



Invest to prevent disaster

CASE STUDY 1.

Microfinance and disaster preparedness: an innovative approach for housing preventive reinforcement against cyclone and flood damages, Viet Nam

Over the past decade, Viet Nam has been emerging from years of poverty. Economic reforms have had a largely positive effect on many families, whilst many activities are increasingly monetarised. This growth and change is vital if families and the community are to achieve more stable and better living conditions. In turn, the improvement of family economies is vital for local and regional development. But the often-tenuous improvement in family and commune conditions is frequently eradicated by the destruction caused by the annual round of storms, typhoons and flooding.

In effect, amongst the many changes in the past decade, a tangible change has been the increase in private expenditure in housing and small-scale rural infrastructure. Families have rebuilt some 80% of rural housing over recent years to replace previous thatch and bamboo houses.

Regrettably, this investment in new homes has not been matched by a parallel increase in their resistance to the effects of floods and storms. This weakness is largely because storm resistant building details have been neglected.

This level of vulnerability is unnecessary.

Preventive action to strengthen community and domestic buildings is an effective and cost efficient manner of reducing economic and material vulnerability, and families and communities can do it themselves.

Development Workshop France (DWF) has implemented projects ¹ in Thua Thien Hue Province – central Viet Nam, since 1999, to raise the

¹ Projects funded by CIDA (Canadian International Development Agency), Alternatives(Canada) and FACV (Fondation d'Aide Canada - Viet Nam) 2000-2002; by ECHO-DIPECHO (European Commission) 2003-2005.



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prevention awareness among the population and decision makers, through animation, training and demonstration of housing and small public facilities reinforcement.

For housing, at the beginning, DWF provided a subsidy, combined with the cash participation of the family² (see below). But, it has become clear that poorer families turned to local moneylenders in order to engage in strengthening their home. Whilst this was a positive sign of commitment, it has also created pressure on some families because of high rates of interest exacted by informal lending (up to 20% monthly interest).

In 2002, DWF organised a credit system for the families, combined with a partial subsidy of reinforcement works, in 4 communes of Thua Thien Hue Province. This system was extended in 2003 to 6 communes. The credit scheme is managed at commune level by the Commune Damage Prevention Committee (the number of beneficiaries can be doubled with the revolving fund, as a part of subsidy will also be allocated). The available funds (credit / subsidy) are managed by the "family prevention group", organised at hamlet or village level (5 to 10 families). The group decide the priorities, and the allocation of subsidy / credit amongst the families.

Example of a loan³:

Cost of works	DWF Subsidy	Family Contribution	Credit	Duration (Months)	Interest (By month)
4 600 000 Dgs	2 000 000 Dgs	600 000 Dgs	2 000 000 Dgs	18	0,3 %
300 US\$	130 US\$	40 US\$	130 US\$		

For the first phase of the programme (2002-2004), the number and amount of loan disbursed have been:

Communes	Families	Amount of loans (Vn Dongs)
Phu Da	72	140 500 000

² Average family income : 30 US\$ by month

³ 1 US\$ = 15 800 VN Dongs – March 2005



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Quang Tho	62	119 900 000
Vinh Hai	33	63 800 000
Thuy An	22	45 000 000
Thuy Thanh	56	94 600 000
Thuy Xuan	20	40 000 000
TOTAL	265	503 800 000 (32 000 US\$)

The repayment level is good (80% and more), and successful – if considering the innovative approach and the situation of families -, except in some specific cases where people have had difficulties due to:

- Credit management problems at Commune level;
- Extreme difficulties for some families.

The credit system for housing reinforcement has contributed to a real progress, and demonstrate that people repay short term affordable loans for house strengthening even though this does not have a direct connection to income generation, because the safety of the houses and the reduction of vulnerability do represent a key component in economic security. Families make the connection between a safe house and income generation capacity, and are prepared to put their own money into achieving this.

Future projects need to continue to demonstrate a credit system for those in most need, which can in turn encourage other donors and banks to make credit available.

The target is to achieve loan rates up to 80% with low subsidy, (taking account of subsidies written into the loan system as well). In a commune, it is generally considered that until the poorer and most vulnerable families have been helped, a subsidy is needed to enable these families to strengthen their homes.

See also <http://www.dwf.org/vietnam/preventdamage/index.htm>

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