

Village Savings and Loans Associations: an approach adapted to the poorest households?



**Characteristics of members and
impact on households' economy**

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List of acronyms

HEA	HOUSEHOLD ECONOMY ANALYSIS
IGA	INCOME-GENERATING ACTIVITY
ROSCA	ROTATING SAVINGS AND CREDIT ASSOCIATION
ASCA	ACCUMULATING SAVINGS AND CREDIT ASSOCIATION
VSLA	VILLAGE SAVINGS AND LOANS ASSOCIATIONS
IR	INTERNAL REGULATIONS
SI	SOLIDARITÉS INTERNATIONAL
VSL	VILLAGE SAVINGS AND LOANS

Summary

The Batha region, located in the **Sahelian strip in Chad**, is characterised by low annual rainfall of between 100 mm in the north and 400 mm in the south, with an average rainfall of 329 mm over the last 25 years (MATUH, 2011). This rainfall tends to occur between June and September. Lake Fitri, found in the south-west of the region, is at the heart of local people's lives and is a significant provider of natural resources (e.g. fish, pastures, products from harvesting and game). High demographic growth has aggravated the competition for these resources.

Two main ethnic groups share the territory and its resources: *Arab transhumant populations*, divided into a number of different ethnicities, located to the north of the lake, and **Bulala farming populations**, who live around the lake.

However, there are many multi-ethnic villages in the zone. In this context, poverty does not affect everyone equally. In addition, **matriarchal households have higher vulnerability to climate hazards and price instability** as they have less access to agricultural lands, animals and means of production. The vast majority of these women try to develop a merchant activity in addition to their agro-pastoral activities, but the poorest of them face difficulties in accessing credit in order to launch or develop these activities.

It is in this context that SOLIDARITÉS INTERNATIONAL has been implementing the **"Improving preparedness for and prevention of drought risks in the agricultural and pastoral communities around Lake Fitri, Batha region"** programme since 2013, financed by EuropeAid,

aiming to strengthen the population's capacities for resilience. One of the activities carried out is the implementation of **Village Savings and Loans Associations** (VSLA) based on the existing tontine model.

The **tontine** does not have a single form: its profile varies by continent, country or even region. In Chad, it takes a simple form. The *tontinières* are female small traders who make their contributions to the President of the association (also a woman) each week. The latter redistributes the total to each of the members in turn.

The VSLA does not operate on a rotation basis. Under the form advocated by SOLIDARITÉS INTERNATIONAL as part of this project, the VSLA is presided over by internal regulations drawn up by its members and runs for a cycle of between 9 and 12 months. At each weekly meeting, the members pay in their contribution to the social fund and buy shares (savings). Starting from the 3rd or 4th month, the VSLA allows the members who request it to take out a loan with interest (between 5% and 10% per month over 3 to 4 months) for up to three times their individual total savings¹.

At the end of each cycle, all the loans are paid off, and any savings and profits are shared between the members in proportion to the number of shares held.

1. Methodology inspired by VSL Associates

This case study, carried out between April and July 2016, endeavours to respond to several questions:

- What is the socio-economic profile of VSLA members; does this activity incorporate the poorest households?
- Can participation in a VSLA improve the resilience of member households to climate hazards?
- How are the loans granted used?
- What determines the success of a VSLA?

The study seeks to show that VSLAs are structures which can relate to and function with a large range of households with different socio-economic characteristics, even though a certain level of solvency is required to participate in these associations. Despite a difficult agro-economic context, a VSLA enables **discernible improvement in the resilience of its members.**

Even though the loans are, primarily, for commercial goals, they are also used for agricultural investment and spent on costs related to health and education. In addition, in a zone where gaining access to funding is difficult, they enable the **quick and profitable development or creation of small Income-Generating Activities (IGA).**

Finally, this study shows that the assessment of a VSLA needs to be carried out with both quantitative and qualitative criteria.

1 CONTEXT

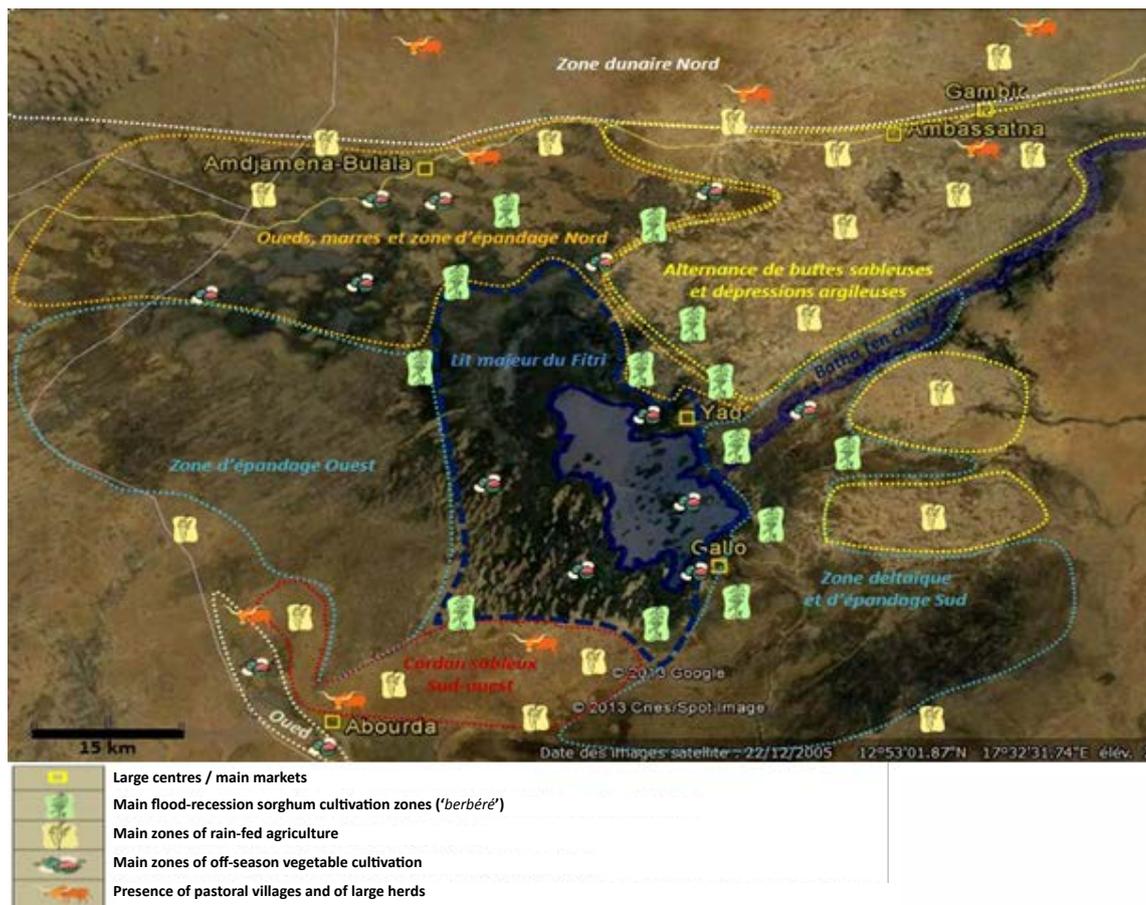
1.1 The environment of Lake Fitri

Batha is a region in the **Sahelian strip in Chad** with more than 500,000 inhabitants, over an area covering around 7% of the national territory. The region is divided administratively into 3 departments, 11 sub-prefectures, 27 cantons, 1 Sultanate (based in Yao) and 3 municipalities.

Lake Fitri (the second largest lake in Chad by surface area) is an endorheic lake² with a single tributary, the Bahr Batha, which pours its waters onto vast, very flat plains, without an outlet, over

an average area estimated at 420 km² when the water level is low. The fact that the whole of its drainage basin is situated in the Sahelian zone, combined with a specific, flat-bottomed basin morphology, means that the flooded area varies greatly from one year to the next. In a normal year, the lake is a vast, shallow, freshwater marsh with several quartzite islands emerging from it, as well as the inselberg of Yao, the place of residence of the Sultan of Fitri.

Figure 1: Agro-ecological zoning map³



2. Involving regions where the rivers cannot reach the sea.
 3. J. Pasquet, 2013. *Profils socio-économiques des ménages dans les zones d'intervention de Solidarité International dans le Fitri*. p. 57

Agriculture is the main economic activity in the zone. It comprises rain-fed agriculture, flood-recession sorghum production for the households with access to the lands likely to be flooded by the lake and market gardening confined to the areas surrounding the lake and its tributaries.

Livestock farming is the secondary economic activity in Fitri. This activity, whether carried out by sedentary farmers, semi-nomadic farmers or transhumant farmers who traditionally migrate towards the lake during the dry season, increases the pressure on water and foddering resources, especially given it is a refuge for many transhumant people during periods of

drought. Fishing is also a significant activity primarily practiced by island villages and those bordering Lake Fitri. Finally, trade, harvesting and handicrafts are more marginal activities and their intensity varies, largely according to the household's wealth.

Access to social services is characterised by a lack of health and education infrastructures. The relative enclosure of the zone and the presence of a single partially paved road heighten the problem and restrict access to certain markets.

1.2 Population and lifestyle

The population of the Fitri department is estimated at 125,000 inhabitants, who are primarily Muslim. Two main ethnic groups share the territory and its resources: **Arab transhumant populations**, divided into a number of different ethnicities, are mainly located to the north of the lake, while the **Bulala farming populations** are settled around the lake. Nevertheless, there are many multi-ethnic villages.

Even though the entire population is in a position to ensure their minimum food needs, this is primarily thanks to the practice of donating and giving loans to the very poor and dependent people. The vast majority of household incomes come from selling their agricultural production, even though this is largely insufficient to cover their needs for the whole year.

The vulnerability of households is increased by the **volatility of prices** due to a significant amount of speculation. In order to pay back debts incurred during the lean season (June to September), the majority of farmers sell their produce at harvest time, for low prices, only to then buy them back at high prices during the lean season.

This is especially true given that agricultural investments are not without their risks. Indeed, agriculture is generally rain-fed in a situation where rainfall deficits are becoming more and more frequent.

The other main type of crop is "*berbéré*", i.e. flood-recession sorghum on the edge of Lake Fitri and its tributaries. It is grown by around 60% of Fitri inhabitants⁴ on lands which have been flooded for at least two months. This practice also depends on rainfall since the catchment area of Lake Fitri is only fed by several *ouaddis*⁵, in particular the Batha – the overflow of which depends on the rain.

For some twenty years, the practice of irrigated market gardening has developed in the shallows in order to optimise the agricultural calendar. Even though the main risk is the lack of rain, there is sometimes so much that the floods cause considerable crop loss. Livestock breeders fear feed shortages, lack of access to water and livestock diseases. If there is a crisis, they sell their animals at low prices in order to stock up on cereals.

4. Djikoloum, B. 2002. La condition de la veuve dans le droit positif tchadien des personnes et de la famille.

5. Temporary rivers

The supply of the tributaries and Lake Fitri by rain is a crucial variable in people's lives. Each time there is a rainfall deficit, the natural resources are overexploited (grazing, Non-Timber Forest Products, fishing and products from wild harvesting for example) and the transhumant populations migrate early, leading the livestock to stamp on the shores of the lake, disrupting the reproduction of fish and damaging off-season crops, etc. All of the stakeholders in the zone compete more intensely for lean resources, leading to conflicts between the different users of Lake Fitri.

All these factors contribute to production instability and, by extension, to price volatility. Thus, following low rainfall in 2014 and 2015, the value of sorghum increased by 40% between February and March 2016, then fell by 25% the following month. This situation is accentuated by a sub-regional geopolitical context which limits trading with Nigeria and Libya, traditional markets for Batha production, in particular products from livestock farming.

In this context, dependence on sources of income which are strongly linked to the rainfall is perceived as a hazard and the households are trying to develop parallel activities in order to deal with different crises. This is particularly the case for women who often have fewer possibilities to practice agriculture, and are also subject to cultural restrictions regarding the practice of livestock farming. That is why many women want to **develop Income-Generating Activities to provide a substitute for the lack of access to agriculture during the rainy season, or to generate income during the dry season**. In order to launch an activity, access to a loan is required but difficult for people who are unable to rely on their family.

It is in this context that SOLIDARITÉS INTERNATIONALE implemented the "**Improving preparedness for and prevention of drought risks in the agricultural and pastoral communities around Lake Fitri, Batha region**" programme, financed by EuropeAid, aiming to strengthen the people's capacities for resilience through the project.

Amongst the activities established were VSLAs specifically aimed at women, with the following expected results:

- Diversification and increase in women's income by making access to commercial loans easier;
- Increase in the food security of households;
- Strengthening members' cohesion and resilience;
- Emancipation of women, who are given the chance to enhance their status within the household and the extended family;
- Improvement of households' daily lives by enhancing expenditures linked to education and health.

This activity finds its legitimacy in the **absence of formal banking systems or microloans** in the whole Batha region. Also the women, and specifically the female merchants, struggle to extend their activities, or even just to deal with crises. The other opportunity is the prior existence of the tontine system, called «pare», sufficiently well established for the existing trusted groups to serve as the basis for the implantation of the activity.

TEXT BOX 1: LAND LAW IN CHAD

D. Benan presents Chadian land law in the following way: “the land [...] lost its essential character, non-transferability; the land is now part of legal trade and can be subject to convention”⁶. In the absence of written land titles, the State is theoretically the default owner of the land. Furthermore, traditional laws are recognised, but provision of a written title requires a declaration procedure to be carried out.

Effectively, transactions, whether they involve traditional authorities or just private individuals, are not systematically recorded by administrative authorities, or even submitted for the approval of traditional leaders. Indeed, recording is an extremely rare practice, since, in 2004, there were only 3,000 plots registered at national level. Nevertheless, in small villages, the land can be sold subject to the approval of the village leader, also known as Boulama, or be awarded by the latter.

92% of households surveyed in Batha-West are the land owners of their farm. This figure cannot be extended to the whole of Batha but still reflects the fact that access to property for agricultural production is not a major difficulty in the region. However, the land security noted must be qualified as there are conflicts over the use of land and natural resources, and these conflicts regularly bring the farmers into opposition with the livestock breeders as well as the transhumant livestock breeders into opposition amongst themselves.

This point is worth highlighting as it is a determining factor in understanding the behavior of the individuals surveyed. Indeed, land security increases the tendency for a household to invest in the agricultural domain, or even to increase its cultivated area.



> Female traders unloading their merchandise for the weekly Yao market (Lake Fitri)

6. Djikoloum, B. 2002. La condition de la veuve dans le droit positif tchadien des personnes et de la famille.

1.3 How a VSLA works

Traditionally, a loan is accessed according to the tontine system. The Chadian tontine system, called *pare*, is relatively basic. The female merchants, brought together in groups of very different sizes, elect a President who, each week, without a meeting taking place, collects each member's contributions. She then gives one member all of the contributions collected; either to a member who has requested the contributions beforehand, or according to turns which were determined initially. In this way, **female merchants without access to a banking system can make small investments from time to time.**

The VSLA does not operate on a rotation basis. It is governed by **internal regulations** drawn up by its members and runs for a **cycle of between 9 and 12 months**. During each weekly meeting, the members pay in their contribution to the social fund and buy shares (savings). Starting from the 3rd or 4th month, the VSLA allows the members who request it to take out a **loan with interest** (generally 10% per month over 3 to 4 months) for up to three times their individual total savings. At the end of each cycle, all the loans are paid off, and any savings and profits are shared between the members in proportion to the shares saved.

TABLE 1: COMPARAISON BETWEEN *TONTINE* AND VSLA

	TONTINE/PARE	VSLA
Governance	No meetings	Weekly meetings
	No regulations	Internal regulations
	A president (female)	A committee made up of 5 members elected each year
Members	No minimum or maximum	15 to 30 members
	Only made up of female merchants	Mainly made up of female merchants
	Professional relationship	Professional, friendly or perhaps even familial relationship
Money management	No security for the funds	3 padlocks opened using 3 keys held by 3 different members
Crédit et épargne	No loans	Loan with interest
	Given the whole of the amount collected without a limit	Loan limited to 3 times the amount of individual's savings
	Savings given in turn	Savings accumulated and paid with interest at the end of a cycle
	100 to 250 CFA Franc weekly contribution	500 to 5,000 CFA Franc weekly contribution
	No social fund	Social fund

As much as possible, the VSLAs were made up of **preexisting groups of women organised in tontines**. Relying on such structures guarantees that the women already trust one another, have a regular income and are already familiar with Rotating Savings and Credit Associations. Even though the local tontine was an ideal support to launch the VSLAs activity, they are two distinct

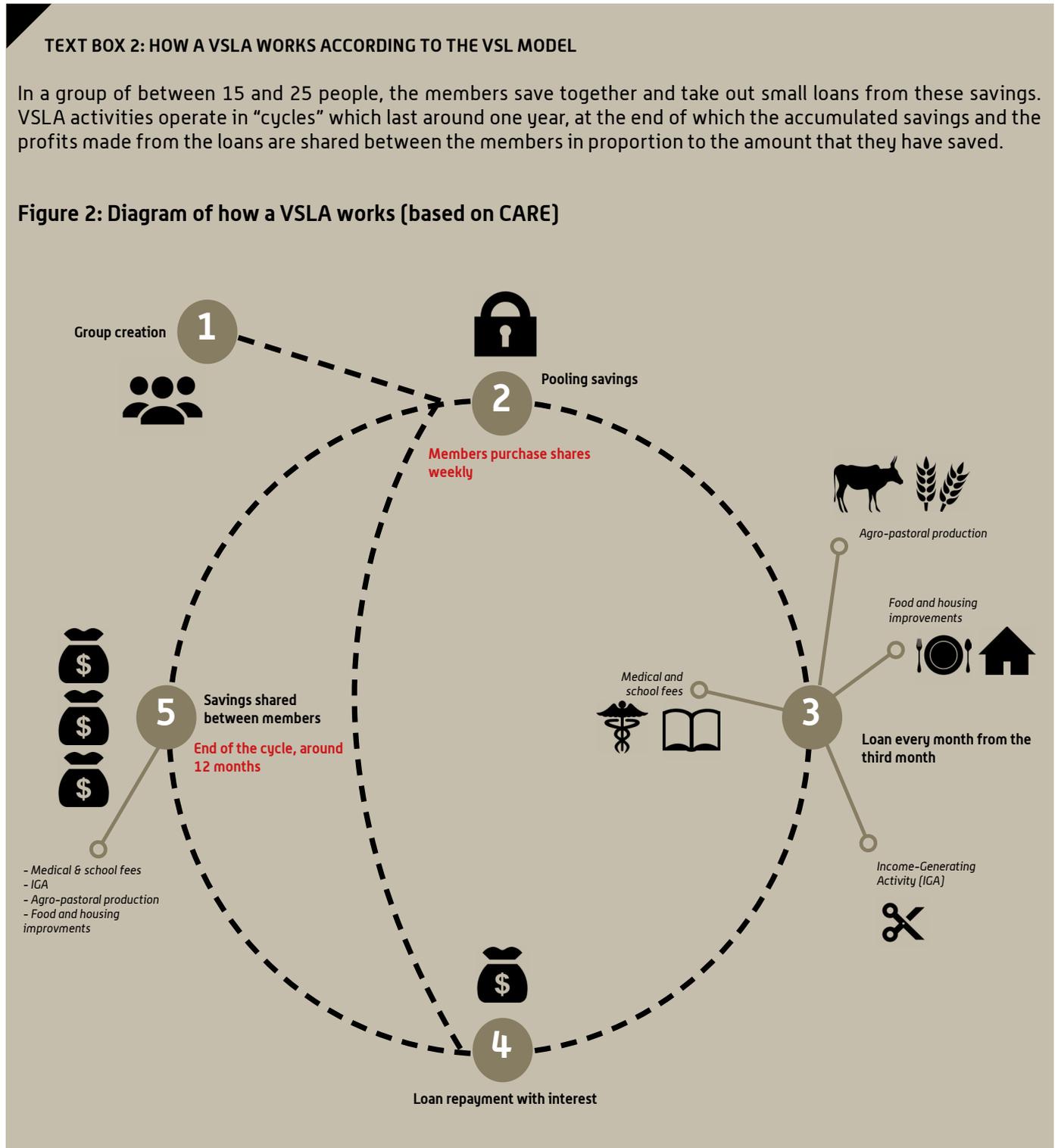
institutions and the members systematically stress the differences between them⁷. The differences are numerous and sufficiently large to explain the significant profit results caused by the adoption of a new practice.

7. VSLAs replaced the *tontine* system within the groups helped.

TEXT BOX 2: HOW A VSLA WORKS ACCORDING TO THE VSL MODEL

In a group of between 15 and 25 people, the members save together and take out small loans from these savings. VSLA activities operate in “cycles” which last around one year, at the end of which the accumulated savings and the profits made from the loans are shared between the members in proportion to the amount that they have saved.

Figure 2: Diagram of how a VSLA works (based on CARE)



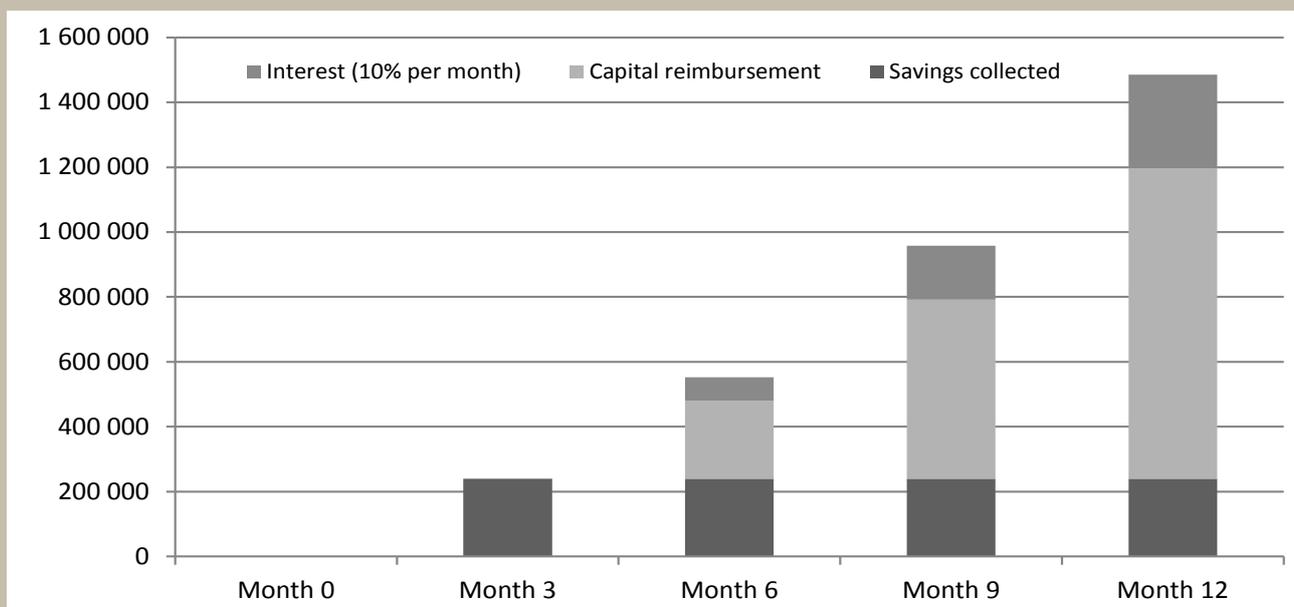
According to VSL Associates' model, Village Savings and Loans Associations generally work in the following way:

- For between 1 and 3 months, the members save by buying between 1 and 5 shares at each weekly meeting. The value of one share is decided by the VSLA at the beginning of each cycle.
- The members can decide to have a social fund which is used to give small amounts of aid (with or without repayment) when members are in distress.
- The loan fund is the money from savings shares and the profits made from loans (service charge). At the beginning of each cycle, the service charge for loans is determined by the members as a monthly percentage (generally between 5% and 10%).
- The members have the right to borrow up to three times their individual savings.
- Loans are granted and repaid once every four weeks after 2 or 3 months of saving. All the loans must be repaid, in general, within 12 weeks during the first cycle, but this deadline can be changed by the members at the beginning of each cycle.
- All of the VSLA transactions are carried out in front of the members during meetings in order to ensure the greatest transparency and maintain trust between the members.

- Each member has a passbook where any loans and share purchasing are noted.
- In order to guarantee that no transactions happen outside of the Association's meetings, the money and passbooks are kept in a lock-box with three padlocks. The three keys are kept by three members of the Association, who are not members of the Management Committee. This is a very important measure because it ensures that there can be no falsification of the records regarding shares purchased by members or loans taken out.
- At the end of each yearly cycle, all outstanding loans are paid back and the loan fund is shared out. The loan fund (which includes the profits made from the loans) is shared out according to the total number of shares purchased by the members during the cycle in order to calculate the value of one share. Each member then receives her portion of the fund according to the number of shares she has purchased.

The figure below explains, as a diagram, the procedure for accumulating savings for a VSLA of 20 people for which the members buy one savings share per week for 1,000 CFA franc.

Figure 3: Conceptual diagram of accumulation with a VSLA



At the end of the cycle, the members share the entire amount. In this example, 1,484,880 CFA franc is divided between the 20 members, i.e. 74,000 CFA franc per member. This number is 40% higher than if a member had saved 1,000 CFA franc per week for a year.

2 METHODOLOGY

2.1 Aim

The case study endeavors to determine:

- The socio-economic profile of VSLA members when they joined and when the survey was taken;
- The change in the resilience of its members facing climate hazards;
- The use of the loans granted (analysis of the use of loans focusing on the gross profits, in other words it does not take into consideration the interest rates or service charges linked to the loan);
- The keys to success with a VSLA.

2.2 Data collection and analysis

The data was collected over two periods, between May 30th and June 3rd 2016 and between 13th and June 17th 2016 with the help of a translator. The surveys related to the case study took place between May 16th and 20th 2016 and then between June 6th and 10th 2016 within 21 households involving 9 VSLAs. Earlier in the year, group interviews, mainly focusing on the methodology and qualitative results of the activity, took place between April 25th April and May 5th 2016 within 7 VSLAs thanks to the participation of two of SI's field operators.

The analysis was carried out by the IKB officer. During this analysis, information was supplemented by the field operators' knowledge. The categorization of member households surveyed is largely based on a comparison of

two distinct reference documents establishing a typology of the inhabitants of Fitri according to a list of criteria explained in detail in table 2.

- Reference document 1: vulnerability criteria, socio-economic classes and typology of livelihoods defined by Johan Pasquet⁸;
- Reference document 2: the wealth groups of the Household Economy Approach (HEA) by Soumana Boubacar⁹.

The aim of using two different reference documents for the analysis is to carry out as close an analysis as the sample allows. Accordingly, with the view to maintain as much coherence as possible, the variables chosen are shown in the table below.

8. J. Pasquet, 2013. Op cited.

9. S. Boubacar, 2014. *Profil de Moyens d'Existence. Zone agropastorale du Lac Fitri du Département du Fitri dans la région de Batha (Tchad).*

> A Solidarités International team member explains how a VSLA works to women members in Aboudah



TABLE 2: HOUSEHOLD CHARACTERIZATION VARIABLES AND CRITERIA BY REFERENCE DOCUMENT¹⁰

J. PASQUET'S ANALYSIS REFERENCE DOCUMENT		HEA ANALYSIS REFERENCE DOCUMENT
Main vulnerability criteria (J. Pasquet)	"Socio-economic class" criteria (J. Pasquet)	"Wealth group" criteria (S. Boubacar)
	Size of household	Size of household
	Workers/non-workers ratio	
Area of rain-fed crop ≤ 2 ha	Area of rain-fed crop	Area of rain-fed crop
Area of flood-recession crop ≤ 0,7 ha	Area of flood-recession crop	Area of flood-recession crop
	Area of market gardening	Area of market gardening
	Number of pack animals	Number of pack animals
Number of cattle ≤ 2	Number of cattle	Number of cattle
	Number of small ruminants	Number of small ruminants
		Number of ploughs
Does not own a cart or plough		Number of carts
	4 categories: <ul style="list-style-type: none"> • Better off: 23 % • Average: 43 % • Destitute: 30 % • Dependent: 4 % 	4 categories: <ul style="list-style-type: none"> • Wealthy: 1 % • Average: 23 % • Poor: 25 % • Very poor: 36 %

Certain correlations are noted between the two reference documents in terms of criteria and values. The socio-economic class reference document differentiates between 'Destitute' and 'Dependent' in the 'Very Poor' categories. The main difference applies to the higher proportion of 'Better off' households compared with the 'Wealthy' households, whilst the 'Average' households (43%) in terms of socio-economic class represent both the 'Poor' and 'Average' households in the HEA reference document (48%). Within the methodology used, the socio-economic class 'Average' corresponds to the minimum profile initially sought after for members.

The case study endeavors to determine:

- The socio-economic profile of VSLA members when they joined and when the survey was taken;
- The change in the resilience of its members facing climate hazards;
- The use of the loans granted (analysis of the use of loans focusing on the gross profits, in other words it does not take into consideration the interest rates or service charges linked to the loan);
- The keys to success with a VSLA.

10. The empty cells signify that the variable is not considered when characterising the households..

2.3 Selection of households encountered

The choice of villages and associations which were selected as VSLAs is the result of a complex process and was carried out differently with the first 5 VSLAs monitored than with the 10 started at a later stage. Initially, 5 VSLAs were chosen by SI in June 2014. Following interest from groups of women, 10 additional VSLAs were supported from June 2015. Amongst them, 4 were started by the NGO and 6 were spontaneously created.

The VSLAs selected for the case study display maximum diversity in order to gain a certain amount of representativeness from the sample without a statistical dimension by being based on the following criteria:

- Geographical and agro-ecological area;
- Size of the village;
- Age of the VSLA.



> Project presentation meeting in Yao

TABLE 3: LIST OF VSLAS SURVEYED

Geographic area	Wadis, swamps and north spreading areas				Alternating between sandy hills and clay depressions		Major bed of Fitri		
Village	Ambas-satnat	Gambir			Rahat Salamat	Tchou-kounou	Yao		
Age ¹¹	L	L	N	N	N	N	L	N	N
Households surveyed	2	3	3	2	3	2	2	2	2

11. **L**: Long-standing; supported by SI from mid-2014. **N**: New; supported by SI from mid-2015.

12. It should be noted that some VSLAs were not taken into consideration due to logistical constraints or the inability to compare the members with the previously outlined reference documents. Due to the fact that the responses and the real situation of the members did not match, the VSLA in Amdjamena Bilala was eliminated from the case study.

Within the VSLAs, the 21 members surveyed were chosen in such a way as to represent different age categories and the different roles that the members can carry out within the committee.

In total, 9 of the 15 VSLAs (60%), from 5 out of the 8 villages where these associations are present, were surveyed. It should also be noted that the members of long-standing VSLAs are

slightly over-represented, they represent 38% of the people surveyed (8 individuals in 3 VSLAs), given that they only represent a third of the activity's beneficiaries¹².

2.4 Limits

The main limit is the **sample size**. Some reservation is warranted regarding the possibility of extending the conclusions of the study to all of the members of the intervention zone. Thus, the comparative analysis of characteristics between member households of VSLAs and the population of the zone may suffer from significant disparities given the small sampling size.

Logistical and accessibility constraints mean that it is not possible to go back to complete missing points or to investigate further certain inconsistencies, in particular the use of loans.

The differences between agro-ecological zones can be a source of bias when comparing the VSLAs, as well as during the comparison with the reference documents, the whose average data are for which is estimated over larger geographical areas.

The two reference documents for the analysis take the reference year 2010–2011 and 2012–2013 – respectively, an average and a good year¹³ – whilst the study period was marked by a very mediocre

2015/2016 agricultural season characterized by a severe rainfall deficit and a 51% decrease in agricultural production in relation to the five-year average¹⁴. This situation led to an increase in food insecurity which also resulted in dilution in capital which may cause bias in the analysis.

The fact that the comparison between the VSLAs started at different times may also cause bias. Indeed, the longest-established VSLAs are supposed to be the most mature and, in light of the evaluation matrix, be made up of the most viable members. Especially given the fact that the new VSLAs were chosen using a more flexible selection process compared with the first five organizations. Indeed, the initial methodology tended to favor members' "solvency". This difference has an impact on the profiles of the members.

13. S. Boubacar, 2014. Op cited according to the rainfall and associated agro-pastoral production.

14. PAM, SISAAP, INSEED. 2015. National Food Security Survey (ENSA). November 2015.

3 RESULTS

3.1 Socio-economic profiles of member households

The following figures serve to highlight the existing differences between the VSLA member households and the population of Fitri in comparison with the reference documents described in the methodology (see table 2):

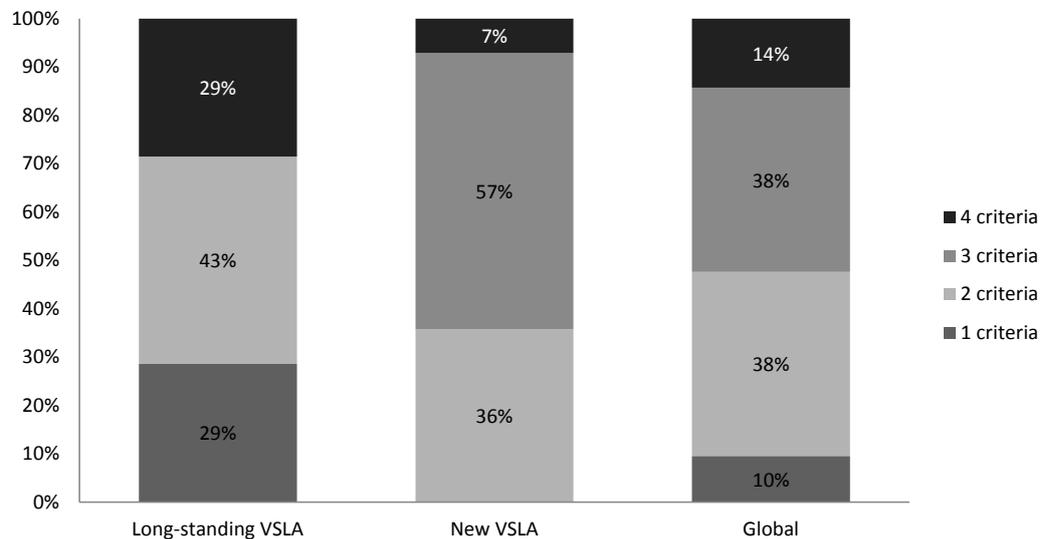
- Number of vulnerability criteria
- Socio-economic classes: *Better off, Average, Destitute, Dependent*
- Wealth group: *Wealthy, Average, Poor, Very Poor*

MEMBERS' VULNERABILITIES

The criteria were adapted to the study, as much due to the period chosen as to the particular profile of members¹⁵. Even though there are several factors contributing to the structural poverty of the population of Fitri, there are 4 main criteria to determine a household's vulnerability to food insecurity (see table 2):

- Area of rain-fed crops below or equal to 2 ha;
- Area of flood-recession sorghum crops (*berbéré*) below or equal to 0.7 ha;
- Number of cattle, below or equal to 2;
- Do not own a cart or plough.

Figure 4: Distribution of the number of vulnerability criteria of VSLA members when they joined



More than half of the member households have at least 3 of the 4 major criteria for vulnerability to food insecurity, which leads to the conclusion that **VSLAs can benefit households which are vulnerable to food insecurity**. Nevertheless, there are significant differences between the long-standing and new VSLAs. In long-standing VSLAs, the selection process favored

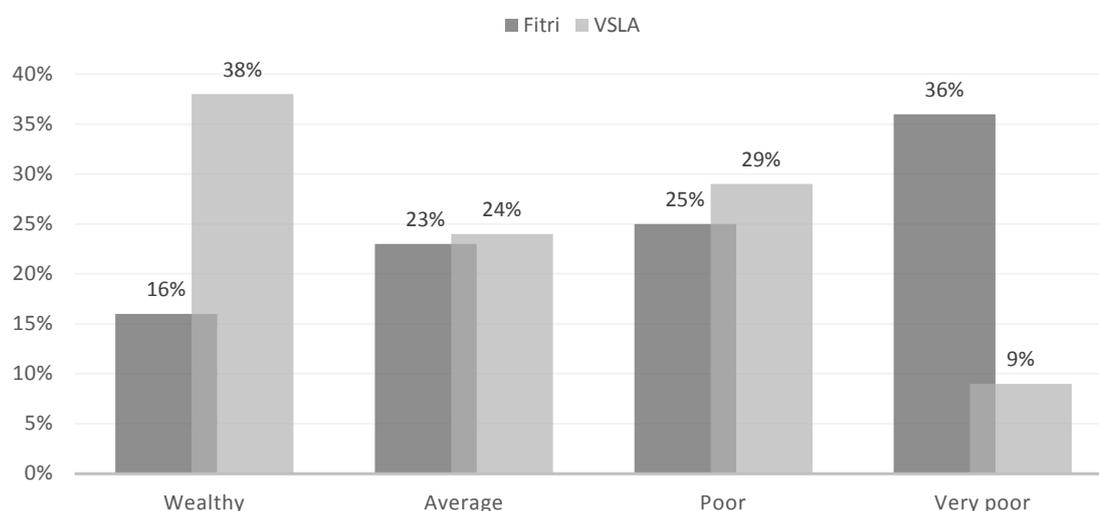
“solvent” households with fewer than 30% of households displaying more than 3 vulnerability criteria whereas, in the newer VSLAs, over 60% of households had more than 3 criteria. This difference is above all down to the new VSLAs’ less rigorous selection process.

15. For example, the very low average number of cattle per household in the sample may not necessarily reflect poverty but instead dominance of commercial activity.

► SOCIO-ECONOMIC CLASSIFICATION AND WEALTH GROUPS

The two reference documents used are similar but only the second reference document “Wealth groups” will be used to compare the characteristics of VSLA member households with those of the wider population of Fitri.

Figure 5: Comparison between the distribution of wealth groups between member households and the population of Fitri when they joined



According to the graph above, we can see that the percentages of ‘Poor’ and ‘Average’ VSLA member households are similar to the general distribution in the department. The main differences concern the extremes of the spectrum with ‘Wealthy’ households being over-represented and ‘Very Poor’ households being significantly under-represented in relation to the overall situation in Fitri.

The over-representation of well-off women is explained by the VSLA member selection process which favors female merchants and, more generally, women capable of making regular contributions.

The ‘Very Poor’ are very poorly represented due to their limited capacity to make contributions. That being said, **this does not systematically exclude women with reduced capacities, who will not, however, be able to use the VSLA system as effectively**, in particular the loans; the proportion of ‘Very Poor’ and ‘Poor’ members representing 38% of the member households.

With 39% of households headed by women (versus 19% for Fitri), the VSLAs target a specific social vulnerability, knowing that, in the Chadian context, single women (widows, divorced, abandoned) are generally much more vulnerable than male-headed households. With VSLAs, 57% of the female heads of the households are part of ‘Wealthy’ households, whilst this is only the situation in 5% of cases on a departmental scale. The fact that the selection process is based on an ability to contribute may explain this great difference.

Another explanation can be found in the case study’s sample. 60% of the households surveyed are part of the VSLA committee. Yet the role with the VSLA is a significant variable. Even though the distribution is similar in the ‘Average’ and ‘Poor’ categories, it differs in the extremes. Thus, 43% of female members of the committee are ‘Wealthy’ versus 29% amongst the other members. On the other end of the spectrum, the percentage of ‘Very Poor’ women is two times higher amongst the other members than in the committee members [30% of committee members are classified as

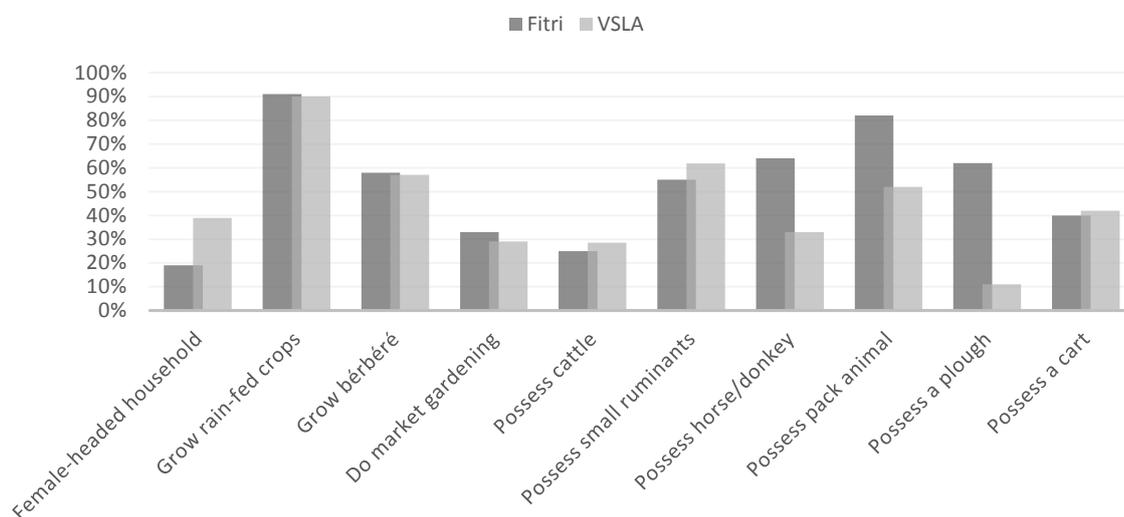
'Poor' and 'Very Poor'). The difference is explained by the election procedure for the committee – the different profiles require qualities which are generally linked to the individual's social position (being respected, being good with numbers, knowing how to read and write, living in a secure house, etc.). The over-representation of well-off households within the committee (70% of

members) indicates that the 'Very Poor' and 'Poor' households benefit from the VSLAs more from the wings marginally. Indeed, the committee plays a leading role in defining interest rates, number of shares and other characteristics which can limit these households' access to the services provided.

3.2 Livelihoods

► ACTIVITY AND LIVELIHOODS

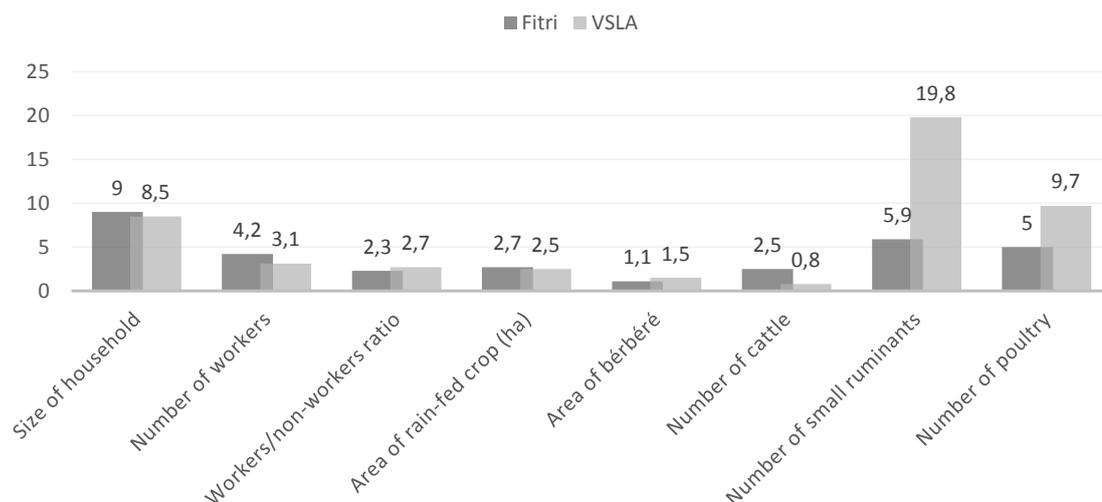
Figure 6: Comparison of capital and members and the population of Fitri when they joined



Even though the VSLA member households share major similarities with the Fitri households, in particular the practice of rain-fed agriculture, *berbéré* and market gardening and in owning animals, the members are nevertheless under-equipped in terms of ploughs, and, as a consequence, pack animals and cattle. Yet, these goods are essential for the development of agro-pastoral activities as well as Income-Generating Activities, in particular for transporting and selling products at different weekly markets.

One explanation could be the fact that the female heads of households are generally over-represented within VSLAs.

Figure 7: Comparison of capital held between VSLA members and the population of Fitri when they joined



In terms of the average amount of capital held, the VSLA members have similar characteristics to the other inhabitants of the lake, apart from animal possession (amongst those who have them).

As female-headed households are over-represented at VSLA level, and these households are generally more vulnerable, it seems logical that they would own fewer cattle. Indeed, out of the 21 households surveyed, 15 of them did not own cattle. One explanation could be the fact that cattle farming tends to be a male activity whereas poultry and small ruminant farming is mainly the

women's responsibility as these animals do not need to be taken to graze outside of the village¹⁶.

The major difference noted with regards to small ruminants hides a significant standard deviation in VSLAs. In other words, the average is very high due to a few individuals who, in such a restricted sample, pull the average up.

16. 37% of female-headed households raise cattle, (versus 67% of male-headed households), a sign of the higher poverty level of these households.



> Female traders on their way on Ati market

► **LIFESTYLES**

As explained in the introduction, the presence of Lake Fitri in the middle of the Sahelian zone is an attraction. Many lifestyles and ways to exploit the lake exist side by side as users of the natural

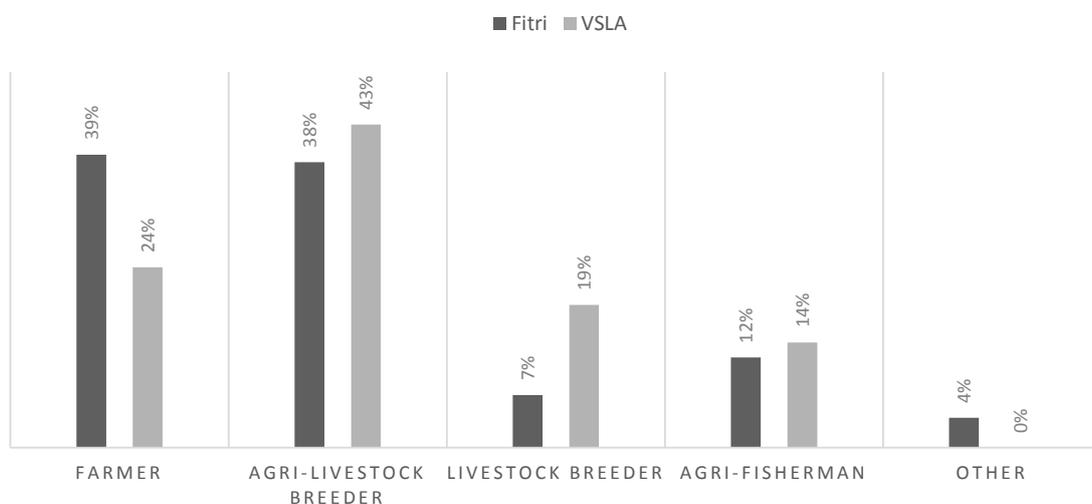
resources (off-season agricultural land, pastures, bourgou fields, fish stocks, non-timber forest products, etc.). The case study is based on the definition of four broad categories of lifestyles, defined below:

TABLE 4: TYPOLOGY OF LIFESTYLES ¹⁷								
	Farmer			Agri-livestock breeder			Livestock breeder	Agri-fisherman
	Small	Average	Large	Small	Average	Large		
Rain-fed crops (ha)	0.8	1.7	4.4	0.9	1.8	5.1	3.8	2.2
Berbéré (ha)	0.4	0.9	1.7	5	20	55	0	1
Market gardening (%)	20	30	60	5	20	55	0	65
Rain-fed crops + berbéré (ha)	1.5 <	1.5 - 3.6	> 2.9	1.5 <	1.5 - 3.6	> 2.9		
Cattle	0	0	0,1	1,1	2,8	6,4	14	1,2
Small ruminants	0.1	0.4	1.8	4.4	9.1	13.3	19.1	5.4

The VSLA methodology aims to boost IGA development and, in theory, targets merchants and, more specifically, female merchants. Nevertheless, all of the women encountered systematically introduced themselves as female farmers. They differed when it came to their

secondary activities: livestock farming, teaching, skilled crafting, etc. The variables used¹⁸ enable the categorisation of households according to their main lifestyles so as to better identify their profiles

Figure 8: Comparison of the distribution of lifestyles between members and the population of Fitri



17. J. Pasquet. Op cited

18. See table 4

The graph above indicates an under-representation of farmers even though the majority of women encountered introduced themselves as farmers as it is the activity that takes up most of their working hours, both currently and in the past. It is not, however, their most lucrative activity or an activity which distinguishes them from their peers. The under-representation of farmers in our typology (in other words, living solely off agricultural tasks, without practicing livestock farming) is explained by the selection process for VSLA members. This category is hardly in a position to practice a significant commercial activity and does not offer a guarantee in terms of contributions or established mobilizable savings. Thus, 80% of female farmers surveyed were part of young VSLAs which had had a less rigorous selection process. Moreover, they are all categorized as 'Poor' or 'Very Poor'.

When it comes to agri-livestock breeders, like agri-fishermen, the distribution is quite similar to that in the department as a whole whereas livestock breeders are over-represented. The main explanation is the methodology adopted to define the livelihood: the status «livestock breeder» implies the person has a number of cattle so the household is likely to be considered to be, at least, part of the 'Average' socio-economic class, the profile initially sought after for members. In addition, the "livestock breeder" status is more demanding in financial capital than in human capital, and therefore enables some time to be given over to additional commercial activities.

By adopting the categorization by wealth group of livestock breeding zones, it is noted that 60% of member households are classed as 'Poor', or even 'Very Poor'.

3.3 The impact of the loan system in Fitri

The Internal Regulations (IR) of VSLAs specify that the loans are primarily for commercial activities¹⁹. However, this does not exclude the option of using part or the whole of the loans for agricultural investments.

► USE OF LOANS

The practice of issuing loans in the VSLAs in the intervention zone hardly differs from the recommendations outlined in the VSL guide. Even though the loan requests generally only begin after the 4th month, there is no deadline for reimbursement, unless it is the end of the cycle. Loans can therefore last up to 8 months. Each month, the female debtor must pay an interest rate of 10% of the amount left to pay back. In this case, the members systematically pay back

the loan in its entirety in one go. Three VSLAs do not have interest rates, due to pressure from the religious authorities in the village who declared interest rates to be in conflict with the principles of Islam.

Although there are sometimes exceptions, the loan amount remains, at maximum, three times the amount of the member's savings. In addition, the number of shares purchased per week and the amount of the share in each VSLA are all-important in order to take advantage of the VSLA services.

19. S. Boubacar, 2014. *Profil de Moyens d'Existence. Zone Agropastorale à élevage de gros ruminants du département du Batha Ouest, Sous-préfecture d'Abou-Adjilij dans la région de Batha.* p 21.

20. Despite common anchorage and the recurrent presence of the same features in the different IRs, the members of VSLAs have freely developed them, so that each of the regulations respond perfectly to the desires expressed by its respective members.

Figure 9a: Distribution of purchases of savings shares on a weekly basis

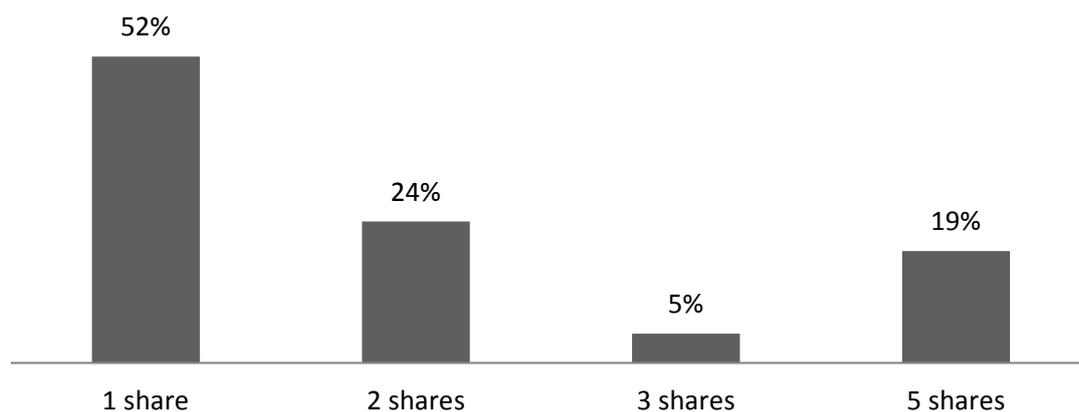
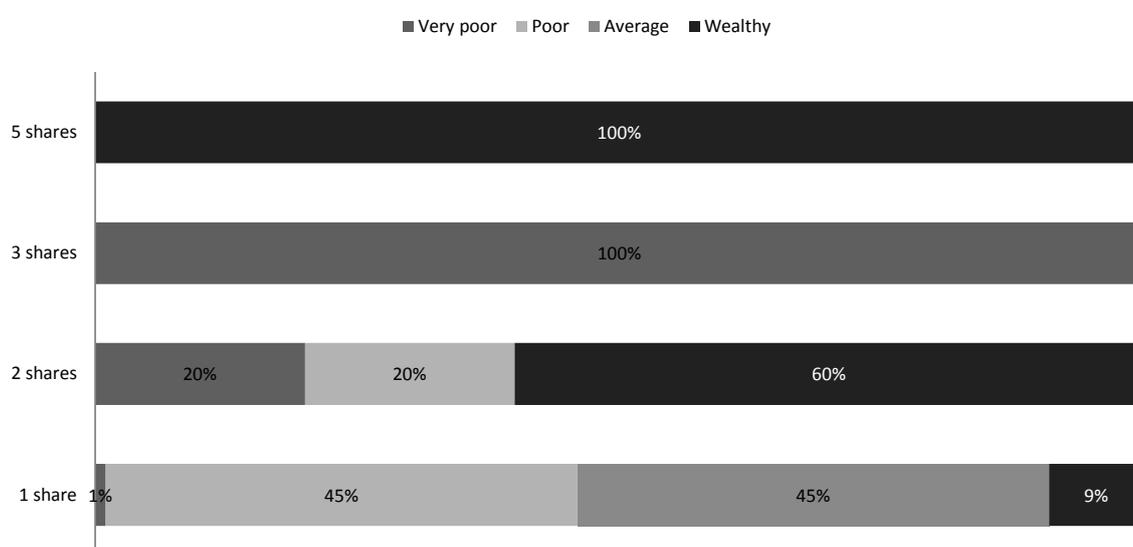


Figure 9b: Distribution of wealth group by number of shares purchased



The distribution is diversified in terms of the average number of shares purchased each week. The concentration of purchasing one share is explained by the difficult situation the majority of households in Fitri are currently experiencing; and the members of the VSLAs are no exception. In addition, purchasing **one share per week is already a sufficient budgetary constraint so women are not looking to purchase any more** (the unit amount of one share varies here from 500 to 1,000 CFA Franc), although this would allow them to borrow more. Thus, more than 75% of households only purchase a maximum of two shares, whereas only the 'Wealthy'

households can take the liberty of buying 5 shares and thus increasing their indebtedness capacities. Only one household, categorized as 'Very Poor', shows as purchasing 3 shares, which means that the results in figure 9b have a bias.

Figure 10a: Distribution of loans granted by amount (CFA franc)

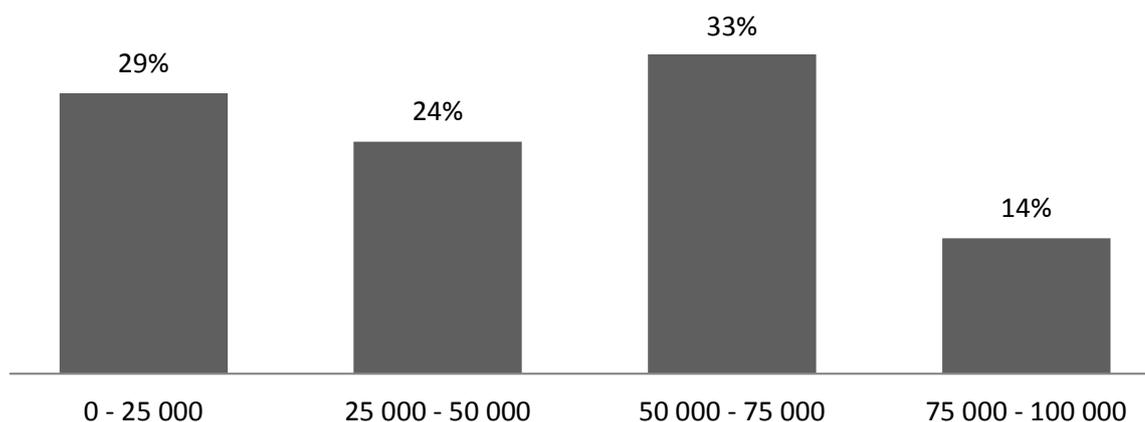
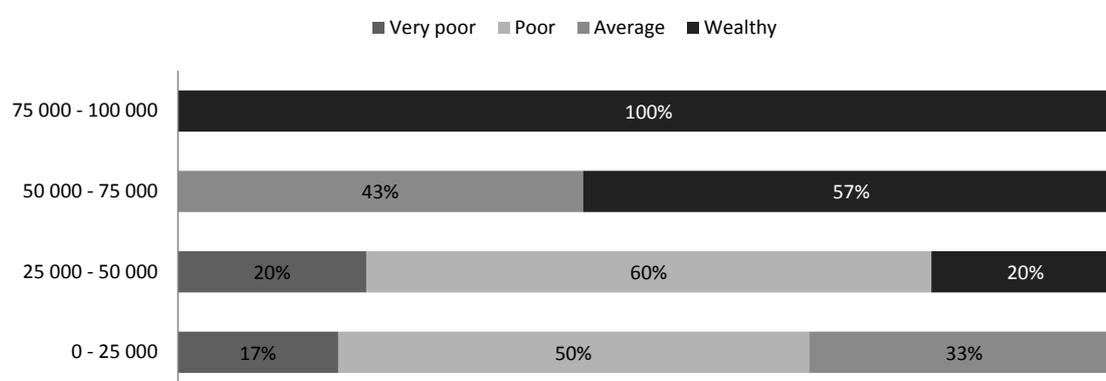


Figure 10b: Distribution of wealth groups by borrowing threshold (CFA franc)



The behavior of the households exposes a fairly uniform distribution both in the loan amounts taken out and in the number of markets visited per week. Behavioral analysis of socio-economic groups enables this observation to be refined. The significant trend is that **the use of the VSLA's features correlates to the social status**. This trend is probably also related to the fact that the 'Wealthy' are over-represented in the long-standing VSLAs and therefore have better knowledge of how this form of village association functions.

Even though some data can be surprising, such as a 'Very Poor' member purchasing three shares each week, it seems logical to note that the loan amount taken out correlates to the individual's wealth. Indeed, the wealthier the individuals, the more likely they are to purchase a significant number of shares each week, and as a result take out more significant loans, as confirmed by figure 10.

Finally, the number of markets visited each week is a relevant variable for the study, since it means more trading opportunities.

Figure 11a: Distribution of number of markets visited each week by VSLA members

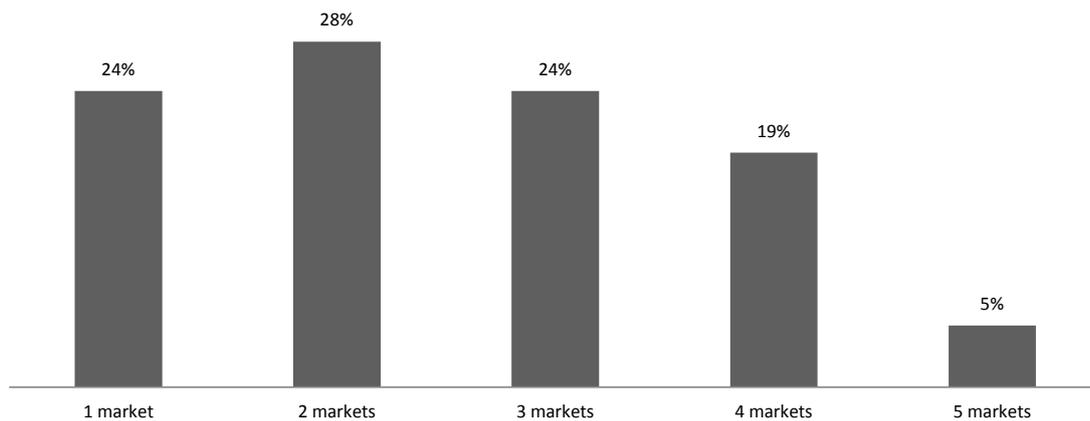
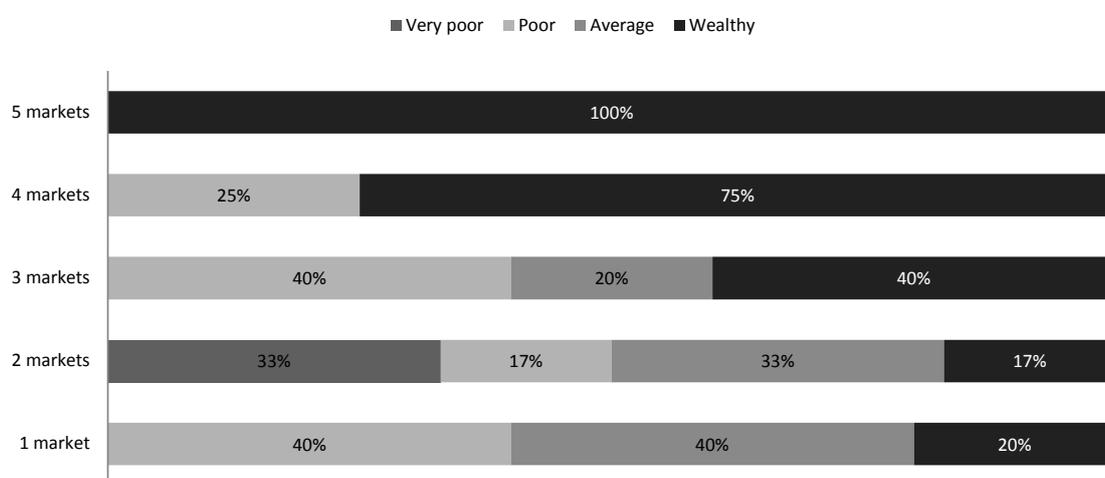


Figure 11b: Distribution of wealth group by market visits

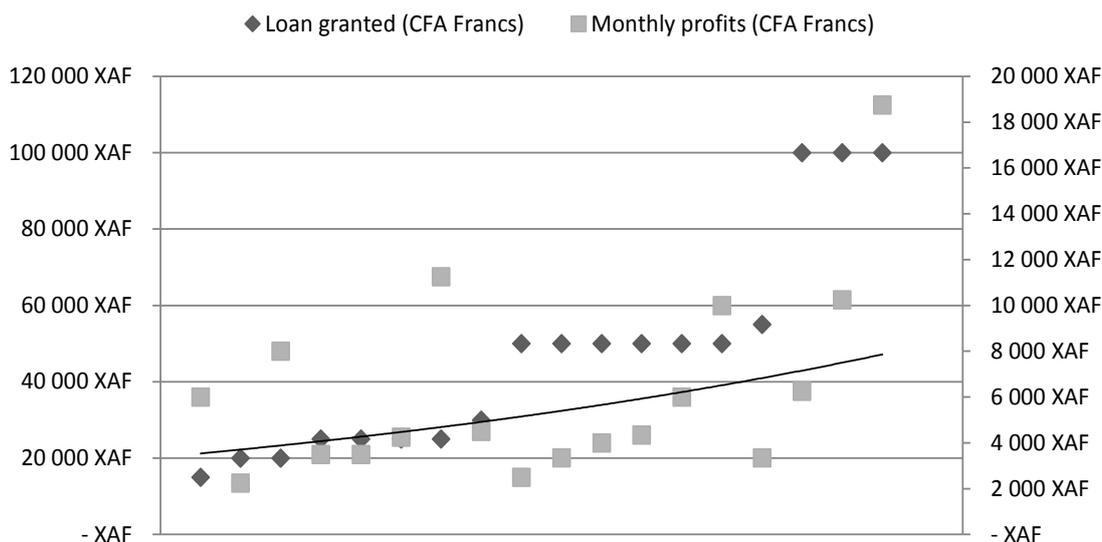


The wealthier a household is and the more resources it has, especially in terms of a horse and cart, the more it can access the markets of villages further away from home. That is why **owning a horse and cart are significant indicators of level of wealth**. The household is more likely to have a stock of goods sufficient enough to have to sell them in a larger number of markets. For all that, only having access to a few markets is not necessarily symptomatic of low commercial activity, especially for the people living in Fitri's commercially dynamic villages such as Abourdah and Yao.

► LOAN PROFITABILITY

On the surface, it could appear that larger loans mean greater profits. Yet this relationship is not systematically verified, as shown by the figure below relating to the 18 households which took out a loan out of the 21 surveyed.

Figure 12: Loans granted and monthly profits obtained



A small loan can lead to one of the most significant profits and the inverse can also be true, although the trend line confirms nevertheless **a positive correlation between the loan amount and the profit it brings in**. The households are differentiated above all by the proportion of loans which will be actually dedicated to commercial activity. Even if that goes against some of the internal regulations, most of a loan can indeed be used, for example, to pay for marriage or hospitalisation expenses. When reported as profit rates, the observation is quite different. **Households with better profitability rates for their loan are those who borrowed a lower amount**. This observation can be qualified by the bias stemming from the data collection. It is clear that the loans taken out by the poorest households are a major part

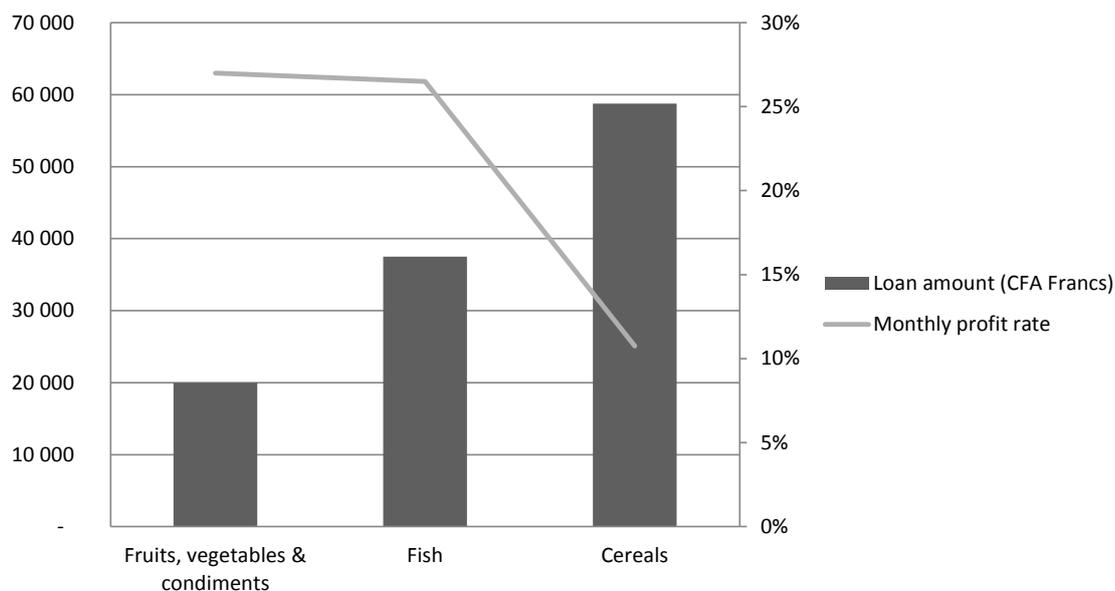
or even the entirety of their working capital for their business, and all or almost all the loan is for their commercial activity. For the women from wealthier households, the figures given are less certain as it is more difficult to identify precisely the proportion of the loan which is for commercial activity and that which could be used for other activities. As they generally already have a relatively significant amount of working capital, they cannot precisely say what proportion of the profit is down to the loan and what proportion stems from their own previous capital.

The commercial destination of the investment [see following page] is another means of understanding.



> Fruit and vegetable sellers on Gambir market

Figure 13: Loan profitability according to the business practiced



The main activities developed by VSLA members are **bulk buying of local foodstuff and retail reselling**. Selling fresh products (tomatoes, melons and cucumbers) and condiments as well as fish (whether smoked or dried) leads to higher monthly profit rates than selling dried cereals (millet, sorghum and maize). Also the women who have invested their loans in cereals are in the lower bracket for monthly profit rate.

Thus one can wonder why a woman taking out a significant loan does not make for a more lucrative business. The response to this lies in **the control of the market**. The risks involved in changing the goods sold are too high given the expected gains and the households' vulnerability. Indeed, changing from trade in millet to trade in fish signifies a change in the market location, in merchant associations, in conservation practices and in suppliers, etc.

However, the type of commerce practiced cannot be the only explanation. For example, two members living in the town of Gambir visit the same number of weekly markets and both purchased two bags of millet for a relatively similar loan amount. However, one has a profit rate two times higher than the other. One hypothesis relates to the relative proportion of the loan

which is actually used for commerce, data which is not recorded in the case study because the households surveyed are not able to respond. A second hypothesis is the **duration of the loan**. One took out this loan for 8 months while the other took it out for 6 months. It is likely that the two additional months that one of the members profited from enjoyed a higher market price or that the profits gained enabled her to invest in her commercial activity and to reap additional profits.

Despite the limited number of households surveyed and by considering additional variables – the number of markets visited, the type of commerce carried out, the town of origin – a constant emerges: the higher the standard of living, the lower the short-term profit rate. Yet, as we have noted, **the higher the loan – the wealthier the household – the lower the likelihood it is that it is used in full for developing a short-term commercial activity**. A wealthy woman will not pursue a short-term goal for increasing her wealth, but will favor the domains of health, education or even long-term investment. Thus, all of the 5 women who invested in a cart, plough, horse or donkey between the time they joined the VSLA and the time of the survey had a profit rate of less than 20%, including three under 10%.

3.4 Benefits of joining a VSLA

► CHANGE IN THE SOCIO-ECONOMIC PROFILE OF MEMBERS

This case study is in part a comparison of quantitative data. Yet the qualitative data should not be neglected if we intend to deal with all of the effects and impacts of VSLAs on member households. Studying the change in the profile of VSLAs using quantitative data does not do justice to the other, just as significant, contributions for the households.

Due to the very poor agricultural year 2015-2016, 75% of households surveyed stayed in their wealth group whereas one quarter – solely amongst the 'Average' and 'Poor' households – became part of a lower wealth group lower than the one they belonged to when they joined the

VSLA. This downgrading is mainly the result of a decrease in capital in terms of land and livestock. This observation must be qualified by the fact that two of these households lost a cultivable area as they gave cultivable land to their recently married children.

In addition, even though dilution in animal capital was very high in order to deal with the premature lean period combined with diseases affecting the cattle, some women were able to acquire durable equipment such as a plough, a cart or a horse as well as goods not counted in the reference document classification such as hoes and market gardening equipment, or even perform maintenance on carts.



> Dry goods sellers in Ambassatnat

► CHANGE IN THE MEMBERS' STATUS WITHIN THE COMMUNITY

Other qualitative variables are revealing about the advantages of being a member of a VSLA. In this way, **social prestige** linked to VSLA membership gives an opportunity to be able to borrow food supplies from merchants during the lean period, who now consider certain usually non-solvent households to be reliable debtors.

Apart from the workers/non-workers aspect, the different reference classifications hardly take into account human capital. Yet VSLA members stand out in this respect. Indeed, even though the loans are primarily for commercial activities, they can also be used to address social problems. Thus, VSLA members and their children can **benefit more systematically from health care of a better quality**.

The vast majority of the children of these women thus have access to school, which was not the case before they joined. Indeed, the women can do without their children's labor but, above all, can help them to buy school supplies. Some were even able to send their children to the high school in the town.

With regard to commercial activities, **the majority of members could increase the number of markets visited per week** and those who previously only practiced commerce occasionally now do so weekly. Others simply launched their commercial activities after joining the VSLA, enabling additional income to be generated and decreasing their dependence on a single activity – generally highly dependent on climate variations which are becoming more and more frequent in the zone.

Finally, increasing the female merchants' range of products enables them to make savings by consuming some of the products they have for their commercial activities, and which they would previously have had to buy for a high price.

Even though only 21 households in 9 VSLAs were surveyed, the 15 VSLAs were all visited. All of the members agreed that, even though the 2016 lean period had been extremely difficult, things would have been much worse without the VSLAs. The profits made enabled them to gain a certain prestige within the community.

The other advantage is the **increase in the members' power to negotiate within the household**. Many of them were pleased to report that they were now "stronger than their husbands". The prestige of most of the VSLAs is such that the men sometimes come to take a peek at a meeting, as do women from neighboring villages. The field operators said they met groups of women organized in a tontine in lots of the villages where SI intervenes who wanted to receive the association's training in order to form a VSLA.

Finally, some VSLAs are demonstrating surprising and interesting initiatives. For example, the VSLAs in Yao invited members from other structures during International Women's day, to celebrate their success but also to swap ideas about opportunities for development and cooperation. For this reason, the three VSLAs in Yao created an emergency joint fund without any support from SI, which has an innovative method whilst limiting risks.

In short, **the quantitative results of joining a VSLA are exploitable for economic gain in the short term, mainly through commercial investment, but they are only a part of the activity's advantages.**

In the medium term, investments in commercial activities **can lead to growing financial profits**. The capital invested in agricultural equipment, livestock farming, fishing equipment or in transport, will take longer to prove its profitability but should guarantee an improvement in resilience capacities and greater stability in terms of access to food. On the other hand, investments in health and education (fields for women in the societies in the zone studied) give

hope that the household will **enter a virtuous circle**, with the children therefore being healthy future workers who, potentially, could help their family in other ways, either by becoming a worker

in the primary sector, or by obtaining a qualified job so some of their income can be shared with the family in times of difficulty.

3.5 Keys to success with a VSLA

► SELECTION PROCESSES FOR VSLAS AND THEIR MEMBERS

The membership of VSLAs and the selection criteria are the most significant factor for the success and longevity of a VSLA. The choice of groups matters more than the choice of sites. Even though the sites without a large market are at a disadvantage, the female merchants have the means to travel to access markets outside of their villages. This hypothesis also depends on the size of the nearby markets.

In the event of the creation of a VSLA during the project, it is vital to rely on focal points where the most long-standing VSLAs are set up. They will be quite capable of advising new VSLAs, in particular when the field operators cannot travel. Amongst the new VSLAs, the ones in Abourdah, Gambir and Yao are the most enterprising, and are fittingly in the sites where 3 of the 5 first-generation VSLAs have the best results.

The geographic proximity of members is vital in order to avoid too high rates of absenteeism during meetings. The members should be **chosen for their affinity**, but must above all **be professional**, in order to ensure discipline, in particular with regard to repaying loans and applying fines. The **presence of a whole committee** responding to prescribed regulations is also vital. VSLAs without a secretary, or sufficiently qualified counters, or with a president who is unable to learn how the activity works, are at a great disadvantage

► MONITORING AND PROXIMITY BETWEEN OPERATORS AND MEMBERS

For these women, the VSLA is a **special place** as they say they did not have much time before this activity to meet other people. There is evidence that when a non-member (local or religious authorities, generally men) meddles in the way in which the VSLA works, the financial and social success is strongly affected. This is particularly the case when the women need help to write in the passbook, when there is no secretary for example.

The field operator must be considered almost as an additional member. This requires a regular presence, and therefore serious and rigorous planning of visits in advance. His/her advice and decisions as facilitator will be listened to more as a result. It seems necessary to maintain weekly monitoring during the first 4 months for the most initiated VSLAs and for the whole of the cycle for those presenting the most difficulties. Once a certain degree of maturity has been reached, monitoring can progress to biweekly or even monthly after the 2nd cycle.

► **COMPULSORY ATTENDANCE OF A LITERATE SECRETARY**

The VSL model stresses the need to have a secretary who can read and write. Even though the VSLAs constitution and elections to their committee do not require an operator to interfere, **the lack of a secretary is a factor of failure**. The VSLAs are therefore either too dependent on field operators, or on literate people (problem of non-members interfering as mentioned above). This will very likely affect the sustainability of these associations. Ideally, other members should be able to provide this role. For example in Ndjamena Bilala, when the secretary could not be there for several months for medical reasons, the VSLA stopped holding its meetings completely for that entire period.

► **INCORPORATE THE ACTIVITY INTO A DEVELOPMENT PROJECT**

The activity implemented in Batha started in mid-2014, and was reinvigorated after 10 new VSLAs were set up in 2015. Without monitoring, even at a distance, for a longer time period, the longevity of the VSLAs, apart from the most dynamic ones, is very uncertain. This is all the more true in a zone which is subject to frequent climate variations. A 5-year project seems to be a minimum duration, and a functional literacy programme should be implemented during the first year in situations where illiteracy is high, especially amongst women, as is the case in Batha.

4 RECOMMENDATIONS

Rigorously respect the selection criteria for VSLA members

The VSLAs should not be mistaken for a humanitarian activity destined solely for those who are most vulnerable. Even though it is possible to extend the activity to people categorized as 'Poor', or perhaps even 'Very Poor', these vulnerable households should not be the only category making up the VSLA as this would risk compromising its effectiveness and sustainability. Nevertheless, since the small loans are mainly taken out by the poorest households and give higher profitability rates, the services provided by the VSLAs can adapt to these vulnerable households.

Include qualitative elements to evaluate the impact of VSLAs on living conditions

Even though the quantitative advantages are undeniably the main reason for the activity, they are rarely what the members consider to be the main advantage. Although the members extol the virtues of the loans, the opportunities in terms of care and education for children, and, even more, the feeling of belonging to a new family are widely highlighted. Thus, other indicators could be used:

- Change in recourse to borrowing at usurer rates;
- Improvement in access to the education and health service (change in % of household members going to school, change in the % of the budget devoted to education and health);
- % of members whose socio-economic profile changes positively (for example according to the typology of the household economy);
- % of members who have acquired a durable investment good (plough, cart, pack animal);
- % of member rotation in each VSLA.

Evaluate the results of VSLAs over the long term

In this case, the project was part of an economic rationale, using the change in the members' overall financial capital as the sole indicator of success. Yet this equates to favoring short-term investment, which is not systematically the most likely to improve the resilience capacities of the populations.

The assessment of financial capital remains a vital variable in order to identify the problems and successes but also to showcase the activity to other people in the intervention zone. From another viewpoint, it might be better, from the perspective of resilience, for a women to acquire a plough and ensure the health of all of her household (thus avoiding the risk of reducing the worker/non-worker ratio) than for her to only increase her commercial investments in the short term.

Encourage spontaneous VSLA initiatives

The Yao VSLAs invited other VSLAs during International Women's Day, to celebrate their success but also to share ideas about the opportunities for development and cooperation. For this reason, the three VSLAs in Yao created an emergency joint fund without any support from SI, which has an innovative method without taking risks. The VSLA members are demonstrating initiatives and other women wanted to imitate this practice. These spontaneous VSLA creations must be supported.

Set up rigorous individual and collective financial monitoring of VSLAs

In order to quickly identify problems and adapt the support, the VSLAs must be subject to rigorous monitoring and adapted tools in order to collect the right information and to ensure, as far as possible, the longevity of the associations. For the analysis to achieve long-term success, the supporting association and the members must be able to have minimum access to the financial situation of the VSLAs and to using loans and to their development.

In this framework, strengthening the management of small business with the VSLA members could round off the activity's inherent loan support.



> Monitoring meeting with the Tchoukounou VSLA

APPENDIX 1

COMPARISON OF THE VARIABLES SOCIO-ECONOMIC GROUPS AND CLASSES²¹

	Socio-economic classes			Wealth groups			
	Better off	Average	Destitute	Wealthy	Average	Poor	Very poor
Size of household	12.4	9.2	7.1	14	10	8	6
Number of workers/ household	5.9	4.3	3.2				
Rain-fed crops (ha)	4.7	2.5	1.1	5	3	2	1.3
% of households growing rain-fed crops	99%	98%	86%				
Bérbéré (ha)	1.6	1.1	0.6				
% of households growing bérbéré	70%	65%	47%				
Market gardening (ha)				1.6	1	0.5	0.3
% of households practi- cing market gardening	51%	32%	23%				
Number of horses				1	1	0	0
% of households owning a horse [%]	93%	83%	23%				
Number of donkeys				2	1	1	1
% of households owning a donkey	99%	98%	54%				
Number of cattle	8.1	1.3	0.2	18	5	0	0
Number of small ruminants	15.2	4.2	1.7	37	17	5	0
Number of poultry	10	4	2	12	7	4	3
Number of ploughs				2	1		
% of households owning a plough	99%	82%	18%				
Number of carts				1	1	0	0
% of households owning a cart	69%	56%					

21. The empty cells signify that the variable is not considered in the typology.

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