have had a chance of doing so.
- 2.11 Loan sizes:
- minimum: 1,000,000 VND/member/cycle;
 - maximum: 2,000,000 VND/member/cycle
- 2.12 Loan duration: 12 months. Interests have to be paid monthly and loan principal will be paid twice. Half of the loan principle has to be repaid after the first six months and the remaining half after 12 months.

II. ORGANIZATION AND MANAGEMENT:

The savings and credit scheme system will be organized as shown in the below chart:

Diagram of credit and savings scheme management process



1. Role and functions of participants in this scheme

1.1 IMOLA project:

1.1.1 Training on operational regulations of savings and credit scheme and on management and administration such as:

- maintenance of records and accounts by management boards and team leaders;
- appraisal of loan applications by management boards and team leaders;

- management and administration of scheme network at grassroots level;
- training on livelihood activities for borrowers in accordance with purpose of getting loans mentioned in the loan applications.

1.1.2 Coordinate with Provincial Women's Unions and Women's Unions at commune level to distribute loans to groups.

1.1.3 Assist and supervise all activities of teams and management boards.

1.2 People's committee of the communes:

- a vice-chairman of the commune's peoples committee will be assigned to monitor the scheme;
- assist the commune's women union to appraise loan applications and deal with overdue debts.

1.3 Provincial women's and commune women's unions management boards:

- are responsible to the IMOLA project for operating, supervising and governing all activities of savings and credit schemes in commune:
 - + make sure that the implementation follows the regulations and time schedule;
 - + coordinate with the IMOLA project in loan balancing and disbursement;
 - + coordinate with CPC to appraise and approve loan applications;
 - + collect interest, savings and principal repayment from team leaders to deposit in a bank and use for further lending whenever required by the group members;
- ensuring the financial viability of the scheme;
- the commune credit and savings management boards will have 3 members, i.e. the head of management board, the accountant and the cashier. Role and functions of these 3 members will be indicated in the operational guidelines of the scheme.

1.4 Credit and savings teams:

Each village will have a credit and savings team comprised of all credit and savings groups in the village (6 members/group), and each team will be lead by an elected team leader. The team leaders will have responsibilities:

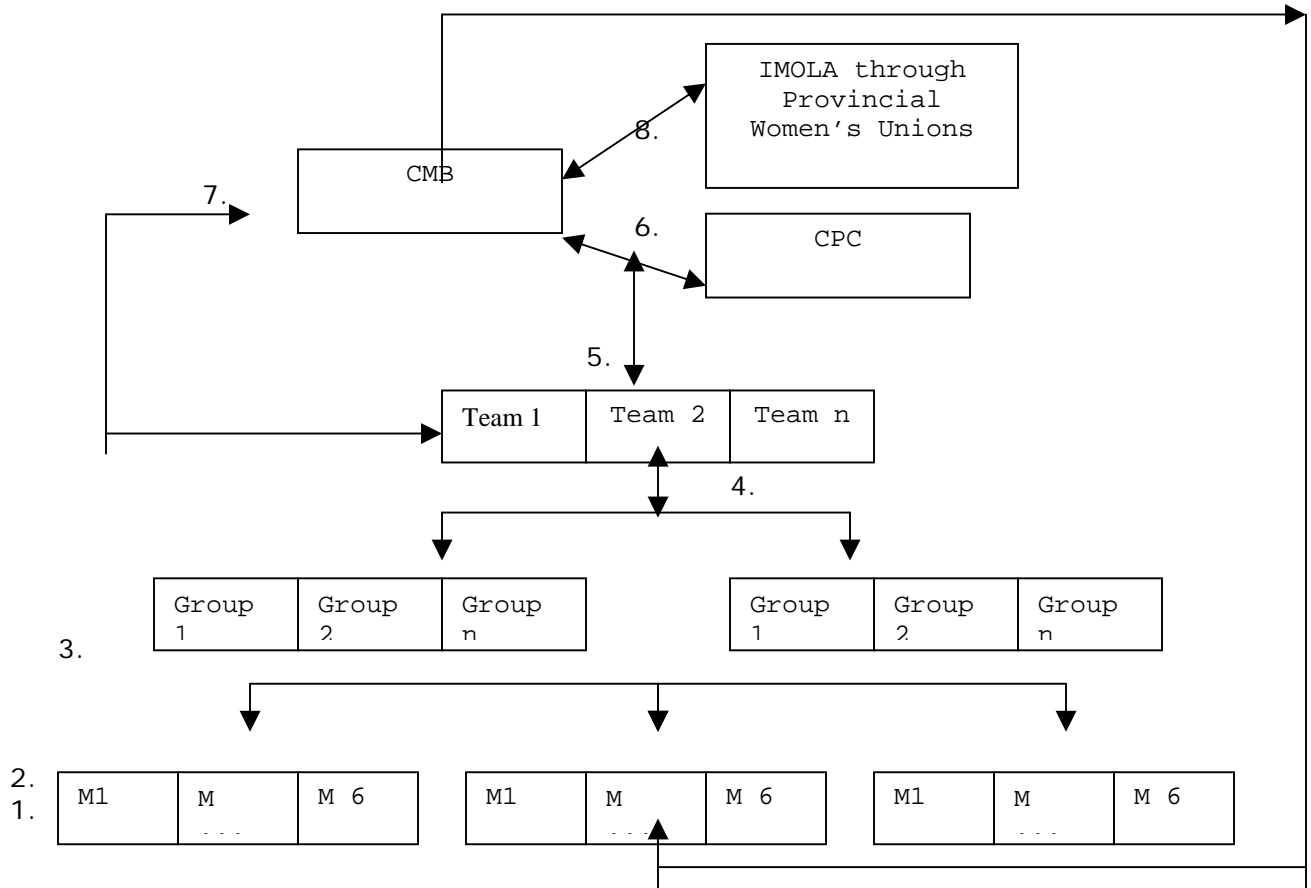
- to coordinate with the commune management board and poverty reduction official of the commune in the establishment of the group;
- collect savings and interests contributing to the management board;
- appraise and collect loan applications from the groups and submit to the management board;
- monitor the proper utilization of loans by group members;
- participate in providing loans to members;
- supervise group establishment in accordance with the regulations.

1.5 Credit and savings groups will comprise 6 members, who are friends or neighbours, who voluntarily join the group. Every member of the group has to deposit savings monthly, but only 3 out of 6 persons per group can initially apply for a loan while the others can get the loans after 6 or 9 months, when part of the principle and interest of the previously taken loans has been repaid. Although each individual separately signs a loan agreement, the whole group is responsible for loan principal and interest repayment and for depositing savings.

Each group has a group leader elected by the group members and approved by the commune management board. This person will coordinate with the team leader in inviting for monthly and unscheduled meetings. The group leader is also responsible for the collection of savings, principle and interest repayments from members as well as for the submission of loan applications to the team leaders.

III. LOAN DISBURSEMENT PROCESS:

9.

Note:

1. Formation of savings and credit groups
2. Loan application submitted
3. Plan developed and sent to team leaders
4. Check for adequate and accurate information
5. Submit to PWU, CMB and CPC for appraisal
6. Appraisal conducted
7. Loan appraised, balanced and disbursed
8. Coordinate with the IMOLA for technical support and monitoring
9. CMB disbursing the loan

IV. BUDGET:

This credit and savings scheme will first be implemented in 3 pilot communes, which have resettled poor sampan. The IMOLA project, through the PWU, will provide a trust fund of VND 50 000000 to each CMB, which will be responsible to use the funds for a revolving credit scheme in the community.

Three members of CMB and team leaders will be supported with a management fee by the IMOLA project within the first 3 months as follows:

Head of CMB:	VND 150 000/month/person
Accountant:	VND 100 000/month/person
Cashier:	VND 100 000/month/person
Team leader:	VND 50 000/month/person
Funds for stationary:	VND 100 000/month/person

After the first three months, the management fee and administration costs will be covered from interests collected from borrowers. The commune management board has to not only to know how to preserve the fund but also to utilize interest amounts so that management and administration costs are covered.

ANNEX 5: List of participants of seminar on promotion of small-scale fishing communities among financial institutions in Asia and the Pacific

- o Time: 8:30AM - 12:00, Nov 06, 2006
- o Venue: IMOLA meeting hall

	Name	Affiliation
1	Vo Thi Tuyet Hong	Aquaculture Extension Center of Thua Thien Hue Province
2	Hoang Huu Thanh	Agribank, Thua Thien Hue branch
3	Nguyen Van Binh	Vietnam Bank for Social Policies, Thua Thien Hue branch
4	Nguyen Ngoc Thinh	Department of Planning and Investment, Thua Thien Hue Province
5	Ton That Cat	Department of Agriculture and rural development, Thua Thien Hue Province
6	Nguyen Luong Hien	Provincial Fisheries Association, Thua Thien Hue
7	Van Thanh Dung	Fisheries Association, Quang Thai Commune
8	Nguyen Ngoc Song	Fisheries Association, Quang Cong Commune
9	Huynh Van Dau	Fisheries Association, Loc Binh Commune
10	Le Toan	Fisheries Association, Vinh Hien Commune
11	Phan Hong Van	Women's Union, Thua Thien Hue Province
12	Cao Thi Kim Loan	Women's Union, Phong Dien District
13	Hoang Thi Uyen	Women's Union, Huong Tra District
14	Nguyen Thi Thiep	Women's Union, Phu Loc District
15	Cao Thi Van	Women's Union, Dien Hai Commune
16	Duong Thi Chi	Women's Union, Quang Cong Commune
17	Huynh Thi Thu	Women's Union, Hai Duong Commune

18	Nguyen Thi Ly	Women's Union, Quang Phuoc Commune
19	Ngo Thi Bich Dao	Women's Union, Huong Phong Commune
20	Dang Thi Tam	Women's Union, Phu An Commune
21	Le Thi Trang	Women's Union, Loc Binh Commune
22	Huynh Thi Hien	Women's Union, Vinh Hien
23	La Thi Trang	Women's Union, Vinh Ha Commune
24	Massimo Sarti	CTA, IMOLA project
25	Hoang Ngoc Viet	NPD, IMOLA project
26	Arie Pieter van Duijn	APO, IMOLA project
27	Nguyen Thi Phuoc Lai	Project Assistant, IMOLA project
28	Vinh Xuan Phuong	Interpreter, IMOLA project
29	Le Phuoc Quang	Secretary of PMB, IMOLA project
30	Ho Bich Huong Giang	Interpreter, IMOLA project