Beyond Financial Services

The DFID Chars Livelihood Programme in Northern Bangladesh: The Promotion of Village Savings and Loan Associations in a Multi-Input, Rural Livelihoods Programme

David Panetta and Kate Conroy
The Aga Khan Foundation wishes to thank The MasterCard Foundation for its generous financial support for this case study.
Learning Initiative Objectives

This research study is one of a series of studies sponsored by the Aga Khan Foundation’s Beyond Financial Services initiative funded by the Aga Khan Foundation Canada and The MasterCard Foundation. The initiative examines how SGs are used as a platform for development activities and how linkages to other services take place and with what benefits to group members. It considers how financial services combined with other development activities add value for individual members of the groups, for the groups as entities in themselves, for the agencies facilitating SG development and offering the linked activities, and for the wider community. The initiative also explores the sustainability and replicability of SGs, thus examining long-term access to financial services for the poor.

Abstract

The temporary islands and embankment areas, or chars, of the Jamuna River in northwest Bangladesh are home to three million people; poor and isolated, these rural communities face multiple livelihood challenges. Opportunities to smoothen irregular household cash flow are limited and households in the region regularly adopt severe coping strategies – such as the distress sale of assets and reduced food intake – to meet consumption and emergency needs. The Char Livelihood Programme (CLP) aims to ensure that most poor char dwellers in the Jamuna River Basin have access to appropriate financial services through Savings Groups.
# Table of Contents

Table of Contents ................................................................................................................................. 2
List of Acronyms ........................................................................................................................................ 4
Executive Summary ................................................................................................................................. 5
I. Background ......................................................................................................................................... 7
   1. The people of the Jamuna Charls ................................................................................................. 7
   2. Financial services in the Jamuna Chars ...................................................................................... 8
   3. A brief history and overview of the Chars Livelihood Programme ............................................. 8
      3.1 History and organisational structure ...................................................................................... 8
      3.2 Programme components ......................................................................................................... 10
      3.3 The CLP beneficiary target group .......................................................................................... 11
   4. The Village Savings and Loan programme of the CLP ............................................................... 13
II. Asset Transfer, VSLAs and their Functional Coordination ................................................................. 14
   1. The Asset Transfer Programme: Building the asset base of the extreme poor ......................... 14
   2. The VSL pilot project: An experiment in community-based microfinance for the Chars .......... 15
   3. The introduction of the VSL programme to the CLP’s beneficiary groups ................................. 16
   4. A revised strategy for the mobilisation of VSLAs ...................................................................... 17
   5. Costs of programme integration ................................................................................................. 18
III. Impact of the CLP’s Village Savings and Loan Programme ............................................................. 20
   1. Increased savings mobilisation and improved household financial management ................. 20
   2. Increased income ....................................................................................................................... 22
   3. Improved coping mechanisms ................................................................................................. 22
   4. Improved social status .............................................................................................................. 23
IV. Sustainability ....................................................................................................................................... 24
   1. Market development: the exit strategy of the CLP .................................................................... 24
      1.1 Livestock service providers ................................................................................................. 25
      1.2 Dairy cattle management and milk marketing ................................................................. 25
      1.3 Improved local poultry rearing ............................................................................................ 25
      1.4 Commercial fodder production ......................................................................................... 25
   2. The survival rates of independent VSLAs ................................................................................... 26
   3. Impact of the withdrawal of CLP stipends ................................................................................ 27
   4. Security of VSLA assets: Resistance to flood and theft ............................................................. 29
V. Lessons Learned ................................................................................................................................. 30
1. Asset transfer .................................................................................................................................................. 30
2. Promotion of VSLAs among pre-existing groups and programme beneficiaries .................. 30
3. Gender and target population ..................................................................................................................... 31
4. Staffing ......................................................................................................................................................... 32
5. Summary of main findings .......................................................................................................................... 33

Appendix A: Village Savings and Loan Methodology .................................................................................. 35
Appendix B: Impact of CLP Inputs on Household Savings ........................................................................ 37
Appendix C: Programme Outreach .............................................................................................................. 38
Appendix D: Programme Performance Ratios ............................................................................................. 39
Appendix E: Primary Sources of Household Savings and Credit ............................................................... 40
   1. Composition of household savings ......................................................................................................... 40
   2. Sources of household credit .................................................................................................................... 42
Appendix F: Primary sources of household savings and credit ................................................................. 44
   1. Primary use of loans ................................................................................................................................. 44
   2. Primary use of grants and no-interest loans from the Emergency Fund .............................................. 44

Bibliography .............................................................................................................................................. 45

Figures
Figure 1: Map of the Chars project area ........................................................................................................ 9
Figure 2: Diagram of a raised plinth ............................................................................................................ 21
Figure 3: Household monthly cash income ................................................................................................ 22
Figure 4: Impact of the withdrawal of the ATP stipend on VSLA savings deposits ................................. 29
Figure 5: Average monthly savings in 30 VSLAs, before and after the end of CLP stipends .......... 29
Figure 6: Monthly household savings and borrowing ............................................................................... 34

Tables
Table 1: Programme components and main outputs of the Chars Livelihood Programme ............... 10
Table 2: Socio-demographic and economic data of pre-entry CLP beneficiary households .......... 12
Table 3: The Asset Transfer Programme at a glance ............................................................................... 14
Table 4: Household monthly savings ......................................................................................................... 20
Table 5: Household decision-making in male-headed households ...................................................... 23
Table 6: ATP performance indicators and CLP achievements to date ............................................. 24
Table 7: Survival rate of VSLAs promoted under the VSL pilot project (2006-2009) ....................... 27
**List of Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATP</td>
<td>Asset Transfer Programme</td>
</tr>
<tr>
<td>CDO</td>
<td>Community Development Organiser</td>
</tr>
<tr>
<td>CLP</td>
<td>Chars Livelihood Programme</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development, UK</td>
</tr>
<tr>
<td>EDS</td>
<td>Enterprise Development Supervisor</td>
</tr>
<tr>
<td>FO</td>
<td>Field Officer</td>
</tr>
<tr>
<td>GoB</td>
<td>Government of Bangladesh</td>
</tr>
<tr>
<td>IGA</td>
<td>Income-Generating Activity</td>
</tr>
<tr>
<td>IML</td>
<td>Innovation, Monitoring and Learning unit of the Chars Livelihood Programme</td>
</tr>
<tr>
<td>IMO</td>
<td>Implementing Organisation</td>
</tr>
<tr>
<td>LSP</td>
<td>Livestock Services Provider</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>PPR</td>
<td>Pestes de petits ruminants</td>
</tr>
<tr>
<td>Tk</td>
<td>Bangladeshi taka</td>
</tr>
<tr>
<td>VSL</td>
<td>Village Savings and Loan</td>
</tr>
<tr>
<td>VSLA</td>
<td>Village Savings and Loan Association</td>
</tr>
<tr>
<td>VSO</td>
<td>Village SavingsOrganiser</td>
</tr>
</tbody>
</table>
Executive Summary

The purpose of this case study is to examine how Savings Groups can be promoted within a multi-input, rural livelihoods programme with pre-existing groups and targeted programme beneficiaries.

The Charls Livelihoods Programme (CLP) – a seven-year (2004-2010), GBP 50 million (approximately USD 74 million) programme of the UK Department for International Development (DFID) – aims to halve extreme poverty in the Jamuna river-basin of northwest Bangladesh by 2015. The temporary islands and embankment areas (chars) of the Jamuna River in northwest Bangladesh are home to three million people; poor and isolated, these rural communities face multiple livelihood challenges. Through a network of 18 local NGO partners, the CLP tackles the poverty of the chars on many fronts:

- The provision of asset and cash transfers to enable households to protect, accumulate and expand household wealth;
- Infrastructural transfers to mitigate against flood and improve household sanitation and hygiene;
- Social development assistance to raise social capital and improve social cohesion;
- Enterprise development activities that improve and strengthen microenterprises and commercial suppliers on the chars;
- Promotion and training of Village Savings and Loan Associations (VSLAs) that provide community-managed financial services;
- Building the capacity of local microfinance institutions to improve systems and offer products that are better suited for the local clientele; and
- The provision of basic primary health and education services.

The CLP’s centrepiece activity is the Asset Transfer Programme (ATP), which provides productive assets to the 55,000 poorest island char households in its working area. Beneficiary households receive a package of physical assets (mainly livestock) and an 18-month cash stipend worth a total of approximately Tk 20,000 (about USD 300), the equivalent of roughly one year’s household income.

CLP estimates that only 10 percent of its beneficiary households have a savings account with a bank or an NGO microfinance institution (NGO-MFI); formal insurance services are completely non-existent in the chars. As a result, opportunities to smoothen irregular household cash flow are limited and households regularly adopt severe coping strategies, such as the distress sale of assets, reduced food consumption and over-indebtedness, to meet consumption and emergency needs. In this context, the CLP aims to ensure that by the end of the programme, most poor char dwellers have access to appropriate financial services and that at least 100,000 char households have a safe place to save. In addition to its MFI Capacity-Building Programme – aimed at strengthening the systems and improving the product offerings of 12 local MFIs – the CLP explored various community-managed microfinance models in 2006. In 2007, it introduced the Village Savings and Loan (VSL) model to its working area, ATP groups and targeted beneficiaries. By the end of the CLP in 2010, the Village Savings and Loan Programme will have established nearly 2,000 self-managed VSLAs that provide over 42,000 households with access to sustainable, self-managed savings and credit facilities in very poor and remote areas of north-western Bangladesh.
This case study describes the process through which the CLP experimented with VSLAs; built a network of 10 implementing organisations around a coordinating agency with implementation experience; integrated the VSL approach into its multi-input programme; and facilitated the delivery of sustainable, self-managed financial services to targeted extremely poor communities and households, at less than USD 8 per participant. The paper also examines the difficulties, risks and mitigation strategies in introducing the VSL model to pre-existing groups and targeted beneficiaries within a multi-input programme, as well as the added value of promoting Savings Groups within a large-scale, rural livelihoods programme centred on an asset transfer approach. This paper demonstrates that the opportunity to save and borrow frequently in small, flexible amounts has supported and protected the increased asset base of ATP beneficiaries and enabled them to engage more effectively in the various market development initiatives of the CLP. Primarily, CLP beneficiaries that are members of VSLAs exhibit increased savings, reduced loan repayments and improved household cash flow management; increased income; improved emergency coping mechanisms; and improved social status within the community.

This case study is based on a literature review of research papers, programme reports and notes from the Chars Livelihoods Programme, an independent survey of 540 CLP beneficiaries conducted in January 2009, and the experiences of the authors, who fulfilled research, programme management and short-term consultancy roles with the CLP since 2006.
I. Background

1. The people of the JamunaChars

The temporary islands and embankment areas (chars) of the Jamuna River in northwest Bangladesh are home to three million people; poor and isolated, these rural communities face multiple livelihood challenges. Poverty is not limited to a lack of income for char dwellers; these households also face severely restricted access to government institutions, markets, basic infrastructure, healthcare, education and financial services.

Limited diversification in the rural economy results in few local formal or informal employment opportunities for char dwellers outside of agriculture. Dependent on agricultural wage labour and its working seasons, the period between the planting and the harvest of the aman rice crop from September to November is characterised by seasonal hunger (monga) for many households, with many male household members participating in labour-related migration to the mainland during these months. In years of drought or flood, destruction of the aman crop further prolongs and intensifies the period of seasonal unemployment and subsequent food shortage. For the poorest households, this seasonal decline in employment can often lead to the sustained reduction of assets, income and consumption through the use of damaging household coping strategies such as the distress sale of assets, reduced food consumption and over-indebtedness.

Chars are shifting islands of sand formed and reformed through silt deposited by the changing course and annual flooding of the Jamuna River. These floods and the subsequent dramatic overnight erosion can force thousands of families to migrate or live through the flood season on rooftops and semi-submerged homes. It is estimated that char households permanently relocate between five to seven times in a generation, with poorer households invariably migrating many more times due to the more vulnerable locations on which they are forced to live. Access and claims to land is complex on the chars; although officially prescribed as khas (or government) land, in reality a locally recognised system of land tenure and ownership exists and covers every decimal of char land under various sharecropping and leasing arrangements.

Although local government is present, security and the rule of law are not ensured by the Government of Bangladesh (GoB) in these remote areas. As such, the ‘rules of the game’ on the chars are set by local elites who have concentrated lines of patronage and specific clientele. Indeed, deeply entrenched social and cultural norms pervade the chars, governing access to land and both informal and formal labour markets, restricting female mobility, and governing the dynamics of household asset accumulation, consumption and financial management.
2. Financial services in the JamunaChars

In a review of the microfinance sector in the Jamuna Chars in 2002, the Chars Livelihoods Programme (CLP) design phase study concluded that “informal financial sources dominate the financial landscape of the char areas in ways distinct from the mainland areas of rural Bangladesh [and] the overall health of microfinance programmes working in the char areas is quite weak – it is a case of poor services in poor areas” (Matin et al, 2002).

CLP estimates that roughly half of its beneficiary households have access to semi-formal sources of credit; only 10 percent have a savings account with a bank or NGO-MFI and formal insurance services are completely non-existent. As a result, opportunities to smoothen irregular household cash flow are limited and households regularly adopt severe coping strategies – such as the distress sale of assets, reduced food consumption and over-indebtedness – to meet consumption and emergency needs.

The 2002 DFID study on the design of the CLP recognised “the need for financial intermediation that enables char dwellers to smoothen consumption in the face of strong seasonality in income in a less expensive and more reliable way” (Matin et al, 2002) and that basic financial services should form an integral component of the multi-input Chars Livelihoods Programme. Accordingly, the CLP aims to ensure that most poor char dwellers have access to appropriate financial services by the end of the project and that households have a safe place to save (CLP 2011).

In the 2007-2009 period, the MFI Capacity-Building Programme of CLP strengthened the capacity of programme staff, borrowers and systems at 12 local NGO-MFIs. By the end of the CLP in 2010, the Village Savings and Loan Programme will have established nearly 2,000 self-managed VSLAs that provide over 42,000 households with access to sustainable, self-managed savings and credit facilities in very poor and remote areas of north-western Bangladesh.

3. A brief history and overview of the Chars Livelihood Programme

3.1 History and organisational structure

The Chars Livelihoods Programme is a seven-year (2004-2010), GBP 50 million (approximately USD 74 million) programme funded directly by the UK Department for International Development (DFID) and sponsored by the Government of Bangladesh (GoB). The implementation of the programme is overseen by the Ministry for Local Government, Rural Development and Cooperatives of the GoB, a Programme Steering Committee and District and Upazila (sub-district) level Coordination Committees chaired by a secretary from the ministry.

Originally proposed in 1996 as a livestock development project, the CLP began operations eight years later as a ‘voice and choice’ programme in late 2004, with the ambitious goal of halving extreme poverty in the Jamuna river basin of northwest Bangladesh by 2015 (Hodson, 2006). After significant redesign in 2005, the CLP emerged as an asset transfer programme, focused on improving livelihood security and reducing the physical vulnerability of island char dwellers through a comprehensive package of investment capital, basic infrastructure, training and stipends. The CLP
continues to maintain this household-level approach to reducing extreme poverty across its working area, which includes 731 villages across five riverine districts of the Jamuna chars.¹

Figure 1: Map of the Char project area

The CLP’s centrepiece activity is the Asset Transfer Programme (ATP), which provides investment assets to the 55,000 poorest island char households in its working area. Beneficiary households receive a package of physical assets (mainly livestock) and an 18-month cash stipend worth a total of approximately Tk 20,000 (about USD 300), the equivalent of roughly one year’s household income. CLP also provides each household with a package of social, livelihood and market development inputs and training worth a further Tk 20,000. In three years (2006-2009), 55,000 extreme poor households (approximately 220,000 women, men and children) have received the complete CLP support package. It is estimated that a further one million char dwellers have also benefited from CLP activities and inputs through the provision of community infrastructure, employment programmes and the development of markets and commercial service providers.

The CLP is managed by Maxwell Stamp PLC, a private sector management agency contracted by DFID; the programme is implemented by an autonomous CLP Management Team contracted by the

¹ These districts are Bogra, Gaibandha, Jamalpur, Kurigram and Sirajganj (see Figure 1).
management agency. The team, based at the Rural Development Academy in Bogra, is responsible to both DFID and the GoB for achieving approved work plans, budgets and logical framework objectives. It provides funding, technical support and guidance to 18 local NGO partners – Implementing Organisations (IMOs) – for the delivery of services and key outputs in their designated areas. These 18 IMOs are the main implementers and the face of CLP; together they employ approximately 400 Community Development Organisers (CDOs) who work directly with CLP beneficiary households. CDOs deliver the Social Development unit’s 56-week training curriculum, administer monthly household cash stipends and monitor and support the progress of each beneficiary household through weekly meetings over an 18-month period.

3.2 Programme components

The CLP is composed of five programmatic units: Livelihoods, Social Development, Infrastructure, Health and Education, and Enterprise Development.

Through these five components, CLP tackles the poverty of the chars on many fronts, including:

- The provision of asset and cash transfers to enable households to protect, accumulate and expand household wealth;
- Infrastructural transfers and support to mitigate against floods and improve household sanitation and hygiene;
- Social development assistance to raise social capital and improve social cohesion;
- Enterprise development activities that improve and strengthen microenterprises and commercial suppliers on the chars;
- Promotion and training of Village Savings and Loan Associations (VSLAs) that provide community-managed financial services;
- Building the capacity of local microfinance institutions to improve systems and offer products that are better suited for the local clientele; and
- The provision of basic primary health and education services.

The key programme responsibilities and outputs of the CLP are summarised in the table below.

<table>
<thead>
<tr>
<th>Table 1: Programme components and main outputs of the Char Livelihoods Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit</strong></td>
</tr>
</tbody>
</table>
| Livelihoods | Asset Transfer Programme Homestead Garden Programme | • Transfer of income generating assets to 55,000 beneficiary households  
• Training in animal husbandry, homestead gardens and nutrition |
| Social Development | Social Development Curriculum Social Safety Nets Community Development Organisers | • Monthly cash stipends and temporary food transfers² to beneficiary households  
• Safety net grants to qualifying households  
• Delivery of 56-week social development curriculum³  
• Community Development Organisers |

² In August 2008, the CLP started providing temporary food stipends to qualifying households in response to the rapid rise in food prices. Set on a sliding scale according to the local price of rice, the grant has been gradually phased out as the price level has stabilised (albeit at a significantly higher level).

³ Topics include hygiene and sanitation, disaster preparedness, social mobilisation and rights awareness.
### Infrastructure
- Infrastructure and Employment Programme (monga season)
- Cash-for-work Programme
- 77,000 households on raised plinths
- 42,000 5-ring sanitary latrines for households raised above flood-line
- Provision of tube-well aprons

### Health and Education
- Pilot Primary Health Care and Family Planning Programme
- Pilot Education Programme
- 800 monthly satellite health clinics
- 40,000 patients seen to date
- 5,000 children enrolled and attending CLP-funded schools

### Enterprise Development
- Market Development Programme
- Livestock Services Programme
- Village Savings and Loan Programme
- MFI Capacity-Building Programme
- Dairy and Milk Marketing scheme
- Commercial Fodder Project
- Improved Local Variety Poultry Rearing scheme
- 350 commercial Livestock Service Providers trained
- 40,000 active VSLA households
- Improved systems and pilot product testing at 12 local MFIs

### 3.3 The CLP beneficiary target group

Despite the absolute poverty of most of the char population, they are not socio-economically homogenous, with some households that are income rich and asset wealthy in comparison to their neighbours. The CLP interventions target extremely poor island char families; only households that meet strict selection criteria are eligible for the CLP’s package of benefits, including the ATP. Households are selected on the basis that they are the economically poorest within their island char district and are least likely to be able to make a sustained trajectory out of poverty; these households are functionally assetless\(^4\) and landless.\(^5\) The CLP considers these targeting measures as a proxy for the household’s income and wellbeing.\(^6\) Approximately 30 percent of the households in the 731 CLP working villages have qualified as beneficiary households.

Prior to enrolment in the programme, each CLP beneficiary household undertakes a short household registration survey designed and implemented by the CLP’s Innovation, Monitoring and Learning division (IML). The survey, carried out on all 55,000 beneficiary households, includes basic household demographic and employment data and captures the productive and non-productive assets of the household.\(^7\) The collection of this data and further household monthly monitoring by IMO field staff allows the CLP to robustly test the impact of the programme on its beneficiary households.

---

\(^4\) Defined by the CLP as total assets worth less than Tk 5,000.

\(^5\) Defined by the CLP as absolutely zero land ownership (this includes share cropping); this is in contrast to the Government of Bangladesh’s definition of landlessness as being less than 50 decimals of land.

\(^6\) While households must be primarily assetless and landless to join ATP, they must also meet other criteria including joblessness, no outstanding loan to any microfinance institution, non-recipient of any other grant or credit-based support programme and established length of residency within the village of current residence.

\(^7\) For phases 3 and 4 of the ATP, the registration process and survey were expanded.
Table 2: Socio-demographic and economic data of pre-entry CLP beneficiary households

<table>
<thead>
<tr>
<th>Basic demographic data</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average household size</td>
<td>3.76</td>
</tr>
<tr>
<td>Percentage of households that are female-headed</td>
<td>23%</td>
</tr>
<tr>
<td>Percentage of household heads that are completely illiterate</td>
<td>80%+</td>
</tr>
<tr>
<td>Percentage of household heads that rely on agricultural daily wage income</td>
<td>75%+</td>
</tr>
<tr>
<td>Percentage of households that have a household member who is either chronically ill or disabled</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pre-CLP average household characteristics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset worth</td>
<td>Tk 1,966 (USD 30)</td>
</tr>
<tr>
<td>Monthly income</td>
<td>Tk 1,968 (USD 30) or Tk 17.40 per capita per day</td>
</tr>
<tr>
<td>Percentage of monthly income spent on food consumption</td>
<td>75%+</td>
</tr>
</tbody>
</table>

The table above outlines the basic demographic data collected on all CLP beneficiary households throughout various phases of the programme. These households are clearly characterised by the attributes of extreme poverty, not only on an income basis that takes them below the local extreme-poverty line of Tk 18 (USD 0.25) per capita per day but also by extremely low household endowments – in physical assets, health and education – and an overwhelming reliance on labour migration and daily agricultural wage income.

Although the entire household benefits from the range of CLP activities, the designated beneficiary is nearly always a woman. Approximately 23 percent of all beneficiary households are female-headed and often composed of abandoned, widowed or separated women and their dependants. Even within the extreme poor group that the CLP works with, this subsection of households is invariably income and asset poorer than their male-headed counterparts.

An innovation of the CLP has been the independent verification of approximately five percent of beneficiary households, randomly visited and interviewed by senior members of the CLP Management Team during each phase of the ATP. Following the qualifying criteria outlined above, IMO partners are required to undertake community, group and household consultations in the development of a list of potential beneficiaries. The CLP Management Team then ensures that every village is visited, in each phase of the ATP, and the required sample of potential households is verified. Although the process requires significant time and resources, the process serves two fundamental functions: 1) to ensure due diligence from IMOs in household selection by reducing the potential for IMOs to use established clientele; and 2) to ensure that the neediest households are selected.

---

8 Extreme poverty line in rural areas of Rajshahi Division, defined by the 2005 Bangladesh Bureau of Statistics Household Income and Expenditure Survey and adjusted for inflation by Jackson (2009).
4. The Village Savings and Loan programme of the CLP

As described earlier, the CLP Design Phase Study recognised that there was a need for less expensive and more reliable financial services that allowed char dwellers to stabilise consumption activities, particularly when income patterns are seasonal. Moreover, “in the short term, microfinance in the char areas should focus on providing basic financial intermediation services for reducing vulnerability – essentially being much stronger on developing the ‘protection’ dimension of microfinance through varied savings-based instruments and emergency credit, rather than a ‘promotional’ one” (Matin, 2002). In this context, in late 2005, the Enterprise unit of the CLP began to examine various community-based microfinance models to support the CLP logical framework objective that most poor char dwellers have a safe place to save and access to appropriate financial services by the end of the project.

By the end of the CLP in 2010, it is forecasted that the VSL programme will have established, over four years, more than 1,900 VSLAs; it will also have provided a safe place to save for approximately 42,000 households, including roughly 25,000 beneficiary households of the CLP’s Asset Transfer Programme.
II. Asset Transfer, VSLAs and their Functional Coordination

1. The Asset Transfer Programme: Building the asset base of the extreme poor

The Asset Transfer Programme (ATP) is the centrepiece of the CLP and builds upon the experience of BRAC’s Challenging the Frontiers of Poverty programme. Central to the CLP’s approach is the transfer of significant investment capital to qualifying households in the form of a one-time transfer of physical assets and temporary cash stipends. Through the ATP, 55,000 households have received investment capital to purchase a range of income generating assets, with the aim of securing their livelihoods through regular income streams and an increased asset base.

From 2006 onward, the CLP progressively scaled up the ATP, from an initial phase of 3,174 households to nearly 25,000 households in the fourth and final phase in 2009. Originally only working in three districts and through five IMOs, the fourth phase of the ATP was implemented in all five of the CLP’s working districts through 18 IMOs.

Table 3: The Asset Transfer Programme at a glance

<table>
<thead>
<tr>
<th>Phase</th>
<th>Number of households</th>
<th>Asset distribution dates</th>
<th>Pre-CLP asset base (Tk)</th>
<th>Investment capital (Tk)</th>
<th>Assets transferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>3,174</td>
<td>January–June 2006</td>
<td>Tk 2,720 (USD 40)</td>
<td>Tk 13,000 (USD 188)</td>
<td>Three transfer options: 1. Cash grant – in two equal instalments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2. Choice – from an approved menu of options including livestock, rickshaws and sewing machines.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3. Fixed Asset Package – a heifer, two goats and ten chickens</td>
</tr>
<tr>
<td>Phase 2</td>
<td>8,246</td>
<td>December–May 2007</td>
<td>Tk 1,329 (USD 19)</td>
<td>Tk 13,000 (USD 188)</td>
<td>Choice – households invariably purchased cattle (mainly heifers).</td>
</tr>
<tr>
<td>Phase 3</td>
<td>18,850</td>
<td>December–May 2008</td>
<td>Tk 1,630 (USD 23)</td>
<td>Tk 15,000 (USD 218)</td>
<td></td>
</tr>
<tr>
<td>Phase 4</td>
<td>24,730</td>
<td>August–May 2009</td>
<td>Tk 2,185 (USD 32)</td>
<td>Tk 17,000 (USD 246)</td>
<td></td>
</tr>
</tbody>
</table>
In the first phase of the ATP, the CLP experimented with its approach to asset transfer, offering three different pathways each to the value of Tk 13,000 (USD 188): 1) a cash grant; 2) a choice from an agreed menu of assets; or 3) a fixed package of assets (see Table 3). Building upon the experience of the first phase, all subsequent phases have offered beneficiaries the choice transfer option.

In each phase, after households are selected, the investment capital supplied by the CLP is transferred into an account for them at the local IMO. Households are free to choose their asset (or assets) from an agreed-upon list but they are also entitled to use the grant for the purchase of other assets upon agreement with the IMO. Experience indicates that households expend approximately 80 percent of their investment capital on the purchase of cattle, a further 10 percent on small ruminants, and any remaining funds for consumption or the building of a livestock shelter.

In addition to receiving the investment capital to make their asset purchases, households are also assisted in supporting their livestock through various training sessions and the provision of two small monthly cash stipends supporting household consumption and asset maintenance costs. Initially, these monthly grants were set at Tk 300 for consumption for six months and Tk 100 for asset maintenance for the full 18-month period; these were adjusted for inflation to Tk 350 and Tk 250, respectively, in 2009.

2. The VSL pilot project: An experiment in community-based microfinance for the Chars

Given initial concerns about the ability of the extreme poor to save – and the potential adverse effects of a savings project on other components of the programme – the CLP decided to first test the VSL model with a standalone project, through specialist contractors, with self-selected participants outside its working area. In April 2006, the CLP held an orientation session for interested organisations and issued a request for applications to implement the VSL pilot project according to a pre-specified methodology and programme design developed by the CLP. After receiving applications from more than 40 institutions and interviewing shortlisted candidates in May 2006, the CLP contracted two Dhaka-based NGOs to implement the VSL pilot project in Jamalpur District.

In September 2006, the SAJIDA Foundation, a private organisation with microcredit, health, education and microinsurance programmes in the Dhaka metropolitan area, began operations in the northern half of the district, while TARANGO, an NGO focused on microenterprise development and vocational training, began operations in the southern half. At each institution, the project was led by

---

9 These included cattle selection, cattle feed preparation, veterinary support training, cattle management, and calf delivery training.
10 Appendix A details the methodology used in the VSL approach.
a locally-based team of a project manager, project administrator (finance and MIS), three supervisors and nine village savings organisers (VSOs), while the CLP microfinance programme manager provided nearly continuous onsite technical assistance to the pilot project for most of the first year.

By August 2007, SAJIDA and TARANGO had mobilised and trained 186 VSLAs in Jamalpur District; the financial and institutional performance of the associations were extremely positive, demonstrating a strong demand for savings among the extreme poor and the ability of communities with extremely low literacy rates (two to forty percent) to self-manage their savings and credit activities. The model proved to be appropriate in flood-prone areas as all 186 associations successfully conducted share-outs throughout the worst floods in over 50 years and not a single Taka was lost. Based on these positive early outcomes, the VSL model was incorporated into the CLP multi-input programme in 2007.

3. The introduction of the VSL programme to the CLP’s beneficiary groups

In January 2007, the VSL programme was launched by two IMOs that had observed the pilot project and expressed interest in introducing the VSL approach to ATP groups in their respective working areas. The VSL approach proved to be immediately popular with ATP groups and 97 percent of beneficiaries in targeted groups opted to join the programme on a voluntary basis. However, the implementation of the VSL programme by the CLP’s multi-purpose field staff (CDOs) revealed serious limitations. A diverse portfolio of responsibilities resulted in low operational efficiency of no more than five groups per field staff and competing interests for staff time and rigid schedules constrained the flexibility of staff inputs. Moreover, limited field supervision by the IMOs led to inconsistent quality across areas.

Nevertheless, the demonstrated security, usefulness and popularity of the savings mechanism among the CLP’s target beneficiaries generated much enthusiasm from the IMOs; the CLP decided, later that year, to implement the programme through a specialised unit at each IMO. It gradually expanded to 10 IMOs over the following two years based on a process of competitive applications from its 19 IMOs.

At each IMO, the VSO is responsible for the promotion, training and monitoring of VSLAs. Each IMO has between three to nine VSOs depending on the estimated number of potential VSLAs in their working area. The VSO is village-based, exclusively dedicated to the VSL programme and travels by foot, bicycle or local boats. The VSO reports to the Enterprise Development supervisor (EDS) who is responsible for the delivery of all activities of the Enterprise Development Unit at the IMO.

Furthermore, the VSL pilot project was absorbed entirely by SAJIDA in July 2007 and TARANGO was contracted by the CLP as the coordinating agency for the VSL programme. As the coordinating agency, TARANGO provides continuous onsite training, supervision and technical assistance to the CLP and the 10 IMOs of the VSL programme; it is led by a locally-based team, which originally consisted of a project manager, four training and monitoring officers and a finance and MIS officer and was gradually reduced to three training and monitoring Officers.
The CLP microfinance programme manager devotes roughly 75 percent of his time to the VSL programme and the remaining 25 percent to the MFI Capacity-Building programme. He also undertakes primary responsibility for the Village Savings and Loan programme and develops the annual budgets and implementation plans for each of the 10 IMOs and the coordinating agency.

Through specialised field staff, a competitive grant process and disciplined supervision by a coordinating agency with implementation experience, the programme has decreased unit costs, increased operating efficiency and improved the quality of implementation in each of the last three years.

4. **A revised strategy for the mobilisation of VSLAs**

From January 2007 to June 2008, the VSL approach was introduced directly to pre-existing groups that had been mobilised by the CLP for the primary purpose of the ATP. Many of these ATP groups, especially in the earlier phases of the programme, were composed of individuals from different villages, thus increasing travel-related costs of participation and reducing the attendance and participation by members residing farther from the group meeting site. These groups – formed for the specific purpose of the ATP based on the household targeting criteria described earlier – also lacked the dynamism and social cohesion of the self-selected VSLAs under the pilot project.

In June 2008, the CLP revised its mobilisation strategy and now promotes VSLAs at the village level, rather than at the level of the pre-existing ATP groups. All of the CLP’s beneficiaries from the village, regardless of ATP group, are eligible to establish and join a VSLA on the basis of voluntary participation and member self-selection. In other words, within a given village, there may be several VSLAs composed of CLP beneficiaries from different ATP groups. The immediate outcome has been reduced travel time to attend meetings, increased attendance and enhanced group dynamism based on self-selected membership.

The CLP’s revised VSL implementation strategy also permits VSLAs to include non-CLP beneficiaries. VSLAs mobilised and trained by the CLP may include up to five non-CLP beneficiaries; these members are invited and selected by the CLP beneficiaries on a voluntary basis and the CLP does not facilitate this process in any way. Furthermore, these members participate fully in the VSL activities of the group but do not receive any of the inputs provided to targeted CLP beneficiary households. As of December 2008, VSLAs included a total of 1,031 non-CLP beneficiaries, which represents nearly seven percent of all VSL programme participants (over nine percent of new participants since the change of policy).

The decision to extend membership beyond the CLP’s target population of meticulously targeted beneficiary households is not without risk. The introduction of non-beneficiaries to VSLAs mainly composed of CLP beneficiary households brings the risk of false expectations and individuals joining the VSLA in expectation of future benefits from the CLP, primarily inclusion in the ATP. In order to mitigate against this risk, sub-districts are consigned to VSOs not before six months following the initiation of the ATP in that area. The first community meetings organised by the VSO are conducted long after ATP beneficiary lists have been approved and selected beneficiaries have received their package of assets as well as their monthly stipends for at least six months.
From an operational and financial perspective, the immediate impact is greater efficiency. The option to include non-CLP beneficiaries has enabled VSLAs to be established in more concentrated areas, diminishing travel time to meeting sites by the members and the VSO. Furthermore, while no information has been collected yet on the 1,031 non-CLP beneficiary participants, their inclusion has generated a variety of reported positive social outcomes. In most cases, non-CLP beneficiaries are of comparable socio-economic status but did not meet CLP’s beneficiary household selection criteria. Their inclusion in the VSL programme appears to have improved the community’s perception of CLP beneficiary households and reduced resentment towards them.

In other cases, the non-CLP beneficiaries are only marginally poor and enjoy a considerably better standard of living than the CLP’s beneficiaries. Their inclusion has improved the credibility and visibility of the VSLA in the community and empowered the CLP beneficiaries who remain solely responsible for the operations of the association. In all cases, only CLP beneficiaries are eligible to be elected to the Management Committee and the number of non-CLP beneficiaries is limited to five per VSLA to ensure that the association is not captured by local elites.

Finally, and perhaps most importantly, the inclusion of non-CLP beneficiaries has transformed the ATP groups from a group of individuals organised for the finite purpose of asset transfer to an inclusive community institution that may generate social and economic benefits long after the withdrawal of the CLP from the area.

5. Costs of programme integration

The unit cost of the VSL pilot project fell sharply from over Tk 1,800 (USD 26) per new participant in 2006 to Tk 600 (USD 9) in 2008; this decreased further to Tk 431 (USD 6.25) in 2009. The significant cost reduction was the result of several factors. First, VSO caseloads increased from 12 new groups in the first year to 18 new groups in the third year of the project. Second, the project was consolidated from two implementing partners to only one, reducing support staff and overhead expenses. Third, capital costs declined significantly as materials (mainly VSLA kits) were sourced locally at reduced production and distribution costs. Fourth, training costs were reduced as new VSOs were trained onsite and increasingly through practical exposure to existing groups rather than the lengthy classroom course and workshops necessary to launch the project in the first year. Finally, and most significantly, the project reduced its office space and expenses as it became increasingly clear to the CLP that the promotion of VSLAs could be undertaken effectively on a nearly office-less basis.

Compared to the pilot project, the CLP launched the VSL programme with its implementing organisations in 2007 at a significantly lower annualised cost of Tk 531 (USD 7.70) per new participant. The significantly lower start-up cost was due to the experience gained from the pilot project and the immediate operationalisation of the lessons outlined above. In 2007-2008, the programme was expanded significantly from the initial two IMOs to a total of 10 IMOs and a coordinating agency was added to the programme structure to undertake primary responsibility for the training, supervision and monitoring of IMOs. At the level of the IMO, the average unit cost fell to Tk 432 (USD 6.25) per new participant; the total unit cost per VSL programme participant,
including the costs of the coordinating agency was Tk 527 (USD 7.60), which appears to have approached the long-term cost of the programme.

Through increased operational and budgetary efficiencies, the CLP and its partner NGOs have demonstrated that it is feasible to provide basic financial services to the very poor and remote populations of its target area for a total cost of under USD 8 per participant. Furthermore, in an expanded programme – and through improved staff recruitment and management of working areas and operational schedules – there is no significant difference in cost between the standalone project and the VSL component within the CLP’s multi-input programme.
III. Impact of the CLP’s Village Savings and Loan Programme\textsuperscript{11}

This section summarises the outcomes of participation in the VSL programme by CLP beneficiaries, based on an independent survey contracted by the CLP in January 2009.

The quantitative study, conducted by the IML unit of the CLP, surveyed 540 CLP beneficiary households from 10 IMOs in four districts, including:

1. Two hundred non-VSL programme participants;
2. Two hundred members of first-cycle VSLAs;
3. One hundred members of second-cycle VSLAs; and
4. Forty members of third-cycle VSLAs.

1. Increased savings mobilisation and improved household financial management

The impact of VSL programme participation on household savings is positive and strongly significant. The average monthly household savings of non-VSL programme participants is Tk 40 (USD 0.58), the equivalent of half the local agricultural day wage (see Table 4). First-cycle VSLA members report an average monthly household savings of Tk 184 (USD 2.70); while second and third-cycle VSLA member households report to have saved an average of Tk 218 (USD 3.10) and Tk 209 (USD 3.00) respectively in January 2009. Furthermore, nearly all VSLA member households report to have saved during the month of January compared to only 28 percent of non-VSL participants.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline

Household Monthly Savings – January 2009 & Average Amount of Savings (Tk) & Number of equivalent working days at agricultural day wage of Tk 80 & Percentage of households that saved \\
\hline
Non-VSL & 40 & 0.50 & 28\% \\
VSL Cycle 1 & 184 & 2.30 & 100\% \\
VSL Cycle 2 & 218 & 2.73 & 100\% \\
VSL Cycle 3 & 209 & 2.61 & 90\% \\
\hline
\end{tabular}
\caption{Household monthly savings}
\end{table}

Appendix B demonstrates the impact of individual CLP inputs on household savings, controlling for both the gender of the household head and household cash flow. As expected, the relationship between household savings and cash flow is positive and significant: CLP beneficiary households exhibit a marginal propensity to save of two percent.\textsuperscript{12} Controlling for large outliers, the robust OLS regression also reveals a significant relationship between the gender of the household head and

\textsuperscript{11} Adapted from Panetta, 2009.

\textsuperscript{12} Marginal propensity to save (MPS) refers to the increases in savings that result from an increase in income (cash flow is used as a proxy for income). For instance, a MPS of two percent means that, as a result of an increase in income of Tk 100, savings increases by Tk 2.
savings: female-headed households save Tk 9 (USD 0.13) less per month than dual-headed households.

Controlling for the gender of the household head, household cash flow and all CLP inputs, the impact of VSL programme participation on household savings is positive and strongly significant. First-cycle VSLA member households save Tk 125 (USD 1.80) more per month than non-participants, while second-cycle and third-cycle VSLA member households save Tk 94 (USD 1.36) and Tk 72 (USD 1.04) more, respectively.

Households residing on a CLP-constructed plinth also save more, with the plinth contributing to an increase of Tk 66 (USD 0.90) in monthly savings. The security provided by a plinth to household members, livestock and physical assets may in fact extend the household’s decision-making horizon and increase its confidence to save and invest in financial and physical assets. The success of these raised homestead plinths was evident during the consecutive floods of 2007, with many providing shelter and safety to numerous char families (Marks and Islam, 2007).

**Figure 2: Diagram of a raised plinth**

In addition to providing significant infrastructure to households, the building of these plinths provides employment opportunities for local households during periods of low labour demand, such as the *monga* season. The impact of these labour opportunities in reducing the economic vulnerability of participating households and buffering them from the effects of *monga* was demonstrated by a CLP study in 2008, which indicated that participant households in the CLP’s cash-for-work programmes took significantly fewer consumption loans, sold fewer assets in distress and migrated less for work than non-participating households (Conroy and Marks, 2008).

Participation in a VSLA also changes the *manner* in which households save (see Appendix E). Non-VSL participants hold 70 percent of their savings inefficiently in the form of cash in the home and deposit more than 20 percent of their savings in insecure savings clubs, among various other sources. In contrast, as early as the first cycle, VSLA members deposit an average of 50 percent of their household savings in their VSLA and hold only 33 percent in the form of cash in the home. Accordingly, 85 percent of members surveyed report that the VSLA provides them with their first opportunity to save (Panetta, 2008).

---

13 selected homesteads are raised approximately 60 cm above the highest known flood level, to ensure that even during flood season, households remain safe places for families, cattle and the continuation of horticultural activities (Chars Livelihood Programme: www.clp-bangladesh.org).
2. Increased income

The household income of VSLA members increases significantly over the first two cycles and then appears to stabilise.\textsuperscript{14} While the notable increase in income cannot be attributed exclusively to participation in the VSL programme, the significantly greater income compared to non-participants, who have received the same package of CLP interventions, suggests that participation in the VSL programme has a positive impact on household cash income.\textsuperscript{15}

\textit{Figure 3: Household monthly cash income}

Source: CLP VSL Programme Survey (February, 2009)

3. Improved coping mechanisms

Seventy five percent of CLP beneficiary households surveyed in February 2009 had experienced food shortages in the previous month. The incidence of food scarcity among VSLA members is slightly lower than non-VSL participants and only 65 percent of third cycle VSLA members reported a food shortage; however, the difference is not statistically significant.

Nevertheless, access to grants and flexible no-interest credit from the Emergency Fund impact the way VSLA members manage food scarcity and may ultimately improve household food security. In fact, 19 percent of VSLA members who experienced a food shortage received a loan from their VSLA; moreover, VSLA members are significantly less likely to beg in order to cope with emergency food needs.

\textsuperscript{14} Household cash income excludes loans, grants, scholarships or stipends received from an NGO, government, the CLP or any other source.

\textsuperscript{15} There may, however, be self-selection and survivor biases in this observation: it is possible that more economically-active CLP beneficiaries participate in the VSL Programme; and that the more successful VSLA members continue to participate in subsequent cycles while the least successful ones drop out.
4. Improved social status

VSLA members are significantly more likely to feel respected in the community; members explain that they are less dependent on providers of informal credit and charity from neighbours and as a result, have more bargaining power in commercial transactions and are treated more respectfully by the community (Panetta, 2008).

Participation in a VSLA also appears to have a significant impact on the household decision making process. In male-headed households, female VSLA members report a greater role in household decisions related to consumption and a significantly greater role in household financial decision making.16

<table>
<thead>
<tr>
<th>Decision maker/primary decision maker</th>
<th>Non-VSL</th>
<th>VSL cycle 1</th>
<th>VSL cycle 2</th>
<th>VSL cycle 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Husband</td>
<td>82%</td>
<td>90%</td>
<td>85%</td>
<td>72%</td>
</tr>
<tr>
<td>Wife</td>
<td>18%</td>
<td>9%</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Husband</td>
<td>26%</td>
<td>46%</td>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>Wife</td>
<td>42%</td>
<td>54%</td>
<td>82%</td>
<td>69%</td>
</tr>
<tr>
<td>Other</td>
<td>32%</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Loan-taking</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Husband</td>
<td>52%</td>
<td>63%</td>
<td>63%</td>
<td>52%</td>
</tr>
<tr>
<td>Wife</td>
<td>18%</td>
<td>19%</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Other</td>
<td>30%</td>
<td>17%</td>
<td>6%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: CLP VSL Programme Survey (February, 2009)

16 There is no observable difference in the role of VSLA members with respect to household non-financial decision-making.
IV. Sustainability

Over the last four years, asset transfer has proven to be a scalable key contributor in the CLP’s success in reducing extreme poverty on the Jamuna chars. From an initial average asset base of Tk 1,329 (under USD 20) in March 2007, ATP Phase 2 households increased their asset base to an average of Tk 25,635 (over USD 370) after 16 months, sustaining and leveraging the assets received by the CLP (Scott, 2009). In addition to a significantly increased asset base, households also benefit from the increasingly regular income streams associated with the sale of milk, manure, poultry and eggs.

Table 6: ATP performance indicators and CLP achievements to date

<table>
<thead>
<tr>
<th>Performance indicator</th>
<th>CLP achievements to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of IGA grants to landless and assetless island chars households</td>
<td>55,000 qualifying households received asset transfer between 2006-2009 in four phases</td>
</tr>
<tr>
<td>75% of beneficiary households have significant increases in incomes</td>
<td>Incomes of Phase 1 and 2 incomes have doubled</td>
</tr>
<tr>
<td>90% of Phase 1 and 2 households have asset levels over Tk 25,000</td>
<td></td>
</tr>
<tr>
<td>Decreased livestock mortality and morbidity</td>
<td>Cattle death rates at &lt;0.5% per annum</td>
</tr>
<tr>
<td></td>
<td>133,000 cattle vaccinations</td>
</tr>
<tr>
<td></td>
<td>183,000 cattle de-worming doses</td>
</tr>
<tr>
<td>Beneficiary household procurement of essential support services from commercial suppliers</td>
<td>358 Livestock Service Providers trained to date</td>
</tr>
<tr>
<td></td>
<td>260 active commercial Livestock Service Providers earning on average more than Tk 3,000 per month</td>
</tr>
</tbody>
</table>

The Livelihoods Unit of the CLP also ensures that every beneficiary receives a homestead garden package of inputs and training. Homestead vegetable gardens and fruit tree cultivation are extremely cost-effective approaches that provide a small but regular income stream for char households and support household food security through increased food stocks. Homestead gardens are not a new approach in rural livelihoods development and the promotion food security; however, in the context of limited land availability for household production, the innovative use of pit crops and the cultivation of bamboo in the CLP Homestead Garden Programme are expected to have a lasting impact on the chars.

1. Market development: the exit strategy of the CLP

Between 2006 and 2008, the Market Development Fund of the CLP awarded small competitive grants to approximately 30 village-level pilot projects in the agriculture, livestock, fisheries and non-farm sectors, which aimed to develop the supply of commercial services and products in the chars. From these pilots, three were expanded into full projects which have been undertaken by over 20,000 households including CLP beneficiary and non-beneficiary households. The CLP’s market

---

17 Marks and Islam, 2009.
development initiatives are open to all members of the community and are particularly relevant for beneficiary households, enhancing livestock and poultry production and health, and developing key service sectors on the chars that will support the long-term impact of the CLP.

1.1 Livestock service providers

In 2007, the CLP started supporting the development of skilled, independent Livestock Services Providers (LSPs), commonly referred to as ‘paravets’. Essential to supporting the expanded pilots, LSPs train households and provide vaccinations, de-worming tablets, animal feed and perform other functions on a commercial basis. Working across the chars, LSPs are developed as trainers of household producers in advanced poultry and cattle husbandry, and help to improve animal productivity at the same time as promoting their own feed and service businesses. Over 350 char dwellers have now been trained as LSPs and 260 of them earn a regular and significant income from their work.

1.2 Dairy cattle management and milk marketing

The Dairy Cattle Management and Milk Marketing scheme supports small dairy farmers to organise and form milk marketing collectives. Organising as collectives, groups negotiate with the local goalar (milk collectors) or replace these middle men entirely and establish their own transportation and distribution channels. The ultimate effect is improved bargaining power, reduced transaction costs and the increased sale price of the milk they supply to local traders, small enterprises and larger milk processing organisations. Supporting the scheme, LSPs provide training and improved cattle feed to increase milk production. As of 2009, 18,000 households have been trained in milk marketing and roughly 9,500 households on average currently sell milk each month.

1.3 Improved local poultry rearing

Improving the health and productivity of household poultry is crucial to improving the cash flow of households in the chars. Local variety poultry is easily marketed and can provide small, regular cash flow for household expenses. The Improved Local Variety Poultry Rearing scheme aims to increase poultry productivity and decrease chick mortality rates through the use of commercial feed and improved rearing methods. Nearly 26,000 households have been trained in these techniques; LSPs train households to use simple techniques to rear poultry more productively, demonstrated through Model Poultry Rerers. It is estimated that increased egg production, survival rates and poultry weight gains result in an increased income of Tk 1,000 per year.

1.4 Commercial fodder production

The Commercial Fodder Production scheme focuses on sowing jambo grass as a cash crop to address the scarcity of fodder on the chars between February and September. The scheme encourages the sowing of fodder as a commercial crop through the provision of a guaranteed seed supply and training scheme, with participating farmers expected to pay for the seeds and other inputs themselves. Pilot field tests in 2007 and 2008 resulted in the planting of 177 acres of fodder grass, producing more than 1,664 metric tons of fodder, which were sold at between Tk 2 and Tk 4 (USD

---

18 These techniques include clay pot brooding, the separation of chicks from the hen within two weeks of hatching, the rearing of chicks in a segregated shelter, the use of commercial feed, and vaccination against Newcastle’s disease.
0.30 and USD 0.60) per kilogram. The grasses sown were 70 percent grain sorghum, 20 percent *jambo* (fodder sorghum) and 10 percent pearl millet. On the basis of this experience, CLP considered *jambo* the most viable crop, given its low input costs, high market value and yield, and ease of sale on the chars. The resultant fodder production has not only increased incomes streams for 6,600 participating households but has also helped to guarantee fodder stocks - particularly during floods - for the burgeoning livestock sector on the chars. Early results suggest that nearly 1,500 participant households now sell fodder on a monthly basis.

2. **The survival rates of independent VSLAs**

VSLAs provide their members with access to flexible, appropriate financial services that protect, maintain and support the assets transferred to CLP beneficiaries; they serve as an invaluable safety net to their members, households and communities. The basic financial services availed from the VSLA also support char dwellers to engage more effectively in the market development activities of the CLP. Moreover, VSLAs have emerged as a natural marketplace for commercial Livestock Service Providers. Above all, the VSLAs promoted by CLP are expected to continue to function independently and generate social and economic benefits long after the withdrawal of CLP from the area. The best prediction of the sustainability of the VSL approach in the chars is based on the experience of the VSL pilot project, which provides three years of data:

1. Among the 186 VSLAs initiated in the 2006-2007 fiscal year:
   - Eighty-eight percent continued to operate independently in their second year (2007-2008)
   - Eighty-four percent continued to operate independently in their third year (2008-2009)
2. Among the 324 VSLAs initiated in the 2007-2008 fiscal year:
   - Eighty-three percent continue to operate independently in their second year (2008-2009)

Overall, the VSL pilot project promoted 510 VSLAs with self-selected participants in the 2006-2008 fiscal year and 428 remain active, which represents an overall survival rate of 84 percent.

Table 7: **Survival rate of VSLAs promoted under the VSL pilot project (2006-2009)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2006-2007</td>
<td>186</td>
<td>165 (88%)</td>
<td>158 (84%)</td>
</tr>
<tr>
<td>FY 2007-2008</td>
<td>-</td>
<td>324</td>
<td>270 (83%)</td>
</tr>
<tr>
<td>FY 2008-2009</td>
<td>-</td>
<td>-</td>
<td>123</td>
</tr>
</tbody>
</table>

*Source: SAJIDA Foundation Monthly Report (January 2009)*

The survival rate of independent VSLAs promoted among CLP beneficiaries in the island chars is equally strong. However, the long-term survival rate of these associations is not as clear due to the diverse intervention strategies of the IMOs with independent VSLAs. The CLP prescribes a series of no more than three visits per cycle to independent VSLAs to: 1) initiate the cycle; 2) collect basic data midway through the cycle; and 3) assist the association with its share-out at the end of the
cycle, if needed. In fact, some IMOs have maintained a much closer relationship with independent VSLAs for the purpose of other non-CLP interventions, while other IMOs completely terminate contact with the VSLAs that they promote after the one-year training cycle.

The precise survival rate of independent VSLAs promoted with CLP beneficiaries cannot be determined as most continue to operate without any contact with the IMO. Nevertheless, an independent survey of 280 VSLA participants in February 2009 estimates an 86 percent survival rate of VSLAs promoted in 2007, largely similar to the actual survival rate of 84 percent measured in the standalone VSL pilot project after three years.

3. Impact of the withdrawal of CLP stipends

CLP beneficiary households receive a package of physical assets and an 18-month cash stipend worth a total of approximately Tk 20,000 (USD 300), the equivalent of about one year’s household income. The CLP also provides each household with a package of social, livelihood and market development inputs and training worth a further Tk 20,000. The transfer of a productive asset and an 18-month cash stipend radically changes the economic dynamics of the household; the end of an 18-month period of stipend support by CLP represents a significant transition in the household economy, which was expected to have an impact on the VSL activities of CLP beneficiaries, particularly on savings mobilisation.

From May to July 2008, about 3,000 VSLA members reached the end of the 18-month cash stipend period. Thirty VSLAs whose members had their stipend support withdrawn during this period were purposely selected19 and tracked for a period of seven months, including three months before the end of stipend support, the month in which stipend support ended and three months thereafter. The following figures demonstrate that the end of CLP stipend support has not had an immediate outcome on savings mobilisation and provides strong evidence that the withdrawal of cash stipend support from CLP does not have an adverse effect on the performance of active VSLAs.

Figure 4 shows that average monthly savings per member actually increased from Tk 55 to Tk 59 in the three months after the end of stipend support compared to the three month period before.

---

19 Savings mobilisation of VSLAs is typically lowest in the first months of the cycle and highest in the last months. In order to control for the natural cyclicity of VSLA savings mobilisation, 30 VSLAs were purposely selected according to the following criteria: among all the VSLAs in areas where stipend support ended in May-July 2008, those whose stipend end date was closest to the middle of the current cycle were selected.
Figure 4: Impact of the withdrawal of the ATP stipend on VSLA savings deposits

![Graph showing the impact of the ATP stipend withdrawal on VSLA savings deposits.]

Source: Enterprise Development unit, Char Livelihoods Programme - DFID (February, 2009)

Figure 5 plots the average monthly savings of members of 30 VSLAs (over 600 members) in the three months after the end of stipend against the three-month period before. The line indicates no change, while points above the line indicate VSLAs whose savings mobilisation increased after the end of stipend support and points below the line indicate VSLAs that experienced a decrease in savings mobilisation after the end of stipend support.

Figure 5: Average monthly savings in 30 VSLAs, before and after the end of CLP stipends

![Graph showing average monthly savings in 30 VSLAs before and after the end of CLP stipends.]

Source: Enterprise Development unit, Char Livelihoods Programme - DFID (February, 2009)
4. **Security of VSLA assets: Resistance to flood and theft**

The VSLAs promoted by CLP have, over the last three years, demonstrated resilience to floods and extremely low vulnerability to theft. The severe floods of August 2007 - reported to be the harshest in the country in over half a century - suspended economic activity completely for nearly one month and displaced many island char dwellers. In some areas, VSLA activities were temporarily suspended for up to one month but all resumed their normal activities shortly after the flood waters subsided. After the floods, there were reports that VSLA cashboxes had been fastened to roofs, were moved to neighbouring villages and even buried in order to protect them; there was not a single association failure or loss of assets due to the floods.

Also in three years, among the 1,270 VSLAs promoted by CLP (nearly 2,000 annual operating cycles), only three have experienced a theft or loss of funds. The two thefts were the act of the box keepers’ respective families and the loss of the third box remains unclear. In all three cases, most of the missing funds were replaced by the box keeper; ultimately, the losses represent less than 0.01 percent of the total savings mobilised by the programme.
V. Lessons Learned

1. Asset transfer

The first phase of the ATP in 2006 revealed key lessons with respect to the choice of assets purchased and transferred, household targeting and animal husbandry. The results from the first phase suggest that the beneficiary selection process suffered from errors of exclusion, with IMOs selecting relatively few elderly or female-headed households. This is clearly demonstrated in the comparatively high initial average asset base of Phase 1 households compared to subsequent phases (see Table 3). Two possible reasons for the exclusion of particular groups were identified: 1) IMOs specifically targeted households within their existing clientele; and 2) IMOs believed that these more vulnerable households could not cope with the significant injection of assets. As such, both the targeting criteria and verification process were tightened and later phases included a greater proportion of households from these more vulnerable groups.

Furthermore, during the first phase of the programme, mortality rates of purchased goats and sheep (75 percent and 35 percent, respectively) were high, with small livestock dying from *pestes de petits ruminants* (PPR). Subsequently, all small livestock bought in later phases were vaccinated against PPR. Finally, despite initial scepticism regarding the direct transfer of significant, non-recoverable assets and cash – the argument that these assets would be liquidated to meet dowry costs or to purchase non-essential consumption items – has proved unfounded. In fact, 75 percent of all productive assets distributed to beneficiary households have been maintained or sold for re-investment purposes (Scott, 2009).

2. Promotion of VSLAs among pre-existing groups and programme beneficiaries

The VSL model targets vulnerable individuals and communities that lack access to basic financial services. The model is appropriate for remote areas and communities that are marginalised due to extreme poverty, ethnicity or any other reason. In selected areas, VSLs are promoted as an activity for the entire community and VSOs facilitate the formation of self-selected associations.

*Voluntary participation* and *member self-selection* are the fundamental operating principles of the promotion of VSLAs by CLP. Due to member self-selection, VSLs invariably attract participants of different poverty levels. However, VSLAs are, by design, more attractive to the more vulnerable members of the community and include a high proportion of female (70 percent), elderly and non-literate members. While the VSO conducts preliminary sessions with the community and carefully explains the characteristics of an ideal VSL member to potential participants, the VSO never interferes in the member self-selection process or induce individuals to participate.

For multi-input development programmes that wish to introduce the VSL model to existing programme areas or groups or beneficiaries, there exist three options:

---

20 A highly contagious viral disease that affects sheep and goats.
1. Programmes can introduce the VSL model to existing groups; once the group has completed a training cycle of one year and achieves independence, it may manage the entry and exit of members as it sees fit.

2. Promote the VSL model among existing programme beneficiaries only and facilitate the formation of self-selected associations which may differ from existing programme groups. This option may be viewed as an unnecessary parallel structure and logistically complicated, but need not be if VSLs are implemented through specialised field staff, as is strongly recommended.

3. Promote self-selected VSLAs in the existing working area as an activity available to the entire community. Additional promotional efforts may be undertaken with existing programme beneficiaries or targeted groups to encourage their greater participation.

CLP successfully promoted VSLAs using all three of the above approaches but ultimately settled on the promotion of VSLAs at the village-level, rather than at the level of pre-existing ATP groups. All CLP beneficiaries from the village, regardless of ATP group, are eligible to establish and join a VSLA on the basis of voluntary participation and member self-selection; CLP’s revised VSL implementation strategy also permits VSLAs to include up to five non-CLP beneficiaries. The immediate outcome has been the promotion of VSLAs in more concentrated areas, reduced travel time to attend meetings, increased attendance and enhanced group dynamism based on self-selected membership.

However, as described in Part II, the introduction of non-beneficiaries to VSLAs mainly composed of CLP beneficiary households introduces the risk of false expectations and individuals joining the VSLA in expectation of future benefits from CLP, primarily inclusion in the ATP. In order to mitigate against this risk, sub-districts are consigned to VSOs not less than six months after the initiation of the ATP; the promotion of VSLAs is initiated in the area only after ATP beneficiary lists have been approved and selected beneficiaries have received their package of assets as well as their monthly stipends for several months.

Whichever option is pursued, field staff must repeat – frequently, clearly and resolutely – that participation in a VSLA is completely voluntary and not linked to any benefits provided by other programmes of the promoting institution. Failure to do so will surely compromise member self-selection and introduce the serious risk that disinterested individuals will join the association with false expectations and adversely affect association dynamics.

3. Gender and target population

Nearly all of the participants in CLP’s VSL programme are female, but this merely reflects the decision of CLP to work primarily with women. The VSL pilot project worked with male, female and mixed gender associations. The male participation rate was quite low in the first year (18 percent); male participants were initially more sceptical of the model and exhibited lower attendance and higher dropout rates in the short run. However, participation rates and commitment by males improved as the merits of the system were demonstrated over time. The VSL model has been successful in Bangladesh with female and male groups as well as mixed-gender groups, even in traditionally conservative communities.
As a community-level activity that is offered to both genders, the VSL model promotes the equal participation of men and women in the development process. Even in traditionally conservative areas, mixed gender associations have been quickly accepted by the community and often outperform single gender associations. There may be an element of self-selection, in that more cooperative men join and are accepted by mixed gender associations; regardless, mixed-gender associations have demonstrated strong levels of cohesion, cooperation and discipline. Once again, member self-selection is paramount: results would likely be altogether different if men and women were forced into groups established by the project. Mixed gender associations are also encouraged to nominate a female Chairperson; this encourages greater female participation in procedures and decision-making. It also sends an important message to potential participants of the equal status of male and female members in the association.

The VSL model has also proven to be useful and popular with a wide array of participants of various demographic, social and religious backgrounds, as well as of varying ages. It has been implemented with and around adolescents, adults and the elderly; Christian, Hindu, Muslim and mixed communities; economically active and depressed areas; areas with and without access to an MFI; active MFI clients and households without access to any form of financial services; and literate and non-literate individuals. Group dynamics and levels and frequency of financial transactions vary accordingly but the results are largely similar and consistently positive.

While the VSL model is useful and popular for a wide array of groups and participants, the VSL pilot project demonstrated that the model is not appropriate for individuals who migrate frequently. Frequent absenteeism due to migration – for seasonal employment or personal reasons – is highly disruptive. Potential participants who expect to be outside the community frequently or for prolonged periods should consider their suitability as a VSLA member and whether the household would be better represented by a more sedentary member.21

4. Staffing

VSLAs should not be trained by multi-purpose field staff. First and foremost, the training of VSLAs by such field staff creates mixed messages about the autonomy and independence of the association. There is also an adverse impact on the fundamental principles of voluntary participation and member self-selection as VSL is misperceived as a compulsory component of a multi-component programme.

Secondly, the VSO must be flexible enough to make the requisite visits to the association meetings which are scheduled at the convenience of the members. Experience has demonstrated that attendance rates, retention rates and the perceived value of saving in very small amounts suffers markedly if the association meets at a time that is inconvenient, particularly when conflicting with the household, labour or business activities of members. It is not possible for multi-purpose field

21 In areas of frequent labour migration, the CLP VSL programme experimented with a ‘household membership’, whereby any member of the household could represent the household at any association meeting. The results were unequivocally poor. Attendance and participation at group meetings suffered and the decision making process disintegrated as members did not assume responsibility for decisions that were made in their absence. The VSL model is based on a clear, consistent and repetitive methodology; wavering participation by different household members is extremely disruptive, if not fatal, for the sustainability of the association.
staff, with complex schedules that are generally geographically-oriented, to facilitate association meetings at a time and place determined by the association if field staff visit villages or communities on pre-determined days to deliver various program components.

Finally, the CLP’s experiments with both multi-purpose and specialised field staff demonstrated that the latter, despite additional salary requirements, resulted in far greater levels of financial and operational efficiency. Dedicated VSOs need not be of equal professional qualifications or salaries of more experienced multi-purpose field staff and typically maintain a caseload three to four times larger due to increased flexibility and reduced scheduling constraints.

5. Summary of main findings

Compared to the CLP beneficiary households that have not participated in the VSL programme, VSLA participants earn greater incomes and the opportunity to save creates positive new financial behaviour: VSLA participants both save more and expend less on loan repayments over time. The impact of VSLA participation on household savings is extremely strong and remains statistically significant even after controlling for all CLP inputs, as well as for household cash flow and for the gender of the household head.

Above all, compared to other CLP beneficiaries, VSLA members exhibit a substantial increase in savings and decrease in loan repayments (see Figure 6).

Figure 6: Monthly household savings and borrowing

There is also a clear substitution effect: VSLA members replace informal financial services with the services from their VSLA. First, VSLAs provide easier, more flexible access to credit in smaller amounts that are more appropriate for the poorest. Secondly, savings deposited in a VSLA have, historically, generated an average return of 38 percent per annum and are generally more secure than cash saved in the home or a village savings club. Finally, a decreased dependence on restrictive (and sometimes exploitative) informal financial services reduces household vulnerability.
Despite some initial reluctance from conservative members of the community, VSLAs have been widely accepted by CLP beneficiaries, IMO field staff and senior management, local government officials, religious leaders and other members of the community. In 2008, the CLP reported that many members of the community who are not CLP beneficiaries had requested to join VSLAs; in fact, VSLAs now include over 1,000 non-CLP beneficiaries in their VSL activities. The inclusion of non-CLP beneficiaries has transformed the ATP groups from groups of individuals organised for the finite purpose of asset transfer to an inclusive community institution that may generate social capital and other social and economic benefits long after the withdrawal of the CLP from the area.

In short, the VSL programme has demonstrated usefulness for both ATP beneficiaries and self-selected participants, complements the CLP’s ATP and market development activities, and supports the logical framework objective “to provide CLP beneficiaries with a safe place to save”.
Appendix A: Village Savings and Loan Methodology

A VSLA is a group of people who save together and take small loans from those savings. The activities of the VSLA run in cycles of no longer than one year, after which the accumulated savings and loan profits are shared out to the members according to the amount that they have saved. A VSLA is a better organised, more transparent and more democratic version of the common savings clubs found in villages, factory floors and offices throughout Bangladesh. The main difference is that the VSL model is a system that even the least literate, least influential member can understand and have confidence in.

Associations are composed of 15 to 25 members. This strikes a balance between being large enough to create a useful pool of capital and small enough to keep meetings manageable. The members are self-selected, usually from among the adult population. Membership is open both to women and to men, but the Chairperson must be female in the case of mixed gender associations. Members who hold public office should not be eligible for Management Committee positions.

The purpose of a VSLA is to provide simple savings and loan facilities in a community that does not have easy access to formal or semi-formal financial services. It is also appropriate for MFI clients as the association may enable them to manage household cash flow and loan repayments more efficiently and ultimately reduce debt vulnerability.

Associations provide members with access to small loans for investment, consumption and emergency purposes. Loans are smaller than those provided by MFIs and are a form of self-insurance to members, in addition to grants and no-interest loans disbursed from the Social Fund.

Associations are autonomous and self-managed. The fundamental objective of the programme is to promote the financial and institutional sustainability of the VSLA; the field officers of CLP IMOs train the association, but they never manage its affairs or perform any of its transactions on behalf of its members.

Associations are participatory and democratic. The association has a five-person Management Committee elected for one cycle (approximately one year). Associations also develop a constitution that contains policies for their savings and lending activities, as well as their Emergency Fund. Each member has one vote in electing the Management Committee and developing the constitution; VSLAs ensure that their members memorise the basic features of the constitution.

The savings and lending activities of a VSLA are time-bound; and the association operates in annual cycles of no more than one year. The first annual cycle is a training cycle of 52 weeks. During the first cycle, the association meets weekly or fortnightly. After the first cycle, the association continues to run in annual cycles and may choose to increase or decrease the frequency of meetings. All meetings are Savings Meetings; Loan Meetings occur once every four weeks and loan disbursements and repayments are made at the monthly loan meetings.

Members save through the purchase of shares. The share value is decided by the association and must be set at a value that is acceptable to all members. At each meeting, every member must

purchase between one and five shares. At the beginning of future cycles, the share value may be changed; however, it must not be changed during a cycle.

*Savings are maintained in a Loan Fund, from which members can borrow in small amounts, not greater than three times their individual savings.* Loans are repaid with a service charge that the association chooses (up to a maximum of five percent per month). At the beginning of future cycles, the service charge may be changed; however, it must not be changed during a cycle.

*Higher service charge rates encourage greater savings, better distribution of money and faster repayment, but may discourage borrowing.* Lower service charge rates favour active borrowers, but may discourage savings. When repaying loans, borrowers must, at the very least, pay the monthly service charge, and whatever additional amount of principal they desire.

*All members of the association have the same right to borrow from the Loan Fund,* up to a maximum of three times their savings. The maximum loan duration is three months in the first cycle and should never exceed six months in subsequent cycles.

*Photo credits: Enterprise Development unit, Chars Livelihood Programme, DFID*
## Appendix B: Impact of CLP Inputs on Household Savings

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>OLS</th>
<th>Robust OLS</th>
<th>p-value OLS</th>
<th>p-value Robust OLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female HHH</td>
<td>4.74</td>
<td>-8.65</td>
<td></td>
<td>0.91</td>
<td>0.07</td>
</tr>
<tr>
<td>HHD Monthly Cash flow</td>
<td>0.02</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>VSL Cycle 1</td>
<td>124.55</td>
<td>79.70</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>VSL Cycle 2</td>
<td>93.87</td>
<td>55.48</td>
<td></td>
<td>0.08</td>
<td>0.00</td>
</tr>
<tr>
<td>VSL Cycle 3</td>
<td>71.79</td>
<td>51.25</td>
<td></td>
<td>0.37</td>
<td>0.00</td>
</tr>
<tr>
<td>Plinth</td>
<td>66.23</td>
<td>-7.92</td>
<td></td>
<td>0.08</td>
<td>0.06</td>
</tr>
<tr>
<td>Tubewell</td>
<td>-57.80</td>
<td>-5.58</td>
<td></td>
<td>0.46</td>
<td>0.52</td>
</tr>
<tr>
<td>Latrine</td>
<td>2.53</td>
<td>6.99</td>
<td></td>
<td>0.95</td>
<td>0.10</td>
</tr>
<tr>
<td>Flood Relief</td>
<td>73.55</td>
<td>4.10</td>
<td></td>
<td>0.12</td>
<td>0.43</td>
</tr>
<tr>
<td>Erosion Grant</td>
<td>344.24</td>
<td>18.80</td>
<td></td>
<td>0.00</td>
<td>0.03</td>
</tr>
<tr>
<td>IEP</td>
<td>-53.07</td>
<td>8.65</td>
<td></td>
<td>0.46</td>
<td>0.28</td>
</tr>
<tr>
<td>Food Grant</td>
<td>-48.29</td>
<td>2.79</td>
<td></td>
<td>0.33</td>
<td>0.61</td>
</tr>
<tr>
<td>CONS</td>
<td>-69.40</td>
<td>6.46</td>
<td></td>
<td>0.30</td>
<td>0.38</td>
</tr>
<tr>
<td>F-stat</td>
<td>6.46</td>
<td>37.49</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.13</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: CLP VSL Programme Survey (February, 2009)*

---

23 CLP’s Asset Transfer Programme, Homestead Garden Programme and Emergency Flood Grants are not included as all survey respondents reported to have received these CLP inputs.

24 In addition to the OLS regression a robust OLS regression is provided to account for large outliers in the dependent variable.
Appendix C: Programme Outreach

<table>
<thead>
<tr>
<th>CLP implementing organisations</th>
<th>CLP beneficiaries</th>
<th>Non-CLP beneficiaries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARCHES</td>
<td>1,896</td>
<td>165</td>
<td>2,061</td>
</tr>
<tr>
<td>GBS</td>
<td>1,896</td>
<td>165</td>
<td>2,061</td>
</tr>
<tr>
<td>GKS</td>
<td>1,896</td>
<td>165</td>
<td>2,061</td>
</tr>
<tr>
<td>GUK-Gaibandha</td>
<td>2,884</td>
<td>251</td>
<td>3,135</td>
</tr>
<tr>
<td>MMS</td>
<td>3,911</td>
<td>340</td>
<td>4,252</td>
</tr>
<tr>
<td>NDP</td>
<td>3,892</td>
<td>338</td>
<td>4,230</td>
</tr>
<tr>
<td>RDRS</td>
<td>3,793</td>
<td>330</td>
<td>4,123</td>
</tr>
<tr>
<td>RSDA</td>
<td>3,339</td>
<td>290</td>
<td>3,629</td>
</tr>
<tr>
<td>SKS</td>
<td>1,442</td>
<td>125</td>
<td>1,568</td>
</tr>
<tr>
<td>Uddyog</td>
<td>336</td>
<td>29</td>
<td>365</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>25,286</strong></td>
<td><strong>2,199</strong></td>
<td><strong>27,485</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VSL pilot Project</th>
<th>CLP beneficiaries</th>
<th>Non-CLP beneficiaries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAJIDA Foundation</td>
<td>0</td>
<td>14,202</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>25,286</strong></td>
<td><strong>16,401</strong></td>
<td><strong>41,687</strong></td>
</tr>
</tbody>
</table>

Source: CLP VSL Programme MIS (February, 2009)
Appendix D: Programme Performance Ratios

The following table summarises the consolidated VSL programme performance ratios, as of the end of February 2009.

<table>
<thead>
<tr>
<th>CLP VSL programme performance ratios</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Performance</strong></td>
<td></td>
</tr>
<tr>
<td>Average annualised savings per member (USD)</td>
<td>13.31</td>
</tr>
<tr>
<td>Annualised return on savings</td>
<td>38%</td>
</tr>
<tr>
<td>Average outstanding loan size (USD)</td>
<td>8.57</td>
</tr>
<tr>
<td><strong>Association-Level Operating Efficiency</strong></td>
<td></td>
</tr>
<tr>
<td>Percentage of members with outstanding loans</td>
<td>30%</td>
</tr>
<tr>
<td>Loan Fund utilisation rate</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Programme-Level Operating Efficiency</strong></td>
<td></td>
</tr>
<tr>
<td>Caseload: Associations per field staff</td>
<td>16.7</td>
</tr>
<tr>
<td>Ratio of field staff to total staff</td>
<td>85%</td>
</tr>
<tr>
<td>Cost per member assisted (USD)</td>
<td>6.17</td>
</tr>
</tbody>
</table>

*Source: CLP VSL Programme MIS (February, 2009)*
Appendix E: Primary Sources of Household Savings and Credit

1. Composition of household savings

**Non-VSL Household Monthly Savings - Tk 40**

- Home: 70%
- Other: 18%
- MFI - voluntary: 6%
- Savings Club: 2%
- Bank: 3%
- MFI - compulsory: 1%

**VSL Cycle 1 Household Monthly Savings - Tk 184**

- VSLA: 50%
- Home: 33%
- Loan: 7%
- Other: 5%
- MFI - compulsory: 3%
- Savings Club: 2%
Beyond Financial Services - The DFID Chars Livelihood Programme in Northern Bangladesh

Source: IML VSL Programme Survey (CLP, 2009)
2. Sources of household credit

**Non-VSL Household Monthly Borrowing - Tk 371**

![Pie chart showing sources of household credit for Non-VSL households with 100% informal credit.]

**VSL Cycle 1 Household Monthly Borrowing - Tk 407**

![Pie chart showing sources of household credit for VSL Cycle 1 households with 68% informal, 32% formal, and 0% VSLA credit.]
Beyond Financial Services - The DFID Chars Livelihood Programme in Northern Bangladesh

VSL Cycle 2 Household Monthly Borrowing - Tk 1,276

- Formal: 22%
- Informal: 69%
- VSLA: 9%

Source: IML VSL Programme Survey (CLP, 2009)

VSL Cycle 3 Household Monthly Borrowing - Tk 488

- Formal: 74%
- Informal: 26%
- VSLA: 0%

Source: IML VSL Programme Survey (CLP, 2009)
Appendix F: Primary sources of household savings and credit

1. Primary use of loans

<table>
<thead>
<tr>
<th>Loan utilisation</th>
<th>Cycle 1</th>
<th>Cycle 2</th>
<th>Cycle 3</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary purpose of loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funeral</td>
<td>39%</td>
<td>41%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Health</td>
<td>12%</td>
<td>13%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Poultry and poultry inputs</td>
<td>9%</td>
<td>13%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Land lease</td>
<td>14%</td>
<td>3%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Livestock and livestock inputs</td>
<td>7%</td>
<td>7%</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>Food</td>
<td>7%</td>
<td>7%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>House repair</td>
<td>3%</td>
<td>9%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Agricultural inputs</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
<td>3%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Clothing</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Loan repayment</td>
<td>1%</td>
<td>0%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Non-agricultural IGA</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: IML VSL Programme Survey (CLP, 2009)

2. Primary use of grants and no-interest loans from the Emergency Fund

<table>
<thead>
<tr>
<th>Emergency Fund utilisation</th>
<th>Cycle 1</th>
<th>Cycle 2</th>
<th>Cycle 3</th>
<th>OVERALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary purpose of loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>56%</td>
<td>56%</td>
<td>33%</td>
<td>52%</td>
</tr>
<tr>
<td>Education</td>
<td>9%</td>
<td>19%</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Food</td>
<td>9%</td>
<td>14%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>Clothing</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Livestock and livestock inputs</td>
<td>0%</td>
<td>0%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Funeral</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Loan repayment</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Poultry and poultry inputs</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>21%</td>
<td>5%</td>
<td>0%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: IML VSL Programme Survey (CLP, 2009)
Bibliography


Enterprise Development Unit. *VSL Programme Management Information System (February 2009)*. Chars Livelihood Programme, February 2009.