

UPSIDE

**Northern Uganda Resilience Initiative
(NURI)**



**VILLAGE SAVINGS AND LOANS ASSOCIATION
(VSLA) TRAINING GUIDE FOR COMMUNITY
BASED TRAINER'S**



***VERSION 3
APRIL 2019***

Table of contents

ACRYNOMS	i
PREFACE	ii
INTRODUCTION	1
HOW VSLAs WORK IN UGANDA	3
SCHEDULE OF OPERATIONS.....	4
PREPARATORY MEETINGS.....	6
Meeting (a): The trainer orients local leaders and agricultural group leaders	7
Meeting (b) Introduction of VSLA to the existing agricultural group members	9
Meeting (c): First meeting with potential and newly formed VSLA group.....	11
SESSION 1: GROUP FORMATION AND GENERAL ASSEMBLY	12
Group formation.....	12
Roles of effective VSLA members.	13
General Assembly (GA)	14
SESSION 2: LEADERSHIP	16
Leadership of the Group.....	16
SESSION 3: ELECTION OF LEADERS & INTERNAL RULES AND REGULATION (IRR)	20
Election of Leadership	20
Internal regulations development.....	22
SESSION 4: VSLA CONCEPTS	29
Topic 1: Goal setting by the individual group members (Saving with a purpose).....	30
Topic 2: Budgeting concept (Use money wisely).....	34
Topic 3: Savings Concept (Yes you can do it).....	38
Topic 3: Loan Concept (My money and someone else’s money: Managing the difference) - Handle with care.....	43
Topic 4: Interest concept.....	51
Topic 5: Welfare fund concept.....	53
SESSION 5: INTRODUCTION TO WRITTEN RECORD-KEEPING	55
Records kept in a VSLA group.....	55
The VSLA register.....	57
Welfare Fund ledger	57
Welfare Fund Treasurer’s Record.....	59
Member’s Passbook.....	60
Savings ledger.....	63
Fines Ledger.....	63
Loans ledger.....	64
Cash book.....	66
SESSION 6: MEETING PROCEDURES.....	67
SESSION 7: CONFLICT RESOLUTION AND ACTION AUDIT.....	72
Conflict resolution	72
Steps in resolving conflicts	74
Skills in resolving conflicts.....	75
Action Audit.....	76
Redeeming shares in a group in case of default.....	77
Action audit formula	77
Annexes	81

Annex 1: CBT monthly VSLA financial data collection form	81
Annex 2: Outline of the elements of the internal rules and regulations	83

List of figures

Figure 1: VSLA training and supervision schedule	5
Figure 2: Preparatory meeting levels	7
Figure 3: VSLA Election procedures.....	21
Figure 4: Typical Record Keeping Book Layout.....	56
Figure 5: Member’s saving passbook cover.	60
Figure 6: Member’s passbook saving section	61
Figure 7: Cancelled Savings	77

List of tables

Table 1: Difference between a group and a gathering.	14
Table 2: Qualities and responsibilities of the VSLA chairperson.....	18
Table 3: Qualities and responsibilities of the VSLA secretary	18
Table 4: Qualities and responsibilities of the VSLA treasurer.....	19
Table 5: Financial records and their relevance	37
Table 6: VSLA Register.....	57
Table 7: Welfare fund ledger	58
Table 8: Welfare treasurer’s record	59
Table 9: Member Loan Record	62
Table 10: Savings ledger.....	63
Table 11: Fines Ledger	64
Table 12: Loan ledger	65
Table 13: Cash book	66
Table 14: Procedures for a savings meeting	67
Table 15: Savings and Loan Meeting (all steps for a Savings will be followed).....	70
Table 16: Individual savings and amount to be shared.....	79

ACRYNOMS

CBT	Community Based Trainer
CSA	Climate Smart Agriculture
FL	Financial Literacy
GA	General Assembly
IGA	Income Generating Activities
IRR	Internal Rules and Regulations
NURI	Northern Uganda Resilience Initiative
ToT	Training of Trainers
VO	VSLA Officer
VS	VSLA supervisor
VSLA	Village Savings and Loans Associations

PREFACE

This manual has been developed to be used by the Community Based Trainers (CBTs), VSLA Officers (VOs) and VSLA Supervisors (VS).

CBTs are people in charge of creating, training and supervision of Village Savings and Loan Associations (VSLAs).

VS and VOs are staff responsible for the supervision of the CBTs and the VSLA groups to ensure quality.

We have developed the manuals in order to provide straightforward guidance to CBTs, VSLA Officers (VOs) and VSLA supervisors (VS) on how to train VSLAs, reduced to the essentials with an integration of financial literacy.

Revisions to the methodology

Experience has taught us that we can train VSLAs in as little as 10 months (down from 12 months), after which they become independent and sustainable. This requires a minimum of 28 visits during that period: starting out with frequent visits for 16 weeks which are steadily reduced over the entire cycle. This contributes to increased productivity of CBTs, VOs and VS.as well as providing detailed guidance for the training of a VSLA.

This manual is a guide for the CBTs that describes how to identify, train and supervise the groups. We hope that CBTs will find it useful and would appreciate any comments that would help us to improve it.

<p>NOTE: This Training of Trainers (ToT) manual has been developed to train community Based Trainers (CBTs) and the groups in the VSLA methodology working with NURI.</p>
--

NURI

APRIL 2019

INTRODUCTION

Uganda has been ranked among the poorest countries in the world with a high population growth rate with a birth rate of 6 children per woman in the rural areas. 65 percent of Ugandan population are primarily dependent on subsistence agriculture for their livelihood. 96 percent of all farmers in Uganda are smallholders with five acres of land or less. This has resulted into 40% of the population living below the extreme poverty line with an income of less than USD 1.90 per day. The women, youth and children constitute the highest percentage of those living in extreme poverty. Northern Uganda where the NURI programme is working has for many decades been marginalized and vulnerable as a result of the war. As they try to recover, the region again now is a host to many refugees from South Sudan which has greatly given it pressure that can easily back track the progress that was made over time. In 2013 it was home to 47% of poor Ugandans, while recent statistics (2017) seem to indicate that it is starting to catch up with the country average in terms of people living in poverty. With the uncertain situation in South Sudan, the region will still have a long way to recover fully.

Access to financial services like savings, loans, insurance for farmers still remain a challenge in the region yet this provide opportunities for improved agricultural productivity, food security, economic growth and resilience at household levels. Despite the high demand by the rural farmers to procure agricultural inputs and venturing into other income generating activities, the capacity to do so is still low especially from the formal financial institutions that considers them as risk category of borrowers. In order to mitigate this, an integrated VSLA and Financial Literacy (FL) methodology has been introduced in the NURI programme to offer financial services to the agricultural groups. The methodology is unique in the sense that it diligently responds to poor persons' expectation for any financial services, builds capacity in money management hence resilience. This model is self-managed and self-capitalized microfinance methodology having its members mobilize an intermediate local pool of investment finance that offers savings, loans and insurance services in markets outside the reach of formal financial service providers. The VSLA has altered development equation in marginalized communities worldwide by providing members with means to cope with emergencies, build capital and recreate social dynamics that support genuine self-reliance and resilience.

Why VSLA in NURI programme.

In NURI programing, the VSLA is integrated into the CSA to provide access to financial services and knowledge on how to manage the finances both in the group and household level. The CSA in the programme not only involves climate-smart agronomic practices in the field such as the choice of crops and varieties, planting dates, cultivation methods and soil and water conservation but also to the livelihood practices of households like involvement of household members in debt management, savings planning, budgeting and management of emergencies. In order to increase incomes at household level from the strategic crops selected, households therefore have to make investments into the farming yet there is limited access to financial services within the community to procure the much needed inputs. To enable this, there has to

be a linkage between VSLA methodology used in the programme and the CSA. The VSLA in the programme will train farmers in financial management that will enable them mobilize savings and on lend to members to procure inputs, facilitate collective marketing and emergencies through provision of micro insurance in terms of welfare fund to avoid side selling during the time of need. The methodology also provides a platform for social networks and capacity building at household level in terms of money management which is critical to enable the farmers increase and sustain their agricultural production, which will lead to improved food security, increased agricultural incomes and productive household assets hence consolidating the economic growth and resilience.

HOW VSLAs WORK IN UGANDA

A Village Savings and Loan Association (VSLA) is a group of 20-30 people who save together and take small loans from those savings at an interest. The activities of the VSLA run in 'cycles' of about one year irrespective of when it started, after which the accumulated savings and profits are shared out among the members according to the amount they have saved.

VSLAs are self-managed: The program staff (CBTs) will train VSLA members however they will never manage, write the records or touch money belonging to the members.

The first cycle of VSLA is a training and supervision cycle lasting at least 48 weeks. During the first cycle, the Groups will meet weekly to contribute their savings and take loans.

Members save through the purchase of between 1-5 shares every meeting. The share-value is decided by the VSLA members at the start of each cycle. At each meeting all members have the right to buy between 1-5 shares. The share value cannot change during the cycle.

Members contribute to a welfare fund, to be used for small grants or interest free loans when members are in distress. This is mandatory for each member to contribute since it will be accessed by every member to cater for emergencies at the time of need.

The loan fund is comprised of money contributed in the form of shares and loan profits from service charges.

All members have the right to borrow up to a maximum of 3 times the value of their savings.

The monthly service charge for loans is determined by the members at the beginning of the cycle, in the form of a percentage value that ranges between 5-15%. It cannot be changed during the cycle.

Loans are taken and repaid once every 4 weeks. All loans should be repaid within a maximum of 12 weeks (3 months) during the cycle. The borrower is free to pay in whatever amounts he/she wishes at each loan meeting, but must repay the total sum owing within the agreed-upon period.

All VSLA transactions are performed at meetings in front of all the members. To ensure that transactions do not take place outside VSLA meetings, cash and the record journal are locked in a cash-box secured with three padlocks. The three keys are held by three different members, none of whom is a member of the management committee.

Theft of boxes by outsiders is very rare, but members must take responsibility for security of the box.

All members have an individual passbook. Share purchases are recorded in the first half of the passbook using a rubber stamp. Loans are recorded in the back of the passbook. Loan fund and social fund (welfare fund) balances are noted by the record-keeper in a records journal and memorized by all members at each meeting.

SCHEDULE OF OPERATIONS

In the VSLA methodology, groups are trained by CBTs over a period of at least 48 weeks according to the schedule below.

Preparatory phase: This provides general information to prospective VSLA members. During this phase, meetings are held with the different categories of people that includes the group and village leaders, the agricultural group members and the finally the potential VSLA members that have self-selected themselves and ready to be trained in the methodology. The potential VSLA members will decide if they want to be trained and schedule the venue, time and dates.

Training phase: The CBT trains the VSLA groups on all the 7 modules. The trainings in a VSLA requires that the members are trained on all the sessions before the savings start to ensure the quality of groups. The training modules that the VSLA have to undergo include: Group formation and the general assembly, VSLA concepts, Leadership, Election of the leaders and internal rules and regulations, Introduction to VSLA records, Meeting procedures, conflict resolution and action audit. This may take a total of 4 training meetings depending on the time the VSLA members allow to sit for the trainings.

Intensive phase: During this phase, the CBT makes weekly visits to the groups to ensure that the trainings are being applied. This goes on for 16 weeks in the VSLA cycle. During these visits the CBT is expected to be close to the secretary to ensure that he/she enters the records as trained, observes the meeting procedures, the constitution if it's being followed and the VSLA principles if they are being adhered to by the members of the group. The CBT can then retrain the VSLA members on the concepts that he/she feels the group has not mastered well and also emphasizes the VSLA principles.

Development phase: The CBT visits the groups after every two weeks to give them a chance to manage their affairs. These will run for a period of 16 weeks. At this point the group members are being tested for independence as the CBT prepares them for sustainability. When the CBT visits the group, he/she will be reviewing the records that were entered the previous week to ascertain their consistency and accuracy.

Maturity phase: In the maturity stage the CBT will be visiting the group once in a month for the next 16 weeks. During the visits the CBT checks on the records and starts preparing the group for action audit. The CBT ensures that he/she empowers the members to do recoveries for the loans that have not been paid and also informs them to stop giving of loans due the short remaining period to action audit/share out. The savings continue in this period until the day of share-out. It's on this day when the group is finally trained on action audit.

Figure 1: VSLA training and supervision schedule

VSLA Training and supervision schedule																																																					
Preparatory Phase		Training phase				Intensive phase																Development phase												Maturity Phase																			
A	B																																																				
1-2 weeks		1	2	3	4	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
Legend																								Training Modules																													
A	Introduction of VSLA to farmer group				1- Group formation and the general assembly																																																
B	First meeting with newly formed VSLA				2- VSLA concepts																																																
	Training of the new VSLA group				3- Leadership																																																
	Weekly visits by the CBT				4- Election of leaders and development of the internal rules and regulations																																																
	Bi-weekly visits by the CBT				5- Introduction to written records																																																
	Monthly visits by the CBT				6- Meeting procedures																																																
7- Conflict resolution and action audit																																																					

Note: During the meetings the CBT ensures that the VSLA principles are adhered to and the records are neatly being recorded. At the point of the supervision the CBT also collects the data for reporting. During the maturity phase the CBT starts preparing the group for action audit.

PREPARATORY MEETINGS

The preparatory phase precedes the training of VSLAs. These meetings are conducted at three different levels that includes meeting with the leaders of the groups and local leaders, meeting with the agricultural group members and the potential VSLA group members. The purpose of these meetings include:

- To obtain permission by local authorities and group leaders to work in a particular area and to enlist their support in organizing group meeting to outline how the programme and the VSLA methodology works.
- To describe to the agricultural group how the methodology works and how it may support in access to financial services facilitate the procurement of agricultural inputs and other household necessities.
- To provide a detailed description of how a VSLA works to the members of the agricultural group who have accepted to embrace the methodology, what people have to do to participate and what the CBT promises to do.

Figure 2: Preparatory meeting levels

<i>Type of meeting</i>	<p align="center"><u>Meeting A</u> <i>Supervisor orient local leaders and agricultural group leaders</i></p>	<p align="center"><u>Meeting B</u> <i>CBT introduces VSLA to the existing agricultural groups</i></p>	<p align="center"><u>Meeting C</u> <i>First meeting of CBT with newly formed VSLA groups</i></p>
<i>Content</i>	<ul style="list-style-type: none"> <input type="checkbox"/> Introduction of the CBT to the leaders. <input type="checkbox"/> Target group to be served <input type="checkbox"/> Services offered. <input type="checkbox"/> Role of local leaders and farmer group leaders. 	<ul style="list-style-type: none"> <input type="checkbox"/> How the methodology works. <input type="checkbox"/> How interested individuals can form VSLAs <ul style="list-style-type: none"> • Principles • Best practices • Concepts 	<ul style="list-style-type: none"> <input type="checkbox"/> Step-by-step description of how VSLA works <input type="checkbox"/> Qualities of good members <input type="checkbox"/> VSLA and CBT obligations <input type="checkbox"/> Training schedule <input type="checkbox"/> Date and place for first Training
<i>Comments</i>	<p>This meeting involves the local leaders and the farmer group leaders before reaching the groups.</p>	<p>Open meeting. Any member of the farmer group can attend.</p>	<p>Attended only by people who are committed to joining a VSLA and who show this by having formed themselves into a group</p>

Meeting (a): The trainer orients local leaders and agricultural group leaders

The programme should inform government administrators and line departments at different levels about what it wants to do. Usually this will start at the district (or its equivalent), and continue downwards from there to the targeted local community. This may take more than one meeting.

Most important will be group level leaders that will arrange for meetings with the members. These are the people who can arrange group meeting and who can contact the farmers.

What is covered in this meeting?

- The Supervisor introduces him/herself, the NURI programme and the implementing organization and also introduces the CBT and all other programme staff
- Programme purpose and goals: which is to *enhanced resilience and equitable economic development in supported areas of Northern Uganda, including refugees and refugee-hosting communities*. The NURI program has three major thematic areas which are:
 - Increased agricultural output of small-scale farmers
 - Agriculture-related rural infrastructure renovated or construction using labor intensive approaches
 - Agriculture-related physical and natural water infrastructure constructed or made more resilient to climate change

Why the smallholder farmers

Farming is the backbone of the Ugandan economy with over 65% of the population practicing subsistence agriculture.

95% of these are smallholder farmers who do not have collateral to acquire loans from formal financial institutions to support procurement of inputs. VSLA therefore comes in handy to provide access to small loans without collateral but using the approach of group guarantee and trust. These approach is also used to build the knowledge of the farmers in financial management.

What is VSLA?

VSLA is a group of self-selected and governed group of people usually between 20-30 members who come together to save and take loans on a regular basis. The activities of a VSLA are usually done between 8-12 months after which the accumulated savings and profits are shared out among the members according to the individual amounts saved.

VSLA is one of the programme intervention under the first output which is to increase agricultural output of the smallholder farmers.

VSLAs will provide:

- The opportunity to save and borrow flexibly as they need, and make attractive profits on their savings. The rural farmers will find that VSLAs meet most of their needs for savings and credit, because there are no problems of high minimum deposit requirements, hidden charges, complicated procedures, or difficulty in accessing loans.
- VSLAs can assist members in case of death, disease or natural disaster; local money lenders may not be willing to provide this service to the poorest.
- VSLAs help members build self-respect, self-confidence, self-reliance and resilience.

How the VSLA works

- Members determine contributions that can be equal or may differ i.e. 5 times of the agreed share value
- A VSLA offers members the opportunity to save, to borrow and participate in small-scale social insurance pool
- Loans must be paid back with interest based upon the agreed internal rules and regulations
- Accumulated savings, interest earning and fine are distributed to the members once a year in proportion to their savings

Note: *The trainer pauses and ask the leaders if they have any question which he/she will address confidently.*

History of the programme and of similar interventions which have been very successful in the region where the CBT will be implementing the VSLA. More than 90% of VSLAs succeed and remain together for several years.

VSLAs are taught to manage their own activities over a cycle of eight months to one year. A CBT will attend most of the group's meetings to train and assist them. After the first cycle, the group manages its own affairs.

Throughout the cycle the CBT will select people from the VSLAs they have started to be trained intensively to carry on with the group activities after the first cycle.

The CBT promises the following to the community:

Reliability

Integrity

Establishment of a sustainable VSLA service groups that enjoys community support and has an important economic impact. All members of the community especially women, youth and refugee communities in particular are expected to benefit.

What the trainer needs from community and group leaders:

Permission for the CBT to work in the area

Mobilization of the agricultural group members to attend a meeting, at which the VSLA methodology will be explained and members invited to participate

Feedback: The trainer/CBT should take questions and ask for feedback.

Group meeting arrangements: The CBT notifies the group leaders that their groups have been identified already but they need to reorganize themselves to participate in VSLA, therefore the CBT makes sure that he gets the contact, the meeting time and a date to enable him meet the members. The group meeting should bring together all the agricultural group members. The place, time and date of the group meeting should be agreed at this point so that the CBT can schedule an appearance.

Meeting (b) Introduction of VSLA to the existing agricultural group members

This should be done with all the farmer group members which is arranged by the group leaders in advance. There will be many questions during this meeting. The goal of this meeting is to generate interest, so that many potential groups' members can come to meeting in (c)

Step 1: The CBT introduces himself to the members present for the meeting

Step 2: Define and explain the purpose of this meeting which is to create awareness and get commitment of the interested members to participate in the VSLA activities.

Step 3: The CBT will briefly explain what is involved in VSLA methodology and he/she will explain the following

Key principles of the VSLA methodology.

The basic principle of the VSLA methodology are that:

- Members are self-selected, group members save money, which is the source of loan capital from which they can borrow. The group uses internally generated funds, thus there is no external funding.
- VSLA are made up of as few as 20 and as many as 30 members. Membership is open both to women and to men. If groups are larger than 30 members, they are encouraged to divide into smaller sub-groups.
- VSLAs are autonomous and self-managing. This is fundamental to their mode of operation and objectives. A VSLAs goal is institutional *and* financial independence.
- VSLAs are comprised of a general assembly and a management committee. The general assembly is the supreme body from which the management committee is elected and from which it derives its authority. Each member has only one vote.
- VSLAs have 5 elected committee members, a chairperson, secretary, treasurer and two money counters. They are subject to annual re-election at the start of a new cycle and may be removed at extraordinary meetings. At least two of the committee members should be female and in the case of mixed groups, the refugees should part of the committee.
- VSLAs in Uganda meet on a weekly basis, but can revisit their operations after their first saving out (action audit).
- All transactions are carried out at meetings in front of the group, to ensure transparency and accountability. This also ensures that all the members are able to witness who has saved and who has not, who has borrowed and who has not and what this means in terms of net worth.
- The group uses a lockable cash box to prevent unauthorized cash movements and risks of tampering with records. The cash box also ensures that transactions do not take place outside group meetings.
- The cycle of savings and lending is usually between 8 to 12 months. At the end of this period the accumulated savings, interest earnings and earnings, are shared out amongst the membership in proportion to the amount that each member has saved throughout the cycle.

- All groups keep records, the groups keep simple written records and also memorization to ensure that they reconcile during the meeting.
- VSLAs agree on a set of rules, or a constitution, to guide their activities. A group constitution provides a framework for governance, dispute resolution and disciplinary action and secondly to specify how a welfare fund will operate and the terms and conditions of savings and lending.
- VSLAs give out loans for productive purposes to members only. The size of a loan available to a member is linked to the total value of his/her savings (3 times of the member total savings). Interest is charged on loans and falls due every four weeks/month. Members of a VSLAs agree on the minimum value of savings. For example, a group may decide to save a minimum contribution ranging from Ugx 200 to Ugx 1,000. A member is allowed to save a maximum of 5 times of the saving value determined by the group. This helps to avoid individual dominance in the group
- Besides savings, VSLAs members contribute money for the welfare fund. Members agree on a regular, fixed contribution, with everyone contributing the same amount. The welfare fund can incorporate a number of purposes: emergency assistance, educational costs for orphans, funeral expenses etc. To accommodate this, it is important to understand that the welfare fund is set up to cover expenses that cannot be exactly predicted. It is not the purpose of this fund to grow, but to be set at a level that covers costs.

Step 4: The CBT then tells the assembly that he/she will return to the group at an agreed time to members interested and will then make training arrangements. Those who are interested must form groups of between 20- 30 members before Meeting (c).

The CBT stresses the following before closing the meeting:

- Members must know and trust each other
- Leaders are not elected until after training begins

The CBT will conclude the meeting by telling the agricultural group members that for those who are interested in forming VSLA groups, they should come for the next meeting.

Meeting (c): First meeting with potential and newly formed VSLA group

This meeting is only attended by people who are interested to be in a VSLA and who have already gathered in groups of 20-30 people who know and trust each other.

What to explain:

The CBT describes the principles of a VSLA: ensure that more emphasis is put on the VSLA principles so that the members what it's supposed to be like when the cycle starts. This will help in excluding those that are not serious in participating in the VSLA activities.

Note: Key principles of the VSLA methodology (refer to meeting b).

CBT discuss how savings will be mobilized by the members

- Sell labor
- IGAs (Income Generating Activities)
- Donations
- Sell of agricultural produce

Members must be aware of the qualities that are needed in a member. So the CBT reviews the qualities of a good member, and suggests that anyone who is not able to meet these standards should probably not join. Good members will:

- Know each other and be from same community
- Not live too far from where the meetings will be held
- Have a reputation for honesty and reliability
- Be able to attend all meetings
- Attend all meetings on time.
- Follow all rules
- Have a cooperative personality. Someone who is known to create conflict should probably not join
- Be able to buy at least one share each week
- Be able to repay loans on time
- There is only one member from the same household. It is better if members from the same household join different VSLAs

The CBT explains that there are 7 training modules:

Session 1: Group Formation and General Assembly

Session 2: VSLA Concept

Session 3: Leadership.

Session 4: Election of Management committee and development of group bye-laws/Internal regulations

Session 5: Introduction to written Record-Keeping

Session 6: Meeting Procedures

Session 7: Conflict resolution and Action Audit

NOTE: The CBT and the new groups arrange a time and a place for the first training.

SESSION 1: GROUP FORMATION AND GENERAL ASSEMBLY

Sessions objective

- To help the members understand what a group is and how they can form a strong group.
- To make the group members know what their roles and responsibilities are towards management of the group.

Key points to talk about

- Differentiate between a group and a gathering.
- Emphasis the characteristics of a good member, their roles and responsibilities.
- Define the general assembly and emphasis their role in the management of the VSLA group.

Step 1: Recap of the previous session/discussion; group mobilization. The CBT introduces the topic of group formation and general assembly and also defines the terminologies.

- Group
- Group Formation
- General assembly

He/she can draw from the past experience and stories and start the real training.

Group formation

Step 2: The trainer starts by reminding the group of the preliminary meeting, at which the trainer/CBT met the prospective group for the first time. The trainer then asks the members to suggest other characteristics that are important in a member of a VSLA. As the suggestions are made they should be noted by the trainer/CBT for reference. Try to ensure that the following characteristics are mentioned:

- Trustworthy and honest
- Responsible and mature
- Not argumentative cooperative
- Not afraid to contribute to discussions
- Open to other people's ideas
- Respected in the community
- Patient and a good listener
- Fair and just
- Considerate of others
- Not an alcoholic
- Have time to spare for group meetings
- Confidence in each other
- A knowledge of the character of all of the members
- A cooperative personality

- The ability to save regularly
- The ability to repay and treat loans seriously

Note: The trainer/CBT should avoid suggesting that people who are present should start to comment on each other's characters and capacity. It is important for the members to become further aware of what it takes to work successfully as a member of a VSLA and, if they feel they are not qualified, to voluntarily withdraw. The CBT should ensure that the members don't register their children or proxy to save in the group

Roles of effective VSLA members.

- Developing clear savings goal and plan.
- Save in every meeting.
- Regularly attend group meetings.
- Adherence to the group by-laws/ constitution.
- Proper assessment of members before loan approval.
- Guaranteeing each other during access of social fund and loan.
- Using loans for the intended purpose and making timely repayment.
- Monitoring loan use by the group members.
- Effectively participate in resolving conflicts within the group.
- Participation in assessing management committee performance and holding leaders accountable for their actions.
- Developing self-esteem self-respect and self-confidence among the members.
- Keeping group secrets.
- Lobbying and advocating for the group.
- Maintaining harmony and excellent relationship with other VSLA within the parish or sub county.
- Counseling members on issues relating to agriculture, business management and ethics.
- Election of transparent, accountable and competent/skilled management committee
- Provide social support to each during happy and hard moments.
- Encouraging each other to regularly attend meetings and save maximally.

Step 3: The trainer/CBT emphasis that VSLAs can fall apart if members do not possess these qualities and take on the roles. He/she should stress that members must have a need to save money as their principal objective, because this contributes to their personal and family security. He/she then tells the group that members should think hard about whether or not they want to carry on as members of the group. If they decide that they do not, no-one will think worse of them, and they should withdraw privately before the next meeting. The trainer/CBT must point out that withdrawal should be a matter for the individual and not for the group to decide, because this can cause divisions between people who might fit perfectly well into other types of group activity.

Definition of a group

Step 4: The trainer or CBT starts by asking the participants what a group means to them. How do they work? What are their experiences of working as a group?

Note what the participants say and if possible, relate it to the criteria of VSLAs and then direct the discussion towards concrete examples in order to generate a definition of a group. The trainer/CBT should ensure that through the discussions, the participants understand that.

A group is an association of people who agree to combine their resources in order to attain a common objective.

The trainer then asks the group whether there is a difference between a group and a gathering. The following characteristics should be able to emerge through discussions

Table 1: Difference between a group and a gathering.

A group	A gathering
<ul style="list-style-type: none">• Longer term• Members have the same goal and sub-goals• members conduct their activities together• Has leaders and rules/regulations• Members manage conflicts and solve problems together• Members have a bond of solidarity• Has a limited number of members• Allows exchange of knowledge	<ul style="list-style-type: none">• Temporary• Very specific objective• Different activities can take place at the same time• The participants may not see each other again after a gathering• Dissolves as soon as a problem arises

A demonstration

The facilitator, having collected some sticks as local material, should ask two participants to come and do some demonstration. Give one participant just one stick and give the second participant about six sticks. Now ask each of them to try and break the sticks. The one with many sticks should put all the sticks together and then break them.

Ask the participants what they have seen and what lesson they get from the demonstration? Relate it to the strength of being in a group.

General Assembly (GA)

Step 5: The trainer/CBT tells the members that from now on they will be considered to have formed a VSLA and confirms with the name that the group has been using and notes it down.

The trainer/CBT affirms to members that they belong to another group. The trainer/CBT then asks the members to discuss what makes a successful and an unsuccessful group. The trainer/CBT puts the responses up on a flip chart and seeks to emphasize the responses that focus on a well-informed and empowered general assembly and good leadership. He/she then says that the group will first of all try to explore the role of the general assembly.

Step 6: The trainer/CBT explains the definition and role of the general assembly. The trainer/CBT can discuss the role of the general assembly as the supreme body of the VSLA. Using the Government as an example, the government runs the country it can only do so because the people have elected it. If they think that the government is not doing its job properly then the government can be dismissed through an election. Quote a recent case in which a government (preferably not the national government) lost office and another came to power as an example. The trainer/CBT points out that:

- All members of the group are members of the general assembly
- The general assembly elects the management committee (chairperson, secretary, treasurer and money counters). The management committee is accountable to the General Assembly. All participants have the same rights in the group. In voting, the rule of “one person, one vote” applies. All members have the right to vote and to be elected to the management committee of the group.
- The general assembly, not the management committee is responsible for setting the rules and regulations of the group in a written constitution. The management committee is empowered by the general assembly to enforce these rules.
- The general assembly is responsible for the work of the committee that it puts in place. If the committee does not do its work well, the general assembly may replace it. Only the general assembly can do this. If the constitution of the group and the rules it contains are not respected, the general assembly can choose to organize a special meeting where the problems can be discussed and decisions taken to correct the problem. This can include replacement of members of the management committee whom the general assembly agrees are not performing their jobs properly.
- All the members have the right to propose an issue to be discussed in a meeting, and to demand that it be discussed. These discussions take place after the savings and loan activities are completed. It is equally possible for any member to call a special meeting. Majority rule must prevail in all decisions made.

Summary and conclusion:

The trainer/ CBT summarizes all that has been said and asks the participants to state the most important points of the meeting i.e. importance of saving in a group, characteristics and roles of members, likely challenges, roles of the general assembly. Give them an opportunity to ask questions on how to conduct a training of this session. Remind them of the dos and don'ts.

Closing remarks emphasizing the importance of this session in forming a strong VSLA

Step 7: Inform them of the next session (VSLA concept). He/she announces the topic of the following meeting so that the participants can think about it in order to discuss it next time. He/she thanks the participants for their participation and closes the meeting.

SESSION 2: LEADERSHIP

Key points to talk about

- Define for members who a leader is and what the characteristics of a good leader are.
- Take them through the stories so that they are able to see the importance of having good leadership in the groups.
- Tell them the different leadership positions in a VSLA groups, their different qualities, roles and responsibilities in management of the group.

Step 1: The trainer starts by telling the members the objectives of the session:

- Understand what a leader is
- What are the different leaders in the VSLA group?
- What are the qualities of the different leaders in the VSLA group?
- The purpose of this session is to enable trainers understand the why it is necessary for a group to have a management committee, its role and responsibilities, and qualities of a good committee member for the respective offices.
- Also to appreciate the importance of internal regulations in VSLA and how the group is facilitated to formulate them.

Leadership of the Group

Who is a leader? The trainer/CBT asks what types of leaders are to be found in the community and makes a list. He/she then asks what types of leaders are needed to manage a VSLA group. This is likely to result in **chairperson, secretary and treasurer**. The trainer/CBT then says that because money is involved it is necessary to have at least two people verifying the amounts that are contributed and issued as loans. He/she reaches consensus on the need for **money counters**.

***Definition of a leader:** A leader is the person in charge and convinces others to follow the set rules and procedures. He/she influences others to achieve a certain goal.*

Step 2: The trainer/CBT then reads the following stories (below) and will try to draw out from the participants the conclusions. The stories presented provide the trainer/CBT something to work with. The trainer/CBT is free to use other stories that underscore the points he/she is trying to convey to the group.

Story 1

Topic: The importance of creating a management committee, the importance of each member's responsibilities and following a set procedure for meetings.

In the community of Gimara the participants decide to form a VSLA They felt that because they all knew each other there was no reason to elect a management committee. After a few meetings the members tried to speed up meetings and allowed people to come and go as

they needed, so long as money was deposited to the collection bowl. A member of the group volunteered to keep records and they agreed that any spare cash would be kept in a safe place by a trusted widow.

At the next meeting there was disagreement as to how much money was owned by the group, because the money brought by the widow did not correspond to what the person keeping records claimed should be there, and when different people tried to count it the total was always different. Some members got angry and started to shout at others, who got upset and left the meeting. The sub-chief had to be called to restore order and to try and find a solution.

Conclude the discussion emphasizing that any successful group needs a management committee.

Story 2

Topic: *The importance and description of roles, responsibilities and qualities of group leaders*

This is the story of the VSLA in the village of Odravu. The group members elected the daughter of a well-respected local sub-chief, a very honest, reliable but timid woman, as chairperson. The trainer/CBT tried, without success, to explain that the role of chairperson demanded dynamism; that he or she had to know how to organize and run meetings, and to maintain order and handle conflicts. The chairperson also had to be able to represent the group to outsiders and non-members. Later, the members of the group changed the chairperson themselves, but were delayed in their savings and loan activities, as the new chairperson had to be trained.

Pose a question to the participants. How could this situation have been avoided? Let the participants generate the answers as the CBT keeps noting them down. This story should help the participants to define the characteristics necessary for each member of the management committee.

Step 3: The trainer/CBT points out that each position calls for different qualities and asks the group to discuss what the qualities and responsibilities of each committee member ought to be. The trainer/CBT tells participants that; (the lesson here is that this person might have been very good as a treasurer, but not as a chairperson).

Conclude the discussion highlighting that there is need to clearly consider roles and responsibilities of a given leadership position before electing people into office.

Table 2: Qualities and responsibilities of the VSLA chairperson

Qualities	Responsibilities
<ul style="list-style-type: none"> • Respected • Dynamic and visionary • Trustworthy • Fair and capable of being neutral • Strong personality, but not autocratic • Tactful • Listens to others and takes their opinions into account • Patient • Organized • Punctual • At ease speaking in front of others • Capable of summarizing the views of many people 	<ul style="list-style-type: none"> • To call the meetings to order, announce the agenda and lead discussions • To maintain discipline and levy fines as needed • To ensure that the meetings follow proper procedure (especially with respect to welfare fund, savings/saving and loan procedures) and that the constitution is followed and respected • To represent the group to outsiders and non-members. As needed to provide a brief history of the group and its performance • To facilitate discussion of issues raised by the general assembly and to ensure that everyone's views are listened to. • To facilitate solutions to conflicts between

Table 3: Qualities and responsibilities of the VSLA secretary

Qualities	Responsibilities
<ul style="list-style-type: none"> • Literate and numerate and capable of maintaining the group accounts and the member saving passbooks • Trustworthy • Reliable • Intelligent • From a respected home, reputed for honesty • Available for specialized training by the trainer/CBT • Punctual 	<ul style="list-style-type: none"> • Ensures that all financial transactions concerning welfare fund, savings and lending take place in front of the group members, in the correct order and through the money counters • Records all attendance, welfare fund, savings, fines, loan and cash book transactions. • Makes all member saving passbook entries and signs when loan repayment is completed • Provides a summary of the financial state of group affairs at every meeting • Takes the minutes of the meeting, if required • Assists the trainer/CBT to update his/her records during monitoring visits

Table 4: Qualities and responsibilities of the VSLA treasurer

Qualities	Responsibilities
<ul style="list-style-type: none"> • Numerate • Trustworthy and with a strong character (likely to resist temptation) • From a family with a good reputation • Lives in a secure house • Reliable and responsible 	<ul style="list-style-type: none"> • Keeps group records and money safely at home in the cash box. • Produces the cash box containing group records and surplus cash at every meeting. • Enters the saving contribution stamps in the member saving passbooks

Table 5: Qualities and responsibilities of the VSLA money counters

Qualities	Responsibilities
<ul style="list-style-type: none"> • Numerate • Trustworthy • Calm and organized 	<ul style="list-style-type: none"> • Verify all movements of money both in and out of the cash-box. • Count the money during each cash-box/pouch operation (welfare fund contributions, savings contributions, loan reimbursements, fine collection, loan disbursements) • Inform the secretary of each transaction so as to facilitate record-keeping • Assist the secretary in resolving any discrepancies between the group's records

SESSION 3: ELECTION OF LEADERS & INTERNAL RULES AND REGULATION (IRR)

Key issues to talk about

- For successful management of the groups, it's very important to guide the groups to choose leaders that will be in position to take on leadership of both agricultural and VSLA activities.
- Guide members that the election will be secret ballot using the available local materials as ballot papers to avoid conflict within the group in case someone votes otherwise.
- Ensure that at least 2 women are elected into the leadership position. The positions should be only money counting.
- Take the groups through the stories to enable them appreciate the importance of the constitution in the management of the groups.
- Guide the group to develop a constitution that supports both the agricultural and VSLA activities as indicated in the format attached in **annex 2**. Use a language that can be understood by all the members to write the constitution so as to enable them make reference incase the secretary is not available.
- After development of the constitution, ensure that all members of the group sign and it's kept in the box for easy reference.

Step 1: Start the session by recapping the previous session. Tell the participants the objectives of this session.

- To ensure the group elects the members to the leadership positions in regard to the VSLA
- To ensure that the group develops the constitution that governs their operations.

Introduce the topic and the purpose of having leaders and IRR in the group. Allow participants to share experiences on where and how internal rule and regulations are formulated. Emphasize the importance of IRR in a VSLA. Internal rules and regulations is an individual group's instrument that is self-generated thus owned.

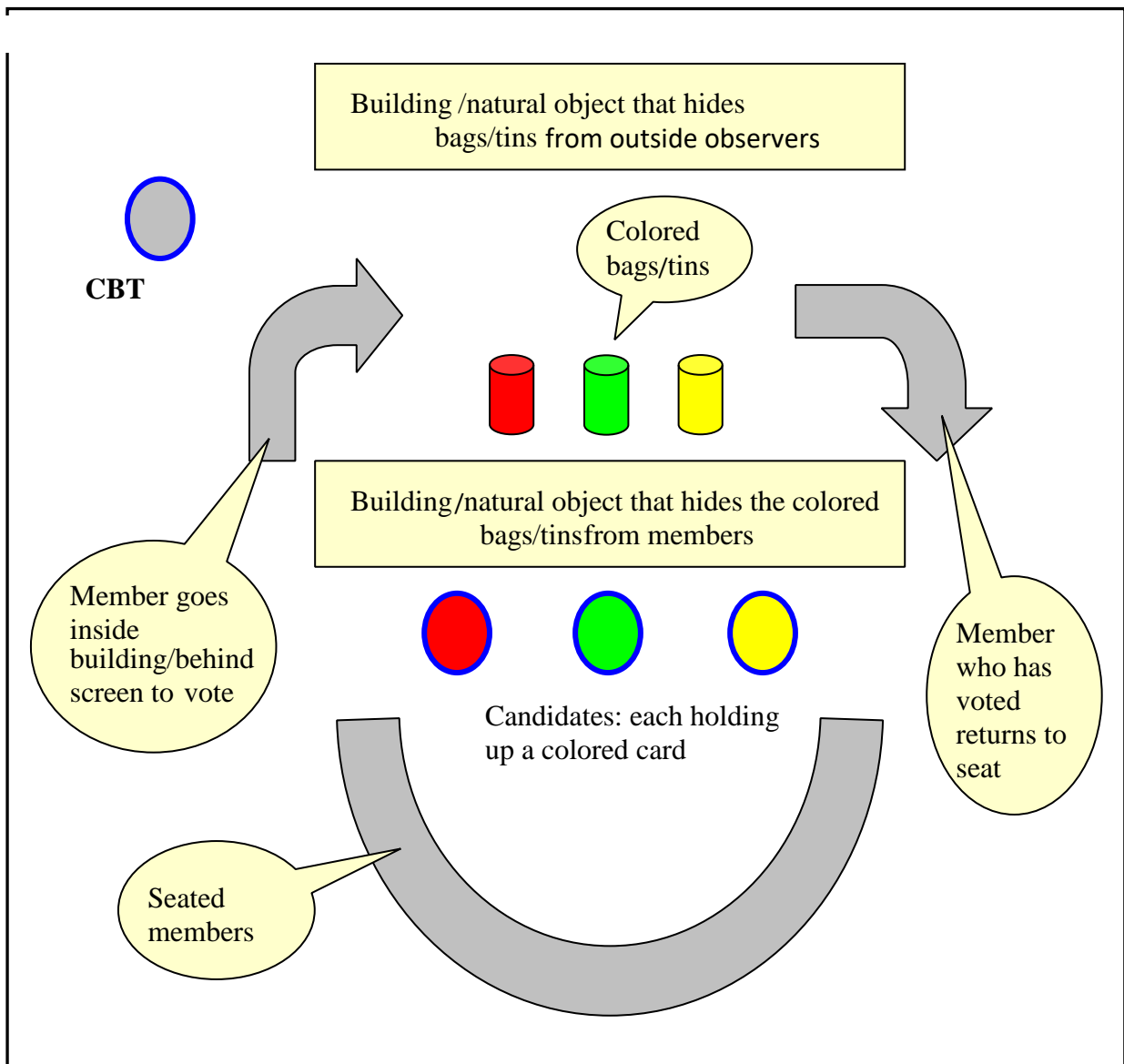
Election of Leadership

Step 2: The trainer/CBT will remind the group that they are supposed to hold their election of the committee in this meeting. She/he will ask them to list the positions discussed in the previous meeting and then tells the members that they need to nominate people for each position, starting with the chairperson. He/she should explain that nominations can be made by anyone and if a person is nominated then that person has to agree to stand for election. If they do not wish to be considered for the position, they should be free to refuse and not be pressured to do so. It should be stated that the minimum number of people nominated for each position should not be less than two, so that a genuine choice is available to the members. In a mixed group, the trainer/CBT should

remind the members that at least two of the members of the management committee should be female and not only be elected as money counters. **Also ensure that the women participate in the management of the group by electing at least 2 women to the management committee.** It's recommended that women take up key positions in the group management.

Step 3: The trainer/CBT facilitates the development of names for election to each office and advises them to carry out the election using a secret ballot. The members are told that each candidate is represented by one colour box. Each person is given a small stone and, in turn, goes to the boxes and, hidden from the members but under the eye of the trainer/CBT, deposits a small stone in the box of his/her choice. When all of the members have voted the trainer/CBT confirms that the number of stones is equal to the number of members and declares one person the winner. When the number of votes for each candidate is the same, the group is encouraged to discuss the qualities needed in a candidate some more and vote again until a result is declared.

Figure 3: VSLA Election procedures



Conclusion: The trainer/CBT concludes stressing that elections are not a one-time thing and that they must be held at the intervals laid out in the constitution. If elections are not held, members may feel that they are being dominated by a few leaders who do not have to explain things to the members. By having regular elections, the group leaders are reminded that they need to serve the members if they want to keep their position. Everyone is reminded by this that the general assembly is the supreme body of the group.

Note: Then the trainer/CBT will show the group the type of heavy-duty cash-box lockable that the project will have had manufactured. The trainer/CBT explains that the cash box will be held by the treasurer, whose sole responsibility is to safeguard it between meetings. The cash box is fitted with three locks and the keys held by selected members of the general assembly. This means that when it is locked at the end of the meeting and carried away by the Treasurer, he/she cannot open it because none of the keys will be in his/her possession.

Step 4: The trainer/CBT shows the members the entire kit that consists of: lockable cash box

- 3 padlocks with 3 keys
- 1 Counter book
- 1 pre- customized VSLA ledgers
- 1 Stamp (ink) pad
- 1 Ink pot
- 2 pens (red and blue)
- 1 Pencil
- 1 long ruler
- 1 rubber
- 4 plastic bowls
- 1 exercise book
- 1 Stamp
- 30 member Passbooks
- 1 Calculator
- 2 small string bags
- 1 calendar

He/she hands the kit over and allows them to verify the items in the box then tells the group that it has been paid for by the program. He/she also emphasizes that the counter book will be used to document the internal regulations yet to be set.

Internal regulations development

Notes to the trainer

Be prepared to spend a lot of time on this. For some groups it may take two sessions instead of one. Allow the members to discuss and agree on a common position before writing it into the constitution.

Step 5: The trainer/CBT asks the group who has been elected to office. He/she calls them out, one by one, and places them facing the general assembly, preferably behind a low table. By doing this he/she is emphasizing that the group now has leaders who will start to play a role in conducting its activities from now onwards. He/she then asks what was remembered from the previous session and notes and discusses any changes in the membership (anyone who has dropped out). He/she asks the six people who were asked to remember the titles of the various sessions what they were and asks the general assembly if the answers were correct. He/she then announces the objectives of the present session, telling the members that the goal of the meeting is to understand the importance of having bye-laws/internal regulations to guide them in running the group. The members must understand that they create the regulations for themselves, and can modify them in the general assembly (GA) if they prove to be incomplete or ineffective. Once the bye-laws/ internal regulations are established and even if some members of the group cannot read and write, they should be written, signed by all members and put in the cash box where it is available to everyone for reference. This builds confidence amongst the members that there is a record that can be referred to in times of crisis or dispute. To ensure that the regulations will not be forgotten as the meeting proceeds, the trainer/CBT will ask each member to remember one or more regulation and to recite them during the following meeting so that the others will remember them. Little by little as the participants internalize the rules, they can use them, discuss them and eventually change them. Even if the group is literate this is a useful solidarity-building exercise and a practical way of raising consciousness about the group's governance.

Step 6: The CBT tell the members that the Bye-laws/Internal regulations of an organization normally cover issues that say:

- What are the goals and purpose of an institution?
- Who owns the institution
- Who governs it and
- How the people who govern it get their authority from the owners.

A VSLA is owned by its members and it elected leaders to run its affairs. The bye-laws/internal regulations need to say how this happens. The CBT tells the members that a VSLA bye-law/internal regulations differ from those of most businesses, Non-Governmental Organizations (NGOs) or political organizations. It contains more than just information relating to ownership, authority and election procedures. It also covers the policies that relate to the welfare fund, savings and loans and how the group shares out its savings and assets at the end of the operating cycle. **It's important that the groups have one constitution for both the agricultural activities and the VSLA. It's therefore vital to ensure that the groups develop and integrated constitution that includes how the agricultural activities will be run.**

Step 7: The trainer/CBT asks the question; what are rules? Do you have rules in your homes or communities? State any examples of rules you have in your community or families. He/she then facilitates a discussion in which he/she moves towards the definition of IRR.

Definition of internal rules and regulations (IRR): Internal regulations are principles and procedures that describe what the group wants to do, how it will be governed and how the

people who govern it will be elected and what their powers will be. They can also be in a document that lays out the rules, or policies that cover the way its activities (Welfare Fund, Savings and Lending) are implemented.

Step 8: The CBT/trainer then tells the following stories and tries to draw the reaction of the participants. The aim of the stories is to show the importance of internal regulations

Story 1 Sarah borrowed US\$ 10,000/- from the group. The total of her deposits is US\$ 1,500/-. She has died. What should be done?

Conclude by informing the group that they need to set rules addressing such situations ie Ratio of savings to Maximum loans approved & member's death with a loan balance.

Story 2

In the Ma Ecora group, each woman has saved US\$ 3,000. Kadija, however, has only deposited US\$ 1,500. As the holidays are approaching, the participants have decided to each withdraw US\$ 2,000 of their savings. Should Kadija be allowed to withdraw US\$ 2,000 like everyone else? What arrangements should be made in similar cases? **Conclude by informing the group that they need to agree upon cash withdrawal from individual savings.**

Story 3

Juma is a member of the Aliowaku group. He rarely attends meetings, but regularly sends his deposits. Today, Friday, is the funeral of his daughter's first child. It is also the group's meeting day. As usual, he has sent his/her US\$ 100/- deposit with his neighbor, but he also asked for a loan of US\$ 10,000 to prepare food for the funeral. The week before, the group decided to modify the internal regulations. According to the new rules, the participants rejected Juma's request for a loan, and returned his/her US\$ 100/-. Why? What happened?

Conclude and inform members that they need to set rules on how deal with certain behaviors and by-laws amendments.

Story 4

Topic: Security of the group's Property. The CBT/trainer tells this story at this point to illustrate the dangers of not having a lockable cash box.

The members of United Workers' group entrusted the group's money and records to the treasurer, who was a woman with a reputation for honesty. She took the money home in her handbag and always showed up to meetings with the records and with the small amount of spare cash left over after previous meetings. After six months the group's funds began to get quite large. They had a net worth of US\$ 1,230,000 when loans were counted together with cash on hand. The money was enough to meet most people's needs and the treasurer found that she was holding on to US\$ 250,000 in a cupboard in her house. Her husband demanded to use a few thousand shillings for his building business and paid it back, without paying any interest. Later he took US\$ 50,000, to buy materials but met some friends and drank with

them, using up US\$ 20,000 of the funds, which he could not pay back. The treasurer was desperate, and to try and hide this, she altered the records, but the secretary of the group noticed the alterations and accused her of forgery and stealing the group's money. She confessed what had happened and was allowed to remain in the group, but lost her job as treasurer and her family's reputation was badly affected.

What do you think the group should have done to avoid these problems?'

Step 9: The trainer/CBT asks the group the question, 'What is the supreme body that controls the VSLA? It is likely that the participants will say that this is the management committee, but he/she reminds them of session 1 and draws out the answer that the General Assembly holds ultimate power. He/she goes from this to say that although the leaders have been elected, they have not actually been given any tasks so far (except calling the meeting to order and reminding the members of the contents of the last training meeting). *This is because there is no Bye-law that gives them any authority.* The purpose of this part of the meeting is, then, to set out rules and procedures that they will then be empowered to implement/enforce. They can enforce the rules because the members of the General Assembly have agreed on the rules and the right of the leaders to enforce them.

Step 10: Ask the members to suggest what sorts of things will be needed in their bye-laws/internal regulations. List them on a flip chart and make sure that the following are listed.

- Basic information on the group?
- What the purpose of the group will be?
- What services it will offer its members?
- Who can belong and who cannot?
- What is the governing body and who will serve as leaders on the governing body?
- How will the leaders be elected?
- How will leaders be removed?
- How often will the group meet?
- How will members leave the group?
- What happens in the case of death of a member?
- What will constitute an offence for which members can be punished?
- What sort of penalties can the Management Committee impose for what offences?
- How will members save and borrow?
- How will a Welfare Fund be established and run?

Step 11: He/she explains that when a member comes to a meeting he/she will save up to a maximum of five times the initial savings value and that this can change from meeting to meeting. The trainer/CBT gives the example of a group that decided to set a savings value at US\$ 200 and allows each member to save between 1 and 5 times the savings value (US\$ 200) at each meeting. This means that a member can save US\$ 200, 400, 600, 800 or 1,000 at each meeting. The trainer/CBT explains that the group will record the actual amount of money paid, but that each person will be provided with a personal member savings passbook. The trainer/CBT shows the group a blank passbook and says that the member passbook will be the property of each person and will be given to the secretary at the time of making

contributions and for each savings made, a rubber stamp bearing the group's symbol will be used with the number of stamps entered into a member's passbook being equal to the number of savings made. Thus, if a person contributes US\$ 400, two stamps will be entered, or if the member contributes US\$ 1,000, 5 stamps will be entered. The trainer/CBT demonstrates this by stamping a number of savings in the blank passbook, using the group rubber stamp. The trainer/CBT points out that it will be much easier to count up the number of savings made (when it comes to figuring out each person's number of savings) than trying to add up different sums of money written in a ledger, because the risk of making a mistake (especially with currencies that have thousands of units for a small value) is much less. Because each person will have a passbook with their savings stamped in, this guards against group's decision for later inclusion in the written internal regulations. Mistakes, or fraudulent entries being made in the savings ledger. The trainer/CBT points out that in the event that written records and member savings passbook stamps do not agree, the savings passbook record will be considered to be the valid record. **Note: To avoid this ensure that the treasurer reconciles the entries with what the secretary has entered.**

Step 12: He/she points out that the group should allow people to save according to their means, so that people with more money can save more and help the group's loan funds to grow more quickly however once a member misses to save this week no entries will be allowed in the following week.

When group members contribute the same amount, this may contribute to feelings of solidarity, but this limits the amount that is saved, because the better off members cannot save what they would like. It also means that when there is a lot of money available, such as after harvest, even poor people cannot save more than usual, even if they want to. The trainer/CBT points out that no one tells a person how much grain he can or cannot store in his granary or how many goats a woman can buy. So it is normal for people to save according to their means and according to the changing circumstances of the moment. Thus it could be that in one week a person contributes US\$ 1,500 (3 savings if the saving value is US\$ 500) because he has sold some vegetables, but next week he contributes only US\$ 500 (1 saving value) because that's all he has at that time.

Step 13: The trainer/CBT should recommend strongly that there should be a limit placed on the number of savings that can be made by better-off participants each meeting day, so as to avoid people who are wealthy dominating the group (although they will have only one vote). Experience in other countries has shown that the maximum number of savings that a person can save should be no more than five.

Conclusion: He/she points out that the group must take this obligation to save very seriously and that it will destroy the spirit of the group if some people stop contributing or do so irregularly. He/she then gets the group to discuss what will happen if a person stops making savings and writes down the group's decision for later inclusion in the written Internal Regulations.

Step 14: Internal regulations governing loan practices & rules: The group is then asked for what purposes loans will be given. The CBT will further define Productive loans and

consumption loan. The trainer/CBT needs to point out that loans need to be repaid and that no one should take out a loan without a clear idea of where the money to repay will come from (including interest). This is a delicate subject. People should not be encouraged to take out loans that they cannot repay, but it is a fact that many loans will be taken out for consumption purposes. People will tend to say that this is a bad thing but in fact it may not be. In the context of the family economy this has many meanings and what often appears to be a non-productive investment may be the best use of the money. In other words, it is more important that a person has a clear means of repaying their loan than that it should be nominally 'productive' The trainer/CBT can ask if the members of the group can think of similar examples from their own experience.

Step 15: The group is then asked for how long people should be permitted to take out loans. The trainer/CBT should point out that when loans are short-term, other people in the group get a chance to borrow, but that many activities could benefit from loans that take longer than 1 month (i.e. horticulture, animal fattening etc.). The group should be encouraged to have a minimum loan term of one month and a maximum loan term of three months during the first cycle, but may consider changing this after one year's experience. Once the group has decided on a loan term the trainer/CBT notes this down.

Step 16: The group should then decide if the amount of money that a person can borrow should be linked to the amount saved, or not, explaining the advantage of doing so, which is to reduce the risk that someone with very little investment in the group will borrow a large amount of money and then default. If the group agrees that there should be a linkage, then it should say what this should be. Normally the amount borrowed will be a multiple of the amount saved either double or triple. Whatever the decision, the trainer/CBT should write it down. The trainer/CBT should discourage very large ratios (above 1:3) but should also strongly discourage the practice that is common in some groups of limiting loan values to the amount a prospective borrower has saved.

The CBT must continue discussing this topic with the participants until they have understood the principle.

Step 17: The group should then decide how much interest should be charged every four weeks (monthly). The trainer/CBT should point out that the higher the rate of interest, the faster the fund will grow, but that this can make it expensive for members to borrow hence high default rate. Lowering the rate of interest, on the other hand, will be good for members who borrow, but will slow down the rate of fund growth. The trainer/CBT can then suggest that in most countries 10% is normal, but that some places charge as little as 5% and some places as much as 15%. When the group has decided on a monthly interest rate the trainer/CBT notes this down.

Step 18: The trainer/CBT reminds the group about the already decided types of emergencies covered by the Welfare Fund. The group then decides on standard benefits for each emergency and it should be written in the constitution, so that there is no favoritism in making grants/loans. The group then decides what the amount of regular contributions to the

Welfare Fund should be. The trainer/CBT should tell the group that the amount of money needed will always depend on two things: the types of emergencies covered and how often these emergencies occur. Since emergencies are not easily predictable, it is a good rule of thumb to make a payment that is less than the value of the minimum savings contribution. Thus, if savings contributions are UShs 500 a week, the contribution to the Welfare Fund can start at UShs 100. The trainer/CBT can tell the group that after they have been running the Welfare Fund for about half a year they will have a good idea if the amount they are contributing is enough, or whether or not it needs to be adjusted up or down. The amount of money to be contributed to the Welfare Fund is written down by the trainer/CBT. The trainer/CBT repeats that the Welfare Fund should be kept separately from other funds because, if they are mixed with loan funds, (and used for normal lending) or kept inside the box they will not be available for emergencies. If the group keeps a cash box it is a simple matter to store the Welfare Fund money in a separate plastic or fabric bag that is taken home by the welfare treasurer and reports with the cash balance every other sitting.

Step 19: The trainer/CBT tells the group that he/she has a written framework that covers the topics listed and that the next step will involve going through the list, with the trainer/CBT asking the membership to discuss each point and reach a consensus. He/she reminds them that the bye-laws/ internal regulations will bind them into a relationship that will be guided by its provisions and they should not rush through the process. If necessary, a second meeting on the topic to complete the regulations can be arranged.

Discussion and completion of the framework (**see in annex 2**). The trainer/CBT should expect this activity to take a long time.

Note to trainer/CBT: Please ensure that all members of the group sign the constitution.

Summary and conclusion:

The trainer/CBT should ask if the members have any questions. The trainer/CBT tells the members that the next meeting will handle the record keeping of the VSLA group and it will require all the members to attend in order to support and monitor the work of the committee who will run the meeting and keep written accounts and member saving passbook records.

Step 20: The members are told the date of the next meeting in which everyone participates and are told that the topic will be 'Record Keeping'. The trainer/CBT reminds the members that the Management Committee can only carry out its training if the kit of equipment is paid for. The cost of the kit is again mentioned and the trainer/CBT confirms that the management committee will have the necessary funds on hand at the time of the next meeting of all the participants (Session 5). At this point, the trainer/CBT can suggest that the group as a whole commits each member to making the necessary contribution, and helps them calculate the sum that each will have to pay.

The group is thanked for its participation and the meeting is closed.

SESSION 4: VSLA CONCEPTS

Key points to talk about

- Talk about how to set a savings goal and its importance. Tell the group members that savings goals will help them focus on what they want to achieve in a VSLA cycle. Take the members through the steps in developing saving goals. As the members set their goals, it should be realistic in a way that enables them to invest and control it to avoid frustration. Use the stories provided to guide and motivate the groups.
- Tell the members that it's important to have a savings plans since it helps in guiding the amount of savings one can make to achieve the goals set. In the VSLA group members can save up to 5 times the share value that the group decides. This is determined in such a way that all members are comfortable saving at least one share in every meeting. Take the members through the steps in developing a savings plans and why it's very important. Emphasize to members that it's very important to always save for emergencies and loan repayments.
- Make emphasis that it's always important to have a loan repayment plan before borrowing in order to avoid loans defaults. Take the members through the development of loan repayment plans. Make emphasis that it's always important that the loan monthly repayment amount should not be more than the amount of money that remains after you have done your savings and catered for all the expenses in the household. Also ensure that the members understand the principle of borrowing not more than 3 times the amount of their savings. Tell the members causes of loan defaults and how to mitigate it.
- Introduce the concept of interest while avoiding misconception by the communities that don't believe in it. Tell the members that it's an appreciation for using someone else's money. This is charge between 5-15% depending on what the group decides. This percentage is set at the start of the cycle and cannot be changed midway. It's therefore important to guide the members to come with the percentage using illustrations of amounts of money borrowed and the interest to be paid for the different interest rates. Use large amounts of money to do the calculation to be able guide their decision.
- Talk about the importance of putting aside money to care of emergencies (welfare fund). Tell the members that welfare is contributed equally in every sitting. The members need to categorize the emergencies to which the welfare not can be borrowed right at the time of development of the constitution.
- Tell the members the importance of budgeting and what ways they can always stick to the budgets that they have developed. Take the members through the process of identifying the incomes and expenses. Ensure that when members make their budgets the expenses should never be more than the incomes.
- Ensure that you read the stories to the participants and let them discuss what they have understood from the stories. This will help trigger their minds for an open discussion about a particular topic.

Step 1: The trainer starts by doing a recap of group formation session highlighting key issues. He/she introduces the topic/session to be covered (VSLA Concept). The purpose of

this topic is to ensure clear conceptualization of their day-to day meaning and its translation into the VSLA methodology. Focus has to be put on their importance and management in financial groups and individual income generating activities. He/she allow members to generate and discuss the concepts. Relate what is generated to what is in the manual i.e. clarifying where necessary for better understanding. He/she starts the real training on VSLA concepts. The CBT/trainer then announces the objectives of the present session, telling the group that the target of the meeting is to understand the meaning and importance of setting a goal, savings, loan, welfare fund and interest.

Step 2: The CBT tell the members that they will be starting with setting of the savings goal because it's important to guide the amount of money members will be saving every week.

Topic 1: Goal setting by the individual group members (Saving with a purpose)

Session Objectives:

- To help the farmers set their truest goals. This will be a step to their life fulfillment future growth and development.
- To engage each farmer to critically analyze their goals
- To help the farmers to critically appreciate their participation in VSLA as a critical path to their success in access to finance for the procurement of inputs for their agricultural activities.

NOTE to CBT: Emphasis should be put on setting goals in relation to increasing household income through increased agricultural production and productivity, business initiatives facilitated by the VSLA group that they have just formed. The savings and loans that will be borrowed should facilitate the procurement of agricultural inputs as well as household assets.

Activity one: Goals I Can Reach

Materials needed: Chandiru's case, **STOP** and **GO** Chits

1. Introduce the activity by saying that to make our dreams a reality, we have to learn to set goals. Give a few examples like the following: e.g. if I wanted to pass the exams the following week, I had to collect all the notes, study them and revise my lessons the previous week. This would mean I could not play with my friends during that week. I must be able to say no to my friends.
2. Inform the participants that there are some steps that help us establish realistic goals, on a flipchart write, "**Reaching our Goals**" Ask the participants what the first step would be:
 - a) Choose the goal; (Check: Is it realistic? Is it good for me? Who else is this decision good for?)
 - b) Find out what problems may occur in achieving the goal and the possible solutions to those problems.
 - c) What are my resources (Check: Who will help me? Do I have the money? What skills do I have?)
3. Tell the participants that we will try out an example. Prepare the room so that the participants stand at one end.

4. Make a line and place four **STOPS** along the way. Place an obstacle after each **STOP** that the participants have to overcome. It could be an upside down chair or a table. At the end, on the other side of the room, write, I have reached my goal.
5. Place one participant at the starting point and place another at each **STOP**. You can have two or three such goals to make sure all the participants participate. Tell the participants that there is no going back on a decision that is made.
6. Select three participants (women and men) to be the judges. They will judge the choices made and whether the consequences of each choice have been thought through.

Story 1: Chandiru wants to become a police woman

Chandiru has an older brother and two younger sisters. She is expected to help her mother a lot. Even though she is only a year younger than her brother, she always feels that her parents favor her brother. She once saw an interview of a woman police officer on television. Since then she wants to be a police woman. But no girl in her family has studied beyond primary school, nor do the girls in the family work. Right now she is in Primary 6.

Chandiru starts walking down her journey of life and she meets the first **STOP** where she has to choose between two chits. If she chooses **GO** she reads the content and continues, if she chooses **STOP**, she reads the content and has to explain how she can move forward. If the judges are contented with her explanation, then she is handed the **GO** chit and allowed to move forward to the next stage. She does this until the end of the life plan. In case she is not convincing enough after a stop chit, the judges ask her to get out of the race and give the chance to another person

Achieving a goal makes you feel good about yourself.

Stop One:

- **STOP:** Her brother has failed in primary 7 and has to take the exam again the next year. This requires school fees for another year. There is no way that the family can afford Chandiru's schooling fees for this year too. Her mother suggests that she drop out for this year and enroll again next year
- **GO:** Chandiru knows her brother has failed and so she wants to make sure this does not happen to her. She will have to study much harder.

Stop Two:

- **STOP:** Chandiru's mother has suddenly fallen ill and the final examinations will be held next week. Her younger brother is sick. Her father thinks that she should be looking after the family first and not herself. He asks her to leave school.
- **GO:** Chandiru's mother recovered quickly so she could sit for the exams.

Stop Three:

- **STOP:** A marriage proposal has come. The family of the bridegroom does not want a big wedding so they can save a lot of money. Chandiru knows that the boy has had many girlfriends, but he has a job and has been referred by one of their very close relatives. Chandiru has to marry soon. What will she do? Decide and give choices and consequences.

- **GO:** Chandiru was out of town and could not meet the boy's family. They will come later because the family has decided to wait and see her when she's back.

Stop Four:

- **STOP:** The exam for the police force is very competitive. Chandiru has done a lot of housework lately so did not have enough time to look after herself. She did not pass the fitness test.
- **GO:** The interview went well and they were impressed by Chandiru's desire to do something with her life.
- You have reached your goal. The facilitator can adapt more stories that are relevant.
- Remind participants that life is like that; we do not know what may be in store for us.

Note to the CBT:

- Ask the groups to share what they felt after reaching the goal.
- Were some choices difficult to make?
- Ask the judges to give the ratings and explain why that score was given. Discuss the consequences and the difference that resulted in the life path. Make sure that the

Thinking about your goals often help you to focus on them

Step 3: The CBT then takes the participants through activity two how to set the goals.

Activity Two: How do I set my goals?

Group check in (How many participants thought about their goals? What were they? Remind participants about an earlier activity on the ID in which they wrote their expectations in life. Revisit the ID together and try to develop goals around similar areas)

1. Remind the participants of the earlier session, of the steps in setting goals and the examples. Give the participants two differently colored cards: one color for the short-term and another color for the long-term. Give them markers and ask them to think of a short-term goal (short-term means next day or week) and long-term goals (over a month or a year).
2. Write the goal on the front of the card with one goal on each card. They should also think of problems and solutions. On the back of the card, write today's date and set a deadline to achieve the goals. For a long-term goal, write the sub-goals on the back of the card that have to be achieved in order to achieve the main goal.
3. Most people's goals are greatly influenced by the people around them. So first, look around you. Think about the people in your community. Whom do you admire? Whom do you greatly respect? The person might be a teacher who always knows the answers to everyone's questions. It might be a doctor who knew exactly what was making you sick a few months ago. It might be the priest or a pastor at your church. It might be your own parents. It might be a prominent farmer you know of.
4. Encourage the participants to set up different types of goals at least two. **Some broad headings are:**
 - Agricultural goals.
 - Health goals.

- Education goals.
- Development goals.

Examples of short-term goals could be:

- Agricultural- I will buy inputs for the season.
- Health- I will give up smoking or drinking for a day/two days/a week.
- Education- I will finish my homework tonight instead of trying to complete in the morning.
- Development- I will buy a mattress for myself in this quarter.

Step 4: Ask the participants to share one short-term and one long-term goal with a “friend” along with the problems and solutions on the way to reaching the goal. The friend can recommend changes if necessary. If time permits, ask the buddy to present the goals. Otherwise, ask for volunteers and discuss two or three goals. If you are going for a sample, choose a variety of goals to discuss. For example, if you already have an educational goal, ask for volunteers for an agricultural goal.

Note to the CBT

Ask the participants what they have learned from the exercise. Discuss why it is important to have goals. (Otherwise you lead a purposeless life, moving everywhere without direction like the wind or you can get into trouble and lead a destructive life).

Each member should look at their cards and sit with the facilitator if any clarifications are required. Ask participants to keep their future in a safe place.

Story 2: From green banana juice to multi-millionaire real estate Tycoon

Boney Katatumba was born in Western Uganda, he became interested in business and doing well in life from an early age. Selling green banana juice to travelers along roadsides was one of his childhood businesses. He used to sell a bottle of juice at five cents and earn about 1Ugshs daily after selling over 20 bottles. That was in 1953 when he was only seven years old. It embarrassed his parents a lot as his father was a Sub-county chief. His friends also used to complain about his character, but he endured. The passion to become a successful businessman followed Boney from childhood to adulthood. While joining Makerere University, Boney was not ashamed to start a car washing business, something many of his classmates considered beneath him. Boney noticed that many students had cars badly in need of a wash. He quickly filled a need by washing cars for students and employed others to work for him. Many mistakes in business were made, but he quickly bounced back and tried different strategies and took new risks. Eventually, Boney went into business with his brother who was studying architecture at the time. He soon capitalized on the real estate market in Uganda, which propelled him along the path of eventually becoming a multimillionaire.

Note to the CBT

Ask participants what they have learned from the stories and what can hinder them from achieving their goals. Summarize the session with emphasis on setting realistic goals that can be achieved to avoid frustration. Ensure that the goals set help in the investment into agricultural production hence household resilience. Introduce the next session that will help to determine how to achieve the goals.

Topic 2: Budgeting concept (Use money wisely)

Step 1: the trainer takes the group members through the objectives of the topic

By the end of this learning session, participants will have:

1. Defined the term budget and budgeting
2. Usefulness of budgeting
3. How to budget
4. Ways of cutting spending
5. -dues and challenges associated with it.

Step 2: The CBT tells the members that budgeting is a key concept in realizing resilience and sustaining growth of incomes among the farmers. To ensure that households boosts their savings, there is a need for a budget to guide their spending. The development of the budgets at household level involves participation of the household members so as to stick to it.

What is a budget? A budget is a financial statement that projects expenditures on a monthly, quarterly or yearly basis.

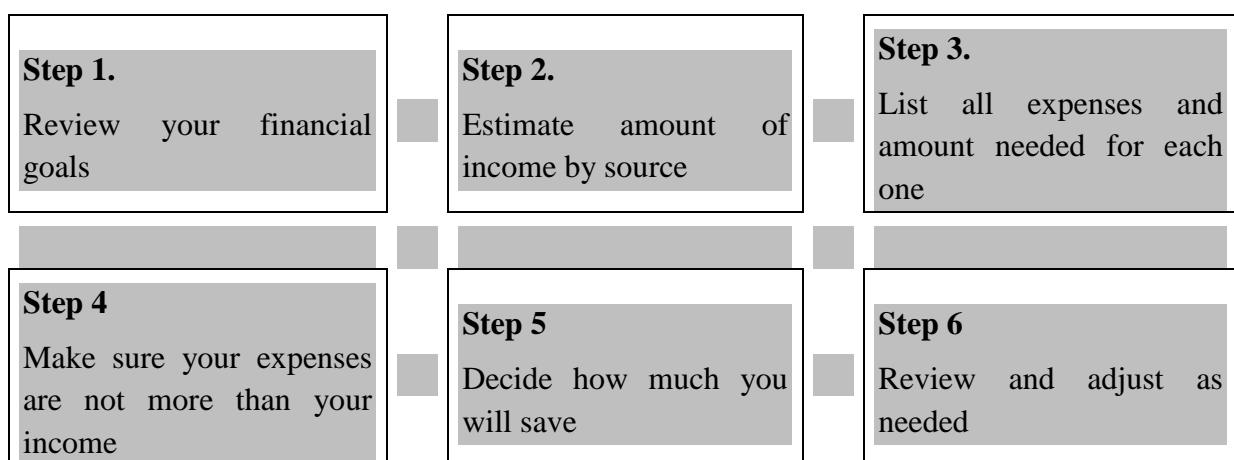
Usefulness of the budget

- Allows you to assign your incomes to different types of expenses
- Help make decisions about spending and savings
- Encourages conscious and disciplined spending
- Allows you to take charge of the financial situation
- Helps organize and manage money more effectively
- Help you plan and met your future goals

Definition of budgeting: is the process of planning/ quantifying resource requirements by establishing the goal and putting it in a formal plan with milestones attached to them.

Step 3: The CBT summarizes the steps involved in budgeting to the members before he/she takes the members through the whole process.

Figure 4: Steps to create a budget



Step 4: The CBT supports the members to identify the income sources and makes sure that it's entered into the budget work sheet at individual level.

On the budget worksheet, define your sources of income and write them in the first column under “Income.” Some of these sources may provide income every month and some may provide income only at certain periods of the year.

Estimate the expected income by month from each source and write it in the appropriate box on the worksheet. Some of your income may come infrequently in larger sums. To figure out what this irregular income is on a monthly basis, determine how much you receive annually and divide this by 12 as seen in the table below

Table 6: Income sources and the amounts.

Income	No. of Times Received	Amount	Annual Amount	Monthly Income (divide annual amount by 12)
Infrequent incomes				
Farming	2	1)1,000,000 2)200,000	1,200,000	100,000
Livestock Sales	1	780,000	780,000	65,000
Frequent incomes				
Business sales	360	5,000	1,800,000	150,000
Total			3,780,000	315,000

Step 5: The CBT tells the members to start by identify all the expenses that are incur by the family. Prioritize the expenditures to ensure that you do not leave out the most important. Priority should be given to the most essential basic necessities. Often people keep spending and they don’t leave anything for pay off debts and save for future plans due to family pressure that leads to unplanned spending. Unexpected events happen that must be paid for; lack of discipline; pressures from family members; poor revenues from the business or farm, etc. can lead to failure to adhere to the budget.

Table 7: List of expenses and the frequency.

Expense	When needed
Bank loan payments	Regularly monthly
School fees	Termly
Medicine for sick son	Immediately
Care for aging mother	Future
Farm inputs	Seasonally
Business investment (new table)	End year
Food for family	Regularly daily

Clothes	End year
Roof repairs	End year
Savings	Weekly
Savings for emergencies	Quarterly

Step 6: The CBT tells the members that on budget worksheet, write your expenses for each category of expense: debt payment, necessities, optional expenditures and so on.

Estimate your expenses for each category for each month. You may pay some expenses only once a year or once every quarter. If you have an infrequent expense like this, it is useful to spread it across months in your budget. To figure out how much your irregular expenses would be on a monthly basis, calculate the total expense per year and divide by 12 (See example below).

Table 8: Expenses and the amounts

Expense	No. of Times Paid	Cost per Time Paid	Annual Costs	Monthly Cost (divide annual cost by 12)
Infrequent expenses				
School Fees	3	60,000	180,000	15,000
Agricultural inputs	2	150,000	300,000	25,000
House repair	1	420,000	420,000	35,000
Loan repayment	3	80,000	240,000	20,000
Un-expected emergencies	12	30,000	360,000	30,000
Frequent expenses				
Savings	48	50,000	240,000	20,000
Household expenses	360	3,000	1,080,000	90,000
Total			2,820,000	235,000

Compare income and expenditures. Subtract the total spending for each month from total expected income for each month. If there is a negative, then you have to readjust the expenses

Step 7: The CBT supports the group members to identify ways to stay within a budget.

Expert financial planners say that people must make a regular habit of paying off their loans, paying for basic necessities and saving something. There are many competing priorities for very little money. It is one thing to make a budget and another thing to stay within the budget.

How to stay within your budget.

- Remind yourself often what you have planned to spend
- Put in the budget the unexpected spending needs
- Keep your savings out of reach so you do not spend them
- Keep track of what you spend
- Make sure you do not spend more than what is budgeted
- If you spend more for one item, spend less for something else so that it compensates
- Make a list of ways to cut planned expenses
- Get the family to participate in the development of the budget that will enable sticking to it.

Ways to cut spending

Whenever there is need to cut spending, one has to think of the things they spend money on a daily, weekly, monthly basis. Remember the small things as well as the big things then try to see how you can reduce on them. Ask yourself if these are necessities or you can do without them.

- Consume less of the non-essential items like beverages, snacks etc
- Spend less on parties and festivals
- Lower expenses on life events such as marriages and funerals
- Save enough to buy necessities in large amounts at lower costs
- Plan a head to but necessities when the prices are low.
- Buy less on credit
- Carry less money or save money in a safe place to cut off the temptation to spend.
- When investing money in a business consider what to do when the investment fails.

Note to CBT: Ensure that all the members in the group develop their individual household budgets. This will be able to guide their operations. The households should plan for emergencies, loan repayments and have some miscellaneous money.

Step 8: The CBT will introduce the members to the different kind of records that should be kept and their relevance. Keeping records of your financial transactions is helpful for managing your money. You can always refer to the recorded information to check past transactions as well as to inform future planning.

Table 5: Financial records and their relevance

Financial Documents	Information Provided
Budget	Projected income and allocation to different expenditures
Receipts	Amount and date of payments made
Loan agreements	Amount of loan, duration, installment amounts, due dates
Weekly income and expenses form	Daily expense and income record by week
Monthly tracking form	Weekly and/or monthly income and expense record
Savings passbook	Amount and date of savings withdrawals and deposits
Bank statement	Deposits, withdrawals, interest earnings, fees on bank accounts
Insurance agreement	Insurance payments, terms and conditions

Topic 3: Savings Concept (Yes you can do it)

Step 1: The CBT then announces the objectives of this session

By the end of the learning session, participants will have:

- Defined savings.
- Described and categorized purposes of savings.
- Identified how to overcome savings difficulties.
- Discuss how to develop a savings plan.

The trainer/CBT asks people what savings are. The CBT should put down all the responses and ensure that it relates to the real definition of savings.

Definition of saving.

Saving is money put aside by an individual or household in the present for use in the future. Saving can also be Investments in jewelry, animals or land that can be sold when cash is needed. It can also be a way of building assets. Therefore saving is a fundamental part of money management.

He/she asks the people why they save and why they borrow. He/she lists the responses on two separate flip charts. The table below suggests the key reasons, which should be drawn out before moving on.

Table10: Why people save and borrow

Why People Save	Why People Borrow
<ul style="list-style-type: none"> • To cope with unexpected emergencies (sickness, funeral etc.) • To buy an asset (TV, Radio, Fridge, Mattress, Bicycle etc.) • To invest in an enterprise (agriculture, business etc.) • To pay for predictable expenses (such as school fees) • To allow for future consumption (i.e. 	<ul style="list-style-type: none"> • To cope with unexpected emergencies • To buy an asset • To invest in an enterprise • To pay for predictable expenses

Because the purposes for which savings and loan services are needed are more or less the same, the trainer/CBT then asks the group to describe the basic difference between the two.

He/she tries to draw out that both savings and credit involve the regular payment of small amounts of money so that the member can have a useful lump sum available when they need it, but that savings are an asset (something that is *owned*), which increase economic and social security, while loans are a liability (something that is *owed*) that increases risks, because it must be repaid. He/she should point out that savings are normally collected for emergencies and to pay for predictable events and expenses (such as school fees), while loans are normally given out to pay for investment opportunities that have been identified that were not predicted.

Step 2: The trainer/CBT tries then to draw out the notion that savings are more important to poor people than loans, because people need to have a ‘cushion’ of wealth before they can start to take the risks associated with borrowing. This is why the VSLA program emphasizes savings. The question may arise that poor people are unable to save. The trainer/CBT points out that not only can poor people save, but they already do so. He/she points out that savings are not normally held in cash and asks the group to suggest other forms of savings. The list can include:

- Grain in a granary
- Livestock (cattle, goats, sheep, chickens)
- Agricultural tools
- Transport equipment such as bicycles and ox-carts
- Furniture and utensils

The point to draw out is that all of these things can be converted into cash to pay for necessities or to cover an expense.

Step 3: The trainer then asks members why is it difficult to save money? The CBT should note that the members bring out some of these points and ensures that he draws a conclusion that still motivates members to save after discussing how the difficulties can be overcome.

- Low income, high expenditure.
- High expectations (wanting to earn big before saving)

- Lack of awareness on saving.
- Lack of surplus to save.
- Lack of savings facilities.
- Unlimited expenses arise once money is earned.
- Ignorance about saving
- Poor attitude towards saving.
- Social Culture
- Lack of personal goals

Table 11: Tips to overcome difficulties in saving.

Difficulties	Advice
I barely have enough money to feed my family and pay for other basic necessities.	Start setting aside something, even if it is only a very small amount, every day or every week. The amount will grow. Look hard for ways to cut unnecessary spending.
When I save, my husband/wife always asks to use the money I have saved.	Keep money in a secure location, preferably out of the house so it is not accessible. Open a bank account, save in a VSLA group etc.
My income is irregular.	Save different amounts each time you earn some income.
I must use all the available earnings to pay off debts.	Make a schedule to pay off the most expensive debts first.

Rules of savings

- Spend less than what you earn.
- Save something every day or week.
- Make your budget and ensure to stick to it.

The members are asked why a person is better off saving in a group than individually. The answers should cover the following:

- Group peer pressure encourages people to save when otherwise they might spend the money.
- Savings held by the group are more secure because they cannot be lost or stolen by other members of the household.
- Access is controlled until the savings build up to a useful amount.
- By using the savings as a source of loans for members the savings earn interest and increase in value. When they are held in the household they lose value (owing to inflation).

Step 4: The trainer/CBT asks whether there are any risks in group savings and how the group can guard against them. The following may be mentioned. Ensure that they are able to come up with solutions to these which the CBT should write down for the next session.

- Non-repayment of loans by certain members.
- Non-access to savings at the moment required.

- Obligatory division of losses amongst members.

The CBT then asks the member how the savings can grow. The answers may include:

- Fees for joining a group.
- Direct savings contributions, made on a regular basis (daily, weekly, fortnightly, every four weeks [monthly]).
- Interest earned on loans.
- Fines charged to members for breaking group rules.
- Investment in a group Income Generating Activity (IGA) such as storage of grain or cattle fattening.

Step 5: the CBT then tells the group members to set priorities for their money.

Keep this activity moving and the energy up! Get your expense example ready. Ask the group:

In a typical week, what do you spend money on? How about in a typical month?

Each time a volunteer mentions an expense on one of your list, call a volunteer to the front of the group and give him/her to sit in specific location. When all examples are exhausted, say:

Now, as a group, I would like you to prioritize these expenses. Decide and agree on which expenses are the most important and which are the least. Ask yourselves which expenses you cannot live without making, and which are not important to survival. Rank them from here (show participants the place for most important) to here (show participants the least important.)

Managing money well begins with hanging on to what you have. This means avoiding unnecessary expenditure and then finding a safe place to store whatever money is left over. Making that choice the choice to save rather than to consume-is the foundation of money management.

There are many times when people need sums of money that are bigger than what they have in hand. The need for these ‘usefully large lump sums’ arises from life cycle events such as birth, education, marriage and death, from emergency situations, and from the discovery of opportunities to make investments in assets or businesses. Develop a savings plan for your own family (saving with a purpose)

Say: Think about your savings goals for your own family. What do you need to save for in the short term? What future long-term goals do you have? To achieve your financial goals, you will need a plan that states each goal, the amount of money you will need to achieve that goal, and the amount you will save each week or month over a defined period. To make this plan, you must look at your income, determine how much you have available to set aside as savings, and decide your savings priorities. Which goals are most important to you? A clear plan will help you know what to do, increase your discipline to save and be more successful in reaching your savings goals.

How to make a Savings Plan (Set savings goals)

Savings goals can be short-term or long-term. Short term goals are those that will be reached in less than a year such as buying agricultural inputs, paying fees that is done after every 4 months. Long term goals are those that will take more than one year such as home improvement or buying land.

Figure out how much you need to save over what period of time to meet your savings goals. Set a savings target.

Decide on how much you will need to save every week or month to achieve your goal. One could put a specified amount aside in an envelope when he/ she is paid or at the end of each business day and keep it in a safe place until you are able to take it to the bank. Go to the bank on a set day of the week or month.

Figure out how much you are earning over this period of time, the regularity (or irregularity) of your earnings, and how much you can expect to save on a regular basis.

Identify which expense you can cut back (for instance, cigarettes, and video) and relocate this amount to your savings.

Keep track of your savings. Monitor progress towards your savings target on a regular basis by checking the amount you can have saved and how close you are to your goal.

Note: Emphasize that this session helps us to identify and set goals at group and individual levels and the coming session will help to determine how we will achieve the goals.

Table 12: Savings goals and planning worksheet

Savings goal	Lump sum needed	When needed?	Amount of savings required per week or month	Ranking of importance
Short-term				
Agricultural inputs	50,000	In 2 months	25,000 per month	
Education fees	30,000	In 3 months	10,000 per month	
Emergency fund	20,000	In 2 months	10,000 per month	
Long-term				
New roof	240,000	In 12 months	20,000 per month	
Total savings required	370,000	19 months	65,000 per month	

Rank the importance of savings goals

Explain: Review the savings goals you have set because it may not always be possible to reach all of your goals, you should know which ones are your priorities. Rank the goals of your imaginary family in order of importance using 1 for the most important, 2 for the next most important and soon.

Qn. Why have you ranked the savings goals this way?

Discuss the importance of saving for the most critical needs such as health, education and shelter.

Step 6: The CBT tells members the rules of Thumb for increasing one's savings.

While basic principles of money management can apply to everyone, decisions to save or consume depend very much on one's level of income, access to loans, access to appropriate savings products and personal discipline. However, there are a number of rules of thumb that can be used as a guide to making decisions about savings and consumption. These include the following:

- Save as much as you can as soon as you can. The more you save, the better off you'll be.

- Save as you earn.
- Try to save 10% of your income even if you don't have a specific purchase or investment for which you are saving. If you can't afford 10% right away, start with less, but save something.
- Calculate how your money can grow over time if you save regularly in an account that earns interest.
- Don't carry a lot of cash-avoid temptation to spend it.
- Spend carefully. If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk production of non-perishables as you wait sell during the period when prices go up.
- Pay off debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debts because it's important to begin building assets as soon as possible. This choice depends on individual priorities, situation and means. *Total* household debt should not exceed 36% of household income.
- Keep 3-6 months of living expenses in an emergency fund at all times. It can be used in case of job loss, unexpected illness and to meet other emergency needs. An emergency fund will reduce your anxiety.
- Keep emergency funds in a separate account. Open 2 savings accounts-one for emergencies that is easy to access and does not have any penalties for withdrawal and one for savings for other goals that is harder to access and therefore less tempting to withdraw the money. Keeping some savings "out of reach" is important.
- Find savings products that match your savings goals.
- Good savings behavior requires discipline and discipline is learned through practice.

NOTE: The CBT concludes by telling the VSLA members that yes they can do it if they only get determined to achieve their goals.

Topic 3: Loan Concept (My money and someone else's money: Managing the difference) - Handle with care

The goal of this module is to help participants manage debt. The following table presents the module's learning sessions and their purposes.

Table 13: Sessions covered under loan concept

Session Title	Purpose of the Session
1. My money and someone else's money: Managing the difference	<ul style="list-style-type: none"> ➤ Define the term "loan" ➤ Identify the principal reasons to borrow money ➤ Identify the responsibility associated with taking a loan ➤ Distinguish between participant's own capital and loan capital
2. Good loans/Bad loans	<ul style="list-style-type: none"> ➤ Identify ways to build a business with their own money and with loan capital ➤ Identify the risks of borrowing

	➤ Distinguish good loan situations from bad ones
3. How much debt can you afford?	<ul style="list-style-type: none"> ➤ Calculate household income and expenses to find the surplus cash available for a new loan payment ➤ Calculate ability to borrow based on current income and expenses ➤ Develop advice about how much debt one can afford to carry
4. Bad loans: What is it and how does it happen?	<ul style="list-style-type: none"> ➤ Define the term “bad loans/ past-dues” ➤ Discuss why bad loans/past-dues can be a serious problem ➤ Identify various causes of bad loans/ past-dues ➤ Identify steps to avoid bad loans/past-dues
5. The dangers of over-indebtedness and default	<ul style="list-style-type: none"> ➤ Recognize behavior that leads to over-indebtedness and default ➤ Identify potential consequences of defaulting on loans ➤ Identify questions to ask and answer in response to lenders’ aggressive sales tactics
6. Taking control of your debt	<ul style="list-style-type: none"> ➤ List the steps to control debt ➤ Develop a repayment calendar charting loan payments due ➤ Develop a payment calendar for personal and family loans

Step 1: The trainer/CBT asks members what a loan is. He/she notes all the answers and relates it to the definition of a loan. The CBT goes back to the flip chart showing why people borrow. He/she asks members if anyone has received a loan from a bank, from a moneylender, cooperative, family member or friend. The trainer/CBT asks what the purposes of such loans have been and lists them on a flip chart. He/she discusses the loan use as productive and consumption loans.

What is a Loan?

A loan is money that the borrower can use temporarily. After a defined period of time, the money is repaid to the owner, usually with interest or a fee charged for use of the money.

For the borrower, the loan is a liability (a sum that is owed). The debt must be repaid regardless of income or cash flow.

He/she then asks what is common to most loans and tries to draw out that all loans have repayment conditions that specify how long it will be before the loan is repaid, how it will be repaid (installments or in a lump sum) and if it attracts interest or not. He/she then tells the general assembly that if they use the members’ savings as a source of loan capital, they must agree on standard conditions.

Table 14: Important terms associated with a loan

No.	Term	Description	Remarks
1.	Loan size:	The amount you borrow.	Loan size should match how much someone has saved in the group (3 times) and the business cash flow.
2.	Loan term:	Period of time you have to use the loan money and repay it.	Loan term needs to match with the 3 months maximum that is stipulated in the group constitution.
3.	Interest rate:	Percentage of the total loan amount charged to the borrower for the use of money borrowed. Interest is usually charged on a monthly basis.	Borrower needs to know the interest rate charged by the group most times 5%-15%.
4.	Repayment Schedule:	The frequency of a loan payments (e.g. weekly, biweekly, months).	Repayment frequency depends on the terms set in the constitution which is often monthly (4 weeks).

Step 2: The trainer/CBT asks the members what are the reasons you have borrowed? [Answers will include many things, such as business investment, managing crises, procure agricultural inputs, purchasing an item or paying for a celebration]. The trainer takes note all what has been said by the members.

Qn. Who has borrowed for more than one of these reasons? Please tell us what is the same about all 3 types of loan? What is different?

Note to CBT: Make sure they mention the following:

- ✦ Loans for productive investment and procurement of agricultural inputs earn new revenue for the borrower.
- ✦ Loans for emergencies and personal consumption do not bring in new revenue and must be paid back from other revenue sources. Try to avoid borrowing for these purposes.

The CBT then guides members to differentiate between loan money and your own money.

Table15: Difference between loan money and your money

	Taking a loan	Using your own money
Advantages	<ul style="list-style-type: none"> ✓ You gain access to more money than you have in savings. ✓ You get money quickly when you need it for emergencies. 	<ul style="list-style-type: none"> ✓ You avoid the costs of borrowing. ✓ You are free to use your money as you wish. ✓ You face less risk when you finance your business growth in smaller increments based on what you can afford to invest.

		✓ You avoid the obligation of future loan repayments.
Disadvantages	<ul style="list-style-type: none"> ✓ You bear the cost of borrowing (with interest, fees and time to apply). ✓ You are responsible for repaying your loan on time, and face penalties for late payment. ✓ You must meet the requirements of group membership (attend meetings on time, etc.) if the loan is through a group. 	<ul style="list-style-type: none"> ✓ You have limited access to needed capital. ✓ Your business grows more slowly. ✓ You have limited ability to respond to opportunities.

Qn. In your opinion, what is the main advantage of taking a loan? [Access to more money than you have in savings; access to money quickly when you need it for emergencies; both enable you to take advantage of investment opportunities or solve an immediate problem or crisis.]

Qn. What is the main disadvantage of taking a loan? [The cost of loans with interest and fees; the responsibility of repaying your loan on time, the requirements of group membership in the case of a group loan.]

Three questions about VSLA member loan use

- ✦ How much of your own money did you use?
- ✦ How much did you borrow?
- ✦ What did the loan help you do that you could not have done without it?

Step 3: The CBT then describes to members what good loans and bad loans are

Explain: We have seen how borrowing money can be a very positive experience. It can help you start or expand a business; it can help you respond to an emergency in your family; it can help you improve your living conditions sooner rather than later. But taking a loan always carries a risk, the risk of not being able to repay. When a loan helps you in these ways, it is usually a good loan; when it ends up costing you money or forcing you to go deeper into debt or default, it is a bad loan.

Ask: To ensure that your loan will be a good loan and really help you, what should you know before deciding to borrow?

What should you know before borrowing?

- ✦ The amount of the loan payment, including principal and interest
- ✦ The source of income or savings you have to make those payments
- ✦ When you will actually get the loan money in your hand (will it be before you need it?)
- ✦ That the asset you are buying with the loan will outlive the loan and continue earning income for you?

The CBT should tell the group members to always analyze how much debt they can handle before making the decision to borrow.

Explain the following: Few of us think we have enough money for our basic necessities, our children’s education and the other things we want. And many of us have businesses that we would like to expand if only we had the money to invest. We can borrow money to make up the shortfall in capital, but we have to be careful how much debt we take on. If we never borrow, we might not ever make progress; but if we borrow too much, we risk not being able to repay. How do you know how much you should borrow?

NOTE: Analyze household finances to figure out the amount they can borrow before you actually go to borrow a loan.

Table 16: Household income and expense worksheet

Categories	Household members			Total
	Sheila	Edith	Chris	
Monthly income				
Monthly expenses				
Monthly cash available				

Story: Find a volunteer to place counters in each box of the Box Budget as you read the story (below): **Mrs. Blessings ‘capacity to borrow**

Mrs. Blessings has been doing her small grocery business for almost 2 years. She now knows that if she buys vegetables in bulk from a local farmer for shs 10,000 each Monday, she can sell those vegetables for shs 45,000 over the week. Her income is shs 45,000 per week, and from that, her business expenses are shs 10,000 per week.

Instruct the volunteer to place 45 stones/leaves in the “income” box, each stone/leaf = shs 1,000

Instruct the volunteer to place 10 stones/leaves in the “expenses” box

Mrs. Blessings has worked out that she, her husband (not working now) and 2 children can live on shs 15,000 per week if they are very careful. She puts aside shs 15,000 each week for household expenses. She also saves shs 5,000 in her VSLA each week.

Instruct the volunteer to place 5 stones/leaves in savings to represent shs 5,000 and 15 in expenses to represent shs 15,000 for household expenses. Mrs. Blessings has recently learned that she could buy iron sheets for her house for shs 6,000 per sheet. She would like to buy 5 sheets of roofing.

How much money does she need to buy all the now? [She needs shs 6,000 X 5 sheets = shs 30, 0000]

Over the past months, she has managed to save shs 20,000 with her VSLA. Because of this, she can get a loan for the shs 30,000 for the roofing from her VSLA group. The interest on the loan would be 10% (declining balance) to be paid over a period of 3 months In total she would pay back shs 33,000 and her first monthly payment would be shs 11,000

Instruct the volunteer to place 11 stones/leaves to represent shs 11,000 in the debt and loans box.

Box Budget

1: Income	2: Expenses
□□□□□	□□□□□
□□□□□	□□□□□
□□□□□	□□□□□
□□□□□	□□□□□
□□□□□	□□□□□
□□□□□	
□□□□□	
□□□□□	
□□□□□	
3: Savings	4: Debt and Loans
□□□□□	□□□□
	□□□□□□□

Step 4: The CBT/trainer gets the attention of the members to look at an example together to better understand capacity to borrow and how to calculate it. We will use this Box Budget as a guide. To borrow within her capacity, Mrs. Blessings must be sure that her expenses, savings, and debt payments must not be more than her income. The same is true for you when you choose to borrow.

Can Mrs. Blessings afford to take this loan? [Yes. Because her debt payments, business and household expenses, and savings would not be more than her income each week, she has the capacity to take this loan and reach her goal now.]

How could Mrs. Blessings adjust saving and / or her spending to make sure she makes her payments if her expenses suddenly increased? [She can use some of the money she normally saves to make the loan payments, and she will still be able to save each week].

□ **What does Mrs. Blessings have that can help her to make a payment in case she has an emergency or does not make money?** [She will still have the money she saved with her VSLA, which she could draw on in the case of an emergency to make the loan payment or supplement her income.]

Often people take on too much debt and have trouble making repayments. Let us develop some advice for them.

Advice about Taking Loans

- Don't let debt prevent you from paying for basic expenses such as food, school fees and other necessary items.
- Keep track of the amount and frequency of loan payments due.
- The total of your loan payments should not exceed a percentage of your steady income.
- Try to limit your borrowing for personal consumption
- Have a plan for making loan repayments if it will take time for the loan to generate increased income.

Step 5: The CBT tells the group that there are times when loans can go bad in the group due to members failing to pay. It's very important that during the time of borrowing it's the responsibility of the group members to assess the borrower to understand whether he/ she can pay back the loan.

Definition of past-due/ late loans: These are loans that their repayment date has surpassed what was agreed in the loan agreement which is usually three months' period recommended under the VSLA best practices. These includes both loan/principal and interest.

Reasons why reasons that people cannot repay loans?

Discuss the reasons that people are unable to repay their loans:

- Business does poorly or not as well as expected
- Loan money meant for business is spent on personal purchases (i.e. hair, clothes)
- Loan money meant for business is taken by a spouse or other family member (i.e. husband takes loan money and spends on social activities)
- Theft
- Borrower has an illness that keeps him/her from working
- Natural disasters or "acts of God"
- Loan money is diverted to deal with a household emergency
- Borrower follows risky business practices like selling on credit.
- Borrower does not keep track of loan repayment schedule.
- Borrower not taking loan repayment as a priority.

Qn. What experiences do you want to share about falling behind on loan payments? What could you have done to avoid falling behind? What are some of the consequences of not repaying a loan?

Ideas can include:

- Your property may be seized (guarantee or security lost)
- You may need to pay penalties and fees
- It may be difficult for you to get another loan in the future, or more costly
- You will feel embarrassed among your family and community (loss of face)
- You could be listed as a risk with the Credit Reference Bureau which will limit your ability to borrow from any institution

Explain: Ways to avoid past-dues/ bad loans

There are 6 important ways to avoid the risks and their consequences that we just discussed

- 1) Use your loan for the reason that you borrowed.
- 2) Use the loan for a productive purpose, rather than for consumption.
- 3) Know your capacity to borrow, and use it as a guide.
- 4) Service one loan at a time.
- 5) Avoid diversion of borrowed money to non-planned activities.
- 6) Put aside money from the business sales to cater for loan repayments.
- 7) Borrow only the amount of money that you can afford to pay using your incomes.
- 8) Cut down on the expenses and save on for loan repayments.
- 9) Consider making improvements in your business practices to sell more product and services on cash basis.
- 10) Be open to the group members and seek advice on how best you can repay the loan.
- 11) Don't borrow more than what you can afford to pay.
- 12) Save money regularly for emergencies so that you don't always have to borrow.
- 13) Keep track of your loan repayments.
- 14) Create your own repayment calendar.

Planning for loan repayments

- Make a list of all the loans, repayment amounts and the dates.
- Pay the minimum amount of loan due for each loan.
- Make sure that you don't do multiple borrowing. If this happens explore the possibility of consolidating all the loan amounts into one loan.
- Use any extra cash to pay off the loans.
- Set aside money for loan payments regularly (each day or each week if your income stream enables you to do this).
- Look for ways to cut down expenses to free up a little more money for loan repayment.

How to Protect Yourself Against loan default	
Ask yourself:	Make sure you:
Do I really need this loan?	Evaluate all the financial options for meeting this financial need.
How will I use this loan? How will it help me earn more money?	Know how the loan will help you.

What are the costs of taking this loan?	Know all the costs and terms associated with the loan, especially the penalties for late payment and refinancing.
Can I afford it? How will I manage to repay?	Have a plan for repaying that is based on your expected income and cash flow.

Debt is not our enemy. Bad credit habits are. Use credit well and use it wisely.

Topic 4: Interest concept

Step 1: The CBT takes the group members through the objectives of the session

By the end of this session, the members should be able:

- To define interest.
- Why interest should be paid.

The trainer/CBT should return to the concept of interest, which was previously discussed, during the preliminary meeting with the farmer group.

Definition of interest: Interest is the fee of using another person's money. To the borrower it's the cost of renting money while the lender it's the income from money lent out.

Step 2: The CBT/trainer points out that in VSLA interest is charged on a monthly basis on a reducing balance. The members determine the interest rate that is mostly charged between 5-15% depending on what the group agrees on at the start of the cycle. This should be kept low to encourage members to borrow.

Note to the CBT

- To avoid misunderstandings of a social or religious nature, the CBT/trainer must use tactics when explaining to the participants that interest is only recognition that the borrower accords the creditor in repaying a little more than was borrowed. The Facilitator should look for stories that are appropriate to the culture and the region when explaining interest. (See the following stories).
- The trainer/CBT should calculate interest using different interest rate to help guide members in making informed decisions.


Step 3: The CBT then reads to the group Anderu's story.

Anderu borrowed a cooking pot from his/her neighbor. When she had finished with it, Anderu returned the pot well washed, and with some food.

Discuss the story with the participants. Explain to the participants that in the VSLA groups, the money loaned belongs to other members. In borrowing money from the group, we are borrowing for a limited period from all the members of the group. It is therefore normal to reimburse the money with a little extra.

The borrowers, therefore, pay their interest to group. This money comes back to the group as interest on their savings. It is a token of gratitude to the participants who have made their money available to others, and it is a way of increasing the value of each member's share: in a sense, when interest is paid, the borrower is increasing his/her own savings. Explain that in formal banking institutions, interest is always paid on loans.

The CBT/trainer should summarize Anderu's story as follows

Anderu (Loan)	Pot (Loan)	Neighbor (Lender/VSLA group)
<ul style="list-style-type: none"> To Anderu the pot she borrowed from the neighbor is the loan principal The food she returned the pot with is the interest i.e a sign of appreciation for the help given to her. When Anderu borrowed the pot and used, its value was affected (in this case inflation on money borrowed from the groups) so it was good that she returned the pot with an interest to cater for the depreciation. 	<p>The arrow below indicates that Anderu benefited from the pot (as the loan) to accomplish her plans and the group benefited from the pot by earning interest i.e food she brought with the pot.</p> 	<p>To the neighbor who in this case is the VSLA group the pot represents accumulated savings.</p> <p>Anderu's borrowing the pot is like a member in a VSLA borrowing Loan principal</p> <p>Anderu's returning the clean pot with food is repayment of the Loan Principal plus Interest.</p>

Relating to Anderu's story, the CBT/trainer will conclude by giving the following reasons for charging interest:

- The lender could be using the money himself while someone else is borrowing it. Because he doesn't have access to it he isn't getting the profit he would get from using it, so the borrower has to pay an amount that compensates him for not having this profit. Because he has not worked to earn the profit, the amount should also be less than the profit somewhere in between. Alternatively, it may be easier to explain that interest is a means of thanking the lender for the use of the money.
- The money is losing value while it is being borrowed because of inflation. The borrower has to pay some money to cover this loss
- The interest charged is the property of the group and is not lost to the members (as it would be if they had borrowed from a bank). It ends up back in their pockets and is, in effect, another form of savings, because they get it at the end of the cycle when the money is saving out.
- To discourage borrowing without a serious need or purpose

Topic 5: Welfare fund concept

Step 1: The CBT tells the group the objectives of the session:

The CBT ensures that by the end of session:

- Definition of welfare fund
- Reasons for the welfare fund

The CBT/trainer starts by defining welfare fund and states that; ***Welfare fund is defined as the funds contributed by members and carterers for members' emergencies and social obligations that affect the VSLA members.*** He/she notes that welfare fund is the first thing/activity to be considered in a normal meeting. He/she explains that the welfare fund is not treated like everything else and the money that is raised for the welfare fund is kept separate from the money collected in the form of savings, otherwise if it is mixed into the rest of the money and disbursed as loans, there may not be enough on hand to make a benefit payout. Because emergencies cannot be predicted, money must remain on hand and kept outside the box.

Note to the CBT

The CBT tells members that they will determine the amount of welfare fund to be contributed by every member and the value is always less than the share value for the savings since it will be borrowed and no interest charged. He/she emphasizes that this money is only used for emergencies and is taken for a short period of time.

Step 2: The CBT asks members what kind of emergencies are common in the community.

The CBT writes on the flip chat all the possible emergencies mention.

- Sickness
- Death
- School fees

Note: All these emergencies must be included in the constitution and amount for each case must be determined at the onset to avoid conflict whenever such incidences occur. It should also be noted that by the time of share out, every member must have contributed equal amount of welfare

CBT/ trainer asks the group how they have been coping with the above mentioned challenges;

Possible responses may include:

- Borrowing from money lenders or shop keepers
- Borrowing from friends
- Depending on the village safety nets

Step 3: The trainer/CBT should point out that loans may not be suitable to meet emergencies and it is normal for groups to develop a welfare fund to provide *grants or interest-free loans* to members who encounter special problems and disasters. The group should discuss what types of emergencies should be covered by the welfare fund and whether or not these funds should be provided as grants or as interest free loans. For example, some groups allow grants in the case of death and have different benefits payable depending on whether or not the deceased is a spouse, child, grandparent etc, but school fee

payments are likely to be provided as interest-free loans. In case a group chooses to give out interest free welfare loan, the value should always be very low and should be repaid in a short period of time. The types of emergencies usually covered by a welfare fund are:

- Medical expenses, including drugs, doctor visits and hospital bills
- Funeral expenses
- Educational expenses (uniforms, books, pens, pencils etc.)
- Disasters, such as a house burning down

Step 4: The CBT tells the members that the management of welfare is done as a group although the welfare treasurer is in charge of keeping the records. In case a member requires money outside the meeting day, he/she is supposed to go with two members as witnesses to the withdrawal of the funds from the treasurer.

Step5: The trainer then summarizes the concepts and state that VSLA is like a company that is made up of several owners, who hire a manager to carry out day-to-day functions. The manager is not the owner of the company but has the power to control day-to-day activities. He/she explains that the next step is to consider what positions need to be filled in a management committee and the qualities that the group will be looking for in the people who will be elected to these position

SESSION 5: INTRODUCTION TO WRITTEN RECORD-KEEPING

Step 1: The CBT recaps the previous session and introduces the objectives of this session.

- To ensure that secretary, treasure and the welfare treasure understand how to keep the different records that they will be entering in the ledgers.
- The group members get basic understanding of the group records and what to monitor

The record-keeping system is made as simple as possible. It does not seek to emulate a full system of accounting, but emphasizes transaction record-keeping. In addition, the measurement of group's net worth, which is the final output of the accounting system, only counts current assets and current liabilities, on the assumption that nearly all of the groups will have very few fixed assets (most of which have negligible salvage value and rarely need replacement) and no long-term debt.

Records kept in a VSLA group

Records are maintained in a single book that has already been designed. The book is divided into sections as follows:

- Register
- Welfare Fund Ledger
- Welfare treasurer's record
- Savings Ledger
- Fines Ledger
- Loan ledger
- Cash-Book

Thus, using a cash book that summarizes each category of transactions, most financial records are double-entered. In addition to the group records, every member has a member saving passbook.

Preparation

The trainer/CBT prepares for the meeting by making sure that the place is quiet, shaded and that it is protected from the wind. He/she also makes sure that a table is made ready so that the recording of transactions can be done comfortably and the cash-box is visible to everyone. This is not strictly necessary, but a table introduces into a meeting a sense of formality and order. A low table is a better idea than a high table, because it does not create such a barrier between the committee and the members and also provides a working surface for the secretary and treasurer when entering records and saving stamps.

Record Keeping

Step 2: The trainer/CBT tells the committee that the first step is to prepare the record keeping book so that the group can proceed to enter information. He/she takes the record books, which are in a customized ledger. **Figure 6** shows the most typical example of a record book. It is not a bad idea to use a counter book for the next cycle, because it can then be copied from the pre-customized ledger that was used in the first cycle.



For the subsequent cycles the secretary can rule a counter book for the different ledgers. The book is ruled in such a way that the names of the members are entered on the first page but will be visible for the register, Welfare Fund and savings ledger. For this reason the names of all of the members must be written in the register, the welfare fund ledger and the savings ledger. To save the necessity of writing the names out three times, the trainer/CBT prepares a fold-out tab that has all of the names of the members. This is pasted in the front cover of the record book and folded out when registration, welfare fund contributions and savings contributions are called for.

Start the session by introducing the different types of records kept by the VSLA group. These include:

- Register
- Welfare / Social fund ledger
- Welfare treasurer’s record
- Savings Ledger
- Member Passbook (Savings and loan)
- Fine Ledger
- Loan ledger
- Cash Book

Figure 4: Typical Record Keeping Book Layout

NAME OF ASSOCIATION _____	Register
ADDRESS _____ _____ _____	Social Fund
CHAIRPERSON _____	Savings
SECRETARY _____	Fines
TREASURER _____	Loans
YEAR _____	Cash
	Association Worth
	Notes

Note the tabs on the right to facilitate easy access to the different sections. The number of pages needed for each tab will depend on how long the Record Book is intended to last and if the group meets weekly, fortnightly or monthly. The following is a rough guide

The VSLA register

Step 3: All of the members are expected to attend most meetings in order to make contributions and do loan appraisals. This is the critical part of VSLA which must be adhered to. During the meetings the register is called and indicated with a tick for those present and a mark of “X” for those that have not attended the meetings. Once the X has been indicated and a member appears, L, S and F is used above to indicate late, sick and attending funeral respectively.

Table 6: VSLA Register.

No	Member's Names	Dates			
		01/01/2019	08/01/2019	15/01/2019	22/01/2019
1	George Aketch	✓	 	✓	✓
2	Zabion Odayo	✓	✓	✓	✓
3	Aloyce Abuyah	✓	✓	✓	✓
4	Zibia Akayo	✓	✓	✓	✓
5	Benita Auma	✓	 	✓	✓
6	Pamella Athieno	✓	✓	✓	✓
7	Hellen Omollo	✓	✓	 	✓
8	Angelline Omollo	✓	✓	✓	✓
9	Consilata Adiambo	✓	✓	✓	✓
10	Consilata Ariyo	✓	✓	✓	✓
11	Monica Auma	✓	 	✓	✓
12	Irene Achieng	✓	✓	✓	✓
13	Consilata Ajwang	✓	✓	✓	✓
14	Pamella Odoya	✓	✓	✓	✓
15	Mary Othieno	✓	✓	✓	✓
	Total	15	12	14	15

Welfare Fund ledger

Step 4: The Welfare Fund Ledger. The group is supposed to keep records of the welfare contributions by the members. This is critical in tracing each member’s contribution to the fund since this is supposed to be contributed equally. In case the member doesn’t contribute, the following week the members is expected to make a double contribution. The amount of money is recorded in the ledger and for the members who have not made their contributions it’s represented with a “X” sign. Below the ledger a summary of what has transpired in the group is recorded. These include the contributions for the day, cumulative total, amount borrowed, amount repaid and the cash balance that is taken by the welfare treasurer. In the next meeting the welfare treasure is supposed to update the members with the physical cash available in the welfare fund which is verified in front of the general assembly. The people benefiting from the payout are not itemized in this record. The group will keep a separate record of the members that have borrowed from the welfare fund. The purpose here is to

minimize the number of entries required in a meeting and we have assumed, from experience, that Welfare Fund payouts and reimbursements involve only occasional small sums.

Table 7: Welfare fund ledger

No.	Member Names	01/1/2019	08/1/2019
1	George Akech	200	200
2	Zablon Odoyo	200	200
3	Aloyce Abuyah	200	200
4	Zibia Akeyo	200	200
5	Benta Awuma	200	200
6	Pamela Otieno		
7	Helen Omolo	200	200
8	Angeline Omolo	200	200
9	Consolata Adhiambo	200	200
10	Consolata Ariyo	200	200
11	Monica Auma	200	200
12	Irene Achieng		400
13	Consolata Ajwang	200	200
14	Pamela Odoyo	200	200
15	Mary Atieno	200	200
	Total	2,600	3,000
	Cumulative total	2600	5600
	Amount repaid		300
	Amount borrowed	300	500
	Cash balance	2300	5100

In the table above, on 01/01/2019 the group collected a total of 2,600, 300/= was borrowed and the cash balance was 2,300/=. On 8/1/2019 the group collected 3,000/= which was added to the previous week's cash balance of 2,300 to make a total of 5,300/= with a repayment of 300, this made the available cash to be 5,600, a member borrowed 500/= leaving a cash balance of 5,100/= in the welfare fund bag. The cash balance is kept by the treasure of welfare fund and not in the box to allow group members borrow on any day out of the group meeting because an emergency can strike any time. When collecting data at the end of the month, the CBT should capture the figure in the cash balance row on item 21 (cash in other funds) on the CBT data collection form.

Note: When a member fails to pay the week before he/she is supposed to make double payments the following week. Welfare fund is paid in equal amounts and the members have the same opportunity to borrow loans interest free depending on the available funds

Welfare Fund Treasurer’s Record


Step 5: This record is kept by the welfare fund treasurer to keep record of members who have borrowed money outside the group meeting, when this occurs, the member concerned is required to bring 3 witnesses to confirm to the treasurer that indeed the member has a problem to attend to, the money borrowed outside the meeting is reported by the welfare fund treasurer and it is recorded in the transactions of that particular meeting as amount borrowed for the records to be well balanced.

Table 8: Welfare treasurer’s record

<i>Date</i>	<i>Loan No.</i>	<i>Name of Borrower</i>	<i>Reason for Borrowing</i>	<i>Amount Borrowed</i>	<i>Repayment Date</i>	<i>Borrower’s Sign</i>	<i>Names of Witnesses</i>	<i>Sign of Witnesses</i>	<i>Amount paid</i>	<i>Signature of the treasurer</i>

Figure 5: Member's saving passbook cover.

Village Savings and Loan Associations
Member Share Passbook



Association Name Ralang B

Association Number 1

Member Name Monica Auma

Member No. 11

Step 6: Members Saving Pass Books. At this point the trainer/CBT hands out blank Member Saving Passbooks. The Savings and loans Ledger are used in parallel with the pass-book system, in which a given amount of money is paid for a saving. The reason for a passbook system is that experience has shown that while Savings Ledgers are often full of mistakes, Saving Pass Books are usually accurate. The cover of a typical Saving Pass Book is shown below in If need be, the Saving Pass Books can be made from ordinary school exercise books, so that specialized printing is not needed.

Member's Passbook

Passbooks are used in the VSLA to record transactions of an individual member in the group. This book is kept by an individual member and is supported to be brought by the member in every sitting. This record is a duplicate of the savings and loans ledger that remain in the cash box. This book has the savings and loans sections.

Member's passbook savings section

The saving is shown as a symbol, such as an arrow, star or a tree etc. stamped in a saving pass book, which is exchanged for a given value that the group may decide. This makes it much easier to facilitate the saving share-out at the end of the cycle, because the value of each saving is easily calculated by dividing the total cash available for distribution by the total number of savings. Counting up a small number of savings instead of millions of shillings leads to fewer errors.

The example given where the group decided that between 1 and 5 savings could be bought by each member at each meeting. Larger ratios are not recommended, to preserve solidarity.

The illustration below shows that there have been 8 savings meetings already in which this member saved (bought) 16 shares to date. The symbol chosen by this group is an arrow (a star or a hoe or a fish are popular) and one stamp of the arrow costs UShs 500 for a member to buy.

Figure 6: Member's passbook saving section

Single Share Value: Shillings 500 Cycle Number: 1

Date	Shares Bought per Meeting			
1/1/19	♠	♠	♠	♠
8/1/19	♠	♠	♠	♠
15/1/19	♠	♠	♠	♠
22/1/19	♠	♠	♠	♠
29/1/19	♠	♠	♠	♠
5/2/19	♠	♠	♠	♠
12/2/19	♠	♠	♠	♠
19/2/19	♠	♠	♠	♠
Starting number of shares				0
Total number of shares bought this period				16
Total number of shares redeemed during period				0
Net shares end period (to be carried forward)				16

By using a stamped saving pass book it is much easier to facilitate the share-out at the end of the cycle because the value of each saving is easily calculated by dividing the cash available for distribution by the total number of savings. Counting up a small number of savings instead of millions of shillings, leads to fewer errors.

The example given here is taken from a group that decided that between 1 and 5 savings could be bought by each member at each meeting.

The illustration below shows that there have been 8 savings meetings already in which this member saved 16 savings to date. The symbol chosen by this group is an arrow (a star or a leaf or a fish are popular) and one stamp of the leaf costs 500

It is normal for the empty spaces to be crossed through at the time of the contribution to prevent fraudulent entry of stamps.

Member's passbook loan section

In much the same way that the Member Saving Passbook is used to record the total number of savings, the back of the passbook is used to record loan information. It is unnecessary to record all of the things that might happen to a loan in a member's passbook, when a group keeps written accounts. The passbook is used only to keep basic information on a loan so that the borrower acknowledges liability and has a reminder of what is owed. `

Table 9: Member Loan Record

Date	Item	Amount	Signed
22/1/2019	Loan	10000	MA
	Interest	1000	
	Paid		
	Loan		
	Interest		
	Paid		
	Loan		
	Interest		
	Paid		
	Loan		
	Interest		
	Paid		

The example on the above is that of Monica Auma, who borrowed 10,000 on the 22/01/2019. The loan attracts 10% which is equal to 1000/= interest every month. She signed for the loan when it was received. What her signature here indicates is that she agrees that she has received the UGX 10,000 and will pay UGX 1000 interest every month as long as the principle remains UGX 10,000, no matter how long the loan lasts.

The loan can only be cancelled when the secretary strikes out the loan and adds his/her signature or thumbprint to that of the borrower.

Note that this does not include a loan repayment schedule, but only the monthly interest liability. This is because the time taken to repay will vary from member to member. If Monica Auma pays back the loan, the secretary cancels out the loan as shown, by crossing it out and putting his/her signature and enters the balance as a new loan.

Savings ledger.

Step 7: Savings ledgers in the VSLA group are used to record all the savings that the members contribute in every meeting. This is recorded in multiples of the share value agreed by the members of the group. The secretary enters this record and ensures that no one saves more than 5 times the agreed share value.

Table 10: Savings ledger

No	Member's Names	Dates			
		01/01/2019	08/01/2019	15/01/2019	22/01/2019
1	George Aketch	1000	1500	1000	2000
2	Zabion Odayo	1000	1000	2000	2000
3	Aloyce Abuyah	500	1000	1500	1000
4	Zibia Akayo	500	1500	1000	500
5	Benita Auma	1000	1000	2500	500
6	Pamella Athieno	1000	1000	1000	1500
7	Hellen Omollo	500	1500	1000	1500
8	Angelline Omollo	1000	1000	1500	1000
9	Consilata Adiambo	1000	1500	2500	1000
10	Consilata Ariyo	1000	1500	1000	500
11	Monica Auma	500	1000	1500	1000
12	Irene Achieng	1000	1000	1000	1500
13	Consilata Ajwang	500	1500	1000	1000
14	Pamella Odoya	1000	1000	500	1000
15	Mary Othieno	1000	1000	1000	500
	Total	12500	16500	19000	16500
	Cumulative Total	12500	29000	48000	64500

Note: when members fail to contribute, the space where the contributions is normally recorded is filled out with a large “X”. This is to avoid members paying after the meeting has been concluded.

Fines Ledger

Step 8: The Fines Ledger. This is more or less self-explanatory. Fines are collected in a bowl and the total amount collected is noted in each meeting. Version 1.0 of this manual itemized fines by type of offence and by name of the member. This is generally not necessary and over complicates the work of the secretary. It may also needlessly humiliate the offender. For these reasons it has been dropped.

Table 11: Fines Ledger

Date	Amount

Loans ledger

Step 9: The CBT then takes the members through the loans ledger. This is used to record all the loans that have been taken from the group. Loan numbers are recoded to ensure that you keep track of the loan that has been taken. This will also help the CBT during the data collection and establishing the frequency of borrowing. The CBT then tell the members that there are three comments used in the loan ledger that is **“Good”** for members that have paid off their loans, **“Rollover”** for those that the repayment dates have not reached and **“Past-due”** for loans that have surpassed their repayment dates. The example of Hellen Omollo who had borrowed money for 2 months shows that she failed to pay off the loan in the second month and the comment was past-due.

Table 12: Loan ledger

Loan No	Date	Name of borrower	Amount borrowed	Loan rollover	Interest due	Repayment date	Loan Purpose	Signature/Thumprint	Amount repaid	Balance Due	Comment
1	01/01/2019	George Akech	4,000		400	29/01/2019	Business		4,400		Good
2		Zabion Odoya	2,500		250	29/01/2019	School fees		2,750		Good
3		Aloyce Abuyah	5,200		550	29/01/2019	Business		5,750		Good
		Total	11,700						12,900		
4	29/01/2019	Zaibia Akayo	5,000		500	26/02/2019	Business		5,500		Good
5		Benita Auma	7,500		750	26/02/2019	Agriculture		8,250		Good
6		Pamella Otieno	7,500		750	26/02/2019	Agriculture		8,250		Good
7		Hellen Omollo	10,000		1,000	26/02/2017	Business			11,000	Rollover
		Total	30,000						22,000		
7	26/02/2019	Hellen Omollo		11,000	1,100	26/03/2019			2,100	10,000	Pastdue
8		Angelline Omolo	6,000		600	26/03/2019	School fees		6,600		Good
9		Monica Auma	10,000		1,000	26/03/2019	Agriculture		1,000		Rollover
10		Consilata Ariyo	8,000		800	26/03/2019	Agriculture		8,800		Good
		Total	24,000	11,000					18,500		
7	26/03/2019	Hellen Omollo		10,000	1,000	Pastdue			11,000		Good
9		Monica Auma		10,000	1,000	23/04/2019			11,000		Good
11		Irene Achieng	10,000		1,000	23/04/2019	Agriculture		7,000	4,000	Rollover
12		Pamella Odoyo	10,000		1,000	23/04/2019	Business		11,000		Good
13		Mary Atieno	10,000		1,000	23/04/2019	Business		11,000		Good
		Total	30,000	20,000					51,000	4,000	
11	23/04/2019	Irene Achieng		4,000	400	Rollover					
14		George Akech	10,000		1,000	21/05/2019	Agriculture				
15		Zabion Odoya	10,000		1,000	21/05/2019	Business				
16		Zabia Akayo	10,000		1,000	21/05/2019	Business				
		Total	30,000	4,000							

Cash book

Step 10: Cash book. The cash book summarizes the meeting activities for the day. The CBT shows members the format of the ledger and how the activities are recorded. These book indicates the money saved, fines, loans taken and the loans repayment. It shows how much money has remained in the cash box so that the members can easily verify the information.

Table 13: Cash book

Date	What happened	Cash in	Cash out	Cash balance

Conclusion;

The CBT should agree on a date before the next VSLA meeting with the committee in order to train them in the details of record management and meeting procedure so that the trainer/CBT can make sure they get the records right.

S/he informs the GA that the next module 6 will be a practice session in which they carry out their savings and loan activities using local materials to represent money. During this meeting, the filling in of the records will be demonstrated to the whole group by the trainer/CBT on flip chart as the secretary enters information into the record journal. This will give them a chance to practice all of the procedures without the risk that members' money will get mixed up or lost. The group is thanked for its participation and the meeting is closed.

Step 11: Summarize session by doing a questions and answers. Do a simulation; i.e ask one member to train other participants on the main group records. Analyze and discuss the trainer's strong and weak facilitation points for learning emphasizing upholding of the strengths and avoid the weaknesses. Inform Members on the next session (meeting procedures).

SESSION 6: MEETING PROCEDURES

Step 1: The CBT tells the members that this meeting will be the first chance they have to buy shares and that he/she will guide them through the steps. The CBT then explains that from now on he/she is only there to support the Management Committee, which is now in charge of meetings.

The kit and the key-holders

The group is told that the safety of the kit will be the responsibility of the box-keeper and that he/she must carry it to every meeting of the group.


The CBT tells the members that although they have appointed their management committee, it is necessary to appoint three people, to be called key-holders, who will keep the keys, so that the box can only be opened in meetings. They can be identified by discussion and the following criteria are important:

- They must not be members of the management committee
- They should not be members of the same family
- They should be members who can be relied upon to attend and will always be on time

Table 14: Procedures for a savings meeting

Step	Savings meeting procedures
Opening	<ul style="list-style-type: none"> • The General Assembly is called to order by the Chairperson • The agenda is announced by Chairperson • Any Other Business items are called for and noted
Balance verification	<ul style="list-style-type: none"> • The cash box is normally on hand at the start, so the chairperson calls on the designated key holders to open the box. • The cash-box/pouch is opened by the designated key holders • The attendance is called by the secretary at the request of the chairperson • The secretary asks the general assembly how much money was left in the box/pouch at the end of last meeting and notes the amount. • The secretary confirms that the same amount was recorded in the weekly records. • Once this is done the amount of money actually in the cash box is counted by the money counters and announced to the general assembly by the secretary. It must tally with the members' recollection and the amount written in the weekly records.

Step	Savings meeting procedures
Welfare Fund	<ul style="list-style-type: none"> • The chairperson then announces that contributions will be made to the welfare fund. • The secretary asks the general assembly if they remember how much money remained in the welfare fund at the end of the last meeting. As with the savings balances, this is confirmed by the general assembly and by the secretary through reference to the welfare fund records. The welfare fund cash is normally kept in a separate bag from all of the other cash in the cash box/pouch. This emphasizes that it must not be mixed with other cash and must not be disbursed as loans. It is then replaced in its fabric or plastic bag and put in the cash box. • Again, the secretary calls each member by name. They give their contributions to the money counters. The money counters confirm the amount and place it in a bowl that is specifically designated for the welfare fund. • Once all the members have made their contributions, the money counters count the total and announce it. • Anyone needing support from the welfare fund is invited by the chairperson to make his/her case to the general assembly. • If approved, the money is provided according to the conditions laid out in the group's constitution and handed over to the recipient. • After all benefits have been paid, the total amount remaining in the Welfare Fund is announced to the group. It is then replaced in its separate bag and put in the cash box and recorded in the weekly records.
Savings	<ul style="list-style-type: none"> • Once the welfare fund contributions have been paid, the chairperson announces that savings will be contributed. • The Secretary calls up each member by name or by number. They give their contributions to the money counters who verify that the amount is what the member claims. The amount must be a multiple of the base saving value, agreed on by the group. The money counters announce the amount contributed, while the treasurer stamps the correct number of saving symbols in the member saving passbook. The money counters place the money into the savings bowl. • Once everyone has made their contributions, following the same procedure, the total amount contributed is counted by the two money counters. • The secretary announces how much money was saved as savings in the meeting.

Step	Savings meeting procedures
Fines	<ul style="list-style-type: none"> Once the welfare fund and savings activities are completed, the chairperson calls on the money counters to count up any fines that may have been levied up to that time and put in the fines bowl, which has been placed on the floor at the start of the meeting. These are counted and the total announced by the money counters <div style="border: 2px solid red; padding: 5px; margin-top: 10px;">  <p>Note: When the chairperson levies fines, the infringements, and the amount charged, must be those listed in the constitution. The chairperson has <u>no</u> discretion to charge more or less.</p> <p><i>Note: If the meeting also involves credit, the procedure continues as listed on the next page and the collection of fines should be deferred to after loan reimbursements are collected.</i></p> </div>
<ul style="list-style-type: none"> Expenses 	<ul style="list-style-type: none"> The chairperson then asks the secretary if there will be any expenses before the next meeting (i.e. for bus fares and stationery purchases). If there is, this money is handed over to the secretary by the money counters and recorded in the cash book as an expense. (Note: when the next meeting is called the secretary is expected to show what has been bought and produce a receipt and any change. This is then put into the cash box and recorded as income in the cash book)
<ul style="list-style-type: none"> Weekly record 	<ul style="list-style-type: none"> The weekly record is a summary of the daily transactions / VSLA activities. It has the balance cash in welfare and balance cash in box
Closing	<ul style="list-style-type: none"> The chairperson then calls on the group members who may have raised items of Any Other Business (AOB) to present them to the group and facilitates any resulting discussions. Once AOB is finished, the chairperson announces that the meeting is over and that people are free to leave.

Step 2: the CBT tell the members that during the meeting that involves both savings and loans, the secretary starts with the normal procedure of savings meeting and concludes with the loans as indicated below.

Table 15: Savings and Loan Meeting (all steps for a Savings will be followed)

Step	Loan Meeting Procedures
Loan repayment	<ul style="list-style-type: none"> • The chairperson asks the secretary to list the loans that are due for repayment • The secretary reads out the names of the people who are due to repay (either principal and interest, or interest only) and the amounts in question. • When his/her name is called, the borrower gives his/her loan reimbursement (principal and interest) to the money counters. The money counters count it and announce it to the secretary who updates the members' pass book • The amount of money that the borrower is able to pay is then deducted from what he/she owes (including accrued interest) and the net sum remaining (principal owing plus interest owing, minus amount paid) is noted in the 'loan' column for the previous month. • Once all the loans outstanding have been repaid (either in full or in part) the money counters count the money in the reimbursement bowl and announce it.
Loan disbursement	<ul style="list-style-type: none"> • Once the loan repayments have been made the chairperson calls on the money counters to count up any fines that may have been levied up to that time and put in the fines bowl, which has been placed on the floor at the start of the meeting. These are counted and the total announced. • The money counters then combine the cash in the cash box with money in the savings contributions bowl, loan repayments bowl and fines bowl. They do not include the money in the welfare fund. This has already been placed in its separate bag. • The amount of cash on hand is announced to the secretary, who notes it down and announces it to the general assembly. • The chairperson then announces that applications for loans can be made. • Individual members then put forward their loan requests. No loan is given out until everyone who wants one has said so. They must also say for what purpose and in what amount and for how long they want it, and members of the general assembly are asked to comment • The Secretary compares the total of loans requested with the total amount in the cash box/pouch. If the total loans requested are greater than the amount available in the cash box, he/she proportionately reduces loan values so that everyone who requests a loan, gets a loan. he/she may also encourage discussion amongst members if, for example, a member needs money for a seasonal activity, while others only need it for an activity that is not affected by seasonal considerations. Once it is decided how much each applicant will receive, the secretary announces the name of the borrower and the amount to be borrowed. The money counters count out the amount of the loan and hand it to the borrower. The borrower counts the money and then signs the loan agreement in passbook. • Once the loans have all been given out the secretary calculates the total amount loaned and announces it to the general assembly.

From this point onwards the procedure remains the same as for the savings meetings, with the secretary preparing all records and the chairperson going through the closing procedures, including AOB.

Step 3: The trainer/CBT says that the next meeting will be a practice meeting with the group, in which all of the welfare fund, savings and lending transactions will be carried out by the membership.

Summary and conclusion:

The trainer/CBT summarizes the savings and lending procedures and tells the management committee that the next meeting will be a practice for all procedures. It will be the final meeting before the group actually starts to save and to lend.

The trainer/CBT asks if the members have any questions

The members are thanked for their participation and the meeting is closed

SESSION 7: CONFLICT RESOLUTION AND ACTION AUDIT

Key things to talk about.

- Guide the group to ensure that whenever they are solving conflicts they need to listen to both sides.
- Let the group know that it's always gossips that cause conflicts in the groups therefore the secret of the groups should always stay within the meetings.
- Take the group through the steps in managing conflicts and the different ways in which they can be resolve.
- Read the stories that are provided for them to gain understanding how conflicts can tear groups apart.
- Emphasis that they need to use the constitution in management of the conflicts and levy fines for those that don't respect the constitution.
- Make emphasis on starting to prepare action audit three months before the date. Let the members use this time to recover the loans that are still outstanding and audit the books i.e. the VSLA ledgers to ensure that there are no errors in the records.
- Ensure that redeeming of shares are done as the last resort since the redeemed shares don't earn interest and this can be a demotivation for the members to start the new cycle.

The aim of this topic is to introduce trainers/CBTs to the common problems in VSLA operations and expose them to the different conflict resolution tools. This is because trainers/CBTs are likely to solve different conflicts during their interaction with VSLAs and need to build the capacity of group the management teams to manage conflicts.

Conflict resolution

Step 1: The CBT/trainer will ask the members what conflict is and whether they have conflict among themselves. Often the participants say no. The trainer/CBT will then tell them this story

Definition of conflict: A conflict is a serious disagreement or argument about something important.

In the VSLA conflicts may always arise due to rumor mongering, loan defaults, coming late, none attendance and not wanting to follow the constitution, not performing the roles for the leaders, selfish interests by the members, gossips. The CBT tells the group members the story below

Story Topic: Importance of understanding and solving conflicts

In the Manda Nyazu group, one member, Mary, had borrowed US\$ 10,000/- from the group. A large part of this money went to expenses for her daughter's wedding. At the end of the three-week loan repayment period, Mary decided not to attend the meeting, as she did not have the money required to reimburse the loan (US\$ 11,000/-). The next day at the village well, she overheard two participants of the group discussing her case with other participants of the village. At home, her co-wife, having also overheard, mocked her. Mary realized that her story had made the rounds of the village and decided

to put a stop to it. She borrowed the money she needed from someone in the village to reimburse the group, paid off her loan and withdrew her membership from the group.

The following questions can be asked after the story:

- What do you think of this story?
- What do you think Mary should have done?
- Did the participants of the group react well?
- What should the participants of the group have done?
- Why did it happen? Distribute the responsibility.
- What could a group propose as a solution?
- What could a management committee do to avoid this kind of problem?
- What could the participants do to avoid this kind of problem?

Step 2: Ask the participants to come to a conclusion. The CBT/trainer tries to draw out that the members failed to fulfill their responsibilities and the committee their roles.

The CBT can explain that when a problem arises, it is better to discuss it in the group than to let the situation become acrimonious.

The members of the group must be assured of discretion in their operations.

Step 3: The trainer/ CBT helps the participants reflect on the utility of the internal regulations in resolving conflicts.

Ask the participants if they encounter difficulties in the course of their meetings. If they indicate that they do, ask them for examples.

The CBT can help the participants to express themselves by giving them examples of current problems in other groups (indiscretions, non-application of the regulations, etc.).

The CBT can also give some suggestions for solving conflicts:

- Find the real cause
- Evaluate the consequences of the problem
- Discuss the problem in order to find a solution

Explain to the participants that a problem is like a tree: it has roots, a trunk and branches.

- The source (the roots of the tree)
- The main cause (the trunk)
- The consequences (the branches)

The consequences (the branches) need to be understood. Give the following examples: a member's frustration and therefore a decrease in motivation can break up the group. If the source is known, that is where the problem should be attacked.

Step 4: The trainer/CBT should ask the participants to revisit their internal regulations and see if they set some rules to handle problems of conflict and behavior in the group. If not they can develop some in this meeting and include them in their rules.

Step 5: The CBT takes the members through the steps in resolving conflicts

Steps in resolving conflicts

1: Create a conducive atmosphere.

Creating an atmosphere for effective conflict resolution includes paying attention to your personal preparation, timing and location. You need to consider your initial opening statements. Consider what you will say when you begin the meeting and try to establish a partnership atmosphere rather than a one on one battle.

2: Clarify perceptions

Perceptions are the lens through which you look at yourself, others, your relation and the situation at hand. For effective conflict resolution, you need to work with the other people involved in the conflict to clarify the perception of the problem. It is incorrect to think that your assumption correctly explains the problem. Listen to both sides of the story from the persons who have conflicted.

3: Focus on the individual and shared needs.

When dealing with conflicts you need to focus on the needs of everyone involved in the conflict. Needs are things you must have in the relationship in order for the conflict to be resolved. These can be the purpose of the group that drives everyone.

4: Build a shared positive power.

Power is made up of attitude, beliefs, perceptions and behavior that give people the ability to perform effectively. Negative power tends to take away power from the other person in order to increase on their own advantage. When positive power is used, they work to make the relationship stronger and conflict resolution successful.

5: Deal with the past.

The past can influence conflicts within the groups. Use the past to learn from and let it help you to avoid and resolve conflicts within the group. Never keep bringing in the past since it will just worsen the conflict.

6: Generate options

Generating options provides choices from which specific steps in resolving conflict can be agreed upon. You need to trace the conflict way back before it reached where it is now. Explore on the options you are left with and look at their possibilities in solving conflicts. You need to take on the option that has a shared need which makes both parties to have a win-win situation.

7: Agree on the action points

This will help the parties having conflict to build trust and do things together. These can be built on individual or shared needs. They form pathways for capabilities that were thought to be impossible and hence solving conflicts.

8: Make a mutual benefit agreement.

Conflict resolution agreements are critical and effective to survive the challenges in future. They must be built on perception of the conflict, who is involved in the conflict and the specific steps each person has to take to improve the relation in the group.

Step 6: The CBT then takes members of the groups through the skills required in conflict resolution.

Skills in resolving conflicts

The Win-Win approach

A new look at conflict and cooperation, and the possibility of mutual gain. When using this approach ensure that both parties gain. The solution should be the one that satisfies the concerns of both parties.

Creative response

Seeing conflicts as opportunities. Although conflicts are often viewed as crises, they can also be considered opportunities for positive change.

Empathy

Seeing the other person's point of view. Recognizing the motivations underlying the apparently uncooperative behavior of others

Appropriate affirmation

Knowing your needs and rights and stating them clearly. Affirmation expresses willing to change and seeing things in a different perspective. This will help manage conflicts in the groups. They are a way of transforming the negative assumptions that are always common to conflicts and shifting your thinking and feelings to a more passionate way of viewing both yourself and the challenging person or situations.

Power

Distinguishing between personal power and cooperative power, and power with rather than power over

Dealing with emotions

Controlling your own frustration and anger and dealing with it in others.

Willingness to find a solution

Understanding the role of resentment in hindering successful negotiations

Mapping the conflict

Establishing a map of the conflict, including the needs and concerns of the parties

Creating options

Creating a variety of choices from which the parties can choose the most appropriate action for both of them.

Introduction to negotiation

Creating a favorable environment for working together towards resolution; dovetailing different interests; working together towards new balances, agreements and contracts

Introduction to Mediation

Understanding the special role of the mediator, and the importance of neutrality

Broadening the perspectives

Recognizing your side as just another possible point of view and placing the conflict exists in a larger context and over a longer period.

Summary and conclusion:

The trainer/CBT summarizes the savings and lending procedures and tells the group that the next meeting will be the first opportunity that the membership will have to save and to borrow actual cash and that everyone should prepare themselves for the meeting with their savings contributions and Welfare Fund contributions. The trainer/CBT asks if they have any questions. The members are thanked for their participation and the meeting is

closed.

Action Audit

Step 7: Towards Action Audit, the group adjusts its loan periods to fit in the scheduled end of cycle. i.e. from three months to two and later to one, the group starts looking through the records to ensure that the final day of action audit is short. This is done to allow all borrowers pay back their loans before the end of the cycle. This is very critical to prepare the groups to pay off all the loans before the action audit date to avoid defaults.

Step 8: One week towards the end of cycle i.e when the group has completed all of the welfare fund, savings, loan recovery and fines procedures the chairperson calls on the money counters to count the total amount of money in front of the members.

Step 8: The secretary then announces that this money will be saved out amongst the members in the next meeting. He/she first of all discusses with the members how much, if any, of the money will remain in the group's fund, so as to kick start lending at a higher level during the next cycle. The members must all agree on this and the money is set to one side.

Step 9: If any member owes the group money (from loan arrears), the savings equal in value to his/her debts are cancelled in his saving pass book and from the savings ledger. In this way the defaulting member is penalized, because the cancellation of the savings means that he/she will not receive the profit on those savings, but only the savings remaining.

Redeeming shares in a group in case of default

Figure 7: Cancelled Savings

Single Share Value: Shillings 500

Cycle Number: 1

Date	Shares Bought per Meeting				
1/1/19	♠	 	 	 	
8/1/19	♠	♠	 	 	
15/1/19	♠	♠	♠	 	
22/1/19	♠	♠	♠	 	
29/1/19	♠	♠	 	 	
5/2/19	♠	 	 	 	
12/2/19	♠	♠	 	 	
19/2/19	♠	♠	 	 	
Starting number of shares					0
Total number of shares bought this period					16
Total number of shares redeemed during period					6
Net shares end period (to be carried forward)					10

Figure 8 Above shows that savings have been physically cancelled with a pen and, also, that in the box below the 16 savings bought during this cycle, 6 have been redeemed (cash in). This member (Monica Auma) will thus receive $600 \times 10 = 6,000$

Step 10: The Secretary then takes each of the members’ passbooks and counts the total number of savings that have been bought. Using the calculator in the kit, he/she then divides this number into the total amount of money on the table and announces the result as the current value of a single saving.

Action audit formula

$$\text{New share value} = \frac{\text{Total value of cash in the box}}{\text{Total number of shares bought}}$$

The value got is the new value for the symbol/stamp. *For example*

Total cash in the box	Total number of shares bought	New share value
210,000	350	600

Step 11: She then gets the new stamp value and multiplies it by the total number of stamps in each individuals pass book to get the actual amount to be taken by that particular individual member. For example; if Benita Auma had 50 shares in her passbook, to get her actual amount to be shared the secretary does the following; $(600 \times 50 \text{ shares} = 30,000)$. She then takes each individual passbook and announces the number of savings that a person owns. She then multiplies this number by the value of a single saving (again using the calculator) and announces the amount to the General Assembly.

Table 16: Individual savings and amount to be shared

Member's No	Member's Name	Old share Value	No of shares bought	Value of shares bought	New share value	Value of the new shares	Amount taken	Signature
1	George Aketch	500	20	10,000	600	12,000	12,000	
2	Zabion Odayo	500	50	25,000	600	30,000	30,000	
3	Aloyce Abuyah	500	30	15,000	600	18,000	18,000	
4	Zibia Akayo	500	20	10,000	600	12,000	12,000	
5	Benita Auma	500	50	25,000	600	30,000	30,000	
6	Pamella Athieno	500	100	50,000	600	60,000	60,000	
7	Hellen Omollo	500	30	15,000	600	18,000	18,000	
8	Angelline Omollo	500	40	20,000	600	24,000	24,000	
9	Consilata Adiambo	500	50	25,000	600	30,000	30,000	
10	Consilata Ariyo	500	45	22,500	600	27,000	27,000	
11	Monica Auma	500	35	17,500	600	21,000	21,000	
12	Irene Achieng	500	45	22,500	600	27,000	27,000	
13	Consilata Ajwang	500	95	47,500	600	57,000	57,000	
14	Pamella Odoya	500	85	42,500	600	51,000	51,000	
15	Mary Othieno	500	28	14,000	600	16,800	16,800	
	Total		723	361,500		433,800	433,800	

Note: The Total amount shared in column should not exceed the cash in the box. It can be = or less than the cash but not more. i.e it should be = to 210,000 or less but not > than 210,000. Therefore, amounts with fractions/decimals, should be rounded off downwards eg one cannot receive 12009.7 should be rounded to 12,000 and not 12,100.

Step 12: The member then comes forward and receives the money from the money counters. At the same time the Secretary removes the value of the savings from the member saving passbook by striking them out

Step 13: Once the saving-out/action audit is completed, the money counters announce the amount of money left in the cash box. This is comprised of what the members have decided to leave in for the next cycle and also any money left in the welfare fund.

Step 14: The trainer/CBT officially announces that the group has graduated from the implementing organization's support and is now fully independent. He/she tells the members that the organization will maintain contact from time to time for follow-up. The group may decide to hold a party to celebrate their accomplishment and this is to be encouraged.



Conclusion

Before leaving the participants, the trainer/CBT can give some advice:

- Promote exchange and dialogue among the members of this group and others.
- Give technical support to participants who are not members, but who want to create VSLAs.
- Alert the project to the existence of these groups so that the project can provide training
- Continue savings and loan activities with the VSLA system

Annexes

Annex 1: CBT monthly VSLA financial data collection form

Static and standard defined field data.	
1. Name of the CBT:	
2. Name of group:	
3. Village:	4. Sub county:
5. Parish:	6. District:
7. Name and contact of the chairperson	
8. Name and contact of the secretary:	
9. Share Value:	10: Interest rate
11. Date of first training:	
12. Number of members at the time of creation of the group	
Cycle data	
13. Registered members at the start of the cycle _____ Male _____ Female _____	
14. Date savings started this cycle:	
15. Savings re-invested at the start of the cycle	
16. Value of property at the start of the cycle:	
Data set	
17. Date of data collection:	
18. Total registered members now _____ Male _____ Female _____	
19. Number of members attending meetings at the time of visit _____ Male _____ Female _____	
20. Total number of dropouts _____ Male _____ Female _____	
21. Value of savings this cycle	
22. Number of loans outstanding	
23. Value of loans outstanding	
24. Write offs this cycle	
25. Value of Loan fund cash in box	
26. Social fund balance	
27. Bank balance	
28. Property now	
29. External debts (debts from formal financial institution)	
User defined fields	

30. Cumulative value of savings by youth:			
31. Cumulative value of savings by refugees:			
32. Cumulative value of savings by women:			
33: Cumulative number of loans borrowed			
34: Cumulative number of loans borrowed by youth:			
35. Cumulative number of loans borrowed by women:			
36. Cumulative number of loans borrowed by refugees:			
37. Cumulative value of loans borrow (Exclude the rollovers):			
38. Cumulative value of loans borrowed by refugees:			
39. Cumulative value of loans borrowed by women:			
40. Cumulative value of loans borrowed by youth:			
41. Cumulative number of loans borrowed for agricultural purpose:			
42: Cumulative number of agricultural loans borrowed by refugees:			
43. Cumulative number of agricultural loans borrowed by women:			
44. Cumulative number of agricultural loans borrowed by youth:			
45. Cumulative value of agricultural loans borrowed:			
46. Cumulative value of agricultural loans borrowed by women:			
47. Cumulative value of agricultural loans borrowed by refugees:			
48. Cumulative value of agricultural loans borrowed by youth:			
49. Cumulative value of social fund:			
50. Money reported by the group corresponds with the amount of money present in the:			
Loan fund: 1. Yes	2. No	Social fund: 1. Yes	2. No
General comments and observations:			
Verified by:		Signature:	

Annex 2: Outline of the elements of the internal rules and regulations

This outline is intended to be a series of key questions rather than a finalized constitution. Once the key questions have been answered by the members, after discussion, the constitution can be written in final form and everyone who is able will sign, with non-literate members affixing their fingerprints, to ensure that everyone is in agreement with the provisions.

I. Basic information on the group

- Name of the group _____
- Address of the group _____
- Date when the group was formed _____
- Date of registration _____

II. Objective of the group

The objectives of the group include the following:

-
-
- The group shall undertake the following activities in order to attain the above objectives:
-

III. Criteria for membership

- Gender

- Age (Upper and Lower age limit)
- Lower limit _____ years
- Upper limit _____ years
- Running a business (Income generating activity)
- Good Reputation
- Health

IV. Composition of the management committee

- Chairperson (1)
- Secretary (1)
- Treasurer (1)
- Money Counters (2)

V. Election procedures

- Any member shall be eligible to serve on the Management Committee for a period of ___ terms.
- Elections shall be held _____ times in a year.
- A minimum of _____ members shall be present in order for the elections to take place
- Elections procedure shall use a system that allows everyone’s vote to be secret.
- _____ shall be the minimum number of people that must stand for each position

- A member to be elected shall be nominated by ____ members and seconded by ____ member(s) before being put forward for election

VI. Removal of officers from their position between elections

Any member of the General Assembly can call for a vote of no confidence in a member of the Management Committee. If the resolution is passed by a majority of the members the member must step down from the Management Committee and a new one be elected to the same position.

VII. Meetings and amount of savings deposit

- The group shall meet _____ times in a week for the VSLA activities and _____ in a week for farming activities.
- The operating cycle for the group before pay out shall be ____ months.
- Each member shall be required to make a minimum saving deposit of ____UGX at each savings meeting.
- All members shall be allowed to save at most up to _____ times the agreed savings amount which will be _____
- The following shall be done when a member cannot meet the minimum saving deposits:

VIII. Criteria for loan disbursement

- The maximum amount that anyone can borrow is three times the cumulative value of their savings
- The maximum loan period is 12 weeks with a member making deposits on loan repayment after every 4 weeks.
- A member must repay a loan before he/she can take another
- A member is not allowed to borrow money for another person, if he/she does that then the member takes all the responsibility in case of loan default.
- The agreed purpose for members to borrow from the group is:

- Group priorities for loan allocation when funds are insufficient to satisfy everyone's needs:

(a) _____

(b) _____

(C) _____

(d) _____

- The interest generated from the loans shall be shared according to the amount of savings the member has.

- The members can borrow loans at every sitting as long as there is money available to be borrowed and the member is loan free.

- The group will put into consideration the following when assessing the borrower’s ability to repay:

- a) _____
- b) _____
- c) _____
- d) _____

- The eligible member to borrow shall meet the following requirements:

- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____
- (f) _____

- The group shall write off a loan that is not repaid after _____weeks and invoke legal action against the defaulter.

- The defaulter shall pay ___ as interest charge on amount of loan defaulted per month.

IX. Conditions for repayment

- The loan repayment period shall be _____months
- The interest on loan shall be _____% per month (4 weeks).
- Members shall repay loans at every sitting as it falls due.

X. Situations where fines (or other sanctions)

The following shall be fines as indicated below in the group

Offence	Fine Amount
Non-attendance at a meeting for personal reasons	
Late to meetings	
Not memorizing group rules as required by the members	
Failure to make minimum Saving/Savings deposit	
Chatting through the proceedings	
Showing disrespect to group leaders or members of the General Assembly	
Not remembering decisions and activities of the preceding meeting	
Non-execution of role by a member of the Management Committee	
Late deposit or loan reimbursement	

XI. Criteria for the welfare fund

• Each member shall contribute _____ UGX towards welfare fund per week (this amount should be less than the savings value).

• Welfare funds shall be accessed if a member experiences the following emergencies:

(a) _____

(b) _____

(C) _____

• For these emergencies, the welfare Fund payout grants emergencies the borrower reimburses the fund to the group?

Categories where welfare funds can be given out as grants:

a) _____

b) _____

c) _____

d) _____

Categories where welfare funds can be reimbursed

a) _____

b) _____

c) _____

d) _____

The welfare fund shall be kept outside the box with the welfare treasurer and a member that wants to borrow goes with _____ witnesses.

The welfare treasurer will bring accountability of the money taken at every meeting.

XII. Seed multiplication in the demo plots

Members of the group shall receive seeds at the end of the harvest from the demo garden depending on the level of participation at the demo.

• Number of trainings _____

• Number of group activities one has participated in (land preparation, planting weeding etc.) _____

The available seed will be rationed according to the yield output from the demo garden

XIII: Management of post-harvest handling equipment

The equipment provided is strictly supposed to be used for group agricultural activities. Failure to abide by the rules set will lead to penalties of _____ to be paid by the custodian of the equipment.

The post-harvest stores should be used only for storage of only food crops. Any group found misusing the storage facility will no longer be supported for the same.

XIV: Cost sharing in the project.

The group will contribute _____% of the total cost of the equipment or storage facility to qualify for the support.

XV: Participation during the trainings.

The number of members attending trainings should not be less than_____.

Members that dodge group meetings/ trainings will be removed from the group or pay a fine of _____Ugx.

XVI: Setting of goals and financial plans.

A member that doesn't set individual savings goals, savings plan, Budget will pay a fine of _____Ugx.

Any member of the group that does not set production and marketing plans will be fined _____Ugx or sent away from the group.

XVII: Expulsion from the group

The reasons for which a person should be expelled from the Group are:

•If the welfare fund is depleted through grants to members, the following will be done to replenish it

XVIII. Withdrawal of a member

• The following will happen to a member's savings in the event of their leaving the group during the cycle

- If a member leaves the group during the cycle and the reason for leaving is their own free choice the following will be done.

- If a member leaves the group before loan repayment is completed, the following will be done.

XIX. In case of death

Measures to be taken in respect to savings and non-reimbursed loans of a member include:

XX. Amendments to the constitution

- _____ members must agree (as a number) before the constitution can be amended:

- _____ can propose an amendment to the Constitution.

Note: Ensure that all the members of the group sign on the constitution for authenticity.