

## Poverty Measurement Report

### Village Savings and Loan Programme (VSLP)

### Plan Vietnam



#### A. Executive Summary

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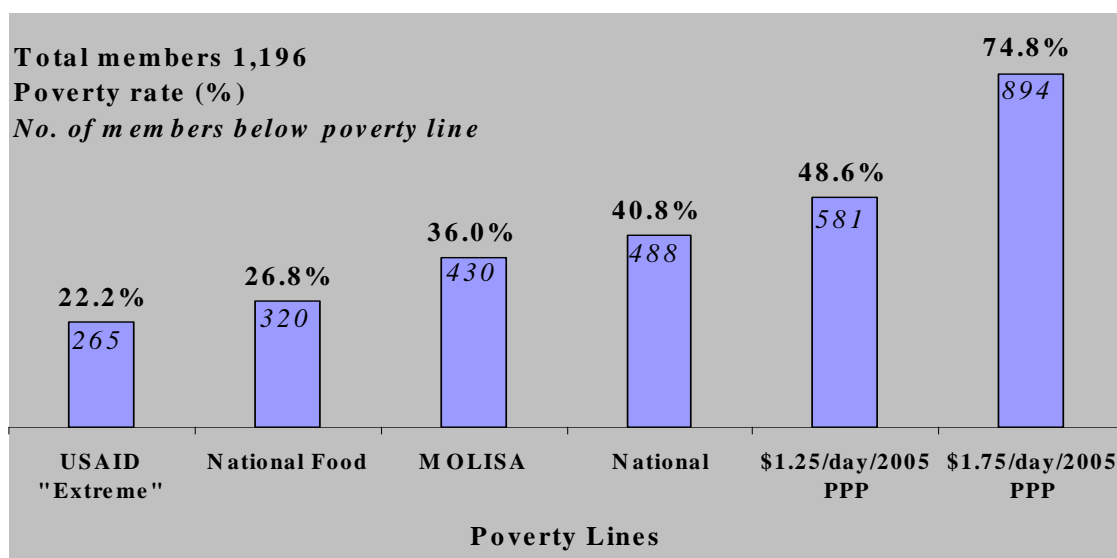
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The purpose of poverty measurement of the VSLP using Progress out of Poverty Index (PPI) is to find out the poverty levels of those being served by the VSLP, to establish a baseline to track changes in the poverty levels of VSLP members over time, and to ascertain how the VSLP can better target its services to poor households.

At the time of the PPI survey, the VSLP was serving 1,196 poor minority women organised in 76 VSL groups in 41 villages in 7 communes of Dakrong district. The PPI survey took place from 13<sup>th</sup> to 21<sup>st</sup> March 2010. The survey was done by village agents of the VSLP.

This is the first implementation of PPI in the VSLP so the data and results provide a baseline to be used for comparison with future PPI implementations. The data collected through PPI is calibrated to six different poverty lines in the below graph.



The poverty rate of the VSLP for different poverty lines is much higher in comparison with country level poverty rates. For example, the poverty rate for the whole of Vietnam against the national poverty line is 13.6 percent but it is 40.8 percent for the VSLP. Only the MOLISA poverty rate for Dakrong is available i.e. 41 percentage points but the VSLP MOLISA poverty rate is 36 percent. As the VSLP covers 90 percent of households at village level, the 36 percent MOLISA poverty rate of the VSLP indicates that VSLP is reaching a variety of households from very poor to non-poor. It also found that the group of households with no or inferior toilet or drinking water facilities or insufficient supply of cereals is poorer.

## **B. Detail Report**

### **1. Purpose**

The purpose of the poverty measurement of the Village Savings and Loan Programme (VSLP) using the Progress out of Poverty Index (PPI) is to find out the poverty levels of those being served by the VSLP, to establish a baseline to track changes in the poverty levels of VSLP members over time and to ascertain how the VSLP can better target its services to poor households.

### **2. Village Savings and Loan (VSL) methodology**

A Village Savings and Loan Association (VSLA) is a group of 10-25 people who save together and take small loans from those savings. The activities of the VSLA run in 'cycles' of about one year, after which the accumulated savings and the loan profits are shared out among the members according to the amount they have saved. Key features of the VSL methodology are:

- ◆ Membership criteria: Self-selected, open to men and women, free to exit any time
- ◆ Meeting frequency: Chosen by the group; attendance is obligatory but flexible
- ◆ Leadership structure: Democratically elected management committee (5 members) on annual basis. May be removed by consent of 2/3 of the group
- ◆ Record-keeping: Passbooks and ending balances only. No ledgers. Transactions carried out in front of members
- ◆ Time to self-management/independence: 1 year

### **3. Dakrong district**

Dakrong, one of the 63 poorest districts of Vietnam, is a mountainous district with a total population of 35,465 people in 6,940 households. The poverty rate of Dakrong is 41 percent according to MOLISA survey of 2008. The local people are mainly ethnic minorities, namely the Van Kieu and Pa Co who make up more than 76 percent of the population. The sources of income of the people are mainly based on agriculture and livestock. There's a limited use of modern equipment and technology in farming and agriculture is further affected by climate change, resulting in low productivity and low income. This leaves household economic security vulnerable, especially for poor households with very few options to manage these risks.

### **4. Plan Vietnam's VSLP in Dakrong**

Plan Vietnam implements the VSL methodology in partnership with Vietnam Women's Union (VWU). In July 2009, Plan Vietnam started implementation of the VSL methodology in seven Plan-supported communes in Dakrong district, Quang Tri province. There's a strong demand for basic financial services – particularly savings, flexible short-term credit and basic insurance services – in remote areas of Vietnam that would enable poor households to better manage their financial resources and improve household economic security. Currently, a high proportion of target households have large, outstanding long-term loans with the state-owned social policy banks. These households do not have a regular income stream or savings to service these long-term debt obligations. Community-managed microfinance methodologies are recognised as one of the viable mechanisms to deliver financial services in remote areas; and the Village Savings and Loan (VSL) methodology has proven to be an appropriate, popular and useful mechanism for poor households to save in a variety of geographic and socio-economic settings. After eight months, the VSLP reached 1,196 poor minority women in 76 VSL groups in 41 villages.

With the aim of strengthening the social performance of the VSL programme, Plan Vietnam agreed to use the Progress out of Poverty Index (PPI) to target poor households and track changes in their poverty rates (as a household and as a group) overtime. Key features of implementing PPI in the VSL programme are:

- ◆ Division of clients into distinct poverty bands
- ◆ Integration of financial and social indicators
- ◆ Correlation of product offerings and distribution channels to poverty levels
- ◆ Tracking of the movement of clients across poverty lines
- ◆ Assessment of how well a social mission is translated into action

## 5. Progress out of Poverty Index (PPI)

The Progress out of Poverty Index (PPI)<sup>1</sup> of Vietnam, according to Mark Schreiner, is “a country-specific poverty scorecard. Pro-poor programmes can use it to estimate the likelihood that a household has expenditure below a given poverty line, to monitor groups’ poverty rates at a point in time, to track changes in groups’ poverty rates between two points in time, and to target services to households.”

The direct approach to poverty measurement via surveys is difficult and costly. The feasible poverty-measurement options for pro-poor organisations are typically subjective and relative (such as participatory wealth ranking by skilled field workers) or blunt (such as rules based on land ownership or housing quality). Results from these approaches are not comparable across organisations, or across countries. They may be costly, and their accuracy and precision are unknown. In contrast, the indirect approach via poverty scoring (PPI) is simple, quick, and inexpensive. PPI uses 10 verifiable indicators to get a score that is highly correlated with poverty status, as measured by the exhaustive national survey.

Vietnam’s PPI is based on the 2006 Vietnamese Household Living Standards Survey (VHLSS) conducted by Vietnam’s General Statistical Office. The 10 indicators for PPI from the 2006 VHLSS are selected to be:

- ◆ Inexpensive to collect, easy to answer quickly, and simple to verify
- ◆ Strongly correlated with poverty
- ◆ Liable to change over time as poverty status changes

All points in the scorecard are non-negative integers, and total scores range from 0 (most likely to be below a poverty line) to 100 (least likely to be below a poverty line). Non-specialists can collect data and tally scores on paper in the field in five to ten minutes.”

## 6. PPI of VSLP

The PPI was conducted for 1,196 members, all women, organised in 76 groups in 41 villages in the 7 communes of Dakrong district, in the centre of Vietnam. The PPI survey took place from 13<sup>th</sup> to 21<sup>st</sup> March 2010. The survey was done by village agents of the VSLP. The team leader and four programme officers of the VSLP managed and monitored the survey. About 25 percent of PPI surveys done by village agents were verified by four programme officers. The VSLP team leader did the re-verification of 2 percent of PPI forms filled out by village agents and verified by programme officers.

## 7. PPI Data Analysis

**7.1** This is the first implementation of PPI in the VSLP so the data and results provide a baseline to be used for comparison with future PPI implementations. The data collected through PPI of the VSLP is calibrated to six different poverty lines i.e.

- I. National poverty line –7,011 VND<sup>2</sup>/person/day;
- II. National food poverty line - (2100 calories) 5,890 VND/person/day;
- III. USAID “Extreme” poverty line;
- IV. US\$1.25/day/2005 Purchasing Power Parity (PPP) line –7,718 VND/person/day;
- V. US\$1.75/day/2005 PPP line –10,805 VND/person/day; and
- VI. Ministry of Labour, Invalids and Social Affairs (MOLISA) poverty line - 6,575 VND/person/day for rural areas and 8,548 VND/person/day for urban areas.

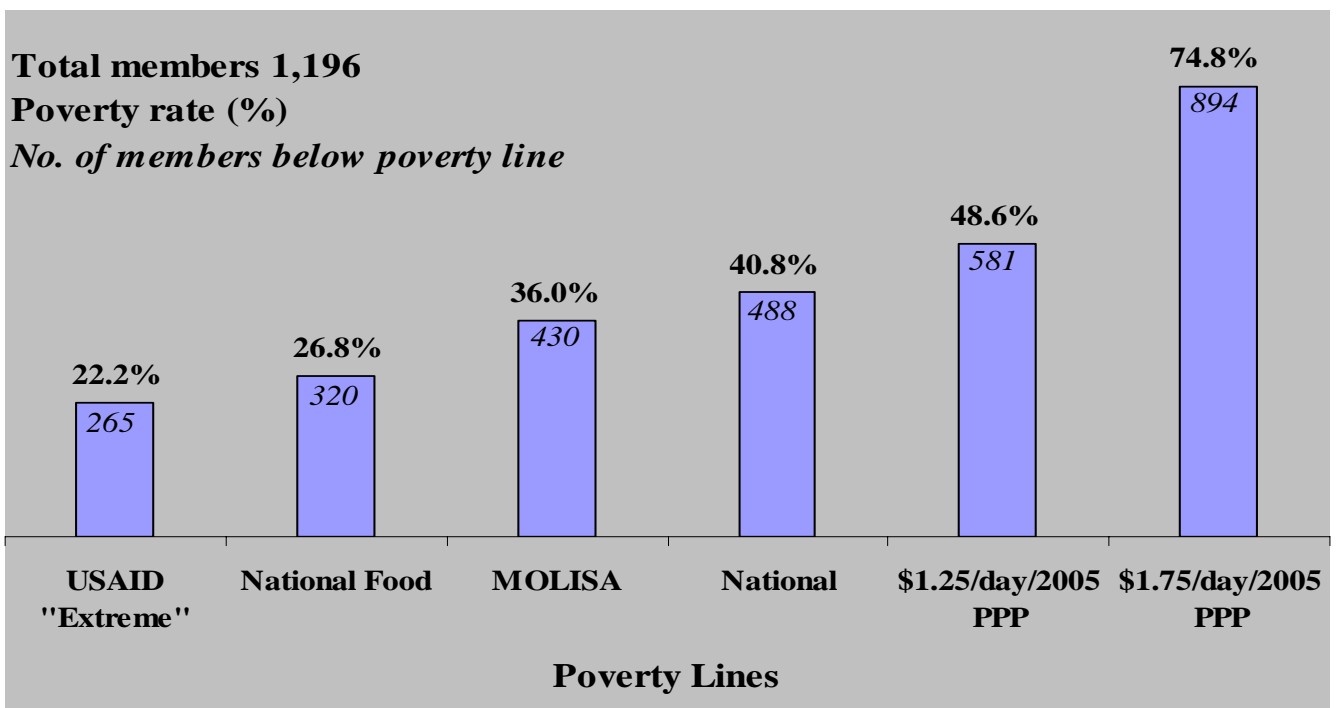
For Vietnam as a whole, the household level poverty rate<sup>3</sup> in the 2006 VHLSS was 13.6 percent for the national poverty line and 8 percent for the national food line. The national food poverty line is the lowest poverty line while US\$1.75/day/2005 PPP is the highest poverty line out of these six lines.

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<sup>1</sup> [http://www.progressoutofpoverty.org/system/files/PPI\\_Design\\_Documentation\\_for\\_Vietnam\\_2009.pdf](http://www.progressoutofpoverty.org/system/files/PPI_Design_Documentation_for_Vietnam_2009.pdf)

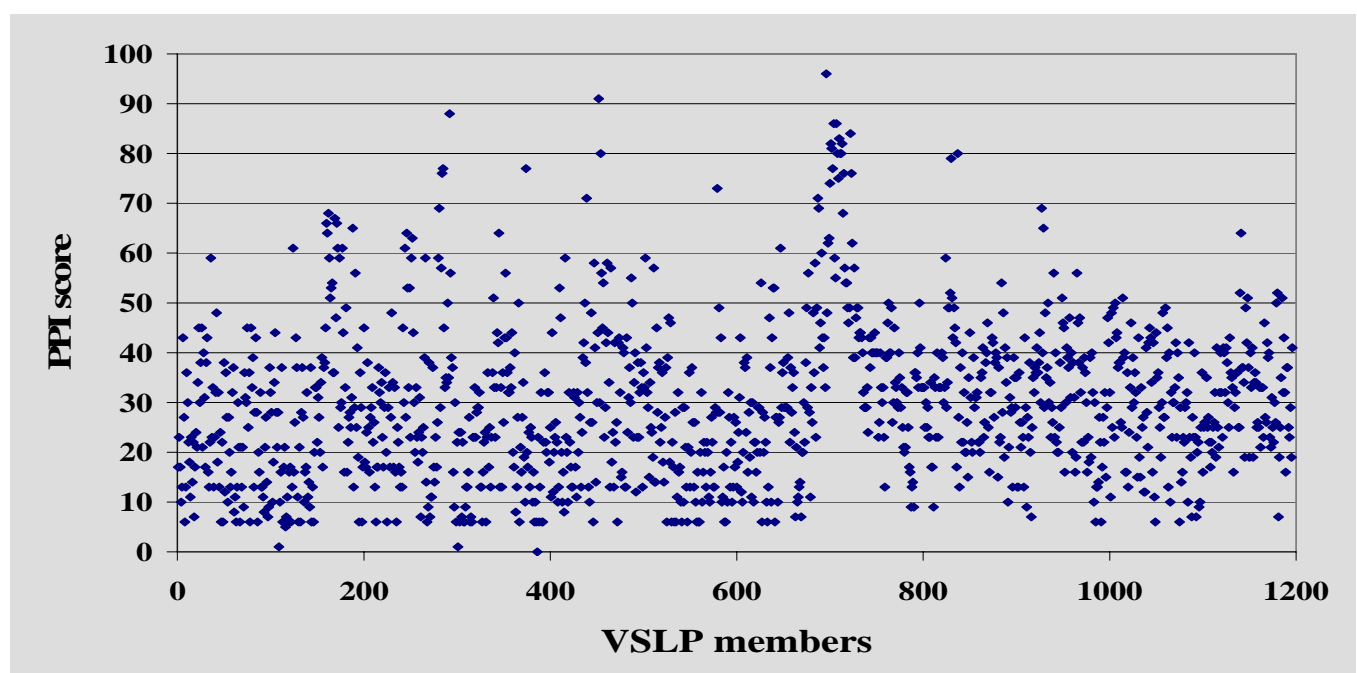
<sup>2</sup> Vietnamese Dong (the name of Vietnamese currency)

<sup>3</sup> The “poverty rate” is the share of people in a given group who live in households where the total household expenditure (divided by the number of household members) is below a given poverty line.

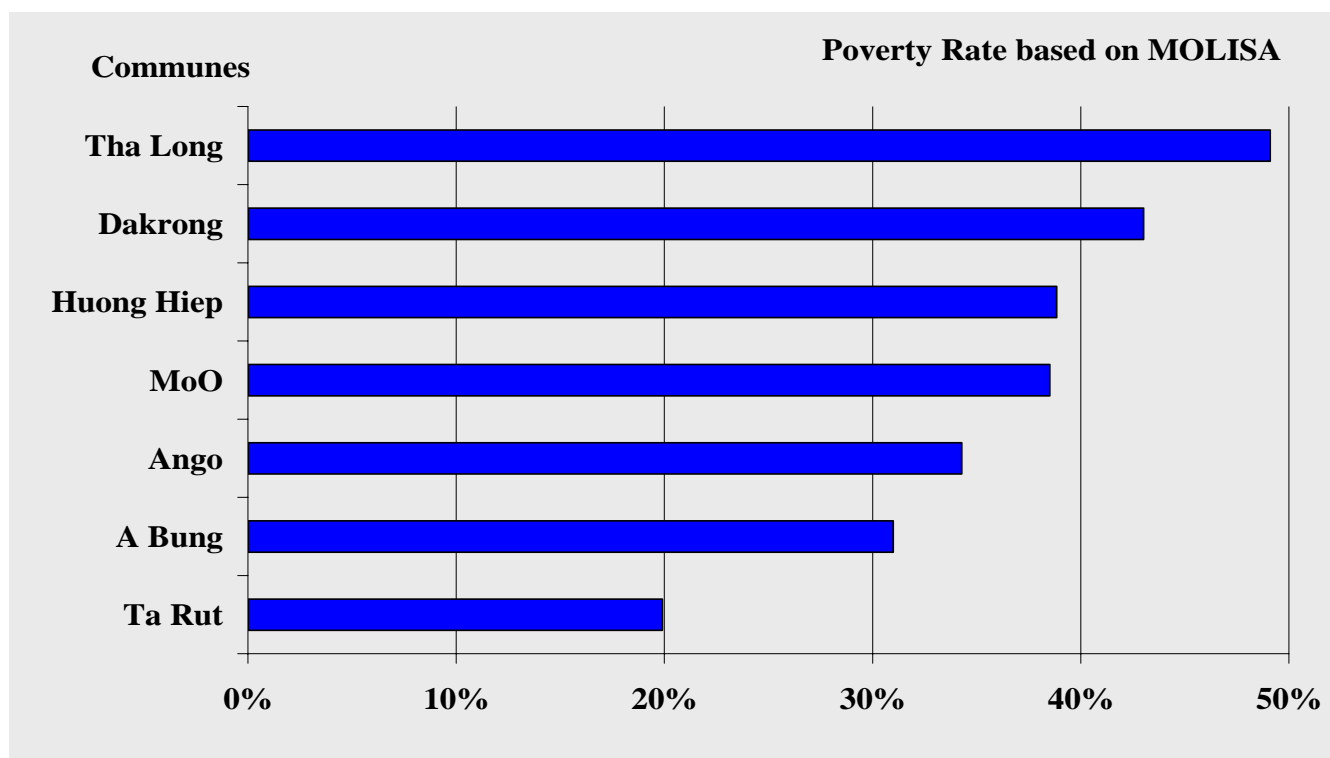


The poverty rate of the Dakrong district set by the govt. is 41 percentage points for the MOLISA poverty line. The poverty rate of the programme for the MOLISA poverty line is 35.95 percent, which is 5.05 percent less than the poverty rate set by the Govt. As mentioned above, the VSLP is being implemented in 41 villages. The programme reached 90 percent households at village level mostly due to the small number of households in the village. The high outreach at village level indicates that the VSLP is working with households of multiple economic statuses from very poor to non-poor. This phenomenon is also visible from the distribution of the PPI scores and poverty likelihoods given in following sections.

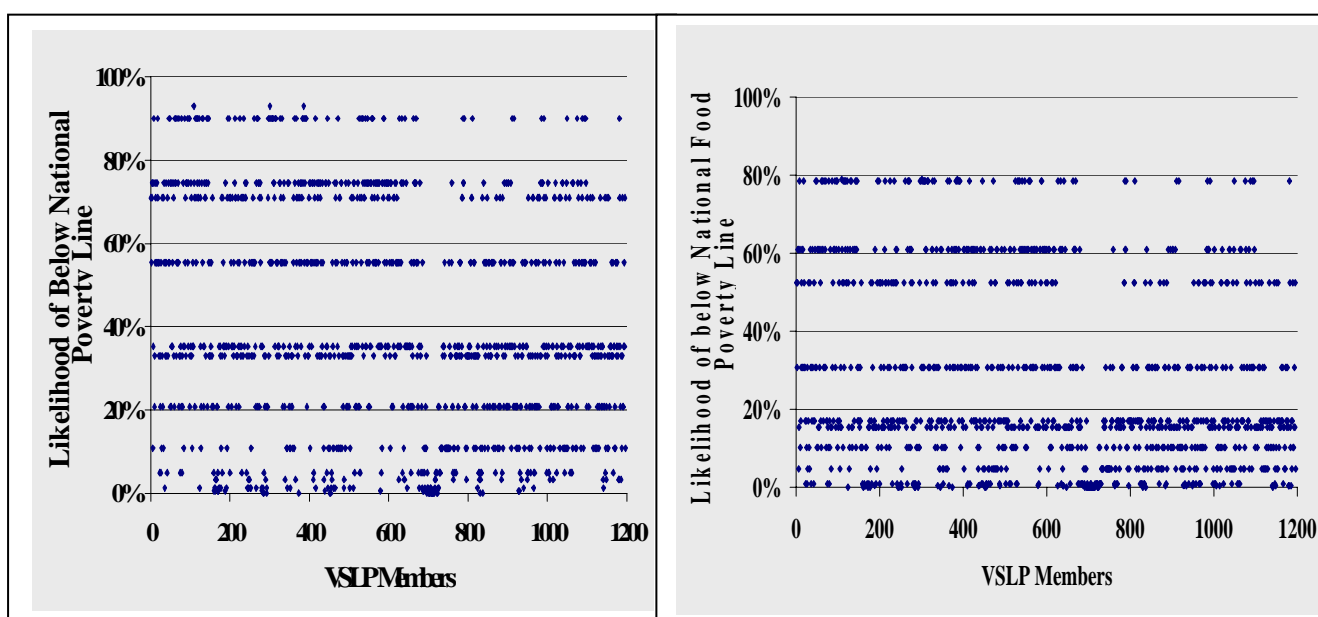
**7.2** The PPI score of a household ranges from 0 to 100. A low score reflects the high likelihood of a household to be below a poverty line. In the below graph, the PPI score of members of the VSLP is spread on the scale 0 to 100. The highest concentration of households is between 20 and 39, which is 51 percent of the total. Out of the total number of households, 317 households (27 percent) score between 0 and 19, 218 households score between 40 and 59 and 51 households' score is equal to or more than 60.

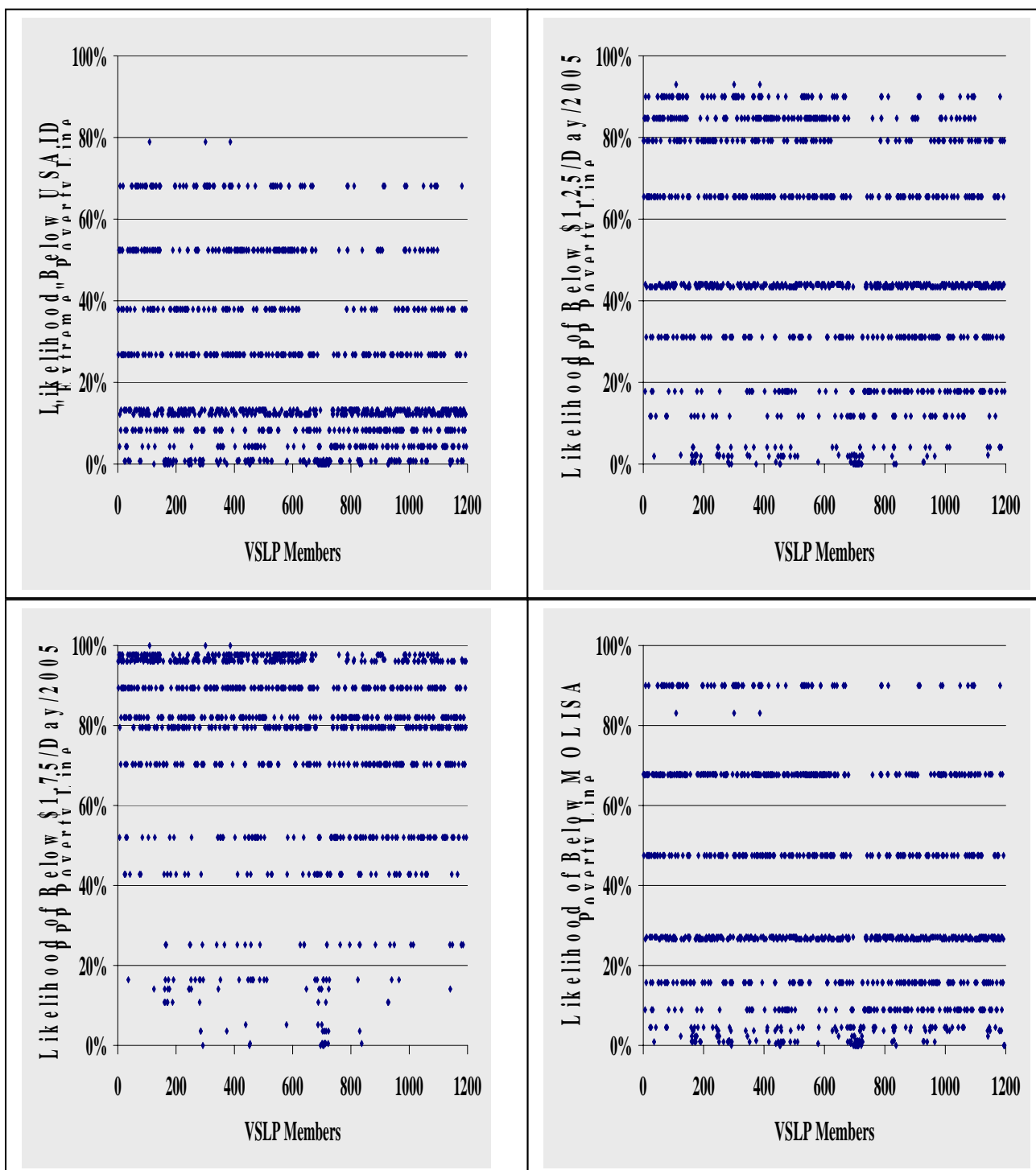


**7.3** As mentioned above, the VSLP is being implemented in 41 villages in seven communes. The below graph shows the poverty rate determined by the PPI based on MOLISA line (the official poverty line) for these seven communes. It's important to note that the poverty rate of VSLP members in Tha Long commune is more than double that of Ta Rut commune. Thus, villages covered by the VSLP in Ta Rut are economically better off than those in Tha Long.



**7.4** The below graphs show the likelihood of households to be below different poverty lines on a scale of 0 percent to 100 percent. The likelihood of households to be below the national and US\$1.25/Day/2005 PPP poverty lines is more or less evenly spread. In the case of national food and USAID extreme poverty lines, the likelihood of households to be below these poverty lines is concentrated under 20 percent while the highest likelihood of households to be below these poverty lines doesn't exceed the 80 percent mark. For US\$1.75/day/2005 PPP poverty line, the likelihood of households to be below the poverty line has a high concentration above 60 percent, especially between 80 percent and 100 percent. For MOLISA line, 58 percent of total households fall between 0 percent and 40 percent.





**7.5** The report also looks into the relationship, if any, between individual PPI indicators and poverty rates in sections 6.6 and 6.7. For this purpose, PPI indicators which have relevance to Plan’s programmes are selected.

**7.6** The 4th indicator of PPI is “What type of toilet arrangement does the household have?” This indicator has three values (options) i.e. A) None or other – 0 points; B) Double-vault compost latrine, or toilet directly over water – 2 points; and C) Suilabh, or flush toilet with septic tank or sewage pipes – 7 points. Out of 1,196 members, 75 percent (892 members) have no toilet or other arrangements mentioned in options B and C. Out of 75 percent in value A group, 46 percent of members (409) are below the national poverty line, which is much higher for members in other value groups. For example only 30 percent (63) are below the national poverty line for the value B group. Table 1 shows that members in the value A group have a high poverty rate compared to other value groups.

**Table 1**

What type of toilet arrangement does the household have?	% of VSLP members	Members below the poverty line					
		National	National Food	USAID "Extreme"	US\$1.25/day/2005 PPP	US\$1.75/day/2005 PPP	MOLISA
A. None or other	75%	46%	31%	26%	54%	80%	41%
B. Double-vault compost latrine, or toilet directly over water	17%	30%	18%	15%	38%	66%	26%
C. Suilabh, or flush toilet with septic tank or sewage pipes	8%	16%	9%	7%	21%	44%	14%
<b>Total</b>	<b>100%</b>						

**7.7** The 5th indicator of PPI is “What is the household’s main source of water for cooking and drinking?” This indicator has two values (options) i.e. A) Public taps, deep drilled wells, hand-dug and reinforced/non-reinforced wells, covered wells, protected/unprotected springs, rain, small water tanks, water tanks, rivers, lakes, ponds, or other – 0 points; and B) Private tap water inside/outside the house, or purchased water (in tank or bottle) – 4 points. Approximately 95.6 percent (1143 members) of households’ main source of water for drinking and cooking is value A. From table 2 below, the poverty rate among members in value A group is higher than value B group. For example, 42.1 percent (481 members) in value A group is below the national poverty line compared to just 12 percent (6 members) for value B group.

**Table 2**

Household's main source of water for drinking and cooking ?	% of VSLP members	Members below the poverty line					
		National	National Food	USAID "Extreme"	US\$1.25/day/2005 PPP	US\$1.75/day/2005 PPP	MOLISA
A. Public tap, deep drilled wells, hand-dug and reinforced/non-reinforced wells, covered wells, protected/unprotected springs, rain, small water tanks, water tanks, rivers, lakes, ponds, or other	95.6%	42.1%	27.7%	23.0%	50.1%	76.5%	37.2%
B. Private tap water inside/outside the house, or purchased water (in tank or bottle)	4.4%	12.0%	6.0%	4.8%	16.6%	38.5%	10.0%
<b>Total</b>	<b>100%</b>						

**7.8** Plan Vietnam also collected data on eight social indicators in conjunction with the PPI. The 8<sup>th</sup> social indicator is “Did your family lack cereals for meals at any time during the past 12 months?” It links food security with poverty. This indicator has four different values (options) given below in Table 3. The poverty rate is higher for groups with insufficient cereals for longer periods. For example, the poverty rate against the national poverty line is 34.5 percent for value A group which had sufficient cereals; 41 percent for value B group which lacked cereals for one month or less; 39.4 percent for value C group which lacked cereals for 2-3 months in total; and 48.2 percent for value D group which lacked cereals for more than 3 months over the past 12 months.

**Table 3**

Did your family lack cereals for meals at any time during the past 12 months?	% of VSLP Members	Members below the poverty line					
		National	National Food	USAID "Extreme"	US\$1.2 5/day/ 2005 PPP	US\$1.7 5/day/ 2005 PPP	MOLISA
A. No, we had sufficient cereals during the whole year	27.8%	34.5%	22.4%	18.6%	41.8%	66.9%	30.3%
B. We lacked cereals for 1 month or less in total	17.9%	41.0%	26.5%	21.9%	49.1%	76.4%	35.9%
C. We lacked cereals for 2-3 months in total	26.6%	39.4%	25.1%	20.6%	47.5%	75.4%	34.6%
D. We lacked cereals for more 3 months in total	27.7%	48.2%	33.1%	27.5%	56.1%	81.0%	42.9%
<b>Total</b>	<b>100%</b>						

**7.9** Regarding other social indicators, the survey found that only nine households have children who don't have birth registration. Children in the remaining households are registered at birth, during preschool admission or during primary school admission. One hundred and ninety nine members reported that children under five in their families stayed at home and haven't attended kindergarten or preschool in the past 12 months. The data doesn't support that the group of households which keep children under 5 at home tend to have high poverty rate. Only 22 members reported that their children under five haven't been vaccinated. The indicator doesn't provide any information on the reason and there's no evidence of a relationship in the data between poverty level and vaccination.

## 8. Conclusion

The poverty rate of the VSLP for different poverty lines is much higher in comparison with country level poverty rates. For example, the poverty rate for the whole of Vietnam against the national poverty line is 13.6 percent but it is 40.8 percent for the whole of the VSLP. Only the MOLISA poverty rate for Dakrong is available i.e. 41 percentage points but the VSLP MOLISA poverty rate is 36 percent. As the VSLP covers 90 percent of households in a village, the 36 percent MOLISA poverty rate of the VSLP indicates that the VSLP is reaching a variety of households from very poor to non-poor. It is also found that the group of households with no or inferior toilet or drinking water facilities or insufficient supply of cereals is poorer.