

HCML could be seen as the city that leads the way in economic development and struggle against poverty and hunger. Thanks to its high growth rate (it is usually 3% higher than the national average while the structure of industry improves positively), HCMC has succeeded in raising the general living standard, reducing proportion of poor families and promoting programs to alleviate poverty and build houses for revolutionary and poor families, and launching many creative social programs.

The Anti-Poverty and Hunger Program (APHP) was launched in HCMC in February 1992 when poor families accounted for 25% of the city population. Having taken strong measures to provide capital and training courses for the poor, create new jobs and improve living and working conditions for the poor, HCMC authorities helped some 100,000 families increase their income, saved 17,000 families from hunger and raised 35,000 families from under the poverty line.

Providing the poor with credits is the most common measure to turn poor residents into self-employed laborers. The Fund for Poverty Alleviation and Hunger Eradication (FPAHE) coming into being from this program was the first organization that supplied credits to the poor. This operation developed into a nationwide movement. In many provinces, various organizations have been formed to supply loans to the poor, such as branches of the Bank for the Poor, funds run by the Women Association; Youth Association, branches of the National Fund for Job Creation, the CEP under charge of Federation of Trade Unions, etc.

The following are some successful funds for the poor in HCMC.

I. FUNDS SUPPORTING THE POOR

1. Fund for Poverty Alleviation and Hunger Eradication

The main APHP operation after it was launched is to provide the poor with credit through the FPAHE. Its objective is to help laborers create their own jobs. The operation was carried out first in suburbs, and then in the inner city. Its potential customers in 1992 were poor persons with an annual income of under VND500,000. This poverty line was raised to VND700,000 for suburb residents and VND1 million for residents in the inner city. At present, the poverty line in HCMC is fixed at VND3 million a year for residents in the inner city and 2.5 million for suburb residents.

THE STRUGGLE AGAINST POVERTY AND HUNGER IN HCMC IN RECENT YEARS

by Prof. Dr. NGUYỄN THỊ CÀNH

Up to June 2000, the FPAHE controlled some VND113 billion: 59.24% of this sum is from grants-in-aid and 5% compulsory saving; and 40.75% from contributions from philanthropists. The FPAHE has supplied credits to 96,707 poor families; and some 62,000 families of which owe VND91,725 billion to the Fund now.

2. National Fund for Job Creation

The National Fund for Job Creation (NFJC) that supplies low-interest loans to job-creation projects was established as directed by Decree 120/HĐBT issued on April 11, 1992 by the Council of Ministers (now the Central Government). Capital of the NFJC includes grants-in-aid, payments by laborers working in foreign countries, and aid from foreign governments and international financial organizations. The Fund is used for supplying soft loans to individuals and companies that could create new jobs, giving financial support to vocational training centers, employment services and centers for technoscientific application and technology transfer. Customers of the NFJC include families, members of civic organizations, cooperatives, family businesses and companies operating according to the Companies Law. Potential customers should produce job-creating projects. The credit limit for each family business is VND10 million. When these businesses engage in a big project, the credit limit for each business is the same. As for projects proposed by a company, the credit limit is VND300 million, or VND10 million for a new job created. The term of payment is 12 months for projects to produce farm products (crop farming, animal husbandry, sea farming, etc.); 24 months for projects to raise cattle, grow industrial plants, medical herbs and ornament trees, and produce handicrafts; 36 months

for projects to increase capital goods, build fishing boats, develop cattle farms, grow perennials, etc. The interest rate offered by the Fund is always lower than that of commercial banks and fixed at 0.5% per month now. Interest payments are used for covering overheads, maintaining contingent reserve and increasing the capital. The HCMC branch of the NFJC also supplies, besides the said services, open credits to many civic organizations (Associations of Peasants, of Women, of War Veterans, the Youth League, the Fatherland Front, etc.). These organizations cooperate with the Branch in supervising the realization of projects and collecting interest and principal.

In eight years after its establishment, up to Dec. 31, 2000, the NFJC have supplied credit to the tune of VND483.88 billion to 3,705 projects helping with the creation of 127,621 jobs. As compared with previous years, the proportion of credit supplied to small industrial projects tended to increase. This means that residents in newly urbanized areas, such as District 12 and Thủ Đức, had engaged in new occupations. In recent years, the number of animal husbandry projects has also increased while that of projects to produce certain handicrafts (mat, rice paper, etc.) decreased.

3. CEP under the HCMC Federation of Trade Unions

The Capital Aid Fund for Employment of the Poor (CEP) is a body under the HCMC Federation of Trade Unions, established in 1991 by the HCMC People's Committee. The capital of the Fund is from idle money from trade unions of all levels and deposits or donations from other organizations, such as:

- Financial support from local and foreign humanity organizations or economic concerns.

- Foreign-financed projects to promote saving and supply of credit to the poor.

- Money deposited by the APHP Directorate used for supporting civil servants and laborers in remote areas.

- Savings and contributions from members of trade unions (this source accounts for 25% of the Fund).

The most important objective of the Fund is to reduce the poverty among civil servants and laborers of the public sector, especially the increasing number of redundancies resulting from the reform in the public sector. The next objective is to extend its services to all poor laborers in HCMC. Besides supplying credit, the CEP has cooperated with local governments and civic organizations in providing vocational guidance and improving living conditions of laborers. Forms of CEP capital aid are as follows:

+ *For civil servants and workers of the public sector:* Credit limit on loans extended to these customers varies from VND1 to 5 million. The average interest rate is 0.8% a month. The term of payment varies from 10 to 15 months. Interest and principal could be divided into monthly installments. Potential borrower should secure guarantee from their trade unions.

+ *Labors of other sectors:* credit limit: VND1 to 5 million; interest rate: 1% a month; term of payment: from 20 weekly to 15 monthly installments. Guarantee from local governments and civic organization is required.

+ *Small traders:* credit limit: VND1 to 7 million; term of payment: daily installments within 2 or 3 months. Guarantee by local governments or managing boards of marketplaces where small traders do their business is needed.

Up to now, the CEP has supplied VND240 billion to over 130,000 civil servants and workers of the public sector and paid full attention to tasks of beefing up its organization, installing new facilities and enhancing skills of lending officials. In recent months, although the HCMC economic development tended to slow down, the CEP kept on developing its services and being good helper to poor laborers and civil servants in HCMC.

4. Saving Fund for Poor Women by the HCMC Association of Women

From the movement "Women's Cooperation in Developing Cottage Industry" launched by the Central Association of Women in 1992 and an interest-free loan of VND500 ex-

tended by the HCMC People's Committee, the Saving Fund for Poor Women came into being. The HCMC Association of Women also mobilized other sources of capital (donations from philanthropists, interest-free loans from economic concerns, trust deposits from the APHP Directorate and NPJC and aid from international organizations, etc.) thereby increasing its capital from VND500 million to over VND30 billion. The Fund has carried out a wide range of small projects with different objectives. After negotiating with sponsors about necessary matters, the Association develops the project through its branches at ward or commune levels. Its customers are usually locals with permanent residency or small traders with business licenses. They must be classified as poor residents, of the 18-35 age bracket, have good health and get no loan from banks or other organizations. To get loans from the Fund, they must produce a plan to use the loan for profitable businesses and join the local branch of the HCMC Association of Women.

The HCMC Association of Women is responsible for controlling all sources of capital. It has each project supervised by two of its officials in cooperation with district or commune branches. It has extended credit to 303 wards and communes of 22 districts in HCMC. Its ward and commune branches cooperated with local governments in selecting potential customers, providing them with necessary training courses and organizing them into groups. Customers pay debt to the head of the groups who sends it to the ward or commune branches before it is sent to the head office of the HCMC Association of Women. The head office controls the Fund and estimates achievements and shortcomings of each branch.

Due to many reasons (organizational skills, close supervision over each project, proper attention paid to efficiency of the project, etc.) the savings-loan program by the HCMC Association of Women is considered as effective in terms of both social and financial aspects. The working capital of the Fund up to June 2000 amounted to VND30,052 billion with 14,803 customers. From 1992 to June 2000, the Fund has supplied VND114.2 billion to over 30,000 customers. Repayment rate was 99%. The Fund also attracted savings up to VND2.782 billion, representing 10.2% of its working capital and helped some 8,000 member families escape the poverty for good.

II. CREDIT-SUPPLYING MODELS

Different operations of funds

and programs for the poor could be divided into the following models.

1. Savings - loan for the poor

According to many experts in social work, the most successful model of this kind in HCMC is the savings - loan fund for the poor. In HCMC suburbs, this model was introduced in April 1992 within the framework of a program co-financed by the EU and CIDSE. The CIDSE is cooperating with 7 Vietnamese partners in carrying out a savings - loan program in 18 wards and communes in HCMC. Main local partners are the HCMC Association of Women, HCMC Federation of Trade Unions and HCMC Association of Gardeners. Main practices adopted by this model are:

- Forming groups of poor residents including five members each.

- Forming a center from five or six groups that appoint a managing team with a term of one year or two.

- Limiting the first loan supplied to each member.

- Supplying bigger loans to members who repay their first loans on time.

- Allowing from 6 to 12 monthly installments.

- Encouraging members to make and send savings to the fund.

According to many estimates and reports, results achieved by this model are: repayment rate is some 98%; savings from members are used for helping members with urgent needs and increasing the supply of loan; income of members increased by 30% - 50% (mainly from non-farming occupations); the position of women in the community is enhanced because they account for a high proportion of members.

2. Model of financing through projects of poverty alleviation groups

In 1997, the HCMC Service of Agriculture and Rural Development cooperated with the APHP Directorate in developing 11 poverty alleviation groups in HCMC suburbs. This model aimed at grouping poor families that were determined to help one another escape poverty within a certain length of time.

Each group included from 10 to 15 members directed by a member with experience of agricultural extension and each member had his own business project. Experience from this project was disseminated and helped with formation of 222 other groups including 2,723 families in HCMC suburbs. These groups mobilized a total investment of VND10.99 billion (or some VND4 million for a family) and create 2,800 new jobs in farming business.

Initial results show that the pov-

erty alleviation groups operated well and tended to develop. These groups helped members make business plans and employ loan capital more effectively. Many poor residents had chances to improve their business knowledge and experience, and enhance the sense of responsibility towards the community. These will be preconditions for better business performance and faster increases in their income.

3. Investments in job creation projects

In this model, capital is invested in existing economic concerns or family businesses that have projects to expand their operations thereby creating more new jobs. Ward and commune authorities enter into contracts

with economic concerns by which a loan of VND5 million is extended to the concern if it recruits a poor resident as its employee. This model was welcomed by many economic concerns in the inner city.

The HCMC has invested VND3.81 billion in 97 cottage industry and service projects supplying jobs to 980 laborers in the list of poor residents. This model is also the main operation of the NFJC.

To apply this model, with the approval from the HCMC government, the Phú Nhuận District authorities have piloted a scheme to extend loans to poor residents to buy shares from a joint stock company established by the Phú Nhuận authorities and get a

job there. Due to the lack of knowledge about share and stock market, most of them were reluctant to get the loan. This means that they only need a job with stable income. The HCMC government should carry out more researches on methods of extending loans to the poor and deciding the term of payment.

Generally, forms of supplying credit to the poor in HCMC have achieved certain results. To make this program more effective and successful, coordination of these funds and programs should be formed, experience from existing models drawn and disseminated, and new models suitable to specific conditions worked out ■

SMALL SAVINGS AND LOAN MODEL BY THE HCMC INSTITUTE OF ECONOMICS

With financial and technical support from the CIDSE, the HCMC Institute of Economics has piloted a small savings and loan model for the poor in Districts Hóc Môn and 12.

Objectives: the project aims at designing a savings and loan model suitable to the poor, with certain priority given to poor women, especially those who have no farming land or any assets to give banks as security, and then persuading local governments to apply it on a larger scale.

Contents: Main operations of the project are as follows:

- Training lending officials in banking services and people skills, and helping the poor work out appropriate business plans.

- Supplying open credits to groups of poor residents who engage in the project (referred to as members) to help them carry out approved business plans.

- Persuading members into paying from VND1,000 to 2,000 a day to the saving fund of the project in order to increase the working capital of the project and prepare for risks.

- Directing community activities based on groups (5 members each) organized into centers (including from 5 to 6 groups).

Process applied:

(1) Recruiting members: the following steps will be taken:

- Step 1: Five residents form a group voluntarily and register their group with the local lending officials under certification of village and commune people's committee.

- Step 2: Lending officials make investigation to gather information about living condition and production capacity of members of the group.

- Step 3: The Project Board conducts checks on whether members are worth helping.

- Step 4: Training courses in objectives of the project, rights and duties of members are given to members. Before getting the first loan, the member is required to pay daily savings for two weeks.

(2) Extending loan: The procedures for supplying of loan to qualified member are as follows:

- Chief accountant sends a disbursement voucher based on member's application to field official.

- The field official hands the loan to the member under

supervision of the Project Board. The supply of loans is conducted according to the plan for member recruitment.

- Credit limit rises according to repayment rate: the first loan is limited to VND500,000; the second VND700,000; the third VND900,000 and the fourth VND1 million. The biggest loan is VND1.5 million. The term of payment varies from four to six months and depends on the nature of member's business.

(3) Repayment: Members could pay their debts in monthly installments. The field official receives the installment and transfers it to the field cashier who deposits it with a local bank under supervision of the chief accountant.

(4) Saving: Savings from members are added to the project's working capital and members pay them on a weekly basis. After one year, if the member has no need for loan, 50% of his savings is refunded; the other half is added to the project's working capital.

(5) Fee or interest rate: The interest rate offered by the project is based on the rate ceiling offered by banks with certain reduction. Changes in the project's interest rate is as follows:

- From establishment to October 1996: 2% per month.
- From November 1996 to December 1996: 1.7% per month.

- From January 1997 till now: 1.5% - 1.2% per month.

(6) Scope of the project: The project has operated since 1992 until now in the following localities: Tân Chánh Hiệp, Tân Thới Hiệp, Đông Hưng Thuận and Hiệp Thành Wards of the District 12, and Đông Thành Commune of Hóc Môn District.

(7) Results: Loans supplied by the project have helped 870 members develop their businesses. Some 23% of members are in the first five rounds of loan; 59% in the second five rounds of loan; 10.4% in the third five rounds of loan, and 7.6% in the fourth and fifth five rounds of loan. Forty-four centers including 197 groups have been formed within the project.

The project's working capital rose from VND322 million (with financial support from the CIDSE) to 10.4 billion. The investment turnover is 32.1 times during a year.

Total saving by members reached VND333 million, bigger than the starting capital supplied by the CIDSE. If this starting capital is repaid to the CIDSE, the project still keeps on operating. This means that the project is sustainable.

All members have been accustomed to community activities. Their sense of responsibility towards the community has been enhanced. Each member has had his own savings account.