

Village Savings and Loan Associations and the Chars Livelihood Project, Bangladesh



Report on the feasibility of introducing community-based microfinance into the Chars Livelihood Project

May 19, 2006



1 Terms of Reference

1.1 Objectives

The consultant will assess the per beneficiary costs, and the cost-benefit of savings and loan associations in comparison to other initiatives which CLP might undertake with those households. The consultant will assist the CLP team to prepare a programme implementation plan and materials (in English) associated with training and monitoring.

1.2 Tasks

Among other tasks which may be reasonably agreed between the consultant and CLP at the time of work, the consultant will perform the following tasks:

- Based on interviews with CLP advisors, field visits and lessons learned from previous savings and loan association projects worldwide, advise the CLP team on:
 - The potential level of interest in, and savings capacity for successful savings and loan associations formed out of CLP designated households
 - The estimated programme budget and per-beneficiary cost for a pilot programme and full-scale CLP implementation; includes 'end-to-end' costs (materials, training, facilitation and monitoring)
 - Measures to improve cost-effectiveness and cost-sharing with other present and potential CLP interventions through IMOs
 - The compatibility of savings and loan associations with the CLP's asset transfers plans.
 - Formation of savings clubs with CLP-targeted, versus self-selected members.
 - The role of literacy in group management, and the advantages and disadvantages of a method requiring literacy within the association
 - Recommend to the CLP whether savings and loan associations are a valid component of the overall programme, based on costs to CLP and an evaluation of the cost-benefit of savings and loan associations for the poorest households, versus support to 'mainstream MFIs' which CLP might choose to support to expand their services to the general chars population. The enterprise advisor will supply information about the CLP's programme for MFIs, and information about the MFIs and the availability of their services. It is important to note in the analysis that CLP will not fund MFIs to target CLP households with financial services, and the availability of those services to the poorest household is a matter of future market conditions.
- Make recommendations for the future 'graduation' of individuals or entire groups which wish to link themselves to external capital for larger investments, after CLP asset transfer and training programmes are completed. Include in those recommendations lessons learned from other programmes which have intentionally linked savings and loan associations to banks or MFIs, and the potential advantages and disadvantages of links between savings and loan associations in the chars and MFIs working in the chars.
- Prepare materials (written materials may be in English) as needed for CLP's implementation of a pilot programme, including:

- Draft programme guidelines
- Training of trainers
- Training of field level facilitators
- Training of association members
- Equipment and materials for group meetings
- A management information system for use by facilitators for tracking and monitoring the implementation
- A plan and materials as needed for the CLP's monitoring and assessment of the programme

1.3 Deliverables

- Conduct necessary interviews and fieldwork related to the objectives.
- Build the capacity of the CLP team and invited partner organizations through presentation, interaction and discussion as required.
- A report of findings and recommendations as noted in task items (a) through (c).
- Written guidelines and documentation for the pilot programme as noted in item (d).

2 Executive Summary

This consultancy to CLP was carried out over a month from the 13th April to the 11th May 2006. It involved a rapid appraisal of the chars area in Jamalpur and discussions with CLPs NGO partners.

The findings can be summarised as follows:

- contrary to expectation, community-based systems of savings and lending already exist in the chars in most villages, although access and participation is confined to only a minority.
- While they appear to be deficient in terms of flexibility, transparency and democratic management, it is clear that they meet an important need and are culturally appropriate. They have a clear potential for expansion in terms of the number of participants and reaching the less well-off.
- To do this, the Village Savings and Loan (VSL) ASCA methodology (developed in Africa and tested to a very large scale in India) seems ideally suited to the chars dwellers, especially the most remote. The VSL approach should be implemented in concert with the Selection, Planning and Management of Income Generating Activities (SPM) training originally developed and applied on a very large scale in Bangladesh by CARE International.
- it is likely that most NGO partners (most of whom offer credit-led microfinance services) would be unsuited to implement a programme of Village Savings and Loan (VSL) promotion. They have a vested interest in maintaining income streams from credit operations and would likely look at the VSL Associations as a vector for the expansion of their current operations. For this reason an independent, specialised VSL promotion entity (or entities) is needed to experiment with the VSL model. Arising from this, it is vital that VSL is promoted by the CLP purely as a programme to establish stand-alone community based, self-managed financial intermediaries and that linkage to external sources of capital should neither be promoted nor encouraged.
- because CLP's timeline is limited to the next 3 ½ years, it is urgent to pilot VSL at a large scale. Accordingly, it is recommended that a pilot programme be created that operates at a moderate scale. Preferably this should be in more than one area and should be implemented under the supervision of a paid professional, to be employed by the CLP.

Following discussions in Bogra, an RFA was promulgated to identify an existing Bangladeshi organisation capable of implementing VSL for at least a year, to test the methodology. Discussions within CLP and DFID led to the conclusion that it would be appropriate to award more than one contract, if the quality of the applications justified it.

A long-term objective of the pilot programme, given success, would be to develop the capacity of the chosen VSL service provider to offer VSL training as a speciality on a wide scale.

The VSL Methodology

2.1 General Description

Village Savings and Loan Associations (VSLAs) are community based organisations that pool member savings into funds from which members can borrow. They are also able to offer simple forms of insurance. Loans provided by VSLAs are usually short-term (1-6 months) and are repaid with interest. VSLAs are time bound, which means that at the end of an agreed period of time (usually annually) all the money in the loan fund is distributed amongst the members, to be used as they see fit.

Generically, VSLAs are accumulating savings and credit associations, all of which follow the principle of mobilising member savings for use as loan funds¹. VSLAs are a particular form of ASCA, developed by CARE and other international organisations in recent years; promoted throughout Africa, India and a few countries in Latin America. VSLAs range in size from between 10 and 30 members and have three characteristics that distinguish them from the more common rotating savings and credit associations (ROSCAs):

- VSLAs have formalised governance structures and a written constitution (even if not legally registered)
- Capital invested in the loan fund is repaid with interest, causing the fund to grow and providing a return on investment for the members. This is, usually, in the order of 25-50% of the final balance at the time of the annual distribution.
- VSLAs maintain records of members investment, loan balances and cash on hand

2.2 VSL and Microfinance in Bangladesh

Bangladesh is the home of microfinance and there is a greater degree of market penetration by a myriad of players than in any other country in the world, both in urban and rural areas. The best known microfinance institutions (MFIs), such as the Grameen Bank and BRAC operate at a very large scale, with millions of clients. At the same time there are a myriad of small NGOs that provide financial services to a local clientele. Nearly all of these provide credit as their principal product. Why, then, should CLP consider an alternative approach.

There are four principal reasons for VSL to be introduced in the CLP project area:

- Most MFIs do not offer savings services, but emphasise credit. There is evidence that savings are of greater value to the very poor than credit (debt). In north west Bangladesh². VSL emphasises savings, which are of particular value to the very poor whose livelihoods are more vulnerable than the better-off. The poorest people

¹ An ASCA is, usually, an unregistered group of self-selected participants who make regular savings contributions to a loan fund from which any of the members can borrow. Loans are paid back with interest, causing the fund to grow. It is common for ASCAs to have a maturity date at which all (or most) of the ASCAs cash assets are shared out amongst the members. They are characterized by very low cost, high yields on savings invested and the rapid circulation of very small sums of money. Because they have almost no costs (the members run it themselves) they are inherently sustainable.

² As Paul Rippey of Uganda's FSDU recently noted, no-one ever complained of having too much savings, but plenty of people complain of being burdened by debt.

need to focus on asset accumulation and protection before shouldering debt to manage market-based investments.

- Despite their ubiquity in Bangladesh, MFIs are not well established in the chars. The costs of reaching the poorest clients are high relative to the demand for credit. MFIs are starting to take a greater interest, but the majority of CLP's clients are unable to get service from MFIs.
- MFIs charge high rates of interest. This is a loaded phrase. 'High' does not mean unreasonable, especially when costs are taken into account, nor when traditional alternatives are taken into account, but whatever money is paid to an MFI in fees and interest on loans leaves the area and goes to pay the operational costs of the service provider. VSL, on the other hand is a very low-cost system, based mainly on voluntary administration. It has minimal capital costs and no recurrent expenses. As a result, interest earned on loans (which can be very high) is retained by the VSLA. Since the VSLA is owned by its members, the effect is not only to retain earnings locally, but to allocate these earnings, almost in full, to the entire membership. No MFI can compete in this area, although usually able to offer larger loans.
- MFIs have a vested interest in programming the largest amount of money at the lowest possible cost in order to cover expenses and make a profit. They tend to pay insufficient attention to the debt capacity of the borrower and there is evidence in CLPs project area that MFI debt-service payment is mounting as a proportion of total household income – and more so amongst the poorest.³

2.3 Will VSL Work in the CLP Programme Area?

There is very little knowledge of traditional systems of microfinance, even amongst local NGOs providing financial services in the chars. In the three days that we spent in the field in Jamalpur we did not find a single community in which traditional ASCAs are not operating: none of which appears on the CLP baseline survey. These ASCAs appear to be mainly organised and facilitated by prominent members of the community and are usually time bound for periods that vary from 2 to 5 years. The membership is mostly male, although there is evidence that local NGOs have successfully mobilised women savers and evidence also that female membership is acceptable in principle. Most of these ACSAs meet weekly, although fortnightly is not uncommon and members make equal contributions to the loan fund.

The discovery of these ASCAs is evidence that not only can VSL work in the CLPO project area, but that a simple form is already widespread and culturally acceptable. There has been some concern expressed⁴ that the CLP asset transfer programme will reduce the interest of the poor to save and that therefore VSL will likely not take root. This seems unlikely. Because people have assets this does not necessarily reduce their need to save and their interest in doing so. Indeed, increased income from a higher level of assets may actually increase people's interest in saving. It is a valid issue to be raised but is not sufficiently convincing to outweigh the merits of piloting VSL.

It is, therefore, strongly recommended that CLP should initiate a pilot ASCA programme, based on the VSL model. This will serve two purposes. The first would be, once and for all, to prove the hypothesis that ASCA development is feasible and appropriate and the

³ *Debt and Vulnerability in North Western and South Eastern Bangladesh: A cross-Regional Comparison*: CARE Bangladesh Discussion Paper, May 2005.
http://www.livelihoods.org/lessons/docs/LMP_Debt2.pdf#search='care%20debt%20bangladesh'

⁴ In Malcolm Harper's recent report to CLP.

other is to prove this in areas where the asset transfer programme is active – as well as where it is not. It is the judgment of this consultant that the influence will be small, if at all measurable. Finally, of course, such a pilot must measure the level of impact that may normally be expected at the household level and determine the costs and organisational challenges required for expansion.

2.4 What VSL Offers that Traditional ROSCAs and ASCAs do Not

Because traditional ASCAs are already working in the chars it is fair to ask why VSL promotion and training is needed at all. It is a question that has been raised before with respect to CARE's work in VSL (mainly in Africa and India): why is it needed and where is the value-added. There are two main reasons:

- VSLAs are more complex to manage than ROSCAs⁵. In contrast to ROSCAs they need record-keeping systems, a more detailed set of rules and a quasi-formal system of governance. This slows down the rate at which they spontaneously spread.

It is the general rule that community groups are easily able to understand and adopt the VSL methodology because it is based on consensual rules and clear procedures. But these do not evolve by themselves and need explanation, justification and promotion. Without programmes that do this, things happen slowly: with a VSL programme they happen fast.

- ASCAs in the chars appear to be weak in terms of governance, flexibility, security and members' understanding of the financial process. It seems that most are started by prominent people, who automatically assume permanent, unelected leadership and whose ASCAs require fixed savings contributions. Records are maintained by the same leadership and, while people are happy at the long-term yields (predictably high), they may well receive less than simple projections would indicate. In addition, cash is not secured in a way that prevents its diversion, however temporarily, to private use between meetings. VSL takes all of these concerns into account, especially by ensuring that leadership is elected and accountable, procedures and financial flows transparent; products matched to the variation in members' seasonal cash flows and security (as well as confining transactions to meetings) assured through the use of 3-lock cash boxes.

2.5 Relevance of VSL to Chars Dwellers

Almost by definition, livelihoods in the chars are vulnerable, particularly so in the river chars. Land tenure is insecure and the annual floods may wipe out the land asset base of entire communities. Landlessness is widespread and the low-value sale of future labour in the brickfields or pulling rickshaws in Dhaka are traditional income diversification strategies adopted by the poorest. In addition to landlessness, other risks are posed by the vagaries of the climate. Crops can easily be wiped out and debt-

⁵ Rotating Savings and Credit Associations. These are common throughout the developing world and consist of small groups of people making regular equal deposits to a 'pot' that one person at a time receives. This money is not reimbursable. Once everyone in the group has received the pot the group can disband or continue for another cycle. ROSCAs are especially useful for people to invest in household goods but are neither suited to dealing with emergencies nor business investment.

finance applied to crop-based agriculture is particularly risky. Programmes that promote credit may unwittingly increase vulnerability when lending for on-farm investment.

It may seem counter-intuitive to argue that the poor need savings services more than they need credit, especially when they have so little to save, but their vulnerability makes it that much more important. Economic vulnerability puts a premium on services that protect against economic shock and the loss of productive assets. Financial services that mitigate these risks are essential: those that tend to increase risk (no matter the opportunity for increased income) are beneficial only if basic livelihood needs are catered for.⁶

All financial services provide useful lump sums through a variety of instruments and people choose between products based on the nature of their financial need and its timing. Insurance covers unpredictable large expenditure; savings allows for planned future expenditure and livelihood shock and credit provides for opportunistic investment and improved household cash-flow management. The major point is that financial services are chosen because they match the need with a method to pay for it that is right at that time. But having said that, the poor have shown themselves instinctively to prefer services that protect their asset base and able to maintain income flows: of these savings and insurance are preferred to debt.

Because VSL is savings based, savings mobilisation precedes any other type of financial activity and therefore starts with an emphasis on a service that protects assets. Because VSL accumulates financial capital incrementally and on a small absolute scale, it cannot burden its members with serious, disabling debt. Because VSL is community based it offers accessible service. But most important of all, VSLAs administer inflows and outflows on the basis of what they know about their individual members and offer far greater flexibility in terms of opportunities to save and to borrow than is normally the case with a rural MFI.

In addition to the likelihood that VSL services are very well adapted to the life-cycle needs of poor chards dwellers, the costs of service delivery per member will be low (based on our budget estimate about \$15-20 for the pilot and probably \$15-20 thereafter). Experience in Africa shows that the cost per client is about \$35-40 for a mature VSL programme (cost structures are higher in Africa than Bangladesh) compared to between \$100 – 250 for an MFI client. It is not clear if this will hold in Bangladesh where MFIs have much higher levels of efficiency and experience, but indicates that VSL is probably a much lower cost alternative. But comparisons of this sort do not have more than superficial meaning. VSL is able to provide sustainable, low-cost rural penetration for entry-level microfinance services, creating opportunities to save, to insure against risk and to manage household cash flow much more favourably for the very poor than alternative traditional systems. It reaches areas where MFIs find it hard to reach and stresses asset protection. Where MFIs are able to provide a parallel service they are structured to offer significant investment capital for growth oriented

⁶ There is clear evidence that there is strong consumer preference for savings services, compared to credit. In Zimbabwe, while a set of 5 international players have struggled over 10 years to deliver credit-led services to the poor and reached about 50,000 clients, some 250,000 have been mobilised to save through the Self-Help Development Foundation. In Malawi, where Opportunity International has established an MFI (The Opportunity International Bank in Malawi) 36,000 savers have been mobilised while only 6,000 clients have taken out loans. This pattern is repeated everywhere in development microfinance, where savings facilities are offered in parallel to loans. It is hard to convince people that savings mean more to the poor than credit, but the evidence is consistent and unarguable.

entrepreneurs, who are unable to get loans from VSLAs that are sufficient to meet their needs. The introduction of VSLAs to the chars allows for a more comprehensive, complementary set of services than either can provide on their own, because VSLAs offer household and IGA oriented finance that significantly improves household cash-flow and livelihood options. There is every probability that members of VSLAs will also be clients of those MFIs that succeed in achieving sustainable outreach in the same areas where VSLs can be expected to thrive..

Experimenting with VSL in the chars is plainly a worthwhile experiment: whether or not it will become a predominant service provider vis-à-vis MFIs cannot be judged, but in terms of its cultural appropriateness and the match of services and systems to local needs, it is likely to be well-received and form at least part of the solution to the financial service demands of char inhabitants.

2.6 SPM

Experience in several countries in Africa (notably Uganda and Zimbabwe) proves that training in the selection planning and management of income generating activities (SPM for short) works well in conjunction with VSL. SPM prepares people who either have never engaged in market-based economic activity or have done with limited success to start and manage income generating activities that help to meet their families' need for income. It is not aimed at growth-oriented enterprises that have a need for significant investment and full-time engagement, but for families that run a myriad of IGAs that are largely seasonal in character, mostly based on small-scale trade and the transformation of local produce. The thrust of SPM is to introduce participants to the concept of the market; to evaluate their own capacity and capital and skill requirements and to estimate profitability. SPM facilitates these assessments within the context of a family's demands for labour and capital at different times of the year.

SPM is relevant to VSL because the crucial factor determining its usefulness and acceptance is the existence of a local, accessible and low-risk pool of capital from which members can borrow to finance their IGAs. It is, therefore, recommended that:

- SPM be promoted by CLP as part of the VSL approach and by the same technical service agency (although not necessarily by the same trainers)
- SPM be introduced to VSL groups at least 6 months after original establishment, in order to ensure that a capital pool, able to finance most types of IGA has been developed.

3 Strategy for the Introduction of VSL to the CLP Programme Area

3.1 Who Should Implement VSL?

CLP has committed itself to working with designated local NGOs to provide services in the chars. Some of these provide credit-led financial services and some (only a few) do not. As such most of the designated NGOs will be unable effectively to implement VSL. This is because:

- Most local NGOs that deliver credit do so because it provides, potentially, a long-term source of revenue to subsidise other operations. VSL provides no revenue and is unlikely to be of interest.
- Most NGOs that deliver credit believe that credit is the most useful financial service and have either limited experience of savings-based approaches or are indifferent to it. Without a strong conceptual understanding of why and how VSL fits into a livelihood framework there is likely to be contamination of VSL with practices, assumptions and principles that apply to credit-led programming and are inappropriate for VSL.
- Most local NGOs are multi-sectoral general development agencies and require their staff to implement a number of different technical activities. As such, they are unlikely to develop the professionalism and focus needed to facilitate effective VSLA development.

For these reasons CLP was strongly advised to seek specialist support to implement the pilot programme. This has two components:

- Through a specialist technical service channel/agency
- Within CLP

3.1.1 Specialisation

It is not important that VSL is implemented by a specialist agency, but that whoever implements it does so as a discrete speciality, with a specialist management and supervision capability. It is probably desirable that the implementing agency is neither a generalist development agency nor an agency that specialises in the delivery of financial services (or technical support to those that do): the prevailing MFI orthodoxy in Bangladesh is so pervasive and powerful that considerable extra effort would be needed to set aside conventional assumptions. For this reason, a training agency that specialises in community development would, in principle, be an appropriate choice – assuming that whatever agency is recruited believes in the approach, is demonstrably passionate about its work and very well managed.

3.1.2 Within CLP

Time is of the essence if VSL is to reach its full potential within CLP. The current pilot programme is aimed at reaching just 2,000 participants and it will take almost a year to get there. That will leave only 2 ½ years for the project to ramp things up to scale. It is probably a practical expedient (at quite low cost⁷ and risk) to run more than a single pilot. VSL is going to work very well in the project area and it is far better that the pilot should

⁷ About \$68,000

reach as wide a range of potential participants as possible during the pilot so that CLP gets to know how and where it will work best and least and who is able to implement it best.

The current RFP proposes to fund a single contractor. If proposals are of a sound enough quality it is probably a good idea to do it in 3-4 of the project Districts instead of just one.⁸

If this is done (and it was discussed prior to the end of the consultancy) it will be useful (and probably necessary) to recruit a coordinator in CLP whose role should be to coordinate the activities of the various VSL contractors and ensure that best practice approaches are employed and progress against goals reliably measured. An additional role would be to set up a programme-wide MIS to aggregate performance across contractors. If it is agreed to go to scale during the pilot by contracting several agencies it becomes urgent to make this appointment quickly.

3.2 RFP

Having received management approval, a Request For Proposals was promulgated on the 9th. May. This calls for proposals to implement a small scale pilot programme in the 42 non-island Unions of Jamalpur District, in the Upazilas of Madarganj, Islampur, Sharishabari, Melandaha, Jamalpur Sadar, Bakshiganj and Dewanganj. It seeks responses from interested organisations that are willing to offer specialist services to promote a specific version of the VSL methodology, adapted to Bangladesh (finalised in consultation with the Enterprise Adviser). The closing date is the 25th May and it is hoped to move to contract by the end of the first week of June. This timetable may be optimistic if more than one agency is to be contracted.

The scoring system for the proposals allocates 30% of the marks for technical quality, 40% for demonstrated competence and 30% for realistic and low-cost pricing. It is, however, important to recognise that competence and the quality of the financial proposal should be subordinated to technical competence and that when competence and cost factors favour a technically less committed or able applicant, the Enterprise Adviser should have veto power over the choice. Institutions may be very well able to keep costs down and have excellent systems to support implementation, but if their conception of the goals and principles of VSL and SPM is deficient, the best managed implementation will be worthless.

In discussions it was agreed that cost bids be scored on the following basis:⁹

\$/Client	<15	15-20	20-25	25-30	30-35	35-40	>40
Score	0	10	20	30	20	10	0

Low scores should be awarded both for high cost and very low cost bids. The one is unwarranted and the other not likely to be achieved at an acceptable level of quality.

4.3 Evaluation of the Pilot Programme

The Evaluation Framework presented on the following pages is derived from the logical framework presented in the RFA, but further developed. Owing to the short time-frame

⁸ It is unfortunate pity that prior commitments do not make it practical for VSL to be directly implemented in the island chars, where the need is probably greatest

⁹ See Annex 7.3 for the projected budget for the proposed pilot.

of the pilot it is difficult to come up with an impact and programme evaluation matrix that will be fully utilized by month 11, when the programme review will be conducted. The matrix on the following page indicates those items that will be measurable in the 12 months time frame of the pilot and those that need a longer time period to be reliably measured.

Broadly speaking, while household livelihood security can readily be measured at the inception of Association training, changes attributable to VS&L will only emerge in a

What	Intervention Logic	Indicators	Means of Measurement	Timing
Goal	CLP Members enjoy a broader range of livelihood options	<ul style="list-style-type: none"> VSLAs independently provide livelihood options for 2,000 participants, especially in terms of: <ul style="list-style-type: none"> Increased assets Improved social capital 	<ul style="list-style-type: none"> Household survey Focus group discussions 	<ul style="list-style-type: none"> Rolling baseline Initial impact survey 18-24 months
Outputs	Sustainable capacity exists to implement VSL	<ul style="list-style-type: none"> CLP IMO's adopt the VSL methodology; or Independent implementers promote VSL with donor and community cost-sharing Costs of programme implementation at different levels of scale known and reliable Business plans and promotional strategies exist to ensure sustainability of service delivery Effectiveness and efficiency of the Implementing Organisation 	<ul style="list-style-type: none"> Visits to CLP IMO's implementing VSL and/or independent organisations contracted to implement VSL Review of budgets and expenditure against benchmarks Review of IMO/independent promoter's business plans. Programme evaluation of Implementing Organisation 	<ul style="list-style-type: none"> 18 months 11 months 11 months 11 months
Outcomes	<ul style="list-style-type: none"> Household <ul style="list-style-type: none"> A mechanism exists to acquire a useful lump sum at a predictable time in the future A mechanism exists to acquire a useful lump sum at times that may not be predictable Client satisfaction Community <ul style="list-style-type: none"> A change occurs that shifts dependency on 	<ul style="list-style-type: none"> Average savings per annual cycle is at least 500 Taka per person Average yield per annum is at least 250 Taka per person Services are considered to be suitable, convenient, accessible and sufficient Client specification of benefits, impact and/or negative consequences An increase in the number of IGAs 	<ul style="list-style-type: none"> Review of MIS Review of MIS Association interviews Household survey Household survey 	<ul style="list-style-type: none"> 11 months 18 – 24 months At least 24 months

What	Intervention Logic	Indicators	Means of Measurement	Timing
	<p>external capital markets to local capital markets, leading to improved labour and/or investment options</p> <ul style="list-style-type: none"> • VSL Associations • Independent and autonomous • Clarity of vision and purpose • Financially sustainable • Clear and realistic plans • Suitable methodology • Suitable organisational structure • Efficient and effective systems 	<ul style="list-style-type: none"> • Approximately 100 independent VSL Associations in place and operating without external support • Member satisfaction with methodology and overall programme support 	<ul style="list-style-type: none"> • Association interviews • Review of MIS • Review of Association Member Share Passbooks and member interviews 	<ul style="list-style-type: none"> • 11 months to 18 months (depending on start-up date and seasonal flooding)

period not less than 18 to 24 months. Experience from other countries makes it highly likely that the impact will be positive, but to what degree in the chars remains to be seen.

Programme level indicators that look at the efficiency and effectiveness of service delivery can more readily be measured within the proposed time frame, with the exception of changes in the number of household IGAs and the emergence of a significant shift in community-level change in labour and investment options.

4 Long-term Delivery Channel

If the pilot programme proves to be successful it will be up to CLP to determine the level of resources it will allocate to expansion; where this will be and at what scale. Having said that the role of the service provider will be critical. Although any commitment is premature, CLP may consider the development of institutional capacity to deliver VSL on a much broader scale in Bangladesh. This does not mean that CLP would finance expansion of VSL outside its project area, but work closely with one or more contractors, who have proven their interest and commitment, to develop a capacity to offer VSL and SPM training services as a discrete for-profit activity to the wider market. This is a speculation and need not be acted on during the life of the pilot, but selection of long-term partners to implement VSL post-pilot may well be influenced by this consideration.

5 VSL and MFI Linkages

There is an active debate on the potential for VSLAs to be linked to external sources of finance and national capital markets, through formalised relationships with MFIs in which MFIs supply capital to expand the scale of loan portfolios. This is a superficially attractive proposition and will certainly be favoured by MFIs, as well as a good proportion of VSLAs themselves. *Under no circumstances should this be an objective of the pilot programme*, nor, indeed, any expansion programme, until such time as VSLAs are numerous and have a character and dynamic that is mature and fully understood. The reasons for caution are as follows:

The linkage of VS&L Associations to external sources of finance creates several risks, which, increasingly, the literature is supporting. These may be summarised as:

- The risk of over borrowing. There is an unhealthy dynamic created when an asset-poor client in a cash-flow bind seeks to borrow from a financial entity that has a vested interest in offering the largest possible loan to a 'qualified' client. This keeps down the cost per unit of currency lent and contributes to profitability, but tends to saddle the borrower with a loan that may be disproportionate to the scale of the enterprise and the time that a borrower can allocate to the activity, leading to diversion into consumption.
- Reduced incentive to save. Programmes that make savings and pre-condition to lending tend to experience a significant drop in savings once credit is made available: it is seen as hoop to jump through to get access to loans. This tends to attract the wrong type of client, whose interest is liable to be opportunistic.
- MFIs and banks are necessarily driven by their need to remain in business, and for most financial institutions who would link with VS&Ls, their principal source of income is interest and fees on loans. Linkages will automatically put the emphasis on borrowing as the solution to clients' needs. Since loans do in fact allow people to meet their needs for school fees, marriages and funerals, the credit message is seductive; however, it may undermine the equally important culture of saving.
- Transfer of risk from the better off poor, to the worse off poor: If the group obtains an external loan, there will usually be a disproportionate amount of loan fund capital available that must be lent out. The better-off members of the group are likely to be most able to absorb additional, larger loans. These loans will be guaranteed by the

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

group as a whole, and the savings and investment of the poorer members will thus be put at risk.

- The loss of autonomy. VS&L Associations most precious asset is their autonomy. The self-confidence arising from a VS&L's success contributes to a self-belief that has huge collateral benefits. When a VS&L Association becomes a low-cost conduit and guarantee mechanism for MFI credit and does not manage its own resources it undermines this dynamic. Most MFIs will be unwilling to change their procedures and methodologies to allow VSLAs to onward lend and internally manage their loan funds – which is the only practical solution that preserves VSLA independence.
- Increased complexity and the emergence of a technical elite to manage Association accounting systems and the greatly increased flow of funds – often into a myriad of external investments when funds are surplus to requirements. The risk of leakage and reduced transparency are considerable.

Where the principal purpose of the linkage is the storage of excess liquidity (such as in urban slums, or where there is a high density of rural bank branches, such as in India) the relationship can be safe and practical, but it is important to be cautious about making credit easier to obtain and practitioners need to be very sure indeed that increased capital flows to their clients can find productive uses, or will flow into a household economy with a myriad of investment options.

6 Annexes

7.1 Baseline and Follow-Up Impact Survey: Focus Group Discussion Questionnaire

**CLP VSL Programme, Impact Evaluation Questionnaire
Baseline and Follow-up**

Focus Group Discussion Questionnaire

Questions to be Asked of Savings and Loan Associations

Name of Interviewer: _____

Questionnaire No. _____

Association Basic Data

District: _____

Upazila: _____

Union: _____

Village: _____

Number of Participants: _____

Gender Male _____ Female _____

n.b. The questionnaire is used as part of a rolling baseline: taking in at least 1 Association out of 5 during a pilot phase and dropping to 1 out of 20 during any expansion programme. Many of the questions ask about change. ('Now' as opposed to 'before VSL'). The first time the questionnaire is administered, before an Association has started VSL activities, the 'Now' questions are ignored. When follow-up surveys are carried out the 'before VSL' questions are ignored.

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

Household

Assets

What items of equipment are owned by the group members (all members are asked in turn how many of each item they own/owned and then the total is entered in the table).

(Note: The items below are from a questionnaire developed in Zimbabwe. They need to be contextualised for Bangladesh)

Productive	Number Now	Number Before VSL	Non-Productive	Number Now	Number Before VSL
Animal drawn cart			Motor Cycle		
Animal drawn plough			Bicycle		
Animal drawn cultivator			Radio		
Pickup/car			TV		
Spray Pack			Sofa		
Wheelbarrow			Bed		
Oil Press			Protected Well		
Peanut Butter Mill			Solar Panels		
Hoes			Cups/glasses		
Sewing Machine			Plates		
Knitting Machine			Pots		
Block-making Machine			Blankets		
Cattle			Car Tyre Pump		
Donkeys			Wardrobe		
Goats			Kitchen Table		
Sheep			Kitchen Chairs		
Indigenous Chickens			Piped water		
Water pump			Electricity		

In which of the following forms do you save? (Number)

Method of Saving	No. Before VSL	No. Now
VS&L Association	N/A	
Member of ROSCA		
MFI		
Bank		
Post Office		
'Under the bed'		
Private savings collector		
Other		

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

Through the discussion, summarise the nature of the change that applies to the majority of the focus group, and why is this?

Welfare

Housing

What investments have you made in improving your housing since joining VSL?

(Note: The items below are from a questionnaire developed in Zimbabwe. They need to be contextualised for Bangladesh)

Improvement	No. of Responses
Built new house(s)	
Built food store	
Built animal shelter	
Upgraded to brick	
Upgraded to corrugated iron walls	
Upgraded roof to corrugated iron or tiles	
Outside plastering	
Inside plastering	
Improved floor	
Glazing	
Inside toilet	
Painting house	
Fencing house	
Granary	

Education

How many household members were not able to attend school because it was too expensive?

	Number
Now	
Pre VSL	

Nutrition

Has your level of food consumption changed since joining VSL?

Food Consumption	No. of responses

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

Eat more than last year	
Eat the same	
Eat Less	

Why is this? _____

Has the variety of the food you eat changed since you joined VSL?

Variety of Food Consumed	No. of responses
Eat more varied diet than last year	
No change	
Eat less varied diet	

Why is this? _____

Health

Compared to before you joined VSL do you find the following more or less affordable:

Service	No. More	No. No Change	No. Less
Medicines			
Medical services			

Why is this? _____

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

Income Generating Activities

Item	Pre VSL	No. Now
Total Number of Family IGAs		

How many family members are employed in family IGAs (ignore whether or not they are paid)?

Item	Pre-VSL	No. Now
No. of family members employed in family IGAs		

How many months did your most important IGA stay in operation?

Member	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Pre VSL															
Now															

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

How does this show itself? The Field Officer facilitates a discussion in which the five distinguishing factors that are most frequently mentioned are listed.

No.	How	No. of Responses
1		
2		
3		
4		
5		

Participation by Women

No. of women participating in income-generating activities?

Now	
Pre VSL	

Increased Control of Resources by Women

What resources do women control?

Resource	Now	Pre VSL

Self-Esteem and Social Status/ Participation

How does the community look on VSL members? How do they treat you differently to before you were members?

No.	How	No. Of Responses
1		
2		
3		
4		
5		
46		

How many other groups do members belong to? (note that a member may belong to more than one other group).

Pre VSL	
Now	

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

How many positions do you hold in other (non-VSL) groups)

Member No.	Chair	Secretary	Treasurer	Committee
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

Child labour

How many children work regularly in your economic activities.

Pre VSL	
Now	

How many people in your family, living in your household, regularly receive wages for their labour?

Pre VSL	
Now	

How many people in your family migrate regularly to seek work?

Pre VSL	
Now	

7.2 RFP

1 Chars Livelihoods Programme

The Chars Livelihoods Programme (CLP) is funded by the UK Department for International Development (DFID), and sponsored by the Rural Development and Cooperatives Division of the Ministry of Local Government, Rural Development and Cooperatives, Government of Bangladesh. CLP aims to improve the livelihood security of the poorest char dwellers in the districts of Kurigram, Gaibanda, Jamalpur, Bogra and Sirajgang. The CLP focuses primarily, but not exclusively on island chars which are surrounded by water 365 days per year.

CLP is a seven year programme, and has five inter-linked programme components:

- Infrastructure Development: Primarily flood protection and local infrastructure development within the chars, and associated cash for work schemes
- Livelihoods: Supporting the livelihoods of assetless and landless extreme poor through direct grants of income producing assets, stipends and extension services
- Enterprise Promotion: Promoting private sector links and commercially sustainable services related to key sectors, including agriculture, livestock, fisheries and non-farm sectors; microfinance is included as a service sector
- Social Mobilisation: Increasing char dwellers' awareness of their rights and assisting them to select priorities for the use of CLP and GOB funding
- Information, Monitoring and Learning: Supporting CLP with key research and ongoing monitoring of programmes

The CLP is working in 28 Upazilas and 150 Unions. CLP's efforts are directed through local NGOs, Upazila and Union Parishads, and private sector linkages.

2 Programme Description

This programme is an initiative of the CLP Enterprise Promotion Component.

The supply of microfinance services in the chars is limited. Local and regional NGOs are experimenting with credit programmes with some degree of success – five of the CLP's implementing partners are also partners of the PKSF, which is giving increasing attention to the chars through its Hard Core Poor Programme. CLP estimates that PKSF partners will reach effective coverage of 20% of chars households within the next two years, but most char dwellers, in particular the poorest chars dwellers and those who reside on the remotest and newest chars, will continue to lack savings, credit and insurance services. Informal money lending rates in the chars range from 10 to 20% per month, and many chars households incur debts for households expenses, while members migrate in search of work. In addition, high costs are implicit in forward contracts for labour and agricultural produce. Given the limitations of NGO-MFIs in reaching the

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

poorest and remotest chars dwellers, and given the need for safe and appropriate savings products which NGO-MFIs are generally unable to provide to non borrowers,¹⁰ the CLP will pilot a new approach to locally managed savings and credit, known as Village Savings and Loan Associations (VSLAs).

The 12-month pilot programme will combine the facilitation of these community-based groups with training in the selection, planning and management of income-generating activities. The entire cycle will take place during the 'dry season' from September to June, allowing participants to:

- Save and access small loans during the dry season cycle
- Accumulate capital which they can withdraw prior to the start of the flood season
- Improve their ability to choose and manage income-generating activities (IGAs)

Based on local savings mobilisation and small self-selected community groups, VSLAs have proven to be effective in providing low cost systems of insurance, savings and credit to their members. VSLAs retain earnings and capital in rural communities for further investment. Inherently sustainable, VSLAs have attracted more than one million members worldwide, and most operate successfully without a link to external capital.

Traditional savings associations exist in many villages in the CLP's target area. They do not, however, include a high proportion of very poor members and have structural and systemic weaknesses that limit their transparency and appropriateness for the poorest. The purpose of the pilot is to experiment with VSLAs and accompanying training in IGA selection, planning and management in order to improve the opportunity for the poorest members of char communities to save and invest profitably. If successful, the pilot programme will be expanded, and will improve the intermediation of local capital and reduce dependency on external capital from informal moneylenders and advance labour and produce selling arrangements.

¹⁰ NGO-MFIs are allowed to accept deposits from their members, but not allowed to mobilize deposits from the general public. The distinction is unclear, but members are generally understood to be borrowers at one time or another. Similarly there is no clear legal position on a community managed savings and loan association, or on the promotion of those associations, although donor-supported programmes have a long history of promoting savings in groups. Future legislation related to microfinance may or may not impact on an implementation of Village Savings and Loan Associations.

2.a Target Group

This pilot programme will target poor and vulnerable households in flood-prone villages from the list of eligible unions (see annex one). Special care should be taken to promote membership to the poorest households. Multiple associations may be established in the same village in order to accomplish this and as demand dictates.

2.b VSL Methodology

The Village Savings and Loan methodology is an approach made popular by CARE International in Africa and India (see www.vsla.net). It involves a group of self-selected people forming an informal savings and credit association, using only their own savings as the source of loan funds. Unlike a Rotating Savings and Credit Association (ROSCA), which collects members' contributions and hands the total sum to a single individual in the group on a rotational basis, VSL Associations pool their money and offer their members savings, insurance and credit services. There is no link to outside sources of loan funds and there is no intention to facilitate such linkages during the life of the proposed project. Members are free to borrow from the group's fund in amounts that are matched to their needs and for varying lengths of time, depending on the purpose of the loan, which may be for social as well as investment purposes. Likewise members are free to contribute (and withdraw) savings in amounts that will vary as their circumstances change (and the group's liquidity permits) throughout the operating cycle and according to their varying personal capacity. The members determine all of the key policies relating to insurance, savings and credit and write their own regulations covering Association governance.

VSLAs are self-managing. The methodology proposed by CLP uses a memory-based system of record-keeping, backed up by Member Share Passbooks. No group ledgers need to be maintained. This is to ensure that people who are less literate fully understand what is taking place, and to avoid the long-term dependence of the Associations on an educated and privileged minority or an external agency.

The goal of the programme is to create independent, autonomous community-based institutions capable of mobilising and managing capital without external support.

A VSL Association operates for up to one year and then liquidates its funds; sharing them out amongst members in proportion to the value of their accumulated savings. Once the Associations have completed this first annual cycle, they operate independent of the training agency and require no further long-term support. However, a secondary goal of the pilot programme is to determine the extent to which VSLAs can interact with the CLP to demand other benefits and the extent to which the CLP's implementing partners (IMOs) might wish to facilitate the creation of VSLAs.

2.c Programme Strategy for Achieving Goals

The purpose of this RFA is to carry out a pilot programme, reaching at least 2,000 participants, prior to any consideration of expansion, in order to test the methodology, tailor it to the operating environment and target-group needs and determine its potential for long-term, large scale replication.

CLP proposes, therefore, to invite a competent Specialist Service Provider (SSP) to implement the pilot programme, under CLP's technical direction. The strategy will require the SSP to achieve the following:

- Develop and train a specialized staff which can spread the VSLA approach, if the pilot is successful
- Adapt existing VSLA programme materials appropriate to char dwellers
- Develop detailed operating plans and budgets for the 12 month pilot, and develop a detailed expansion plan if the pilot proves to be successful
- Facilitate the establishment of at least 100 VSLAs by October 2006
- Track results through the use of the VSLA management information system (MIS)
- Train VSLA members in selection, planning and management of income generating activities during the three months prior to flood season
- Expose the CLP's IMOs to the VSLA approach, and determine whether it is appropriate for implementation through IMOs, with assistance from the SSP

3 Expected results: Target Group Numbers and Expected Impact

The minimum number of targeted clients will be 2,000,¹¹ organised into at least 100 Associations. The following impact is to be measured and reported upon by the SSP programme manager during monthly status reports:

- Association level (data available from proposed MIS)
 - Promoter caseload (number of associations and members)
 - Average size of associations and their age and gender composition
 - Average savings per member
 - Return on savings invested (yield)
 - Cumulative number and value of loans disbursed
 - Portfolio quality
 - Dropout rate
- Association level (data to be generated by survey)
 - Client satisfaction
 - Percentage of groups transitioning to independent operation, on schedule

¹¹ VSLA promoters can normally handle a caseload of 350 to 500 active members, with greater economies of scale achievable through the use of community-based promoters. However for the purposes of this pilot, and given constraints which are specific to the annual flood cycle, promoters within this pilot will handle an average of 10 groups and 200-250 members.

4 Logical Framework

Logic

What	Intervention Logic	Indicators	Means of Measurement
Goal	CLP Members enjoy a broader range of livelihood options	<ul style="list-style-type: none"> VSLAs independently provide livelihood options for 3,000 participants, especially in terms of: <ul style="list-style-type: none"> Increased assets Improved social capital 	<ul style="list-style-type: none"> Household survey Focus group discussions Project Studies
Outputs	Sustainable capacity exists to implement VSL	<ul style="list-style-type: none"> CLP IMO's adopt the VSL methodology; or; Independent implementers promote VSL with donor and community cost-sharing Costs of programme implementation at different levels of scale known and reliable Business plans and promotional strategies exist to ensure sustainability of service delivery Optimal effectiveness and efficiency of the Implementing Organisation is achieved 	<ul style="list-style-type: none"> Visits to CLP IMO's implementing VSL and/or independent organisations contracted to implement VSL Review of budgets and expenditure against benchmarks Review of IMO/independent promoter's business plans. Programme evaluation of Implementing Organisation against industry norms
Outcomes	<ul style="list-style-type: none"> Household <ul style="list-style-type: none"> A mechanism exists to acquire a useful lump sum at a predictable time in the future A mechanism exists to acquire a useful lump sum at times that may not be predictable Client satisfaction Community 	<ul style="list-style-type: none"> Average savings per annual cycle is at least 500 Taka per person Average yield per annum is at least 250 Taka per person Services are considered to be suitable, convenient, accessible and sufficient Client specification of benefits, impact and/or negative consequences 	<ul style="list-style-type: none"> Review of MIS Review of MIS Association interviews Household survey

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

What	Intervention Logic	Indicators	Means of Measurement
	<ul style="list-style-type: none"> • A change occurs that shifts dependency on external capital markets to local capital markets, leading to improved labour and/or investment options • VSL Associations <ul style="list-style-type: none"> • Independent and autonomous • Clarity of vision and purpose • Financially sustainable • Clear and realistic plans • Suitable methodology • Suitable organisational structure • Efficient and effective systems 	<ul style="list-style-type: none"> • An increase in the number of IGAs • Approximately 100 independent VSL Associations in place and operating without external support • Member satisfaction with methodology and overall programme support 	<ul style="list-style-type: none"> • Household survey • Association interviews • Review of MIS • Review of Association Member Share Passbooks and member interviews

5 Delivery Channel

Per agreement with CLP advisors, the SSP will be expected to implement the programme in any of the 42 eligible unions of Jamalpur District (see annex one). During the final three months of the pilot the SSP will be expected to provide indicative results on the following:

- Sustainability of VSL Associations
- Potential for cost-containment in the facilitation of VSLAs at a larger scale
- Potential for the implementation of VSL through CLP IMOs, based on exposure visits and discussions with the SSP
- Other models for implementation, provided that the approach is suitable for chars dwellers but unsuitable for implementation by CLP IMOs

In addition, the SSP may be asked to present a proposal for expansion of the VSL programme throughout CLP's operating area, at which time they may also apply to implement the expansion.

6 Eligibility

- Legally registered civil society organisations or private limited companies specialising in social and economic development.
- Specialist experience in microfinance is *not* a requirement, but evidence of organised and disciplined management practice is essential
- Demonstrable capacity to:
 - Interact with local government,
 - Interact with civil society organisations
 - Interact with village leadership
 - Train and support community groups
 - Train staff and key decision makers on new approaches
 - Monitor field operations
 - Manage an MIS and demonstrate a high level of competence in Excel and Access
 - Analyze results and provide regular reporting (in English)

7 Activity Timeline

Activity	Year 1												
	J	A	S	O	N	D	J	F	M	A	M	J	
Startup													
Recruitment of Manager	■												
Field Materials translated, approved and published	■	■											
Recruitment and training of field supervisors	■	■											
Recruitment and training of field promoters		■	■										
Village selection			■	■									
Recruit Administrative clerk / Data Processor and set up MIS			■	■									
Procurement of VS&L Kits			■	■									
Pilot Operations													
VSLA operations			■	■	■	■	■	■	■	■	■	■	■
Monthly MIS report submitted by programme manager			■	■	■	■	■	■	■	■	■	■	■
2000 VSLA members mobilized			■	■									
Staff training in SPM									■				
SPM training for members										■	■	■	■
SSP submits programme review and proposal for expansion (year two)											■	■	
SSP conducts experience sharing workshop with CLP IMO's											■	■	
CLP completes programme evaluation and go/no-go decision taken												■	■

8 Budget Framework

Estimated Budget for VS&L Project		
1. Personnel		12 Months
1.1	Project manager	
1.2	Data capture clerk	
1.3	3 Supervisors	
1.4	10 Fieldstaff	
Sub Total Personnel		
2. Operating and Administrative Expenses		
2.1		
2.2		
2.3		
2.4		
2.5		
2.6		
2.7		
2.8		
2.9		
2.10		
2.11		
2.12		
2.13		
2.14		
Sub Total Operating Expenses		
3. Capital Expenditure		
3.1.1		
3.1.2		
3.1.3		
3.1.4		
3.1.9	VS&L Association 'Kits'	
Sub Total Capital Expenditure		
SSP Overhead		
Total Project Costs (Tk)		

The above budget framework is indicative, to assist the applicant. Applicants may submit budgets in any familiar format. Notes:

- The SSP should plan for three supervisors, to build a substantial experience base and prepare a means for expansion; normally a supervisor can manage 5-6 promoters
- The SSP should hire 10 promoters, and plan for a caseload of 200-250 VSLA members per promoter

- The kits should be budgeted at about Tk. 1,000 each, but the applicant should research the actual cost. A list of items in the kit can be found in the Programme Manual, which can be obtained in electronic form from CLP

9 Proposal Framework

- **Abstract: 1 page maximum**

This must include a brief description of the proposed Upazilas, and include details related to the target group and operating environment. It should also describe the applicants expectations of outcomes related to:

- The benefits for chars dwellers, and the likelihood that they will accept and make use of VSLA
- The likelihood of acceptance by local government, village leaders and local businessmen and landowners
- The likelihood that the VSLA approach will be acceptable to the CLP's IMOs and in particular to NGOs that are involved in microcredit

- **Organisational Structure and Management Plan: 2 pages maximum**

The applicant should include an organigram for their organization, noting the proposed management arrangements for the VSLA pilot. The management structure should include the following suggested staff:

- One programme manager
- One data entry operator and administrator
- Three field level supervisors
- Ten field level promoters

The applicant should specify the qualifications and experience of the staff it intends to recruit or allocate to this project. CVs should be included, where possible, for SSP staff to be assigned to the activity; this is especially critical for the position of Programme Manager, and the successful applicant will either include the CV of the proposed programme manager, or demonstrate that it has the ability to provide a high calibre programme manager without undue delay.

- **Activity Plan: 2 pages maximum, including Gantt chart**

The applicant should review the activity timeline in section 7 and propose a more detailed timeline as necessary, documenting the reason for any proposed deviations from the timeline given.

- **Description of Organisation: 3 pages maximum**

- History
- Institutional Capability
- Past programmes/projects and their geographic locations
- Present programmes/projects and their geographic locations
- References and past programme evaluations which are deemed relevant

- **Budget**

The budget for the 12 month pilot project will be developed by the applicant organisation. It should be noted that costs of similar programmes indicate that a full-scale implementation of VSLA is possible in Bangladesh at a cost equivalent of 1,500 Taka per client or less. Pilot implementation may be somewhat more costly, but applicants should bear previous experience in mind and should *clearly* understand that a primary goal of CLP is creating a very low-cost model for large-scale replication. Costs will be taken into account in scoring the proposals, and evaluating the implementer when it comes time to scale up the project. The applicant should use the budget framework illustrated in Section 8 as a guide.

9 Scoring

The following scoring system will be used:

- Technical 30%
 - Demonstrated conceptual and technical understanding of the methodology
 - Clear articulation of implementation in terms of:
 - How the applicant would relate to local government and civil society organisations
 - How the applicant would relate to village leaders and char dwellers
 - The applicant's analysis of the applicability of the VSLA approach to the chars context
 - The applicant's analysis of the applicability of the VSLA approach to local NGO implementation, for the long-term (versus direct implementation by the applicant)
- Competence 40%
 - Staff qualifications (supply CVs of key staff)
 - Relevant past work of the organisation and evaluations (supply evaluations, where available)
 - Financial transparency and efficiency (include 2 most recent certified audits)
- Financial 30%
 - Realistic and reasonable costing
 - Proposed cost per beneficiary

Application and Submission Information

Applicants can receive the training materials for VSL and the selection, planning and management of income generating activities by sending an e-mail to vsia@clp.org.bd. It will be provided as a pdf file.

The deadline for submissions will be the 20th May. A bidders conference will be held on May 11th at [VENUE] between the hours of 3:00 and 4:00 p.m.

Request for Proposals

The Chars Livelihoods Programme (CLP) is a bilateral poverty alleviation programme funded by DFID, UK and sponsored by RD&CD of MLGRD&C, Government of Bangladesh. CLP aims to improve the livelihood security of the poorest char dwellers in the districts of Kurigram, Gaibanda, Jamalpur, Bogra and Sirajgang.

The CLP will be piloting a new approach to community based savings, insurance and loans called "Village Savings and Loan Associations" (see www.vsla.net for further information). As part of the pilot programme, training in the selection, planning and management of income-generating activities will also be given.

For the purpose of implementing the pilot, the CLP is seeking applications from organisations with experience in community mobilisation and NGO capacity building. A specialisation in microfinance is not required. The successful applicant will be responsible for training staff and for supervising and monitoring the pilot over an 18 month period. If the pilot is successful, the implementer may be invited to submit a proposal for a larger scale programme. The Request for Proposal document and a manual on the VSLA approach will be made available on request to vsia@clp.org.bd. The interested organizations should send electronic copies of Proposals to vsia@clp.org.bd no later than May 20, 2006.

CLP reserves the right to reject any or all Proposals without assigning any reason whatsoever.

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

Annex One: Eligible Unions

District	Upazila	Union	# char villages	
Jamalpur	Madarganj	Jorekhali	16	
		Balijhuri	10	
		Adarbhita	18	
		Siduli	15	
		Gonaritola	13	
		Karaichara	15	
		Charpakerdah	12	
		Islampur	Noarpara	13
			Chinaduli	6
			Polobandha	5
	Goliarchar		10	
	Gaibandha		28	
	Chargoalini		16	
	Charputimari		16	
	Sharishabari		Satpoa	13
			Dowail	4
			Bhatara	7
		Kamrabad	16	
		Melandaha	Dhurmut	12
	Mahmudpur		11	
	Nayanagar		8	
	Adra		7	
	Charbanipukuria		15	
	Fulkucha		16	
	Ghosherpara		16	
	Jhaugara/Goabara		16	
	Shampur		8	
	Jamalpur Sadar		Tulshirchar	13
			Luxmir Char	20
			Mesta	21
			Ranagacha	22
		Bakshiganj	Niluxmia	27
	Dhanua Kamalpur		21	
	Bakshigonj		38	
	Bagar Char		25	
	Dewanganj		Dewanganj	20
		Chikazani	21	
		Bahadurabad	30	
		Hatibhanga	12	
		Parramrampur	24	
		Char Amkhaoa	22	
		Dang dhara	26	

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

7.3 Pilot Programme Projected Budget

Estimated Budget for VS&L Project		
1. Personnel		12 Months
1.1	Project manager	448,500
1.2	Data capture clerk	119,600
1.3	3 Trainers/Supervisors	538,200
1.4	10 Fieldstaff	1,260,000
Sub Total Personnel		2,366,300
2. Operating and Administrative Expenses		
2.1	Rent	168,000
2.2	Utilities	42,000
2.3	Stationery	84,000
2.4	Postage	42,000
2.5	Motor-cycle running Costs (fuel and lubricants)	105,000
2.6	Motor cycle running costs (maintenance and insurance)	34,650
2.7	Telephone and fax	126,000
2.8	Materials translation and reproduction	140,000
2.9	Lodging	70,000
2.10	Per diems	35,000
2.11	Public transport	7,000
2.12	Training workshop costs	105,000
2.13	Experience-sharing workshop	175,000
2.14	Programme evaluation	350,000
Sub Total Operating Expenses		1,483,650
3. Capital Expenditure		
3.1.1	10 Bicycles	70,000
3.1.2	2 Computers and printers	210,000
3.1.3	Furnishings	35,000
3.1.4	Mobile 'phones	50,400
3.1.9	VS&L Association 'Kits'	150,000
Sub Total Capital Expenditure		515,400
SSP Overhead @		10%
		384,995
Total Project Costs (Tk)		4,750,345
Total Project Costs (\$)		\$67,862

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

7.4 Training of Trainers Curriculum

Partner staff need training in the VSL methodology. This needs to be separately developed, specific to Bangladesh. The outline that follows is based on work done by VSL Associates with CRS in Africa and can be readily adapted to Bangladesh.

Time	Day 1	Day 2	Day 3	Day 4
0830-1000	<ul style="list-style-type: none"> • Official opening • Housekeeping • Introductions of Participants • Workshop norms • Expectations • Presentation Framework • Session 1: Background and Rationale 	<ul style="list-style-type: none"> • Recap of Day 1 and Issues Arising • Session 1: Explanation of Model <ul style="list-style-type: none"> • Review of Manual structure 	<ul style="list-style-type: none"> • Recap of Day 2 and Issues Arising • Session 1: Continuation of practice 	<ul style="list-style-type: none"> • Recap of Day 3 and Issues Arising • Approach to evaluation (impact and Programme)
1000 - 1015	TEA BREAK			
1015 - 1230	<ul style="list-style-type: none"> • Session 2: CLP and Microfinance • Session 3: History and Development of Microfinance including methodologies • Session 4: Power-Point Outline of VSL 	<ul style="list-style-type: none"> • Session 2: Review of Training modules 	<ul style="list-style-type: none"> • Management Information System • Explanation of Model • Session 3: MIS Practice 	<ul style="list-style-type: none"> • Session 2: Risks and Threats • Development of operating plan and final budget
1230 - 1400	LUNCH			
1400 - 1530	<ul style="list-style-type: none"> • Warm-up • Session 5: Introduction to the Programme Design Framework • Session 6: Situation Analysis (CLP Programme) 	<ul style="list-style-type: none"> • Warm-up • Session 3: Practice 	<ul style="list-style-type: none"> • Warm-up • Session 3: Continued • Session 4: MIS revisited and Programme Administration 	<ul style="list-style-type: none"> • Development of operating plan and final budget (cont.)

Chars Livelihoods Programme (CLP) Enterprise Component
Request for Applications: Village Savings and Loan Association Pilot

1515 - 1530	TEA BREAK			
1530 - 1700	<ul style="list-style-type: none"> • Session 7: Programme • Services • VS&L Methodology • Delivery channel • Wrap-up and daily evaluation 	<ul style="list-style-type: none"> • Session 3: Continued • Wrap-up and daily evaluation 	<ul style="list-style-type: none"> • Session 4 Continued: Programme Administration Hugh • Wrap-up and daily evaluation 	<ul style="list-style-type: none"> • Presentation of operating plan • Wrap-up and workshop evaluation