

TYM, Vietnam

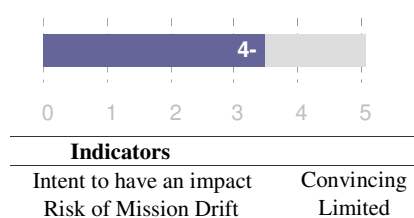
TYM was founded in 1992 by the Vietnam Women's Union (VWU) as a replication of the Grameen Bank model. In 1998 it became an official department of the VWU before obtaining its own legal identity in 2006 as an income generating unit under the VWU. TYM's social mission is "to improve the quality of life and status of poor and low income women and their families by providing credit, savings, and insurance services". TYM operates in the peri-urban and rural areas of ten provinces around Hanoi in Northern Vietnam. It offers business, investment and consumption/emergency loans, savings and insurance services. As of April 2010 TYM operates through 43 branches and has 46,347 clients with an outstanding loan portfolio of 237 billion VND (12.7M USD).

Social Performance Rating

May 2010

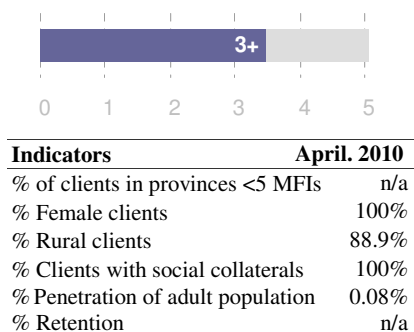
Overall, TYM's Social Performance is rated "4-"

Social Performance Management 4-	Financial Inclusion 3+	Client Protection 3+	HR Policy 4-	Social Change ***
--	----------------------------------	--------------------------------	------------------------	-----------------------------



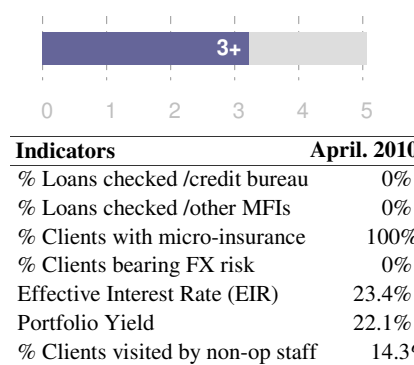
Social Performance Management

- With a strong intent to achieve a social impact, TYM follows a clear social mission detailed into general goals, shared among all decision-makers, and largely taken into account in the strategic planning. While using a number of relevant social performance monitoring tools such as client drop-out surveys, impact assessments, client satisfaction surveys, among others, TYM has yet to define and consistently track a set of clearly defined and measurable social performance indicators.



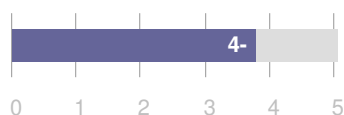
Financial Inclusion

- While it does not use individual targeting tools to select its clients, through rigorous market surveys and well suited financial services, TYM's outreach exclusively focuses on financial excluded low income women, in provinces whose level of poverty incidence is slightly higher than the national level (11.5% vs. 11.3%).
- The range of products offered by TYM has been diversifying over the years. Thanks to the hard work of the competent research unit, TYM shifted from the Grameen to the ASA methodology, introduced voluntary savings, as well as micro-insurance services through the set up of a Mutual Benefit Association.
- The cost of services supported by TYM's clients is reasonable, thanks to competitive pricing and low transaction costs. As of December 2009, CCSF's wholesale activities' effective interest rate stood at 23.4%.



Client protection & Ethical finance

- Given the absence of credit bureau in Vietnam, TYM is making efforts to prevent client's over-indebtedness by taking into account existing debts in the repayment capacity calculation, offering compulsory loan insurance products and conducting informal cross checks through interviews within the community.
- While contracts and repayment schedules are well detailed and clear, TYM has not yet implemented best social performance practices in terms of transparency as like its national peers, only the flat interest rate is mentioned in the contract.
- TYM has taken good steps to foster ethical staff behavior and appropriate loan collection, as well as to create vehicles for clients to voice their complaints. While aware of the issue, TYM has yet to design a comprehensive Anti-Money Laundering policy.



Indicators	December 2009
Staff Turnover	1.4%
Traffic accidents per LO	n/a
Yearly salary increase/inflation	3.6
% Staff receiving >2 training days	93.9%

Human Resources Policy

- With a professional HR management, TYM projects fair and equal HR practices in terms of hiring and training, and has recently revised its policy on cash management in order to reduce staff's time carrying cash in the field. TYM also conducts staff satisfaction surveys, and even though there is no elected staff representative body, staff benefit from open lines of communication within the organization.
- Staff enjoys a relatively fair remuneration level when compared to national (government) standards and to the cost of living. Furthermore, salary increases in the recent past have surpassed inflation.
- Women are well represented since as of December 2009, female staff made up of 74% of all TYM's human resources.

Education, Health, Basic Services	*****
Gender Equality and Women Empowerment	*****
Fight vs. Unemployment	*****
Democracy & Human Rights	*****
End Poverty	*****
Environment Sustainability	*****

Social Change

- TYM carries numerous capacity building activities to its clients including (i) trainings of center leaders and cashiers in basic management and supervision skills; (ii) basic trainings of clients on risk management and insurance; (iii) awareness campaigns on gender, health and sanitation issues, among other.
- External impact assessments are conducted by TYM research department with the help of external consultants every five years to assure monitoring of TYM's loyalty to its target group and provide measurement of clients' living conditions changes.

MFI Profile

Financial Services

- ✓ Credit Services: 46,347 borrowers
 - General Loan (74%), Long term loan (25.2%), Multi Purpose loan (0.7%)
 - Average outst. loan size: 274 USD (23% of GDP per capita)
 - Average Effective Interest Rate: 23.4%
- ✓ Savings Services: 11,715 voluntary savers
 - Compulsory Savings (interest of 3.6% per annum)
 - Voluntary Savings (interest of 3.6% per annum)
- ✓ Microinsurance Services: 46,347 insured clients
 - Credit protection covering remaining death and funeral costs.
- ✗ Money Transfer Services:

Non Financial Services

	Awareness Raising	Training	Services
Business Development	✗	✗	✗
Education, Health and Basic Services	✓	✓	✗
Women Empowerment	✓	✓	✗
Democracy & Human Rights	✓	✗	✗
Environment	✓	✗	✗

Country Profile

Indicators	Vietnam	EAP
Demography		
Urban population (%)	26	44
Health		
Life expectancy at birth	74	72.0
Mortality rate (<5) per 1,000 births	12	22
Education		
Adult literacy rate (%)	92.5	93
Primary school enrolment ratio (% gross)	102	111
Gender		
Parliament seats held by women (%)	25.8	18.0
Poverty lines		
Population below 1.25\$/day (%)	21.5	16.8
Population below 2\$/day (%)	48.4	38.7
Gini index	0.38	-
HDI		
Rank out of 182 countries	116	-
2000-2007 growth rate (%)	0.71	-
Economy (2009)		
Economic growth (%)	6.2	-
Inflation (%)	6.5	-

Source: UN Human Development Reports, Vietnam General Statistics Office, World Development Indicators Note: \$1.25 and \$2 poverty lines based on 2005 international prices; EAP stands for East Asia and the Pacific. Inflation's figure is as of 2009.

Contacts:	Planet Rating: Dina Pons; dpons@planetrating.com; t. + 63 (2)8977992 TYM: Ms. Ho Thi Quy; tymfund@vnn.vn; +84 4 3728 1070	REF:070910
------------------	--	------------

Refer to the end of the report for the institutional presentation of TYM, as well as the Microfinance Sector and Socio-economic Environment sections.

Social Performance Rating

■ Social Performance Management

Social Performance Management is rated “4-”

Definition of the Social Mission

TYM	
Definition	In Progress
Year of latest update	n/a
Intent to have a social impact	Convincing

Under the umbrella of the Vietnam Women’s Union TYM is committed to a double-bottom line, and has a clear intent to have social impact. Defined at inception and in line with the Women’s Union’s goals,¹ TYM’s social mission was designed with sufficient initial understanding of the social challenges in its areas of operations. This was possible thanks to the knowledge of the local women’s union units directly running social programs involving low income women. The social mission has not been revised since inception and is detailed into relevant social goals specifying the target clientele (low income women and their families), the range of services to be offered (credit, saving and insurance) and the type of expected social impact (to improve the quality of life and social status). However, TYM has not started designing a relevant impact pathway, and has not broken down its social mission into corresponding social objectives, which could be translated into precise social performance indicators.

Institutionalization of the Social Mission

TYM	
Social Mission and Decision-making	Convincing
Social Mission and Planning	Convincing
Investment in Social Performance Skills	Convincing
Risk of Mission Drift	Limited

With long term work experience in social development and microfinance at TYM and at the VWU, the management team (MT) and the BOD Chairwoman show a clear intent to achieve TYM’s social mission.

The social vision, mission and core values of the institution are well articulated and taken into account in the decision making and planning processes. Major goals are clearly

¹The Vietnam Women’s Union Charter’s article 1 reads: “Represent and defend the equal and democratic rights and the lawful and just interests of women.”

geared towards the achievement of TYM’s double bottom-line. These goals include but are not limited to (i) increase of outreach to 170,536 women by 2014; (ii) increase of savings mobilization with a target of 155 B VDN by 2014; (iii) product diversification; (iv) decrease of transactional costs; (v) opening in far away areas inhabited by poor minorities; (vi) increase of family insurance; (vii) increase of the provision of non-financial services. However, overall, TYM has yet to define its social goals into clearly defined and measurable objectives and targets that could be tracked over the years and increase the amount of information available for an effective social performance monitoring.

TYM	
Social mission’s inclusion in HR management	
Recruitment	Convincing
Trainings	Convincing
Appraisal	Convincing
Incentive Schemes	Convincing

Some basic processes in order to ensure staff’s commitment to TYM’s social mission are in place: i) the recruitment process includes checks on whether job applicants share TYM’s core values; (ii) candidates from lower social backgrounds (including clients’ children), with experience in community development backgrounds are more specifically considered; (iii) after recruitment, the vision and the mission of the institution are briefly presented during orientation; (iv) TYM conducts a training on customer care to its field staff; (v) staff bonus takes into account some customer care elements (satisfaction of clients, quality of the animation of the center meetings, punctuality, attendance rate at the center meeting, etc). Moreover, some of the managers have received external training on SPM: (i) all area and branch managers attended a training on market surveys, product development research, client satisfaction surveys, and poverty measurement tools; (ii) the Director and First Deputy Director participated in SPM trainings organized by ADA, CORDAID and SEEP. Overall, TYM benefits from the technical support of CARD MRI in enhancing its product diversification and insurance services.

The risk of mission drift is limited thanks to the strong commitment from staff at all levels as well as the BOD Chairwoman. Staff is informed about the social impact of its work (drop out conclusions shared with staff, participatory approach during pilot testing of ASA). However, results of impact assessments could be more broadly shared through internal communication (set up of a social performance newsletter), which could further foster staff motivation towards the achievement of the institution’s social mission.

Social Performance Monitoring

TYM	
Social Performance Indicators	
Existence	In progress
Relevance	In progress
Tracking	Incipient
Reliability	In progress

A number of SP indicators have been defined in line with social objectives even though they are not yet used in standard reports to MT and BOD. These indicators include outreach to women, savings mobilization along with the development of new savings products, family insurance mobilization (including tracking of the speed of settlement of claims), among others.

TYM also uses a number of relevant monitoring tools in order to increase its social indicators production capacity:

- external impact assessments are conducted by TYM research department with the help of CARD MRI Research Unit every five years to assure provide measurement of clients' living conditions changes.
- market research exercises (e.g. in connection with new insurance, loan or savings products) include such tools as focus groups discussions, relative preference ranking and product attribute ranking assessments.
- client drop-out surveys are conducted on an on-going basis for all exiting client and consolidated monthly at the HO. Clients feedback and preferences are gathered during center meetings, focus group discussions, and client satisfaction surveys.

Targeting tools are not yet in use (Use of the Means Test was dropped, while implementation of the PPI is currently under discussion).

Social performance indicators are not yet verified by the internal audit team and external auditors to be able to detect risks of mission drift.

Financial Inclusion

Financial Inclusion is rated "3+"

Outreach to the Underserved

Context	Apr. 2010
Penetration of microfinance services (% population)	n/a
# microfinance branches per 100,000 adults	n/a
# com. banks branches per 100,000 adults *	3.3
% MF clients in areas where a limited number of MFIs operate	n/a

Sources: * CGAP 2009 Financial Access Study.

Given the absence of detailed national and regional data on the level of penetration of financial services, it remains

unclear to what extent TYM truly serves a population excluded from access to microfinance services. Poverty data by province in Vietnam remains spotty. However, estimates (from 2009) indicate that TYM's works in areas where poverty incidence is slightly higher than national level's (11.5% vs. 11.3%). Furthermore, 88.9% of TYM's clients are located in rural areas and as in most developing countries, poverty in Vietnam remains a rural phenomenon, where the Vietnamese government defines the poverty level as monthly income below 200 K VND (12.5 USD) per month. Eventually, out of the ten provinces where it operates, three have poverty incidence higher than 17%.

Overall, TYM's product offering (small loans and savings), conditions (weekly payments, interest rates) and delivery channels (center meetings, branch locations), increases the likelihood that the organization reaches the poor and entrepreneurially active people. Given the relatively low saturation in Vietnam, TYM has the capacity to further grow thanks to its established market position, brand recognition, and ties to the Vietnam Women's Union.

As for geographic targeting, TYM conducts thorough market researches before entering new regions.² However, no decisive criterion for area selection is formalized.

Outreach Indicators	Vietnam	TYM
% women	93.80%	100.0%
% rural	72.16%	88.09%
% clients providing social collaterals	n/a	100.0%

Source: Asia Microfinance Analysis and Benchmarking Report, median (Mix, 2009)

With the discontinuation of the Cashpor Index in 2008 to improve efficiency gains, TYM currently applies no individual targeting tools. However, the organization relies on a strong rationale behind its mission, which targets women exclusively. Women wages are only 72% that of men (62% in agriculture). Tradition of land inheritance passing down to sons, coupled with land registration under men only, limits land use rights of women.

TYM	Apr. 2010
Number of client members	46,774
Penetration of adult population	0.08%
Penetration of poor households	n/a

With 46,347 clients, TYM has a low penetration rate³ of 0.08% of the total Vietnamese adult population.

²For example, competition, potential demand, and general market overview; Population profile: livelihood, economic conditions, and poverty rates.

³(TYM total clients)/(total adult population in Vietnam)

Adaptation of the Services

TYM	2009	Apr. 2010
Formal client research related to:		
the development of new products	Yes	Yes
client satisfaction	Yes	Yes
Reasons for client exit	Yes	Yes
Frequency of client research	Yearly	Yearly
Avg. amount disbursed per loan	294	403
<i>% of GDP per capita</i>	26.9%	33.8%
Borrowers with a loan > 12 months	34.7%	47.9%
% benefiting from savings services	18.4%	25%
% benefiting from credit insurance	100%	100%

TYM commissions impact assessments (with the help of external consultants) and conducts periodic research (through its own Research department) on the effectiveness of its product offerings, the financial needs of its clients, and general quality of its services (via client satisfaction and exit surveys). The range of financial services has remained stable (small amount loans, voluntary savings, and insurance) in recent years, although terms and conditions have greatly become more flexible (soft collateral guarantees from Grameen to ASA, savings withdrawal, center meeting obligations, loan tenor. Loans are flexible and adapted to financed activities when compared to national offering (e.g. 3-year bullet repayments at VBSP).

With a dedicated research department, further services meeting more specifically the economic activities of the target population (terms, guarantees, and payment schedules) are expected to be rolled out faster. TOs receive an induction course on all new financial products (along with the new ASA credit methodology, and the introduction of micro-insurance products).

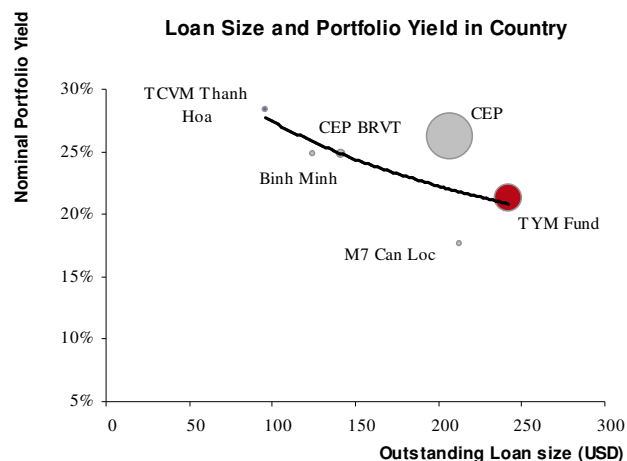
TYM continues to explore and pilot new and/or innovative products (e.g. health micro-insurance, savings, monthly loan repayments, frequency of center meetings). The launching of new products follows informal client feedback and focus group discussions. TYM monitors and tracks client dropouts and conducts client exit surveys (most recently in 2009). At 10.5% in 2009, the drop-out rate (number of exiting clients/total clients) at TYM remains respectable.

Cost of Services

With a theoretical yield of 23.4%, TYM charges competitive, commercial interest rates when compared to the pricing of loans of similar amounts in Vietnam.⁴ Interest

⁴Indeed, TYM's cost of services is in line with its Vietnamese peers charging commercial rates, such as CEP, with an average loan size of 207

rates reduced from 1.3% (flat) per month in 2008 when inflation forced pricing increases to its current level of 1%. TYM makes concerted efforts to charge clients only valuable services, with expected increases coming only in case of (i) higher than usual inflation or (ii) commercial lending rates surpassing 18%.



As for its saving services, both compulsory and voluntary savings products generate an annual interest rate of 3.6%, which remains lower than inflation. Furthermore, withdrawals require a one week notice for both products.

Overall, transaction costs are acceptable though not yet taken to the minimum possible level. Although repayments occur during the center meetings, disbursements take place at the branches, even though they are located at reasonable distance from clients' homes (maximum of 15 km). In efforts to reduce time burdens on clients, TYM introduced some flexibility in center meetings (1 hour at most), which take place once a month only, while repayments still require weekly installments (set time at centers). TYM has piloted monthly loan repayments, along with center meetings every three months, for some branches in efforts to address client needs, their time constraints, and concerns over high dropouts in some areas. There are no upfront commissions; and requirements for savings withdrawal have been relaxed (from four years of continuing membership to minimum thresholds).

USD and a portfolio yield of 26.2%, and M7 Can Loc with an average loan size of 213 USD and a portfolio yield of 17.6%. TYM is charging interest rates that are higher than the public subsidized lending offering by VBSP.

■ Client Protection

Client Protection is rated “3+”

Prevention of Over-indebtedness

TYM	Apr 2010
% loans checked with a credit bureau*	0%
% loans checked with other formal loan providers	0%
Required Instalment / Disposable income	n/a
% borrowers benefiting from credit life insurance	100%
% clients bearing FX risk (USD)	0%
% savers bearing FX risk (USD)	0%

Note: * See “Microfinance sector section: no credit bureau has yet been put in place in Vietnam.

Given the absence of a credit bureau in Vietnam, the share of cross-indebtedness information of loan applicants by TYM is all the more meaningful. By some indications, clients take out loans from other MFIs (most prevalently with VBSP). Still, acceptable procedures are in place to prevent over-indebtedness: (i) existing debts from other MFIs are included in the repayment analysis. Although no specific debt level threshold has been defined, the repayment capacity requires net income to be at least 1.2x the weekly loan installment; (ii) with all loans granted in VND, clients do not support FX risks when repaying their loans; (iii) TYM makes insurance available for all clients to cover hospitalization and instances of death, with generous coverage⁵ and claims are settled quickly (within a week of proper claim submittals); (iv) TYM also conducts informal background checks of loan applicants’ by interviewing their neighbors, the women unions staff, and/or the village chief; (v) aware of the importance of financial literacy, TYM also provides many venues (e.g. during meetings organized with the VWU, initial contact with TOs, and loan verifications) to raise awareness on the importance of debt management prior to loan disbursements.

Transparency of Services

Context	
Adult literacy rate*	92.5%
TYM	2009
Disclosure of the Effective Interest Rate to clients	No
Type of interest rate	Flat
Additional fee	No

Source: * UN Human Development Report.

TYM has not yet implemented best social performance practices in terms of transparency as only the flat interest rate is mentioned in the contract. The effective interest rate (EIR) is presently not disclosed and there is no sector-wide initiative to promote it. Furthermore, only payment

schedules, but no loan contracts are provided to clients despite the high literacy rate.

Nevertheless, loan contracts and repayment schedules are fairly transparent and clearly differentiate between capital and interest.⁶ MAF insurance premiums are also clearly disclosed with certificates of coverage provided to clients. Prior to loan disbursements, standard loan conditions are explained through meetings and read out loud. Client passbooks are updated weekly at center meetings (for repayments) or at the branches (for disbursements). Communication is done in Vietnamese (with contracts read out loud when needed). Clients may ask questions prior to signing contracts, either to the LO or to the BM. Financial literacy trainings are provided throughout the loan application process (cf. Prevention of over-indebtedness)

Fair Pricing

Context	2009	Apr. 2010
Inflation	6.5%	8.9%
TYM		
Effective Interest Rate (average)	n/a	23.4%
Portfolio Yield (nominal)	24.9%	22.1%
Operating expense ratio	11.7%	10.7%
Funding expense ratio	4.1%	1.2%
Loan Loss Prov. expense ratio	0.2%	0.6%
Adjusted ROA	7.8%	9.5%

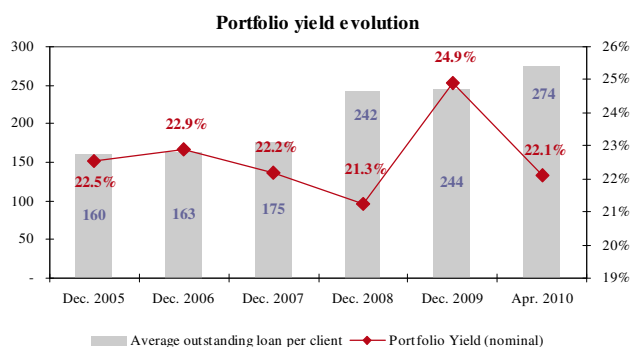
Source: Planet Rating GIRAFE rating report 2010

TYM offers services at a competitive financial cost thanks to reasonable margins and limited credit risk. TYM offers its loans with comfortable margins, yet in line with its competitors’ prices (except for VBSP). Credit risk is limited, and funds are well-negotiated. Operating expenses are generally in line with industry standards. Micro-insurance is provided for a small fee through MAF (spun off from TYM as a separate entity within the VWU). Fees have increased over the years. From a rather symbolic 200 VND/week (0.1 USD) TYM now charges up to 1 K VND/week (0.5 USD) + 0.4% of the loan amount.⁷ Although no policy at TYM prevents excessive profit-taking, market distortions by VBSP effectively limits excessive returns; ROA is reasonable, given the cost structure and market distortion by VBSP. Decisions to modify interest rates depend on inflation and SBV prime lending rates. 30-40% of net profit is dedicated to creating various reserve funds, including for social welfare and for non-financial services of the VWU.

⁵ Hospitalization > 7 days covered up to 1 M VND, funeral support up to 3 M VND, and redemption of entire loan amount.

⁶ Repayment schedules are divided in five columns: capital payment, interest payment, total payment, capital outstanding, interest outstanding.

⁷ The 1K VND/week is a capital contribution, which is refundable.



There are no excessive transaction costs or penalties: clients do not need to pay external fees (bank fees, registration of collaterals, etc.). Prices are not discriminatory based on race, gender, or ethnicity. Overall, TYM’s poverty focus, closely linked with the mission of its owners (VWU), ensures an adequate oversight of responsible pricing and reduces the risk of mission drift.

Appropriate Collection Practices

TYM	
Procedure for Appropriate Collection Practices	In Progress
Formally included in the scope of Internal Audit	No

While credit risk remains low and instances of delinquent loan collection are rare, TYM has instituted formal procedures to mitigate risks of inappropriate collection practices. Operational procedures clearly state measures to be taken in delinquency management even if it does not provide detailed guidance (e.g. by explaining when recovery procedures become unacceptable and recourse to local leaders or legal action is appropriate). Such guidance will prove beneficial if future credit risk increases.

With criteria on client respect (e.g. TO’s relationship with clients, conduct of center meetings, and general satisfaction of clients) all part of TYM’s focus on customer care, incentive mechanisms also mitigate against inappropriate collection mechanisms and foster appropriate ones.

Although not clearly informed of the standard debt collection procedure (e.g. not stated in the contract), clients are informed about appropriate collection practices during disbursements. Requiring no collateral for its loans, TYM has never seized clients’ assets.

Ethical Staff Behavior

TYM	
Code of Conduct signed by field staff	No
Training on the Code of Conduct	Yes
Incentive Scheme fostering ethical behaviour	Yes
Anti-Fraud & Corruption Policies in place	Yes

Although staff do not sign a formal Code of Conduct, the organizational culture promotes ethical staff behavior, with clear rules set out in the Labor Rules. The article 44 on “Infringements on labor organization and moral codes”, outlines respectful behavior towards superiors and colleagues; anti-corruption policies; rules governing acceptance of monetary or non-monetary benefit from members; impartiality in the evaluation of loan applications of members; spot checks at the client level; respect for clients; behavior to protect the reputation of TYM; while the article 45 on “Discipline” relates to sanctions (discipline: article 45). TYM also rewards customer care through bonuses.

Internal Audit scope covers ethical staff behavior, with center meeting and client visits to evaluate customer care. However, ethical staff behavior has not yet been formalized in the IA reporting.

Mechanisms for Redress of Grievances

TYM	Apr. 2010
Formal complaint mechanism in place	In progress
% clients visited by non-operations staff	14.3%

TYM has not yet advertised a formal mechanism for redress of grievances (via hotlines dedicated to general client inquiries and made available on loan documents, brochures, and at the branches for instance). However, frequent interaction between clients and staff at TYM (HQ, AMs, BMs, IAs) assures sufficient capacity to redress grievances of TOs, customer care, and general satisfaction with the organization. Conducting the disbursements in the branches provide clients with additional opportunities to voice their concerns and interact with third parties. TYM also organizes semi-annual meetings between clients, the VWU and other stakeholders, where current developments and future policies are discussed openly.

Privacy of Client Data

TYM	
Institutional Policy on Privacy of Client Data	No
Formal client agreements prior to sharing private data with third parties	No

Although not formalized in the credit procedures, TYM promotes banking privacy (labor rules state that the field staff engage itself not to use the information for any other purpose than serving their financial needs). Newer loan contracts are securely kept on file at the branches. Information is not shared with other MFIs. However, formal authorization is not requested from clients for all advertising pictures (brochures, website, Kiva, etc.). Eventually, although research into clients’ credit history helps to prevent over-indebtedness, clients are not always

informed that such background checks are part of the scope of the loan verification.

Ethical Finance

TYM has put in place satisfactory system to avoid participating in unethical finance. Nonetheless, TYM remains at the early stages of recognizing – let alone developing – internal controls to protect itself from exposure to money laundering and the financing of terrorism. Yet given its microfinance lending activities (with an average of 403 USD disbursed per loan), TYM lacks the profile for money laundering.

Context	
National AML/CFT law for microfinance	In progress
TYM	
The MFI has systems in place to	
Know its Clients	In progress
Know its Staff and BoD members	In progress
Know its Funders	In progress
Track Suspicious Transactions	No

Due diligence (via loan verifications) are performed on all new and existing clients with available identification means (e.g. ID) and complementary field checks as needed. However, no systems are yet in place to prevent the financing of unethical or environmentally/socially harmful businesses. TYM conducts informal funder due diligence but does not request references. However, the organization works with the VWU to solicit additional information on new funders. Its present funders are all well-known and reputable organizations. Staff backgrounds (and family certificate) are checked upon recruitment/ nomination. Checks are not formally conducted for present/future BOD membership, although close ties with the VWU ensure a thorough vetting of politically acceptable members, with strong track record of poverty alleviation.

Human Resources policy

Human Resources policy is rated “4-”

Equal Rights

TYM	2008	2009
% of women among professional staff	73.0%	74.0%
% of women among management	83.0%	83.0%
% of staff with disabilities	n/a	n/a
% of staff who received >2 training days	69.5%	93.9%
# Training day per staff	6.5	9.4
Management staff (top management)	17.5	30.0
Branch management	10.0	15.4
Credit officers	2.9	6.5
Administrative staff	11.8	9.5

With a professional HRM, TYM projects fair and equal HR practices in terms of hiring (fair contract conditions, clear career path and salary grid), evaluations (performed for all staff every quarter), and trainings (number of days of training). Trainings include in-house and outsourced sessions, as defined within the annual training plan and mostly target top and middle managers as one of TYM’s main goal for 2014 is the enhancement and professionalization of its managers. As of December 2009, women made up a high 74% of all TYM staff.

Compensation Policy

TYM	2008	2009
Yearly average salary increase / inflation	2.1	3.6
Yearly LO salary increase / inflation	1.0	4.7
Health insurance expense / staff expense	4.1%	11.2%

Staff enjoy a relatively fair remuneration level when compared to national (government) standards and to its competitors. Every year, the HR Department conducts an assessment taking into account the compensation offered by competitors, the cost of living/inflation evolution and the new directive from the government to calculate staff compensation. Overall salary increases in the recent past have managed to surpass inflation.

In accordance with legal requirements, social security and health insurance coverage is provided to all staff. Extensive additional compensations (allowance for national holidays, lunch and transportation allowances for field staff, free helmets, one month of compensation for field staff working in difficult climate conditions and/or far away areas) are also available, along with trainings to develop staff employability.

Labor Conditions

TYM	2008	2009
Staff turnover (all staff)	4.7%	1.4%
Traffic accidents per loan officers	n/a	n/a

TYM complies with local labor legislation on work conditions, and all staff benefit from accident insurance coverage. TYM has also recently revised its cash management policy to reduce staff’s time spent on carrying large amounts of cash in the field. Nevertheless, TYM still lacks a health and security conditions manual.

While TYM has no independent elected body for employees, staff is represented through the adherence to local trade unions. Furthermore, staff generally benefit from open lines of communication within the organization to raise HR issues. TYM also conducts annual staff satisfaction surveys.

Social Change

Education, Health, and Basic Services⁸ are rated“*****”

Education, Health, and Basic Services *****

On top of irregular activities such as distribution of gifts, collection of clothes and books to families in extreme poverty; organization of local community events like dance performances, sport competitions, birthday celebrations for clients’ children, TYM carries numerous capacity building activities to its clients:

- Each year, all Centers (currently over 1,400) elect their Center leader and Center cashier, who are trained by TYM staff on rules and policies of TYM as well as on basic management and supervision skills.
- In 2009-2010, TYM field staff conducted basic training of all 45,000 TYM’s clients on "risk management and insurance" within the regular Center meetings (5 sessions of 20 minutes each).
- A line of funding to conduct trainings of 6,000 new members of three mountainous areas (in Phu Thu Province) in basic financial and business skills (Get Ahead) by TYM staff in gender, health and sanitation by VWU staff, was just approved and training activities will open in summer 2010.
- In 2010, TYM was just selected as a partner for a programme held by Freedom from Hunger and Johnson&Johnson, called “Credit with Education.” The inception research and workshop will take place in June 2010.
- On the occasion of the Lunar New Year (Tet), and following campaigns led by the Vietnam Women’s Union, TYM calls for humanitarian aid by its staff and partners. Gifts are handed over by management to communities and families in extreme poverty.

TYM makes a concerted effort to ensure the quality and suitability of its non financial activities through: (i) the collection of feedbacks from clients on their level of satisfaction, the benefits of these trainings and their remaining training needs through focus groups discussions; (ii) partnerships with institutions with strong expertise for certain type of specialized trainings; (iii) the organization of training of trainers to its field staff on non financial services.

Gender Equality and Empowerment *****

With 100% of female clients, TYM aims at empowering women to raise their “social status.”

⁸According to Planet Rating’s social rating scale, the rating of the “Social Change” domain is given according to the MFI’s focus among the domain sub-factors. TYM focuses more on Education, Health, Basic Services, and on Gender Equality and Empowerment.

- Awareness raising sessions related to gender equality and women empowerment are conducted during the induction training conducted by the local women’s unions and TYM field staff.
- TYM also provides financial and logistical support to its clients when organizing the International Women Day and the Women’s Union Day.
- TYM also provides trainings on “Women in Business” to mature clients with a good repayment capacity. In total, 500 women benefited from this three-day training.

Fight vs. Unemployment *****

TYM has not taken any specific initiatives related to the formal promotion of job creation. Nevertheless, TYM offered training in business skills to 500 mature clients in 2008-09. Those are the ones whose businesses can generate jobs.

Democracy and Human Rights *****

TYM has not taken any specific initiatives related to the formal promotion of democracy and Human Rights, even though TYM encourages its members to join and become active in the Vietnam Women's Union in order to defend their rights and voice their concerns. By acting as Center leaders, many TYM members start to take on roles in community development.

End Poverty *****

TYM	
% clients with positive change in social status	n/a
% clients who moved above the poverty line	n/a
% clients who moved below the poverty line	n/a

TYM regularly (every five years) conducts impact assessments to measure the changes of living conditions of its clients. The last survey conducted in 2007, was based on the AIMS/SEEP conceptual framework on impact assessment, and used a rigorously defined stratified random sample accounting for 2.5% of TYM members (628 interviewees) with a mix of incoming clients (as a proxy of the control group), mature clients (at least three years of membership), and new clients (six months within the program).

The impact study conducted in 2007 seems to prove that TYM’s clients experience concrete positive changes:

- Strong household-level impact on food security; financial services provided by TYM helped clients diversify their income sources. Clients' livelihood remained agricultural-based and small in scale.

- Significant loans enabled households to purchase consumer durables and improve housing conditions, as well as generate savings.
- Client households seem to have provided higher level of education to their children.
- Overall, weak enterprise impact of TYM loans.

While highlighting some interesting findings about TYM's operations, the initial level of poverty of interviewed clients was not known, which would have allowed the production of more reliable data.

In general, TYM does not track poverty related data of its members to be able to track potential improvements of clients' living standards over the years.

Environmental Sustainability *****

TYM's staff have a global understanding of the importance of environmentally friendly practices thanks to middle managers' efforts to raise staff awareness on the need to recycle paper, print documents only when necessary, save electricity, etc. The Finance Manager is currently looking at ways to actively track certain environmentally related ratios such as consumption of electricity, stationary expenses, etc. Nonetheless, TYM does not have specific policies related to the impact of its activities on the environment neither did it design a list of activities that are not to be financed because of their negative impact on the environment.

Institutional Presentation

Social Mission

TYM's *vision* is to become a leading provider of financial services to low income women and their families and a model of best practice for microfinance institutions in Vietnam. Rooted in the Vietnam Women's Union, TYM's *values* combine social responsibility and professional staff excellence. Its *mission* is to improve the quality of life and status of poor and low income women and their families by providing credit, savings, and insurance services, thus creating favorable opportunities for them to participate in social-economic activities and to enhance their role in society.

Characteristics of outreach

No nationally or internationally benchmarked data is available on the poverty status of TYM's clients. Rough assumptions on the poverty status of TYM's clientele can be made by comparing national poverty statistics in Vietnam with the general characteristics of TYM's clients. The following information is provided to draw a rough

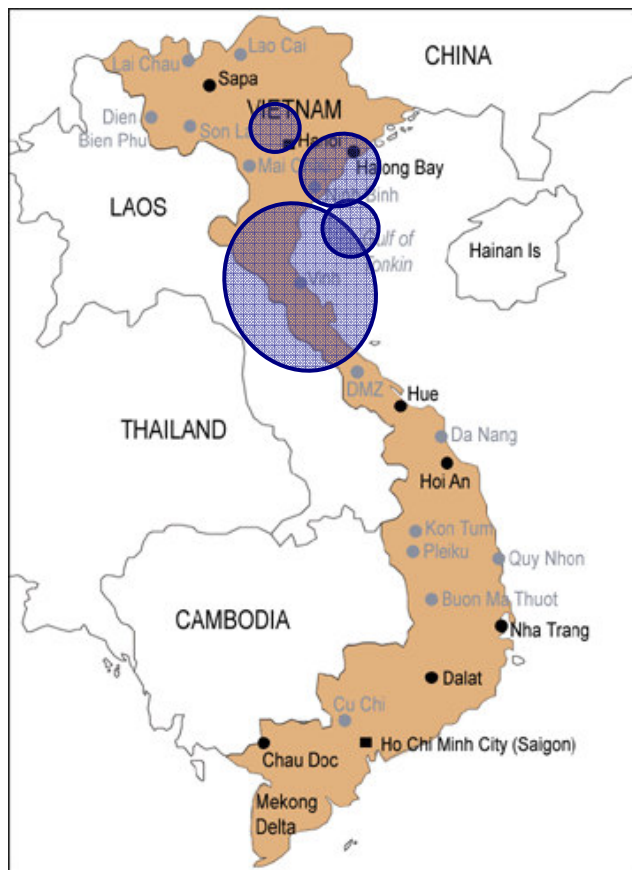
picture of the institution's capacity to reach its target clientele:

- It is estimated that while the national average poverty rate in Vietnam is 11.3%, the average poverty incidence in provinces where TYM operates stands at 11.5%.
- As of April 2010, 88.09% of TYM's clientele is located in rural areas, where the incidence of poverty is significantly higher than in urban areas.
- TYM operates in the Northern Midlands and Mountainous region and the North Central and Central Coast region, two out of the three poorest regions in Vietnam.
- TYM's clientele is composed of 100% women. Women in Vietnam contribute actively to the household income in both farm and non-farm activities. While women register slightly lower literacy rates than men, there are no substantial gender disparities according to the gender-related development index (GDI). However women wages are only 72% that of men (62% in agriculture). Tradition of land inheritance passing down to sons, coupled with land registration under men only, limits land use rights of women.

Province	# Branches	Clients	Households	Poverty rate
Bac Ninh	4	2 574	269 475	5,0%
Hai Duong	4	5 131	447 979	6,9%
Hanoi	3	4 781	1 698 740	8,4%
Hung Yen	4	4 532	296 903	11,0%
Nam Dinh	4	4 814	479 344	9,2%
Nghe An	12	11 133	708 544	17,3%
Phu Tho	1	235	304 792	13,0%
Thai Nguyen	2	1 334	260 972	17,0%
Thanh Hoa	6	7 173	826 456	17,7%
Vinh Phuc	3	4 640	263 255	8,0%
Operating areas		46 347	5 556 459	11,5%
Vietnam	43	46 347	20 879 757	11,3%

Penetration of the Services

Through a network of 43 branches, TYM served as of April 2010, 46,347 clients in 10 provinces and in 3 regions in Vietnam. Expansion from 43 to 56 branches to cover an additional 3 provinces is planned for 2010. TYM had a market penetration of 0.08% reported to the total adult population in Vietnam.



Note: regions served by TYM are highlighted

Financial Products and Services

TYM offers three loan products, a voluntary savings product and micro-insurance.⁹ The loans are characterized as follows:

- The General Loan can range from 1-25 M VND (530-1.3 K USD) and has a term of 50 weeks. The interest rate is 1.0% flat per month since March 2009 and was the same for many years, with the exception from August 2008 - February 2009, when it was 1.3% because of high inflation. The Effective Interest Rate (EIR) is 23.6% without the cost of savings and 29.2% with savings.
- The Long Term Loan can range from 3-10 M VND (182-606 USD) and has a term of 100 weeks. The interest rate is 1.0% flat per month as of June 2008, or an EIR 23.0% without savings and 25.3% with savings.
- The Multi-Purpose Loan can range from 500 K – 2 M VND (30-121 USD) and can have a term of 10, 15, 20, 25 or 30 weeks. The interest rate is 0.3% flat per week (deducted up front) resulting in an EIR of 31.0% (without savings) and 35.0% (with).

All loans are implemented using a modified ASA approach with centers of around 40 members. After 3 months of

⁹ Since April 2010, all new loans are based on individual responsibility (ASA).

repayment of a General Loan, clients are allowed to borrow one additional, simultaneous loan, either the long-term or the multi-purpose loan. All payments are made weekly, although most centers only meet once a month. The guarantee mechanism is through one co-guarantor. TYM is also piloting a Monthly Loan with amounts ranging 7-10 M VND (374 – 534 USD) with terms of six months to two years and monthly repayments of capital and interest

From the moment of joining, TYM members have to make compulsory weekly savings of 5,000 VND (0.26 USD). Starting from the second year, each loan requires that the saving balance be 10% of the loan amount prior to loan disbursement; if the current balance is less, clients have to deposit the difference. Both compulsory savings and voluntary savings earn an interest rate of 3.6% per annum. Withdrawals can be made with one week notice.

Micro-insurance in the form of the Mutual Assistance Fund (MAF) is offered to members of TYM for a flat fee of 1 K VND (0.05 USD) per week, plus 0.4% of outstanding loan amounts. The insurance provides life insurance coverage up to 3 M VND (160 USD), loan redemption, and hospitalization (surpassing seven days) assistance up to 1 M VND (53 USD). In preparation of its regulation, TYM has spun-off its micro-insurance activities in a separate project under the VWU. During the first 2 years, TYM members make an additional, refundable capital contribution of 1 K VND, which will form the legal capital when the MAF registers as a Mutual Insurance in future.

Non Financial Services and Partnerships

In addition, TYM offers a variety of non-financial services to its clients including trainings and awareness raising campaigns on issues such as debt management, insurance, health and sanitation, gender equality among others. In this, it cooperates closely with the Women's Union, CARD, ILO, Citi Foundation, Freedom from Hunger and others

Microfinance sector

The traditional market for microfinance services encompasses 24 million poor and low-income people,¹⁰ out of a population of 86 million. According to the 2008 Vietnam Household Living Standards Survey (VHLSS), 55% of poor households had accessed credit services from formal, semi-formal and informal sources.

For the past decades, the microfinance sector in Vietnam has been mostly developing through government driven initiatives and currently remains dominated by two state-owned banks, the Vietnam Bank for Agriculture and Rural Development (VBARD) and the Vietnam Bank for Social Policy (VBSP) which, together with the People's Credit Funds (PCFs) serve more than 95% of the market and are classified as formal microfinance providers. Operating in a market characterized by uneven competition, the semi-formal sector consists of about 70 small organizations, which covers about 5% of the overall rural credit market, and serves an estimated 400,000 borrowers. Microfinance programs in the semi-formal sector are managed either by mass organizations or international NGOs.

Formal microfinance providers in Vietnam serve the small rural loans and savings market with women comprising well over 50% of the clientele. Ethnic groups, the rural poor and women are key target groups particularly by the semi-formal and informal sources of credit.¹¹

A credit-focused environment exists in Vietnam's microfinance sector. Formal institutions mostly provide collateral-based loans when higher than VND 10 million through a bullet payment repayment scheme. Below this amount, group lending is applied and collaboration exists with local networks (women and labor unions for instance) that are able to reach a larger number of poor clients. The semi-formal sector mainly employs an adapted Grameen Bank model or a village banking model. Most loans in rural areas are used for livestock raising, petty trading and farming.

With semi-formal institutions only allowed to mobilize compulsory savings and regulated institutions unable to collect a significant amount of deposits from their clients, savings mobilization in general is still underdeveloped in the Vietnam market. Nonetheless, efforts to formalize the sector continue, in particular with two SBV Decrees over the past four years (Nos. 28 and 165) and a related circular on microfinance. These new regulations allow for licensed

and non-licensed MFIs, where licensed MFIs can mobilize voluntary savings from clients and non clients. So far, four semi-formal institutions, including TYM, applied to the SBV, but no license has been issued yet.

Several organizations have also begun to provide new products such as micro-insurance for health, life and livestock and mutual assistance funds, as in the case of TYM, which is about to formalize its existing Mutual Assistance Fund into a Mutual Insurance owned by its members.

Cost of services is largely influenced by the biggest player, VBSP, offering below-market interest rates of 5-8% per annum. Large-scale subsidization of credit creates disincentives for private players and MFIs to enter the microfinance market since existing microfinance organizations are pushed to lower their interest rates to between 12-18%, at which level they are left unsustainable and dependent on donor subsidies.¹² Financial institutions cannot lend at interest rates which exceed 150% of the prime rate published by the SBV. While semi-formal organizations and regulated MFIs under Decree 28/165 will not be subject to this cap, the predominant market share of formal institutions places an effective ceiling on interest rates for the entire sector.

At present, no credit bureau exists that serves to consolidate credit information of microfinance clients. The Microfinance Working Group (MFWG) was organized as a self-reporting facility of semi-formal microfinance organizations that will publish performance data of MFIs to create transparency and serve as information resource for the State Bank of Vietnam in its supervisory activities.

Socio-economic Environment

Vietnam has been one of the fastest-growing economies in Asia in the last two decades, averaging 7.1% annual GDP growth between 1990 and 2009. The shift from a centrally planned to a market-oriented economic model opened up the country for foreign investment and dramatically improved Vietnam's business climate. Net inflows of foreign direct investment, which ranged between \$1.3 billion and \$1.8 billion in 2002-2006, soared to \$6.6 billion in 2007 and \$9.3 billion in 2008. While the global recession hurt Vietnam's export-oriented economy, bringing down GDP growth to a low of 5.3% in 2009, there is steady recovery as domestic demand and government stimulus spending helped accelerate economic growth towards the second half of 2009.

¹⁰ Or 5.4 million low-income households. Vietnam Industry Assessment, Banking With The Poor and SEEP Networks, August 2008.

¹¹ Asia Microfinance Industry Assessment Summary, 2009.

¹² Vietnam's New Law on Microfinance: On the Way to an Enabling Environment, 2005.

A broad range of economic and institutional reforms combined with well-targeted poverty reduction programs and projects enabled Vietnam to reduce poverty dramatically from 58% in 1993 to 12.3% in 2009 (Vietnam General Statistical Office)¹³. GDP per capita increased from 2,700 USD to 2,900 USD between 2007 and 2009 (CIA World Factbook). Nearly 30% of the 86.2 million people in Vietnam live below the general poverty line, set at VND 260,000 per month for urban areas and VND 200,000 for rural residents in 2005 (MOLISA). Although poverty declined in both urban and rural areas, there is a regional concentration of poverty with around 90% of the poor living in rural areas, and uneven distribution of income as reflected by a Gini index of 0.378 in 2007.

Poverty in Vietnam varies substantially across regions, with the Northern Highlands, North Central Coast and the Central Highlands as the regions with the highest and deepest occurrence of poverty. Poverty is also highly concentrated in rural areas and is strongly related to ethnicity, where 60.7% of the ethnic minorities live below the poverty line. Vietnam's success in reducing poverty can be attributed to high economic growth, particularly for the manufacturing, trade and agriculture sectors.

Vietnam has achieved significant results in education with gross primary enrollment ratio of 102% and adult literacy rate of 92.5%. Yet despite such progress, regional and ethnic disparities remain in terms of access to education. Illiteracy rates are particularly high among ethnic minorities, as well as high drop-out rates among children from remote villages.

With one of the highest rates of women economic participation in the world, Vietnam is more advanced with respect to its peers in terms of gender equality. It ranks 94th out of 155 countries in the Gender-related Development Index (GDI). Data on education showed high adult literacy rates for both men and women and school enrolment data showed minimal difference between boys and girls. Vietnam also has a high percentage of women in national parliament at 25.8% compared to 18% average in the East Asia region.

The overall quality of health in Vietnam is decent as evidenced by life expectancy estimates of 74 years and infant mortality rates of 12 per 1,000 live births, nearly half of mortality statistics for East Asia. However, malnutrition is a prevailing problem particularly for children in the

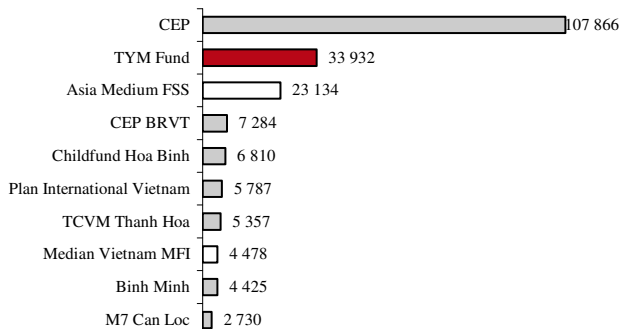
uplands, making the country one of the world's 20 worst performers in child nutrition.

Vietnam's diverse wildlife subsists in its mountainous topography. As a result of rapid economic development and urbanization, Vietnam now faces significant environmental challenges. Less than 30% of the country remains forest-covered, and even the remaining forests are under threat from population pressure and industrial growth. Air, water and noise pollution are increasing, particularly in urban centers like Ho Chi Minh City and Hanoi. The country also faces serious problems regarding water and solid waste treatment.

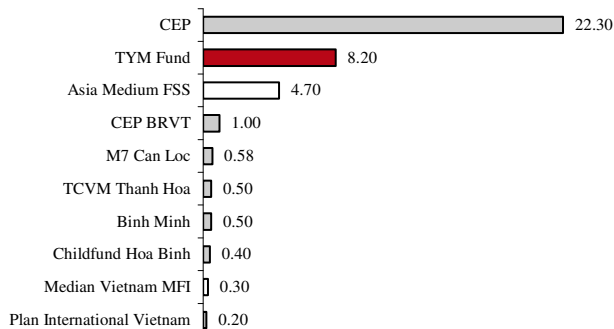
¹³ The national poverty line for the 2006-2010 period is VND 200,000 per capita income per month in rural areas and 260,000 in urban areas (\$0.35 and \$0.45% per day respectively). A doubling of the national poverty line is expected for the 2011-2016 period. According to the \$1.25/day line, the poverty rate was 21.5% in 2008.

Benchmarking

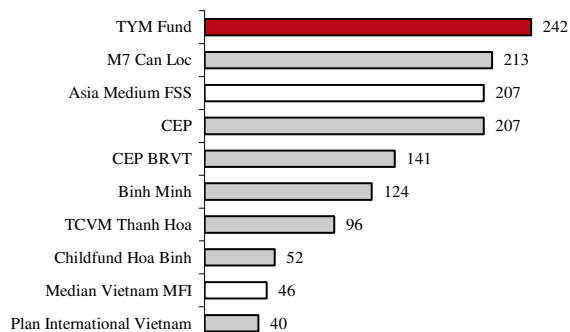
Active borrowers



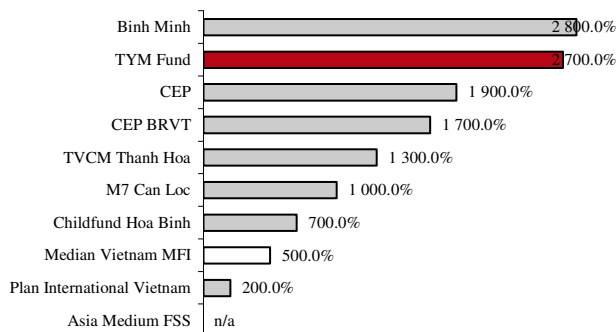
Loan portfolio (M USD)



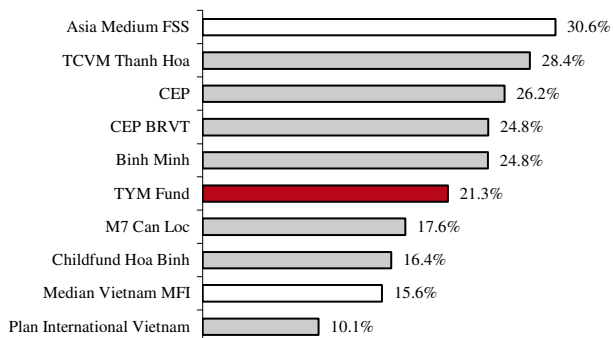
Average outstanding loan per client



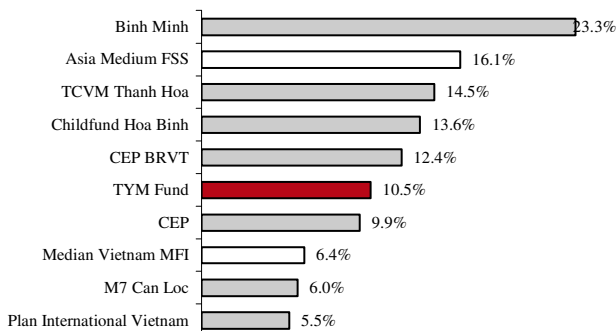
Cost per borrower



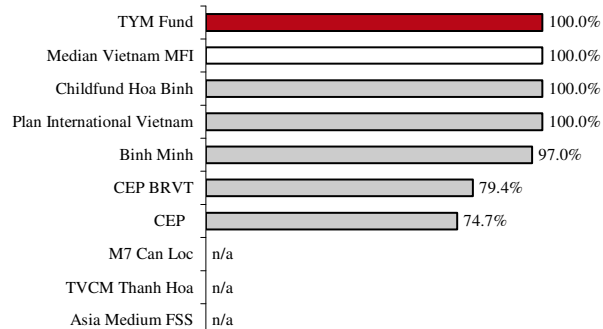
Portfolio Yield



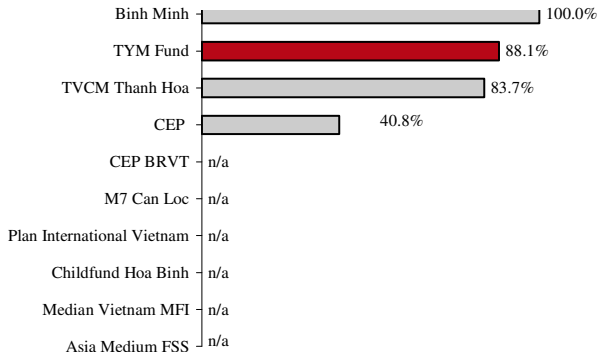
Operating expense ratio



% of female clients



% of rural clients



Source: Planet Rating data as of Dec 08 for TYM Fund and Binh Minh; MixMarket figures for Vietnam MFIs as of Dec 2008, except otherwise indicated; MIX peer group: Asia Medium FSS (2 M USD < GLP < 8 M USD; Financial Self-sufficiency >100%; Median values for MFIs in 2008). Vietnam Median MFI as of Dec 2008.

■ Formulas

Portfolio yield: Portfolio revenue / 13-month average gross outstanding portfolio.

Staff turnover: # salaried staff who left over the period / Average # staff over the period

Penetration rate: # active clients / # households

Retention rates:

- Waterfield/CGAP formula 1: repeat loans / repaid loans.
- Schreiner formula: end borrowers / (beg. borrowers + new borrowers).
- Waterfield/CGAP formula 2: (end borrowers - borrowers with the same loan during the period) / (beg. borrowers + new borrowers - borrowers with the same loan during the period).
- MixMarket formula: (beg. borrowers + new borrowers - end borrowers) / ((beg. borrowers + end borrowers)/2)

■ Rating Scale

Rating	Definition
5+ 5 5-	Advanced: Long-lasting commitment to social goals; efficient management of social performance and social responsibility risks; institution very likely to achieve a positive social impact.
4+ 4 4-	Convincing: Clear commitment to social goals; reasonable management of social performance and social responsibility risks; institution likely to achieve a positive social impact.
3+ 3 3-	In progress: Clear intent to reach social goals; social performance management systems being implemented.
2+ 2 2-	Incipient: Clear intent to reach social goals; low capacity to manage social performance.
1+ 1 1-	Intangible: Intention to reach social goals is non tangible; low level of management of social performance.
0+ 0	Negative: No intention to reach social goals; mismanagement leads to negative social performance.