



**OFFICE OF THE PRIME MINISTER
DEVELOPMENT INITIATIVE FOR
NORTHERN UGANDA (DINU)**



ACTION FOR LIVELIHOOD ENHANCEMENT IN NORTHERN UGANDA **(ALENU)**

Village Savings and Loans Association MANUAL



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Acknowledgements And Disclaimer

This manual is developed by a consortium consisting of four NGOs (Caritas Switzerland, Advance Afrika, Agency for Accelerated Regional Development, and Gulu Women Economic Development and Globalization) for the implementation of the Action for Livelihood Enhancement in Northern Uganda (ALENU) Project that is funded under the Development Initiative for Northern Uganda (DINU), a government of Uganda programme supported by the European Union (EU) and supervised by Office of the Prime Minister.

The manual formulation process included a review of a number of manuals for which we are indebted, namely:

- 1) Care Uganda and WENIPS, (November 2011), VSLA Field Officers' Guide. SUSTAIN Project
- 2) Care Uganda, Plan International, Barclays, (September 2013), VSLA Field Officers' Guide. Banking on Change Project
- 3) Stromme Foundation East Africa, (2015), Community Managed Microfinance (CMMF) Training Guide.
- 4) AFARD, (October 2016), VSLA Support Trainer's Guide: A Trainer's Toolkit. Youth Economic Development Project.
- 5) FURA Cream Consortium (2017), VSLA Trainers Guide. Project for Financial Inclusion in Rural Areas.
- 6) AFARD, (October 2017), VSLA Trainers Guide, Secure Livelihoods For South Sudanese Refugees and Host Communities In West Nile Region, Uganda (Migration Project).
- 7) AFC (October, 2019) Village Savings and Loan Association Trainer's Guide, Rise Project.
- 8) VSL (April 2019) Village Savings and Loan Association (VSLA) Field Officers Training Guide V2.1

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ABOUT ALENU PROJECT

Under the Development Initiative for Northern Uganda (DINU), a Government of Uganda programme supported by the European Union (EU) and supervised by Office of the Prime Minister, Caritas Switzerland has received a grant to implement the Action for Livelihood Enhancement in Northern Uganda (ALENU). ALENU is implemented by a consortium consisting of four NGOs (Caritas Switzerland, Advance Afrika, Agency for Accelerated Regional Development, and Gulu Women Economic Development and Globalization).

Objectives and Results

ALENU is a 40-month action that focuses on improving livelihoods through increased and diversified food production, enhanced market opportunities and better maternal and child nutrition in six districts of the West Nile and Acholi sub-regions. Its overall objective is, “to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.” And the specific objective: is, “to increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment. The three main result areas are: Result 1.1: Increased production of diversified food; Result 1.2: Increased market accessibility; and Result 1.3: Improved nutritional status

Districts and Sub Counties

Agago (Wol and Lokole); Amuru (Amuru and Lamogi); Omoro (Odek and Lakwana); Nebbi (Erussi and Atego); Pakwach (Pakwach and Panyimur); Zombo (Kango and Athuma)

Main Activities

Result 1.1: Increased production of diversified food

Select HHs; develop Family Development Plans; develop seasonal Production and Marketing Plans; set up group demonstration gardens; conduct farmer field school sessions; facilitate outreaches by local government extension staff; organize seasonal agro-input fairs; build capacity of agro-input suppliers; form commodity-based cooperatives; train VSLA Mentor; train Farmer Group (FG) members in VSLA; link SACCOs/ progressive FGs with formal banks.

Result 1.2: Increased market accessibility

Provide FGs with Business Development Services; organize/ promote sub-county farmer markets; facilitate learning visits to model farmers/private sector actors; create added value for commodities; organize a multi-stakeholder platform and annual cross-sector dialogues; achieve progress in certification, quality control, branding and contracting.

Result 1.3: Improved nutritional status

Train VHTs/Health Workers on good nutrition practices, child health, family planning and WASH; empower cultural and religious leaders to sensitise community; increase access to prevention and curative health services; improve nutrition and sanitation practices at HH level; train VHTs on family planning, provide family planning services; conduct annual couples conference and community dialogues on family planning/GBV; conduct community dialogues for out-of-school adolescents on sexuality/ family planning, provide health services; advocate for supplies of FP commodities; facilitate debating clubs and youth peer groups in schools; collaborate with faith-based medical bureau.

Main Activities

- **Holistic Family-Centered Approach:** All household members will benefit from a combination of bundled services customized to meet their specific needs, address their vulnerabilities and strengthen their capacities at the collective and the individual level and in view of reducing poverty and malnutrition.
- **Village Savings and Loan Association (VSLA) and Linkage Banking:** Provide simple savings and loan facilities in a community that does not have easy access to formal financial services. Strong VSLAs will be registered at district level and linked to formal financial institutions or federated into SACCOs for better financial inclusion.
- **FarmerFieldSchool(FFS)withPeer-to-PeerDemonstration-basedExtensionApproach:** Promote practical knowledge among smallholders on improved technologies through participatory, experimental, problem solving and discovery-based learning and hence increase yields, food adequacy and collective marketing for better market positioning.
- **Market Systems Development (MSD) and Value Chain Approach (VCA):** Make markets work for the benefit of the poor by tackling the underlying causes of market failure and strengthening the functions of market actors as well as the rules and norms that govern the market system.
- **Agro-ecology:** Apply ecological and social concepts and principles to the design and management of food and agricultural systems to optimize the interactions between plants, animals, humans and the environment while taking into consideration the social aspects that need to be addressed for a sustainable and fair food system (FAO).

Key stakeholders

Stakeholder	Role
Target farmers and their households	Main beneficiaries, participate in selection of market commodities and peer-extension agents (CBTs, Poultry Paravets, Agroecology Champions, VSLA Mentor and Market Committee Members), various capacity building activities and monitoring and learning meetings
Local Governments	Oversee implementation of activities and align the Action with the district priorities, involved from planning stage and play a major role throughout the implementation as advisors, extension workers, or beneficiaries of capacity building
Community members	(VHTs, cultural and religious leaders, senior women and male teachers, youth Mentors), contribute to changing attitudes and practices, involved at all project cycle stages.
Private sector	Expand market system and offer production inputs (seeds, tools, etc.), loans, services (market information, advisory service, quality control, vet services etc.), transport and, as traders and processors, purchase the products of target farmers and farmer groups
Advance Afrika, AFARD, Gwed-G	Local implementing partners, in charge of implementation based on a mix of geographical and technical division of responsibilities
Caritas Switzerland	Consortium coordinator and donor, ensures independent project supervision, in charge of MEL and quality assurance including capacity building of co-applicants, and the development of a network of strategic contacts with development partners
Ugandan Government	Supervising (OPM) and contracting authorities (National Authorizing Officer/ Ministry of Finance, Planning and Economic Development)
EU	Main donor

Beneficiaries total 35'900 individuals (farmers and their household members, local government officers, community and private sector members, and the staff of implementing partners).

WHY VILLAGE SAVINGS AND LOANS ASSOCIATION(VSLA)METHODOLOGY

The VSLA methodology has been around for a while. Used alone, it provides a great incentive for community mobilization and economic citizenship development. For instance, it can spur savings culture and groups cohesion. The Village Savings & Loan (VSL) model is a self-managed and self-capitalized microfinance methodology having its members mobilize and intermediate local pools of investment finance that offers savings, insurance and credit services in markets outside the reach of formal financial institutions. The VSLAs have altered the development equation in marginalized communities worldwide by providing members with the means to cope up with emergencies, build capital and re-create social dynamics that support genuine self-reliance.

Yet, it is time that smallholder farmers need an effective and holistic platform to trigger their aspirations. The VSLA model then adds unique features to the traditional model. For instance, it adds savings for agri-inputs to insure seasonal fluctuations. It sets minimal balance on interest earned incomes to ensure that no one group starts a new year with zero balance. More so, it provides a basis for strategic economic citizenship training such as entrepreneurship and life skills, financial literacy, and farming as a business. In such an integrated way, ALENU envisages that the VSLA model will mobilize youth, equip them with relevant life, business, and political capabilities with which they can set their life goals, use their savings as instruments for income generation and investments, and engage with local leaders to voice their development concerns. These gains adds value to access to financial services and strong organizational and managerial capacities that VSLA offers to the poor.

Implementation principles

ALENU will reach out to vulnerable families through a community group approach of VSLA methodology whose goal will be to stimulate agribusiness and alternative income generation investment. This central role requires that every VSLA are formed using the 9-principles of youth savings groups in Box 1 are:

- Have a constitution and by-law/byelaw signed by all members
- 60% or more of membership MUST be females
- Have a gender sensitive Executive and Management Committees (with at least 2 females).
- Are formally registered with their local governments as body corporates.
- Have 2 Model farmers (1 of whom shall be female)
- Maintains good working relationship with their local government including regular reporting.
- Approves one agro enterprise for support and develop annual business plans for the agro enterprise.
- Develops linkages with enterprise experts, financial institutions, insurance institutions, agro-input dealers, product markets, and peer agencies.
- Ensures environmental sensitivity and social (gender) inclusion in its business together with support for its community development e.g., market linkages for no-members, etc.

Box 2: The VSLA Business Principles

VSLAs are formed on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Members believe in the ethical values of honesty, openness, social responsibility and caring for others. Thus, the key Principles upon which the groups will operate are:

- a) **Voluntary and open membership:** VSLAs are voluntary organizations, open to all willing persons able to commit to a common cause and willing to abide by and take on the responsibilities of membership.
- b) **Democratic member control:** VSLAs are controlled by their members, who decide on what to do (decision-making) and how to do it (strategic direction). Elected leaders, as representatives, are accountable to the members.
- c) **Member economic participation:** The VSLA as a business unit is where members contribute equitably to, and democratically control, the resources of their group in a way that funds are managed according to the agreed upon plans and budgets.
- d) **Autonomy and independence:** VSLAs are self-help, autonomous and independent organizations registered to operate in their local governments. They earn income; manage their income independently but under the control of members (not elected leaders).
- e) **Education, training, and information:** Through the VSLA, members and elected leaders (executives and committees) have access to education and training so they can effectively participate in the development of the group.
- f) **Co-operation among members:** VSLA members are expected to cooperate with each other in information and innovations sharing as well as in learning best production, business, and organizational practices.
- g) **Concern for community:** The inherent interest of the VSLA is to develop model villages that benefit both its members and the entire community.

NOTE: This VSLA Training Guide has been developed to be used by the Primarily VSLA MENTOR and their Mentors Project and Local Government staff who are involved in the process of training and Mentoring on the VSL methodology for the ALENU Project.

SETTING THE STAGE

Objective: At the end of the session:

- VSLA Mentors understand VSL methodology and are able to conduct training and mentorship in their farmer groups
- Farmer group members are willing to adopt and participate in the VSLA component of their group activities

Duration: 2 Hours

This manual has been developed cognizant of the fact that ALENU project farmer groups are not solely focused on VSLA activity. Instead, VSLA is one of the various other components of the activities that the groups will undertake – farming, nutrition, marketing, alternative income generation, sanitation and hygiene, etc. This Preparatory Phase that precedes the training of the VSLAs is organized in two parts, namely, training of VSLA mentors and orientation of the farmer group members on VSLA methodology. Once all these are completed, then the training of the farmer group members in VSLA methodology is conducted. In this way, this manual has 3 parts:

1. **Training of Trainers – VSLA Mentor in VSLA methodology**
.....
2. **Orientation meeting of farmer group members about VSLA methodology**
.....
3. **Training of farmer group members in VSLA methodology**

This part of the manual is applicable to both Part 1 and Part 2. It should be delivered to both the VSLA Mentors as a start-up of their training before delving into the contents and application of VSLA methodology. By so doing, VSLA mentors will know what is expected of them – importance of the methodology, key principles and policies, VSLA challenges, roles of group members and their own roles and responsibilities. Equally, these trigger information are critical for the farmer group members to know.

As the first meeting of the trainers and VSLA Mentor well as of the VSLA Mentor and the farmer group, normal group meeting etiquettes need no emphasis. The Trainers/ VSLA Mentor should introduce themselves to the participants, explains the purpose of the session, and agree with the trainees on participation rules and schedul.

In this session, the following will be covered.

- Description of VSLA methodology
- The Strengths and limitations of the VSL methodology.
- Objectives of implementing the VSL methodology into the ALENU project
- The financial services offered to the farmers by the VSLAs?
- The ALENU Policies on VSLAs the farmers must adhere to
- The VSLA success and sustainability drivers
- The 7 VSLA Training Modules
- The obligations of the VSLA Mentor.
- The obligation of VSLA members

Step 1:

Description of the VSLA methodology

A Village Savings & Loans' Association (VSLA) is an association of 15 – 30 people who save together and take small loans from the savings. The activities of the VSLAs run in cycles of about a year, after which the accumulated financial assets (savings + fines + interest) are shared out among the farmers according to the amount each one has saved.

VSLAs are member – owned, member – used and member – managed, implying that, the project only trains and mentors the farmers on the methodology, but never manage the VSLAs, prepare the various records, approve requests for loans, recover loans or touch the money belonging to the farmers.

Step 2:

Highlight strengths and weaknesses of VSLAs:

Strengths	Limitations
<ul style="list-style-type: none">• It is based on savings which means that farmers work with their assets and not with loan liabilities (debts). This increases their livelihood security and reduces their exposure to risks.• Interest earned on loans goes to the association and not to external service provider. This increases the amount of investment capital available to the community.• It instills within farmers financial discipline.• Financial services (including a limited level of insurance) are offered in the participants' village/ neighborhood.• Transactions are quick, simple and transparent.• Systems of accounting are secure, clear and simple.• Using lock boxes ensures that transactions are confined to meetings of the entire association and that money is safe.• The distribution system allows participants to acquire useful lump sums of capital at a predictable time that can be invested in longer – term activities or meet large, predictable expenses.• When the association is well established, it can receive external credit from a formal sector to augment their loan fund and permit financing of larger, longer- term loans• The association is able to address other cross cutting issues within their communities for development.	<ul style="list-style-type: none">• The amount of money available for loans is small, especially at the beginning of the operating cycle. It is limited by the participants' capacity to save: some consider this as an advantage because it prevents over borrowing, especially in the early stages of an association's life.• The short loan period that is normal during early life cycles limits investment in long-term activities.• The association that choose to distribute all of their savings at the share out /action audit are obliged to start saving again, and once again, have little capital available for loans for several months

Step 3:

The objective of integrating the VSL methodology in to the ALENU project

- To build unity and cooperation among the farmers for combined efforts for their own development.
- To develop self – help culture among the farmers to build their own capital through savings habit and develop repayment culture.
- To create awareness among the farmers and their families on the importance of family development and various resources available.
- To create knowledge on the various livelihood skills and its importance in improving family income.
- To develop savings culture and habit among the farmers for future needs.
- To provide credit facility timely to the farmers for investment in productive ventures.
- To build the capacity of the farmers to manage their lives and association.
- To take up common issues such as health, sanitation, hygiene, education and lobby with various agencies for accessing basic needs.
- To establish linkages with various development agencies, financial institutions and resource institutions and availing need based services to the farmers and community.
- To establish network with other VSLAs for experience sharing, mutual learning and support.
- To save resources for timely procurement of agro-inputs for increased agricultural productivity and investment.

Step 4:

What are the financial services offered to the farmers by the VSLAs?

- Savings.
- Credit/loans for:
 - Agricultural production, processing/value addition and collective marketing.
 - Business (start up, improvement and expansion).
- Social insurance covering:
 - Sickness.
 - Funeral.
 - Education.
 - Disaster.

Step 5:

The ALENU Policies on VSLAs the group members must adhere to:

In addition to the best practices and policies governing VSLAs, farmers are also expected to comply with the following policies:

1. The Association is believed to be fully formed immediately after formulation of group constitution and VSLA by law and registered at the respective sub county.
2. Save With a Purpose (SWAP) with clear goals which have to be evaluated from time to time.
3. Include agro input fund as one of the core concepts and saving for the agro – inputs shall be contributed equally with a target of acquiring their agro inputs needed within a specified season.
4. 2 – 5% of the profit accrued would be calculated to create a common fund that will

act as a bond to the VSLA and contribute to the achievement of the Vision of the VSLA.

5. Borrowing is strictly for Farming As A Business (FAAB)
6. Farmers accessing loans from the VSLAs MUST provide a reliable guarantor (member of the VSLA) to mitigate the risk of high loan default
7. The VSLA should be molded into a Producer & Marketing Association with marketing committees and other ad-hoc committees as deemed necessary
8. Equal participation of all the farmers in the management of the VSLA.
9. Loan period is 1-4 months to promote agricultural investment and productivity.
10. Family members can be in the same VSLA, but they should not take loans at the same time.

Step 6:

The VSLA Mentor challenges the farmers on the VSLA success and sustainability drivers of the VSLA they have formed. Ensures they articulate the following factors:

1. Empowered membership: This implies members;
 - Have clear savings goal and plan.
 - Have good savings pattern
 - Have good meeting attendance pattern.
 - Enforce the internal rules and regulations strictly.
 - Make proper assessment before loans are approved.
 - Follow-up on loans, repayments and defaulters
 - Use loans for the intended purpose and make timely repayment.
 - Effectively resolve conflicts within the Association.
 - Assess Management Committee performance and hold them accountable for their actions.
 - Have self-esteem self-respect and self-confidence.
 - Manage time effectively.
 - Have strong money discipline.
 - Keep Association secrets.
 - Have capacity to lobby and advocate for the Association.
 - Maintain harmony and excellent relationship with other VSLAs within the parish or sub county.
2. Transparent and Accountable Management Committee: implying that leaders;
 - Use decision making techniques and processes
 - Provide technical guidance to members
 - Link Association to other support institutions
 - Encourage active participation of members.
 - Implement actions and decisions of members.
 - Promote openness, trust, and honesty
3. Accurate and complete records
 - Register.
 - Social fund ledger.
 - Savings ledger.
 - Fines ledger.

- Loans' ledger.
 - Cash Book.
 - Pass books (savings & loans records).
 - Social fund treasurer's record.
 - Askari's record book.
4. Strict adherence to the core principles and best practices.
 5. Strict enforcement of the internal rules and regulations.
 6. Excellent relationships with other VSLAs, Organizations promoting the VSLA intervention, other Development Agencies and the Government.
 7. Access, utilization and timely payment of loans.
 8. Safety of Association funds and resources.
 9. Capacity to effectively resolve conflicts.
 10. Access to development programs

Step 7:

The VSLA Methodology's 7 training modules:

Module	Purpose
VSLA Formation	To appreciate the importance of a what a group is and how to form a strong group through VSLAs
Vision/ Goal setting	To enable members appreciate their participation in VSLA as a critical path to their individual and household development.
VSLA Concepts	To understand what forms the basis of the members' savings through effective generation of policies in each concept
Constitution / By Law and conflict resolution	To appreciate the importance of the overall structure and internal rules and regulations in the VSLA and how the group is facilitated to formulate them.
VSLA Records Keeping System	To expose to the members the different records kept and how they are managed
Meeting Procedures & First Saving Meeting	To enable members understand how to conduct the VSLA meetings and how the first savings meeting takes place
Action Audit (Share Out) and Graduation	To understand the outcome of the whole VSLA cycle and assess the groups' strengths and weaknesses, hence inform on proceeding to the next cycle.

Step 8:

The obligations of the VSLA MENTOR:

- Train farmers on all the modules/sessions.
- Mentor the VSLAs on records, meeting procedures, enforcement of the by law, loan
- Approval and ensure role execution by the management committee.
- Assess the readiness of the VSLA for change of phase.
- Fill in the VSLA change of phase form.
- Participate in M & E.
- Collect data on the VSLA.

- Document success stories.
- Support the farmers during action audit.

Step 9:

The obligations of VSLA members:

- Attend all the sessions/modules.
- Follow time.
- Adhere to the Core Principles, Best practices and the Policies of ALENU on VSLAs.
- Enforce the by-law as agreed by the General Assembly/members.
- Guide members on loan use
- Guarantee security and safety of members' savings.
- Maintain excellent relationship with the ALENU team, AFARD, Local Authorities and other development partners.

Step 10:

Feedback (Q&A session):

The PO/VSLA Mentor asks the farmers if they have any questions arising from the presentations for him/her to answer.

Step 11:

The VSLA Mentor informs the farmers that, the training sessions lasts for 10 days or spread over a period of 10 weeks. Each training takes between 1 ½ to 2 hours. In each, training, one or two modules may be covered. Then agree with the farmers on the training schedule (day, time and venue).



MODULE 1: VSLA FORMATION

Objective: At the end of the session, members should be able to:

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

TOPIC 1. THE METHODOLOGICAL PRINCIPLES AND BEST PRACTICES

Step 1:

Recap of the previous meeting on how the VSL methodology works (description), how interested individuals can form VSLAs, the Strengths and limitations of the VSL methodology, objectives of implementing the VSL methodology into the ALENU project, the financial services offered to the farmers by the VSLAs, the ALENU policies on VSLAs the farmers must adhere to, the VSLA success and sustainability drivers, the 7 VSLA Training Modules, the obligations of the VSLA Mentor, the obligation of VSLA members

Step 2:

Introducing the session/module on VSLA Formation.

Step 3:

Overall objective of the module:

The CBF announces the overall session on VSLA Formation is to deepen members' understanding of the meaning and importance of the core principles and best practices, roles and qualities of effective VSLA members, the general assembly and their roles and leadership and election procedures.

Step 4:

The VSLA Mentor introduces the first session

Session 1:

The Core Principles VSLAs adhere to:

1. Zero tolerance to arrears (social fund, savings, loans and fines): Strong adherence is critical because it:
 - Instills the savings culture in the farmers.
 - Minimizes the risk of losing farmers' savings through loan default.
2. Independence and Autonomy: This principle promotes:
 - Effectiveness of the Management Committee and farmers.
 - Strict enforcement of the Internal Rules and Regulations (IRR).
 - Participation of farmers in discussion and making decisions that affect the Association.
 - Strict adherence to the Core Principles and Best Practices.

3. The Ring fenced Cash Box: This principle promotes:
 - Financial transparency.
 - Accountability of funds.
 - Confidentiality of Association secrets.
 - Cash verification by farmers in every meeting.
 - Opening and locking of cash box in front of farmers during meetings.
 - Keeping of keys to the cash box by three different farmers.
4. Timely Action Audit: This principle promotes:
 - Timely sharing of benefits/profit on farmers' savings.
 - Review of operations focusing on strengths and weaknesses of the VSLA.
 - Review of the internal rules and regulations.
 - Revisit membership.
 - Assess Management Committee performance.

Session 2:

The methodological best practices VSLAs respect:

VSLAs are member managed. CBTs will train the farmers, but never manage the VSLA, write in the passbooks or touch money belonging to the farmers.

The first cycle of VSLA is a training and supervision cycle lasting for 52 weeks. During the first cycle, the VSLA will meet weekly. This may change, as the VSLA sees fit, thereafter.

Farmers save through the purchase of between 1 – 10 shares every meeting. The share-value is decided by the VSLA at the start of each cycle. At each meeting all farmers have the right to buy between 1-10 shares. The share value cannot change during the cycles.

Farmers must create a **welfare or social insurance fund**, to use for small grants when farmers are in distress. This will provide cover to sickness, funeral, education and disasters like fire outbreak, crop failures, etc.

The Loan Fund is comprised of money contributed in the form of savings, loan profits (from interest) and fines.

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

The monthly service charge for loans is determined by the farmers at the beginning of the cycle, in the form of a percentage value (5 – 10%). 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 16 weeks (4 months) during the first cycle. The borrower is free to pay in whatever amounts s/he wishes at each loan meeting but must repay the total sum owing within the agreed-upon period. No loans shall be written off even if the member dies.

All loan applications/requests are approved by the farmers, NOT the Management Committee; Loans are not given to non-farmers.

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

Theft of boxes by outsiders is very rare, but farmers must take responsibility for security. Stealing/ conniving with outsiders to steal the box will be dealt with by police and the courts of law.

All farmers 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 balances are noted by the Record-keeper in the social fund ledger and memorized by all farmers at each meeting. Each member must also have a copy of her/his passbook

Passbooks remain locked in the box between meetings. The keys to the cash box are kept by three different farmers. The cash box is opened and locked in a meeting in front of the farmers. This is very important, to prevent tampering with the records of shares purchased by the farmers, or alteration of loan records.

VSLAs have a five-person Management Committee (chairperson, secretary, treasurer and 2 money counters) elected for one cycle. 2/3 of the farmers of the management committee must be female if the VSLA has both male and female. Each member has one vote in electing the Management Committee

VSLAs develop by-law that contains the Social Fund, Share-purchase and Loan policies of the Association.

No external funds should be injected into the Association. Farmers mobilize their own loanable funds.

At the end of every annual cycle, all outstanding loans are recovered, and the Loan Fund is shared out. The Loan Fund (which includes profits) is divided by the total number of shares purchased by farmers during the cycle, to calculate the share value. Each member then receives his or her payout according to the number of shares purchased. In this way no complicated calculation of profits is needed.

Session 3:

Roles of effective VSLA farmers:

- Developing clear savings goal and plan.
- Save in every meeting.
- Regular meeting attendance.
- Adherence to the by-laws.
- Proper assessment of farmers 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.
- Effectively participate in resolving conflicts within the Association.

- Effective participation in assessing Management Committee performance and holding leaders accountable for their actions.
- Developing self-esteem self-respect and self-confidence.
- Managing timely effectively.
- Have strong money discipline.
- Promoting personal hygiene and sanitation at house hold level.
- Keeping Association secrets.
- Lobbying and advocating for the Association.
- Maintaining harmony and excellent relationship with other Village Savings & Loans, Associations (VSLAs) within the parish or sub county.
- Counseling farmers on 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.

Session 4:

Qualities of effective VSLA farmers:

VSLA MENTOR explains that, the farmers must be aware of the qualities that are needed in a farmers, reviews the qualities of an effective member, and suggests that anyone who is not able to meet these standards should probably not join. Effective farmers will.

- Know each other and be from same community
- Have a reputation for honesty and reliability
- Be able to attend all meetings and on time
- Follow all rules
- Have a cooperative personality.
- Be able to buy at least one share each week
- Be able to borrow and repay loans on time.
- There is only one member from the same household. It is better if farmers from the same household join different VSLAs. However, it is also okay for two or more farmers in a hh to join the VSLA; provided not all of them take the loans at the same time.
- Trustworthy
- Not afraid to contribute to discussions
- Open to other people's idea
- Respected in the community
- Patient and a good listener
- Fair and just
- Considerate of others
- A positive personality
- Hard working
- Not an alcoholic

The VSLA Mentors concludes the discussion by explaining that, the above forms the membership policy.

Note: The VSLA MENTOR 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 Village Savings and Loans' Association and, if they feel they are not qualified, to voluntarily withdraw. Thus, the next step involves a further exploration of the qualities of a VSLA MENTORS

TOPIC 2. DEFINITION OF AND ROLE OF GENERAL ASSEMBLY:

objectives:

To provide the farmers with a better understanding of what a General Assembly is.

To introduce farmers to the roles of the General Assembly.

Step 1:

Recap of the previous discussions (methodological best practices, principles and qualities and roles of effective VSLA farmers).

Step 2:

Defining the term General Assembly

The VSLA MENTOR solicits the understanding of the farmers of what a General Assembly is, writes their responses down. The VSLA MENTOR concludes the discussion by defining General Assembly as the supreme body of the VSLA.

The VSLA MENTOR further explains the following:

- All farmers are the members of the General Assembly.
- All farmers have the same rights in the Association.
- All farmers have the right to vote and to be elected to the management committee of the association.
- The General Assembly is responsible for setting the rules and regulations of the association in a written by law.
- The management committee is empowered by the General Assembly to enforce the by-laws. The management committee is accountable to the General Assembly.
- All the farmers have the right to propose an issue to be discussed in a meeting, and to demand that it will 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 take precedence in the elections.

Step 3:

The VSLA Mentor then asks the farmers to suggest the roles and responsibilities of the General Assembly. As the suggestions are made they should be noted by the VSLA Mentor for reference. Try to ensure that the following roles and responsibilities are mentioned.

- Approve and reject membership.
- Elect the management committee.
- Determine the registration fee and annual subscription.
- Set the minimum share value and the social fund.
- Fix the interest rate.
- Develop and amend the by-laws and policies.
- Fix the percentage for the common fund.
- Develop the vision for the VSLA
- Assess the performance of the management committee.
- Replace the management committee.
- Organize a special meeting where the problems can be discussed and decisions taken to correct the problem.

Step 4:

Questions and answers, give them an opportunity to ask questions on how to conduct a training of this session.

Step 5:

Summary and conclusion:

The VSLA Mentor summarizes the session highlighting the key issues talked about during the session i.e. roles of the General Assembly.

TOPIC 3: LEADERSHIP AND ELECTION PROCEDURES

Step 1:

The VSLA MENTOR tells the farmers about the importance of leadership in VSLA and explains that the leadership of the VSLA comprises the management committee. S/he then presents the 1st story on the importance of creating a management committee. The story goes as follows:

In the community of Gimara the members decided 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 Association 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 Association, 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 try and find a solution

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

Step 2:

The VSLA Mentor presents the 2nd story on the roles, responsibilities and qualities of an effective Management Committee

The story is of a VSLA in the village of Odravu. The members elected the daughter of a well-respected local Sub Chief, a very honest, reliable but timid woman, as chairperson, the VSLA Mentor tried, without success to explain that the role of chairperson demanded dynamism, which 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 association to outsiders and non-farmers. Later, the members of the Association changed the chairperson themselves but were delayed in their savings and loan activities, as the new chairperson had to be trained.

How could this situation have been avoided? This story should help the participants to define the characteristics necessary for each member of the management committee.

The VSLA Mentor points out that each position calls for different qualities and asks the farmers to discuss the qualities and responsibilities of each committee member ought to be. The VSLA MENTOR explains that; (the lesson here is that this person might have been very good as a treasurer, but not as a chairperson) as summarizes the roles and responsibilities of the VSLA Management Committee as:

- Ensure that, the Core Principles are upheld.
- Ensure that, the methodological best practices are respected by farmers.
- Ensures the policies of the ALENU project on VSLAs are upheld by the farmers.
- Promote unity, cooperation, love respect, discipline and hard work among farmers.
- Empower farmers to effectively perform their roles.
- Ensure accurate and complete records are kept by the VSLA.
- Promote a very high level of transparency and accountability within the VSLA.
- Enforce the by-law.
- Provide business counseling support to farmers.
- Maintain excellent relationship with other VSLAs, development agencies and the Local Governments.
- Support farmers in setting their investment goals and plans and ensure that, they realize their vision.
- Ensure safety of the finances and resources of the VSLA.
- Effectively resolve conflicts within the VSLA.
- Technically guide the General Assembly during the process of loan approval and recovery.
- Spearhead the process of recovering loans from defaulters before the due date for action audit.
- Link the VSLA to access development program.
- Monitor farmers to ensure loans are properly used and their savings are used for agriculture and economic livelihood security improvement.
- Check the hygiene and sanitation standards of the households of farmers.
- Ensure pregnant mothers in the VSLA access antenatal services as required.
- Ensure all school going children from farmers' homes are in school.
- Ensure all children from farmers' homes are immunized against the killer diseases.
- Ensure all farmers access adequate VCT services and the HIV positive access ARV and live positively.
- Ensure farmers access adequate market, technology, and price and business information.
- Organize training of farmers on business management skills and financial literacy.

Conclude the discussion highlighting that personality and individual behavior determines an individual's leadership ability thus Associations prosperity. Therefore, there is need to clearly consider roles and responsibilities of a given leadership position before electing people in to office. Therefore, tell the Association that you are going to discuss the different behaviors their effects on an individual and Association in general.

Step 3:

VSLA Mentor makes a summary of the qualities and responsibilities of the various positions on the Management Committee:

Table 1: 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 Social Fund, savings/share and loan procedures) and that the Constitution is followed and respected • To represent the Association to outsiders and non-farmers as needed to provide a brief history of the Association and its performance • To facilitate discussion of issues raised

Table 2: Qualities and Responsibilities of the VSLA Secretary:

Qualities	Responsibilities
<ul style="list-style-type: none"> • Literate and numerate (capable of maintaining the Association accounts and the Member Share Passbooks) • Trustworthy • Reliable • Intelligent • From a respected home, reputed for honesty • Available for specialized training by the Field Officer • Punctual 	<ul style="list-style-type: none"> • Ensures that all financial transactions take place in front of the Association members, in the correct order and through the Money Counters. • Records all Social Fund, savings/share, fines, and loan and cash book transactions. • Makes all Member Share Passbook entries and signs when loan repayment is completed. • Provides a summary of the financial state of association affairs at every meeting • Takes the minutes of the meeting, if required. • Assists the Field Officer to update his/her records during monitoring visits.

Table 3: 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 Association records, Member Savings Passbooks and money safely at home in the cash box. • Keeps social fund (outside the box) and lends to VSLA farmers. • Produces the cash box containing Association records, Member Savings Passbooks and surplus cash at every meeting. • Enters the saving contribution stamps in the Member Saving Passbooks.

Table 4: 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 operation (social fund contributions, savings/saving 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 Association's records and the cash- box.

Step 4:

The VSLA Mentor discusses with the farmers the election procedures and ensures that, they agree on the following issues:

- Elections shall be held at the beginning of every new cycle.
- Officers shall serve for two terms (cycles) on the Management Committee.
- Any member who has served for two cycles in a position on the Management Committee shall be eligible for election to serve in another position on the Management Committee.
- The Quorum for elections shall be two thirds (2/3) of the farmers.
- At least two (2) people must be nominated to contest in every position on the Management Committee.
- A member intending to contest in any position MUST possess the following qualities:
 - I. Dynamic and visionary.
 - II. Honest and trustworthy.
 - III. Organized and responsible.
 - IV. Tactful, wise and experienced.
 - V. Time conscious (punctual).
 - VI. Always available and approachable.
 - VII. Respected and patient/tolerant.
 - VIII. Effective communicator.
 - IX. Intelligent and willing to learn.
 - X. Strong character i.e. ability to resist temptations
 - XI. Effective listening skills.
 - XII. Good public relation skills.
 - XIII. Team player.
 - XIV. Volunteer
- A candidate shall be nominated by one (1) member and seconded by at least 2 people (male and female in case of a mixed group attending the General Assembly to contest in any position on the Management Committee.
- Members absent for whatever reason shall NOT be nominated to contest in any election.
- Before a member can be allowed to contest, his/her consent to serve on the Management Committee shall be sought by the General Assembly.
- Voting shall be by secret ballot.
- Every member present in person shall have one vote and one poll.
- In the event that, two (2) candidates get equal votes, there shall be a re-run for the two (2) candidates with the same number of votes.
- Any member of the General Assembly can call for a Vote of No Confidence in a

member of the Management Committee. If the vote is passed by 2/3 majority, the member must step down from the Management Committee and another member is elected to the same position.

Step 5:

The VSLA MENTOR then advises the members to think of the right persons for the positions discussed and announces that, the election of the Management Committee farmers will be conducted during the next training. After the election, the mentor should invite the elected person upfront for official introductions to the farmers.



MODULE 2: VISION/ GOAL SETTING

Objective: At the end of the session, members should be able to:

- Appreciate why they need a family/individual goal
- Develop their draft family/individual goal

Duration: 2 Hours

EXPLANATION FOR THE TRAINER:

Many smallholder farmers have remained poor amidst toiling year-in and year-out. Their quality of life does not change. This has been in part because they hardly take a deliberate action to work with a purpose. Many do not have family/individual goals to stir them to work hard and achieve one goal after another. As the Bible guides, “where your treasure is, their also is your heart” (Matthew 6: 21), it is also true that where there is no treasure, there is no heart. Our goal is the treasure that guides our hearts. It fires us up to work hard and achieve. It is a basis of performance audit; whether we have achieved or not. More so, it guides in setting up higher goals once one smaller one is achieved.

It is therefore important that before any VSLA initiative starts, members develop their realistic vision/goal. Married couples need to work together to develop a family goal. It is this goal that will help to determine the amount of savings each member can make; what to take a loan for; and what to spend money on.

The Vision Road Journey tool is used here to help the participants to visualize their future and draw in concrete terms what they would like to achieve and in what period of time. The tool will help them to analyze their current circumstances, map possible income generation streams that they can undertake to achieve their vision and sustainably improve on their livelihoods, set achievable and measurable targets, identify and prioritize challenges in relation to the possible incomes and generate possible solutions and actions. To do so, follow the below steps.

Step 1:

Poverty Analysis

Through discussion in plenary, let the participants analyze household poverty in their locality. Use the questions below to guide the discussion:

Qn: Ask a number of participants to explain their understanding of the term poverty.

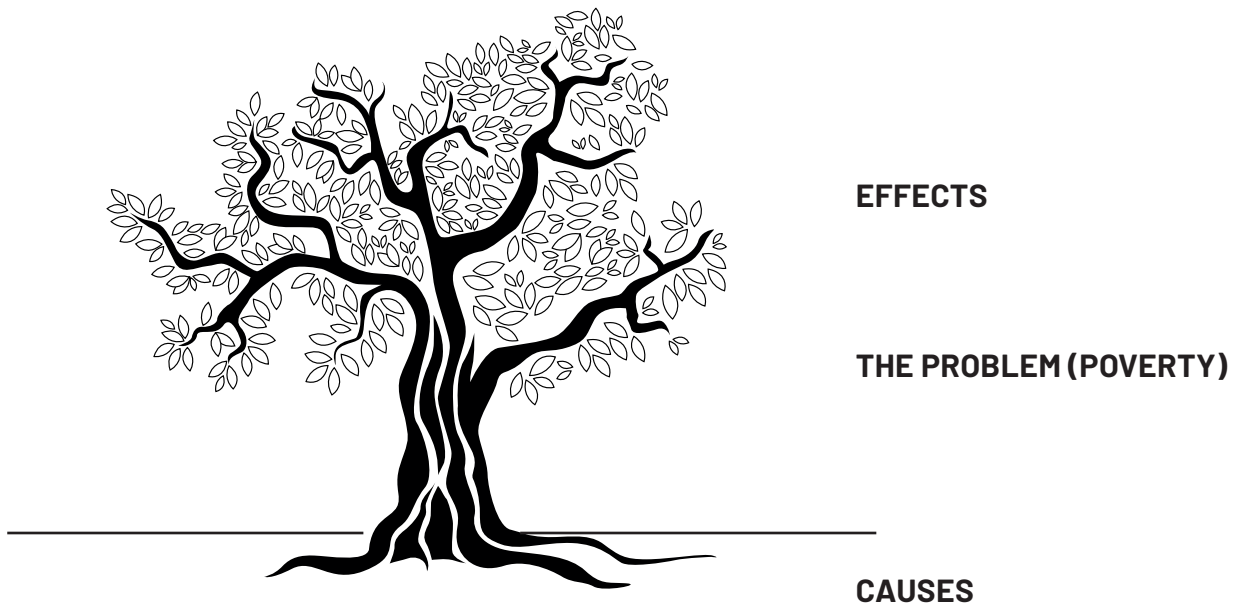
Qn: Looking at yourself, have you ever felt that you are poor? (Let them explain).

Qn: How would you tell that; a family is poor? (Indicators of poverty)

Qn: How different would a happy or rich family look like?

Using the Problem Tree, lead discussion on what causes the family to be poor and see its effects on the family. Use the tap root to indicate the biggest/most critical cause of poverty and the sizes to the roots indicate the gravity of the cause. On the branches, the biggest branch represents the most felt effect of poverty.

THE PROBLEM TREE



Step 2:

Vision Road Journey Development

Explain to the participants that, the development of a family or household vision or goal and meeting family targets are the necessary conditions to achieve commercial agriculture, improved livelihood and sustainable economic development in a household (family).

Then, present the case study on 'Steering the Rocky Road of Life'

Moving forward in life requires a clear vision, an understanding of where we are and how step by step we can move forward to our vision.

It is like a Road Journey. Some people are not really sure of where they want to go. There is no plan and no map. So, they are swept along with all the other traffic and crowds, unable to turn where they want and often not even being able to see the road ahead. Others drift aimlessly, not even looking around them to see what is there to help them, or anticipating dangers. They miss opportunities, they fall down, or go around in circles without knowing.

Life's Road will never be easy. But with a clear vision and proper Road Map which is consulted frequently, to learn from experience and plan the next steps, it is possible to get further and more quickly. Analyzing opportunities and what we have already achieved makes it easier to feel positive about the future. And when the going gets difficult, there is always the clear shining vision to help us pick ourselves up. It is possible to steer along the difficult and rocky road with some degree of dignity and control – and also decide when a new road altogether might be needed. When many people know where they want to go, and how they can get there, new and better roads will be made for the whole society to move towards a new future.

After presenting the case study, ask the participants to close their eyes for five minutes and have a dream of their lives and what they want to be like in the next three years in relation to their household goals.

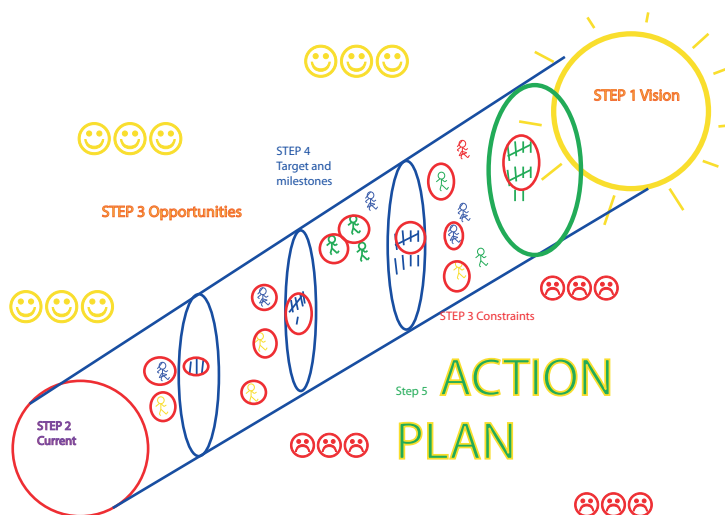
Then, ask a few volunteers to share their three-year vision. After this is done, take the participants to the process of drafting their Vision Road Journey.

Step 3:

The process of drafting Vision Road Journey

Demonstrate this to the whole group in plenary. Make the process as participatory as possible.

1. Explain that, moving forward in life requires a clear vision, an understanding of where we are and how step by step we can move forward to our vision. It is like a Road Journey – you need to know where you want to get to. Draw this as a nice big smiley sun or star (large circle) at the top right because you hope it will be an upward journey. Even if you go down you will still have to think up. It is also not easy like climbing uphill. But it is worth getting a bit out of breath for the view from above.
2. We need to think about where we are now especially how much we have already achieved, despite all our difficulties. As well as how far we still have to go. Draw this in another circle at the bottom left to map the current/present circumstance.
3. Draw two straight lines joining the two circles to represent our road. Draw the road as straight to the future, because this is how we hope it will be. But when we track progress later we put in the detour, blocks and ups and downs.



4. We also have to learn from the past by appreciating our strengths and achievements already registered. Draw a smaller circle behind the circle at the bottom left.
5. Then draw two crocheted lines to join the two circles at the bottom left. This is our Achievement Road Journey.
6. Next we will examine our opportunities – the things which have helped to pull us up. We place these at the top of the Road. Think of ways of we can make sure to get them.
7. Then look at the challenges – the things which can pull you down. Place these underneath

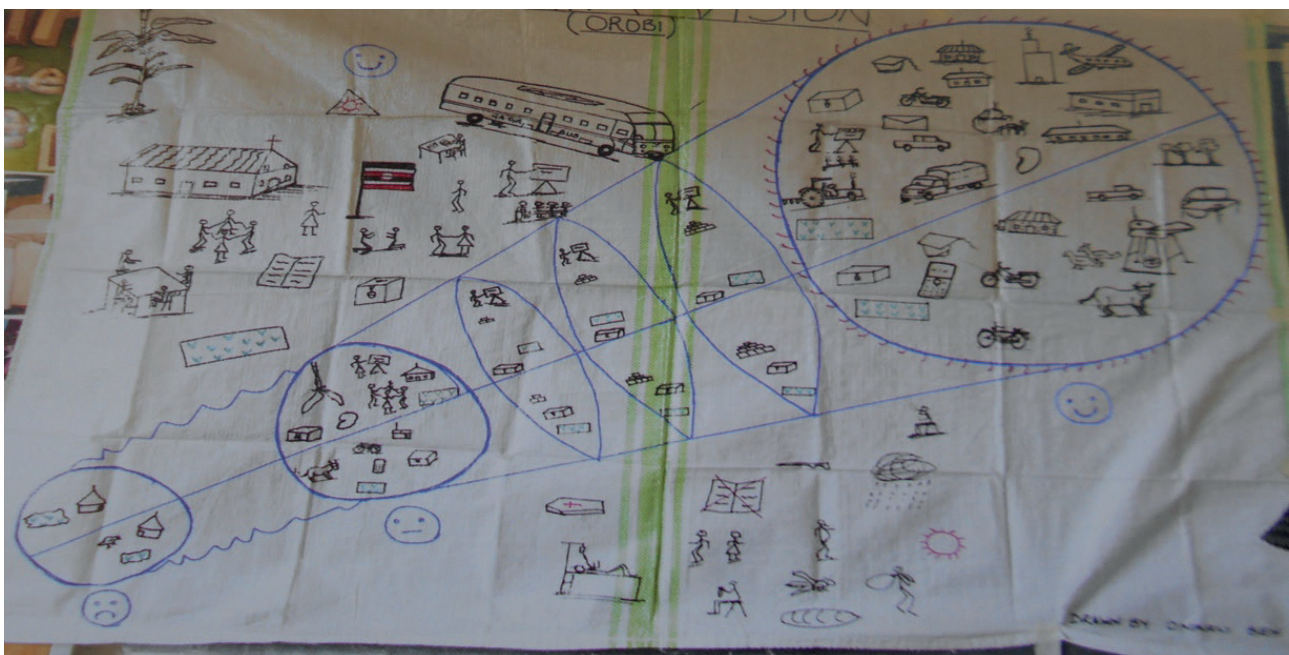
the Road. Think of ways to address or avoid them in the immediate (short term), medium term or long term.

8. Finally, start to think step by step along the way. It is no good just thinking how far away the end of the road is or just curl up and stop trying. So you need to set specific targets along the way to break up the road into manageable steps towards the vision – taking opportunities and addressing constraints. That way you do not get discouraged. This developing the intermediate objectives (strategic action plan) for the next three years.

Note: let the participants describe the future, present/current situation, past achievements, opportunities and challenges in pictures as drawn in Vision Road Journey 1 and 2 captioned below

Before concluding the exercise, ask the participants which circles represent the future, present and the past, what represents the road and which sides represent opportunities and challenges to make sure they have understood the exercise on the Vision Road Journey.

Then, conclude by explaining that, when we have finished our Road Map, which will not be the end. We must continue to honestly track our progress as we move forward from stage to stage. What has helped us, and what has stopped us, marking these also on our diagram to help us move forward to the next stage reinforcing what is successful, and without repeating the same mistakes.





Step 4:

Closing

Allow participants to recap on what they have learnt.

Emphasize that it is mandatory for every individual members to develop their family/ individual goal. This goal should also be drawn and hanged on the members wall. Point out that at intervals, members will be required to come along to the meeting with their drawn goal so that regularly the group is able to track progress members' progress.

Finally, conclude the session by thanking participants for their participation. Remind them about the date and time of the next week's training session and what will be covered.



MODULE 3: VSLA CONCEPTS

Objective: At the end of the session, members should be able to:

- understand the meaning and importance of the VSLA concepts and the policies on them

Duration: 2 Hours

Step 1:

Recap of the previous meeting on vision/ goal setting.

Step 2:

Introducing the session/module on VSLA Concepts.

Step 3:

Overall objective of the module:

The VSLA Mentor announces the overall session on VSLA concepts is to deepen members' understanding of the meaning and importance of Social/welfare fund, agro input fund, savings, loans, interest and common fund and the policies on them.

Step 4:

VSLA Mentor explains the following outputs of the module:

- Members save for the agro-input with a target of buying inputs
- Members have SMART savings goals and plan broken down in to short term and long term.
- Members have priorities for their money (daily, weekly, monthly and annual expenses).
- Members have developed strategies to cut costs and maximize savings.
- Members have agreed on the minimum savings value.
- Members have developed the social fund, agro-input fund, savings, loan and common fund policies.

Step 5:

VSLA Mentor introduces the first VSLA concept.

1st CONCEPT: BUDGETING (Use Money Wisely)

Step 1:

The VSLA MENTOR takes the farmers through the objectives of the topic

By the end of this session, farmers will be able to:

- Define the term budget and budgeting
- Explain the usefulness of budgeting
- Prepare budget for the household.
- List the ways to stay within a budget
- Discuss the ways of cutting spending.
- Mention the financial records to kept by a household

Step 2:

The VSLA MENTOR explains to the farmers that budgeting is a key concept in realizing resilience and sustaining growth of incomes among the farmers. To ensure that households boost their savings through savings, there is a need for a budget to guide their spending. The development of budget at household level involves participation of the household members so as to stick to it.

Step 3:

Defining the terms budget and budgeting

The VSLA MENTOR solicits the understanding of the terms budget, processes the responses of the farmers to define the term:

- a) Budget as a financial statements that projects income and expenditures on a monthly, quarterly or yearly basis.
- b) Budgeting as the process of planning/ quantifying resource requirements by establishing the goal and putting it in a formal plan with milestones attached to them.

Step 4:

Usefulness of the budget

S/he then tasks them to enumerate the usefulness of a budget to a farmer. Ensures they mention the following:

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

Step 5:

The VSLA Mentor summarizes the steps involved in budgeting to the farmers before he/she takes the farmers through the whole process.

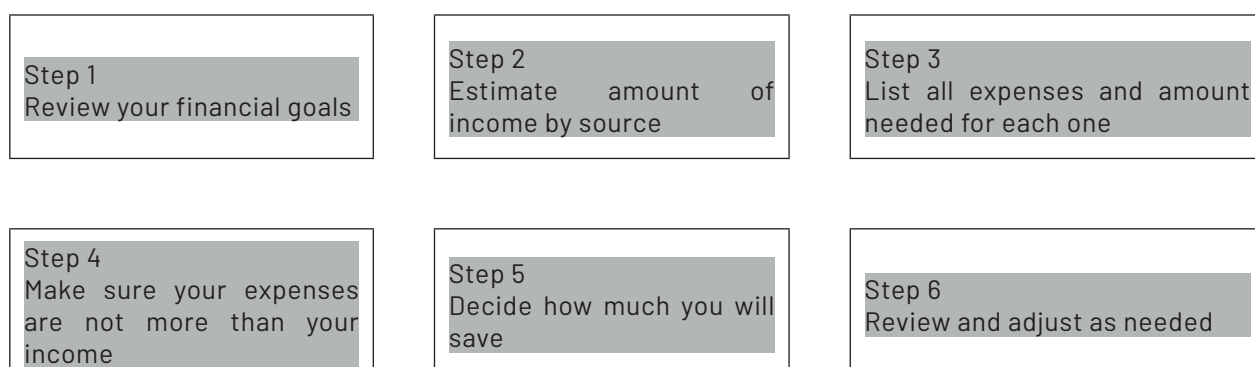


Figure 1: Steps to create a budget

Step 6:

The VSLA Mentor supports the farmers to identify their 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 1: 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 7:

The VSLA Mentor tells the farmers to start by identifying all the expenses that are incurred 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 farmers; poor revenues from the business or farm, etc. can lead to failure to adhere to the budget.

Table 2: 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 8:

The VSLA Mentor tells the farmers that, on the 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 3: 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 9:

How to stay within your budget

The VSLA Mentor supports the farmers 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 to invest.

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. Challenge the farmers to identify some of the ways to stay within your budget. Ensure the following are mentioned:

- 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.

Step 10:

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 or 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.

Then, take the farmers through the following ways to cut spending:

- 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 ahead to buy 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 VSLA Mentor: Ensure that all the farmers in the VSLA 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 11:

The VSLA Mentor will introduce the farmers 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 4: 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

2nd CONCEPT: SOCIAL FUND

Step 1:

The VSLA Mentor starts by defining social fund as the funds contributed by farmers to cater for household emergencies and social obligations. S/he notes that social fund is the first thing /activity to be considered in a normal meeting. That the social fund is not treated like everything else and the money that is raised for the social fund is kept separate from the money collected in the form of savings, otherwise if it is mixed in to 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 at hand.

Step 2:

The VSLA Mentor points out loans may not be suitable to meet emergencies and it is normal for VSLA to develop a social fund provide grants or interest-free loans to farmers who encounter special problems and disasters. Farmers should discuss the types of emergencies to be covered by the welfare and whether or not these funds should be provided as grants or as interest free loans. For examples, some Associations 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. The types of emergencies usually covered by a social fund are:

- Medical expenses, including drugs, doctor visits and hospital bills
- Funeral expenses
- Educational expenses (also for orphans and vulnerable children)
- Disasters, such as a house burning down.

Step 3:

Process of developing the social fund policies:

1. The purpose of the social fund is to cater for:
 - Sickness of a spouse, child, parent and siblings (brothers and sisters).
 - Death of a spouse, child, parent and siblings (brothers and sisters).
 - Educational support to farmers and children staying with the member in the area of school fees, uniform, scholastic materials, transport, examination fees, etc.
 - Disasters like a member's house or business premises/place being accidentally destroyed by fire out break or wind and when farmers' latrine sinks or is destroyed by fire or wind
2. Farmers contribute uniformly to the social insurance in every meeting.
3. Farmers are allowed to make up for days missed in the subsequent meetings.
4. Record of farmers' social fund shall be kept in the social fund ledger.
5. The amount borrowed from the social fund is interest free and shall be refunded after 2 weeks.
6. A fine levied for late refund.
7. Repayment mode.
8. Priority is given to farmers accessing the fund for the first time.
9. Farmers with outstanding amount shall NOT access more money from the insurance fund.
10. A member shall NOT access the fund for another member.
11. Farmers access the fund either in the weekly meeting or from the treasurer (outside the meeting).
12. A member borrowing outside the meeting shall produce a witness who must be a

- neighbor and Association member. Both must sign for evidence.
13. Farmers absent for whatever reason shall NOT borrow from the fund.
 14. Farmers who borrow from the fund MUST sign in the social fund treasurer's record book as evidence.
 15. Social fund balance shall be kept outside the cash box by the treasurer and produced to farmers in every meeting for verification. In the event that the funds becomes bulky a treasurer will hold up to 100,000/= and the rest of the money is kept in the box.
 16. Social fund shall NOT be given out as loan.
 17. A member's social fund shall be redeemed to refund any outstanding amount or repay loans.
 18. Farmers who persistently fail to contribute to the fund shall be denied the opportunity to borrow from the fund.
 19. To access social fund from the treasurer:
 - The borrower MUST produce a witness who MUST be a member.
 - Both MUST sign in the social fund treasurer's record book upon receipt of the money as evidence that the transaction took place.
 20. The VSLA keeps the social fund treasurer's record book to track borrowers, amount borrowed for what emergencies, repayment dates and record repayments made.
 21. Farmers who have not refunded the social fund borrowed shall NOT be given the opportunity to access another one.
 22. Maximum amount farmers can borrow from the social fund.
 23. Request for social fund shall be approved by the General Assembly (farmers).
 24. To approve social fund for a member, the General Assembly shall consider:
 - The member's contribution to the social fund.
 - Repayment pattern.
 - Reason for borrowing from the fund.
 - Meeting attendance pattern.
 - Commitment of the borrower to the VSLA.
 - Level of cooperation and family support.
 - House hold productive asset base.
 - Ability of the member to refund the money.
 - Frequency of borrowing from the insurance fund.
 - Trustworthiness of the member with people's money.
 - Availability of cash in the social fund.

3rd CONCEPT:

AGRO - INPUT FUND

Objective: The primary objective of Agro-input fund is to ensure that VSLA members have ready cash for buying improved inputs, planting at the right time so that they can increase on their yields and earn more income rather than depending on savings to achieve their life goals. As will be shown, with farming as a business, a VSLA member will be able to shorten the period of achieving her/his goal attainment.

Step 1:

The VSLA Mentor explains that, the 3rd VSLA concept is agro - input fund highlighting that, issues to be discussed in the concept will include:

- The definition of the agro input fund

- The importance of raising funds for agro – inputs
- The advantages of agro-input fund savings over the ordinary savings
- Process of developing the agro – input fund policies

Step 2:

The VSLA Mentor starts by defining input fund as the funds contributed by members of the VSLA with a target of buying inputs. These may include seeds, pesticides, hoes, ox ploughs, etc. S/he notes that agro – input fund is the second thing /activity to be considered in a normal meeting.

Step 3:

The VSLA Mentor points out to the association the Importance of raising funds for agro inputs as follows;

- Raising funds will aid in sustainable production in a way that the inputs will be available throughout the planting seasons
- Availability of inputs will facilitate planting the right varieties at the right time
- Encourage bulk or collective marketing for better bargaining power
- Instill the sense of farming as a business
- Improved quality of products and increased yields
- Improvements in value additions

Step 4:

The advantages of agro-input fund savings over the ordinary savings

The VSLA Mentor uses the following scenarios to explain to the farmers that savings alone cannot enable a farmer reach their goal

Table 13: The advantages of agro – input savings over ordinary savings

Ordinary savings option	Agro – input savings
<ul style="list-style-type: none"> • A weekly savings value of the group is UGX 5,000 • For 50 weeks, the member would have saved only UGX 250,000 • Add 5% interest earned UGX 12,500 • Total income at the end of the year will be UGX 262,500 • At this rate, s/he will save for 3 years before buying the cow (if Xmas and other needs don't eat into the share out income earned) 	<ul style="list-style-type: none"> • A weekly savings value of the group is UGX 5,000 • For 24 weeks (covering the first season period), the member would have saved only UGX 120,000 • At UGX 4,000 per kilo of improved been seed, s/he will be able to buy 30Kgs for 1 acre of land • By November, s/he will harvest at least 500Kgs of beans • Selling at UGX 2,500 s/he will earn UGX 1,250,000 • Added to Total income at the end of the year from savings of UGX 262,500, this member will have UGX 1,512,500 • This member will be able to buy her/his cow at the end of the year (achieving the goal in just one saving cycle)

Then the VSLA Mentor concludes by drawing out the following:

- Savings alone don't make farmers rich; agro – input does
- Savings alone are insufficient for agricultural investment
- Group loans are inadequate for the various individual plans
- Banks are far and most farmers wrongly fear bank loans
- Agri-business is time bound (on-spot financing)
- Limited access to insurance services.
- Rising debt burden

Step 5:

Process of developing the agro-input fund policies:

1. Members contribute to the agro- input fund in every meeting and in the amount that meet their farming needs.
2. Members are allowed to make up for days missed in the subsequent meetings.
3. Record of members' agro - input fund shall be kept in the agro input fund ledger.
4. Agro-input fund shall NOT be given out as loan.
5. The VSLA will keep the agro - input fund in the saving box
6. At share out or in a required season, the procurement of the inputs shall be done by a group and NOT by an individual in accordance with the selected enterprise.
7. The money for inputs will be shared in the onset of the planning season.

4th CONCEPT: SAVINGS

Objectives of this session

S/he highlights the key aspects the members will be introduced to such as:

- Reasons for savings.
- Setting priorities.
- Making short term savings goals and plan.
- Advantages and disadvantages of saving in a VSLA
- Forms of savings.
- How savings grow.
- Policies on savings.

Step 1:

The VSLA Mentor asks the members to examine why people save and borrow and lists the responses on two separate flip charts or paper as below:

Why people save:	Why people Borrow
<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 (such as school fees)• To allow for future consumption (i.e. food at a time when stores are used up)	<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 VSLA Mentor then asks the association to describe the basic difference between the two.

The VSLA Mentor 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 owed), which increase economic and social security, while loans are a liability (something that is owed) that increase risks, because it must be repaid. (s)he 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.

The VSLA Mentor further draws out the notion that savings are more important to members 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 ALENU through the VSLA integration emphasizes savings.

Step 2:

The VSLA Mentor points out that a question may arise that poor people are unable to save and explains that not only can poor people save, but they already do so, adds that savings are not normally held in cash and asks the Association 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 in to cash to pay for necessities or to cover an expense.

Step 3:

The members are asked why a person is better off savings in an Association than individually. The answers should cover the following.

- Association peer pressure encourages people to save when otherwise they might spend the money.
- Savings held by the association 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 VSLA Mentor asks whether there are any risks in Association savings and how the VSLA can guard against them. The following may be mentioned. Ensure that they are able to come up with solutions to these.

- Non – repayment of loans by certain members
- Non – access to savings at the moment required
- Obligatory division of losses amongst members

Step 5:

How savings can grow. The answers may include:

- Fees for joining an Association. This is not fees or part of VSLA methodology and may not be the case in other some Associations.
- Direct savings contribution made on a regular basis (daily, weekly, fortnightly, every four weeks (monthly).
- Interest earned on loans.
- Fines charged to members for breaking Association rules.
- Investment in an association income generating activity (IGA) such as storage of grain or cattle fattening.

Step 6:

Set priorities for your money – 20 minutes:

Keep this activity moving and the energy up! As the Association:

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

Each time a volunteer mentions an expense on, call a volunteer to the front of the Association and allow the member to write down on the flip chart. When this is done, then challenge them 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.)

Say:

The expenses we have that are necessary for our survival are called NEEDS. Some needs are urgent we need them immediately, like food and water – and other needs are important, like a shelter, clothing, or school fees.

Things like tea or local beer are pleasurable, but they were not necessary for survival. We call these things that are desired but not necessary WANTS. Knowing the difference between our own needs and wants – what is necessary and what is optional – is important as we begin to plan how to save and manage money.

Note: The VSLA Mentor should work with members to categories these expenses while probing for reasons and guiding.

Review the ideas from the session demonstration on Day 1. Draw participants' attention to the sessions and learning objectives for the savings sessions. Explain that you will continue to discuss the savings sessions together now.

Reaching your savings goals is like climbing a ladder. At each step, you must consider several things. At the beginning of our climb, we must think about how much we can realistically save and given that, when we will reach our goals.

Ask:

How much will your VSLA members normally save each time they meet? Estimate
What types of savings goals do VSLA members normally set?
How much do these cost?

Take note of participants' answers on a flip chart, when you have a list of 3-5 goals, ask
Given how much they save, which of these goals will take VSLA members only a few weeks?
Which goals will take more time – such as a year or more – to reach?

Give an example to illustrate comparing capacity to save to when someone can meet a goal:

For example, I want to buy a new mobile phone. I normally save about UGX 5,000= each time we meet. The mobile phone I want to buy is simple, and it costs about UGX 50,000. If I continue to save UGX 5,000= each week, I will be able to buy my mobile phone in 10 weeks.

A goal that will take just a few months to reach – such as 1-3 months – is a short term goal. You can reach a short term goal in a short amount of time. A goal that will take longer to reach – such as a year or more – is a long term goal. A long term goal is a big dream that you hope to achieve some day in the future.

Work with the Association to generate savings plan worksheet and allow them to work out a personal short and long term goal. Explain the existence of medium term goals, as well as the importance of knowing how much goals will cost and when you will meet them but the non-importance of splitting hairs over whether a goal is long, medium, or short term. Go over a savings plans together.

Step 7:

Make a savings plan:

Savings goals and planning worksheet

Note: use figures per week

Savings goal	Lump sum needed	When needed?	Amount of savings required per week or month	Ranking of importance
Short term				
Education fees	1,200,000	In 6 months	50,000 per week/200,000 per month	
Emergency fund	180,000	In 3 months	15,000 per week/60,000 per month	
Long term				
New roof	720,000	In 36 months	5,000 per week/20,000 per month	
Total savings required	2,100,000	45 months	115,000 per week/460,000 per month	

Qn: What do you think about the possibility of you achieving these goals?

Qn: Do you expect any support from your family?

Qn: What will they have to do? Say: The first step in making a savings plan is to match our goals with our capacities to save. The following tips will be helpful.

What are the most important things you can do to improve savings in your own family?

Encourage the Association of mention as many idea as they can think of then invite each one individually to prepare an action plan answering the following question. What are at least four steps you can take after this to improve savings in your own household?

Savings Targets												
	Months											
Savings Goals	1	2	3	4	5	6	7	8	9	10	11	12
Education												
Emergencies												
Roof Repair												
Total monthly savings goal												
Total saved												

The VSLA Mentor challenges the members on how they can increase their savings in the VSLA. Their strategies should include the following:

- Look for new ways to save on expenses
- Look for new ways to increase income
- Look for new ways to save your income regularly
- Examine whether you can meet a goal for less money.
- Prioritize your goals – perhaps you can put off one goal to realize another one.

Step 8:

The VSLA Mentor takes the members through the following policies on savings:

1. The minimum savings value set by the General Assembly/members.
2. Members MUST make the minimum savings in every meeting.
3. Penalty for failure to make the minimum savings in the meeting.
4. Maximum amount in a meeting is ten times the minimum.
5. Members are not allowed to save upfront.
6. Members shall NOT make savings of missed days.
7. Withdrawal of savings during the cycle NOT allowed.
8. Members' savings given out to members as loans.
9. Members' savings earn interest at the end of the cycle.
10. Members with outstanding loans shall use their savings to offset the loans.
11. Members' savings shall NOT be used as security for external loans by the VSLA.
12. Record of members' savings shall be kept in the individual pass books and the savings ledger.
13. What happens to the savings of a member who withdraws from the VSLA within the cycle without genuine reason?
14. What happens to the savings of a member who withdraws from the VSLA within the cycle with any genuine reason?
15. What happens to the savings of a dead member?
16. Can the VSLA receive the share of a member who is absent for whatever reason?

5th CONCEPT: LOANS

Step 1:

The VSLA Mentor explains that, the 3rd VSLA concept is loan highlighting that, issues to be discussed in the concept will include:

- Definition of what a loan.
- Reasons for borrowing.
- Responsibilities of a borrower.
- Causes of failure to repay VSLA loans.
- Consequences of not repaying VSLA loans.
- Ways to avoid failure to repay VSLA loan.
- The VSLA loan policies.

Step 2:

Defining the term loan

VSLA Mentor tasks the farmers to define what a loan is. Ensure that, they understand loan as:

- Money a borrower uses temporarily.
- Money repaid to the owner after a defined period of time.
- Money repaid with interest.
- Money borrowed to be invested in a productive venture or activity.
- A liability that must be repaid regardless of income or cash flow problems

Step 3:

Reasons for borrowing

The VSLA Mentor asks farmers if anyone has received a loan from a bank, from a money lender, cooperative, family member or friend. The VSLA Mentor asks what the purposes of such loans been and lists them on a flip chart and summarize as below:

To take advantage of business opportunities.

To respond to house hold emergencies like sickness, funeral and natural disasters.

To repair a living house.

To buy what you need in the household.

To consume.

To pay school fees/tuition.

To buy land , livestock, motor cycle

S/he discusses the loan use as productive and consumption loans, explaining that:

Loans for investment earns new revenue for the borrower, only borrow for such reasons while loans for consumption does not bring in new revenue and must be repaid from other sources, avoid borrowing for such reasons

Step 4:

Responsibilities of a borrower.

The VSLA Mentor 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. S/he then tells the General Assembly that if they use the farmers' savings as a source of loan capital, they must agree on standard conditions – a set of rules – to avoid favoritism or disagreements. It is unfair for farmers' savings to be used to finance a loan for someone else for a purpose that (s) he disagrees with.

From the discussions generate the following responsibilities of a borrower:

- To repay the loan at the agreed time.
- To pay the agreed costs of the loan.
- To pay the interest as agreed.
- To surrender the savings and social fund to offset the loan in case of failure to clear the loan.
- To surrender house hold assets to be sold to recover the loan and costs incurred.
- To honestly disclose information on the failure to repay loans to members.
- To respect the decision of the members on the loan amount.
- Respect the terms and conditions of the loan.
- Use the loan for the intended purpose.

- Produce a reliable guarantee from among the members.
- Follow acceptable business practices like keeping records and good customer care.
- Seek for business or investment advice from members

Step 5:

Causes of failure to repay VSLA loans.

Ask the farmers to discuss some of the 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/robbery.
- Borrower has an illness that keeps him/her from working
- Natural disasters or act 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.

Step 6:

Consequences of not repaying loans:

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.

Step 7:

Avoiding over-indebtedness:

The VSLA Mentor Challenges the farmers on some of the consequences of not repaying a loan:

Explain

There are 3 important ways to avoid the risks and their consequences that we just discussed.

- Use your loan for the reason that you borrowed
- Use the loan for a productive purpose, rather than for consumption
- Know your capacity to borrow and use it as a guide.

Step 8:

the VSLA Mentor takes the farmers through a process of developing the loan disbursement policies, ensures the following are highlighted:

1. Purpose of the loan:
 - Farming i.e. agricultural investment
 - Value addition and agro processing.
2. Loan applications shall be approved by the General Assembly (farmers).
3. Only capable and willing farmers shall borrow from the VSLA.
4. A member shall NOT access a loan using another member's name or pass book.

5. Farmers with outstanding loans shall NOT access another loan before clearing the outstanding loan.
6. A farmer wishing to borrow from the VSLA shall present a member who is capable to guarantee the loan.
7. The guarantor shall be held responsible incase the borrower fails to settle the loan.
8. No loans to farmers who are absent for whatever reason.
9. No top up loans to farmers.
10. Criteria for loan approval:
 - Member's savings.
 - Meeting attendance pattern,
 - The member's level of participation and commitment,
 - Loan purpose,
 - Level/size of business (investment plan),
 - The performance of the business,
 - Other sources of income or productive asset,
 - Level of cooperation and family support.
 - Past performance with loans that also shows trustworthiness and credit history
 - The risks associated with business.
 - Legality of the business.
 - Whether the member has cleared the previous loan or not.
 - Repayment pattern.
 - Degree of honesty in the member with people's money.
 - How hard working the member is.
 - Ability to repay.
 - Availability of loanable fund.
11. The maximum loan given to a member shall be three (3) times the member's total savings at the time of accessing the loan.
12. Priority for borrowing shall be given to borrowers applying for the first time.

Step 9:

Developing loan repayment policies:

- Loan duration of 1- 4 months depending on the wish of the member and the level of the investment/business.
- No grace period for loan repayment.
- Monthly interest of not less than 5% or more than 10% on reducing balance.
- No loan shall be written off even if the borrower dies.
- Every month the borrower must repay at least the interest.
- At the period the loan must completed.
- What happens to the loan of a borrower who has withdrawn from the VSLA?
- When will the VSLA take action to recover loans from defaulters?
- Mechanisms to recover loans from defaulters:
 - Redeeming the member's savings.
 - Redeeming the social fund.
 - Confiscating the assets of the defaulters with the support of Local Council 1 Officials.
 - Where will the confiscated asset be kept before being sold? For how long before being sold off?
 - Who will meet the cost associated with the recovery?
 - Redeeming the saving of the guarantors.

6th CONCEPT: INTEREST

Step 1:

The VSLA Mentor uses the story below to explain the concept of interest.

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, the money loaned belongs to other farmers. In borrowing money from the VSLA, we are borrowing for a limited period from all the farmers of the Association. It is therefore normal to reimburse the money with a little extra.

The borrowers, therefore, pay their interest to the Association. This money comes back to the Association 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 VSLA Mentor should summarize Anderu's story as follows.

Anderu (Loan)	Pot (Loan)	Neighbor (Lender/VSLA)
<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 Association) so it was good that she returned the pot with an interest to cater for the depreciation	<ul style="list-style-type: none">• Anderu benefited from the pot (as the loan) to accomplish her plan and the Association benefited from the pot by earning interest i.e. food she brought with the pot	<ul style="list-style-type: none">• To the neighbor who in this case is the VSLA the pot represents accumulated savings• Anderu's borrowing the pot is like a member in a VSLA borrowing Loan principal• Anderu's returning the clean pot with food is represent of the Loan principal plus interest

Relating to Anderu's story, the VSLA Mentor 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 is not 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 Association and is not lost to the farmers (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.

7th CONCEPT: COMMON FUND

Objective:

- To ensure that members have a common financial cohesive factor in place to facilitate the subsequent cycle and agricultural investment.
- To provide a start – up capital to achieve the goal of the VSLA

Step 1:

The VSLA Mentor starts by introducing the challenge that VSLA members face when they share out all the financial resources during the start of the new cycle:

Usually when VSLAs are graduating and sharing out, all monies are shared out and nothing is left in the Association. This has resulted in breaking the cohesion that was earlier on built as the VSLA was developing. There is nothing common again at that very moment that can bring the VSLA back together after dissolving. It then turns out that VSLAs take a longer time to resume their next cycle. The common fund therefore has been designed to reverse this.

Step 2:

The VSLA Mentor then defines what common fund is and lays down the benefits to the farmers?

Common fund is the contribution made by the farmers on the day of action audit and share out. Farmers agree on a percentage of the interest accrued (profit) before sharing out and that will act as a bond to the members and provide adequate loanable fund for the subsequent cycle and also enhance the capacity of the VSLA to realize the VSLA vision.

Step 3:

The VSLA Mentor then takes the farmers through the common fund policies highlighted below:

- The common fund shall be 2 - 5% charged on the accrued interest (profit) before the share out on as agreed by the General Assembly.
- The percentage will be adjusted in the subsequent action audits/share out
- The common fund shall be used as a startup capital for group investment, loanable fund to begin the subsequent cycle or acquiring a group agricultural asset/ equipment as agreed by the General Assembly.
- At subsequent action audit (share out) days, the common fund shall not be shared out, it will be recycled for the following cycle to provide for loanable fund.
- However, members may agree to adjust the percentage in the subsequent cycles.
- The common fund if not recycled for loaning shall be handed over in custody of the executive group treasurer.

Step 4:

The VSLA Mentor will Summarize the session highlighting the key concepts i.e. budgeting, savings, loan, interest, welfare fund, agro input fund and emphasizing why they are important for the VSLA

Step 5:

Question and answers ensuring active participation

Step 6:

Inform members of the next module i.e. development of constitution/ bylaw

Step 7:

Give a closing remarks.

MODULE 4: DEVELOPMENT OF CONSTITUTION / BY LAW AND CONFLICT RESOLUTION

Objective: At the end of the session, members should be able to:

- Understand the importance of having the constitution/ by law
- Formulate their own constitution that will guide their operations
- Understand the common problems/ conflicts in VSLA operations and expose them to the different conflict resolution tools
- Elect effective members to the leadership positions that will guide in the management of the VSLA

Duration: 4 Hours

Step 1:

The process of developing the constitution/by-laws:

The VSLA Mentor announces the objective of the session, telling them that the goal is to understand the importance of having by-law to guide them in running the VSLA. Farmers must understand that they create the by-law for themselves, and can modify them in the General Assembly if they prove to be incomplete or ineffective. Once the by-laws are established and even if some members of the Association cannot read and write, they should be written and put in the cash box where it is available to everyone for reference. This builds confidence amongst the farmers that, there is a record that can be referred to in times of crisis or dispute.

By-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.

VSLAs are owned by the farmers who elect management committee to run the operations. The by-laws need to say how this happens. VSLA by-law differ from those of most businesses, 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 social fund, savings and loans and how the association shares out its assets at the end of the operating cycle.

Step 2:

The VSLA Mentor asks the questions; what are rules? Do you have rules in your homes or communities? State any examples of rules you have in your community or families. S/he then facilitates a discussion towards the answer that by-laws are principles and procedures that describe what a VSLA wants to do, how it will be governed and how 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 covers the way its activities (social fund, savings and lending) are implemented.

The VSLA Mentor then tell the following stories and tries to draw the reaction of the farmers. The aim of the stories is to show the importance of by-laws.

Story 1:

Sarah borrowed UGX 10,000/= from the VSLA. The total of her deposits is UGX 1,500/= she has died. What should be done?

Conclude informing the farmers that they need to set rules to address such situations i.e. ratio of savings to maximum loans approved & member death with a loan balance.

Story 2:

In the Ma Ecora VSLA, each woman has saved UGX 3,000 Khadija, however, has only deposited UGX 1,500. As the holidays are approaching, the farmers have decided to each withdraw UGX 2,000 of their savings should Khadija be allowed to withdraw UGX 2,000 like everyone else? What arrangements should be made in similar cases?

Conclude informing the farmers that they need to agree upon cash withdrawal from individual savings.

Story 3:

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

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

Story 4: Topic: Security of the Associations property. The VSLA Mentor tells this story at this point to illustrate the dangers of not having a lockable cash box.

The farmers of United Workers VSLA entrusted the Associations money and record 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 Association's funds began to get quite large. They had a net worth of UGX 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 UGX 250,000 in a cupboard in her house. Her husband demanded to use a few thousand shillings for his building businesses and paid it back, without paying any interest. Later he took UGX 50,000 to buy materials but met some friends and drank with them, using up UGX 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 Association noticed the alterations and accused her of forgery and stealing the Association's money. She confessed what had happened and was allowed to remain in the Association, but lost her job as Treasurer and her family reputation was badly affected.

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

Step 3:

VSLA Mentor asks the farmers to suggest the sorts of things needed in their by-law. List them on a flip chart and make sure that following are listed.

- Basic information on the Association?
- What the purpose of the Association will be?
- What services it will offer its farmers
- Who can belong and who cannot?
- What is the governing body and who will serve as leader on the governing body?
- How will the leaders be elected
- How will leaders be removed?
- How often will the Association meet?
- How will farmers leave the association
- What happens in the case of death of a member?
- What will constitute offenses for which farmers can be punished?
- What sort of penalties can the management committee impose for what offence?
- How will farmers save and borrow?
- How will a social fund be established and run?
- How will the agro – input be stored and run?

Step 4:

The VSLA Mentor explains that, the written framework that covers the topics listed and that the next step will involve going through the list, with the VSLA Mentor asking the membership to discuss each point and reach a consensus. S/he reminds them that the by-law will bind them in to a relationship that will be guided by its provisions and they should not rush through the process.

Step 5:

Discussion and completion of the framework (see below).

OUT LINE FOR THE ELEMENTS OF THE BY-LAW

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

Note: The VSLA Mentor must encourage the farmers to register their group at their respective sub county immediately after formulating their by law to complete the group formation process.



THE REPUBLIC OF UGANDA

THE CONSTITUTION OF

-----FARMER GROUP

Registered this.....day of2020

Drawn by the Farmers with support under ALENU project funded by OPM and the EU.

PREAMBLE

-----farmer group was formed in 20... with ____ members.
The vision of the group is ".....
.....
..."

The mission statement:

".....
....."

INTERPRETATION:

In this Constitution:-

"The Group" means ----- farmers group

"The Constitution" means the Articles of association

"The Secretary" means any person appointed/elected to perform the duties of the secretary of the group

"The Seal" means the official seal of the group

"The Committee" means the executive committee

"The Chairperson" means the Chairperson of the Executive committee

"The Register" means the Register of the Association

In the construction of these articles, unless inconsistent with the contexts the singular shall include the plural and masculine, the Feminine and vice-versa.

ARTICLE 1: ESTABLISHMENT

There shall be an Association called ----- farmers group

The Registered office or Headquarter of the association shall be situated in District of Uganda.

The association shall be affiliated to such bodies as; Governmental, Non-governmental, local, National and International organizations with similar aims and objectives.

The association shall be governed by this constitution, Basic moral principles and practices and such other rules and regulations made hereunder.

ARTICLE 2: AIMS AND OBJECTIVES

The main aim of the association is to eradicate poverty through sustainable agricultural productivity, village savings and loans and other income generating activities for self-reliance.

The objectives to achieve in this aim shall be:

- To register 25 interested farmers who have met the household selection criteria
- To initiate self-help and income generating activities for the group to improve on their livelihoods.
- To increase productivity, marketing and health and nutrition needs of their households.
- To equip farmers with knowledge, skills and positive attitude to achieve the aspirations articulated in Article 2
- To liaise with Government and Non-Governmental organization to strengthen the farmer group
- To purchase, acquire and own farmer group assets/ property.
- To cultivate facilities for social and cultural affinity with non-farmers where necessary.

ARTICLE 3: MEMBERSHIP

3.0 The membership of the group shall be open to:

3.1 A person who subscribes to and accepts the aims, objectives of the ALENU Project

3.2 Any person who is a resident in -----village,----- parish,----- sub county,----- District.

3.3 Age limit between the age of -- and --- years.

3.4 Any person who has fully paid Registration/membership fee.

3.5 65% of the membership shall be female farmers in each group

ARTICLE 4: MEMBERSHIP FEE AND CONTRIBUTION:

To be a member one is required to make the following contributions

4.1 Pay full registration fee of Uganda shillings ----- once.

4.2 Pay annual subscription of UGX

4.3 Make any other contribution in kind or cash as shall be proposed and agreed upon by the general meeting.

ARTICLE 5: REGISTER OF FARMERS

There shall be a register of farmers, showing in respect of each member:-

5.1 Name and gender

- 5.2 Address/Physical location where possible
- 5.3 Date of admission to membership
- 5.4 Occupation and or activities engaged in/where possible
- 5.5 Date and reason for Termination of membership (where applicable)
- 5.6 Date of re-admission to membership (where applicable).
- 5.8 Any other information deemed appropriate by the General meeting.

ARTICLE 6: RIGHT OF A MEMBER

A full member shall the right:

- 6.1 to attend meetings and fully participate in the activities and proceedings of the project.
- 6.2 to vote and be voted into any organ of the farmer group
- 6.3 of expression on the group activities without undue influence from the farmers of the group
- 6.4 of access to facilities provided by the group where necessary
- 6.5 to appeal if he/she feels unjustifiably treated by the group
- 6.6 to benefit from the group projects and dividend without discrimination
- 6.7 to monitor group activities

ARTICLE 7: OBLIGATIONS AND DUTIES OF A FULL MEMBER

A full member shall:-

- 7.1. Adhere to this constitution
- 7.2 Fully participate in the activities and proceedings of the group
- 7.3 Meet the membership/Registration fee and any other financial and non-financial contribution as determined by the general meeting
- 7.4 Respect the association and its executives
- 7.5 Not discuss group secrets with non-farmers
- 7.6 Participate in group activities and work regularly and in case of hindrances, will send a member of the family in his/her stead.
- 7.7 Not conduct him/her in a manner detrimental to the named and interest of the group.

ARTICLE 8: TERMINATION OF MEMBERSHIP

A person shall cease to be a member:-

- 8.1 Upon failure to comply with membership Right, Duties and Obligations above
- 8.2 Upon voluntary resignation
- 8.3 Upon dissolution of the association and in case of death or mental incapacitation
- 8.4 Upon persistent failure and or neglect to perform ones obligations under this constitution and any other rules or Regulations applicable.
- 8.5 Upon general Assembly having passed a resolution expelling him/her.
- 8.6 Upon gross violation of this constitution
- 8.7 Upon being convicted of criminal offence.
- 8.8 Upon causing financial loss to the group.
- 8.8 Termination of membership shall be preceded where need be by investigation by executives and discussion with farmers
- 8.9 Such a member facing termination shall have the right to be given a hearing and to defend himself/herself before the committee prior to a decision being made.
- 8.10 Where no genuine reasons are given by the member, the executives shall recommend to the General meeting that the membership be terminated.

- 8.11 A member who is aggrieved and/or dissatisfied with the decision of the Disciplinary Committee shall reserve the right to appeal against that decision within fourteen (14) days in writing to the General Assembly and the decision of the General Assembly on the matter shall be final and binding.
- 8.12 A member who ceases to be a member of the group for whatever reasons shall be struck off the Register of farmers but any fee or contribution that may have been paid by such a member for the respective years shall not be refunded and such a member shall meet all outstanding debts, obligations or sums due at the time of Termination.
- 8.13 A member who is under investigation, facing disciplinary proceedings shall not reserve the right to resign from the membership of the group/Association until investigations and hearing are completed and a final decision is made.

ARTICLE 9: VOLUNTARY RESIGNATION

- 9.1 Any member who wishes to resign from the Association shall give notice of such intention in writing to the committee at least 2 weeks in advance
- 9.2 The Committee shall upon receiving such letter of resignation communicate its decision to the farmers within seven (7) day.
- 9.3 Such member shall be duty bound to meet all the outstanding obligations and liabilities on his/her part to the group/Association.

ARTICLE 10: BENEFITS ON CEASATION OF MEMBERSHIP

- 10.1 Upon Dissolution of the programme, each member shall take 100% of the value of his share after group liabilities are deducted and the remaining value of the assets are shared equally among farmers.
- 10.2 Upon voluntary Resignation a member shall take 75% of the overall value of his share of Assets and cash in the group after the group liabilities have been deducted and the remaining value of the Assets and cash are shared equally among farmers.
- 10.3 Upon termination for violating Article 7, 8.1, 8.4, 8.5, 8.6, 8.7 and 8.8 a member shall take 50% of the overall value of his share of Assets and cash in the group after the group liabilities have been deducted and the remaining value of Assets and cash are shared equally among farmers.

ARTICLE 11: ORGANS TO THE ASSOCIATION

- 11.1 The Group/Association shall have the following organs:-
 - 11.1.1 The Annual General Assembly
 - 11.1.2 The Executive Committee
 - 11.1.3 The Ad-hoc Committees appointed by the general assembly as the needs ALENU
 - 11.1.4 The VSLA Management Committee

11.2 THE ANNUAL GENERAL ASSEMBLY

- 11.2.1 The Group shall in each calendar year hold an Annual General meeting.
- 11.2.2 The Annual General meeting shall be the supreme body of the association/group formulating all the policies of the group.
- 11.2.3 The Annual General meeting shall be composed of all fully registered and paid up farmers of the Association.
- 11.2.4 The Annual General meeting of the group shall have an agenda which should have

been circulated to farmers not less than fourteen days prior to the meeting.

- 11.2.5 The Agenda circulated to farmers shall include the following:-
- 11.2.5.1 Presentation and confirmation of minutes of previous Annual General meeting/
Matters arising
- 11.2.5.2 Chairperson Report
- 11.2.5.3 Treasurer's Report including Audited Accounts.
- 11.2.5.4 Presentation and Approval of work plan and Budget of the New Year.
- 11.2.5.5 Elections or Bye-elections if necessary
- 11.2.5.6 Action audit/share out and graduation
- 11.2.5.7 A.O.B
- 11.2.6 The Chairperson of the Association shall preside over the annual general assembly. In his absence the vice chairperson shall preside. If both are absent a temporary chairperson shall be elected by the farmers to preside.
- 11.2.7 The Annual General meeting shall elect Five (5) Executive Committee farmers for a Term of Two (2) years, subject to re-election for not more than one term.
- 11.2.8 The decision at the annual general meeting shall be arrived at by a simple majority of these present except for the amendment of constitution and dissolution which requires $\frac{3}{4}$ of general membership and $\frac{3}{4}$ for its decision. In the event of a Tie, the Chairperson shall have a casting vote.
- 11.2.9 The Annual General meeting extra ordinary General meeting may establish/ appoint an ad-hoc committee to carry out specific obligation/Task and thereafter dissolve.
- 11.2.10 The Annual General meeting shall appoint internal and External Auditors.

11.3 THE EXECUTIVE COMMITTEE

The Executive Committee shall be composed of five (5) farmers as follows:

- 11.3.1 The Chairperson
- 11.3.2 The Vice Chairperson
- 11.3.3 The General Secretary
- 11.3.4 Vice Secretary
- 11.3.5 The Treasurer

11.4 FUNCTIONS OF THE EXECUTIVE COMMITTEE

The executive Committee shall have the following functions:-

- 11.4.1 To convene the annual general assembly
- 11.4.2 To implement and execute the policies of the association as decided by the general assembly.
- 11.4.3 To formulate the annual Work Plan and Budget for the association
- 11.4.4. To fundraise for the association, appoint the group Bankers and administer the property of the group.
- 11.4.5 To formulated and review the policies that govern the association with the approval of the general Assembly.
- 11.4.6 Shall have a general and overall responsibility over the association's finances and property.
- 11.4.7 Shall institute or defend any legal action in the name of the group.

- 11.4.8 Shall hold Executive meetings monthly and may hold Extra-ordinary meetings.
- 11.4.9 Shall reprimand and discipline farmers of the association.
- 11.4.10 shall be answerable to the General Assembly.
- 11.4.11 shall invite or co-opt any member of the group to the organs of the group when deemed necessary for execution of group obligations.
- 11.4.12 shall perform any other functions as approved or recommended or resolved by the general meetings or in accordance with the powers vested in it by this constitution.

11.5 THE CHAIRPERSON

The chairperson shall perform the following functions:

- 11.5.1 Chair the meetings of the Executive Committee and General meetings
- 11.5.2 Present Reports to the Committee and General meeting
- 11.5.3 Lead the Committee and the General meeting in setting the strategies and policies of the group
- 11.5.4 Represent the Group at functions and meetings.
- 11.5.6 Shall act as a channel of Communication between Committee and General meeting
- 11.5.7 Shall execute contracts, deeds, conveyances and such other instruments and documents of a sensitive nature and those relating to policy on governance.
- 11.5.8 Shall initiate and lobby for and perform all such duties as are deemed appropriate by virtue of the office of the chairperson or as assigned to him by the farmers of the committee.

11.6 THE VICE CHAIRPERSON

The Vice chairperson shall perform the following functions.

- 11.6.1 Shall take on the duties and functions of the chairperson in his absence.
- 11.6.2 Shall perform all such appropriate duties as may be assigned by the chairperson.
- 11.6.3 Shall perform all such duties as are appropriate by virtue of the office of the vice chairperson or as assigned to him by the committee.
- 11.6.4 Manages the activities of the group and report to the chairperson.

11.7 THE GENERAL SECRETARY

The General Secretary shall perform the following functions:

- 11.7.1 Shall prepare the agenda for and summons meetings of the Association.
- 11.7.2 Shall attend and take minutes of General meetings and Committee meetings
- 11.7.3 Shall prepare administrative letters and correspondences, project documents, contracts and all such correspondences.
- 11.7.4 Shall keep all Records and Documents
- 11.7.5 Shall update and keep in safe custody the Register of the Groups
- 11.7.6 Shall be an ordinary cosignatory to the Group's Bank Accounts.
- 11.7.7 Shall perform all such duties as are appropriate by virtue of the office of General Secretary or and assigned to him by the committee.

11.8. THE VICE SECRETARY

The Vice Secretary shall perform the following functions:-

- 11.8.1 Shall deputize for the General Secretary
- 11.8.2 Perform other duties assigned to him/her from time to time by the Executive Committee or General Assembly.

11.9 THE TREASURER

The Treasurer shall perform the following functions:

- 11.9.1 Shall be responsible for all the finances and Assets of the group
- 11.9.2 Shall collect or cause to be collected Registration/membership fees and all the money which the association is entitled to.
- 11.9.3 Shall keep proper Records of Accounts showing how funds are received and expended.
- 11.9.4 Shall ensure that proper financial Records and procedures are maintained
- 11.9.5 Shall ensure that the proper accounting procedures and controls are in place regarding the Group's Income, Expenditure and Securities and that all payments and Expenditures are documentarily accounted for by way of cash receipts or otherwise.
- 11.9.6 Shall ensure that the Group's annual accounts are promptly and professionally prepared and audited by competent Auditors.
- 11.9.7 Shall draw work plan and Budget for the group and present to committee and General meeting.
- 11.9.8 Shall ensure that the group's financial incitements are consistent with the objectives of the group and meets any legal requirements.
- 11.9.9 Shall be one of the co-signatory and Group agent to the Bank Account
- 11.9.10 Shall deposit all money received on Group Account and shall not keep imprest exceeding shs. 100,000/= one hundred thousand shillings.
- 11.9.11 shall perform such duties as are deemed appropriate by virtue of the office of the Treasurer or as assigned to him by the Committee or General meeting.

ARTICLE 12: TERM OF OFFICE

The Elected Executive Committee shall serve according to the following:

- 12.1 The term of office shall be two years, renewable once.
- 12.2. A member or entire Executive Committee may however leave office before the expiry of their term for the following reasons:-
 - 12.2.1 Upon vote of no confidence moved in them by Two third (2/3) of Extra-Ordinary General Assembly.
 - 12.2.2 Upon resignation after giving one month notice to the general meeting.
- 12.3 If any office of the Committee falls vacant there shall be a bye-election by the General meeting.
- 12.4 If any member for any reason is not able to attend meetings of the committee the remaining farmers shall co-opt any other member of the group they consider suitable and pend the approval of the general Extra Ordinary meeting.

ARTICLE 13: ELECTIONS

- 13.1 Serve as otherwise provided for in the constitution, all elections of the executive committee shall be carried out at the annual General meeting.
- 13.2 The general meeting shall first elect a free Returning Officer to preside over the elections of the farmers of the committee.
- 13.3 Only fully paid up farmers of the group shall be eligible to vote and be voted
- 13.4 Nomination shall be proposed and seconded by at least one person (fully paid up farmers).
- 13.5 A duly nominated and seconded candidate or person shall inform the presiding officer of his/her willingness to stand.
- 13.6 There shall be a Quorum of 2/3 voting farmers.
- 13.7 Voting for Executive Committee at Annual General Meeting shall be by secret ballot.

ARTICLE 14: MEETINGS

14.0 EXTRAORDINARY MEETINGS:

- 14.1 All general meetings other than the Annual General Assembly shall be called Extra-Ordinary general meeting for smooth general functions of the group.
- 14.2 The Extra-Ordinary general meeting shall exercise all the powers of the Annual General Assembly.
- 14.3 All executive committee meeting other than the monthly Executive Committee meeting shall be called Extra-Ordinary Executive Committee Meetings.
- 14.4 The Committee may on its motion or upon receiving a written demand by one third 1/3 of the fully paid up farmers of the group summon an Extra-Ordinary General meeting within 7 days for purposes of discussing urgent matters relating to the affairs of the group.
- 14.5 Farmers shall reserve the right to call for such a meeting in an event of the Committee failing to do so.
- 14.6 Notice of such meetings shall be circulated to the farmers at least seven days in advance specifying the agenda of the meeting.
- 14.7 For all purposes the Quorum at all general meetings shall be Two third (2/3) of the fully paid up farmers of the group and a simple majority for Committee meeting.
- 14.8 Decision in general meeting shall be made by a simple majority vote of those present and voting.

ARTICLE 15: NOTICES

- 15.1 At least 7 Days shall be given to farmers for the Annual General meeting and Extra-Ordinary General meetings.
- 15.2 4 days shall suffice for the Executive meetings.
- 15.3 Notices of meetings for the Annual General Meeting shall be in writing and or by Public media.
- 15.4 Every notice shall specify Place, Time, Date and Agenda of the meeting.

ARTICLE 16: QUORUM

- 16.1 Two third 2/3 of the farmers of the group (fully paid) shall form a Quorum.
- 16.2 The Quorum at the meeting of Executive Committee shall be a simple majority.
- 16.2 If within an hour from the time appointed for the meeting a Quorum is not realized, the meeting shall stand adjourned to another date and Time and the presiding chairperson shall cause the date to which the meeting has been adjourned to be advertised in such a manner as may suffice to easily bring it to the attention of those who may not have showed up for the meeting. If on the date to which the meeting has been adjourned a Quorum is not realized within an hour from the time appointed for the meeting the farmers present shall constitute a Quorum.

ARTICLE 17: GUIDE TO THE EXECUTIVE COMMITTEE

- 17.1 Decision of the Executive Committee shall be arrived at by Consensus and where necessary by simple majority
- 17.2 If a member of the Executive Committee fails to attend three consecutive meetings without reasonable excuse his/her membership on the Executive Committee shall cease.
- 17.3 A vacancy in the Executive Committee shall be filled in bye-election for the remaining period of the Term of office.

ARTICLE 18: FINANCES AND ASSETS

- 18.1 The funds of the Group shall be raised from:-
 - 18.1.1 Membership/registration fee
 - 18.1.2 Any financial contribution from farmers
 - 18.1.3 Donations and Grants.
 - 18.1.4 Fundraising activities
 - 18.1.5 Assistance or Grants from Government and any other funding Bodies and agencies.
 - 18.1.6 Funds accruing to the group in the course of the discharge of its functions and duties.
 - 18.1.7 Sales of project output or produce.
- 18.2 The finances of the group shall be utilized for the following purposes:
 - 18.2.1 For administrative purposes and operational cost
 - 18.2.2 Facilitating any lawfully planned projects or ventures of the group
 - 18.2.3 Facilitating the attainment of the aims and objectives of the group
 - 18.2.4 Facilitating implementation of the Group's work Plan and Budget
 - 18.2.5 For setting all other lawful expenditures of the group
 - 18.2.6 All funds of the group shall be solely used in implementing the objectives of the group on approval of executive Committee and General meeting.
 - 18.2.7 The group may acquire movable and immovable property which shall be registered in the name of the group
 - 18.2.8 The Executive Committee shall collectively be responsible to the general Assembly for the manner in which the organization funds are managed.
 - 18.2.9 The financial year of the Group shall run from 1st day of January to 31st day of December of the same year.

ARTICLE 19: BANK ACCOUNT

- 19.1 The group shall open Bank Account in a lawfully licensed financial Institution that shall be determined by the committee
- 19.2 The said Account shall be operated by any Two (2) Committee officials as joint signatories.
 - 19.2.1 The Chairperson
 - 19.2.2 The Secretary
 - 19.2.3 The Treasurer
- 19.3 There shall be no Principal signatory
- 19.4 Any 2 of the 3 can withdraw money from the account

ARTICLE 20: THE BUDGET

- 21.0 The Budget of the Group shall be drawn in a joint meeting of the Executive and the Beneficiaries

ARTICLE 21: AUDIT

- 21.1 AFARD/Advance Afrika/GWED-G shall audit all funds received from the project
- 21.2 The group will allow other auditors sent to them by AFARD/Advance Afrika/GWED-G to audit its books.
- 21.3 The group may appoint other auditors of its choice to audit funds obtained from other donors or sources.

ARTICLE 22: BOOKS AND RECORDS

- 22.1 The group shall keep in proper manner and shall periodically update its books and Records.
- 22.2 The following Books and Records shall be kept:-
 - 22.2.1 The register of farmers
 - 22.2.2 Minutes Books
 - 22.2.3 Books of Accounts.
 - 22.2.4 VSLA record book/ journal
- 22.3 Refer to Article 5.1.1-8 for details
- 22.4 The group shall keep and maintain separate minute's books in respect of proceedings of:-
 - 22.4.1 General meetings
 - 22.4.2 Committee meetings
 - 22.4.3 Ad-hoc Committees.
 - 22.4.4 VSLA meetings
- 22.5 The group shall keep and maintain the following Books of Accounts:
 - 22.5.1 Assets and Liabilities Register
 - 22.5.2 Income and Expenditure book
 - 22.5.3 Journals for sales and purchases of Goods and property of the group
 - 22.5.4 Investment inventories made by the group
 - 22.5.5 The books of Accounts shall be kept in a proper manner that reflects the actual financial status/position of the group and complies with the standard accounting best principles and practices.
 - 22.5.6 The Books of accounts shall be open to inspection by farmers of Executive Committee.

ARTICLE 23: OFFICIAL LANGUAGE AND SEAL

- 23.1 The official language of the group shall be English
- 23.2 The Group shall have an official seal which shall be kept in the custody of the chairperson
- 23.3 The said seal shall be affixed to instruments and documents executed by the group; inclusive of legal documents and such other official documents approved by the committee.
- 23.4 At least two of the following officials of the group shall have authority to witness and or authenticate the official seal - the Chairperson, Vice Chairperson, or General Secretary.

ARTICLE 24: RULES AND REGULATIONS

- 24.1 The Executive Committee shall make such Rules and Regulations which are not inconsistent with the provisions of this constitution, as may be expedient for governing the group and conducting its affairs in accordance with its

objectives.

- 24.2 Such Rules and Regulations as made by the Executive committee shall be laid before the General meeting for approval.
- 24.3. Such rules and regulations may be made to include but not limited to:-
- 24.3.1 Registration/membership fee
- 24.3.2 Any other financial and non-financial contribution
- 24.3.3 Disciplinary measures for all group farmers
- 24.3.4 Administrative measures
- 24.3.5 Fundraising drive and income measures.
- 24.3.6 Activities and proceedings
- 24.3.7 Guides to achieve aims and objectives of the group
- 24.3.8 Cessation and termination of membership

ARTICLE 25: VSLA BYLAW

Part A: VSLA Governance

II. OBJECTIVE OF THE ASSOCIATION

The objectives of the association include the following:

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

IV. COMPOSITION OF THE VSLA MANAGEMENT COMMITTEE

Chairperson (1)

Secretary (1)

Treasurer (1)
Money-counters (2)

VI. 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 _____ farmers shall be present in order for the elections to take place.

The election procedure will 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 _____ farmers and seconded by _____ member(s) before being put forward for selection.

VII. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

Any member of the Association may, at any time, request a vote of no confidence against a member of the Management Committee

The Committee member must resign if the majority of farmers decide to remove him/her
An election is required to fill the vacant position

VIII. MEETINGS

The association shall meet _____ time (s) in a week.

The meeting time will be at:-----

The operating cycle for the association before payout shall be _____ months.

IX. 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 before loan repayment is completed, the following will be done:

X. IN CASE OF DEATH

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

Part B: Services offered by the Association

I. **AGRO-INPUT SAVINGS**

Members shall contribute to the agro- input fund in every meeting as per their agribusiness needs.

Members are allowed to make up for days missed in the subsequent meetings.

Record of members' agro - input fund shall be kept in the agro input fund ledger.

Agro-input fund shall NOT be given out as loan.

The VSLA will keep the agro - input fund in the saving box

At share out or in a required season, the procurement of the inputs shall be done by a group and NOT by an individual in accordance with the selected enterprise.

The money for inputs will be shared in the onset of the planning season.

II. **SOCIAL FUND**

Each member shall contribute _____ UGX towards social fund per week.

Social/social funds shall be accessed if a member experiences the following emergencies:

Categories where social funds can be given out as grants:

Categories where social funds can be reimbursed:

The social fund shall be stored by: _____

III. SAVINGS

Farmers may buy 1 – 10 shares in each meeting

Each member shall be required to make a minimum savings deposit of _____UGX at each saving meeting.

All farmers 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 savings deposit:

IV. LOAN

The agreed purpose for farmers to borrow from the group is:

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

The association will put into consideration the following when assessing the borrower's ability to repay:

The eligible member to borrow shall meet the following requirements:

CONDITIONS FOR REPAYMENT

The loan repayment period shall be a minimum of __ months and a maximum of __ months.

The interest on loan shall be_____ % per month

V COMMON FUND

The common fund shall be charged on the VSLA profit accrued before the share out on a percentage ranging between 2% and 5%.

This money shall act as a startup capital and or loanable fund to begin with in the subsequent cycle or shall be for acquiring a group agricultural asset/ investment as earlier agreed upon in the constitution.

The common fund belongs to the VSLA and shall be used to meet the vision of the VSLA. At subsequent action audit and share out days, the common fund shall not be shared out, it shall rather be recycled for the following cycle to provide for loanable fund. However, members may agree to adjust the percentage in the subsequent cycles.

The common fund if not recycled for loaning shall be handed over in custody of the executive group treasurer.

XI. FINES

The following table lists the fines that will be charged.

Offence	Amount
Failure to attend a meeting	
Late to a meeting (After .-----minutes from the agreed time of the meeting)	
Not remembering Group rules	
Forgetting key	
Chatting through the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions or balances from the preceding meeting	
Failure of a member of the Management Committee to perform their duties	
(other)	
(other)	
(other)	
(other)	
(other)	

XII. AMENDMENTS TO THE BY LAW

----- farmers must agree(as a number) before the by-law can be amended

----- can propose an amendment to the by law.

RELATIONSHIP TO EXTERNAL SOURCES OF FINANCIAL SERVICES

The Association will not borrow from financial institutions during its first cycle of operations. If it does so in future cycles, it will follow these rules:

The loan to the Association will not exceed the value of the previous cycle's share-out amount

The Association will take the loan, not individual farmers.

The Association will on-lend the money to its farmers, and will not provide information about this to the lender.

If the Association borrows from a financial institution, farmers agree that their individual borrowing may never exceed 5 times their shares (without an outside loan from a financial institution, the rule remains 3 times)

If a group borrows from a financial institution, member savings will not be used as a security deposit

ARTICLE 26: AMENDMENTS TO THE CONSTITUTION

- 26.1 The Constitution or part of it may be amended or altered at any time by the group by a resolution approved by three quarters $\frac{3}{4}$ of all registered and voting farmers of the group.
- 26.2 At least Fourteen days (14) days' notice in writing, clearly stating the proposed amendment of the constitution shall be given by the Secretary to all the registered farmers of the group prior to meeting date.
- 26.3 For the avoidance of doubt, the quorum for the meeting at which the motion for amendment is to be tabled shall be not less than three Quarters $\frac{3}{4}$ of all paid up farmers of the group.
- 26.4 A motion to have the constitution amended shall be tabled to the Chairman not less than Thirty (30) days before the meeting at which such motion shall be tabled.

ARTICLE 27: DISSOLUTION

- 27.1 The group shall only be dissolved by a special resolution of three Quarters majority voters present in the meeting for such decision.
- 27.2 In the event of dissolution of the group, all property acquired by the group during its life time shall, after setting off all liabilities, be distributed among farmers equally.
- 27.3 The procedure for dissolution shall be by a special motion moved at a general meeting, tabled and seconded in writing by not less than three quarters of all the fully paid up farmers.
- 27.4 For the avoidance of doubt, the Quorum for meeting at which the motion for dissolution shall be tabled, shall be not less than three quarters of all the fully paid up farmers of the group.
- 27.5 A notice for a motion to have the group dissolved shall be served on the Chairperson at least two months (2) before the meeting at which it is proposed to move the motion and the general secretary shall accordingly notify farmers within 21 days.

ARTICLE 28: MISCELLANEOUS

- 28.1 All matters which are not specifically provided for in this Constitution shall be dealt with in accordance with the powers vested in the Committee or the general Assembly.
- 28.2 Any misunderstanding of this constitution or any part thereof shall be referred to the executive committee whose interpretation by a simple majority shall be final with the approval of the general assembly of the group.
- 28.3 Any dispute arising, which the group has failed to resolve under the provision of this constitution shall be resolved through arbitration in accordance with the Laws of Uganda Governing Arbitration.

Dated at:this.....day of2020

Witness to the above signatures:

Name in full:

Address:

Occupation:

Signature and stamp:

Topic 2: ELECTION OF LEADERS

Objectives: At the end of the training session:

- Farmers will have decided on who to nominate in the management positions discussed in the previous training
- Farmers will elect the management committee members in accordance with the election procedures re- emphasized by the VSLA Mentor
- Farmers will understand what a vision/ goal is
- Farmers will have decided on what their personal/ group plans are by having a clear vision for their households or association development
- The farmers will also develop intermediary goals to achieve their personal goal/ association goal
- The farmers will identify opportunities that are in the offing to achieve their personal goals/ association goals
- The farmers will also identify the likely challenges/ threats on their path to the vision and using the past experiences will develop strategies to go about the challenges and turn them to opportunities

Step 1:

The VSLA MENTOR reminds the farmers that they are supposed to hold the election of the management committee during the training. S/he will ask them to list the positions discussed in the previous training and then tells the farmers that they need to nominate people for each position, starting with the chairperson. S/he explains that nominations can be made by any one and if a person is nominated then that person has to agree to stand for election. If they do 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 farmers.

In a mixed VSLA, the VSLA MENTOR should remind the farmers that at least two of the farmers of the management committee should be female – and not only the money counters!

Step 2:

The election process

- The VSLA MENTOR facilitates the development of names for election to each office and advises them to carry out the election using a secret ballot.
- Explain to the farmers that each candidate is represented by one color chosen by them.

- Give each farmer a small stone or paper and, in turn, they cast their votes in the color of their candidate hidden from the farmers but under the eye of the Parish Chief or the LC 1 chairperson,
- When all of the farmers have voted the presiding officer counts the votes.
- After confirming that the number of stones or papers is equal to the number of farmers, declares the candidate with more of the votes as the winner.
- When the number of votes for two candidate is the same, the farmers are encouraged to discuss the qualities needed in a candidate some more and vote again until a result is declared.

Conclusion: The VSLA MENTOR concludes by stressing that, elections are not a one off thing and that, they must be held at the intervals laid out in the by-law. If elections are not held, farmers may feel that, they are being dominated by a few leaders who do not have to explain things to the farmers. By having regular elections, the management committee members are reminded that, they need to serve the farmers if they want to keep their positions. Everyone is reminded by this that, the General Assembly is the supreme body of the VSLA.

Topic 3: CONFLICT RESOLUTION

Step 1:

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

Step 2:

The VSLA Mentor asks the farmers what conflict is and whether they have conflicts among themselves, often the participants say no. The VSLA Mentor will then tell them this story.

Story 1 Topic: Importance of understanding and solving conflicts:

In Manda Nyazu VSLA, one member, Mary, had borrowed UGX 10,000/= from the Association. 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 (UGX 11,000). The next day at the village well, she overheard two participants of the Association discussing her case with other participants of the village. At home, her co-wife having also overheard and 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 Association, paid off her loan and withdrew her membership from the VSLA.

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 Associations react well?
- What should the participants of the Association have done?
- Why did it happen? Distribute the responsibility
- What could an association proposes 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?

Ask the participants to come to a conclusion. The VSLA Mentor tries to draw out that the farmers and the committee failed to fulfill their roles and responsibilities.

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

The farmers of the Association must be assured of discretion in their operations
The trainer helps the participants reflect on the utility of the internal regulations in solving 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 VSLA Mentor can help the participants to express themselves by giving them examples of current problems in other Associations (indiscretions, non-application of the regulations, etc.)

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 Association. If the source is known that is where the problem should be attacked. Others may include;

Possible causes of conflict in VSLA

- Failure to abide by the internal guiding rules and regulations
- Lack of transparency
- Gossip
- Not keeping group secret
- Failure of management committee to execute their roles
- Disrespect
- Favor/ disfavor
- Mistrust

Step 3:

The VSLA Mentor 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 Association. If not they can develop some in this meeting and include them in their rules.

Additional notes the VSLA Mentor can use to help the association understand conflict resolution

WHAT IS CONFLICT RESOLUTION?

Is a way for two or more parties to find a peaceful solution to a disagreement among them? The disagreement may be personal, financial, political, or emotional.

When a dispute arises, often the best course of action is negotiation to resolve the disagreement.

The goals of negotiation are:

- To produce a solution that all parties can agree to
- To work as quickly as possible to find this solution
- To improve, not hurt, the relationship between the groups in conflict
- To come to an agreement that benefits all parties.
- To understand more about those whose ideas, beliefs, and backgrounds may be different from your own.
- To ensure that your relationships with opponents continue and grow.
- To find peaceful solutions to difficult situations.

When should you resolve conflict?

- Conflict resolution is appropriate for almost any disagreement.
- But for more serious conflicts, and conflicts between groups rather than individuals, you may need some additional skills like;
 - o How should you structure a meeting between your group and your opponent?
 - o When should you settle, and when should you fight for more?
 - o How should you react if your opponent attacks you personally?

How should you resolve conflict?

- Understand the conflict
- Communicate with the opposition
- Brainstorm possible resolutions
- Choose the best resolution
- Use a third party mediator
- Explore alternatives
- Cope with stressful situations and pressure tactics

Summary and conclusion

The VSLA Mentor summarize the conflict resolution skills and tells the Association that the next meeting will be the VSLA record keeping system. The VSLA Mentor asks if they have any questions.

The farmers are thanked for their participation and the meeting is closed.

MODULE 5: VSLA RECORD KEEPING SYSTEM

Objective: At the end of the session, members should be able to:

- Each member of the Committee will understand their individual responsibilities
- The Secretary and Money Counters will understand their roles in maintaining written records
- The Association members will have basic understanding of the Association records and what to monitor

Duration: 2 Hours

RECORD-KEEPING

Step 1:

The VSLA Mentor tells the farmers that 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. Records are maintained in a pre-printed journal. The record journal/book is divided into sections as follows:

- Register
- Social Fund Ledger
- Savings Ledger
- Fines Ledger
- Loan Ledger
- Cash-Book.
- Agro-input ledger

Thus, using a cash book that summarizes each category of transactions, most financial records are double-entered. In addition to the Association Records, every member has a Member Share Passbook, Social fund treasurer's record book to track social fund borrowing and refund and Askari's record book for fines from the offences committed.

Step 2:

Using the pre-printed VSLA Record Book/Journal hand in hand with layout in figure 1 below, the VSLA Mentor introduce the farmers to the different types of records kept by the VSLA (register, social fund ledger, savings ledger, fines ledger, loans' ledger, inputs ledger and cash book) and the farmers' share pass book (sample must be available).



Figure 1: Typical Record Keeping Book Layout

NAME OF ASSOCIATION		Register
ADDRESS		Social Fund
		Savings
CHAIRPERSON		Fines
SECRETARY		Loans
TREASURER		Cash
YEAR		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 Association meets weekly, fortnightly or monthly. The following is a rough guide.

Register	6 pages
Social Fund	8 pages
Agro – input fund ledger	8 pages
Savings Ledger	8 pages
Fines Ledger	2 page
Loan Ledger	9 pages
Cash Book	8 pages
Notes	8 Pages

This number of pages is enough to last for an Association that meets weekly at least a year.

Step 3:

The VSLA Mentor illustrates to the Secretary and the Management Committee using Figures 2 how the register is marked or kept. Although dates are shown in the case study used here (to make it clear to the reader how the entries are made) they are not entered in the new book.

Step 4:

The VSLA Mentor illustrates to the Secretary and the Management Committee using Figures 3 how the social fund ledger is prepared or kept. Explain how total, repayment, pay out and balance are calculated.

Step 5:

The VSLA Mentor illustrates to the Secretary and the Management Committee using Figures 4 how the social fund treasurer's record book is prepared or kept. Explain all the rulings.

[illegible]

Figure 3: The social Fund Ledger

Note to the trainer: for purposes of simplicity and easy record keeping, the social fund ledger can be redesigned as seen below:

No.	Member Names	3/1/05	31/1/05	28/2/05	28/3/05	25/4/05					Total
1	George Akech	200	200	200	200	200					
2	Zablon Odoyo	200	200	200	200	200					
3	Aloyce Abuyah	200	200		200	400					
4	Zibia Akeyo	200	200	200	200	200					
5	Benta Awuma	200	200	200	200	200					
6	Pamela Otieno	200	200	200							
7	Helen Omolo	200	200	200	200	200					
8	Angeline Omolo	200	200	200	200	200					
9	Consolata Adhiambo	200	200		200	400					
10	Consolata Ariyo	200	200	200	200	200					
11	Monica Auma	200	200	200	200	200					
12	Irene Achleng	200	200	200	200	200					
13	Consolata Ajwang	200	200	200	200	200					
14	Pamela Odoyo	200	200	200	200	200					
15	Mary Atieno	200	200	200	200	200					
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
Total		3,000	3,000	2,600	2,800	3,200					
Benefits Payout				400	300						
Benefits Repayment						400					
Cumulative Total		3,000	6,000	8,200	10,700	14,300					

Note: This shows that in some cases members made up their missed payments at a later date by paying double.

Note: Replace the words benefit payout, benefits repayment and cumulative total with amount borrowed, amount paid and cash

Savings

Cash

Association Worth

Notes

In the table above, on 28/3/05 the Association collected a total of 2,800, 300/= was borrowed and the cash balance was 2,500/=. On 25/4/05 the Association collected 3,200/= which was added to the previous week's cash balance of 2,500 to make a total of 5,700/= with a repayment of 300, this made the available cash to be 6,000, a member borrowed 500/= leaving a cash balance of 5,500/= in the welfare bag. The cash balance is kept by the treasurer of social fund and not in the box to allow Association farmers to borrow on any day meeting because an emergency can strike any time. When collecting data at the end of the month, the VSLA Mentor should capture the figure in the cash balance row on item 21 (cash in other funds on VSLA Mentor data collection form).

Figure 4: Social fund Treasurer's Record:

This record is kept by the treasurer to facilitate farmers who may borrow money outside the association meeting. When this occurs, the member concerned is required to bring 3 witnesses (must be association farmers) to confirm to the treasurer that indeed the member has a problem. The money borrowed outside the meeting is reported by the social fund treasurer and it is recorded in the transactions of that particular meeting as amount borrowed for the records to be well balanced.

Date	No.	Name of Borrower	Reason for Borrowing	Amount Borrowed	Repayment Date	Borrower's Sign	Names of Witnesses	Sign of Witnesses	Comment	Signed secr.

Step 6:

The VSLA Mentor explains to the secretary and management committee using the figure below how the agro- input book is prepared or kept. Explain the rulings. He or she tells them that the entries are just the same as for the social fund and a member is able to make up for the previous days missed.

Figure 5: The Agro – input ledger

No	Name	Sex	3/1/2020	10/1/2020	17/1/2020
1					
2					
3					
4					
5					
	Total				
	Cumulative Total				
	Expenses				
	Balance				

Step 7:


Share Pass Books. At this point the VSLA Mentor hands out blank Member Share Passbooks, illustrated below and on the next two pages. The Savings Ledger is used in parallel with the pass-book system, in which a given amount of money is paid for a share. The share is shown as a symbol, such as an arrow, star or a tree etc. stamped in a Share Pass Book, which is exchanged for a given value that the Association may decide.

The reason for a passbook system is that experience has shown that while Savings Ledger is often full of mistakes, Share Pass Books are usually accurate. The cover of a typical Share Pass Book is shown below in Figure 6. By using a stamped Share Pass Book it is much easier to facilitate the share-out at the end of the cycle¹, because the value of each share is easily calculated by dividing the total cash available for distribution by the total number of shares. Counting up a small number of shares instead of millions of shillings leads to fewer errors.

If need be, the Share Pass Books can be made from ordinary school exercise books, so that specialized printing is not needed.

Figure 4: Member Share Passbook Cover

Village Savings and Loan Associations
Member Share Passbook



Association Name Ralang B

Association Number 1

Member Name Monica Auma

Member No. 11

Figure 6: Member Share Pass book – Record of savings

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

At the end of the cycle, the member's Share Pass Book will look like Figure 5 on the following page. This shows the member's total shares bought throughout the 12 months of the current cycle (this Association meets monthly).

Meeting Number	Meeting Date	Shares Bought per Meeting									
1	2/5/09										
2	9/5/09										
3	16/5/09										
4	23/5/09										
5	30/5/09										
6	6/6/09										
7	13/6/09										
Starting number of shares											0
Total number of shares bought this period											45
Total number of shares redeemed during period											0
Net shares end period (to be carried forward)											45

Step 8:

In much the same way that the Member Share Passbook is used to record the total number of shares, 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 an association keeps written accounts. The passbook is used only to keep basic information on a loan as shown in figure 10 below so that the borrower acknowledges liability and has a reminder of what is owed.

Figure 7: Member Loan Record

Date	No	Amount	Monthly interest	Signature	Amount repaid	Balance Due	Signed secretary
16/5/2009		10,000	1,000	MA			

The example on the left is that of Monica Auma who borrowed 10,000 on the 16th May 2009. The loan attracts 10% which is equal to 1,000/= interest every month. She signed for the loan when it was received. What her signature here indicates is that she agrees that she received the 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 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.

Note: Ignore Benefit Payout and Benefit Repayment lines. These do not apply to savings.

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.

[illegible]

Step 9:

The VSLA Mentor illustrates how loans accessed and repaid are recorded in the loans' ledger

Loan #	Date	Name of borrower	Amount borrowed	Loan rollover	Interest due	Repayment date	Loan purpose	Signature of borrower	Name of guarantor	Signature of guarantor	Amount repaid	Balance due	Comment

Step 10:

VSLA Mentor illustrates how the Cash Book is prepared

Date	What happened	Cash-in	Cash-out	Balance

Conclusion

The VSLA Mentor then tells the Association that the next meeting will be the first opportunity that the members will have to save and borrow actual cash and that everyone should prepare themselves for the meeting with their contributions to savings and social insurance fund.

MODULE 6: MEETING PROCEDURES AND FIRST SAVINGS MEETING

Objective: At the end of the session, members should be able to:

- Understand how a savings meeting is conducted
- Understand the different roles and responsibilities of every member during the saving meeting
- Conduct their first savings with guidance of the VSLA mentor

Duration: 2 Hours

Step 1:

The VSLA Mentor does a recap on the previous session and reminds the farmers that this meeting will be the first chance to save and to borrow actual cash and that (s)he will guide them through the steps. The VSLA Mentor then explains that from now on (s)he is only there to support the management committee, which is now in charge of meetings.

Step 2:

The kit and the key-holders:

The VSLA Mentor tells the members that, the safety and security of the kit will be the responsibility of the treasurer and that (s)he must carry it to every weekly meeting of the VSLA.

The VSLA Mentor then tells the farmers that, although they have elected 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 and locked 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 meetings and will always be on time.

Step 3:

sitting arrangement VSLAs observed for the following reasons:

- It allows all the members to see clearly what is happening.
- It ensures that, all the members transact business in an orderly manner.

Step 4:

Before taking the farmers through the recommended meeting procedures, the VSLA Mentor explains the following relevance of transacting in the recommended manner:


- Promotes transparency and accountability.
- Facilitates record keeping.
- Promote effective use of time during meetings.

Step 5:

The VSLA Mentor then, takes the members through the following meeting procedures:

Table 15: Procedures for a Savings Meeting

Step	Saving/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 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 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 farmers' recollection and the amount written in the weekly records.
Social fund	<ul style="list-style-type: none"> • The Chairperson then announces that contributions will be made to the Social fund. • The Secretary asks the General Assembly if they remember how much money remained in the Social 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 Social fund Records. The Social fund cash is normally kept in a separate bag from all of the other cash in the cash box. 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 Social fund. • Once all the farmers have made their contributions, the Money Counters count the total and announce it. • Anyone needing support from the Social 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 Association's Constitution and handed over to the recipient. • After all benefits have been paid, the total amount remaining in the Social fund is announced to the Association. It is then replaced in its separate bag and put in the cash box and recorded in the weekly records.
Agro input fund	<ul style="list-style-type: none"> • Once the social Fund contributions have been paid, the Chairperson announces that agro – input fund 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 agro input value, agreed on by the Association. • 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 agro input in the meeting.

Step	Saving/Savings Meeting Procedures
Savings	<ul style="list-style-type: none"> Once the agro input fund contributions have been paid, the Chairperson announces that Savings/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 Association. 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.
Fines	<ul style="list-style-type: none"> Once the Social fund and Saving/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 data-bbox="483 974 1327 1209" style="border: 2px solid red; padding: 10px; margin-top: 20px;">  <p>Note: When the Chairperson levies fines, the infringements, and the amount charged, must be those listed in the Constitution. The Chairperson has no discretion to charge more or less.</p> <p>Note: If the meeting also involves credit, the procedure continues as listed in Table 16 on the next page and the collection of fines should be deferred to after loan reimbursements are collected.</p> </div>
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)
Weekly record (cash book presentation)	<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 Association farmers who may have raised items of Any Other Business to present them to the Association and facilitates any resulting discussions. Once AOB is finished, the Chairperson announces that the meeting is over and that people are free to leave.

Meeting Procedures for first Loan Meeting

When loans are to be issued, all steps for a savings meeting are followed, up to the contribution to the Savings as in table 15. At that point the procedure changes to the procedure noted in Table 16 below.

Table 16: Loan Procedures

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 farmers' 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 saving/Savings contributions bowl, Loan Repayments bowl and Fines bowl. They do not include the money in the Social fund. This has already been placed in its separate bag and put into the cash box. 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 farmers 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 farmers of the General Assembly are asked to comment The Secretary compares the total of loans requested with the total amount in the cash box. If the total loans requested are greater than the amount available in the cash box, (s)he proportionately reduces loan values so that everyone who requests a loan, gets a loan. (S)he may also encourage discussion amongst farmers 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 Any Other Business.

Step 3:

The VSLA Mentor says then facilitates the association into their first savings meeting at which all of the social fund, savings and lending transactions will be carried out by the membership.

Summary and conclusion

The VSLA Mentor summarizes meeting procedures and tells the management committee that the consequent meetings will be savings meetings with close supervision as the association gets into the development phase

The VSLA Mentor guides the chairperson to thank the farmers and reminds them of their next saving meeting day and time and the meeting is closed.

MODULE 7: ACTION AUDIT, SHARE OUT AND GRADUATION

Objective: At the end of the session, members should be able to:

- Understand the relevance of conducting the action audit
- Know the readiness of the VSLA for the action audit
- Know their capacity to qualify them to graduate to the next cycle

Duration: 2 Hours

Step 1:

Introducing the Module: Introduce this last module to the group members. It is preferably done towards the time of their share out so that they can apply the skills.

Step 2:

Why VSLAs conduct Action Audit

Task the members to discuss the relevance of Action Audit to the VSLAs. Ensure the following are mentioned:

- Promote exchange and dialogue among the members of the Association.
- Review of operations focusing on strengths and weaknesses of the VSLA.
- Review of the by-law.
- Revisit membership.
- Assess Management Committee performance
- Give technical support to participants who are not farmers, but who want to create VSLA.
- Continue savings and loan activities with the VSLA system.

Step 3:

How to assess the readiness of the VSLA for action audit (share out)

The VSLA Mentor reminds the members of the Fourth VSLA Core Principle (conduct of timely action audit) and the need to periodically assess the readiness of the VSLA in last two months of the cycle in order for the VSLA to timely conduct the action audit during the last meeting of the cycle.

Explain that, the form below will be used for this assessment:

No	Issues	Yes (1)	No (0)
1	Do 80% of the members attend the meeting?		
2	Do the members arrive on time?		
3	Does the management committee take lead in loan recovery?		
4	Was the bye law enforced?		
5	Have the members taken timely action to recover loans from defaulters?		
6	Have all the loans from the defaulters been timely recovered?		
7	Has the secretary updated the social fund ledger?		
8	Has the secretary updated the agro input fund ledger?		
9	Has the secretary updated the savings ledger and pass books for all the members?		
10	Have all the members paid their fines?		
11	Is the Cash Book complete, accurate and reliable?		
12	Are the members prepared for the action audit?		
Total points			
Percentage			
Intepretation of the scores Below 100% means that, the VSLA is not ready for action audit. The GA must be empowered to improve on in the weak areas. 100% means the VSLA is ready for action audit. Final preparation should be done during meeting 51			

General Observations:

Step 4:

Conducting Action Audit

Procedure 1:

Towards Action Audit, the VSLA adjusts the loan periods to fit in the schedule end of cycle .i.e. from three months to two months and later to one. This is done to allow all borrowers pay back their loans before the end of the cycle.

Procedure 2:

One week towards the end of cycle .i.e. when the Association has completed the entire social 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 farmers.

Procedure 3:

The secretary then takes each of the member's passbooks and counts the total number of shares that have been bought during the cycle. All the shares purchased are added to get the total number of shares purchased by the members

Procedure 4:

If any member still owes the Association money (from loan arrears and fines), the shares equal in value to his/her debts are cancelled in his/her Share Pass Book. 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 remaining balance.

Figure 6

Meeting Number	Meeting Date	Shares Bought per Meeting									
1	2/5/09										
2	9/5/09										
3	16/5/09										
4	23/5/09										
5	30/5/09										
6	6/6/09										
7	13/6/09										
Starting number of shares											0
Total number of shares bought this period											45
Total number of shares redeemed during period											20
Net shares end period (to be carried forward)											25

Figure 6,

above shows that savings have been physically cancelled with a pen and, also, that in the box below the 45 shares bought during this cycle, 20 have been redeemed (cancelled). This member (Monica Auma) will thus receive interest on the 25 net shares

Procedure 5:

The secretary then prepares the action audit sheet/template while the money counters all the money accrued during the cycle (savings + fines + interest). The Action Audit template/ sheet is presented below:

#	Name	Social fund	Agro-input fund	Savings	Total # of stars	# of redeemed Stars	Net/valid # of stars	New Share value	Net pay	Sign
1	Mary	52,000	130,000	260,000	260	0	260			
2	John	50,000	130,000	200,000	200	0	200			
3	David	48,000	130,000	205,000	205	0	205			
4	Jane	52,000	130,000	203,000	203	0	203			
5	Doreen	51,000	130,000	260,000	260	60	200			
6	Auma	52,000	130,000	45,000	45	20	25			
Total		305,000	780,000	1,173,000	1,173	80	1,093			

In the table, Doreen did not repay the loan of UGX: 60,000, 60 of her shares were used to offset the loan while Auma did not clear her loan of UGX: 20,000, shares worth 20 were used to settle the loan leaving her with net share of 25 on which interest will be calculated

Procedure 6:

The chairperson announces the total amount to be shared out (savings + fines + interest).

Procedure 7:

The secretary then, determines the total interest/profit generated during the cycle. Assume the information is as below:

Total amount counted in UGX	Total savings contributed during the cycle in UGX
4,056,850	1,173,000

The profit/interest generated during the cycle shall be calculated as:

Total amount counted minus total savings contributed

$$4,056,850/- - 1,173,000/=$$

$$\text{UGX: } 2,883,850/=$$

This means that, a total of 2,883,850 as been generated as interest/profit during the cycle.

Procedure 8:

The secretary then calculates the common fund as below:

5% of the total interest/profit generated during the cycle

$$5\% \times 2,883,850 \text{ divide by } 100$$

$$\text{UGX: } 144,150$$

$$\text{The common fund will be } 144,150/=$$

Procedure 9: The secretary now calculates the new share value using the action audit formula below:

Formula Total amount to be shared

Total No. of net shares/stars in all farmers pass books

Total amount generated during the cycle minus the total interest/profit generated

$$4,088,850/- - 144,150/=$$

$$\text{UGX: } 3,939,700/=$$

The share value will be calculated as: 3,939,700

$$1,093$$

$$\text{UGX: } 3,604$$

Procedure 10:

The secretary then calculates the net pay for each member. For example If Mary had 260 stamps in her passbook, to get her net pay the secretary does the following ($3,604/= \times 260$ stamps = 937,000)

She takes each individual passbook and announces the number of net shares that a person owns. She then multiplies this number by the new share value (again using the calculator) and announces the amount to the General Assembly as shown in the table below:

#	Name	Social fund	Agro-input fund	Savings	Total # of stars	# of redeemed Stars	Net/valid # of stars	New Share value	Net pay	Sign
1	Mary	52,000	130,000	260,000	260	0	260	3,604	937,000	
2	John	50,000	130,000	200,000	200	0	200	3,604	720,800	
3	David	48,000	130,000	205,000	205	0	205	3,604		
4	Jane	52,000	130,000	203,000	203	0	203	3,604	731,600	
5	Doreen	51,000	130,000	260,000	260	60	200	3,604	720,800	
6	Auma	52,000	130,000	45,000	45	20	25	3,604	90,100	
Total		305,000	780,000	1,173,000	1,173	80	1,093			

Note: When you multiple Jane's 203 shares/stars by 3,604, you get 731,612 one cannot receive 731,612 round to 731,600 and not 731.650

Procedure 11:

The members come forward and receive their net pay. At the same time, the secretary removes the value of the savings from the member savings passbook by striking them out as shown in figure 6 on the following page.

Procedure 12:

Once the Action Audit is completed, the VSLA MENTOR officially announces that the Association has graduated from the implementing organization's support and is now fully independent. (s)he tells the farmers that the organization will maintain contact from time to time for follow up purposes (especially if the Association is part of the monitoring and Evaluation (M&E) sample. The VSLA MENTOR hands over a certificate of independence and accomplishment.

Procedure 13:

The VSLA Mentor supports the VSLA to assess its capacity using the VSLA Capacity Assessment Form below to make an informed decision to graduate the VSLA or not. Before the competence/capacity assessment, explain that, the graduation means the capacity to operate independently without reliance on the VSLA Mentor and the organization.

No	Parameters/factors	Yes (1)	No (0)
1	Can the VSLA operate without the support of the VSLA Mentor?		
2	Does the Management Committee have the capacity to strictly enforce the IRR, Core principles, best practices & policies of ALENU?		
3	Does the management committee keep accurate, complete and reliable records?		
4	Does the management committee have the capacity to orient new members on the methodology?		
5	Can the management committee manage the weekly meetings effectively?		
6	Can the VSLA effectively manage the process of loan appraisal, monitoring and recovery?		
7	Does the VSLA have capacity to develop and linkages with LG and other development partners?		
8	Does the VSLA have competence in creating mutually beneficial networks with other VSLAs in the Sub county or district?		
9	Can the GA effectively resolve conflicts in the VSLA?		
10	Does the General Assembly have the capacity to hold the management committee accountable?		
Total points			
Percentage			
Decision 1. If the VSLA score between 0 – 69%, DO NOT graduate the VSLA. The VSLA Mentor should develop a mentoring plan for yet another cycle. 2. If the VSLA score between 70 – 100%, graduate the VSLA because capacity to operate independently exist.			
Name, signature and contact of chairperson:			
Name, signature and contact of the VSLA Mentor:			

General Observations:

Procedure 14:

The Association may decide to hold a party to celebrate their accomplishment and this is to be encouraged. The VSLA MENTOR participates and should make a contribution towards the cost.

