

# From the REAL to the next phase

- VSLFs as a second-tier financial structure, which can evolve into a strong community financial institution with strong governance, systems integration, and a capital pool.
- But also revealed clear limits like-**Weak External Linkages**: Limited engagement with banks and microfinance institutions, Limited skills in Enterprise development, Collective marketing, Value addition, **Digitization Challenges**-Low digital literacy & System inefficiencies
- The Low Maturity of New Federations
- Governance & Leadership Gaps
- Financial & Structural Constraints
- Low capital base limits loan size and circulation
- The next phase builds on these structures

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# Next phase steps

- Addressing the main challenge of affordable growth capital
- Gradually link strong VSLFs with the financial sector; discussions are already ongoing with and Ugandan and Danish banks, for blended financing models
- Currently working with a local Ugandan bank, exploring blended finance models, de-risking mechanisms, stronger digital records systems, and improved borrower readiness
- Conducting advanced financial literacy and basic literacy trainings to address the elite capture
- **Identity Hubs:** Developing VSLFs as platforms for "borrower readiness" and financial track records
- **Strengthen Governance & Leadership** by Conducting Intensive training on governance, financial management, and conflict resolution
- **2. Conduct targeted mentorship** for early-stage federations and Peer learning from stronger VSLFs to accelerate growth
- **3. Build Financial & Market Capacity:** Train on agribusiness, collective marketing, value addition, processing, and enterprise development

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# The Core challenge

- VSLFs mobilise savings but capital remains limited
- Farmers need larger and longer-term investments
- Formal finance often does not reach them
- This creates a missing middle

# The idea: from community finance to growth capital

- Build on VSLFs
- Enable larger investments
- Create pathways to formal finance
- Maintain inclusion and trust

# What the next phase aims to test

- Work with a local financial institution in Uganda
- Develop loan approaches suited to VSLFs
- Explore blended finance to reduce risk
- Strengthen borrower readiness



# Key insights

- Governance and trust are key foundations
- VSLFs are still emerging structures
- Solutions must build on these strengths
- The challenge is both financial and institutional

# What makes this pathway possible

- Strong governance structures
- Improved financial records
- Group accountability
- Proven repayment capacity



# Blended finance

- Community savings remain the foundation
- External finance can complement this
- Work with local financial institutions
- Aim to reduce risk and improve affordability



# A gradual approach

- Not all groups are ready at once
- Focus on mature groups first
- Build linkages step by step
- Continue support for governance and inclusion



# What is new compared to REAL

- Moving beyond internal capital
- Supporting larger investments
- Creating structured pathways
- Build on REAL



# Looking Ahead

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- Expand access to growth capital
- Support smallholder farmers
- Strengthen inclusive systems
- Continue learning and adaptation

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