

CHANGING ROLES OF MASS-ORGANIZATIONS IN POVERTY REDUCTION IN VIETNAM

Shozo Sakata

1. INTRODUCTION

Since the late 1980s, Vietnam has experienced drastic change from a country that had been struggling against low productivity and food shortages across the entire nation to one of high economic growth. Vietnam, however, still has a sizable number of poor households especially in the rural areas. Over the course of rapid socio-economic changes, the concept of ‘reducing the number of poor’ emerged as a new development task in the early 1990s¹. This new task, having largely been influenced by international debate on poverty reduction, allowed the policy makers in Vietnam to take not only a targeted approach to poor households, but also a holistic approach in order to tackle the various causes of poverty such as poor health and low level of primary education attainment. This targeted and holistic approach to poverty reduction was well reflected in the formulation of The National Targeted Programme on Hunger Eradication and Poverty Reduction (NTP on HEPR) in 1998. The NTP on HEPR has included various activities to help poor households in economic, agricultural education, health, and social spheres. The effects of NTP on HEPR have been supplemented by upgraded rural infrastructure built in the Program 135.

Such an approach to the Government’s poverty reduction programs in Vietnam has required the participation of various parties. The NTP on HEPR, governed mainly by the Ministry of Labour, Invalids and Social Affairs (MOLISA), involved 6 Ministries and 2 Committees, and 4 Ministries and 1 Committee have been responsible for implementing the Program 135 in which the Committee for Ethnic Minorities (CEM) is the coordinating body. As such, at the field level, various actors have participated in poverty reduction programs. ‘Mass-organizations’, very Vietnamese- specific entities with histories dating back to before Vietnam’s independence, are among those active participants in poverty reduction activities. Mass-organizations have traditionally been essential political actors

¹ In Vietnam, ‘reducing the number of the poor’ was referred to for the first time in the 1991-1995 5-year socio-economic development plan, and ‘poverty’ was defined for the first time in 1993 when MOLISA attended an UN-ESCAP international meeting on poverty reduction held in Bangkok (Nguyen Thi Hang [1996]).

in rural areas, but today, they are beginning to become important development partners for governmental agencies as well as international donors.

The principal objective of this report is to review the positions of mass-organizations in the socio-economic development in Vietnam, particularly the roles in poverty reduction; their responsibilities and capacities in poverty reduction programs, relations with governmental agencies, advantages and disadvantages, and future prospects. This report maintains that in recent years mass-organizations have begun to hold a new responsibility, other than the traditional role of 'mobilizing mass', to resolving the problems of member individuals. Especially since the Vietnam Bank for Social Policy started to 'entrust' its lending for the poor to mass-organizations in 2002, mass-organizations have been given an opportunity to effectively achieve poverty reduction. This report pays attention to four major mass-organizations, namely the Vietnam Farmers' Union (hereunder called Farmers' Union), the Vietnam Women's Union (hereunder called Women's Union), the Ho Chi Minh Communist Youth Union (hereunder called Youth Union) and the Vietnam Veteran's Association (hereunder called Veteran's Association). These four organizations can be found in almost all rural communes in Vietnam, have similar four layered organizational structures from central to rural levels, and are committed to implementing lending poverty reduction activities at local level.

This report, besides the literature review, is based upon qualitative and quantitative information gathered through interviews with various organizations at central, provincial and local field levels. Section 2 of this report reveals the positions of mass-organizations in general. Although the developmental activities of mass-organizations, especially those of the Women's Union's at local level, have been widely introduced in a great deal of existing literature, their legal and political status as well as their organizational features have yet to become familiar among development practitioners. The Section also gives overviews of profiles and activities of major mass-organizations in rural areas. Section 3 examines the roles of mass-organizations in concessional loan programs of the Vietnam Bank for Social Policy. Section 4 and Section 5 are case studies. Section 4 assesses the performance of credit through these organizations in Ha Giang province. Section 5 analyses the characteristics of credit activities for poor households in Ha Giang province. Section 6 is based upon analysis of Sections 4 and 5 and discusses the advantages and limitations of mass-organizations in their participating in poverty reduction activities. They are in a very good position to identify the poor at local level, but there are concerns over their limitations as non-economic institutions.

2. WHAT IS MASS-ORGANIZATION?

2.1 ‘Traditional’ Roles of Mass-organizations²

Among ‘major’ mass-organizations, Vietnam Fatherland Front, Women’s Union, Farmers’ Association, Youth Union and Vietnam General Confederation of Labour (hereunder called Labour Union) were established in the late 1920s and early 1930s³, by the Communist Party, or with the objective of supporting the Communist Party as ‘the people’s front’ in the pursuit of independence from French colonization. As its name indicates, the traditional function of mass-organizations has been, since their establishment, to ‘mobilize mass’ for various activities to achieve independence, revolution and ‘protect, construct and develop’ the nation. These organizations usually have a four-layered organizational structure from central, provincial, district, to commune level in order to effectively transmit decisions and instructions made at the central level. The traditional function as ‘people’s front during wars’ has characterized the roles, as well as organizational structures, of these mass-organizations.

The role of ‘mobilizing mass’ by mass-organizations has been achieved mainly by three types of activities, i.e. regular meetings, activities of ‘everyday life’ and activities to promote ‘movement’. Regular meetings are held in two ways. There are regular congresses of mass-organizations at all four levels. Congresses are usually held every five years at central and provincial levels, while at district and commune levels intervals of congress differ from two to five years depending on the organization. During these congresses, presidents (or secretary generals) and other leaderships are elected, and tasks, targets, orientations, etc., for the next term are discussed among the representatives. Furthermore, regular meetings of the executive committees are also held (from every month to six months, depending on the organization and administrative level) to discuss various issues occurring at each level.

² Explanation of this sub-section is mainly based on the information obtained during the author’s interview with Central Committee of Fatherland Front, and with four mass-organizations (Women’s Union, Farmer’s Association, Youth Union and Veteran’s Association) in Ha Giang Province.

³ The Fatherland Front, Labour Union, Women’s Union, Farmers’ Association, Youth Union were established in 1930, 1929, 1930, 1930, and 1931 respectively. The names of these organizations, when established, differed from present, and they have changed several times. They have borne their present names since the liberalization of the South in 1975. The Veteran’s Association, referred to in the following sections, was established in 1989.

The second main activity is meetings among the members, or opportunities for the members to review and study various issues of 'everyday life' (*sinh hoat*), organized usually by executive committees. The third main activity, 'movements' (*phong trao*), is organized, aiming to nurture people's 'spirit' to support specific programs or issues, e.g. good citizens, mutual cooperation, 'cultural family', unity of commune, etc. This activity typically includes awareness building campaigns, by hanging posters or banners in public spaces, or even broadcasting TV programs. Training programs for the cadres and members on specific topics are also held as a part of such 'movement'.

2.2 Vietnam Fatherland Front and Mass Organizations

Vietnam maintains an extremely unique political system composed of three pillars of political entities: the Communist Party, the State (the governments, ministries and various governmental institutions), and the society. The society, which is represented by Vietnam Fatherland Front and other mass-organizations, is expected to serve in order for 'people to be masters'.

All mass-organizations are under the umbrella of Vietnam Fatherland Front. The Vietnam Fatherland Front, originally named Vietnam People's Unity Front, was established in 1930. It functioned, during Vietnam's struggles for independence and unification, to achieve 'victory in undertaking independence of the people, unification of the country, and construction and defense of the nation' (preface, Law on Vietnam Fatherland Front). Today, as an alliance of various organizations and individuals representing all classes of society, Vietnam Fatherland Front 'succeeds to the history of Vietnam People's Unity Front', and 'continuously displays a spirit of patriotism and a tradition of great solidarity of the people' (preface, Statute of Vietnam Fatherland Front). In practice, the Fatherland Front has such responsibilities as; to propagate and 'mobilize mass' to achieve 'great unity' of the people, to act out the 'make people into masters' principle, and follow the policies of the Party and the government (Articles 6 and 7, Law on Vietnam Fatherland Front)⁴. The Fatherland Front has its committees at all four administrative levels. At village level (below commune level) the Fatherland Front has its village units. The representatives of the Fatherland Front at each level organize conferences, and a national congress is held every five years (the latest national congress

⁴ The Fatherland Front also participates in elections from national to local levels, by consulting, selecting, and 'introducing' candidates of deputies of National Assembly and local People's Councils. It also has the right to submit draft laws, to question at National Assembly and People's Councils, and to inspect government activities.

prior to this report was in 2004).

It is wrong to define all the member organizations of the Fatherland Front as mass-organizations⁵. This can be easily understood if one recognizes that the Communist Party and the People's Army are also members of the Fatherland Front. The member organizations include 1) national governmental bodies (the Communist Party and People's Army), 2) organizations established with the purpose for national mass population to support the Party's policies (e.g. Women's Union, Youth Union, Farmer's Union, etc.), 3) organizations that serve the interests of a specific group of people or specific professions (e.g. Association for the Blind, Journalist Associations, Buddhist Association etc.), and 4) organizations aiming to promote and improve academic and scientific knowledge (e.g. Union of Science and Technology Association, Union of Literature and Art Association, etc.). The second types of organizations usually have a nation-wide network of branches, while many small affiliated organizations are registered under the third and fourth types of organizations. The Law governing 'Associations' (although the exact definition of this term was not provided) was first proclaimed in 1957 (Law on Association, 102-SL/L-004, dated 20/5/1957). This old Law still administers the positions of the member organizations under the Fatherland Front, and detailed regulations on organizational structures, activities and management of Associations (88/2003/ND-CP, dated 30/7/2003) was adopted in 2003⁶.

Membership of the Fatherland Front is 'on a voluntary-basis', and the member organizations bear responsibilities and rights in the relationship with the Fatherland Front. The member organizations must respect the Statute of the Fatherland Front, and support the programs of the Fatherland Front. They are expected to represent their members' opinions and deliver them to the Fatherland Front Committee, publicize the Constitution and various laws to their members, and encourage their members to achieve 'great unity' of the people of Vietnam (Article 2, Statute of Fatherland Front). The member organizations have the right to question about, provide opinions on and participate in the activities the Fatherland Front. The member organizations can also request the Fatherland Front protect their proper justification (Article3, Statute of Fatherland Front).

The second type of organizations (and sometimes Fatherland Front itself) in the above four classifications are generally called 'mass-organizations' (therefore, this report also uses the term to indicate the above mentioned 5 'major' organizations). However, it is

⁵ As of 2005, Vietnam Fatherland Front had 40 member organizations. The list of member organizations is attached as Annex 1.

⁶ However, this Decision stipulates that the contents are not applied to Labour Union, Farmers' Association, Women's Union, Youth Union and Veteran's Association (Article 1).

indeed difficult to provide a precise definition of mass-organization with officially authorized terms, since the term ‘mass- organization’ cannot be found in the Constitution, Civil Code, Law on Associations, Law on Government Organizations or any other legal documents. The Law on Fatherland Front and the Statute of Fatherland Front both only stipulate that its members include ‘political organizations’, ‘socio-political organizations’, ‘social and socio-professional organizations’ and ‘individuals who are representing any class and stratum of society’ (Article 1, Law on Vietnam Fatherland Front; Article 1, Statute of Fatherland Front). This classification of members is, in fact, in line with the classification of organizations in the Civil Code⁷.

2.3 Are mass-organizations NGOs?

Similarly difficult to answer is the question whether or not mass-organizations are ‘non-governmental organizations’ (NGOs). There may not be world-wide consensus on what NGOs are, and definition and legal qualification of NGOs must differ from country to country. If the functions are focused, mass-organizations in Vietnam could be assumed to be NGOs since they have similar activities as NGOs in other countries (in both developing and developed nations). Gray [1999], for example, perceives mass-organizations as a form of local NGO (or ‘VNGO’). Gray typifies VNGOs into three groups, i.e. 1) government mass-organization or other state bodies, 2) university or hospital-based groups, and 3) individuals forming their own NGOs. His usage of the contradictory term ‘government mass-organization’ reflects his claim that mass-organizations are, although falling into the category of NGOs, not a manifestation of ‘civil societies’ (as if he argues authentic or ‘real’ local NGOs must be a manifestation of civil society). On the other hand, the international NGO (INGO) community in Vietnam does not seem to recognize mass-organizations as ‘local NGOs’. Or, at least, many INGOs do not seem to perceive mass-organizations as equal partners able to co-organize their development projects. The NGO Resource Center, run as an alliance of INGOs, co-published with Vietnam Union of Friendship Organizations (VUFO) *Directory of Vietnamese Non-governmental Organizations* in 2002 (VUFO-NGO Resource Center [2002]). Most of the organizations listed in this directory are those registered as member organizations of the Vietnam Union of Science and Technology Association. None of

⁷ According to the Civil Code, all organizations (juristic persons) in Vietnam are categorized as ‘State body and military unit’, ‘political organization’, ‘socio-political organization’, ‘economic organization’, ‘social organization and socio-professional organization’, ‘social fund and charitable fund’, and ‘other organizations’ (Article 110).

the mass-organizations is listed in this directory.

As to be seen in the following Sections, mass-organizations in Vietnam have recently implemented many development-oriented activities to improve the welfare of their members, and have provided supplemental public services that the government does not or cannot provide. However, although they deal with NGO-like developmental activities, mass-organizations in Vietnam cannot be called NGOs for mainly two reasons. First of all, Vietnam does not have legal regulations on NGOs. According to the Civil Code, any kind of organization is categorized by their functions, not by the forms of ownership. Moreover, there has been no law or legal decision to define NGOs, except Decision 340/1996/TTg (dated 24/5/1996) to regulate the activities of International NGOs. In fact, the second and third types of organization in Gray's categorization above, and what the NGO Resource Center recognizes as local NGOs are those 'social organizations', 'socio-professional organizations', 'social funds and charity funds' and their affiliate members in the Civil Code category⁸. In 2003, the Government issued Decree 88/2003/ND-CP (dated 30/7/2003), the first administrative regulations under the Law on Associations, in order to regulate procedures of establishment, activities and management of these organizations. In the texts in this Decree, these organizations could have been understood to be NGO-like organizations, because the Decree states that these organizations are established with the objectives of protecting the rights and serving the benefits of their members. However, this Decree does not also define if these organizations are 'governmental' or 'non-governmental'.

Secondly, mass-organizations are very governmental entities in terms of the organizational structure and budget sources. The cadres of mass-organizations, from central down to commune levels, have public servant status. They receive salary from the National Treasury at the same level as administrative officials. Mass-organizations raise membership fees⁹, but most of the activities rely on State funding. The state budget expenditure plan of 2002 (the first budget plan made officially open to the public!) lists Vietnam Fatherland Front, five major mass-organizations (Labour Union, Farmer's

⁸ The Civil Code guarantees the people's right to establish these organizations. Articles 115 and 116 of the Civil Code stipulate that 'social organizations', 'socio-professional organizations' (Article 115), and 'social funds and charity funds' (Article 116) can be established with the Government's permission if some conditions (amount of funds, membership fees, objectives, etc.) are met.

⁹ Membership fees of mass-organizations are very minimal, at least in the rural provinces. For example, in Ha Giang Province, the membership fees of four mass-organizations are 500 - 2,000 VND/month.

Association, Women's Union, Youth Union and Veteran's Association) and 22 other associations that are members of Vietnam Fatherland Front or affiliate members of these Associations, as agencies to be allocated state funding in 2002 (MOF [2002]). The expenditures of mass-organizations for their activities are usually regulated by the budgets of the People's Committees at each administrative level.

3. MASS-ORGANIZATIONS AND POVERTY REDUCTION PROGRAMS

3.1 Re-vitalization and Re-evaluation of Mass-organizations since the 1990s

Although it cannot be denied that they are still persistently following a 'traditional' line of activities, some mass-organizations have recently organized more practical socio-economic development activities, since *Doi moi* reform started. It may be because Vietnam's socio-economic changes have urged needs to enhance the roles of mass-organizations to serve, not only for the Party and the State, but more for the interests of their members. One famed example is the family planning program organized by the Women's Union. Women's Union has also been an active partner in micro credit activities sponsored by international donor organizations and INGOs (micro credit activities, using domestic funds, have also been organized by Farmers Association). Another example is the employment support programs for young citizens organized by Youth Union, and its recent programs to support labor export for its members¹⁰.

With regard to poverty reduction, other than 'traditional' ways of activities, more active participation by mass-organizations in poverty reduction activity is achieved in the 'House for the Poor' program, launched by the Fatherland Front in 2000. This program aims to raise 'Funds for the Poor' from various sources in (and even outside) the country, and the funds raised have mainly been used to support housing for poor households. The members of mass-organizations are 'mobilized' to help poor households in constructing houses ('houses of great unity') or repairing their houses, while the Fatherland Front provides poor households with construction materials. The Fatherland Front has raised, since its inauguration of the program and up to the end of 2004, 911 billion VND, and has built approximately 288,000 'houses of great unity'¹¹.

¹⁰ As of May 2005, the Youth Union runs 27 vocational training centers and 2 labor export companies in the country.

¹¹ This figure includes in-kind contributions, such as building materials. The information on

Some critiques of public sector management discuss the emerging roles of mass-organizations as a result of administrative restructure. Fritzen [1999] sees mass-organizations came to be legitimate and capable agencies taking responsibility of social service delivery at communal level since the government adopted the ‘socialization’ policy (meaning to minimize expenditure of the government, transferring them to individuals or other entities) in public services. Fritzen evaluates, for example, highly the role of Women’s Union in spreading information about proper nutrition and family planning which supplements the poor quality of government health service delivery after health services were ‘deregulated’ in 1991. Van de Walle [1999], following the same line of discussion, highly appreciates the role of mass-organizations in the provision of social services for the poor. It points out the advantages and shortcomings of mass-organization’s involvement in the government’s poverty reduction programs. Mass-organizations, coordinating closely with commune chairpersons, are in a good position to identify the poor at the local level. However, bias may occur in drawing up the poor households list from preferences or agendas of mass-organizations. For example, Women’s Union may favor households practicing family planning in their choice of target households for loans for poverty reduction (van de Walle [1999: 124-125]).

3.2 Mass-organizations and Vietnam Bank for Social Policies

The importance of mass-organizations in poverty reduction efforts in Vietnam was lifted when Bank for the Poor (VBP) changed its name into Vietnam Bank for Social Policies (VBSP) in 2002, and started its new lending schemes for poor households in collaboration with mass-organizations. VBSP started to ‘entrust’ transactions of lending for poor households to the four mass-organizations, namely Farmers’ Union, Women’s Union, Youth Union and Veteran’s Association, at village (*thon* or *xom* in Vietnamese: under commune) level¹².

Since the era of VBP which was established in 1995, this governmental credit institution has provided concessional loans to poor households. However, VBP did not have direct contact with poor households. Its lending was conducted as part of the

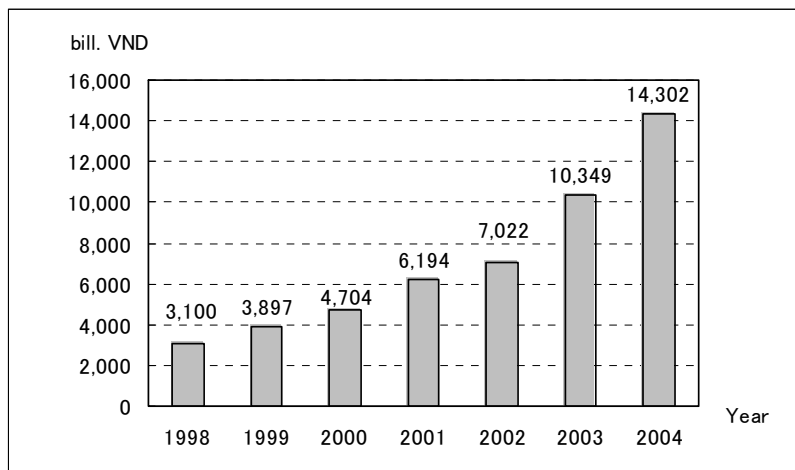
‘houses for the poor’ has been kindly provided by the Standing Committee of the Vietnam Fatherland Front

¹² Even before this new form of credit scheme was started, Women’s Union and Farmers Associations ran their own credit scheme by borrowing funds from VBP at central level. These two organizations have also been members of the Board of Directors of VBP/VBSP since its establishment.

transactions of Bank for Agriculture and Rural Development (VBARD), since VBP did not have its own local branches. When Decree 78/2002/ND-TTg and Decision 131/2002/QD-TTg (both dated 4/10/2002) announced the establishment of VBSP, the government decided that VBSP have its own branches at provincial and district levels. Since then, VBSP has gradually increased its number of branches, and by 2003, it came to have branches in all 61 provinces and cities (in 2004, the number of branches increased to 64 as the number of provinces increased). As of the middle of 2005, there are 64 branches in provincial capitals, 588 ‘transaction offices’ at provincial and district levels, and 6,665 staff employed over the country¹³.

The amount of VBP/VBSP lending has been increasing year on year, especially after it became VBSP. In 2004, the value of outstanding loans reached 14,302 billion VND, an increase of 38.2% against 2003 and 4.6 times higher compared to the figure in 1998 (see Figure 1). Figure 2 shows the structure of outstanding loans of VBP/VBSP in 2004. As this Figure indicates, the main clients of VBP/VBSP have been poor households, followed by beneficiaries of job creation funds (Funds 120).

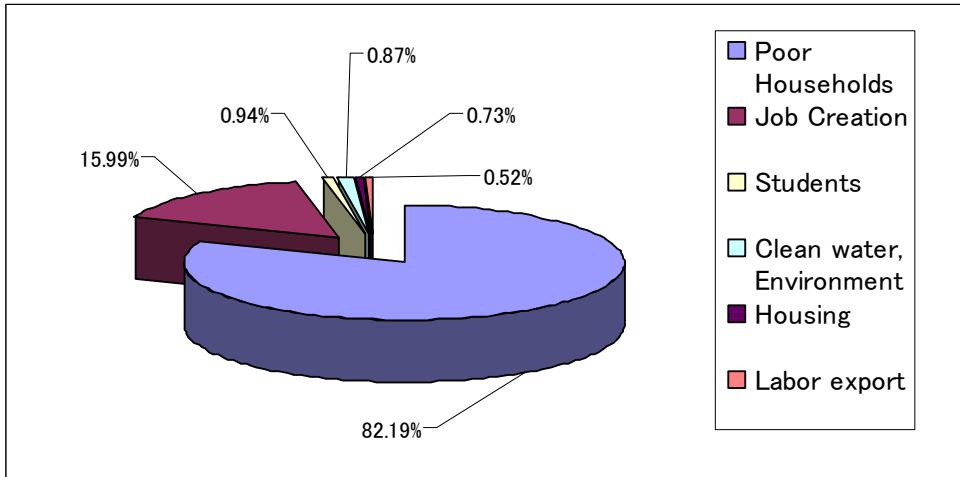
Figure 1: Amount of Outstanding Loans of VBSP



Source: Information provided by VBSP head office

¹³ The figures referred to are based on information kindly provided by the International Cooperation Department of VBSP upon the author’s request.

Figure 2: Structure of Outstanding Loans



Source: Information provided by VBSP head office.

The target population to receive loans from VBSP was broadened to 1) poor households, 2) disadvantaged students, 3) beneficiaries for ‘Fund 120’¹⁴ (job creation support fund), 4) beneficiaries for labor export policy, 5) economic organizations, households and enterprises located in ‘Area II and III’ of Program 135 (e.g. for housing), and 6) beneficiaries for other policies in cases where the prime minister personally intervenes.

¹⁴ Fund 120 was launched in 1992, as one of the programs under the National Program for Employment (1991-1995), with Decision 120/1992/HDBT (dated 11/4/1992), in order to solve employment problems. Loans are provided for ‘small-scale projects’ to generate self employment or for enterprises and families in ‘new economic zones’. Since VBSP was set up, this fund has been provided through VBSP. Until 2002, People’s Committees at provincial level, under the supervision of MOLISA, the Ministry of Finance and the State Planning Commission (now named the Ministry of Planning and Investment) were the implementing bodies of this program (Circular 10/1992/TT-LB, 24/7/1992). But, the author’s interview revealed that even before 2002 mass-organizations were the channels through which lending from this fund was provided.

3.3 Roles of Mass-organization in VBSP Credit for the Poor

Even before VBSP launched this new credit scheme, VBP used to collaborate with mass-organizations, but not in the form of ‘entrustment contract’ with them. Before, mass-organizations and commune authorities set up ‘credit groups’, which apply for loans to district branches of BARD individually. Poor households who need capital apply for a loan by joining the credit group set up usually at commune level, in which eligibility for loans is determined in accordance with the groups’ own guidelines. In other words, the function of these credit groups and their heads is to examine the application of poor households for loans and transfer them to BVP. The transaction of funds and interest payments are made directly between BVP and the borrowers, but VBP can authorize credit group heads to receive interest on loans on behalf of VBP (UNDP [2004: 11-13]).

On the other hand, in the form of ‘entrustment contract’, heads of the village (*thon*) units of mass-organizations, in collaboration with the commune Poverty Reduction Board of the commune People’s Committee, facilitate to identify the poor (among members), set up ‘saving and credit groups’ (this name is widely used although ‘saving’ is not always a required activity), and help with the operations of VBSP. District branches of VBSP provide loans directly to those poor households who are members of these saving and credit groups. The heads of the saving and credit groups bear responsibility to ensure loan provision and debt repayment of the group members. It can be said the roles played by the groups and group heads have become wider and bear more responsibility.

As of the end of 2004, the average amount of lending per poor household was 4.5 million VND per household. The amount of overdue credit for poor households has been reduced to 3.5% of total outstanding loans, 7 billion VND less than as of the end of 2003 (Ha Dan Huan [2005]). According to the statistics provided by the VBSP head office, the amount and percentage of credit entrusted to the mass-organizations is increasing year on year. In 2003, more than 75% of the total amount of credit for poor households was provided through saving and credit groups organized by four mass-organizations. This figure increased to 85%, as of the end of 2004 (see Table 1).

Table 1: Amount of Outstanding Loans for Poor Households through Other Organizations

Unit: billion VND

Organizations	2003		2004	
	Amount	%	Amount	%
Farmers' Association	3,094.2	37.5%	4,239.4	36.5%
Women's Union	2,786.5	33.8%	4,391.5	37.8%
HCM Youth Union	62.9	0.8%	323.7	2.8%
Veteran's Association	346.9	4.2%	1,004.4	8.7%
Other Organizations ¹⁾	1,958.0	23.7%	1,650.2	14.2%
Total	8,248.5	100%	11,609.2	100%

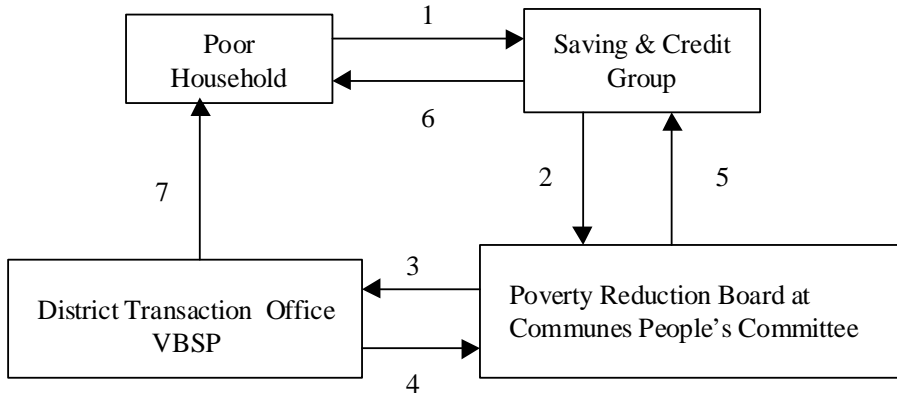
Note: 1) The majority of lending through 'other organizations', was through VBARD.
Source: Information provided by the VBSP head office.

In this credit scheme, procedures for a poor household to borrow money are shown as figure 3. First of all, a poor household submits an application to the saving and credit group (1). The saving and credit group gathers applications and submits them with their name list to the Poverty Reduction Board at the Commune People's Committee (2). After investigation and confirmation, the Poverty Reduction Board at the Commune People's Committee submits the lists to the District transaction office of VBSP (3). District transaction office of VBSP inform the Commune People's Committee of the result of judgment and the date of disbursement (4), which is then passed on to the saving and credit group (5). The leader of the saving and credit group informs the poor households of the date and place of disbursement (6). VBSP directly lend money to the poor household (7).

Basically, one household can borrow capital from one saving and credit group at one time. The maximum amount of credit for poor households is 10 million VND. This is charged at an interest rate of 0.5% per month¹⁵. The period of repayment is usually 3 years, with some exceptions such as credit for planting trees (5 years).

¹⁵ There are some cases in which VBSP provides lower interest rates. For example, credit to disabled veterans through Veteran's Association is set at an interest rate 0.3% per month. Poor households in the 'Area III' communes of 'extreme difficulty' are charged 0.45% interest per month.

Figure 3: Procedures of VBSP's Lending for Poor Households



Source: MOLISA, 2004a, p.83.

4. A CASE STUDY IN HA GIANG PROVINCE¹⁶

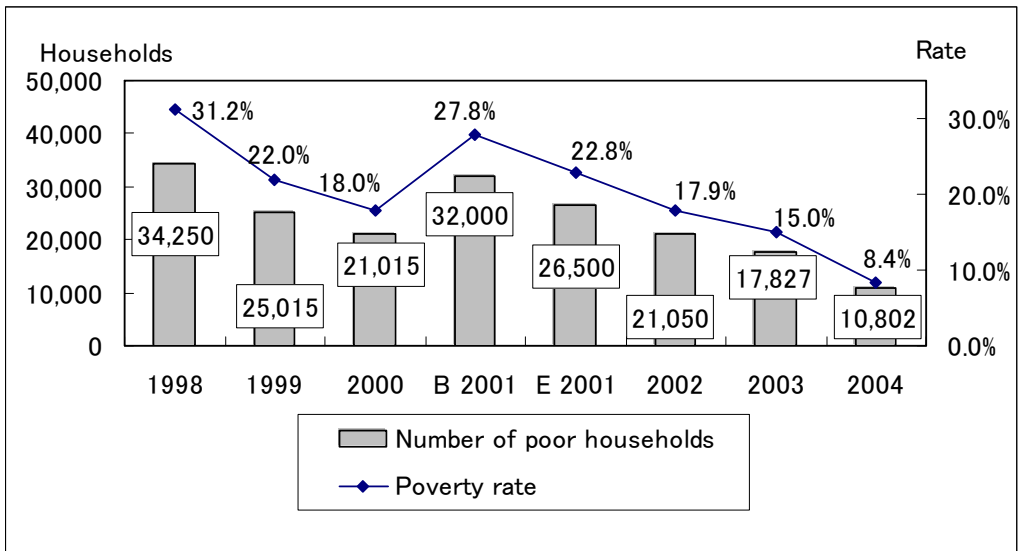
4.1 Poverty Reduction in Ha Giang Province

Ha Giang is the mountainous province located in the Northern Uplands region bordering on China. The province has 22 ethnic groups (Ha Giang Provincial People's Committee [2001]). According to the data in the national census in 1999, ethnic groups account for 87.9% of the total population of Ha Giang of which Hmong (30.5% of the total population), Tay (25.4%) and Dao (15.4%) are the majority (GSO [2001]). Ha Giang province has marked significant achievement in reducing the poverty rate. Figure 4 shows the average number of poor households and the rate of poor households against total households in the province from 1998 to 2004. The number of poor households has reduced by two thirds during 6 years since 1998, and in 2004 the rate of poor households dropped to less than 10%.

¹⁶ The accounts in the Section are based on information obtained through the author's interviews at VBSP Ha Giang provincial branch and at the four mass-organizations in Ha Giang.

However, when applying the new poverty rate set in mid-2005¹⁷, the poverty rate in Ha Giang jumps to 54.7% of total households. This result could allow us to deduce that there have been many households whose income levels were slightly above the poverty line¹⁸. The efforts to free this vulnerable section of population from poverty would be a new challenge for the local authorities.

Figure 4: Number of Poor Households and Poverty Rate in Ha Giang Province



Notes: B 2001 = Beginning of year 2001, E 2001 = End of year 2001

Increase in poverty rate in 2001 is due to MOLISA's change in its definition of poverty. The 2001 new poverty line (monthly income level per capita) was lifted to 100,000 VND (from 70,000 VND or 20kg of rice) in rural lowland areas, and to 80,000 VND (from 55,000 VND or 15kg of rice) in rural mountainous areas.

Source: MOLISA, 2004b; information provided by Department of Labour, Invalids and Social Affairs of Ha Giang province (data on year 2004 only).

¹⁷ The new poverty rate is set at income per capita of 200,000 VND per month for rural households and 260,000 VND for urban households. It is estimated that, according to this new rate, there would be around 4.6 million poor households by the end of 2005, accounting for 26-27 % of total households nationwide (Socialist Republic of Vietnam [2005]).

¹⁸ This fact can be supported by the results of the author's household survey, conducted in 2004, in 3 poor communes of Ha Giang province (please refer to Sakata [2005: 156-157]).

4.2 Mass-organizations in Ha Giang Province

Table 2 shows the basic statistics of the four major mass-organizations in Ha Giang province. In Ha Giang province, these four organizations have their district branches in all (11) districts and Ha Giang town, branches in all (195) communes and wards where 1-2 cadres work as paid staff¹⁹. The total number of registered members of these four organizations amounts to more than 220 thousand (some portion of the population must be affiliated to more than two organizations). The high rate of membership is somewhat surprising, in a province which has a population of only about 660.7 thousand (GSO [2005]). For example, 77% of households have at least one member of Farmers' Association, the largest mass-organization in terms of membership. The membership of Farmers' Association covers 39.4% of the agricultural labor force in the province.

Table 2: Basic Statistics of Four Mass-organizations in Ha Giang province¹⁾

Organization	Cadres at Province	Cadres at District	Cadres at Commune	Village Units	Registered Members
Farmers Association	24	69	390	1,871	85,114
Women's Union	24	262	390	2,034	64,904 ²⁾
HCM Youth Union	52	69	382	3,028	54,318
Veteran's Association	10	25	390	1,071	17,000

Notes: 1) As of September 2005.

2) The figure includes 9,400 members who are exempt from membership fees.

Source: Information provided by the provincial branches of the four mass-organizations.

These four mass-organizations deem poverty reduction as the key area of their activities. They are indeed very keen to be involved in credit activities for poor households. Tables 3, 4, 5, and 6 are the statistics of credit activities of four of the mass-organizations in Ha Giang province from 2001 to 2005. As can be seen in these tables, the organizations have provided tens of billions VND in loans. Farmer's Association and Women's Union have sources of funds for credit activities other than the

¹⁹ Cadres of these organizations up to commune levels are all paid officials, while cadres at village level are un-paid officials. At commune level, where organizations usually have two cadres, only the presidents of the organizations hold 'public servant' status, and the vice-presidents are paid officials who receive a 'subsidy'.

credit entrusted by VBSP²⁰. However, the biggest source of credit activities for all of these organizations is that of VBSP.

Table 3: Credit through Farmers' Association from 2001 to 2005

Source	Amount (mill. VND)	Benefited Households
Farmer's Union's own credit scheme	1,466	1,403
Credit Entrusted by VBSP	35,000	13,920
Credit Entrusted by VBARD	1,555	167

Source: Information provided by provincial branch of Farmers' Association.

Table 4: Credit through Women's Union from 2001 to 2005

Source	Amount (mill. VND)	Benefited Households
Credit Entrusted by VBSP	42,813	-
Credit Entrusted by VBARD	11,417	-
ODA projects	2,373	-
Savings of Women's Union	140	-

Note: (-) not obtained from the author's interview

Source: Information provided by provincial branch of Women's Union.

Table 5: Credit through Youth Union from 2001 to 2005

Source	Amount (mill. VND)	Benefited Households
Credit Entrusted by VBSP*	11,673	7,229

Note: Figures include credit of VBSP entrusted through VBARD before 2003

Source: Information provided by provincial branch of Youth Union.

Table 6: Credit through Veteran's Association from 2001 to 2005

Source	Amount (mill. VND)	Benefited Households
Credit Entrusted by VBSP	23,516	4,570

Source: Information provided by provincial branch of Veteran's Association.

²⁰ Farmers' Association has organized its own credit scheme, but the main source of this scheme is the funds which the Association at central level borrows from VBSP.

4.3 VBSP Loans in Ha Giang Province

VBSP opened its Ha Giang provincial branch at the end of 2003, and started its lending activities in 2004. Before the provincial branch was established, VBARD branches at provincial and district levels were the main bodies providing concessional loans to poor households. The rate of lending has increased rapidly since the provincial branch was established. The total amount of loans provided to poor households for only two years (2004 and 2005) reached 220 billion VND, more than double the total lending from 1996 to 2003 (105 billion VND). Of this 220 billion VND, 180 billion VND has been entrusted to mass-organizations, and the remaining 40 billion VND has been credited to the ‘saving and credit groups’ which commune Poverty Reduction Boards help to organize.

Table 7 indicates the amount of VBP/VBSP credit through mass-organizations from 2001 to 2005. Women’s Union, Youth Union and Veteran’s Association have been entrusted by VBP/VBSP with its funds for poor households and for job creation support (Fund 120). It seems that the impact of the credit for poor households is bigger in terms both of amount lent and of the number of beneficiaries. Although the data of the number of beneficiaries of the Women’s Union could not be obtained from the survey, the total number of benefited households from VBSP’s credit for poor households from 2001 to 2005 exceeds the number of poor households of 2003 (17,827 households²¹).

Table 7: Credit Entrusted to Mass-organizations from 2001 to 2005

	Credit for Poor Households ¹⁾			Job Creation Support Credit		
	Amount (mill. VND)	S&C Group	Benefited House- holds	Amount (mill. VND)	Project	Benefited House- holds
Farmers Association	35,000	920	13,920	n/a	n/a	n/a
Women’s Union	41,738	556	-	1,093	-	-
HCM Youth Union	11,059	229	7,063	614	21	116
Veteran’s Association	21,437	637	- ²⁾	2,079	-	- ²⁾

Notes: 1) Figures include the amount of lending from VBP and VBSP.

2) Total number of beneficiaries from either credit for the poor or Fund 120 is 4,570 households.

(-) not obtained from the author’s interview

Source: Information provided by the provincial branches of the four mass-organizations.

²¹ The figure on poor households is based on the figures of MOLISA (2004b).

5. STATES OF VBSP LOANS ENTRUSTED TO MASS-ORGANIZATION

5.1 Basic Data on VBSP Loans in the Researched Area

This Section reviews how the entrusted VBSP loan program has been implemented by mass-organizations in Quan Ba district, one of the poorest districts in Ha Giang province. The survey on the beneficiaries of VBSP loans for poor households has been conducted with the help of the Department of Labour, Invalids and Social Affairs of Ha Giang Province²². The data collected is, first of all, on the household characteristics (residing village, gender and main profession of the borrower, and poverty status), secondly on the lending conditions (amount, period, interest rate, and objective), and thirdly on the saving and credit groups (number of members, and parent mass-organizations). The research was conducted in 8 communes, out of 12 communes in the district, and 1 district town (Tam Son town).

Table 8 shows primary results of the research. 100% of the borrowers' main profession is 'farming' or 'slash and burn cultivation'. The amount of money that has been transferred to these poor mountainous communes within two years is not insignificant. In some communes, the total lending amount poured into the communes must have exceeded the maximum amount for the infrastructure projects of Program 135 (500 million VND per year).

There seems to be a big gap in accessibility to the VBSP loan among the communes. Tam Son town and the two neighboring communes (Quyét Tien and Quan Ba), connected to Tam Son town by National Highway No.4, seem to benefit more from the accessibility of the VBSP loan. 72.3% of the loan money has been dispensed to this 'district center' area, and the number of beneficiary households accounts for 72.1% of the total. However, the average amount borrowed per household does not exceed that of other communes.

²² The research also collected information on other concessional loan programs for poor households conducted by other organizations. In Quan Ba district in 2003, Vietnam Fatherland Front organized a lending program with no interest, and Women's Union was commissioned to conduct a micro credit project sponsored by UNICEF in 1997 and 2003 ('Project on Ethnic Minority in Mountainous Areas').

Table 8: VBSP lending Data in the Researched Communes

Commune/ Town	Number of villages provided	Number of borrowers	% of female borrowers	Total amount borrowed (VND)	Average amount per household (VND)	Saving & credit groups
Total	71	1,271	40.1%	7,469,000,000	5,876,475	139
Tam Son Town	10	312	50.3%	2,035,500,000	6,524,038	39
Quyet Tien	13	347	33.1%	2,005,500,000	5,779,539	40
Quan Ba	13	258	26.4%	1,357,500,000	5,261,628	23
Can Ty	6	29	72.4%	232,000,000	8,000,000	3
Dong Ha	4	66	100.0%	264,000,000	4,000,000	5
Lung Tam	5	65	16.9%	370,000,000	5,692,308	8
Tung Vai	11	107	19.6%	687,500,000	6,425,234	11
Thanh Van	5	43	16.3%	317,000,000	7,372,093	5
Thai An	4	44	100.0%	200,000,000	4,545,455	5

Source: Author's calculations.

Table 9 indicates that an overwhelming amount of money has been spent in order to purchase cows and buffaloes²³. The share reaches as much as 94.8% of total households and 97.0% of total lending in the researched area. This is due mainly to the guidance of the mass-organizations. The district branches of Farmers' Association and Women's Union have promoted an increase in the number of large livestock in poor households, and they have given priority to those households who would like to borrow capital to raise large livestock. However, exceptions have also been accepted. Those who have borrowed capital in order to purchase chemical fertilizers are members of Farmers' Association in 3 villages of Quan Ba commune. They have borrowed relatively smaller amounts of money (from 500,000 VND to 1 million VND) with shorter lending term (12 months). There are only two small groups, in Tam Son town and Quyet Tien commune, that used borrowed capital to purchase pigs, and two households in Dong Ha commune

²³ The research also reveals that some households have used credit from Women's Union (UNICEF project) for poultry husbandry. 208 households (all non-poor households) in 4 communes and Tam Son town received 1 million VND each in 2004 with (the sole) purpose of poultry husbandry. The interest rate for this loan is 0.7% per month, over a lending period of 24 months.

that purchased goats. In Lung Tam commune, a group of women bought and planted hemp seeds with the borrowed capital, while a household in Tung Vai commune utilized the capital to plant cardamom.

Table 9: Objectives of Borrowers in the Researched Areas

Objectives	Number of borrowers	% of borrowers	Amount borrowed (VND)	% of amount
Purchase of buffalo	676	55.18%	4,121,500,000	55.19%
Purchase of cow	504	39.65%	3,120,500,000	41.78%
Purchase of cow & buffalo	17	1.34%	93,000,000	1.25%
Purchase of cow & pig	2	0.16%	11,000,000	0.15%
Purchase of pig	5	0.39%	18,000,000	0.24%
Purchase of goat	2	0.16%	3,000,000	0.04%
Purchase of fertilizer	54	4.25%	29,000,000	0.39%
Purchase of industrial trees	11	0.87%	73,000,000	0.98%

Source: Author's calculation.

5.2 Differences by Households, by Saving and Credit Groups, and by Mass-Organizations

The average borrowed amount in the researched area is more than 5.8 million VND (standard deviation 2,850,525), higher than the national average amount of VBSP lending in 2004 (referred in Section 3). This is due to the enormous increase in the lending amount in 2005. It is not only the total lending amount (from 2.8 billion VND in 2004 to 4.6 billion in 2005) and the number of the beneficiaries (from 568 to 704), but also the average amount of borrowing per beneficiary household (from 4.9 million VND to 6.6 million VND) that has increased. 25.1% of households borrowing capital in the researched area have been provided with the maximum lending amount (10 million VND). No significant difference can be observed between the average lending amount of male borrowers (5.86 million VND) and that of female borrowers (5.89 million VND).

Differences exist in the number of saving and credit groups in each village. In the actively organized area, i.e. Tam Son town and the two neighboring communes mentioned above, some of the villages have more than 10 groups in them. In the harder-to-access communes, basically one village has only one group. There are even

some cases where a group is made up of households in more than two villages.

The size of the saving and credit groups varies. The biggest group consists of 28 households while the smallest ones are organized by three households (9.63 households in average). There is no significant correlation between the number of group members and average lending amount. One noticeable characteristic of the saving and credit group is the uniformity of the lending conditions among their members. Out of a total 132 groups researched, 92 groups (69.7%) have only one purpose of lending among the members. 34 groups (25.8%) even set the same amount of borrowing among the members.

In the researched communes, Youth Unions have yet to start credit activities entrusted by the VBSP. Comparison of the credit among the other three mass-organizations shows that the structures of saving and credit groups and lending conditions do not differ much between Farmers' Association and Women's Union (see Table 10). Veteran's Associations, on the other hand, organize groups of a relatively smaller number of borrowers, and lend relatively larger amounts of capital. Veteran's Associations in fact have a special feature in that some (6 out of 16) groups consist of members from more than two villages (there is even a group that has members from 8 villages).

Table 10: Differences of lending among Mass-organizations

	Number of borrowers	Number of credit groups	Average number of borrowers per group	Average amount per group (VND)	Average amount per households (VND)
Farmers' Association	744	80	9.3 (4.2)	55,525,000 (25,258,148)	5,970,430 (2,937,517)
Women's Union	416	43	9.7 (4.8)	54,081,395 (27,797,296)	5,590,184 (2,851,070)
Veteran's Association	111	16	6.9 (3.1)	43,843,750 (24,854,053)	6,319,820 (2,064,629)

Note: Figures in brackets are standard deviation.

Source: Author's calculation.

5.3 Institutional arrangements for Interest Payment and Debt Repayment

According to the author's interviews at district and commune levels, there has been no case that any borrower faces difficulty in interest payments. This positive result of the interest payments can be attributed to some institutional arrangements introduced both by VBSP and mass-organizations. Interest is supposed to be paid every month from the very beginning of the credit term. The borrowed capital is usually paid back from the second or the third year, if not at the end of the term. The officials of the VBSP's district transaction office usually come down to the Commune People's Committee on the same date each month. The leaders of the saving and credit groups collect interest from the group members and submit them to the VBSP officials every month on 'collection day'²⁴. These group leaders receive commission (17% of the total amount of the interest of the group²⁵) when they submit the interest of the group members to the VBSP officials. Moreover, heads of the village units of mass-organizations have responsibility to monitor the interest payments and debt repayments of their members (even in the case they do not borrow capital).

Saving activities also help the borrowers' interest payments. Although not compulsory, VBSP recommends organizing group saving by the borrowers. In the researched communes, all the saving and credit groups literally organize saving activity from the beginning of the loan term (saved money is deposited to the account of VBSP). Saving amount per person is, following guidance of VBSP district transaction office, 10,000 VND in the first month and 5,000 VND from the second month on. These savings are used in case any member of the group faces difficulty in paying interest.

6. ROLES OF MASS-ORGANIZATIONS TO BE RE-ASSESSED

6.1 Accessibility and Local Needs

This Section discusses, based upon the results of the above survey, advantages and disadvantages of mass-organization in its implementation of poverty reduction activities. It is apparent from both national data and our research results that the poor households'

²⁴ In the case, for example, a household borrows 10 million VND at 0.5% interest per month for a 3 year term, this household pays 45,000 VND in interest every month.

²⁵ The rate of commission is 18% of interest in the Program 135 target communes.

accessibility to VBSP loan has dramatically improved in recent years. For many of the poor households, the increased access to non-collateral low interest loans must be very much appreciated. This has been achieved thanks to the mass-organizations' vast networks down to the village level. Mass-organizations' capacities to mobilize their cadres and members to participate in the programs are something that have been traditionally nurtured. Village units of the mass-organizations are in a good position to identify the poor households. Village units of mass-organizations could also identify the poor household's capacities to utilize and make repayment within the due course of time, which leads to the determination of loan amount to each borrower. It helps to reduce transaction costs incurred by VBSP to identify the proper beneficiaries and to estimate lending risk.

However, it still seems to be a story of limited number of poor households. The research results indicate that accessibility to loans has been determined mainly on the easier-to-access basis, not on the needs priority basis. Even though utilizing well-networked organizations, the problem of geographical barriers to accessibility to the poverty reduction programs cannot easily be solved.

Although village units of mass-organizations have an advantage in identifying poor households, it is questionable to what extent they can reflect the local needs of the poor in their activities. It could be seen from the research results that the lending conditions do not differ much among the saving and credit groups and among mass-organizations. The maximum borrowing amount, interest rate, lending period are all determined by the VBSP, and objectives of borrowing are also guided by mass-organizations at district level. The poor households can only determine the actual borrowing amount and debt repayment schedule. Such arrangements may ease mass-organizations' burden in managing the program in which many of their members participate. There are some cases where saving and credit groups set special borrowings conditions (for example, shorter term lending or different purposes). Such practices can only be achieved with strong initiative of some local leaders of mass-organizations.

6.2 Debt Repayment Risk

At the point the author conducted this research, it was too early to evaluate any impacts of borrowing on household economy, since the loan program started less than two years before this research. The average amount of lending in the researched area, 5.9 million VND is enough to purchase a cow (or two), or a buffalo which provides labor force for cultivation and excreta as fertilizer. It is still difficult to estimate the increase of income

brought in by an additional cow or buffalo for their agricultural production. Similarly, it is also too early to evaluate the effectiveness of the loan program (measured by debt repayment rate) since the debt repayment due has yet to come. 10 million VND, the maximum amount of capital able to be borrowed, seems a huge amount for poor households whose income per capita is, assuming they are defined properly by the MOLISA's indicator, below 80,000 VND per month.

The good results in interest payments are an encouraging factor. It is obvious that use of locally organized saving and credit groups is the main factor in reducing uncertainty in collecting interest. It can not be said that this is merely because of 'peer pressure' as is often cited as the tip of success in many micro credit literatures. In the case of VBSP/mass-organization loan program, 'institutional pressure' from the mass-organizations they belong to is also working well. Every month collection of interest can be ensured by the leaders of saving and credit groups who are motivated by commissions from VBSP, and by the head of the mass-organization village units who bears responsibility in case of any wrong-doing of their members. However, it can also be interpreted that the good performance in interest payment can be achieved since those who cannot assure interest payments, i.e. the poorest among the poor, have not participated in this saving and credit activity. Locally-based village units of mass-organizations are good at identifying the poor in need, and they may also be in a good position to identify the households that have repayment risks. The uniform lending conditions may further contribute to exclude the poor who could have participated under different conditions, for example, smaller principle, shorter period and for other objectives such as consumption smoothing or investment in education.

Moreover, even with very prudent arrangements, the amount of overdue debt might increase in the future due to unforeseeable reasons. The lending procedure is so easy that the risk of overdue debt would be higher than commercial loan programs. The households that apply for borrowing capital do not require collateral. Moreover, they are also not required to reveal any information related to their economic capability (e.g. income, durable assets, agricultural land size or even number of available labor population in the household)²⁶.

The author's interview with the Commune Poverty Reduction Board officials, the cadres of commune mass-organization branches, and the leaders of saving and credit

²⁶ The 'Form 3', which is the list of the persons applying for loans submitted from group leader to the district VBSP branch, only requires such information as name, gender, amount requested, objective of borrowing, and planned repayment schedule.

groups, could not help in finding any specific solutions for any future debt crisis of the borrowers. Decree 78/2002/ND-CP stipulates that the saving and credit groups are supposed to be responsible for collecting debt in the case of debtor's delay in repayment. However, the VBSP loan does not adopt the system of Grameen bank style collective responsibility of debt repayment among the group members. The Decree refers neither to the responsibility of the mass-organization nor to sanction on the group leaders in the case of delay in debt repayment (anyway, many of the group leaders do not usually have the financial capacity to bear the burden of repayment on behalf of overdue debtors in their group). The VBSP loan started without referring to preparation for effective risk management. 'Socio-political' solutions could be sought between mass-organizations and VBSP local branches in the case of delay in debt repayment, which might cause a 'moral hazard' problem and in the end would endanger the sustainability of the loan program itself.

6.3 Other concerns

Another concern is on the possible negative impacts of a rapid inflow of capital within a very short period. Rapid inflow of money into an area may also lead to enormous needs of money once the repayment of debt begins. In the near future, there will be impacts on agriculture, livestock production markets or even (meager) labor and monetary markets. This possible market distortion may curb any positive effect of credit for the poor, and may further increase vulnerability of the poor.

There could also be a concern over the possibility of politicization of credit money. It is natural that the number of members of mass-organizations has increased since the entrusted VBSP loan program started. In Quan Ba district, both Farmers' Association and Women's Union have increased by more than 200 members each in two consecutive years. Local power structures between local leaderships and the poor, as well as among local leaderships, might be changed if the opportunity to get access to credit is politically controlled. This might lead to corruption and social instability, which will discourage sustainable socio-economic development in the long run.

7. CONCLUSION

This report reviews the process of mass-organizations changing roles in poverty reduction. It notes that, since *Doi moi* reform was introduced, mass-organizations have played more

practical roles in socio-economic development by delivering social services instead of the government. After poverty reduction became one of the priority issues in the development tasks of Vietnam in the mid-1990s, the role of mass organizations became more vital. Mass-organizations' role in poverty reduction became more significant when Vietnam Bank for Social Policy started its 'entrusted' credit program with four mass-organizations.

An advantage of utilizing mass-organization for poverty reduction is, needless to say, their nation-wide, locally-rooted network. Mass-organizations have no doubt more local units than any other social, political or economic entities, especially deep in rural areas. Such organizational structures help to identify poor households and to allow them to participate in poverty reduction programs. Mass-organizations have close relationships with other administrations as well as political bodies (mass-organizations usually have their office in commune People's committees' premises). Such close relationships also help transferring information on government poverty reduction programs to the poor households in their villages. This report assesses only VBSP's loan program, but the experience gained in this program can be applied to other activities, especially those implemented on a nation-wide scale.

This report, on the other hand, questions whether mass-organizations have the capacity to reflect the real local needs of the poor. Mass organizations have 'guided' their members to utilize borrowed capital for one purpose (rearing a cow or buffalo). There are only a few exceptions achieved through strong initiative of local leaders. It seems reasonable for mass-organizations (as 'socio-political' organizations) to strengthen control over the activities of local units and their members in order to assure their performance, but sharing the experience gained through autonomous decisions at the local unit level may further expand the capacity of mass-organizations as an important actor for poverty reduction. In this regard, one shortcoming of the mass-organizations is their weak network between commune branches or between village units. The program would be more effective if successful experiences could be made more easily replicable to other local units of mass-organizations.

One issue worth arguing is what degree of responsibility non-economic organizations should bear in credit activities. It is also debatable whether or not 'socio-political' organizations should endorse credit contracts without any financial backlogs. In other words, mass-organizations may not be eligible to help both debtors and creditors in case debt crisis occurs. It seems that, in Vietnam, the aspect more important is 'official' or not, rather than the functions of the organizations. The position of mass-organizations as official body (but not administrative unit) gives legitimacy of being entrusted by the governmental financial institution (i.e. VBSP). Similarly, rural poor, who

usually have far less accessibility to the financial market, may feel secure since they know that official entities very familiar to them ensure accessibility of concessional loans. However, in the long run, the limitation of mass-organizations as non-financial, socio-political organizations might matter to the sustainability of the loan program.

Further evaluation, which cannot be made so far, will be needed in the future. First of all, it will be sure that direct impacts on poverty reduction, i.e. degree of economic improvement in the households who had borrowed capital, will be evaluated by VBSP in the near future. Efficiency of the program, for example total balance of payment or rate of overdue debt, is surely to be evaluated by VBSP in order to determine future interest rates, maximum lending amounts or lending periods. However, it would be a bit more complicated to evaluate the effectiveness of utilizing mass- organizations for poverty reduction programs. The increase of participation of the poor in poverty reduction activities is one evitable indicator. Mass-organizations have traditionally performed well on this point. Furthermore, evaluation from other points of view, for example in the sense of contribution to administrative reform, promotion of democracy in development, applicability of successful cases, cost effectiveness in implementation, etc., should also be considered. Such evaluations will help assess the potential mass-organizations have in the process of development in Vietnam. We, especially those who are familiar to non-governmental organizations in other countries, should not simply expect that mass-organization take on similar roles to NGOs in other countries.

REFERENCES

- Fritzen, Scott.** “Decentralization, Disparities, and Innovation in Vietnam’s Health Sector”, in Jennie I. Litvack and Dennis A. Rondinelli (eds.), *Market Reform in Vietnam*, Westport; Connecticut, Quorum Books, 1999.
- GSO (General Statistics Office).** *Population and Housing Census Vietnam 1999: Completed Census Results*, Hanoi, Statistical Publishing House, 2001.
- , *Statistical Yearbook 2004*, Hanoi, Statistical Publishing House, 2005.
- Gray, Michael L.** “Creating Civil Society?: The Emergence of NGOs in Vietnam”, *Development and Change*, Vol. 30, 1999, pp.693-713.
- Ha Giang Provincial People’s Committee.** *Ha Giang 110 Nam: Dau Tranh, Xay Dung va Phat Trien (1891-2001) (Ha Giang 110 Years: Battle, Construction and Development*

(1891-2001)), Hanoi, National Political Publishing House, 2001.

Ha Dan Huan. “Nhan Hang Chinh Sach Xa Hoi – Nhung Buoc Phat Trien Moi (The Social policy Bank – Some New Development)”, *Tap Chi Ngan Hang (Bank Journal)*, No.1, 2005, pp 28-29.

MOF (Ministry of Finance). *State Budget: Financial Accounts for 2000 and Plan for 2002*, Hanoi, Financial Publishing House, 2002.

MOLISA (Ministry of Labor, Invalids and Social Affairs). *Tai Lieu Tap Huan Can Bo Xoa Doi Giam Ngheo Cap Xa (Training Manual for Poverty Alleviation Staff at Commune Level)*, Hanoi, Labor and Social Affairs Publishing House, 2004a.

_____. *Statistics on Hunger Eradication and Poverty Reduction (HEPR) for the Period of 1998 – 2000 and 2001 – 2003*, Ha Noi, Labor and Social Affairs Publishing House, 2004b.

Nguyen Thi Hang. “Tu Thuc Tien 5 Nam Xoa Doi Giam Ngheo (From 5 Year Practices of Hunger Eradication and Poverty Reduction)”, *Tap Chi Cong San (Communist Journal)*, No. 21, 1996, pp. 43-37.

Sakata, Shozo. “Marketization in Poverty-ridden Rural Areas: Analysis of Household Survey in Lai Chau and Ha Giang Provinces”, in Ha Huy Thanh and Shozo Sakata (eds.), *Impact of Socio-economic Changes on the Livelihoods of People Living in Poverty in Vietnam*, Hanoi, Institute of Developing Economies, 2005.

Socialist Republic of Vietnam. *Document, The National Targeted Programme on Poverty Reduction for the Period 2006-2010 (Fifth Draft)*, (document submitted to the National Consultation Workshop on National Targeted Programme on Poverty Reduction 2006 -2010 (1-2, July 2005) by the Ministry of Labour, Invalids and Social Affairs), Hanoi, 2005.

UNDP (United Nations Development Program). *Improvement of provision of rural financial Services to Poor Households for the Design of National Targeted Programme on Hunger Eradication and Poverty Reduction in the Period of 2006-2010*, Hanoi, UNDP, 2004.

Van de Walle, Dominique. “Protecting the Poor in an Emerging Market Economy”, in Jennie I. Litvack and Dennis A. Rondinelli (eds.), *Market Reform in Vietnam*, Westport; Connecticut, Quorum Books, 1999.

VUFO-NGO Resource Center. *Directory of Vietnamese Non-governmental Organizations Working for Hunger Eradication, Poverty Reduction and Community Development in Vietnam*, Ha Noi, 2002.

ANNEX 1: List of the Member Organizations of Vietnam Fatherland Front

1. Communist Party of Vietnam
2. Vietnam General Confederation of Labor
3. Farmers Union of Vietnam
4. Ho Chi Minh Communist Youth Union
5. Vietnam Women's Union
6. Vietnam Veteran's Association
7. Vietnam People's Military Force
8. Vietnam Union of Science and Technology Associations
9. Vietnam Association for Art and Culture
10. Vietnam Union of Friendship Organizations
11. Vietnam Youth League
12. Vietnam Co-operative Alliance
13. Vietnam Chambers of Commerce and Industry
14. Vietnam Red Cross
15. Vietnam Lawyer's Association
16. Vietnam Journalists Association
17. Vietnam Association for Buddhism
18. Committee for Catholic Solidarity
19. Vietnam Gardening Association
20. Vietnam Association for the Blind
21. Vietnam Association for Ornamental Organisms
22. Vietnam Oriental Medicine Association
23. Vietnam Medical Association
24. Vietnam Association for the Elderly
25. Vietnam Association for Family Planning
26. Vietnam Study Promotion Society
27. Association for the Support of Vietnamese Handicapped and Orphans
28. Vietnam Association for Acupuncture
29. Vietnam Protestant Association (North)
30. Vietnam Historical Science Association
31. Association for Liaison with Overseas Vietnamese
32. National Association for the Victims of Agent Orange/Dioxin
33. Vietnam Publishing and Printing Association

ANNEX 1 (Continued):

34. Vietnam Association for Help of Disabled Children
35. Vietnam Fine Art, Jewelry and Gem Association
36. Vietnam Fish Breeder's Association
37. Vietnam Association for Public Health
38. Vietnam Retired Teacher's Association
39. Vietnam Union of Production and Business Associations for Disabled
40. Vietnam Association for Ex-Youth Volunteer Force.

Note: As of September 2004

Source: Information obtained from Central Committee of Vietnam Fatherland Front, supplemented by information on the website of Vietnam Fatherland Front (<http://www.mattran.org.vn/>), as of December 2005).